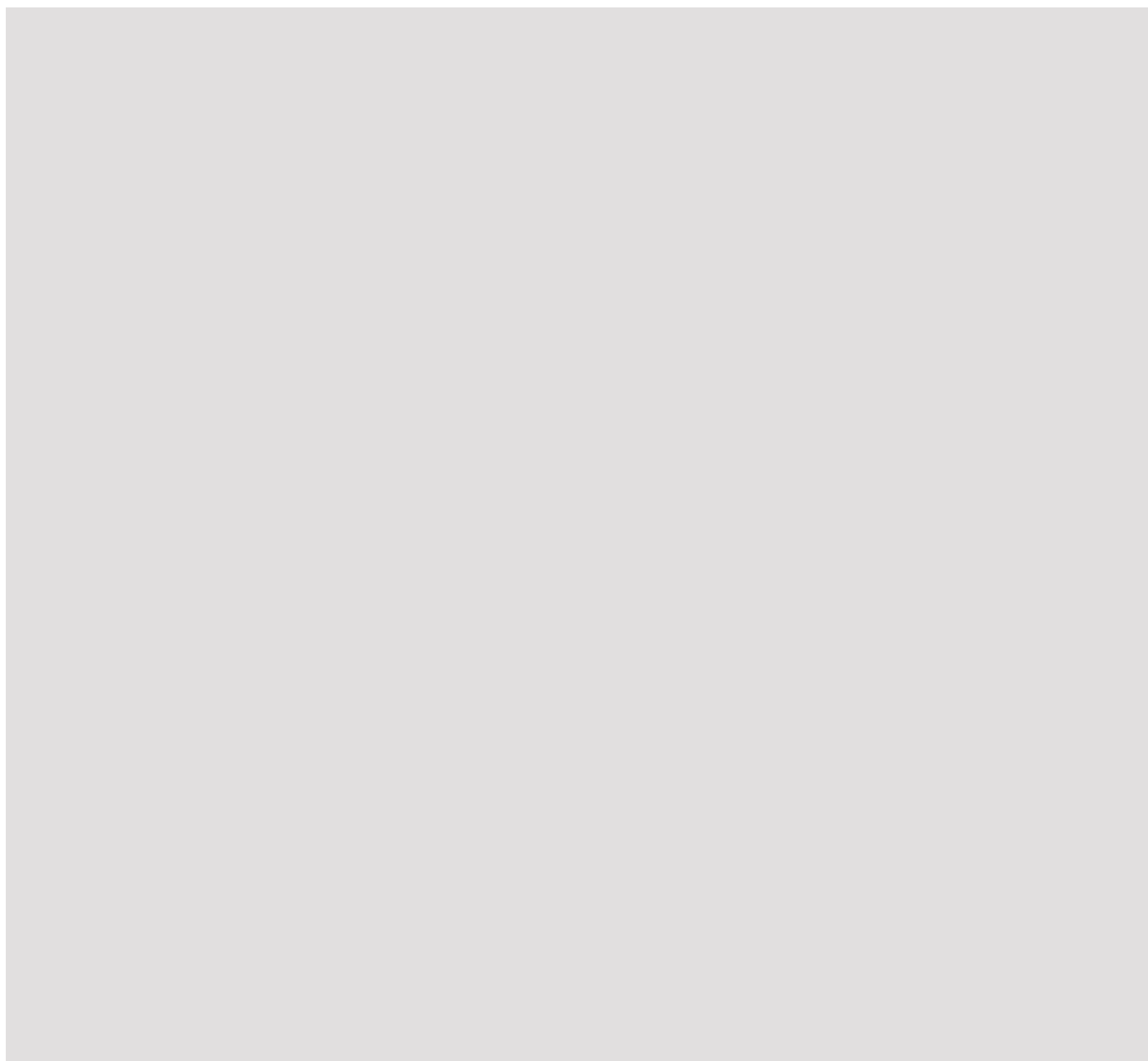

Condensed Interim Consolidated Financial Statements

OMERS Administration Corporation

As at and for the six-months ended June 30, 2021 and 2020



CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

As at (in millions of Canadian dollars)

June 30, 2021 December 31, 2020

Net Assets Available for Benefits

Assets

Investments (note 3)	\$	129,490	\$	119,611
Investment-related assets (note 3)		1,331		2,189
Contributions receivable				
From employers		174		174
From members		174		174
Other assets		360		352
Total Assets		131,529		122,500

Liabilities

Investment-related liabilities (notes 3 and 4)		13,438		13,185
Amounts payable under contractual agreements		3,561		3,401
Other liabilities		273		339
Total Liabilities		17,272		16,925

Net Assets Available for Benefits	\$	114,257	\$	105,575
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Accrued Pension Obligation and Surplus (Deficit)

Primary Plan (note 5)

Defined benefit component

Accrued pension obligation	\$	114,781	\$	111,820
Surplus (Deficit)				
Funding (deficit) surplus		(2,586)		(3,211)
Actuarial value adjustment to net assets available for benefits		582		(4,444)
		(2,004)		(7,655)

Additional Voluntary Contributions component pension obligation		1,294		1,235
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Accrued Pension Obligation and Surplus (Deficit) of the Primary Plan		114,071		105,400
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Retirement Compensation Arrangement

Accrued pension obligation		1,166		1,152
(Deficit) Surplus		(980)		(977)
Accrued Pension Obligation and Surplus (Deficit) of the Retirement Compensation Arrangement		186		175

Accrued Pension Obligation and Surplus (Deficit)	\$	114,257	\$	105,575
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The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(unaudited)

For the six months ended June 30, (in millions of Canadian dollars)	2021	2020
Changes Due to Investment Activities		
Net investment income (loss) (note 6)	\$ 9,223	\$ (11,366)
Total Changes Due to Investment Activities	9,223	(11,366)
Changes Due to Pension Activities		
Contributions received	2,296	2,232
Benefits paid	(2,788)	(2,609)
Pension administrative expenses	(49)	(45)
Total Changes Due to Pension Activities	(541)	(422)
Total Increase (Decrease)	8,682	(11,788)
Net Assets Available for Benefits, Beginning of Period	105,575	109,380
Net Assets Available for Benefits, End of Period	\$ 114,257	\$ 97,592

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN PENSION OBLIGATIONS

(unaudited)

For the six months ended June 30, (in millions of Canadian dollars)

2021

2020

OMERS Primary Pension Plan (note 5)

Defined Benefit Component

Accrued pension obligation, beginning of period	\$	111,820	\$	106,443
Interest accrued on benefits		3,231		3,102
Benefits accrued		1,855		1,755
Benefits paid		(2,725)		(2,552)
Experience losses (gains)		600		(50)
Accrued Pension Obligation, End of Period		114,781		108,698

Additional Voluntary Contributions Component

Additional Voluntary Contributions obligation, beginning of period		1,235		1,244
Contributions		51		41
Withdrawals		(45)		(44)
Attributed net investment income (loss)		53		(63)
Additional Voluntary Contributions Obligation, End of Period		1,294		1,178

Retirement Compensation Arrangement

Accrued pension obligation, beginning of period	\$	1,152	\$	928
Interest accrued on benefits		18		15
Benefits accrued		14		13
Benefits paid		(18)		(13)
Accrued Pension Obligation, End of Period	\$	1,166	\$	943

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(Unaudited amounts in millions of Canadian dollars except where otherwise noted)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

OMERS Administration Corporation (AC) is a corporation without share capital, continued under the Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act). AC is the administrator of the OMERS pension plans (OMERS Pension Plans) as defined in the OMERS Act and is trustee of the pension funds. The OMERS Pension Plans comprise the OMERS Primary Pension Plan (Primary Plan), the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (RCA) and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (Supplemental Plan). As trustee of the Primary Plan's fund, AC holds legal title to the pension fund assets; the trust beneficiaries are Primary Plan members, and in certain circumstances, their spouses or dependents. AC is responsible for administering the OMERS Pension Plans in accordance, as applicable, with the Pension Benefits Act (Ontario) (PBA), the Income Tax Act (Canada) (ITA) and the OMERS Act. OMERS Sponsors Corporation (SC) is the sponsor of the OMERS Pension Plans under the OMERS Act.

The assets of any of the OMERS Pension Plans cannot be used to fund the pension obligations of any of the other OMERS Pension Plans.

OMERS Primary Pension Plan

The Primary Plan is a multi-employer, jointly sponsored pension plan, created in 1962 by an act of the Ontario Legislature, whose members are mainly employees of Ontario municipalities, local boards, public utilities and non-teaching school board staff. The Primary Plan is governed by the OMERS Act, the PBA, the ITA and other applicable legislation. It is registered with the Financial Services Regulatory Authority of Ontario (FSRA) and with the Canada Revenue Agency (CRA) under Registration #0345983.

The benefit provisions and other terms of the Primary Plan are set out in the Primary Plan text. The Primary Plan consists of both the defined benefit component and the Additional Voluntary Contribution (AVC) component.

The defined benefit component of the Primary Plan is designed to provide lifetime defined benefit pensions where funding requirements are determined on a long-term basis. The defined benefit component is funded by equal contributions from participating employers and members, and by investment earnings of the Primary Plan assets.

The AVC component of the Primary Plan permits members to make additional voluntary contributions on which the member earns the net investment return of the Primary Plan.

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

The RCA is an arrangement that provides pension benefits for Primary Plan members with earnings exceeding the amount that generates the maximum pension allowed by the ITA with respect to service after 1991. It is a separate trust arrangement and is not governed by the PBA and is not a Registered Pension Plan under the ITA. The RCA is governed by the OMERS Act, the ITA and other applicable legislation. It is funded on a modified pay-as-you-go basis by equal contributions from participating employers and from active members and by the investment earnings of the RCA fund.

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

AC follows the requirements of the Chartered Professional Accountants of Canada (CPA Canada) Handbook Section 4600 – Pension Plans (Section 4600), which is the basis for Canadian accounting standards for pension plans. AC's recognition and measurement of assets and liabilities are consistent with the requirements of Section 4600. For accounting policies that do not relate to its investment portfolio or pension obligations, AC follows the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These condensed interim consolidated financial statements (Interim Financial Statements) include the financial position, changes in net assets available for benefits and changes in pension obligations of AC and the OMERS Pension Plans and have been prepared in accordance with CPA Canada Handbook Section 4600 and International Accounting Standard (IAS) 34, Interim Financial Reporting. They do not include all the information and disclosure required in the annual consolidated financial statements. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements and the accompanying notes included in AC's 2020 Annual Report. The Interim Financial Statements follow the same accounting policies and methods used in preparation of the audited 2020 annual consolidated financial statements, except as described below.

These Interim Financial Statements were approved by the Board of Directors on August 12, 2021.

Use of Estimates and Judgments

Preparing Interim Financial Statements requires AC Management (Management) to make estimates, judgments and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued pension obligations and related disclosures. Actual results could differ from these estimates. Areas of significant accounting estimates and judgment include the valuation of real estate, infrastructure, private equity, private debt investments, derivatives and pension obligations. The global health pandemic created by the spread of COVID-19 (Pandemic) continues to heighten uncertainty related to estimates and assumptions used in the determination of fair values of certain investment assets. In all cases, Management's estimates are sensitive to key assumptions and drivers that are subject to material change, and Management continues to monitor developments in these inputs.

Accrued Pension Obligation

The June 30, 2021 accrued pension obligation is determined by accumulating the December 31, 2020 accrued pension obligation with normal cost and interest and by deducting benefit payments in the period. An adjustment is made for other known experience, if considered material.

New Accounting Pronouncements In Effect on January 1, 2021

In recent years, global regulators have prioritized the reform and replacement of benchmark interest rates such as USD LIBOR, GBP LIBOR and other interbank offered rates with Alternative Reference Rates (ARRs). The Pound Sterling, Euro, Japanese Yen and Swiss Franc LIBOR will cease or cease to be representative on December 31, 2021 and most USD LIBOR tenors will cease or cease to be representative on June 30, 2023. With this reform, the IASB issued amendments to IFRS 9 – Financial Instruments, IFRS 7 – Financial Instruments: Disclosures and IAS 39 – Financial Instruments: Recognition and Measurement to address the financial reporting impacts.

Management has concluded that the transition to ARR does not have a significant impact on the measurement or disclosure of balances presented in AC's consolidated financial statements. AC will continue to assess the impact of these reforms and transitions on its operations.

NOTE 3

A. Investments by Fair Value and Cost

Investments and investment-related assets and liabilities by fair value and by cost are as follows:

As at	June 30, 2021		December 31, 2020	
	Fair Value	Cost	Fair Value	Cost
Fixed Income				
Inflation-linked bonds	\$ 2,833	\$ 2,686	\$ 2,514	\$ 2,363
Canadian nominal bonds and debentures	3,635	3,596	2,660	2,583
Non-Canadian nominal bonds and debentures	1,651	1,757	1,520	1,571
Private debt and mortgages	9,514	9,942	10,059	10,361
Total Fixed Income	17,633	17,981	16,753	16,878
Equities				
Public Equity				
Canadian public equities	4,438	3,874	4,851	4,728
Non-Canadian public equities	12,798	10,952	10,735	9,206
Total Public Equity	17,236	14,826	15,586	13,934
Private Equity				
Canadian private equities	2,427	2,660	2,434	2,726
Non-Canadian private equities	20,973	17,934	18,377	17,270
Total Private Equity	23,400	20,594	20,811	19,996
Total Equities	40,636	35,420	36,397	33,930
Real Assets				
Infrastructure investments	27,929	27,639	28,678	27,197
Real Estate investments	20,342	17,952	18,316	16,886
Total Real Assets	48,271	45,591	46,994	44,083
Short-Term Instruments				
Cash and short-term deposits	22,950	22,950	19,467	19,468
Total Investments	129,490	121,942	119,611	114,359
Investment-Related Assets				
Investment receivables	367	368	339	339
Deferred assets, prepaid and other	48	76	54	82
Derivatives	879	340	1,609	469
Pending trades	37	37	187	187
Total Investment-Related Assets	1,331	821	2,189	1,077
Investment-Related Liabilities				
Investment liabilities (note 4)	(12,377)	(12,602)	(12,348)	(12,268)
Derivatives	(734)	(189)	(658)	(339)
Pending trades	(327)	(327)	(179)	(179)
Total Investment-Related Liabilities	(13,438)	(13,118)	(13,185)	(12,786)
Net Investment Assets	\$ 117,383	\$ 109,645	108,615	\$ 102,650

B. Investment Fair Value Hierarchy

Investment assets and liabilities are measured at fair value based on inputs from one or more levels of a fair value hierarchy as follows:

Level 1

Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level 1 primarily includes publicly listed equity investments.

Level 2

Fair value is based on valuation methods that make use of inputs, other than quoted prices included within Level 1, that are observable by market participants either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level 2 primarily includes short-term deposits, debt securities and derivative contracts not traded on a public exchange, public fund investments and investment-related liabilities, including debt and securities sold under repurchase agreements.

Level 3

Fair value is based on valuation methods whose significant inputs are based on unobservable market data. Level 3 primarily includes private market investments such as real estate, infrastructure, private equity, mortgages and private debt.

(a) Net investment assets are categorized into the fair value hierarchy as follows:

As at June 30,					2021
	Level 1	Level 2	Level 3	Total	
Fixed Income	\$ —	\$ 8,119	\$ 9,514	\$ 17,633	
Public Equity	17,030	—	206	17,236	
Private Equity	—	515	22,885	23,400	
Infrastructure	—	—	27,929	27,929	
Real Estate	—	—	20,342	20,342	
Short-Term Instruments	2,213	20,737	—	22,950	
Investment-Related Assets	32	1,299	—	1,331	
Investment-Related Liabilities	(94)	(13,344)	—	(13,438)	
Net Investment Assets	\$ 19,181	\$ 17,326	\$ 80,876	\$ 117,383	
As at December 31,					2020
	Level 1	Level 2	Level 3	Total	
Fixed Income	\$ —	\$ 6,694	\$ 10,059	\$ 16,753	
Public Equity	15,310	43	233	15,586	
Private Equity	113	955	19,743	20,811	
Infrastructure	—	—	28,678	28,678	
Real Estate	—	—	18,316	18,316	
Short-Term Instruments	1,171	18,296	—	19,467	
Investment-Related Assets	21	2,168	—	2,189	
Investment-Related Liabilities	(89)	(13,096)	—	(13,185)	
Net Investment Assets	\$ 16,526	\$ 15,060	\$ 77,029	\$ 108,615	

(b) The following table presents the changes in Level 3 investments for the period ended June 30, 2021:

	Fair Value Dec 31, 2020	Included in Total Investment Income (Loss) ⁽ⁱ⁾	Transfers In ⁽ⁱⁱ⁾	Transfers Out ⁽ⁱⁱ⁾	Purchases	Sales and Return of Capital ⁽ⁱⁱⁱ⁾	Fair Value Jun 30, 2021	Unrealized Gains (Losses) Attributable to Investments in the period ^{(i) (iv)}
Fixed Income	\$ 10,059	\$ 33	\$ —	\$ —	\$ 1,310	\$ (1,888)	\$ 9,514	\$ (220)
Public Equity	233	(19)	—	—	—	(8)	206	(24)
Private Equity	19,743	2,430	—	(63)	1,713	(938)	22,885	2,372
Infrastructure	28,678	466	—	—	966	(2,181)	27,929	(416)
Real Estate	18,316	1,019	63	—	1,635	(691)	20,342	588
Total	\$ 77,029	\$ 3,929	\$ 63	\$ (63)	\$ 5,624	\$ (5,706)	\$ 80,876	\$ 2,300

The following table presents the changes in Level 3 investments for the period ended June 30, 2020:

	Fair Value Dec 31, 2019	Included in Total Investment Income (Loss) ⁽ⁱ⁾	Transfers In ⁽ⁱⁱ⁾	Transfers Out ⁽ⁱⁱ⁾	Purchases	Sales and Return of Capital ⁽ⁱⁱⁱ⁾	Fair Value Jun 30, 2020	Unrealized Gains (Losses) Attributable to Investments in the period ^{(i) (iv)}
Fixed Income	\$ 8,446	\$ (100)	\$ 50	\$ —	\$ 2,337	\$ (650)	\$ 10,083	\$ (287)
Public Equity	—	(22)	—	—	248	—	226	(22)
Private Equity	21,388	(2,055)	—	—	413	(1,953)	17,793	(2,034)
Infrastructure	25,292	697	—	—	2,913	(904)	27,998	294
Real Estate	20,497	(1,598)	—	—	1,082	(2,135)	17,846	(1,603)
Total	\$ 75,623	\$ (3,078)	\$ 50	\$ —	\$ 6,993	\$ (5,642)	\$ 73,946	\$ (3,652)

(i) Excludes the impact of foreign currency hedging activities.

(ii) Transfers in and out of Level 3 in 2021 represent transfers between asset classes. Transfer into Level 3 in 2020 was due to changes in the market observable inputs used to determine fair value.

(iii) Includes realized foreign exchange gains and losses.

(iv) This column separately identifies unrealized gains (losses) that are also included in the column labeled 'Included in Total Investment Income (Loss)'.

(c) Fair Value Assumptions and Sensitivity

Level 3 investment assets and liabilities are valued using models whose significant inputs are based on unobservable market data. The significant valuation input for private credit, infrastructure and real estate investment is the discount rate. The discount rate is composed of two elements: a risk-free rate, which is the return that would be expected from a secure, liquid, virtually risk-free investment, such as a high quality government bond; plus a risk premium. The risk premium is estimated from, where observable, implied values of similar publicly traded investments or sales of similar investments (similar properties, in the case of real estate investments). If such information is not available, the risk premium is estimated at a level that compensates for the incremental amount of risk associated with a particular investment. The selected discount rates are chosen to be consistent with the risk inherent in the stream of cash flows to which they are applied.

Private equity valuation inputs include EBITDA multiples. All else being equal, higher multiples equate to higher fair values, and vice versa.

The following table presents the sensitivity of Level 3 investments' valuations to reasonably possible alternative assumptions for asset categories where such reasonably possible alternative assumptions would change the fair value significantly. These sensitivities are hypothetical and should be used with caution. The impact to the valuation from such changes to the significant input has been calculated independently of the impact of changes in other key variables. In actual experience, a change in the discount rate may be the result of changes in a number of underlying assumptions which could amplify or reduce the impact on the valuation.

As at			June 30, 2021	December 31, 2020	
	Significant Inputs	Range of Inputs	Increase/ Decrease in Significant Inputs	Decrease/ Increase in Net Investment Assets	Decrease/Increase in Net Investment Assets
Private credit	Discount rate	1.3% - 17.5% (2020: 1.2% - 16.4%)	25 bps \$	42 \$	50
Private equity - core direct investments	EBITDA multiple	5.5X - 20.5X (2020: 5.5X - 19.7X)	0.50x	640	630
Infrastructure investments	Discount rate	6.5% - 16.3% (2020: 6.5% - 15.8%)	25 bps	1,485	1,220
Real estate investments	Discount rate	4.7% - 10.5% (2020: 4.7% - 10.5%)	25 bps	600	590

The above sensitivity analysis excludes fund investments totaling \$6,193 (December 31, 2020: \$6,144) for which AC does not have access to the underlying investment information. For those investments, fair values are equal to the values provided by the fund's general partner, unless there is a specific and objectively verifiable reason to vary from the value provided.

C. Derivative Financial Instruments

The following table summarizes AC's derivative portfolio. Notional amounts represent economic exposure, and are the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. These notional amounts are used to determine the gains (losses) and fair values of the derivative contracts; they are not recorded as assets or liabilities on the Condensed Interim Consolidated Statement of Financial Position. Notional amounts do not necessarily represent the amount of potential market risk or credit risk arising from derivatives. The table below includes non-delta adjusted notional amounts.

As at	June 30, 2021						December 31, 2020			
	Fair Value						Fair Value			
	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities	Notional Value	Assets	Liabilities	
Fixed Income										
Interest Rate Contracts										
Swaps	\$ 1,172	\$ 16	\$ —	\$ 325	\$ 6	\$ —				
Swaptions										
- written	2,477	—	—	—	—	—				
- purchased	2,477	4	—	637	—	—				
Futures	2,216	1	—	2,856	1	—				
		21	—		7	—				
Credit Default Contracts										
Swaps	9,216	1	—	1,697	—	—				
Swaptions										
- written	—	—	—	3,376	—	(3)				
- purchased	—	—	—	3,376	9	—				
		1	—		9	(3)				
		22	—		16	(3)				
Equities										
Equity Contracts										
Swaps	18,551	336	(295)	17,794	580	(195)				
Futures	4,476	6	(4)	3,533	13	(7)				
Options										
- written	11,735	—	(130)	13,448	—	(164)				
- purchased	16,453	233	—	15,552	224	—				
		575	(429)		817	(366)				
Commodity Contracts										
Futures	1,761	24	(3)	1,584	7	(6)				
		24	(3)		7	(6)				
		599	(432)		824	(372)				
Foreign Exchange Contracts										
Forwards	37,337	256	(296)	42,958	750	(235)				
Options										
- written	1,006	—	(6)	3,389	—	(48)				
- purchased	1,006	2	—	5,354	19	—				
		258	(302)		769	(283)				
Total	\$	\$ 879	\$ (734)	\$	\$ 1,609	\$ (658)				

D. Investment Risk

AC's primary long-term investment risk is that the value of its assets and its capacity to generate cash is insufficient to meet pension obligations. AC's future pension obligations are the basis for establishing its long-term investment objectives, combined with an assessment of associated risks.

The Pandemic, and the resulting economic conditions, may materially and adversely impact AC's investment portfolio, AC's counterparties' ability to service their loan obligations and AC's sources of liquidity. The Pandemic's long-term impact on the financial markets remain uncertain and AC continues to monitor the risks arising from the Pandemic.

AC manages market, credit and liquidity risk as follows.

a) Market Risk

Market risk is the risk that the fair value of an investment is impacted by changes in market prices such as foreign exchange rates, interest rates, equity prices, commodity prices, credit spreads and other price risks.

(i) Foreign Exchange Rates

AC pays pensions in Canadian dollars and manages a highly diversified portfolio of long-term investments, some of which are denominated in foreign currencies. AC assumes foreign exchange risks and manages a proportion of its exposures associated with foreign currency-denominated investments using forward contracts. Net investment assets by currency, after the impact of currency hedging, are as follows:

As at	June 30, 2021		December 31, 2020	
	Fair Value By Currency		Fair Value By Currency	
Currency	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	\$ 22,324	19 %	\$ 18,040	17 %
British Pound Sterling	4,993	4	4,328	4
Hong Kong Dollar	2,831	2	2,869	3
India Rupee	1,851	2	1,801	2
Australian Dollar	1,339	1	1,112	1
Chinese Yuan	1,157	1	1,292	1
Euro	1,263	1	196	—
All Other	2,644	2	1,538	2
Total Foreign Exposure	38,402	32	31,176	30
Canadian Dollar	78,981	68	77,439	70
Total	\$ 117,383	100 %	\$ 108,615	100 %

Foreign Currency Sensitivity

After giving effect to the impact of hedging and holding constant all other variables and underlying values, a five per cent increase or decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate \$1,921 (December 31, 2020: \$1,559) decrease or increase in AC's net assets as shown below:

As at			June 30, 2021		December 31, 2020
Currency	Change in value of Canadian Dollar		Unrealized gain/loss		Unrealized gain/loss
United States Dollar	+/- 5%	-/+	\$ 1,116	-/+	\$ 902
British Pound Sterling	+/- 5%	-/+	250	-/+	216
Hong Kong Dollar	+/- 5%	-/+	142	-/+	143
India Rupee	+/- 5%	-/+	93	-/+	90
Australian Dollar	+/- 5%	-/+	67	-/+	56
Chinese Yuan	+/- 5%	-/+	58	-/+	65
Euro	+/- 5%	-/+	63	-/+	10
All Other	+/- 5%	-/+	132	-/+	77
Total		-/+	\$ 1,921	-/+	\$ 1,559

(ii) Interest Rate Risk

AC's primary exposure to interest rate changes in its net investment assets relates primarily to capital deployed in fixed income products, which include bonds and debentures, private debt and mortgages, as well as a variety of indirectly managed interest-bearing investments in private portfolios and interest rate swaps. Investments with fixed rates of interest will decrease in market value as interest rates rise, and vice versa.

Sensitivity to changes in interest rates

AC's exposure to a one per cent increase (decrease) in interest rate, with all other variables held constant, would result in an approximate (decrease) increase in the value of directly managed fixed income investments and interest rate swaps net of term note liabilities, and an unrealized (loss) gain, of \$244 (December 31, 2020: \$246).

(iii) Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments traded in the market.

AC's investment in publicly-traded equities is achieved through both physical holdings and derivative exposures. A 10% increase (decrease) in the value of these public equities would result in an approximate increase (decrease) in public equity exposures, and an unrealized gain (loss), of \$3,746 (December 31, 2020: \$3,401).

AC's investments in private equity, infrastructure, real estate and private debt and mortgages are also subject to price risk: their values are impacted by many general and specific variables, as described in Note 3B - Investment Fair Value Hierarchy.

AC is also subject to price risk through changes in credit spreads on its fixed income investments. A 50 basis point increase (decrease) in the credit spreads of AC's fixed income investments would result in an approximate (decrease) increase in the value of interest-bearing fixed income investments, and an unrealized (loss) gain, of \$382 (December 31, 2020: \$319).

b) Credit Risk

Credit risk is defined as the financial loss that results from the failure of a counterparty to honour its contractual obligations to AC. AC is subject to credit risk primarily in connection with issuers of securities, debtors, structured securities, derivatives, repurchase agreements and securities lending counterparties. Credit risk for uncleared over-the-counter (OTC) derivatives accounts for margin posted or exchanged. Credit risk for cleared OTC derivative contracts and futures contracts is typically minimal, as the counterparty is an exchange, rather than a corporate entity; initial margin is posted; and margin receivables and payables are settled in cash daily.

To manage counterparty credit risk, AC:

- requires collateral from its counterparties in certain circumstances, as outlined in contractual arrangements;
- limits how much exposure it has with individual counterparties; and
- regularly performs financial analysis of its significant counterparties, which includes reference to credit rating agencies and other relevant external sources. AC only trades OTC derivatives with high quality counterparties. If no rating is available from selected reputable credit rating agencies (i.e., for certain corporate sector securities), Management estimates ratings using an internal rating process.

(i) Credit Quality

The counterparty credit ratings for fixed income and short-term instruments is set out in the table below:

As at June 30,						2021
	Sovereign Governments	Provincial Governments	Corporate	Total	% of Total	
AAA	\$ 3,791	\$ —	\$ —	3,791	9 %	
AA	4,781	370	18,268	23,419	58	
A	—	221	653	874	2	
BBB	474	—	2,843	3,317	8	
Below BBB	35	—	6,475	6,510	16	
Unrated	—	—	2,672	2,672	7	
Total	\$ 9,081	\$ 591	\$ 30,911	\$ 40,583	100 %	

As at December 31,						2020
	Sovereign Governments	Provincial Governments	Corporate	Total	% of Total	
AAA	\$ 3,020	\$ —	\$ —	3,020	8 %	
AA	5,514	377	13,954	19,845	55	
A	—	227	381	608	2	
BBB	508	—	2,865	3,373	9	
Below BBB	38	—	6,451	6,489	18	
Unrated	—	—	2,885	2,885	8	
Total	\$ 9,080	\$ 604	\$ 26,536	\$ 36,220	100 %	

Unrated securities in the tables above relate to private mortgages with a weighted average loan-to-value ratio at the time of issuance of no greater than 75%.

(ii) Margin, Right of Netting and Offset

AC is a counterparty to financial instruments that are subject to margin, netting and offset arrangements.

For margin arrangements, generally, AC pledges and receives collateral consisting of securities and in some cases, cash, in the ordinary course of managing net investments. AC has enforceable contractual rights to realize upon collateral and to set-off against amounts owing under financial contracts following a counterparty default or other termination right. Additional collateral is exchanged if the value of the collateral falls below a predetermined level, based on the value of the underlying transaction(s) or interest, and the value of the collateral posted. Specifically:

- In the case of OTC derivatives, variation margin collateral is collected from and provided to counterparties according to the Credit Support Annex (CSA), which forms part of International Swaps and Derivatives Association (ISDA) master agreements.
- In the case of prime brokerage and securities borrowing, collateral is exchanged to the full extent of the liability with the counterparty, with a party required to pledge marketable securities or cash of higher value as collateral than the securities borrowed. AC does not recognize any securities borrowed as its investment assets or derecognize any securities lent because the risks and rewards of borrowed securities remain with the lenders.
- In the case of repurchase transactions, under Global Master Repurchase Agreements (GMRA), AC sells securities and simultaneously incurs an obligation to buy back equivalent securities in the future. Collateral is exchanged between the counterparties based on the current value of the securities sold under the repurchase agreements.

AC enters into enforceable master netting agreements, such as ISDA Master Agreements, GMRA and securities lending agreements. Under these agreements, following a counterparty's event of default, bankruptcy or other early termination event, AC is entitled to liquidate transactions under each of the above derivative, repurchase and securities lending arrangements and to net amounts payable under all transactions under that agreement. Master netting agreements might include contractual rights of set-off, enforceable following the occurrence of an event of default or other termination event, that might allow, in certain circumstances, AC or its counterparty to set-off amounts owing under one agreement against amounts owed under another agreement, on a counterparty by counterparty basis. In the Condensed Interim Consolidated Statement of Financial Position, financial instruments are not offset, as a party's rights of offset across agreements are conditional.

Certain financial transactions, such as derivative transactions, involve a legally enforceable right to offset the recognized amounts and to settle payments on a net basis, or to realize upon an asset and a liability simultaneously. Financial assets and liabilities that are offset are reported as a net amount in the Interim Financial Statements.

AC may not be permitted to net and set-off upon the default of a clearer in respect of exchange traded derivatives and cleared OTC derivatives. In the Condensed Interim Consolidated Statement of Financial Position, financial instruments are not offset where the rights of offset are conditional.

In the following table, the net amount presents the effect of the amounts that do not qualify for offsetting but which are subject to conditional netting arrangements or similar arrangements, including ISDA, GMRA, security lending agreements and any related rights to financial collateral:

As at June 30,		2021					
	Gross amounts of recognized Financial Instruments	Less amounts offset in Interim Financial Statements	Net amounts presented in Interim Financial Statements	Related amounts not set off in the Condensed Interim Consolidated Statement of Financial Position		Net amount	
				Amounts subject to netting arrangements	Financial collateral (received) pledged		
Financial Assets							
Derivative assets	\$ 879	\$ —	\$ 879	\$ (606)	\$ (151)	122	
Total Financial Assets	\$ 879	\$ —	\$ 879	\$ (606)	\$ (151)	122	
Financial Liabilities							
Derivative liabilities	\$ (734)	\$ —	\$ (734)	\$ 606	\$ 124	(4)	
Securities borrowing	(581)	—	(581)	—	1,100	519	
Total Financial Liabilities	\$ (1,315)	\$ —	\$ (1,315)	\$ 606	\$ 1,224	515	
As at December 31,		2020					
	Gross amounts of recognized Financial Instruments	Less amounts offset in Interim Financial Statements	Net amounts presented in Interim Financial Statements	Related amounts not set off in the Condensed Interim Consolidated Statement of Financial Position		Net amount	
				Amounts subject to netting arrangements	Financial collateral (received) pledged		
Financial Assets							
Derivative assets	\$ 1,609	\$ —	\$ 1,609	\$ (671)	\$ (514)	424	
Total Financial Assets	\$ 1,609	\$ —	\$ 1,609	\$ (671)	\$ (514)	424	
Financial Liabilities							
Derivative liabilities	\$ (658)	\$ —	\$ (658)	\$ 671	\$ —	13	
Securities borrowing	(480)	—	(480)	—	1,080	600	
Total Financial Liabilities	\$ (1,138)	\$ —	\$ (1,138)	\$ 671	\$ 1,080	613	

c) Liquidity Risk

Liquidity risk is the risk that AC will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering a financial asset. AC may use repurchase agreements, derivative contracts, securities lending and securities borrowing arrangements to gain exposure to equities, fixed income, credit, commodities and currency. Using these instruments increases AC's collateral requirements and liquidity risk.

AC has developed forward-looking liquidity risk and cash flow models to periodically assess its liquidity position. AC also maintains a portfolio of highly marketable assets that could be sold or funded on a secured basis to generate liquidity. AC's principal liquidity needs include meeting its pension obligations, funding investment acquisitions, meeting collateral demands related to its use of derivatives, and funding investment management and pension administration expenses.

As of June 30, 2021, AC maintained \$26,840 of available liquid assets (December 31, 2020: \$22,794). Available liquid assets includes cash, inflation-linked bonds and nominal bonds.

(i) *Terms to Maturity*

The term to maturity of AC's derivative and non-derivative liabilities based on fair value is as follows:

As at	June 30, 2021				December 31, 2020			
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Debt (undiscounted principal and interest repayments) ⁽ⁱ⁾	\$ 2,487	\$ 6,814	\$ 2,347	\$ 11,648	\$ 3,021	\$ 6,091	\$ 2,402	\$ 11,514
Securities sold short	110	87	384	581	217	36	227	480
Payables and other liabilities	511	—	—	511	647	—	—	647
Interest rate contracts	—	—	—	—	—	—	—	—
Credit default contracts	—	—	—	—	3	—	—	3
Equity contracts	427	2	—	429	366	—	—	366
Commodity contracts	3	—	—	3	6	—	—	6
Foreign exchange contracts	296	6	—	302	257	26	—	283
Total	\$ 3,834	\$ 6,909	\$ 2,731	\$ 13,474	\$ 4,517	\$ 6,153	\$ 2,629	\$ 13,299

(i) Includes \$1,758 (2020 - \$2,570) of commercial paper that is due within twelve months.

The term to maturity of AC's derivative liabilities based on notional value is as follows:

As at	June 30, 2021				December 31, 2020			
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Interest rate contracts	\$ —	\$ —	\$ —	\$ —	\$ 52	\$ —	\$ —	\$ 52
Credit default contracts	2,477	—	—	2,477	3,376	—	—	3,376
Equity contracts	22,888	206	—	23,094	20,057	—	—	20,057
Commodity contracts	350	—	—	350	626	—	—	626
Foreign exchange contracts	16,148	1,006	—	17,154	16,645	1,035	—	17,680
Total	\$ 41,863	\$ 1,212	\$ —	\$ 43,075	\$ 40,756	\$ 1,035	\$ —	\$ 41,791

(ii) *Commercial paper*

OMERS Finance Trust (OFT) whose beneficiaries are subsidiaries of AC, is authorized to issue up to \$5,000 (December 31, 2020: \$5,000) in commercial paper, which is unconditionally and irrevocably guaranteed by AC, of which \$1,758 was issued as at June 30, 2021 (December 31, 2020: \$2,570). Commercial paper generally has short-term maturities, and the requirement to repay this debt at maturity increases liquidity risk. OFT manages this risk by maintaining a high credit rating and by maintaining an undrawn \$3,750 (December 31, 2020: \$3,750) revolving credit facility with a syndicate of well-capitalized banks to backstop the commercial paper program and to use for other general corporate purposes.

NOTE 4

Investment Liabilities

AC's investment liabilities are as follows:

As at	June 30, 2021		December 31, 2020	
Debt	\$	11,285	\$	11,221
Securities sold short		581		480
Payables and other liabilities		511		647
Total	\$	12,377	\$	12,348

OFT is authorized to issue term notes, which are unconditionally and irrevocably guaranteed by AC. As at June 30, 2021, \$7,942 is outstanding (December 31, 2020: \$7,004).

Total debt with recourse to AC is comprised of the following:

As at	June 30, 2021			December 31, 2020		
	Fair Value	Cost	Weighted Average Interest Rate	Fair Value	Cost	Weighted Average Interest Rate
Real Estate						
Credit facilities	\$ 508	\$ 508	1.07 %	\$ 546	\$ 546	1.03 %
Infrastructure						
Secured debt	1,062	1,008	1.39	1,101	998	1.47
OMERS Finance Trust						
Commercial paper ⁽ⁱ⁾	1,758	1,758	0.17	2,570	2,570	0.23
Term notes:						
USD 1.125% due April 14, 2023 ⁽ⁱⁱ⁾	1,257	1,392	1.13	1,300	1,392	1.13
USD 2.50% due May 2, 2024 ⁽ⁱⁱⁱ⁾	1,633	1,683	2.50	1,703	1,682	2.50
EUR 0.450% due May 13, 2025 ^(iv)	1,501	1,523	0.45	1,607	1,526	0.45
USD 1.10% due March 26, 2026 ^(v)	1,246	1,261	1.10	—	—	—
CAD 1.550% due April 21, 2027 ^(vi)	1,250	1,253	1.55	1,291	1,253	1.55
CAD 2.60% due May 14, 2029 ^(vii)	1,055	1,003	2.60	1,103	1,002	2.60
Credit facilities ^(viii)	15	15	1.40	—	—	—
Total	\$ 11,285	\$ 11,404	1.29 %	\$ 11,221	\$ 10,969	1.26 %

(i) Commercial paper outstanding has maturities from July 2, 2021 to September 21, 2021 with interest rates ranging from 0.10% to 0.22%.

(ii) USD \$1.00 billion term notes issued April 14, 2020. Interest is payable semi-annually in April and October of each year.

(iii) USD \$1.25 billion term notes issued May 2, 2019. Interest is payable semi-annually in May and November of each year.

(iv) EUR €1.00 billion term notes issued May 13, 2020. Interest is payable annually in May of each year.

(v) USD \$1.00 billion term notes issued March 26, 2021. Interest is payable semi-annually in March and September of each year.

(vi) CAD \$1.25 billion term notes issued April 21, 2020. Interest is payable semi-annually in April and October of each year.

(vii) CAD \$1.00 billion term notes issued May 14, 2019. Interest is payable semi-annually in May and November of each year.

(viii) EUR €250 revolving credit facility expires in May 2022 with an interest rate of EURIBOR + 1.40%. At June 30, 2021, EUR €10 was drawn (December 31, 2020: nil).

NOTE 5

OMERS Primary Pension Plan

A summary of the financial statements of the Primary Plan is as follows:

Condensed Interim Statement of Financial Position

As at	June 30, 2021	December 31, 2020
Net Assets Available for Benefits	\$ 114,071	\$ 105,400
Accrued Pension Obligation and Surplus (Deficit)		
Defined benefit component		
Accrued pension obligation	\$ 114,781	\$ 111,820
Surplus (Deficit)		
Funding (deficit) surplus	(2,586)	(3,211)
Actuarial value adjustment of net assets	582	(4,444)
	(2,004)	(7,655)
Additional Voluntary Contributions component pension obligation	1,294	1,235
Total Primary Plan Accrued Pension Obligation and Surplus (Deficit)	\$ 114,071	\$ 105,400

Condensed Interim Statement of Changes in Net Assets Available for Benefits

For the six months ended June 30,	2021	2020
Statement of Changes in Net Assets		
Net investment income (loss)	\$ 9,212	\$ (11,364)
Contributions	2,278	2,215
Benefits	(2,770)	(2,596)
Pension administrative expenses	(49)	(45)
Total Increase (Decrease)	8,671	(11,790)
Net Assets Available for Benefits, Beginning of Period	105,400	109,218
Net Assets Available for Benefits, End of Period	\$ 114,071	\$ 97,428

The primary economic actuarial assumptions used in the actuarial valuation of the Primary Plan as at June 30, 2021 are unchanged from December 31, 2020.

The (Deficit) Surplus of the Primary Plan is summarized as follows:

As of	June 30, 2021	December 31, 2020
Primary Plan fair value of net assets available for benefits	\$ 114,071	\$ 105,400
Less Additional Voluntary Contribution net assets	1,294	1,235
Defined benefit net assets available for benefits	112,777	104,165
Actuarial value adjustment	(582)	4,444
Actuarial value of net assets available for benefits	112,195	108,609
Less Defined Benefit accrued pension obligation	114,781	111,820
Funding (deficit) surplus of actuarial value of net assets available for benefits over accrued pension obligation	(2,586)	(3,211)
Reversal of actuarial value adjustment	582	(4,444)
(Deficit) Surplus of net assets available for benefits over accrued pension obligation	\$ (2,004)	\$ (7,655)

The change in the actuarial value adjustment is as follows:

	For the six months ended June 30, 2021	For the year ended December 31, 2020
Expected interest on beginning actuarial value adjustment ⁽ⁱ⁾	\$ (128)	\$ 291
Current year returns in excess (below) of the discount rate not recognized in the year ⁽ⁱ⁾	4,931	(7,460)
Prior years' returns below (above) the discount rate recognized in the year	223	(2,203)
Increase (Decrease) in actuarial value adjustment	5,026	(9,372)
Actuarial value adjustment, beginning of period	(4,444)	4,928
Actuarial value adjustment, end of period	\$ 582	\$ (4,444)

(i) Based on the discount rate in effect during the period: 5.85% (2020: 5.90%)

NOTE 6

Net Investment Income (Loss)

The OMERS Pension Plans' investment income (loss) by segment is as follows:

	2021				
	Investment Income	Net Gain (Loss) on Investment Assets, Liabilities	Total Investment Income (Loss)	Investment Management Expenses	Net Investment Income (Loss)
Fixed Income					
Inflation-linked bonds	\$ 9	\$ 46	\$ 55	\$ (5)	50
Nominal bonds and debentures	70	(111)	(41)	(7)	(48)
Private debt and mortgages	283	(157)	126	(41)	85
Total Fixed Income	362	(222)	140	(53)	87
Equities					
Canadian public equities	117	802	919		
Non-Canadian public equities	231	3,097	3,328		
Total public equities	348	3,899	4,247	(48)	4,199
Canadian private equities	89	(35)	54		
Non-Canadian private equities	211	2,419	2,630		
Total private equities	300	2,384	2,684	(129)	2,555
Total Equities	648	6,283	6,931	(177)	6,754
Real Assets					
Infrastructure	843	369	1,212	(55)	1,157
Real estate	401	950	1,351	(5)	1,346
Total Real Assets	1,244	1,319	2,563	(60)	2,503
Short-Term Instruments					
Cash and short-term deposits	26	87	113	(3)	110
Total Investment Income (Loss)	\$ 2,280	\$ 7,467	\$ 9,747	\$ (293)	9,454
Income credited under contractual agreements					(231)
Net Investment Income (Loss)				\$	9,223

	Investment Income	Net Gain (Loss) on Investment Assets, Liabilities	Total Investment Income (Loss)	Investment Management Expenses	Net Investment Income (Loss)
Fixed Income					
Inflation-linked bonds	\$ 19	\$ 12	\$ 31	\$ (4)	27
Nominal bonds and debentures	74	(1,682)	(1,608)	(6)	(1,614)
Private debt and mortgages	285	(141)	144	(30)	114
Total Fixed Income	378	(1,811)	(1,433)	(40)	(1,473)
Equities					
Canadian public equities	97	(2,521)	(2,424)		
Non-Canadian public equities	152	(3,463)	(3,311)		
Total public equities	249	(5,984)	(5,735)	(48)	(5,783)
Canadian private equities	40	(548)	(508)		
Non-Canadian private equities	252	(2,582)	(2,330)		
Total private equities	292	(3,130)	(2,838)	(32)	(2,870)
Total Equities	541	(9,114)	(8,573)	(80)	(8,653)
Real Assets					
Infrastructure	543	(232)	311	(61)	250
Real estate	294	(1,956)	(1,662)	(5)	(1,667)
Total Real Assets	837	(2,188)	(1,351)	(66)	(1,417)
Short-Term Instruments					
Cash and short-term deposits	70	(96)	(26)	(2)	(28)
Total Investment (Loss) Income	\$ 1,826	\$ (13,209)	\$ (11,383)	\$ (188)	(11,571)
Income credited under contractual agreements					205
Net Investment Income (Loss)				\$	(11,366)

NOTE 7

Guarantees, Commitments and Contingencies

AC enters into guarantees, commitments and contingencies in the normal course of business.

Guarantees are provided to third parties with respect to certain investments. The maximum amount payable under guarantees, standby letters of credit and contingent amounts payable provided as part of investment transactions was \$2.8 billion as at June 30, 2021 (December 31, 2020: \$3.3 billion).

Future commitments and contingencies include those relating to acquisitions of investments, funds managed by third parties, development of real estate projects and refurbishment of a major infrastructure asset. As at June 30, 2021, \$3.0 billion (December 31, 2020: \$2.0 billion) is due within one year and \$14.7 billion (December 31, 2020: \$15.0 billion) is long term.

AC indemnifies its directors, officers, certain employees, its business units and certain others in connection with proceedings against them to the extent that these individuals are not covered under another arrangement. In addition, AC may in certain circumstances in the course of investment activities agree to indemnify a counterparty. Under the terms of such arrangements, AC may be required to compensate these parties for costs incurred as a result of various contingencies such as changes in laws and regulations or legal claims. The contingent nature of the liabilities in such agreements and the range of indemnification prevent AC from making a reasonable estimate of the maximum amount that would be required to pay such indemnifications.

As at June 30, 2021, AC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a material adverse effect on the Interim Financial Statements.