ONE TEAM

OMERS

2008 Annual Report

ONE TEAM
A CLEAR STRATEGY

OMERS

2008 Annual Report

OMERS was established in 1962 as the pension plan for employees of local governments in Ontario. On June 30, 2006, the *Ontario Municipal Employees Retirement System Act, 2006* (the *OMERS Act*) came into effect. The Act continued the Ontario Municipal Employees Retirement Board as the OMERS Administration Corporation (AC) and created a Sponsors Corporation (SC) to replace the Ontario government as plan sponsor.

Sponsors (such as plan members, employers and retirees, through their unions, associations and other organizations) appoint the Board Members of the SC and the AC. As of June 30, 2009, the SC will appoint AC Board Members.

OMERS Sponsors Corporation

OMERS Sponsors Corporation has 14 Members: 7 plan member representatives, and 7 employer representatives.

The SC is responsible for:

- Determining plan design for benefits to be provided by the pension plans
- Setting contribution rates for members and participating employers
- Establishing or changing a reserve to stabilize contribution rates
- Setting compensation levels and appointment protocol of SC members and the AC Board.

OMERS Administration Corporation

OMERS Administration Corporation Board has 14 board members: 7 plan member representatives, and 7 employer representatives. It is the Administrator of the OMERS Pension Plans.

The AC Board is responsible for:

- Appointing and overseeing the AC management team
- Establishing investment policies, asset allocation and investment management of OMERS Pension Plans' assets
- Overseeing pension services, administration and plan valuation
- Appointing the AC auditor and the actuary for the OMERS Pension Plans.

OMERS AC Management

AC Management conducts the affairs of the AC and has been delegated broad responsibilities for ensuring that OMERS discharges its statutory and related responsibilities to plan members, including:

- Administering the OMERS Pension Plans
- Providing for the actuarial valuation of the OMERS Pension Plans
- Investment of the OMERS Pension Plans' assets and plan valuation
- Technical and administrative support for the SC.

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ONE TEAM — A CLEAR STRATEGY

OMERS equation for success is based on delivering pension payments, providing best-in-class services, making smart investment choices and effectively managing our assets. But this doesn't happen by chance; organizations need clear direction. OMERS Administration Corporation's **strategic approach for the next five years** sets in motion a blueprint for success with the right people, processes and systems in place.

Our strategy draws on the strength and experience of our investment entities as we seek out **new opportunities**. Our focus is on capital growth. By establishing long-term relationships to increase our "alpha" assets in global, inter-connected markets and increasing our "direct drive" active management of investments, OMERS is well positioned for success in the world of pension administration and investment.

In 2008 we launched an international brand, **OMERS Worldwide**, which will build our global reputation and networks. A new entity was introduced, **OMERS Strategic Investments**, which has a broad mandate to invest in a select portfolio of private companies with global reach. Backed by the collective depth and experience of our team, we are ready to take advantage of opportunities as they emerge.

Our ultimate goal is to build surplus wealth.
A strong and growing pension plan means peace of mind for our members and we have a clear strategy and the right team to deliver on our pension promise.

Focused on the Pension Promise

The OMERS Primary Pension Plan is a multi-employer pension plan that serves over 390,000 current and former employees of more than 920 municipal governments, school boards, libraries, police and fire departments, children's aid societies and other local agencies throughout Ontario. OMERS members also belong to a wide variety of unions and association groups. The Plan is a contributory defined benefit pension plan. Equal contributions from participating employers and employees finance about 30% of benefits, while the Plan's investment earnings finance the remaining 70% over the long term.

We have a responsibility to deliver pensions to our retirees – today and in the future. We understand the importance of practicing a prudent, long-term strategy for building our investments to deliver on the pension promise. Our asset-mix strategy balances private and public investments, taking into account changing economic and financial trends and targeting growth opportunities. In 2008, our asset mix was 60.2% in public market and 39.8% in private market asset classes.

OMERS AC Management

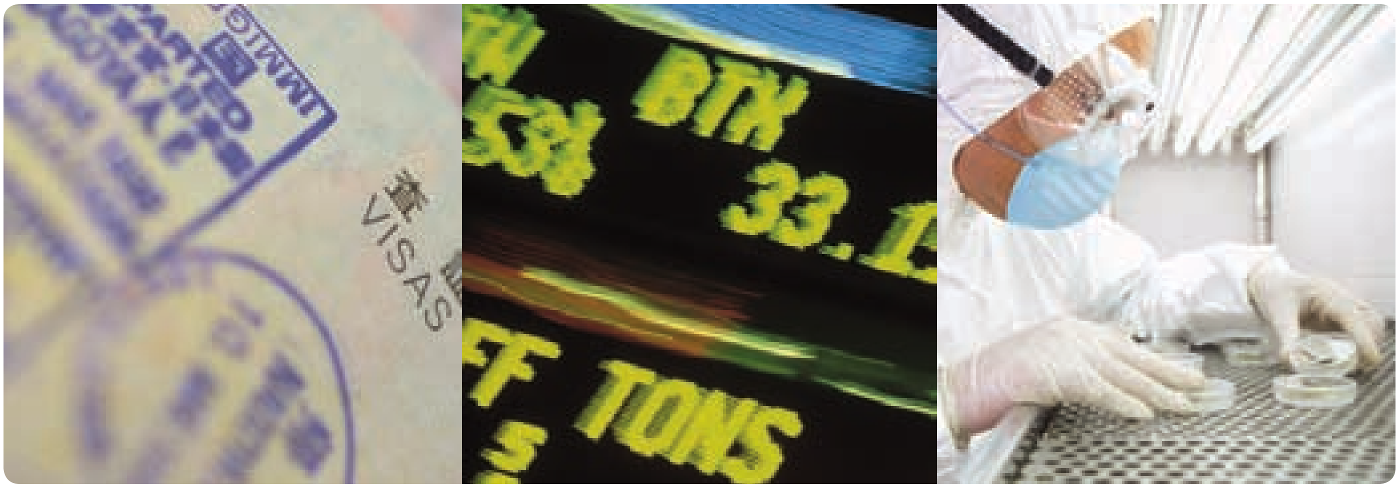
AC Management is the delegated authority which administers the OMERS Pension Plans. AC Management has broad responsibilities for communicating to the members and sponsors on behalf of the SC and AC. Among the responsibilities are: undertaking an actuarial valuation of Plan liabilities for approval by the AC Board, investment management according to AC policy, and developing strategic plans.

Pension Services

The mandate of OMERS Pension Group is to provide best-in-class service to our members and employers, and paying our members' pensions accurately and on time. Part of our pension promise is to provide information and assistance through a variety of access options and we deliver this by phone, written communications, on-line services, and face-to-face presentations throughout the province. Established service standards measure our performance and ensure members are receiving the best service we can provide.

Three strategies are at the core of OMERS Pension Group's mandate as a professional services organization:

1) Enhance internal capabilities – through the realignment of staff, the implementation of more sophisticated systems to track member communications and image documents, and the development of secure online member access;
2) Respond to external drivers – including the increasing needs of members, exploring new business development opportunities, and responding to the Ontario Expert Commission on Pensions;
3) Support effective plan governance – through a strong plan valuation process, independent assessment of actuarial calculations and assumptions, and ongoing support of the AC Board and the SC.



OMERS Worldwide

OMERS Worldwide represents a gateway to investment relationships and opportunities to access international capital, leveraging the resources and professional service expertise of OMERS investment enterprises. Guided by a "direct drive" active management strategy, the OMERS Worldwide brand is supported by the outstanding performance of OMERS enterprises in professional services, public markets, infrastructure, real estate and private equity. OMERS Worldwide companies are building a global network of partners who share our commitment to active management and exceptional results.

A strong asset base, broad market knowledge and an unsurpassed capacity for decisive action make the OMERS Worldwide brand stand out in a crowded marketplace. We don't just invest in opportunity – OMERS Worldwide creates opportunity.

OMERS
Worldwide

Public Market Investments

OMERS Capital Markets

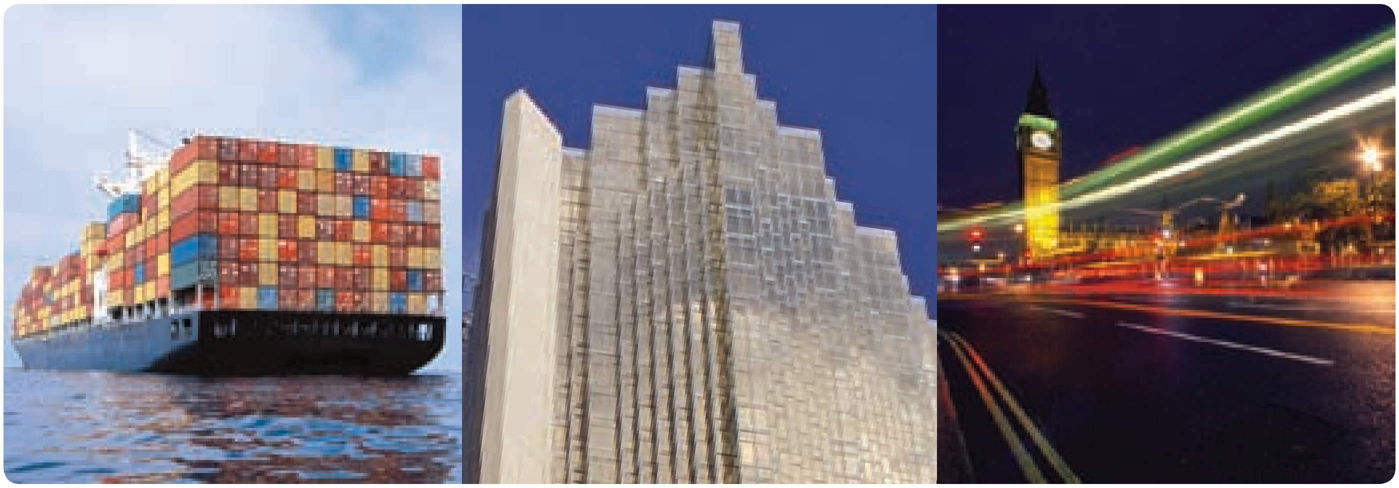
The experience of our OMERS Capital Markets team is a crucial element of our investing success. Making daily decisions on investments in publicly traded companies as well as interest bearing investments such as bonds and mortgages, our investment professionals at OMERS Capital Markets have consistently positioned our portfolio to capture growth and income opportunities. Our team evaluates investment opportunities and selects those that will grow the value of the Fund and benefit our members.

Our team continuously reviews our asset mix to respond to economic and financial factors that affect the market. Diversification is important as we manage our portfolio with a view to ensuring solid return rates balanced with prudent risk management.

Private Investments

OMERS Private Equity

OMERS Private Equity, formerly OMERS Capital Partners, manages our private equity investments. We invest in private businesses, either directly or indirectly as a limited partner in private equity funds, diversified by geography and by industry sector. Our strategy has recently evolved toward a "direct drive" active management approach where we target investments as a majority owner, co-owner, or where we will have significant influence on business decisions. In certain situations where we are a direct investor, we will also consider providing mezzanine debt to the business. Our indirect investments as a limited partner (which target areas we will not invest directly in) include: global large/mega leveraged buyout, venture capital and distressed situation funds. We will also pursue private equity funds where we do not have a direct presence today, such as Asia and emerging markets.



Borealis Infrastructure

Borealis invests in and manages our global infrastructure assets, including Bruce Power, Scotia Gas Networks, Confederation Bridge, Teranet, LifeLabs, Associated British Ports, Express Pipeline, Oncor and Enwave. A leader in infrastructure investing, Borealis manages a global portfolio with an enterprise value exceeding $30 billion. These investments are ideal for long-term stable and predictable returns, consistent with the future needs of the OMERS Pension Plans.

Borealis is ideally positioned to be the first-choice partner for infrastructure investments around the world focusing on transportation, energy, pipelines and satellite communications.

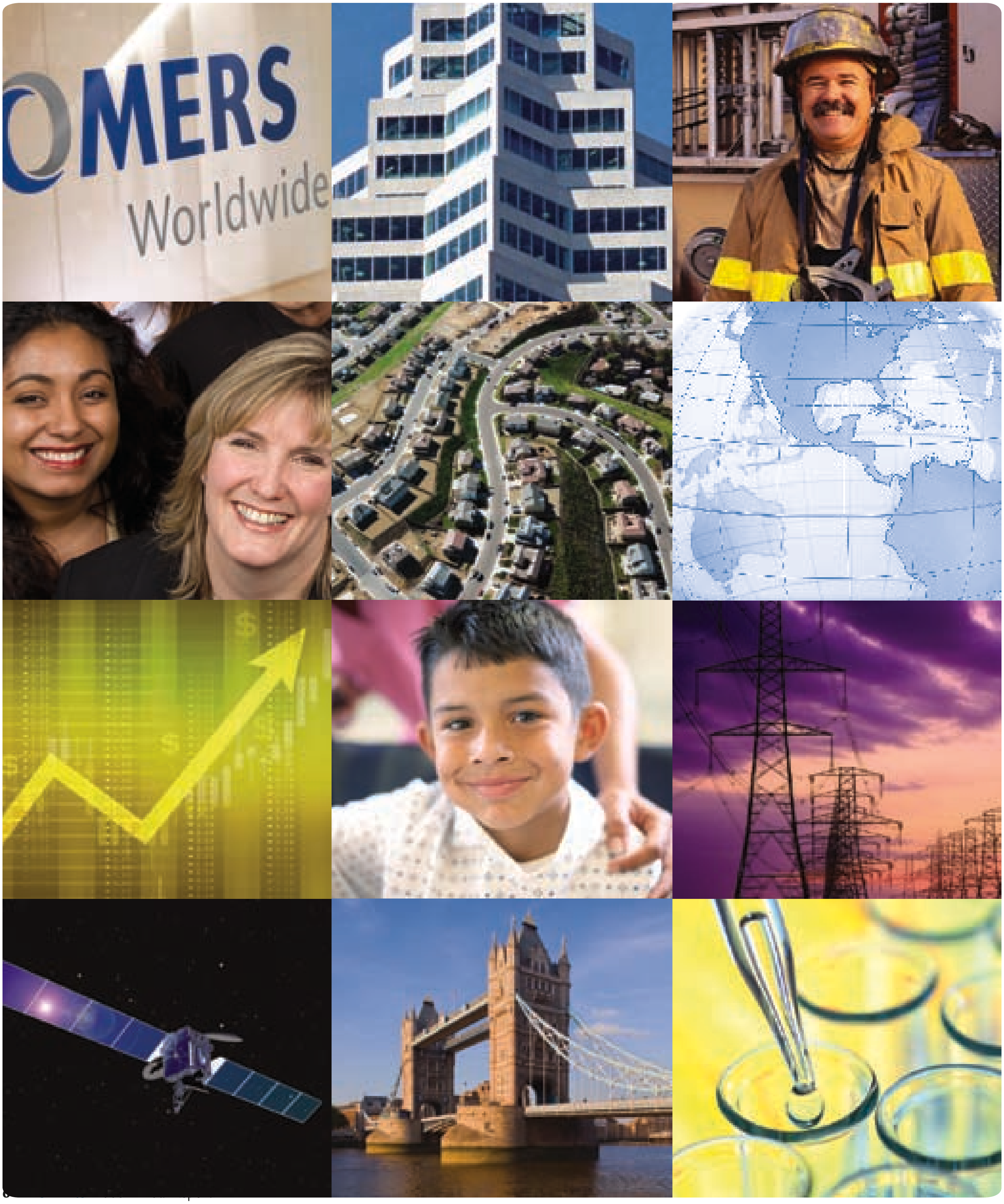
Oxford Properties Group

Oxford Properties Group believes in a world of opportunity. For five decades, acting as developer, owner, manager and investor, Oxford has been a leader in North America's major real estate markets. Our understanding of real estate fundamentals and our unsurpassed access to resources combine to create knowledge-based capital that enables Oxford to add value to every transaction, partnership and opportunity. Our investments in real estate generate strong, sustainable cash flow with low volatility, contributing to the stability of the Funds.

The Oxford team continues to expand real estate holdings internationally. Investing in, managing and developing commercial real estate are three elements of the business that contribute to our success. We continue to diversify by property type and geographic market to deliver consistent returns within an appropriate risk profile.

OMERS Strategic Investments

OMERS Strategic Investments, our newest investment entity, was formed in 2008. Under OMERS Worldwide, OMERS Strategic Investments supports our global investment strategy on an enterprise-wide basis within Canada and globally and leads the advancement of our global footprint. OMERS Strategic Investments' "direct drive" active investment mandate is to pursue investments in "strategic access platforms," providing our investment entities with access to global investment opportunities and top-tier services. Drawing on resources across the entire organization, OMERS Strategic Investments will also build long-term strategic relationships with like-minded global institutional investors and business partners to enable OMERS to leverage additional capital.


OMERS
Worldwide

2008 Highlights

OMERS Private Equity purchases Maxxam Analytics

Supplemental Pension Plan completed

OMERS Private Equity participates in Ontario Joint Venture Capital Fund

Borealis invests in Oncor

OMERS is named a 50 Best Employer in Canada

OMERS Worldwide brand launched

London UK office opened

Borealis purchases Teranet

Ciel's first satellite is launched

Employees raised over $450,000 for The United Way

OMERS Strategic Investments, a new entity, is launched

Oxford acquires 100% ownership of TD Canada Trust Tower

Supplemental Pension Plan completed

The first supplemental plan in Ontario is developed for members of the police and fire sectors and paramedics.

OMERS Private Equity purchases Maxxam Analytics

In September, OMERS Private Equity purchased Maxxam Analytics, one of the largest privately owned analytical laboratory networks in North America.

OMERS Private Equity participates in Ontario Joint Venture Capital Fund

Through OMERS Private Equity, we are partnered with the Ontario government and leading institutional investors to invest in Ontario-focused venture capital and growth funds.

Oxford acquires 100% ownership of TD Canada Trust Tower

In July, Oxford bought out the remaining 50 per cent of TD Canada Trust Tower, one of Toronto's marquee office towers.

London UK office opened

In October, OMERS marked their presence on the world stage with the opening of our OMERS Worldwide office in London UK.

OMERS Worldwide brand launched

OMERS Worldwide is our international brand that brings together the experience and networks of our entities.

OMERS Strategic Investments, a new entity, is launched

OMERS Strategic Investments will invest in a select portfolio of private companies that have global reach.

Employees raised over $450,000 for The United Way

We care about our community and despite the tough economic times, our employees supported our community with a campaign that surpassed our original goal of $400,000.

Borealis acquires Teranet

In November Borealis acquired the Teranet Income Fund. Teranet provides electronic land-based information and complementary services to the legal, real estate, government, financial and health sectors.

Borealis invests in Oncor

Borealis is part of a consortium that acquires a 19.75 per cent interest in Oncor, a leading electricity transmission and distribution utility based in Texas.

OMERS is named a *50 Best Employer in Canada*

We are proud to be a 50 Best Employer in Canada, an honour from Hewitt Associates, which reflects the energy and enthusiasm of our employee team.

Ciel's first satellite is launched

Ciel Satellite Group, one of our Borealis investments, launched their first satellite in December and it has now entered commercial service.

Our Principles

One

Ensure the quality of our balance sheet.

- Our assets are prudently invested and deliver a return that meets our needs within an appropriate risk profile.
- Our assets match our liabilities.
- Our assets and our liabilities are fairly valued.

Two

Ensure that the right organizational structure – with clear lines of accountability – is in place to meet our objectives.

- Our organization is aligned for accountability and clarity of purpose.
- Our organizational structure allows active, hands-on management of our assets.
- Our organizational design provides value for the cost.
- Everyone at OMERS knows what is expected of them and of others.

Three

Ensure that our members' needs are understood and met.

- We understand the needs of all our members.
- We deliver what our members want, where and when they want it, and at a price that represents value for them.

Four

Ensure we have the right people in the right jobs.

- Our business is organized around our primary asset: individuals making decisions.
- Our people are motivated, engaged and have the knowledge they need to achieve our goals.
- Our compensation programs reward performance.

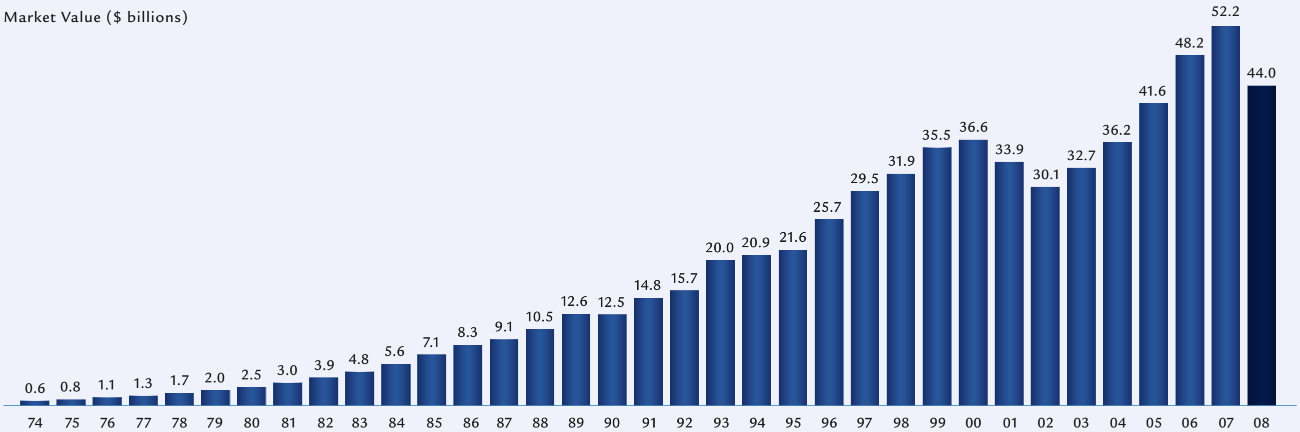
Five

Ensure we have access to the right management information.

- We have the information we need to manage our business.
- Our management information is timely, accurate and actionable.
- This information is universally understood throughout our organization.

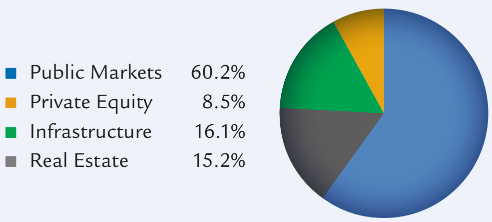
NET INVESTMENT ASSET GROWTH

Net Investment Assets as at December 31,
Market Value ($ billions)



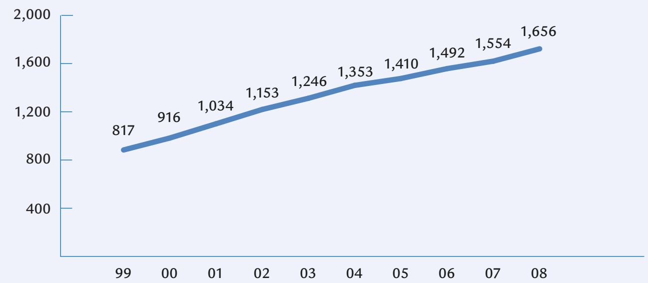
ASSET MIX

(As at December 31, 2008)
Net Investment Assets



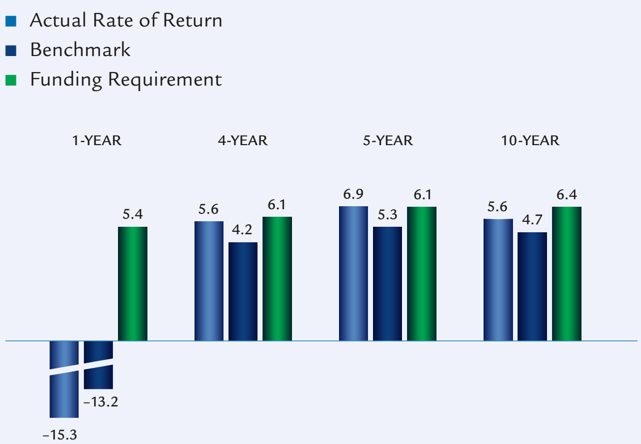
GROWTH IN MEMBERS' PENSION PAYMENTS

($ millions)



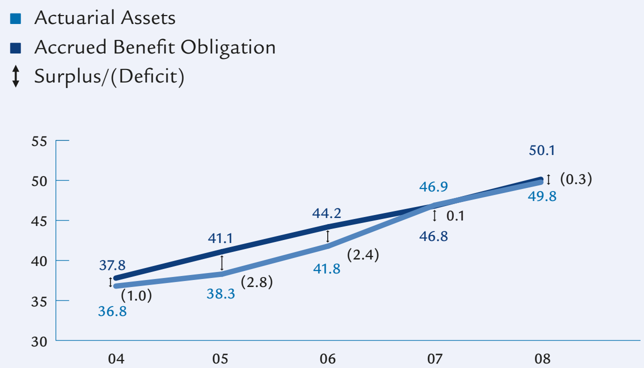
RATE OF RETURN, BENCHMARK AND FUNDING REQUIREMENT

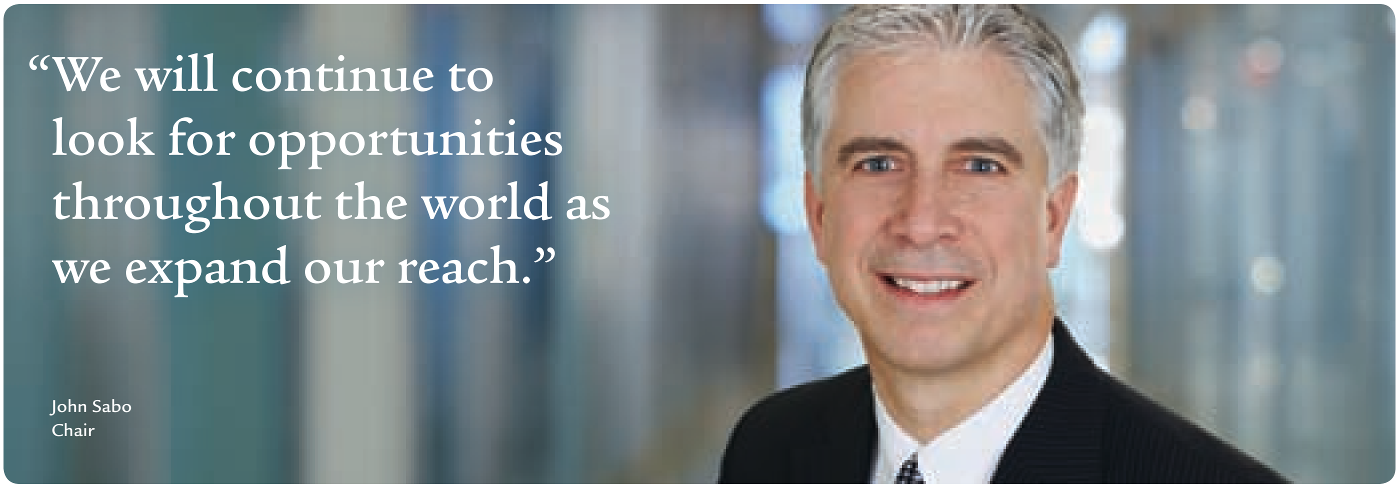
(%)



ACTUARIAL ASSETS AND ACCRUED BENEFIT OBLIGATION – OMERS PRIMARY PENSION PLAN

(As at December 31)
Market Value ($ billions)





One team, many successes

In the first year of my term as Chair of the AC Board, I have had the honour to witness a transformation at OMERS Administration Corporation that puts our organization on a new competitive level. I have served on the AC Board for eight years and have seen many changes but, more than any other year, 2008 has been full of challenge, energy and growth in all areas. This has had an effect both on the business side and within the organization.

A New Investment Strategy

Some might describe 2008 as a year of financial disaster; however, when the global economic downturn began in 2007, we had already begun implementing a new enterprise-wide strategic plan whose main objective was to create surplus wealth – beyond the minimum required to achieve an actuarial balance between our assets and liabilities. Surplus wealth can benefit contribution rates, pension benefits, provide additional capital to invest and, most importantly, provide a cushion against the impact of a negative economy.

Many of the initiatives we undertook were key actions in preparing ourselves to implement this strategy.

- In October we established a global investment presence, opening an office in London, UK under the OMERS Worldwide brand. We have investments with an enterprise value of more than $10 billion in real estate and infrastructure assets in the United Kingdom. OMERS Worldwide will eventually expand in other regions around the world when circumstances and opportunities are appropriate.
- In November, we established OMERS Strategic Investments, a new entity with a mandate to invest in a select portfolio of private companies that have global reach. We appointed Jacques Demers, formerly a senior partner with a leading Canadian law firm and one of Canada's leading corporate finance lawyers, as President and Chief Executive Officer of OMERS Strategic Investments.

This is just the beginning. We will continue to look for opportunities throughout the world as we expand our reach and grow our investments.

AC Board Governance

In last year's Annual Report, we articulated our commitment to continuing excellence in board governance practices and outlined the initiatives we planned for 2008 to strengthen them even further.

- We undertook a governance reform project to ensure we continue to adhere to industry leading standards and processes and to address a review by the Financial Services Commission of Ontario.
- The project included initiatives to better define AC Board competencies, to establish clear AC Board and committee mandates, to further define roles and responsibilities between the AC Board and management, to improve processes to effectively monitor management performance, and to provide a means of benchmarking and assessing the overall governance process itself.

We are very proud that our efforts and commitment were acknowledged nationally when we were short-listed for the prestigious National Award in Governance for 2008. This award, an initiative of The Conference Board of Canada and Spencer Stuart Canada, recognizes significant innovations that enhance governance practices, yield tangible results and can be applied to other organizations.

We are honoured that our high level of employee engagement was recognized externally. We were the only pension organization included in the Best 50 Employers in Canada study by Hewitt Associates, which notes: "Employees who work for Canada's Best Employers ... are highly committed to the organization's success and understand their role in helping to achieve business results." I am proud that our employees have been recognized for making OMERS a great company to work for.

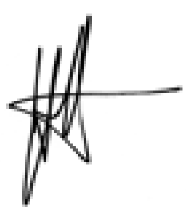
I have witnessed the energy and enthusiasm of our employees in many ways, and one of my favorite experiences has been our United Way Campaign. In 2008, the OMERS team raised more than $450,000 – a phenomenal amount in these economic times. For the past eight years, my family members and I have been proud to join our employees in the CN Tower Stair Climb. Congratulations to OMERS for supporting our communities.

In closing, on behalf of the AC Board I want to express our gratitude to the following Board members for their service:

- David Kingston, who retired effective January 1, 2008 after seven years on the AC Board and two years as Chair. David guided our deliberations with strength and fairness during a period of significant change, including our transition to autonomous governance. We wish David the best as he enjoys his retirement.
- Two directors concluded their service on the AC Board in 2008. Our appreciation for their contributions go out to David Carrington, Toronto Hydro Electric System, who served on the Board for 11 years, and Ann Mulvale, former Mayor of Oakville, who joined the Board in 2005.

Our team at OMERS consists of many people – my fellow AC Board directors, our Sponsors Corporation members, Michael Nobrega and his senior leadership team and OMERS employees – who are all dedicated to the success of the OMERS Pension Plans. Our team also includes you – our members and employers. Together we will continue to make OMERS the leader in the pension industry worldwide and ensure we fulfill our mandate of keeping the pension promise.

Sincerely,



John Sabo
Chair

"We are very proud that our efforts and commitment were acknowledged nationally when we were short-listed for the prestigious National Award in Governance for 2008."

Michael Nobrega
President and
Chief Executive Officer

A bold strategy to drive OMERS future

The "once in a lifetime financial tsunami" of 2008 drove global equity market returns to lows not seen in decades. Global equity markets fell by 30 – 40 per cent. OMERS did not escape the downturn, although the impact was softened by the performance of our interest bearing, real estate and infrastructure assets.

Due largely to the collapse of global equity markets, we ended 2008 with a total return of negative 15.3 per cent for a loss of $8 billion. The value of our net assets declined to $43.5 billion. After actuarial adjustments, we had a funding deficit of $0.3 billion, following a surplus of $0.1 billion in 2007. However, our future actuarial position will be impacted by $6.4 billion of net losses that will be recognized in our actuarial assets over the next four years.

In 2008, the return on our public market investments (representing 60 per cent of our net investment assets) was negative 19.5 per cent. We believe that this is a short-term loss and that unrealized losses on the shares of well-managed and well-governed companies will recover as the global financial crisis and economic recession subside. Furthermore, we avoided significant exposure to high-risk investments – sub-prime mortgages, collateralized debt obligations and over-leveraged assets – that contributed to the crisis and impacted many financial institutions.

Early in the decade we saw troubling storms arising in public markets and in 2003 we began to shift capital into private market investments, which we believe will generate more stable returns over the long term. In recent years, we had to keep more capital in public markets as the prices for private market investments were being bid too high by competitors using excessive debt financing. Our asset mix strategy is based on acquiring realistically priced and large-scale global assets that can generate sustainable cash flows to help pay future pensions.

The value of diversifying into private market investments was made clear last year. Real estate earned a 6.0 per cent return, and infrastructure an 11.5 per cent return. Private equity, by contrast, had a negative 13.7 per cent return, even though many of the businesses in which we invested performed well in 2008. Private equity investments generally rely on public equity market comparables to determine their fair value. Our private equity investment strategy has evolved to focus on active direct investment opportunities around the world with emphasis on North America and Europe.

While we are disappointed by our overall returns in 2008, we are not disheartened and we are pushing ahead with our strategy. Expert investment teams manage our assets and apply tight risk management practices consistent with prudent investing – a cornerstone duty of any pension plan. We stay true to risk management discipline by remembering that our job is to deliver retirement benefits to over 390,000 plan members. Pension obligations to the youngest members stretch into the second half of this century. Over this time horizon, OMERS will see many positive and negative market cycles. Shocks are inevitable, though seldom as severe as the crisis that began in 2007 and continues in 2009.

In the near future, pension payments will exceed contributions and we will rely increasingly on investment income to pay benefits. In readiness for this change in a more difficult investment world, we have developed, in collaboration with the AC Board, a bold strategy to drive OMERS investment returns and create surplus wealth for our members.

In order to generate long-term, stable investment returns, one priority of the strategy is to increase "direct drive" active management of investments from less than 70 per cent today to 90 per cent. This strategy has already resulted in the introduction of the OMERS Worldwide brand and the opening of our first regional office in London, UK in order to actively manage OMERS investments in Western Europe.

A second priority is to form international alliances with like-minded investors to acquire large-scale infrastructure and real estate assets. These are asset classes where we have consistently achieved above-average investment returns as a result of our significant expertise.

A third priority is to be prepared for pension reform and consolidation opportunities. Our pension administration expertise, coupled with our investment expertise, makes OMERS an attractive choice for Canadian pension plans seeking to strengthen their collective investment returns by being part of a multi-employer pension organization.

Our strategy gives us the tools to find long-term opportunities in the midst of the current global financial crisis. By being alert and innovative, we will continue to secure the pension promise and build surplus wealth for our plan members.

Sincerely,

Michael Nobrega

Michael Nobrega
President and
Chief Executive Officer

"We stay true to risk management disciplines by remembering that our job is to deliver retirement benefits to over 390,000 plan members."

2008 Management's Discussion and Analysis

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OMERS Administration Corporation (the "AC") is the administrator of the OMERS pension plans (the "OMERS Pension Plans") as defined in the Ontario Municipal Employees Retirement System Act, 2006 (the "OMERS Act"). The OMERS Pension Plans include OMERS Primary Pension Plan (the "Plan"), the Retirement Compensation Arrangement (the "RCA") associated with the Plan and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the "Supplemental Plan"). The AC is responsible for managing the funds of the Plan, the RCA and the Supplemental Plan (collectively, the "Funds"). In addition, under the OMERS Act, the Ontario Municipal Employees Retirement System ("OMERS") represents the combined retirement system comprised of OMERS Sponsors Corporation (the "SC") which is the Plan sponsor, the AC, the Plan, the RCA and the Supplemental Plan. This management's discussion and analysis is the responsibility of management of the AC ("management") and contains management's analysis of the AC's financial condition, operational results and the environment in which it operates as of February 19, 2009. This section should be read in conjunction with the AC Consolidated Financial Statements. The Audit Committee and Board of Directors of the AC (the "AC Board") have reviewed and approved the contents of this section.

In addition to historical information, this section contains forward-looking statements with respect to management's strategy, objectives, outlook and expectations. Forward-looking statements are preceded by words such as "believe", "expect", "may", "could", "intend", "continue" and "estimate". By their very nature, those statements are subject to risks and uncertainties, which may cause actual results to differ from the expectations expressed in the forward-looking statements. Forward-looking statements made in this section represent management's views at the date of this report and the AC does not undertake to update or revise any forward-looking statements as a result of new information, future events, or otherwise.

Vision and Strategy

Vision

We have one clear and overriding goal which is keeping the pension promise to our current and our future retirees.

We work as a team in pursuit of outstanding performance that will enable us to meet this objective including:

- generating sufficient returns through the investment of the Funds; and
- providing best-in-class pension administration services to our members and employers, the most important of which is to pay monthly pensions to retirees.

Our vision focuses on four key areas which are integrated into our strategies and decisions:

Lead

Be the leader in the pension industry.
We want to be nothing less than the leader in the pension industry. We will earn this status if we rank in the top quartile of investment performance and if we set the industry standard for service to members and employers.

Perform

Provide first-in-class investment management.
We recognize the importance of earning superior returns to keep pensions secure.

Serve

Deliver superior pension services to our members and employers.
Services to Plan members are one of our top priorities and one of our key strengths.

Grow

Attract investment partners and employers through our leadership.
Growth is an objective not for its own sake but because it will expand the range and size of investment opportunities we can pursue and allow us to improve our services for the benefit of all members.

Enterprise-Wide Strategic Plan

We have a robust strategic planning process which has evolved to meet the changing environment in which we operate. In the past, each investment entity and corporate area developed its own strategic plan within an overall corporate framework. In 2008, we completed a formal enterprise-wide strategic plan covering the period 2008 through 2012, which was approved by the AC Board. This consolidated strategic plan recognizes that we are more than the sum of our parts and that all areas working together create additional value for the enterprise.

Strategic Overview

Our goal is to deliver on the pension promise to our members. This is the primary reason for our existence. In order to meet our pension obligations, on an actuarial basis the Plan must earn a 6.5 per cent return annually (a 4.25 per cent real return plus the projected impact of inflation) on investments over the long term; however, growth in our accrued benefit obligation over time, the negative investment returns incurred in 2008 and the unpredictable nature of future investment returns could result in funding surpluses or deficits from 2008 to 2012. As a result, our enterprise-wide strategic objective is to create surplus wealth beyond the 6.5 per cent actuarially determined minimum investment return requirement.

The key priorities of our enterprise-wide strategic plan include the following:

- To enhance investment returns and better manage risks by implementing an enterprise-wide "direct drive" active management strategy which will increase the level of direct active management of our investments.
- To diversify our asset base globally, reducing exposure to the relatively small Canadian market and securing attractive risk-adjusted returns in global regions experiencing superior and sustainable rates of economic growth.
- To establish a new investment entity that will operate globally through regional relationships and regional offices to assist our existing investment entities in sourcing global investments. In addition, where appropriate, this new entity will take direct ownership positions in assets that do not fit under the mandates of the existing investment entities.
- To establish an investment vehicle for leveraging our intellectual capital through exclusive formation and management of investment alliances attractive to both the AC and like-minded third-party investors. This will allow our investment entities to consummate large-scale globally prized acquisitions by co-investing with such alliance partners.
- To develop and execute a comprehensive strategy that includes collaboration with other pension funds to persuade the Ontario and federal governments to abolish outdated quantitative investment restrictions that erode pension fund investment returns in favour of a principles-based approach to prudent investing.
- To continue implementation of the Plan's current asset mix policy of reducing its public market investments to a target of 57.5 per cent of net investment assets and increasing private market investments to a target of 42.5 per cent of net investment assets. The Plan's asset mix policy is discussed on page 18 of this Annual Report.
- To pursue opportunities to manage pension funds of third-party pension plans and respond to pension consolidation opportunities. This will provide a larger capital base from which to pursue attractive investments.
- To maintain and, where possible, enhance already high levels of service in pension administration and employer and member services. See discussion on page 43 of this Annual Report.

Active Management

A key element of our long-term investment strategy is to increase direct active management of our investments from less than 70 per cent in 2008 to 90 per cent by 2012. "Direct drive" active management of our investments will give our investment professionals more control over key decisions about asset growth, governance, risk management and the timing of asset purchases and dispositions. We believe that this increased control will give us the opportunity to earn returns that exceed those from passive investing. Implementation of our strategy includes increasing OMERS Capital Markets' internal management of non-Canadian equities and increasing direct investments made by OMERS Private Equity in individual companies around the world.

Capital Growth and Global Diversification

The most attractive private market investments for the Plan are large-scale entities that provide global diversification to our portfolio and which generally produce strong cash flow streams and earn superior returns. Diversifying our investments globally reduces our exposure to the relatively small Canadian market. Since 2003, when we began our shift to private market investments, we have seen increasing competition for such assets from investors around the world. While we have the investment expertise and experience in acquiring and managing private market investments, in order to compete with well-capitalized global investors for these investments, we must continue to build our capital base.

We believe that building global relationships and broadening our network of like-minded investment and business partners with resources in key global markets will provide us with investment opportunities and access to the capital to invest in large-scale global assets. To further build our global recognition, reputation and network in 2008, we introduced the OMERS Worldwide brand which will be used by all our investment entities and will support our existing brands – providing a direct, recognizable connection to a unified global brand.

In 2008, under the OMERS Worldwide banner, we opened our first regional office in London, UK which is a major economic centre and gateway to markets outside North America. The London office will include senior professionals from all our investment entities, supplemented by local investment professionals. The London office will provide a base from which we can better access global markets and build our international reputation.

To further support our global investment strategy, we formed a new investment entity, OMERS Strategic Investments, in 2008. OMERS Strategic Investments' mandate is to pursue investments in what we have called "strategic access platforms" that will provide our investment entities with access to global opportunities and top-tier services. OMERS Strategic Investments will also build long-term strategic relationships with like-minded global institutional investors and business partners, to give us access to capital with which to invest and grow the Funds. OMERS Strategic Investments has a broad investment mandate that will allow it to invest in strategic private equity, infrastructure and real estate investments around the world.

As part of our capital growth strategy, we are also actively examining options for assuming management of pension funds of other pension plans, which would require the approval of the SC, and for offering financial products and services to our members.

Asset Mix Policy

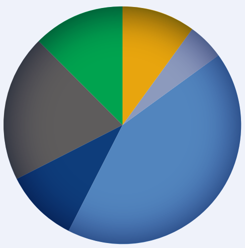
In determining the asset mix policy for investing the Plan's assets, we identify the asset classes that collectively are most likely to meet our pension obligations within the Plan's risk tolerance. We weigh the risk/reward profile of each asset class to ensure that we are reasonably compensated for risk and we invest in different asset classes and geographic markets to diversify risk and reduce the volatility of total returns. We invest in Canada and internationally in interest bearing investments, real return bonds, public equities, private equities, infrastructure and real estate assets, often in combination with the conservative use of derivative financial instruments which are backed by other investment assets. We use derivative financial instruments to give us exposure to equity markets and actively manage our asset mix. (Derivative financial instruments are discussed on page 33 of this Annual Report.) Our long-term asset mix targets are shown in the chart below.

Our asset mix policy is based on our belief that over the long term, an asset mix with greater exposure to private market investments is better positioned to generate strong, predictable returns and consistent cash flow with reduced risk to meet the Plan's funding requirements. As a result, our investment strategy over the long term is to maintain our asset mix exposure to public market investments, such as public equities and interest bearing investments at approximately 57.5 per cent of the Plan's net investment assets with the remaining 42.5 per cent representing exposure to private market investments, such as private equities, infrastructure and real estate.

Since the adoption of our asset mix policy in 2003, the Plan has reduced its exposure to public market investments from 82.2 per cent to 60.2 per cent at the end of 2008, and increased its exposure to private market investments from 17.8 per cent to 39.8 per cent at the end of 2008. The shift from public market investments to private market investments accelerated in 2008 with the acquisition of several significant private market investments and with the sharp reduction in the global equity markets, which significantly reduced the value of our public market investments. Our investment professionals are actively managing our asset mix, subject to global market conditions, current investment opportunities and our long-term targets.

LONG-TERM ASSET MIX TARGETS

Interest Bearing	10.0%
Real Return Bonds	5.0%
Public Equity	42.5%
Private Equity	10.0%
Infrastructure	20.0%
Real Estate	12.5%



Investment Performance

Investment Objective	Management Approach	2008 Performance
To fulfill the pension promise to our current and future retirees, we must produce investment returns that exceed the benchmarks for the asset classes in which we invest within an acceptable risk tolerance.	Define an asset mix strategy and investment strategy to meet the Plan's investment objectives.	Total Plan return of –15.3 per cent compared to –13.2 per cent benchmark. RCA Investment Fund return of –26.1 per cent compared to –27.3 per cent benchmark.

Investment Performance Overview

Through our investment entities we invest in several asset classes – public markets, private equity, infrastructure and real estate – in Canada and around the world, which are described more fully beginning on page 30 of this Annual Report. In 2008, we launched OMERS Strategic Investments, which has a mandate to invest in assets that are considered outside the strategy of the other investment entities but that are still considered in the best interest of the Funds. As a result, investment returns for an asset class may include investments by more than one investment entity.

Investment returns for the Plan and RCA for 2008 and 2007 were as follows:

	2008		2007	
	Rate of Return	Benchmark	Rate of Return	Benchmark
Public Markets	–19.5%	–19.5%	2.6%	1.5%
Private Equity	–13.7%	13.5%	18.7%	11.6%
Infrastructure	11.5%	9.8%	12.7%	9.9%
Real Estate	6.0%	8.3%	22.9%	7.8%
Total Plan(i)	–15.3%	–13.2%	8.7%	5.6%
RCA Investment Fund(ii)	–26.1%	–27.3%	8.7%	5.6%

(i) Results of the Plan's currency overlay hedging program and the costs of hedging certain private market investments are included in the total return only. Where applicable, the 2007 returns have been restated to conform to the current year's presentation.
(ii) Excludes the RCA refundable tax balance with the Canada Revenue Agency. Including the refundable tax balance, the RCA 2008 rate of return was –12.6%.

As a result of recent challenging market conditions and unprecedented volatility in global financial markets, the Plan earned a –15.3 per cent total rate of return in 2008, compared with an 8.7 per cent total rate of return in 2007; and the RCA Investment Fund earned a –26.1 per cent return in 2008 compared with an 8.7 per cent return in the prior year. The Plan's total return was positively impacted by the returns generated in infrastructure and real estate demonstrating that our shift to an asset mix with increased focus on private market investments has been successful in reducing the volatility of the Plan's return. Net investment loss for the Funds totalled $8,013 million in 2008, compared with net investment income of $3,938 million a year earlier.

The Plan's funding requirement is based on earning a real return plus inflation. On an actuarial basis, the funding requirement has been projected to be 6.5 per cent which is discussed under the Plan Funding Status section on page 24 of this Annual Report. For 2008, the actual funding requirement represented a real return of 4.25 per cent plus inflation of approximately 1.2 per cent for a total of approximately 5.4 per cent. The four-year, five-year and ten-year funding requirements shown in the chart below are an average of the annual funding requirements over those time periods and have been negatively impacted by the –15.3 per cent return in 2008.

Investment returns in 2008 were well below the Plan funding requirement and the Plan returned to an actuarial deficit position at December 31, 2008. The factors contributing to the funding deficit are discussed under the Plan Funding Status section on page 24 of this Annual Report.

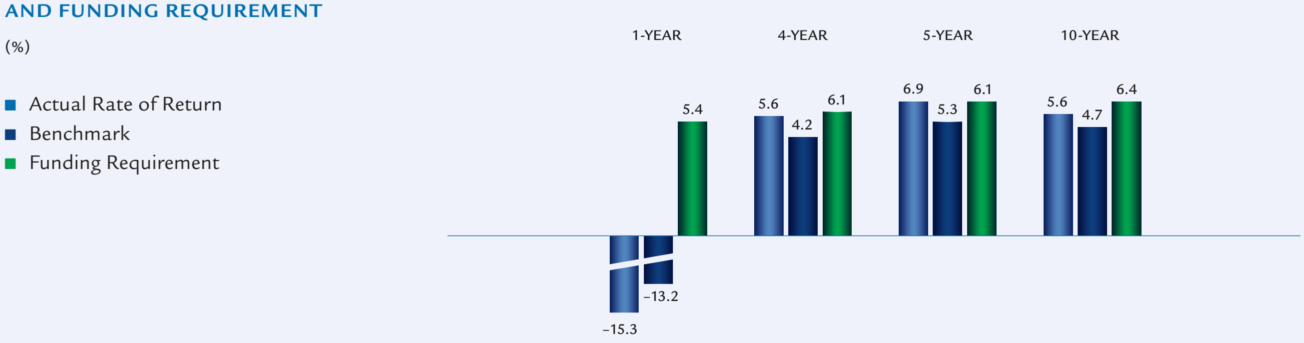
Benchmark Returns

We measure the performance of each of our public market investment asset classes against a market benchmark and our private market investments against an absolute return set at the beginning of each year. We develop a benchmark for total investment activities by aggregating and weighting the individual benchmarks for each asset class. Our benchmarks are reviewed and approved by the AC Board. Our goal is to earn returns that exceed these benchmarks. When we exceed the benchmark, our investment managers are adding value to the portfolio above the targeted return for the asset class or the return generated by the markets through passive investments. The benchmarks used by the Funds in 2008 are based primarily on (i) externally computed indices that reflect the results of markets in which we invest or (ii) an expected absolute return.

The benchmarks used are shown on page 21.

RATE OF RETURN, BENCHMARK AND FUNDING REQUIREMENT

(%)



Asset Class	Benchmark
Interest bearing	Blended DEX 30 day Treasury Bill Index and DEX Universe
Real return bonds	DEX Real Return Bond Index
Canadian public equities	S&P/TSX Composite Index
Non-Canadian public equities	Blended hedged FTSE All World Index(i) excluding Canada and U.S., hedged FTSE All Cap U.S. Index(i) and hedged custom Derivative Index
Private equity, infrastructure, real estate	Absolute return set at the beginning of each year based on operating plans approved by the AC Board.

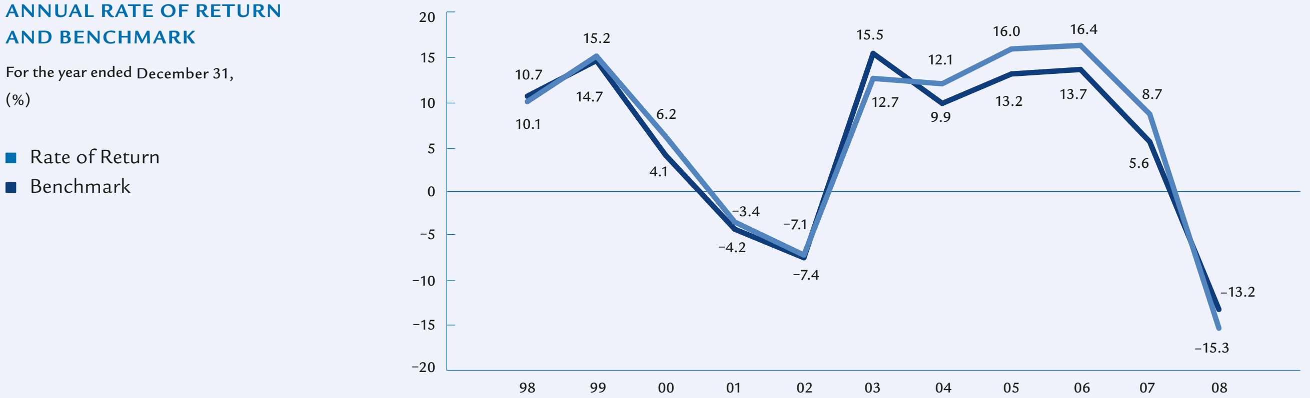
(i) Source: FTSE International Limited

For the year ended December 31, 2008, the Plan's total return was –15.3 per cent, below the aggregate benchmark of –13.2 per cent by 210 basis points. While our public market returns were consistent with the benchmark, our private equity returns were substantially below the benchmark of 13.5 per cent that was set in 2007 prior to the global financial crisis which has significantly impacted private equity fund valuations. Our real estate investments generated positive returns but they were also below the benchmark as the global financial crisis and onset of a recession have impacted real estate valuations. Infrastructure returns exceeded their benchmark as a result of investments that provided strong and stable cash flows and positive investment valuations in 2008. While the amount of value added by our investment professionals was negative in 2008, it continues to be positive over the last four-, five- and ten-year periods as shown in the table below.

Billions	2008	4-Year	5-Year	10-Year
Value add compared to benchmark	$(1.1)	$2.4	$3.1	$3.5

ANNUAL RATE OF RETURN AND BENCHMARK

For the year ended December 31, (%)



Net Assets

Net assets at December 31, 2008 were $43,477 million which includes net investment assets of $43,994 million, net pension related assets of $155 million less the amount due to administered funds of $672 million.

Net Assets

(millions)	2008	2007
Net investment assets	$ 43,994	$ 52,187
Net pension related assets	155	129
Due to administered funds	(672)	(800)
Net assets	$ 43,477	$ 51,516

Net assets decreased by $8,039 million, or 15.6 per cent, to $43,477 million in 2008 compared with an increase of $3,948 million, or 8.3 per cent in 2007. The decrease in 2008 was driven by the severe decline in global financial markets and the onset of a global recession which significantly reduced the value of our public and private equity investments and negatively impacted valuations for real estate investments.

Changes in Net Assets

(millions)	2008	2007
Net assets, beginning of year	$ 51,516	$ 47,568
Changes due to investment activities	(8,013)	3,938
Changes due to pension activities	(26)	10
Net assets, end of year	$ 43,477	$ 51,516

Corporate

OMERS Pension Plans

OMERS Primary Pension Plan

The OMERS Primary Pension Plan is a multi-employer pension plan whose members consist primarily of employees of Ontario municipalities, local boards, public utilities and non-teaching school board staff. The Plan is a contributory defined benefit pension plan financed by equal contributions from participating employers and employees as well as by investment earnings of the Plan. The Plan has over 390,000 members.

The Plan's pension payments are integrated with the Canada Pension Plan as the benefit formula includes a "bridge" benefit if the member retires before age 65. Including this bridge benefit, the benefits paid under the Plan are calculated by multiplying two per cent of the member's average annual earnings for the highest paid five consecutive years (pensionable earnings), times years of credited service, to a maximum of 35 years. At age 65, the bridge benefit of 0.675 per cent of the pensionable earnings (or 0.675 per cent of the average of the yearly maximum pensionable earnings (YMPE) in the year of retirement and the four preceding years, if this amount is less than 0.675 per cent of the pensionable earnings), is subtracted for integration with the Canada Pension Plan. The Plan also provides members with:

- full inflation protection up to 6 per cent per year with any inflation amount above that carried forward to subsequent years;
- early retirement options;
- disability protection in the event a contributing member becomes disabled and is unable to work;
- survivor benefits to protect a member's family when a member dies; and
- portability to continue to be a Plan member with over 920 employers across Ontario.

Retirement Compensation Arrangement

In addition to the Plan for all members, a full earnings pension plan is also maintained through the use of an RCA, which provides pension benefits for members whose pension benefits under the Plan are limited by ceilings imposed by the *Income Tax Act*. The RCA provides a means to enable retirement savings and contributions on members' total earnings. As the RCA is not a registered plan, a 50 per cent refundable tax is levied by the Canada Revenue Agency (CRA) on all contributions made to the RCA as well as on investment income and net realized investment gains. Such tax is held by the CRA without earning investment income for the RCA and is refunded on the basis of one dollar for every two dollars where investment income and net realized gains/losses are negative or where benefits are paid out. The RCA is consolidated in the AC's financial statements and is accounted for separately from the Plan. The RCA invests its assets, excluding the refundable tax, in public equities. Net assets of the RCA were $39 million at December 31, 2008 and were $37 million at December 31, 2007. The RCA financial statements are set out in note 8 to the Consolidated Financial Statements on page 79 of this Annual Report.

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics became effective on July 1, 2008, pursuant to the requirements of the *OMERS Act*. The Supplemental Plan is a separately funded stand-alone multi-employer pension plan that provides supplemental pension benefits that "top up" those available under the Plan for members who are employed in the police and fire sectors which, as defined in the *OMERS Act*, includes paramedics.

The Supplemental Plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and members and by the investment earnings of the Supplemental Plan assets. Participation in the Supplemental Plan is effective only upon agreement between employee groups and their employer. As at December 31, 2008, the Supplemental Plan had no net assets and no members. Neither the Plan nor the RCA is permitted to pay costs for the Supplemental Plan. As such, until the Supplemental Plan has sufficient funds, any administrative costs of the Supplemental Plan are funded through a start up grant from the Province of Ontario.

Plan Funding Status

Each year an independent actuary determines the Plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2008, the estimated accrued pension obligation for all members (including survivors) of the Plan was $50,080 million, compared with $46,830 million a year earlier. The increase of $3,250 million was primarily due to interest accrued on the pension benefit obligation, plus new benefits accrued during the year, partially offset by benefits paid in 2008 and impacted by experience gains and losses. The Plan had an actuarial value of net assets of $49,801 million at the end of 2008, compared with $46,912 million in the prior year. The resulting funding deficit was $279 million as at December 31, 2008 compared with a funding surplus of $82 million last year due primarily to negative investment returns in 2008.

Current Year Change in Surplus/(Deficit)

(millions)	2008	2007
OMERS Primary Pension Plan		
Surplus/(Deficit), beginning of year	$ 82	$ (2,382)
Increase/(Decrease) in net assets available for benefits	(8,041)	3,903
Change in actuarial smoothing adjustments	10,930	1,224
Increase in actuarial value of net assets available for benefits	2,889	5,127
Less: increase in accrued pension benefit obligation	(3,250)	(2,663)
Surplus/(Deficit), end of year	$ (279)	$ 82

The funded ratio (actuarial value of net assets divided by accrued pension benefit obligation) at December 31, 2008 is 99.4 per cent compared with 100.2 per cent a year earlier.

In arriving at the actuarial surplus/deficit, changes in the fair value of net assets above or below the long-term nominal actuarial rate of return assumption are deferred and recognized over five years to "smooth out" the peaks and valleys in an individual year's investment returns caused by market volatility. Smoothing is a common practice accepted by the actuarial profession and pension regulators to reduce the effect of short-term market fluctuations on pension plan funding. The annual actuarial smoothing adjustment is based on the difference between the current year's actual return and the long-term return expectation (expected inflation plus 4.25 per cent, equivalent to 6.75 per cent in 2008) which is deferred and recognized over five years, adjusted for the equivalent unrecognized amounts from preceding years. This approach is in keeping with the long-term nature of the Plan and assists in maintaining stable contribution rates.

Due to the sharp decline in global equity markets, investment returns were significantly less than the long-term nominal rate of return assumption in 2008. As a result, the market value of the Plan's net assets as at December 31, 2008 was $43,438 million compared with the smoothed actuarial value of $49,801 million. The resulting actuarial smoothing adjustment account represents the unrecognized net losses of $6,363 million as at December 31, 2008 which will be recognized in the actuarial value of net assets over the next four years. After escalating the individual unrecognized gains and losses from current and previous years by the required actuarial rate of return (as discussed in note 7 of the Consolidated Financial Statements on page 76 of this Annual Report), the future amount recognized by year of recognition will be as follows:

(millions)	
2009	$ (640)
2010	$ (1,493)
2011	$ (2,596)
2012	$ (2,954)

Funding Outlook

Pension plan funding is made up of two components – the amount required to fund the cost of benefits earned by active members in respect of the current year, which is the normal actuarial cost, and the amount required to eliminate any funding deficits that have emerged.

The SC is responsible for setting the Plan's contribution rates to ensure the adequacy of funding as well as determining when an actuarial valuation of the Plan should be filed, subject to the requirements under regulations. Under Ontario provincial regulations, a pension plan must file an actuarial valuation report at least once every three years and at that time must take measures to eliminate any going concern and solvency deficits. The Plan's December 31, 2007 actuarial valuation was filed with the Ontario pension regulator in 2008, and as a result the next required filing is the December 31, 2010 actuarial valuation, although the SC has the discretion to file earlier.

Employer contributions equal member contributions under the Plan. During 2008, a full actuarial review of contribution rates relating to the normal cost of providing the plan benefits for normal retirement age 60 and 65 was conducted by the Plan's independent actuary. On the basis of this review, contribution rates will be adjusted in 2009. The contribution rates as a percentage of contributory earnings for 2007, 2008 and 2009 are as follows:

	2009	2008	2007
NRA 65			
– Up to YMPE(i)	6.3%	6.5%	6.5%
– Above YMPE(i)	9.5%	9.6%	9.6%
NRA 60			
– Up to YMPE(i)	7.7%	7.9%	7.9%
– Above YMPE(i)	12.8%	10.7%	10.7%

(i) YMPE is the Yearly Maximum Pensionable Earnings as set by the Canada Revenue Agency. For the years above, YMPE was as follows: 2009 – $46,300; 2008 – $44,900; 2007 – $43,700.

The SC will review the adequacy of the contribution rates in 2009.

Actuarial Assumptions

In calculating the funded position and the ongoing normal actuarial cost for active members, the actuary makes various demographic and long-term economic assumptions. Demographic assumptions are used to project the future benefits payable to members and beneficiaries and include assumptions about mortality rates, termination rates, and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Plan and on the expectations for future trends. Economic assumptions about future investment returns, i.e. the discount rate, and assumptions about inflation and member salary increases affect both the projected benefits and the present value of those future benefits. The actuary's most important economic assumptions included in the going concern funding valuation as at December 31 2008, which were approved by the AC Board, are summarized as follows:

- INFLATION RATE
  The Plan has used an inflation rate assumption of 2.25 per cent per annum for future years in the calculation of future indexing adjustments, and as a component of the nominal discount rate and the anticipated salary increases. This compares with a 2.50 per cent assumption used in 2007. Any variation in the actual inflation rate from this assumption will result in experience gains or losses to the Plan.

- DISCOUNT RATE
  The Plan's annual nominal rate of return and discount rate for future years is assumed to be 6.50 per cent, a decrease of 0.25 per cent from 6.75 per cent in the prior year. Taking into account the 2.25 per cent assumed inflation, this results in a real investment return assumption, based on the Plan's asset mix, of 4.25 per cent, consistent with 2007. A decrease/increase of 50 basis points in the real discount rate, with no change in other assumptions, would result in an approximate increase/decrease of 7.1 per cent or approximately $3,556 million in the total accrued benefit obligation of the Plan.

  The real investment return assumption used in 2008 is unchanged from that used in 2007. It includes a conservative margin to account for potential adverse investment experience so that over the long term, there is a greater chance of actuarial gains than losses arising from the Plan's assets. This assumption includes an estimate of the returns expected to be earned over the long term on the Plan's assets over and above fixed income returns, based on the current asset mix. In comparison to many Canadian public sector plans, our asset mix has a higher proportion of non-fixed income investments. In addition, the Plan has a lower ratio of retired members to active members compared to many Canadian public sector plans. This results in a relatively lower fixed income component in the asset mix and results in a relatively higher real discount rate.

- SALARY INCREASES
  The estimated value of the accrued benefit obligation includes an assumption about future increases in the salaries of active members. The salary increase assumption uses an age-based scale which allows for increases in productivity as well as merit and promotion-related earnings increases. For members with normal retirement age of 60, the assumption also includes service-related increases. The assumed average increase, including assumed inflation, was 3.75 per cent at the December 31, 2008 valuation, a decrease of 0.25 per cent from the prior year's valuation.

Retirement Compensation Arrangement

The RCA is funded using a modified pay-as-you-go approach, where inflows from contributions and investment income are used to pay the current benefits to members. The excess of current contributions and investment income over current benefit payments are accumulated for future years' benefit payments. As a consequence of this modified pay-as-you-go funding policy, the RCA's assets will remain small relative to its liability. However, our actuary estimates that if contributions to the RCA continue as projected, the annual cash inflow will be sufficient to cover benefit payments and the RCA's assets will continue to grow for the near term. A relatively small increase in the number of terminations and retirements at higher income levels, however, can increase actual benefit payments from, and decrease actual contributions to, the RCA.

Current Year Change in Deficit

The accrued benefit obligation for the RCA increased from $236 million in 2007 to $285 million at the end of 2008 due to new benefits earned in the year, interest on the accrued benefit obligation, and experience gains/losses partially offset by pension and lump sum payments made in the year. The RCA had an estimated funding deficit of $246 million at December 31, 2008 compared with a deficit of $199 million last year as shown below:

(millions)	2008	2007
Retirement Compensation Arrangement		
Deficit, beginning of year	$ (199)	$ (143)
Increase in net assets	2	8
Less: increase in accrued pension benefit obligation	(49)	(64)
Deficit, end of year	$ (246)	$ (199)

Pension Benefits and Contributions

In 2008, the Plan ended the year with over 106,000 retired members and survivors receiving pension benefits. Benefits paid from the Plan in 2008 were $2,023 million, an increase of $195 million over 2007. The increase includes $103 million of member pension payments which reflects new retirements, the adjustment of benefits for inflation and higher pension values for new retirees compared with those already receiving benefits. In addition, commuted value and transfer payments to other plans increased by $92 million over 2007. Benefits paid from the RCA in 2008 were $4 million compared with $5 million in 2007.

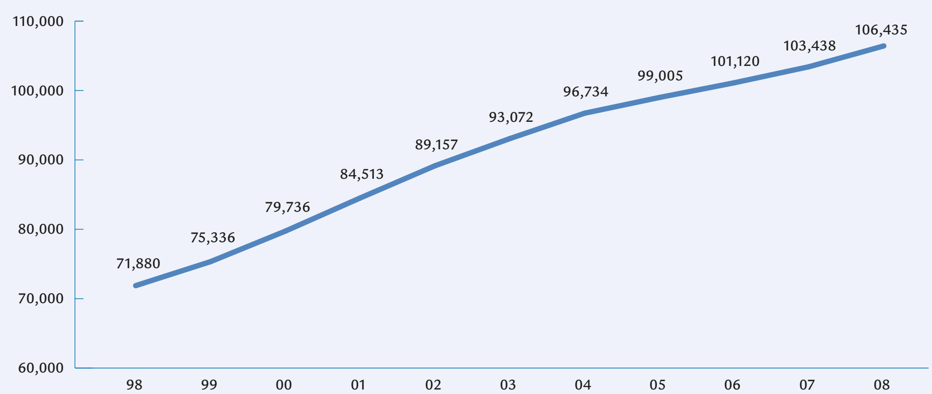
Contributions to the Plan in 2008 were $2,037 million compared with $1,875 million in 2007. The increase reflects an increase in active members and increased members' salaries. Contributions to the RCA in 2008 were $11 million, consistent with 2007.

Plan Asset Mix

As discussed in the investment strategy section, one of our investment strategies is to maintain a long-term asset mix weighted 57.5 per cent to public market investments and 42.5 per cent to private market investments. As illustrated in the table on page 28, the shift from public market to private market investments accelerated in 2008 largely driven by the sharp decrease in global equity markets negatively impacting the value of our public market investments, in addition to new private market investments made during the year. At the end of 2008, private market investments comprised 39.8 per cent of our asset mix compared with 29.8 per cent at the end of 2007, just below our long-term target. As illustrated in the table on page 28, the market value of our net investment assets with exposure to private equity, infrastructure and real estate grew to

GROWTH IN NUMBER OF PENSIONERS

As at December 31,



$17,491 million, an increase of $1,945 million or 12.5 per cent over 2007. Given the impact of the challenging global equity markets on the value of our public market investments, our investment professionals are managing our asset mix exposure, monitoring our long-term targets in each asset class and ensuring that the Plan is positioned for future growth.

Asset Mix – December 31 Actual vs. Long-Term Target

	Actual 2008	Actual 2007	Long-Term Target
Public Markets			
Interest bearing(i)	**14.0%**	18.2%	10.0%
Real return bonds	**4.0%**	3.9%	5.0%
Public equity	**42.2%**	48.1%	42.5%
	60.2%	70.2%	57.5%
Private Markets			
Private equity	**8.5%**	7.4%	10.0%
Infrastructure	**16.1%**	9.9%	20.0%
Real estate	**15.2%**	12.5%	12.5%
	39.8%	29.8%	42.5%

(i) Includes short-term deposits, bonds and debentures, mortgages and private debt.

In determining the Plan's asset mix exposure, the market value of cash and other investment related assets and liabilities included in net investment assets per the Consolidated Financial Statements are allocated to the individual asset classes. In addition, derivative exposure and other items are allocated to arrive at the Plan's ultimate exposure by asset class. Net investment assets based on the holdings per the Consolidated Financial Statements and after all allocations as at December 31 are as follows:

Asset Mix – Exposure

	2008			2007		
			Asset Mix			Asset Mix
(millions)	**Holdings**	**Exposure**	**%**	Holdings	Exposure	%
Public Markets						
Interest bearing(i)	**$ 12,104**	**$ 6,148**	**14.0%**	$ 19,468	$ 9,471	18.2%
Real return bonds	**1,755**	**1,760**	**4.0%**	2,039	2,044	3.9%
Total interest bearing	**13,859**	**7,908**	**18.0%**	21,507	11,515	22.1%
Public equity(ii)	**14,904**	**18,595**	**42.2%**	21,784	25,126	48.1%
	28,763	**26,503**	**60.2%**	43,291	36,641	70.2%
Private Markets						
Private equity	**4,162**	**3,731**	**8.5%**	3,608	3,838	7.4%
Infrastructure	**12,140**	**7,078**	**16.1%**	8,412	5,166	9.9%
Real estate	**12,037**	**6,682**	**15.2%**	10,904	6,542	12.5%
	28,339	**17,491**	**39.8%**	22,924	15,546	29.8%
Investment related assets	**1,366**	**–**	**–**	1,001	–	–
Investment related liabilities	**(14,474)**	**–**	**–**	(15,029)	–	–
Net investment assets	**$ 43,994**	**$ 43,994**	**100.0%**	$ 52,187	$ 52,187	100.0%

(i) Includes short-term deposits, bonds and debentures, mortgages and private debt.
(ii) Includes RCA net investment assets of $16 million in 2008.

Debt

OMERS Administration Corporation has maintained a "AAA" credit rating from leading credit rating agencies. This has enabled us, where appropriate, to obtain debt financing at preferred rates to support our investment strategy. Debt outstanding through our real estate operations at December 31, 2008 includes $1,104 million of debentures, $1,092 million of commercial paper as well as $1,702 million in secured debt. In addition, our infrastructure portfolio is financed with $4,744 million in secured debt and $345 million of commercial paper. Infrastructure debt increased by $1,663 million in 2008 due largely to the addition of the commercial paper program and secured debt on certain infrastructure investments. Despite extraordinarily tight credit markets, which made obtaining credit difficult for most issuers, Oxford and Borealis were able to successfully maintain funding throughout the year through the use of commercial paper on the strength of the AC's "AAA" credit rating.

Corporate Expenses

Investment management expenses were $227 million in 2008, compared to $201 million in 2007. The increase of 12.9 per cent is primarily related to higher third-party investment management costs and higher salaries and benefits to support our strategic initiatives. As a percentage of year-end net investment assets, total investment expenses increased in 2008 to 0.52 per cent from 0.39 per cent in 2007, as a result of both an increase in expenses and the decline in market value of our public market investments in 2008 due to the global financial crisis.

Pension administrative expenses were $47 million for the year, compared with $43 million for the previous year, an increase of 9.3 per cent. This increase is primarily due to a number of one-time initiatives in 2008 including corporate governance measures.

Enterprise Risk Management

Our Enterprise Risk Management program ("ERM") enhances our overall governance framework and is intended to identify and manage risk on an integrated basis; to apply consistent risk standards, concepts and policies across the organization; and to make the concept of risk assessment and management an integral and sustainable part of business operations. The ERM program is based on the Enterprise Risk Management – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

The Audit Committee oversees the ERM program and receives regular communications from management on the status of the program and the risks identified by the program.

Internal Controls Review

OMERS Administration Corporation maintains systems of internal controls that are designed to ensure the integrity and fairness of the data presented in the Consolidated Financial Statements and elsewhere in this Annual Report, that transactions are duly authorized and that assets are adequately safeguarded. Consistent with our commitment to strong corporate governance and accountability, in 2008 management completed an internal review of our internal controls over financial reporting and disclosure controls using the Internal Control – Integrated Framework issued by COSO. This review was conducted under the oversight of the Audit Committee on a basis consistent with the requirements for public companies in Canada while taking into account the unique characteristics of a pension plan. We have reported to the Audit Committee that based on our review, we found no material issues with our internal controls over financial reporting and disclosure controls.

Public Market Investments

A portfolio of publicly traded assets positioned for long-term growth.

OMERS Capital Markets manages public market investments, which include Canadian and non-Canadian investments in bonds, other interest bearing assets and publicly traded equities. These investments are often made in combination with a variety of derivative financial instruments.

The decline in the worldwide public equity markets that began in 2007 continued and accelerated in 2008. During this time, the public markets exhibited unprecedented volatility as a result of the global financial crisis and the beginning of a recessionary period which generated losses not seen in a generation. Even for experienced investment professionals, 2008 represented uncharted waters.

Given this economic backdrop, OMERS Capital Markets' return on public market investments, excluding the impact of currency hedging, was –19.5 per cent, consistent with the benchmark and compared to a positive return of 2.6 per cent in 2007. In 2008, OMERS Capital Markets generated a net investment loss of $7,192 million compared with net investment income of $782 million a year earlier. The decrease from the prior year is attributable primarily to significantly lower returns in Canadian and non-Canadian public equity markets. In 2008, our Canadian public equities returned –33.7 per cent compared with 12.8 per cent in 2007, while our non-Canadian public equities returned –25.7 per cent compared with –5.6 per cent in 2007.

OMERS Capital Markets

At December 31, 2008, public market investment assets (interest bearing investments, real return bonds and public equities) were $28,763 million, a decrease of $14,528 million from $43,291 million at the end of 2007. This decrease is due to the decline in global equity markets impacting the value of our investments and the continued funding of private market investments. As a result, our asset mix exposure to public market investments decreased from 70.2 per cent in 2007 to 60.2 per cent at the end of 2008 and is approaching our long-term asset mix target of 57.5 per cent.

Interest Bearing Investments

Interest bearing investments provide low-risk returns that offset the more volatile nature of publicly traded equities. As a result they are a natural fit for a pension plan.

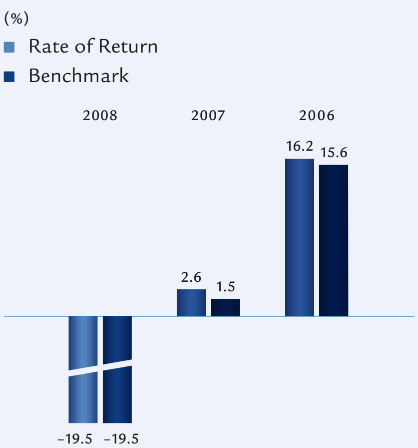
Interest bearing investments, excluding real return bonds, produced income before investment management expenses of $283 million, a decrease of $297 million or 51.2 per cent compared with 2007. The return for interest bearing investments, excluding real return bonds, was 7.1 per cent compared with 6.2 per cent for the benchmark and 4.7 per cent a year earlier. The return of 0.9 per cent over the benchmark is primarily due to favourable sector positioning, general underweighting of the corporate sector in the portfolio, and OMERS Capital Markets' successful anticipation of interest rate and yield curve changes in both Canada and the U.S. Another direct result of OMERS Capital Markets' investments expertise is that we had no exposure to third-party asset-backed commercial paper and minimal exposure to bonds in the financial sector which were particularly stressed as a result of the global financial crisis. Real return bonds produced a loss of $14 million, a decrease of $47 million over 2007 and had returns of 0.3 per cent which were 0.1 per cent below the benchmark of 0.4 per cent and a decrease compared with the 1.6 per cent return in 2007. The decrease in the return of real return bonds and related loss was due to a general rise in real interest rates in 2008 compared with 2007.

At December 31, 2008, interest bearing investments totalled $13,859 million and consisted of federal bonds, provincial bonds, mortgages with a mix of commercial, industrial and multi-residential loans, real return bonds issued by governments, corporate bonds of institutional investment grade, private debt and short-term cash equivalent securities. Of this total, $6,148 million was invested with exposure to bonds and debentures, mortgages, private debt and money market and other short-term investments, and $1,760 million was invested with exposure to real return bonds. In addition, $2,335 million represented assets backing derivatives programs that provide exposure to public equity markets and $3,616 million related to cash collateral received as part of securities lending transactions and cash amounts allocated to other asset categories. The most significant interest bearing investments held by OMERS Capital Markets at December 31, 2008 are Government of Canada interest bearing securities.

In the past 10 years, interest bearing investments, excluding real return bonds, have earned an annualized return of 6.5 per cent, including capital gains, due in part to the historically low interest rate environment.

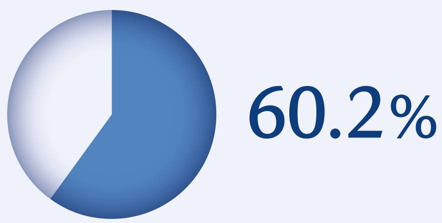
RETURNS AND BENCHMARKS

The overall public market investments return excluding the impact of currency hedging in 2008 was –19.5% compared with a benchmark of –19.5%.



ASSET MIX EXPOSURE

Public Market investments comprise 60.2% of our net investment assets.



	2008	2007	2006
Public Markets	60.2%	70.2%	75.8%

	2008		2007	
	Rate of Return	Benchmark	Rate of Return	Benchmark
Interest bearing	7.1%	6.2%	4.7%	3.7%
Real return bonds	0.3%	0.4%	1.6%	1.6%
Canadian public equities	–33.7%	–33.0%	12.8%	9.8%
Non-Canadian public equities	–25.7%	–26.4%	–5.6%	–5.5%

Public Equities

At December 31, 2008, the Plan had $6,251 million invested in Canadian public equities and $8,653 million in non-Canadian public equities including both actively managed and non-derivative, quantitatively managed portfolios. Included in the non-Canadian public equities are $981 million of assets in absolute return and other long-short strategies. Exposure to public equities also includes $2,871 million representing the market value of non-equity assets backing equity derivatives and the net allocation of $820 million of cash and short-term investments and investment related assets less investment related liabilities. OMERS Capital Markets' public equity investments include significant investments in:

- Royal Bank of Canada
- EnCana
- The Toronto-Dominion Bank
- Research in Motion
- Canadian Natural Resources

Public equity investments generated losses before investment management expenses of $7,337 million comprised of losses of $3,434 million from the Canadian market and $3,903 million from non-Canadian markets. Canadian public equities plus Canadian equity derivative exposure earned a return of –33.7 per cent for the year, compared with a benchmark return of –33.0 per cent and a 12.8 per cent return in 2007. Non-Canadian public equities and non-Canadian equity derivative exposure earned a return of –25.7 per cent in 2008, compared with –26.4 per cent for the benchmark and a –5.6 per cent return in 2007. The non-Canadian public equity return was impacted by the decrease in value of the Canadian dollar against foreign currencies as the Canadian dollar depreciated against most major currencies, including the yen, the euro and the U.S. dollar. These currencies comprise approximately 77 per cent of our foreign currency exposure before the impact of hedging.

Actively Managed Equity Portfolios

Actively managed Canadian equity investments totalled $5,334 million in 2008 compared with $9,062 million in 2007.

OMERS Capital Markets' investment professionals are value investors who buy the securities of well-managed, profitable companies that can produce reliable long-term returns. They select, for example, companies that should gain value from synergistic acquisitions or that have a competitive advantage in their industry. Within approved asset allocation guidelines, our investment professionals can take advantage of short-term trading opportunities to generate added value.

U.S. equities can comprise up to 10 per cent of our actively managed core Canadian equities portfolio. This enables us to add companies in economic sectors that are underrepresented in Canada, such as pharmaceuticals.

As part of our actively managed Canadian equity investments, we manage smaller portfolios with more specific mandates than our other equity investments to enhance overall investment returns. The nature of these portfolios (smaller concentration and market capitalization) results in increased risk; however, we believe this risk is balanced by our expectation for enhanced returns over the long term. These portfolios include:

- The Canadian Focus Fund which had assets of $1,062 million as at December 31, 2008 and invests in a select group of equities which are expected to earn above average returns over the long term.
- The Canadian Small Cap Fund which had assets of $219 million as at December 31, 2008 and invests in well-managed publicly traded small capitalization companies with strong growth profiles and positive business outlooks. The added risk of this fund is balanced with an additional return expectation due to the higher growth profile of small capitalization companies.
- The Canadian Enhanced Fund which had assets of $292 million as at December 31, 2008 and utilizes a risk-controlled approach to strategically invest in Canadian stocks listed on the S&P/TSX Composite Index that are expected to outperform relative to their peers within a sector.

Participating in global markets increases our portfolio diversification and lowers overall risk. In 2008, we actively invested $8,653 million in the equities of companies outside of Canada, including in the United States, Europe, the Far East, United Kingdom and emerging markets as shown in the table on the following page.

		2008		2007
(millions)	Holdings	%	Holdings	%
United States	$ 3,725	43%	$ 4,746	40%
Europe	1,964	23%	2,836	24%
Far East	1,482	17%	1,656	14%
United Kingdom	763	9%	1,125	10%
Emerging Markets	719	8%	1,404	12%
	$ 8,653	100%	$ 11,767	100%

Our non-Canadian equity portfolios are actively managed by external investment management firms that specialize in regional and national markets around the world. Such a global mandate enables us to make larger allocations by country, sector or capitalization where we believe higher returns are possible. The market value of our non-Canadian equities declined during the year as a result of the significant declines in global equity markets. In addition, in 2008 we did not make significant additional investments to non-Canadian equities managed by external investment management firms.

As discussed in the Enterprise-Wide Strategic Plan section on page 16 of this Annual Report, our long-term investment strategy is to increase direct active management of our investments. In executing this strategy, OMERS Capital Markets intends to build on the strength of our team of investment professionals and our strong investment information systems, to internally manage a larger portion of our non-Canadian equities. This will give us greater control over our non-Canadian investments, provide an opportunity to add value over passive investing, and is expected to substantially reduce the costs of holding these investments. OMERS Capital Markets is currently building its team to support this shift and expects to begin actively managing non-Canadian equities in 2009.

Quantitatively Managed Equity Portfolios

Our investment professionals earn enhanced and less volatile returns from market indices by employing actively managed low-risk strategies that include index-based swaps, arbitrage and the anticipation of changes in index composition. Using technical analysis and computer modelling, these strategies are referred to as quantitative management. We have invested $917 million in managed portfolios that target the S&P/TSX Composite Index and other indices.

Derivative Financial Instruments

In order to manage risk and enhance returns, we enter into a variety of widely used industry standard derivative contracts. These contracts are used in combination with other investment assets with the objective of providing a cost efficient means to improve returns by mitigating uncompensated risks and to add flexibility to the asset mix. Derivatives also enable us to rebalance the overall asset mix, or the asset mix within a class, on short notice to adjust for market shifts. We held derivatives with a notional value of $22,014 million at December 31, 2008, including $15,687 million of foreign exchange forward contracts.

Interest Rate Derivatives

We use interest rate derivatives to enhance investment yields and to manage the duration of our interest bearing investments and our fixed versus floating interest rate exposure. At the end of 2008, we held interest rate derivatives with a notional value of $2,220 million.

Equity Derivatives

We use derivative contracts to replicate Canadian and non-Canadian equity index returns. This exposure to the indices of major equity markets is achieved primarily through the use of equity futures and equity index swap contracts, and complements the Canadian equities portfolio and global equity portfolios managed both internally and externally. At December 31, 2008, we had public equity derivative exposure of $4,107 million representing the notional value of derivatives as follows:

- $271 million in derivative portfolios that provide exposure to the S&P/TSX Composite, the S&P/TSX 60 Index and other indices;
- $2,595 million in derivative portfolios that provide exposure to the S&P 500 Index; and
- various derivative portfolios totalling $1,241 million that provide diversified exposure to major equity indices throughout the world.

Foreign Exchange Derivatives

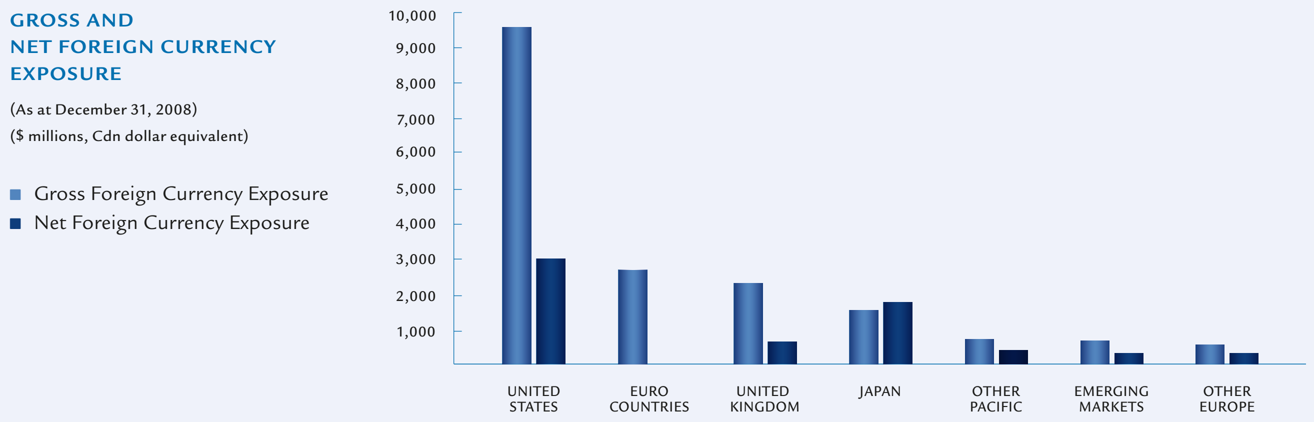
We use foreign exchange forward contracts to manage our exposure to currencies other than the Canadian dollar and to generate returns through active trading. At December 31, 2008, $17,923 million or 41 per cent of our net investment assets were exposed to foreign exchange risk before foreign currency management. Our largest foreign currency management strategy hedges approximately 50 per cent of our exposure to 14 major currencies, narrowing their volatility relative to the Canadian dollar. In addition, for non-Canadian private market investments, we hedge foreign currency exposure up to 100 per cent. Our currency management programs produced a loss of $2,045 million in 2008, including $1,354 million from our passive currency overlay program and $691 million from hedging specific investments; compared to total income of $1,475 million in 2007, including $931 million from our passive currency overlay program and $544 million from hedging specific investments. This is largely as a result of the significant depreciation of the Canadian dollar against the U.S. dollar, the yen and the euro during 2008.

In 2007, the Canadian dollar had appreciated against the U.S. dollar, British pound, the yen and the euro. Since our currency hedging program was implemented in 2001, it has produced a total income of $229 million. Our net foreign currency exposure after accounting for our foreign currency management and trading programs at December 31, 2008 was $6,210 million. Our gross and net foreign currency exposure is allocated as shown in the chart below.

The credit risk exposure for derivatives is the unpaid amount receivable from counterparties. We follow prudent risk management policies, limiting our derivative credit risk exposure to less than five per cent of total net investment assets. We require that all counterparties have a minimum "A" credit rating. At December 31, 2008, the credit risk exposure was 1.1 per cent of net investment assets, or $472 million.

GROSS AND NET FOREIGN CURRENCY EXPOSURE

(As at December 31, 2008)
($ millions, Cdn dollar equivalent)



Private Equity Investments

Private equity is the ownership of equity or equity-like securities in companies that do not generally trade publicly.

In 2008, the AC's private equity investments are managed by OMERS Private Equity, formerly OMERS Capital Partners, and OMERS Strategic Investments, a newly created investment entity with a broad investment mandate and a goal to provide our investment entities with access to new sources of investment capital.

OMERS Private Equity

OMERS Private Equity continues to build a portfolio of private equity investments diversified by geographic market and industry sector. Historically, the majority of the investments made were as a limited partner in a private equity fund. Recently, OMERS Private Equity's investment strategy has evolved to focus primarily on active direct investing whereby OMERS Private Equity holds a significant interest in investments and as such will influence the management of the investment. OMERS Private Equity intends to build on its success in Canada by pursuing active direct investment opportunities around the world with emphasis on North America and Europe.

OMERS Private Equity's investment strategy involves establishing meaningful partnerships with private companies, either directly or indirectly through international private equity funds. For active direct investments, the principal focus of our strategy going forward is to look at companies that are well managed and in need of both capital investment and strategic support to grow their businesses. For private equity funds, we are seeking partners with a strong and reputable investment team that has demonstrated a track record to expand the global reach and diversification of our active direct investments.

Our active direct investments are generally in mid-size companies, where our investment will range from $100 million to $500 million. We target companies that have a strong brand, a solid business model, a quality management team that shares our commitment to success and an opportunity to grow both organically and by acquisitions. We have a long-term investment horizon. We bring the combined resources from the AC's investment entities as well as those from our network of global relationships to assist our companies in achieving their goals. Our role with the management of our companies is conducted through regular meetings aimed at enhancing strategy and operational efficiencies and to provide capital to support growth initiatives.

Our fund investment program involves making investment commitments as a limited partner in a select number of top-tier private equity funds. These funds are managed by external investment professionals who have demonstrated

OMERS
Private Equity

over time the ability to consistently outperform their peers in selecting companies in which to invest. Other factors important in our consideration in making fund commitments include the quality, continuity and depth of the investment management team, the amount of capital the investment management team is committing, the strategic fit within our investment program and, in particular, how it will assist us in our direct investment strategy. The types of fund commitments we make include leveraged buyouts, venture capital, mezzanine debt and distress situations. Historically, leveraged buyout strategies have represented the majority of our fund commitments. Individual fund commitments range from $50 million to up to $250 million.

OMERS Private Equity generated a net investment loss of $615 million in 2008, compared with net investment income of $452 million last year. The 2008 return was –13.7 per cent, compared with 13.5 per cent for the benchmark and an 18.7 per cent return in 2007. Net investment income and returns declined in 2008 due to the global financial crisis which resulted in global public equity markets declining sharply. Private equity returns are correlated to the returns of the public equity markets. Despite improved operating performance in the majority of our direct investments and certain investments held though our fund partners, fair market valuations that rely on public equity market comparables as a key determinant resulted in significant unrealized losses in the fair value of OMERS Private Equity's investments. The 2008 benchmark for OMERS Private Equity of 13.5 per cent is an absolute target that was established in late 2007 when public equity markets were robust.

During 2008, OMERS Private Equity's investment assets increased from $3,608 million to $4,049 million. Approximately, 61 per cent of OMERS Private Equity's investments are managed by fund managers in Canada, the United States, western Europe and Asia with the remaining 39 per cent directly invested in companies. The pace of OMERS Private Equity's new investments has declined in 2008 compared to each of the last three years due to the global financial crisis as debt financing was not available or affordable for leveraged buyouts. Significant direct investments in 2008 included Maxxam Analytics International Corporation, Canada's largest privately owned analytical laboratory services network and a leader in environmental laboratory services in North America; and the acquisition of DIC Entertainment Holdings by Cookie Jar Entertainment which complements

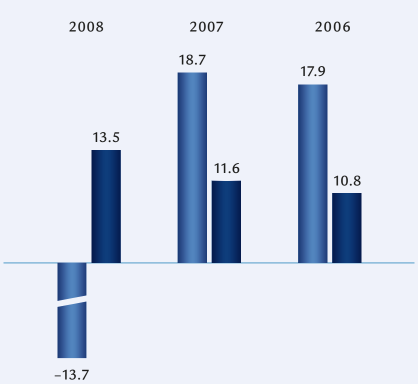
RETURNS AND BENCHMARKS

The overall private equity return in 2008 was –13.7% compared with a benchmark of 13.5%.

(%)

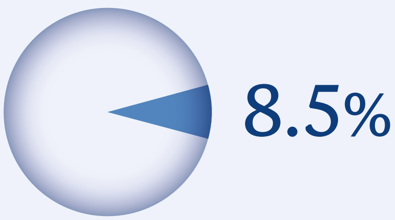
Rate of Return

Benchmark



ASSET MIX EXPOSURE

Private Equity investments comprise 8.5% of our net investment assets.



	2008	2007	2006
OMERS Private Equity	**8.2%**	7.4%	6.0%
OMERS Strategic Investments	**0.3%**	–	–
Total Private Equity	**8.5%**	7.4%	6.0%

its market position in children's entertainment; the acquisition of Houghton Mifflin by Cengage Learning to strengthen its global market position in publishing higher education textbooks; co-investments in Ladder Capital with our fund partner Towerbrook, in Goodman Global with our fund partner Hellman and Friedman and in Axcan Pharma with our fund partner TPG. Significant fund commitments in 2008 included TPG VI, ONEX III, Advent International GPE VI, Towerbrook III and the Ontario Venture Capital Fund.

The long-term asset mix target for private equity investments is approximately 10 per cent of the Plan's net investment assets. At the end of 2008, OMERS Private Equity's net investment assets represented 8.2 per cent of the Plan's net investment assets, an increase of 0.8 per cent from 7.4 per cent at the end of 2007.

OMERS Private Equity has significant fund investments with leading private equity firms including:

- APAX Partners
- Charterhouse Group
- Hellman and Friedman LLC
- Kohlberg Kravis Roberts & Co. (KKR)
- ONEX
- Performance VC
- Sagard Private Equity Partners
- Towerbrook
- TPG
- Tricor Pacific Capital, Inc.

OMERS Strategic Investments

OMERS Strategic Investments was established in 2008 with a broad investment mandate that will allow it to invest on a global basis in private equity, infrastructure and real estate investments. OMERS Strategic Investments will pursue investments in companies that will provide our investment entities with access to global opportunities and top-tier services. OMERS Strategic Investments' goal is to build long-term strategic relationships with like-minded global institutional investors which, as a result, will provide us access to investment capital.

As at December 31, 2008, OMERS Strategic Investments had $113 million in investment assets held in a private equity fund. OMERS Strategic Investments' net investment assets represented approximately 0.3 per cent of the Plan's net investment assets at December 31, 2008 and part of our total private equity asset mix exposure of 8.5 per cent. After start-up costs and investment management expenses, OMERS Strategic Investments generated a net investment loss of $3 million in 2008.

OMERS
Strategic Investments

OMERS Private Equity's significant active direct investments include interests in:

Affinia Group Inc. is a leading manufacturer and distributor of aftermarket components for cars, trucks and off-highway vehicles. Affinia's broad range of brake, filtration and chassis products are sold in North and South America, Europe, and Asia.

Cari-All Inc. is a leading North American manufacturer and distributor of retail shopping carts.

Cengage Learning delivers highly customized learning solutions for colleges, universities, instructors, students, libraries, government agencies, corporations and professionals around the world.

Constellation Software Inc. is an international provider of market leading software and services to the public and private sectors. Constellation acquires, manages and builds vertical market software businesses that provide custom mission-critical software.

Cookie Jar Group of Companies produces and distributes high-quality, non-violent programming and supplemental educational products for children, families and educators worldwide.

Give and Go Prepared Foods Corp. is a Toronto-based wholesale bakery producing Two-Bite Brownies™, Cinnamon Crunchies™, Butter tarts and Bite Coffee™ Cakes. Give and Go products are sold throughout Canada and in the U.S.

Golf Town is Canada's leading retailer of golf merchandise from leading manufacturers together with teaching academies, golf simulators and pro shop services. Golf Town also provides logo services on apparel and equipment for corporate tournaments and events.

Marketwire is a leading provider of newswire services, with one of the largest distribution platforms in North America. Based in Toronto, Marketwire has partnerships worldwide to distribute news, and has offices in the U.S. and the U.K.

Driven by Service and Science

Maxxam Analytics is the largest privately owned analytical laboratory in Canada and provides analytical testing services to government and major companies in the environment, food, oil and gas, health, forensics and genetic markets throughout the North American continent and world.

Nelson Education is Canada's leading education publisher, from kindergarten to university and college levels. Nelson offers customized educational solutions for core disciplines such as math, science and language arts.

Sitel Corporation is a leading global provider of outsourced customer care and back office processing services. Sitel has over 65,000 associates across 28 countries.

Infrastructure Investments

A global portfolio of world-class infrastructure assets with an enterprise value exceeding $30 billion. Borealis Infrastructure (Borealis) manages our infrastructure investments and is a world leader in developing infrastructure investing as an asset class for institutional investors. Borealis has a proven track record in identifying, investing and managing infrastructure investments around the world and has delivered solid returns outperforming its benchmark in each of the last three years.

Infrastructure investing involves direct investments in inflation-sensitive assets that are critical to the long-term success of a modern industrial economy. Some infrastructure investments are subject to regulatory establishment of rates, service delivery levels or both. Individual investments generally require capital commitments for a minimum of 15 to 20 years and typically generate consistent annual cash flows – a perfect fit in meeting our long-term pension obligations. Since starting Borealis in 1999, we have become a significant investor in the infrastructure sector. Our assets include majority or minority positions alongside other pension, corporate and government investors.

Borealis' investments generated net investment income of $596 million in 2008, compared with $595 million a year earlier. The 2008 return was 11.5 per cent, compared with 9.8 per cent for the benchmark and a 12.7 per cent return in 2007. The strong, stable returns generated by Borealis' infrastructure investments over the past three years, especially with the significant decline in global public equity markets, illustrate that our strategy of allocating 20 per cent of the Plan's long-term asset mix target to infrastructure investments has been a success.

The value of infrastructure investments is based on their ability to generate stable long-term cash flows, often based on regulated rates which results in lower volatility compared with public markets. Our policies, which are consistently applied in all market conditions, require that for significant investments, accredited external appraisers perform a review of management's valuations at least once every three years or where a valuation changes by more than fifteen per cent from the prior year. In 2008, approximately 79 per cent of the value of infrastructure investments was either independently reviewed or held at cost as they were recently acquired.

Borealis' investments are partially funded by $5,089 million in secured debt and commercial paper. Interest expense for the year was $209 million. Despite extraordinarily tight credit markets, Borealis was able to successfully launch its commercial paper program in December 2008.

During 2008, infrastructure investment assets increased by 44 per cent over the prior year from $8,412 million to $12,140 million. New acquisitions in 2008 combined with the decrease in the value of the Funds' public equity investments resulted in an increase in our asset mix exposure to infrastructure from 9.9 per cent in 2007 to 16.1 per cent at the end of 2008. We continue to make good progress toward our long-term asset mix target of 20 per cent.

In November 2008, Borealis successfully completed a public take-over bid for the Teranet Income Fund (Teranet). Teranet is the sole provider of access to the Electronic Land Registry System for the Province of Ontario and provides electronic land-based information and services to approximately 80,000 clients in the legal, real estate,

BOREALIS INFRASTRUCTURE

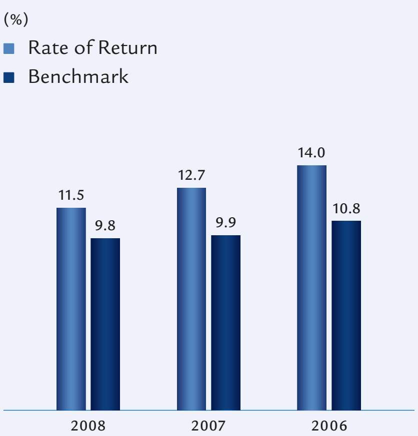
financial and health care sectors. Also in November 2008, in conjunction with GIC Special Investments Pte Ltd. and Hunt Special Utility Investment LLC, we finalized the purchase of a 19.75 per cent interest in Oncor, a leading electricity transmission and distribution company in Texas.

Other significant investments made in previous years include interests in:

- Bruce Power nuclear power plant located northwest of Toronto, Canada. Bruce Power is currently working under an agreement with the Ontario Power Authority to restart and refurbish four of the eight reactors at Bruce Power. When the program is completed, Bruce Power is expected to supply approximately 25 per cent of Ontario's electricity, up from the current 20 per cent;
- Associated British Ports, the largest port operator in the United Kingdom which owns 21 ports handling approximately 25 per cent of all marine traffic goods into and out of the United Kingdom;
- Scotia Gas Networks which operates the Scotland and the South of England gas distribution networks, comprising approximately 73,000 km of gas lines serving approximately 5.6 million customers;
- LifeLabs, Canada's largest provider of laboratory services provides more than 50 million diagnostic tests to more than 10 million patients and nearly 20,000 physicians each year;
- CEDA International, a leading industrial, mechanical and electrical services company which is well established in the Alberta oil sands;
- OMERS Energy, an oil and gas exploration company with interests in oil and gas wells throughout western Canada;
- Express Pipeline, a pipeline system that exports crude oil from Alberta to the United States and serves refineries in six western and midwestern states;
- Detroit River Tunnel, which transports over 425,000 railcars annually, making it one of the largest trade corridors in the world;
- Enwave Energy Corporation, which owns the largest deep lake water cooling service in the world and provides environmentally friendly heat and air conditioning to Toronto's downtown office core;
- Confederation Bridge, linking Prince Edward Island and New Brunswick, which operates under a concession agreement with the federal government until 2032; and
- Ciel Satellite, which will offer wholesale satellite capacity to the North American market. Ciel Satellite's first communications satellite, Ciel-2, was launched in December 2008 and has now completed all in-orbit testing and entered commercial service at its orbital position.

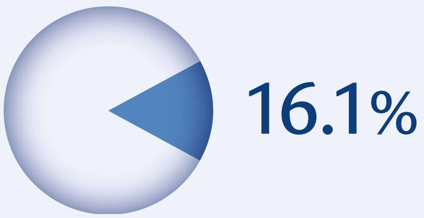
RETURNS AND BENCHMARKS

The overall infrastructure return in 2008 was 11.5% compared with a benchmark of 9.8%.



ASSET MIX EXPOSURE

Infrastructure investments comprise 16.1% of our net investment assets.



	2008	2007	2006
Infrastructure	16.1%	9.9%	7.9%

Real Estate Investments

Our world-class real estate investments generate strong, sustainable cash flow with low volatility.

Oxford Properties Group (Oxford) is one of North America's largest commercial real estate investment and real estate management firms. Oxford oversees and manages approximately $18 billion of real estate for itself and on behalf of its co-owners and investment partners.

Oxford's focus is to build a global platform for real estate investment, providing superior risk-adjusted returns and secure, sustainable and growing cash flows for the Plan. Oxford's strategy focuses on the ownership and active management of significant assets, diversified by property type, geographic market, partner relationship and risk-reward profile. A diversified real estate portfolio of this nature generates reliable cash flows, facilitating our ability to meet both current and future benefit obligations. Furthermore, actively managed real estate generally appreciates in capital value over time in step with inflation, which offsets the inflation exposure of our pension liabilities.

Oxford generated net investment income of $431 million; including operating income of $533 million after interest expense of $167 million, compared to 2007 net investment income of $1,239 million, which included operating income of $372 million after interest expense of $157 million. Based on total investment income of $438 million before investment management expenses, Oxford's return was 6.0 per cent in 2008, compared with a 2008 benchmark return of 8.3 per cent and a 22.9 per cent return in 2007. While rental income and occupancy rates in most of Oxford's real estate portfolio continued to improve in 2008, the global economic crisis and the slowdown in the economy has resulted in an overall decline in Oxford's real estate market values in 2008 compared with strong market appreciation in the prior year.

Oxford's total real estate assets were valued at $12,037 million at December 31, 2008, an increase of $1,133 million from 2007. Our asset mix exposure to real estate increased to 15.2 per cent at December 31, 2008 compared with 12.5 per cent in 2007 due to the sharp decline in the value of our public market investments and due to net investments in real estate during the year. Although at the end of 2008 we have exceeded the Plan's target asset mix allocation to real estate investments of 12.5 per cent, there is no requirement to reduce our allocation to real estate. We will continue to pursue our global investment strategy in order to ensure that we are positioned for future growth in accordance with our long-term asset mix targets.

Oxford's real estate portfolio is partially funded by $3,898 million in mortgages, debentures, commercial paper and other debt. In 2008, $500 million in Series B debentures matured and Oxford, through OMERS Realty Corporation, issued $400 million in Series C and $200 million in Series D debentures. Despite turbulent credit markets and with the backing of the AC's "AAA" credit rating, Oxford was able to successfully maintain funding through its commercial paper program throughout 2008.

At December 31, 2008, our direct portfolio consisted of 111 properties, located primarily in Canada, with a total leaseable area of 46.8 million square feet, over 2,900 hotel rooms and over 20,450 residential units. The portfolio composition is shown in the table on the following page.

OXFORD

Direct Real Estate Portfolio Composition	NUMBER OF PROPERTIES	PERCENTAGE OF PORTFOLIO BASED ON MARKET VALUE
Office	40	41%
Retail	19	25%
Industrial	16	5%
Residential	22	10%
Hotels and resorts	7	14%
Properties under development	4	5%
Land held for development	3	–
	111	100%

Oxford's office portfolio is diversified geographically in Canada across six major markets. The largest concentration is in the Greater Toronto Area (representing approximately 60 per cent of the market value of the office portfolio). The most significant properties are TD Canada Trust Tower, Royal Bank Plaza and the Richmond-Adelaide Complex. The other major urban centres in which Oxford has office investments are Vancouver, Calgary, Edmonton, Ottawa and Montreal. In July 2008, Oxford purchased the remaining 50 per cent interest in the TD Canada Trust Tower to hold a 100 per cent interest.

The retail portfolio comprises 19 properties, primarily super regional and regional shopping centres, totalling 18.2 million square feet. The properties are located across Canada and in the United States but are predominantly in the Greater Toronto Area. The more significant properties include 50 per cent ownership interests in Yorkdale Shopping Centre, Square One Shopping Centre, Scarborough Town Centre and the Oshawa Centre in the Greater Toronto Area, Oakridge Centre in Vancouver and Place Laurier in Quebec City and a 100 per cent ownership interest in the Kingsway Garden Mall in Edmonton. In addition, in partnership with other investors, we own a 48.9 per cent interest in eight regional shopping centres in the United States.

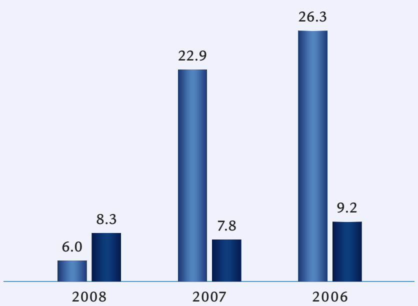
As part of Oxford's global investment strategy, we are actively seeking to increase the international component of our direct real estate investments, which will allow us to diversify our portfolio and enhance returns. At December 31, 2008, 88.1 per cent of Oxford's direct real estate portfolio based on market value was invested in Canada and the remaining 11.9 per cent was invested in the United States, Germany and the United Kingdom. In 2008, Oxford with its partner, continued development of Watermark Place, a landmark 530,000 square foot office building located in London, UK for a total gross development cost estimated at $500 million. Through rigorous research, due diligence and strategic relationships, we will continue to pursue and assess new investment opportunities in 2009 as part of the continued execution of Oxford's global investment platform.

Oxford also holds and manages a portfolio of indirect investments that were valued at $528 million as at December 31, 2008, a decrease of $128 million from $656 million at December 31, 2007 primarily due to negative market valuation adjustments as a result of declining global real estate market conditions.

RETURNS AND BENCHMARKS

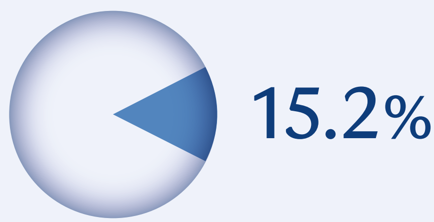
The overall real estate return in 2008 was 6.0% compared with a benchmark of 8.3%.

(%)
- Rate of Return
- Benchmark



ASSET MIX EXPOSURE

Real Estate investments comprise 15.2% of our net investment assets.



	2008	2007	2006
Real Estate	15.2%	12.5%	10.3%

OMERS Pension Group

Our mandate is to provide best-in-class service to our members and employers.

OMERS Pension Group is the primary communications link with our members and employers. Through rapid service response and a focus on customer satisfaction, we ensure our members and employers receive best-in-class service. We are widely recognized in the pension industry both for our excellent pension plan and for our high standards of service. Three strategies are at the core of OMERS Pension Group's mandate as a professional service organization: enhancing internal capabilities, responding to external drivers, and supporting effective plan governance.

Enhancing Internal Capabilities

During 2008, OMERS Pension Group successfully implemented a new Supplemental Plan and continued to strengthen business operations to deliver superior service to our members and employers.

On July 1, 2008, the Supplemental Plan for members of the police sector, firefighters and paramedics was implemented as required by the *OMERS Act*. The Supplemental Plan is a separately funded, stand-alone registered pension plan, which offers benefits that "top up" those available in the Plan. For example, the Supplemental Plan allows eligible members to bargain a 2.33 per cent pension formula, which would top up pensions (provide an additional 0.33 per cent) above the 2 per cent formula in the Plan. Supplemental Plan benefits are not automatic and must be agreed to in collective bargaining arrangements between members and individual employers. Consistent with our commitment to open communication, we responded to requests for information about the Supplemental Plan. We posted detailed information on our website and held a series of information sessions to help employers, unions and associations understand the supplemental benefits.

We continue to build our internal capabilities by enhancing our internal structure, systems and processes to meet the needs of our members and to support effective governance of the OMERS Pension Plans.

- In 2008, OMERS Pension Group realigned internally to be better positioned to provide the level of professional service required to fulfill our mandate. This realignment included expanding our internal actuarial analysis and support capabilities. We have also enhanced our internal staff training capacity and focus on quality service.
- During the year, we implemented a new communications tracking system which consolidates and provides better access to our member and employer customer contact history. This is an excellent tool for managing customer relationships and mitigating risk.
- Over the next several years, we intend to extend our successful e-access program to members in order to further enhance their customer experience.

Responding to External Drivers

By responding quickly and intelligently to the external influences that drive our business, we can be instrumental in influencing the pension landscape and better meet the needs of our members.

Members and employers have come to expect best-in-class service and OMERS Pension Group continues to deliver. Our performance in 2008 against our demanding service standards confirms that our technology and human resource platforms are meeting the challenge of providing best-in-class pension services.

In each month we met or exceeded our targets for our key service standards as follows:

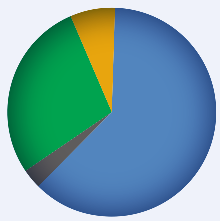
- Initial claims turnaround time average of 3 business days for all key business activities,
- Answer 80 per cent of incoming calls to Client Services within 100 seconds.

The requirement to deliver outstanding service continues to grow.

- As illustrated in the charts on page 45 we now serve a total membership of 390,295, a 2.6 per cent increase over 2007, as well as 921 employers. In addition, our active member population is aging with the number of active members 45 years of age and older increasing from 48 per cent of total active members in 2003 to 55 per cent in 2008. This aging membership results in an increase in the normal cost (contributions required to fund the retirement benefit earned in the current year) for the Plan.
- Members of the OMERS Pension Plans belong to a wide variety of unions and association groups. The chart on page 45 shows a breakdown of our active membership by their affiliation at December 31, 2008.
- In 2008, we delivered monthly pension payments totalling $1,656 million to more than 106,000 retirees/survivors – keeping the pension promise. Where individuals transferred to other registered pension plans or chose to leave the Plan and forego its guaranteed monthly pension benefit, payments of $371 million were made in the form of transfers or commuted value payments in 2008.
- In 2008, we received requests for more than 33,400 retirement, termination, disability and pre-retirement death benefits, as well as retirement and termination estimates, an increase of 9.5 per cent over 2007.
- Communication is a critical element of our service. In 2008, our website approached 657,000 visits, an increase of 2.9 per cent over 2007. We also continued our practice of serving our members and building our relationship with employers through regular communication. In addition, we made approximately 1,000 on-site visits in 2008, making presentations to members at information and pre-retirement sessions and providing technical support to employers.
- In 2008, e-access continued to be the preferred means of communicating with employers as 92 per cent of employers (covering 99 per cent of active members) are now registered for our e-access program. The most significant e-access application for both employers and OMERS Pension Group is the e-Form 119 application through which employers report annual member data directly to us through our secure online e-access system. Ninety-nine per cent of all annual pension statements were issued to members by June 30, 2008, which exceeded our target of 90 per cent in that time frame.

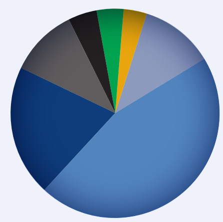
MEMBER PROFILE

Active	248,284
Deferred	12,184
Retired/Survivor	106,435
Inactive	23,392
Total	390,295



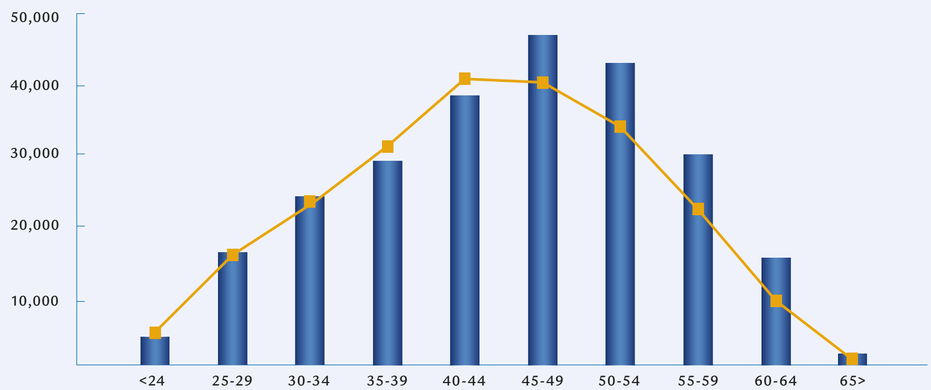
MEMBER AFFILIATION

Canadian Union of Public Employees	45.8%
Management/Non-union	20.1%
Police Associations	10.5%
Ontario Professional Fire Fighters Association	4.5%
Ontario Secondary School Teachers' Federation	4.3%
Ontario Public Service Employees Union	3.5%
Other	11.3%



ACTIVE MEMBERS BY AGE

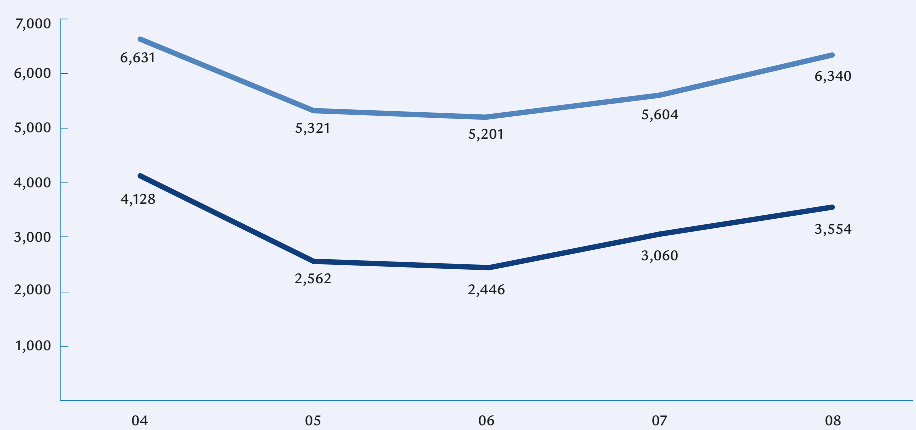
- 2008
- 2003



NUMBER OF NEW PENSIONS

Unusually high number in 2004 reflects a temporary early retirement window that was in effect at that time

- Total New Pensions
- Early Retirements



Not only do we serve many individual members on a timely basis but as illustrated in the chart below our annual survey to assess how we are doing at meeting the needs of members and employers reveals that we are doing it well. The 2008 survey results showed an average satisfaction rate of 91 per cent for the overall level of service which demonstrates continuing recognition of our high standards.

In addition, in a comparative survey conducted by CEM Benchmarking Inc., using 2007 data, we received a 91 out of 100 rating for service to employers, compared with a median rating of 58 for our peer pension plans.

While maintaining outstanding service, OMERS Pension Group responded to emerging government legislation in 2008.

- Following the introduction of new provincial legislation, OMERS Pension Group implemented a transfer option for divested police officers and civilians. This afforded approximately 550 members of the police sector the option to bring their service in two pension plans together in one plan. OMERS Pension Group also supported the process to bring employees of the Hamilton Street Railway into the Plan.
- In November 2008, the Ontario Expert Commission on Pensions (OECP) released its report on the pension system in Ontario which included wide-ranging recommendations on pension reform. OMERS Pension Group is in the process of reviewing the OECP's recommendations and will work with the other large pension plans and the Government of Ontario to assist with the implementation of key elements of the report.

To support the enterprise-wide strategic plan, OMERS Pension Group also actively began investigating new capital growth opportunities. These opportunities include bringing external plans under our management, administering the independent funds of third-party pension plans, and identifying and researching potential new products and services.

Supporting Effective Plan Governance

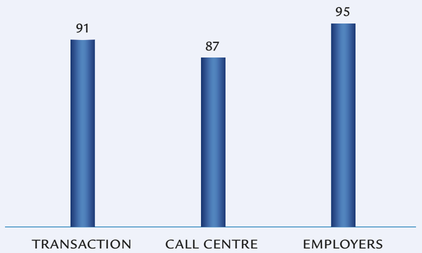
An effectively governed pension plan ensures we will deliver on our pension promise to members. During 2008, OMERS Pension Group continued to provide comprehensive support for decision-making by both the AC Board and the SC.

Under the *OMERS Act*, the SC is responsible for pension plan design and contribution rates. During 2008, OMERS Pension Group provided information to assist the SC in their review of the Plan and RCA valuations, including a detailed contribution rate study. This process resulted in contribution rate adjustments for 2009 as discussed on page 25 of this Annual Report. OMERS Pension Group also provided technical support on various plan change proposals and continued to foster a strong foundation of respect and collaboration with the SC.

During 2008, OMERS Pension Group had an independent actuarial assessment of the Plan's accrued benefit obligation completed as at December 31, 2007 by a second firm of independent actuaries. This provided additional assurance of the appropriateness of the Plan's actuarial valuation. The assessment confirmed that the December 31, 2007 actuarial report, which is the foundation of Plan funding, was prepared in accordance with accepted actuarial standards.

SATISFACTION SURVEYS

Percentage of respondents who rated OMERS 4 out of 5 or 5 out of 5 for service excellence



Risk Management

We are committed to providing secure pensions to our members by investing in a broad range of assets in a manner that strives to earn superior returns without taking undue risk. It is our objective to ensure that the value of the net assets of the Plan is sufficient to pay all pensions promised to members.

Our ability to meet this objective is affected by two factors:

- fluctuations in the value of the investment portfolio, which are driven by changes in investment markets (primarily market, credit and liquidity risk); and
- changes in the value of the Plan's accrued benefit obligation, which is driven by both economic and demographic factors.

Risk management is an essential part of our corporate and investment strategy as it can mitigate the negative impact of the above factors on the investment portfolio and the accrued benefit obligation. Risk management is supported by our system of internal controls, procedures and corporate policies including our Code of Conduct and Statements of Investment Policies and Procedures. We continually strive to improve our enterprise-wide approach which involves our AC Board, management and employees. All employees are required to adhere to policies, procedures and standards that a prudent person would reasonably exercise when managing the assets of others.

The value of the Plan's accrued benefit obligation is sensitive to movements in interest rates and inflation rates similar to changes in the value of a portfolio consisting of real return bonds and nominal bonds. However the Plan invests in a combination of equities, infrastructure, real estate and a broad range of interest bearing instruments. While this investment strategy diversifies the investment portfolio and assists in maintaining stable and cost-effective contribution rates, it produces a mismatch between the economic characteristics of the accrued benefit obligation and the investment assets. This exposes the Plan to various risks that must be closely monitored and managed.

Risks Affecting the OMERS Pension Plans

The Enterprise Risk Management program has identified four categories of risks that could potentially have an adverse effect on the OMERS Pension Plans.

- First, there are investment risks (market, credit and liquidity risk) that are an inherent part of investing in capital markets;
- Second, there are an array of operational risks that we face as a business operation;
- Third, there are strategic risks inherent in the execution of our longer-term plan; and
- Finally, there are legal and compliance risks that we deal with in the management and administration of the OMERS Pension Plans under the laws of Canada as well as laws and regulations of the various countries where we invest.

Investment Risk

We ensure the OMERS Pension Plans' investments are well diversified across assets, industries and regions. The purpose of diversification is to have different segments of the investment portfolio exposed to different investment risks. This reduces the overall volatility of returns and helps insulate the investment portfolio from the negative impact of adverse returns in any one asset class, industry or region.

Diversification is achieved through the periodic review of, and adjustment to, the long-term asset mix targets. Our goal is to manage an asset mix that balances risks and rewards, avoids excessive volatility in the investment portfolio and is appropriate for the size and duration of the OMERS Pension Plans' accrued benefit obligations. The target weight of each asset class, as a proportion of the total portfolio, and the associated allowable ranges, are approved annually by the AC Board with the objective of reaching our long-term strategic asset mix in a prudent and efficient manner. The progress of our actual asset mix towards our annual and long-term strategic asset mix targets is reviewed on an ongoing basis by the AC Board and management.

We manage a variety of investment risks associated with investing in capital markets including market, credit and liquidity risk. Market, credit and liquidity risk are discussed in the AC's Consolidated Financial Statements on page 69 of this Annual Report.

Operational Risk

Operational risk is the risk of loss arising either directly or indirectly from operational error due to failure in processes, systems, technology, actions of personnel or due to unforeseen external events. Our framework of policies and procedures is designed to identify and manage operational risks through the implementation of controls over data integrity, information processing, management of information technology and through appropriate human resources, systems and practices.

Strategic Risk

Strategic risk is the risk of not achieving our long-term strategic goals and objectives. The AC Board and the CEO manage the achievement of our strategic goals by overseeing our policies and the planning and achievement of our long-term goals. The CEO is accountable to the AC Board for decisions relating to the day-to-day management of the OMERS Pension Plans and the Funds including funding policy, investment strategies, investments pursued, investment management styles and operating results.
To manage this risk, we have established a governance framework, business strategy processes and performance measures. The OMERS Pension Plans' funding is a significant strategic risk.

- Funding Risk
  Inappropriate policies or decisions related to asset allocation or actuarial methodologies and valuation processes can impact funding of the OMERS Pension Plans. Our ability to pay pensions is not only subject to investment risks (discussed in the previous section) but is also subject to the risks associated with the assumptions used in the valuation of the Plan's accrued benefit obligation. There are two sources of this risk: (1) the risk that actual market conditions differ significantly from the assumptions used in the valuation of the accrued benefit obligation and (2) unforeseen changes in the major assumptions. The major assumptions that go into the valuation of the accrued benefit obligation include long-term economic conditions (i.e. inflation, the real return on investments, and the rate of member salary increases) and the demographics of the membership (i.e. mortality rates, disability rates, the rates for terminations, early retirement and marital status).

  To manage these risks, the AC Board appoints an independent actuary to value the accrued benefit obligation annually based on economic and demographic assumptions as recommended by the independent actuary, reviewed by management and approved by the AC Board. The validity of all assumptions is monitored each year against actual experience and adjusted as appropriate.

Legal and Compliance Risk

Legal and compliance risks arise from changes in or non-compliance with legal and/or regulatory requirements and/or other ethical standards which can undermine our ability to achieve our objectives. The AC Board and management, with the assistance of the Legal Division (including the Compliance Branch) and independent expert advisors, monitor situations affecting regulatory compliance that could result in regulatory action. We have established processes to keep abreast of applicable regulatory developments and to advocate for changes where they are in the best interest of plan members.

Through our governance framework and established policies and procedures, including our Code of Conduct and Personal and Insider Trading Policy for directors and employees, we strive to ensure that values and behavioural expectations are well understood and integrated throughout the organization so as to minimize these risks.

Critical Accounting Policies

We have established procedures to ensure that our accounting policies are in accordance with Canadian generally accepted accounting principles (GAAP) and are applied consistently, and that our processes for changing accounting policies are systematic and well controlled.

Consistent with Canadian GAAP, certain of our accounting policies require subjective or complex judgments and estimates relating to matters that are inherently uncertain. The use of different judgments and estimates could result in materially different amounts being recorded under different conditions or by using different assumptions. As a result, actual results could materially differ from our estimates and assumptions applied in the Consolidated Financial Statements. Significant estimates included in the Consolidated Financial Statements relate to the valuation of private market investments and the valuation of our accrued benefit obligation.

Our policy is to record all investments at fair value; however, the assessment of fair value involves considering many factors for each type of investment held by the Funds. Fair value is based on quoted market prices, where available, and excludes transaction costs which are expensed as incurred. For private market investments where quoted market prices are not available, fair value is generally based on valuations using generally accepted valuation methods. The fair value of private market investments acquired within the current fiscal year may be held at cost, depending upon events since acquisition. For private equity funds the fair value is generally based on the valuation provided by the fund's general partner subject to information available to the AC's investment management. As a result fair values for private market investments are based on estimates which are inherently uncertain. Our policy is to obtain independent support of these valuations by accredited independent appraisers at least once every three years, or whenever the valuation changes by more than 15 per cent from the prior year.

Actuarial assumptions used in determining the accrued benefit obligation reflect management's best estimates of future economic factors such as the discount rate, rate of pensionable earnings increase and inflation, as well as non-economic factors such as mortality, withdrawal and retirement rates of Plan and RCA members. This process is supported by our independent actuary. The Plan and RCA's actual experience could differ from these estimates. Differences are recognized as experience gains or losses in future years.

A summary of our significant accounting policies is presented in note 2 to the Consolidated Financial Statements.

Transition to International Financial Reporting Standards

The Canadian Institute of Chartered Accountants (CICA) has announced that Canadian GAAP for publicly accountable enterprises will be replaced with International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. This is consistent with the move toward using a single set of accounting standards around the world. The CICA has also announced that, although pension plans are publicly accountable enterprises, the guidance in CICA accounting standard 4100, Pension Plans, will continue to apply to pension plans such as the OMERS Pension Plans. We expect that the Accounting Standards Board of the CICA will fully define the reporting requirements for pension plans later in 2009 after consulting with the pension industry. The AC will first report results using these new reporting requirements for the year end December 31, 2011 with comparative figures for December 31, 2010. We have begun investigating the potential impact of these new reporting requirements on our financial reporting and have provided comments to the CICA. Once CICA guidance is finalized, we will assess the implications of the conversion, estimate the impact and implement the changes required to ensure the accuracy of our financial statements under the new reporting requirements. As a result, it is not currently possible to determine the impact of IFRS on the AC's financial statements.

Senior Management Team

OMERS Management Team

1 **Michael Nobrega**
President and
Chief Executive Officer

2 **Jennifer Brown**
Executive Vice President
and Chief Pension Officer

3 **Blair Cowper-Smith**
Executive Vice President
and Chief Legal Officer

4 **Patrick Crowley**
Executive Vice President
and Chief Financial Officer

5 **John Macdonald**
Executive Vice President
and Chief Operating Officer

Investment Professionals

1 **James Donegan**
President and
Chief Executive Officer,
OMERS Capital Markets

2 **Paul G. Renaud**
President and
Chief Executive Officer,
OMERS Private Equity

3 **Michael Rolland**
President and
Chief Executive Officer,
Borealis Infrastructure

4 **Michael Latimer**
President and
Chief Executive Officer,
Oxford Properties Group

5 **Jacques Demers**
President and
Chief Executive Officer,
OMERS Strategic
Investments

Governance – OMERS Administration Corporation

Under the *Ontario Municipal Employees Retirement System Act, 2006* which was proclaimed into law in June 2006, the Ontario Municipal Employees Retirement Board became the OMERS Administration Corporation, responsible for pension administration, valuation of the accrued benefit obligation and investment of the pension funds. The initial appointments of the 14 members of the AC Board were made by the Ontario Government as set out in the legislation. The legislation also provides for appointments during a transition period. Subsequent appointments will be as set out in SC by-laws.

Corporate and Board Governance

Effective and transparent pension plan governance is the foundation that allows OMERS to fulfill its pension promise to its members. Throughout its 46 year history, OMERS has continuously sought to achieve the highest standards in governance, as evidenced by its Governance Vision and Mission.

- **Governance Vision**
  The AC Board will be publicly recognized as an industry leader in corporate and pension governance.

- **Governance Mission**
  The purpose of governance is to ensure effective board and management decision-making through the use of processes and controls to ensure the Plan is administered in the best interests of the members and beneficiaries.

AC Governance Reform Project

We continually look for opportunities to improve our governance practices and procedures and in 2007 launched a governance reform project to:

- clarify board and committee mandates;
- clarify roles and responsibilities between the AC Board and management;
- define required board competencies;
- develop processes to effectively monitor management performance; and
- provide a means of benchmarking and assessing the overall governance process itself.

Board Governance

Many existing policies and practices are in place that support our commitment to best governance practices, including:

- corporate by-laws and a Governance Manual and Handbook;
- a board education program that includes mandatory corporate director certification from The Directors College, operated in conjunction with The Conference Board of Canada, the DeGroote School of Business and McMaster University, as well as mandatory orientation in board operations and governance;
- a formal external auditor independence policy. To preserve the auditors' independence, the auditors are restricted from providing services to the AC where they act in any capacity where they could reasonably be seen to function in the role of management, audit their own work, or serve in an advocacy role on behalf of the AC;

- a formal Code of Conduct policy, covering areas such as conflict of interest, fiduciary duty, workplace harassment, discrimination, privacy and confidentiality, that applies to AC Board members and employees each of whom are required to affirm their compliance each year;
- an "ethics hotline" supported by a "whistle-blowing" policy;
- a formal personal and insider trading policy regarding investments. Board members, senior management and appropriate investment and accounting staff must pre-clear their securities trades, disclose holdings and sign an annual certificate of compliance;
- a requirement that members of the Audit Committee meet the standard of financial literacy; and
- transparency and accountability through regular meetings with plan participants and other stakeholders as well as timely and accurate print and electronic communication. Summaries of AC Board proceedings are regularly published on the OMERS website.

Board Membership

Currently, the AC Board comprises seven employer and seven plan member representatives as follows:

Employer Representatives

- Association of Municipalities of Ontario (2 members)
- City of Toronto (1 member)
- School Boards (rotates between Public and Catholic Boards) (1 member)
- Ontario Association of Police Services Boards (1 member)
- Other employers (rotates among representatives of other employers) (2 members)

Plan Member Representatives

- Canadian Union of Public Employees (Ontario) (2 members)
- Police Association of Ontario (1 member)
- Association of Municipal Managers, Clerks and Treasurers of Ontario (1 member)
- Ontario Professional Fire Fighters Association (1 member)
- Other contributing members (rotates among other unions and associations) (1 member)
- Members receiving or entitled to a pension (rotates among organizations representing these members) (1 member)

Board Independence

The AC Board appoints the CEO, who is not a member of the Board, and reviews his/her performance regularly throughout the year. Day-to-day management is delegated to the CEO. The AC Board also appoints the external auditor, master custodian, actuary and Vice President, Internal Audit and has retained independent counsel to provide legal advice when required. The AC Board has regular in camera meetings without management present.

AC Board Remuneration & Expenses

Effective January 1, 2008, the remuneration paid to AC Board members, as determined by the Sponsors Corporation, was as follows:

The AC Board Chair received $30,000; Committee Chairs received $18,000 and Board members $15,000.

The table on page 53 includes remuneration paid to the AC Board members for AC Board and committee meetings as well as other eligible expenses in 2008 with comparable numbers for 2007.

BOARD REMUNERATION AND EXPENSES

For the year ended December 31,

	2008		2007	
	Remuneration	Expenses[1]	Remuneration	Expenses[1]
John Sabo, Chair	$ 30,000	$ 30,813	$ 27,338	$ 32,854
David Carrington[3]	11,250	3,546	15,264	12,720
Ed DeSousa	15,000	436	14,016	3,616
Richard Faber	15,000	27,294	26,400	46,207
John Goodwin[2]	15,000	8,168	960	36
Rick Miller	15,000	80,410	22,080	82,546
Ann Mulvale	18,000	20,731	23,328	30,431
David O'Brien	18,000	605	9,408	–
Michael Power	18,000	67,359	19,584	64,727
Peter Routliff	18,000	19,957	14,976	29,020
Patrick (Sid) Ryan[3]	3,750	362	–	–
Gerard Sequeira[4]	15,000	2,714	12,000	3,998
Eugene Swimmer	15,000	24,296	–	552
John Weatherup	15,000	24,451	14,400	38,922
Cam Weldon[4]	18,000	7,452	16,416	12,138
Frederick Biro[2]	–	–	11,616	33,321
David Kingston	–	–	50,511	76,716
Other[5]	–	94,694	(7,930)	132,356
Total	$ 240,000	$ 413,288	$ 270,367	$ 600,160

(1) Includes reimbursement for normal out-of-pocket business expenses including education, meeting and communication expenses incurred on behalf of the AC. These Board expenses by Director are reported to the Audit Committee annually.
(2) Part year in 2007.
(3) Part year in 2008.
(4) Remuneration for these AC Board members is paid directly to their employer.
(5) Other expenses include board group meeting expenses not allocated by individual. 2007 Remuneration credit ($7,930) reflects reimbursement of time spent on the Supplemental Plan.

Board Committees

In 2008, the AC Board had four standing committees which assisted the Board in discharging its responsibilities by reviewing and making recommendations consistent with their mandates as follows:

Investment Committee (Committee of the Whole)

- Reviewed asset mix policy; reviewed investment policy including the Statement of Investment Policies and Procedures; and reviewed and approved major investment decisions.

Governance Committee

- Reviewed the mandate of the AC Board and its committees; evaluated AC Board orientation and education programs; reviewed the composition of committees and qualifications for AC Board members and policies relating to AC Board members; and reviewed all policies relating to external communications.

Audit Committee

- Monitored the integrity of the AC's financial reporting processes and system of internal control regarding financial reporting and accounting compliance; reviewed financial statements; identified and monitored management of principal risks that impact financial reporting; monitored the enterprise risk management program; and assessed the independence and performance of the AC's external auditors and internal audit department.

Leadership Resources and Compensation Committee (LRCC)

- Reviewed human resources strategy, executive compensation and performance, succession planning for the CEO and senior executive management team, and non-executive compensation and incentive plans. Also responsible for appointing the CEO and approving the appointment of senior executives.

AC Board Attendance

Board and committee meeting attendance in 2008 was 88 per cent, unchanged from 2007, as detailed below.

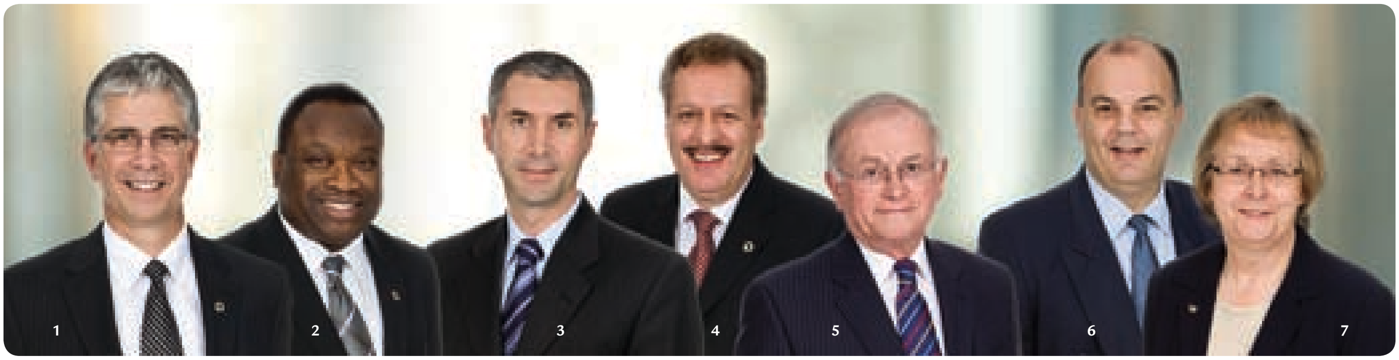
AC BOARD AND COMMITTEE ATTENDANCE

2008 Board/Committee Meetings (Number of Meetings in 2008)

	Board (12)			Investment (11)			Governance (6)			Audit (4)			LRCC (5)			Total (38)		
Board Member	Attended	Total	%	Attended	Total	%	Attended	Total	%	Attended	Total	%	Attended	Total	%	Attended	Total	%
David Carrington[1]	7	8	88%	9	10	90%	–	–	–	3	3	100%	–	–	–	19	21	90%
Ed DeSousa	12	12	100%	9	11	82%	6	6	100%	–	–	–	5	5	100%	32	34	94%
Richard Faber	11	12	92%	8	11	73%	–	–	–	–	–	–	5	5	100%	24	28	86%
John Goodwin	12	12	100%	10	11	91%	6	6	100%	–	–	–	–	–	–	28	29	97%
Rick Miller	12	12	100%	11	11	100%	6	6	100%	–	–	–	–	–	–	29	29	100%
Ann Mulvale	10	12	83%	11	11	100%	–	–	–	4	4	100%	5	5	100%	30	32	94%
David O'Brien	11	12	92%	8	11	73%	4	6	67%	–	–	–	–	–	–	23	29	79%
Michael Power	12	12	100%	10	11	91%	6	6	100%	–	–	–	–	–	–	28	29	97%
Peter Routliff	8	12	67%	6	11	55%	–	–	–	4	4	100%	–	–	–	18	27	67%
Patrick (Sid) Ryan[2]	2	4	50%	1	1	100%	–	–	–	–	–	–	–	–	–	3	5	60%
John Sabo[3]	12	12	100%	11	11	100%	6	6	100%	4	4	100%	5	5	100%	38	38	100%
Gerard Sequeira	10	12	83%	7	11	64%	–	–	–	3	4	75%	–	–	–	20	27	74%
Eugene Swimmer	12	12	100%	11	11	100%	–	–	–	–	–	–	5	5	100%	28	28	100%
John Weatherup	8	12	67%	8	11	73%	–	–	–	–	–	–	4	5	80%	20	28	71%
Cam Weldon	10	12	83%	9	11	82%	–	–	–	2	4	50%	–	–	–	21	27	78%
Overall Attendance			89%			84%			94%			87%			97%			88%

(1) Term ended September 22, 2008.
(2) Appointed September 22, 2008.
(3) Ex officio member for Governance, Audit and LRCC Committees.

Board of Directors



1 John Sabo, Chair of the Board
Associate Director – Leading Services & Treasurer of the Board
York Catholic District School Board

2 David Carrington
(left Board September 22, 2008)
Energy Advisor
Toronto Hydro Electric System Ltd.

3 Ed DeSousa
Director of Finance & Treasurer
Town of Halton Hills

4 Richard Faber
Retired Member

5 John Goodwin
Retired Partner
Osler, Hoskin & Harcourt

6 Rick Miller
Fire Fighter
Windsor Fire Department

7 Ann Mulvale
Former Mayor
Town of Oakville

8 David O'Brien
President & CEO
Toronto Hydro Corporation

9 Michael Power
Mayor
Municipality of Greenstone

10 Peter Routliff
International Representative
International Brotherhood of Electrical Workers (IBEW)

11 Patrick (Sid) Ryan
(appointed September 22, 2008)
President
Canadian Union of Public Employees (CUPE), Ontario Division

12 Gerard Sequeira
Director, Finance & Administration
Municipal Property Assessment Corporation (MPAC)

13 Eugene Swimmer
Distinguished Research Professor
School of Public Policy and Administration,
Carleton University

14 John Weatherup
President
Canadian Union of Public Employees (CUPE) 4400

15 Cam Weldon
Deputy City Manager and Chief Financial Officer
City of Toronto

Proxy Voting

We strive to be a leader in terms of our internal governance practices. We expect the same of the companies we invest in.

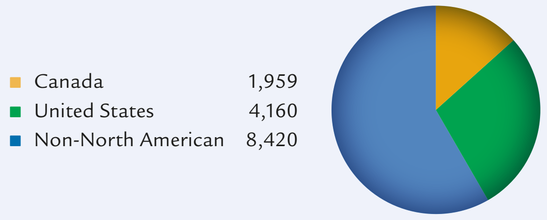
The Funds beneficially own shares valued at nearly $15 billion in more than 1,500 publicly traded companies around the world. We believe that companies that have strong corporate governance are generally more capable of creating value for shareholders. We prefer to invest in companies governed by directors who understand that the best interests of the shareholders are met by effectively managed corporations where management has a well thought out strategy for expanding the business, running it efficiently and achieving long-term profitability.

The most important tool we have for influencing policy among investee companies is exercising our ownership rights through our proxy votes. We vote proxies diligently in accordance with specific guidelines that we believe will optimize the long-term value of our investments. Our Proxy Voting Guidelines set out our policy on corporate governance matters and indicate how we will likely vote on individual issues. We consider the quality of a company's overall governance in deciding whether to vote for or against specific proposals. Votes are cast against those proposals we feel would dilute shareholder value.

We are also a member of the Canadian Coalition for Good Governance whose purpose is to represent Canadian institutional shareholders through the promotion of best corporate governance practices and to align the interests of boards and management with those of the shareholder.

The Proxy Voting Guidelines and our voting record on major proposals for Canadian companies can be found on our website.

PROXY VOTES CAST



Our key proxy voting principles

Our proxy voting guidelines are based on a number of key principles, including:

- proper sharing of the rewards of the enterprise between stakeholders is essential to long-term prosperity and the generation of long-term value.
- stakeholders involved in the corporate governance process accept their respective roles with a sense of fairness.
- a corporation that does not respond to public concerns or reasonable shareholder requests will eventually suffer in terms of its economic and capital market performance.
- ownership rights should not be subordinated. Minority shareholders should not be treated differently from controlling shareholders.
- the proxy vote is an important asset of a pension fund. Fiduciaries are obligated to exercise their ownership rights by voting proxies diligently in order to optimize the long term value of their investments.
- effective management of the risks associated with social, environmental and ethical matters can lead to long-term financial benefits for the companies concerned and shareholders have a right to know about the activities of their companies.
- all fiduciary votes at board and shareholders' meetings should be confidential, and tallied by an independent auditor as appropriate; and
- prompt disclosure of the results of votes at annual meetings is an important governance practice.

Proxy votes in 2008

During 2008, we voted a total of 14,539 ballots covering 1,583 shareholder meetings globally. In Canada, we cast 1,959 ballots in 256 shareholder meetings. Outside of Canada, we cast 4,160 ballots in the U.S. and 8,420 ballots outside of North America at 1,327 shareholder meetings.

Responsibilities of Management, the Actuary and External Auditors

The OMERS Administration Corporation (the "AC") is the administrator of the OMERS pension plans (the "OMERS Pension Plans") as defined in the *Ontario Municipal Employees Retirement System Act, 2006* (the "OMERS Act"). The OMERS Pension Plans include OMERS Primary Pension Plan (the "Plan"), the Retirement Compensation Arrangement (the "RCA") associated with the Plan and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the "Supplemental Plan"). The AC is responsible for managing the funds of the Plan, the RCA and the Supplemental Plan (collectively, the "Funds"). As at December 31, 2008, membership in the Supplemental Plan was nil.

The consolidated financial statements of the AC have been prepared by management and approved by the Board of the AC (the "AC Board"). Management is responsible for the contents of the consolidated financial statements and the financial information contained within the Annual Report.

Management maintains systems of internal control and supporting procedures that are designed to ensure the integrity and fairness of the data presented, that transactions are duly authorized and that assets are adequately safeguarded. These controls include clear divisions of responsibilities, accountability for performance, timely communication of policies and procedures throughout the organization and high standards in the hiring and training of employees. In addition, Internal Audit, which reports directly to the Audit Committee of the AC Board, reviews the AC's systems of internal control to determine whether these controls are appropriate and operating effectively.

The AC Board is responsible for approving the annual consolidated financial statements. The Audit Committee, which is comprised of directors who are not officers or employees of the AC, assists the AC Board in executing this responsibility. The Audit Committee meets regularly with management and the internal and external auditors to review the scope and timing of their respective audits as well as to review any internal control or financial reporting issues and their resolution. The Audit Committee reviews the annual consolidated financial statements and recommends them to the AC Board for approval.

The independent actuary is appointed by the AC Board. It is the independent actuary's responsibility to carry out annual valuations of the accrued benefit obligations of the OMERS Pension Plans in accordance with accepted actuarial practice and to report thereon to the AC Board. The Audit Committee assists the AC Board in executing this responsibility. The results of the independent actuary's valuation are set out in the Actuarial Opinion. In performing the valuation, the independent actuary values the benefits provided under the OMERS Pension Plans using appropriate assumptions about future economic conditions (such as inflation, salary increases and investment returns) and demographic factors (such as mortality, termination rates and retirement ages). These assumptions take into account the circumstances of the AC and its active, inactive and retired members.

The external auditors are also appointed by the AC Board. Their responsibility is to report to the AC Board whether the consolidated financial statements present fairly, in all material respects, the net assets; changes in net assets and surplus/(deficit) of actuarial value of net assets over the accrued benefit obligation of the AC as of the date and for the periods presented in this Annual Report, in accordance with Canadian generally accepted accounting principles. The external auditors have full and unrestricted access to management and the Audit Committee to discuss any findings arising from their audit related to the integrity of financial reporting and the adequacy of internal control systems on which they rely for the purposes of their audit. The external auditors use the work of the independent actuary as part of their audit of the accrued benefit obligation disclosed in the notes to the consolidated financial statements, in respect of which the independent actuary has provided the Actuarial Opinion. The auditors' report outlines the scope of their examination and their opinion.

Based on my knowledge, the Annual Report does not contain any untrue statement of a material fact, or omit to state a material fact, that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by this Annual Report.

Based on my knowledge, the annual financial statements, together with the other financial information included in the Annual Report, fairly present in all material respects the net assets, changes in net assets and surplus/(deficit) of actuarial value of net assets over the accrued benefit obligation of the AC as of the date and for the periods presented in this Annual Report.

Michael Nobrega
President and Chief Executive Officer

Patrick G. Crowley
Executive Vice President and Chief Financial Officer

Toronto, Canada, February 19, 2009

Actuarial Opinion

As at December 31, 2008

We conducted actuarial valuations as at December 31, 2008 of the benefits of the OMERS Primary Pension Plan (the "Plan") and the Retirement Compensation Arrangement (the "RCA") for the OMERS Primary Pension Plan administered by OMERS Administration Corporation. In conducting these valuations, we used the Unit Credit Actuarial Cost Method, with projection of earnings. The purpose of the valuations is to fairly present the funded status of the Plan and the RCA as at December 31, 2008, for inclusion in this Annual Report in accordance with Section 4100 of the Canadian Institute of Chartered Accountants Handbook.

The results of the actuarial valuation of the Plan disclosed total going concern actuarial liabilities of $50,080 million in respect of benefits accrued for service to December 31, 2008. The actuarial assets at that date were $49,801 million indicating a going concern actuarial deficit of $279 million. Ongoing adequacy of the current contribution rates will need to be monitored to ensure that future contributions, together with the Plan assets and future investment earnings thereon, will be sufficient to provide for all future benefits.

The RCA provides for pension benefits in excess of the maximum pension benefits under the Plan. The RCA is not fully pre-funded. The actuarial liability in respect of RCA benefits accrued for service to December 31, 2008 (determined using assumptions consistent with those used for the Plan except that the discount rate is adjusted to approximate the effect of the 50% refundable tax under the RCA), net of the RCA assets, was $246 million. Contributions, based on the top-tier Plan contribution rates, are payable to the RCA on the excess of earnings over the maximum contributory earnings recognized under the Plan. We expect that if contributions to the RCA continue, the annual cash inflow will be more than sufficient to cover the annual benefit payments for the short to medium term.

The actuarial valuations of the Plan and the RCA as at December 31, 2008 were conducted using membership data as at November 29, 2008 and financial information as at December 31, 2008 supplied by OMERS Administration Corporation. The November 29, 2008 membership data was adjusted for the following:

- actual inflationary increases to pensions in payment and deferred pension payments effective January 1, 2009;
- estimated credited service accruals in 2008; and
- estimated earnings for 2008.

We reviewed the data for reasonableness and consistency with the data provided in prior years. In our opinion,

- the data are sufficient and reliable for the purpose of the valuations;
- the assumptions adopted are, in aggregate, appropriate for the purpose of the valuations; and
- the methods employed in the valuations are appropriate for the purpose of the valuations.

The future experience of the Plan and the RCA may differ from the actuarial assumptions, resulting in gains or losses which will be revealed in future valuations.

The valuations were prepared and our opinions are given in accordance with accepted actuarial practice.

Respectfully submitted

WATSON WYATT CANADA ULC

Ian Markham
Fellow, Canadian Institute of Actuaries

Marshall Posner
Fellow, Canadian Institute of Actuaries

Toronto, Canada
February 19, 2009

Auditors' Report

To the Board of OMERS Administration Corporation

We have audited the consolidated statement of net assets and the consolidated statement of application of net assets to accrued benefit obligation and surplus/(deficit) of OMERS Administration Corporation as at December 31, 2008 and the consolidated statement of changes in net assets for the year then ended. These consolidated financial statements are the responsibility of OMERS Administration Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these consolidated financial statements present fairly in all material respects, the net assets and surplus/(deficit) of actuarial value of net assets over the accrued benefit obligation of OMERS Administration Corporation as at December 31, 2008 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants,
Licensed Public Accountants

Toronto, Canada
February 19, 2009

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF NET ASSETS

(millions) As at December 31,	Note	2008	2007
Assets			
Investments	3	$ 57,102	$ 66,215
Amounts due from pending trades		505	347
Other assets	5	1,067	825
Total Assets		58,674	67,387
Liabilities			
Investment liabilities	6	13,381	14,580
Due to administered funds		672	800
Amounts payable from pending trades		1,093	449
Other liabilities		51	42
Total Liabilities		15,197	15,871
Net Assets		$ 43,477	$ 51,516

Guarantees, commitments and contingencies are discussed in note 16.
The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

Signed on Behalf of the Board of OMERS Administration Corporation

Chair

Chair of Audit Committee

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(millions) For the year ended December 31,	Note	2008	2007
Changes Due to Investment Activities			
Net investment income/(loss)	9	$ (8,013)	$ 3,938
Changes Due to Pension Activities			
Contributions	11	2,048	1,886
Benefits	12	(2,027)	(1,833)
Pension administrative expenses	13(a)	(47)	(43)
		(26)	10
Total Increase/(Decrease)		(8,039)	3,948
Net assets, beginning of year		51,516	47,568
Net Assets, End of Year		$ 43,477	$ 51,516

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF APPLICATION OF NET ASSETS TO ACCRUED BENEFIT OBLIGATION AND SURPLUS/(DEFICIT)

(millions) As at December 31,	Note	2008	2007
OMERS Primary Pension Plan	7		
Accrued benefit obligation		$ 50,080	$ 46,830
Actuarial value adjustment of net assets		(6,363)	4,567
Surplus/(Deficit)		(279)	82
Net Assets in OMERS Primary Pension Plan		43,438	51,479
Retirement Compensation Arrangement	8		
Accrued benefit obligation		285	236
Deficit		(246)	(199)
Net Assets in Retirement Compensation Arrangement		39	37
Net Assets		$ 43,477	$ 51,516

The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 2008

NOTE 1

DESCRIPTION OF PLANS ADMINISTERED BY OMERS ADMINISTRATION CORPORATION

The OMERS Administration Corporation (the "AC") is a corporation without share capital under the *Ontario Municipal Employees Retirement System Act, 2006* (the "OMERS Act"). The AC is the administrator of the OMERS pension plans (the "OMERS Pension Plans") as defined in the OMERS Act. The OMERS Pension Plans include OMERS Primary Pension Plan (the "Plan"), the Retirement Compensation Arrangement (the "RCA") associated with the Plan and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the "Supplemental Plan"). The AC is responsible for managing the funds of the Plan, the RCA and the Supplemental Plan (collectively, the "Funds"), in accordance with the *Pension Benefits Act* (Ontario) (the "*PBA*"), the *Income Tax Act* (Canada) (the "*Income Tax Act*"), and the OMERS Act. Under the OMERS Act, the OMERS Sponsors Corporation (the "SC") is the sponsor of the OMERS Pension Plans. The Ontario Municipal Employees Retirement System ("OMERS") represents the combined retirement system comprised of the SC, the AC, the Plan, the RCA and the Supplemental Plan.

The accrued benefit obligations of any of the OMERS Pension Plans can not be funded by the assets of either of the other two OMERS Pension Plans. As at December 31, 2008, membership in the Supplemental Plan was nil.

OMERS Primary Pension Plan

The Plan is a multi-employer 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 Plan is governed by the OMERS Act and the benefit provisions and other terms of the Plan are set out in the plan text.

The Plan is registered with the Financial Services Commission of Ontario ("FSCO") under Registration #0345983 and the Canada Revenue Agency.

a) Funding – The Plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and members and by the investment earnings of the Plan assets. Contribution rates are set by the SC. The required contributions are identified through the actuarial valuation, and are determined in accordance with the OMERS Act, the *Income Tax Act* and the *PBA*, according to the actuarial needs of the Plan.

b) Pensions – The normal retirement age ("NRA") is 65 years for all Plan members, except police officers and firefighters, who generally have a normal retirement age of 60 years. The normal retirement pension is calculated using a member's years of credited service and the average annual earnings during the member's highest sixty consecutive months of earnings. The Plan benefits are integrated with the Canada Pension Plan.

c) Death Benefits – Death benefits are available to a surviving spouse, eligible dependent children or designated beneficiary upon the death of a member. Depending upon eligibility requirements, the benefits may be paid in the form of a survivor pension, lump sum payment or both.

d) Withdrawals and Transfers from the Plan – Subject to lock-in provisions, a member that has terminated employment prior to eligibility to retire has the option to withdraw or transfer his/her benefits from the Plan to another retirement savings vehicle.

e) Escalation of Pensions – Pension benefits are increased for inflation through an annual adjustment equal to 100 per cent of the increase in the average Consumer Price Index ("CPI") from the prior year. This is subject to a limit of six per cent in any one year. If the increase in the average CPI exceeds the six per cent limit, any excess is carried forward to future years.

f) Disability Pensions – A disability pension is available at any age to a member who becomes totally disabled as defined by the Plan. The pension is calculated using a member's years of credited service and the average annual earnings during the member's highest sixty months of consecutive earnings consistent with a standard pension. Disability pensions continue until normal retirement or until the member is able to return to work.

g) Income Taxes – The Plan is a Registered Pension Plan as defined in the *Income Tax Act* and as such is not subject to income taxes for contributions or investment income received. The operations of certain entities holding private equity, infrastructure or real estate investments may be taxable.

Retirement Compensation Arrangement

The RCA was established to provide pension benefits based on full earnings for those members with earnings exceeding the amount that generates the maximum pension allowed by the *Income Tax Act*. The determination of the value of these benefits is made on the basis of a periodic actuarial valuation. The RCA net assets available for benefits are accounted for separately from the Plan and the Supplemental Plan and the accrued benefit obligation of the RCA is valued separately from the Plan and Supplemental Plan accrued benefit obligations.

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The Supplemental Plan became effective on July 1, 2008, pursuant to the requirements of the OMERS Act. The Supplemental Plan is a separately funded multi-employer pension plan that provides supplemental pension benefits that "top up" those available under the Plan for members of the Plan who are employed in the police and fire sectors, as defined in the OMERS Act. The Supplemental Plan is governed by the OMERS Act and the benefit provisions and other terms of the Supplemental Plan are set out in the plan text. The Supplemental Plan is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency. The Supplemental Plan is registered under Registration #1175892.

The Supplemental Plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and members and by the investment earnings of the Supplemental Plan assets. Contribution rates are set by the SC. Participation in the Supplemental Plan is effective only upon agreement between an employee group and an employer.

Neither the Plan nor the RCA is permitted to pay costs for the Supplemental Plan. As such, until March 31, 2012, unless the Supplemental Plan has sufficient funds based on the administrative portion of contributions, any administrative costs of the Supplemental Plan are funded through a start-up grant from the Province of Ontario.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements are prepared on a going concern basis in accordance with Canadian generally accepted accounting principles and present the information of the AC as a separate financial reporting entity independent of the employers and plan members.

Certain comparative figures have been restated to conform to the current year's presentation.

Consolidation

With the exception of private equity investments with a defined exit strategy, the consolidated financial statements include the financial assets, liabilities and operating results for all investment entities where the AC has effective control for accounting purposes, and for variable interest entities where the AC is the primary beneficiary. For investment entities where the AC has joint ownership and control for accounting purposes, a proportionate share of the fair value of assets, liabilities and operating results is included in the consolidated financial statements. Entities over which the AC has significant influence are accounted for using the equity basis of accounting, stated at fair value.

For private equity investments with a defined exit strategy, the fair value of the investments is stated net of all assets and liabilities of the investment company.

Inter-company transactions and balances are eliminated in arriving at the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued benefit obligation and related disclosures. Actual results could differ from these estimates. Significant estimates included in the consolidated financial statements relate to the valuation of private market investments and the determination of the accrued benefit obligation.

Investments

All investment transactions are recorded at the point when the risks and rewards of ownership are transferred. Purchases and sales of publicly traded investments are recorded as of the trade date.

Investments are stated at fair value. Fair value represents estimates of the consideration that would be agreed upon between arms length, knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted closing market price, if one exists. The calculation of fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Where a public market price is not available for an investment asset or liability, a suitable method of valuation is used annually by management to determine fair value. Valuation techniques used include the use of discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models, as appropriate. Accredited external appraisers are required to perform a review of management's valuations to determine the reasonableness of the valuations for each significant private market investment at least once every three years or in any year where the valuation changes by more than fifteen per cent from the prior year.

The difference between the value of an asset or liability at the time it was acquired and its current fair value takes into account changes in market rates and credit risk of the issuer that have occurred since original acquisition. Unrealized appreciation/depreciation in the fair value of investments is the change in fair value adjusted for cash flows and equity accounted earnings during the year and is reflected in net investment income/loss in the consolidated statement of changes in net assets.

Fair values of investments are determined as follows:

(i) Short-term deposits are recorded at cost, which together with accrued interest income approximates fair value.

(ii) Bonds and debentures, real return bonds and public equities are valued at year-end quoted market prices, where available. For these instruments and for mortgages and private debt, where quoted market prices are not available, estimated values are calculated using discounted cash flows based on current market yields for comparable securities, independent asset appraisals, and financial analysis.

(iii) Private market investments include investments in private equity, infrastructure and real estate assets either held directly or as a limited partner. For private market investments, the completion of a purchase or sale of an identical or similar investment is often the most objective determination of fair value. Other third-party events are also considered in the valuation. While not exact, appraisal or valuation procedures are able to provide estimates or identify likely ranges that a reasonable counterparty would pay for such assets. The Funds' private market investments are valued as follows:

- The fair value of investments that have reasonably predictable future revenue streams or that derive their value based on property or commodity values is equal to the appraised amount;
- The fair value of non-operating and/or start-up directly held private investments is equal to cost, unless there is a specific and objectively verifiable reason to change the value, which must be supported by an appraisal;
- The fair value of private market investments acquired within the current fiscal year may be held at cost, depending upon events since acquisition;
- The fair value of a private fund investment where the AC's ability to access information on underlying individual fund investments is restricted, such as under the terms of a limited partnership agreement, is equal to the value provided by the fund's general partner unless there is a specific and objectively verifiable reason to vary from the value provided by the general partner.

(iv) Fair value of derivatives, including swap, futures, option and forward contracts, are determined using quoted market prices, where available, or discounted cash flows using current market yields, where quoted market prices are not available.

In 2007, the AC changed its accounting policy for the treatment of transaction costs in accordance with Canadian Institute of Chartered Accountants ("CICA") guidance. Previously, transaction costs were capitalized and included in the cost of the assets. The assets were subsequently subjected to valuation processes as discussed above. This resulted in transaction costs being included in unrealized gains/losses in the period the investment was first valued. Transaction costs are now expensed when incurred. In accordance with CICA guidance, this change in accounting policy was applied retrospectively without restatement of prior periods.

Investment Income/Loss

Investment income/loss includes interest, dividends, operating income/loss from consolidated and equity accounted investment entities recorded on the accrual basis, gains and losses that have been realized on the disposal of investments, as well as the unrealized appreciation and depreciation in the fair value of investments.

Where the AC is able to exercise significant influence over the operations of a private market investment, net income is recognized using the equity method and the investment is adjusted to its fair value. For private investments with a defined exit strategy or where the AC is not able to exercise control or significant influence, income is recognized, as dividends or distributions are declared and the investment is adjusted to its fair value.

Investment Liabilities

Investment liabilities include commercial paper, debentures, mortgages and other debt obligations, primarily related to investments in real estate and infrastructure. Investment liabilities also include the Funds' liability to return cash collateral received in securities lending transactions. The fair value of investment liabilities is estimated using discounted cash flows based on current market yields, except for items that are short-term in nature, which are carried at their cost amount.

Amounts Due/Payable from Pending Trades

For securities transactions, the fair value of amounts due from pending trades and amounts payable from pending trades approximate their carrying amounts due to their short-term nature. For derivative contracts, unrealized gains and losses are included in amounts due/payable from pending trades.

Foreign Currency Translation

Certain investments are denominated in foreign currencies. The fair values of such investments are translated into Canadian dollars at the year-end rate of exchange. Unrealized foreign exchange gains and losses arising from this translation are included in net gain/loss on investments. Once a foreign currency denominated investment is sold, the realized foreign exchange gain or loss based on the settlement is recognized in realized gains/losses.

Due to Administered Funds

Under contractual agreements and with the approval of the Government of Ontario, the AC invests funds on behalf of The Board of Trustees of Ryerson University, the Minister of Energy for the Province of Ontario (The Ontario Hydro Guarantee Fund) and the Transit Windsor Fund. The AC is authorized under the terms of the various agreements to recover its expenses for administering such funds.

The amount due to administered funds is credited with income based upon their proportionate interest in the Plan's investment income and the balance reflects the administered funds' proportionate interest in the fair value of the Plan's investments.

Accrued Pension Benefits and Accrued Benefit Obligation

The value of accrued pension benefits of the Plan is based on a projected accrued benefits method (pro-rated on service) actuarial valuation prepared by an independent firm of actuaries. This accrued benefit obligation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the AC for the purpose of establishing the long-term funding requirements of the Plan. The actuarial valuation included in the consolidated financial statements is consistent with the valuation for funding purposes.

The valuation methodology used in the estimation of the accrued pension benefits of the RCA is developed on a basis consistent with the Plan.

Actuarial Value of Net Assets and Actuarial Value Adjustment

The actuarial value of net assets for the Plan has been determined by smoothing returns above or below the actuarial long-term rate of return assumption over a five-year period. The fair value of net assets is adjusted by the unrecognized actuarial value adjustment to arrive at the actuarial value of net assets.

Contributions

Contributions from employers and members due to the OMERS Pension Plans as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence, conversion of normal retirement age and contract adjustments and transfers from other pension plans are recorded when the purchase amount is received.

Benefits

Benefit payments to retired members are recorded as they are due, at the first of each month. Commuted value payments and transfers to other pension plans are recorded in the period in which the AC is notified. Accrued benefits for active members are recorded as part of the accrued benefit obligation.

NOTE 3

INVESTMENTS

Investments, before allocating the effect of derivative contracts and investment related assets and liabilities as at December 31 are as follows:

		2008		2007	
(millions)	Note	Fair Value	Cost	Fair Value	Cost
Public Market Investments					
Interest Bearing Investments					
Cash and short-term deposits (i)		$ 6,599	$ 6,599	$ 11,374	$ 11,374
Bonds and debentures (ii)		3,756	3,616	6,661	6,527
Real return bonds		1,755	1,596	2,039	1,786
Mortgages and private debt (iii)		1,749	2,000	1,433	1,396
		13,859	13,811	21,507	21,083
Public Equity					
Canadian public equities		6,251	7,107	10,017	6,925
Non-Canadian public equities		8,653	9,870	11,767	10,818
		14,904	16,977	21,784	17,743
Total Public Market Investments		28,763	30,788	43,291	38,826
Private Equity (iv)					
Canadian private equities (v)		1,339	1,310	1,143	1,052
Non-Canadian private equities		2,823	3,041	2,465	2,526
Total Private Equity Investments		4,162	4,351	3,608	3,578
Infrastructure Investments (v)		12,140	11,266	8,412	7,783
Real Estate Investments		12,037	10,398	10,904	9,212
Total Investments		57,102	56,803	66,215	59,399
Investment Related Assets					
Amounts due from pending trades		505	33	347	160
Other investment assets	5	861	937	654	651
		1,366	970	1,001	811
Investment Related Liabilities					
Investment liabilities	6	(13,381)	(13,353)	(14,580)	(14,386)
Amounts payable from pending trades		(1,093)	(105)	(449)	(251)
		(14,474)	(13,458)	(15,029)	(14,637)
Net Investment Assets		$ 43,994	$ 44,315	$ 52,187	$ 45,573

(i) Includes restricted cash of $108 million (2007 – $55 million).
(ii) Includes non-Canadian bonds and debentures with a fair value of $16 million (2007 – $229 million).
(iii) Includes mortgages with a fair value of $1,026 million (2007 – $814 million).
(iv) Investment assets are net of the fair value of long-term debt of $479 million (2007 – $319 million).
(v) Includes resource properties with a total fair value of $433 million (2007 – $396 million).

The Funds' net investment assets by major asset class are as follows:

(millions) As at December 31, 2008	Public Markets Interest Bearing	Public Markets Public Equity	Private Equity	Infra-structure	Real Estate	Total
Investment assets	$ 13,859	$ 14,904	$ 4,162	$ 12,140	$ 12,037	$ 57,102
Allocation of cash and other	(3,441)	2,948	(436)	734	195	–
Investment related assets	42	540	16	632	136	1,366
Investment related liabilities	(2,888)	(764)	(4)	(6,425)	(4,393)	(14,474)
Net investment assets	$ 7,572	$ 17,628	$ 3,738	$ 7,081	$ 7,975	$ 43,994

(millions) As at December 31, 2007	Public Markets Interest Bearing	Public Markets Public Equity	Private Equity	Infra-structure	Real Estate	Total
Investment assets	$ 21,507	$ 21,784	$ 3,608	$ 8,412	$ 10,904	$ 66,215
Allocation of cash and other	(4,037)	3,116	242	325	354	–
Investment related assets	90	370	17	412	112	1,001
Investment related liabilities	(6,810)	(265)	(17)	(3,984)	(3,953)	(15,029)
Net investment assets	$ 10,750	$ 25,005	$ 3,850	$ 5,165	$ 7,417	$ 52,187

At December 31, the Funds held the following investments, each having a fair value or cost exceeding one per cent of the fair value or cost of net investment assets:

	2008			2007		
(millions)	Number of Investments	Fair Value	Cost	Number of Investments	Fair Value	Cost
Public market investments	2	$ 1,118	$ 1,076	2	$ 1,102	$ 1,094
Private market investments	12	12,473	11,322	8	7,550	6,847
	14	$ 13,591	$ 12,398	10	$ 8,652	$ 7,941

Public market investments where the individual issue has a cost or fair value exceeding one per cent of the cost or fair value of net investment assets include investments in two Government of Canada interest bearing securities.

Private market investments having a cost or fair value exceeding one per cent of the cost or fair value of net investment assets include a limited partnership interest in Bruce Power; ownership interests in the Teranet Income Fund, Oncor, William Osler Health Care Centre, Associated British Ports, Scotia Gas Networks, CEDA International and LifeLabs; and real estate ownership interests in Yorkdale Shopping Centre located in Ontario, the Fairmont Banff Springs hotel located in Alberta, TD Canada Trust Tower in Ontario, and the Richmond Adelaide Complex located in Ontario.

Investment Risk

The AC is exposed to a variety of financial risks as a result of its investment activities and has formal policies and procedures that govern the management of market, credit and liquidity risk. For example, the Statement of Investment Policies and Procedures establishes a target asset mix among interest bearing, public equity, private equity, infrastructure and real estate investments to ensure diversification across asset classes. The AC's policies also require diversification of investments within asset classes, and limit the exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks (note 4).

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as foreign exchange risk, interest rate risk and price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which our investments are held can significantly impact the value of our investments and the funded status of the OMERS Pension Plans.

The AC uses various investment strategies such as diversification, hedging and the use of derivative instruments to mitigate the various forms of market risk. In addition, investment exposure in various assets and markets are monitored daily.

- Foreign Currency Risk
  Investments denominated in currencies other than the Canadian dollar expose the Funds to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. The AC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign exchange forward contracts. The net exposure to foreign currencies represents 14 per cent (2007 – 14 per cent) of net investment assets at December 31, 2008. The AC also makes active investments in foreign currencies with the objective of adding value. The AC's total currency exposure, the impact of hedging and trading activities and its net currency exposure as at December 31 are as follows:

	2008 Fair Value by Currency					2007 Fair Value by Currency				
(millions Cdn dollar equivalent)	Total Exposure	Hedging	Trading	Net Exposure	% of Total	Total Exposure	Hedging	Trading	Net Exposure	% of Total
Canada	$ 26,071	$ 11,814	$ (101)	$ 37,784	86%	$ 32,729	$ 12,382	$ (98)	$ 45,013	86%
United States	9,590	(6,934)	318	2,974	7%	8,994	(5,971)	(194)	2,829	6%
Euro Countries	2,714	(1,871)	(855)	(12)	–	3,667	(2,397)	(7)	1,263	2%
United Kingdom	2,319	(1,756)	15	578	1%	2,783	(2,126)	(20)	637	1%
Japan	1,495	(438)	623	1,680	4%	1,182	(649)	325	858	2%
Other Pacific	667	(305)	–	362	1%	1,039	(515)	–	524	1%
Emerging Markets	643	(374)	–	269	–	940	(215)	(6)	719	1%
Other Europe	495	(136)	–	359	1%	853	(509)	–	344	1%
	$ 43,994	$ –	$ –	$ 43,994	100%	$ 52,187	$ –	$ –	$ 52,187	100%

After giving effect to the impact of hedging and trading activities, a ten per cent increase/decrease in the value of the Canadian dollar against all currencies, with all other variables and underlying values held constant, would result in an approximate decrease/increase in the value of the Funds' net investment assets and an unrealized (loss)/gain of $621 million (2007 – $717 million).

- **Interest Rate Risk**

Interest rate risk refers to the effect on the fair market value of the Funds' assets and liabilities due to fluctuations in interest rates. Due to the inflation indexing of benefit entitlements and the relatively long-term nature of pension benefits (notes 7 and 8), the accrued benefit obligation is influenced by inflation and long-term rates of return while asset values are mostly affected by changes in equity markets and interest rates. The interest bearing investment portfolio has guidelines on concentration and duration which are designed to mitigate the risk of interest rate volatility.

The term to maturity classifications of interest bearing investments, based upon the contractual maturity of the securities, as at December 31 are as follows:

	2008					2007	
	Term to Maturity						
(millions)	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Average Effective Yield(i)	Total	Average Effective Yield(i)
Cash and short-term deposits	$ 6,599	$ –	$ –	$ 6,599	1.68%	$ 11,374	4.74%
Bonds and debentures	166	1,230	2,360	3,756	3.69%	6,661	4.28%
Real return bonds(ii)	–	24	1,731	1,755	2.28%	2,039	1.98%
Mortgages and private debt	190	611	948	1,749	5.91%	1,433	5.50%
	$ 6,955	$ 1,865	$ 5,039	$ 13,859	2.83%	$ 21,507	4.39%

(i) Average effective yield represents the weighted average rate required to discount future contractual cash flows to current market value.
(ii) Real return bond yields are based on real interest rates. The ultimate yield will be impacted by inflation as it occurs.

After giving effect to derivative contracts and debt, a one per cent increase/decrease in nominal interest rates, with all other variables held constant, would result in an approximate decrease/increase in the value of interest bearing investments net of debt and an unrealized gain/(loss) of $30 million (2007 – $307 million). Similarly, a one per cent increase/decrease in real interest rates would result in an approximate decrease/increase in the value of real-return bonds and an unrealized gain/(loss) of $327 million (2007 – $414 million).

- **Price Risk**
  Price risk is the risk that the fair market 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. The AC is subject to price risk through its public equity investments and uses strategies such as diversification, and the use of derivative instruments to mitigate the overall impact of price risk. The AC's private market investments are also subject to price risk as they are impacted by many general and specific market variables. After giving effect to derivative contracts, a ten per cent increase/decrease in the value of all public equity and private market investments, with all other variables held constant, would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/(loss) of $3,609 million (2007 – $4,067 million).

Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the AC, including its inability or unwillingness to pay borrowed principal, interest or rent when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. The AC has put in place investment policies and procedures that have established investment criteria designed to manage credit risk by setting limits to credit exposure from individual corporate entities and by requiring collateral where appropriate. The credit quality of financial assets is generally assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Credit risk associated with derivative financial instruments is discussed in note 4.

The AC's most significant credit risk exposure arises from its investments in interest bearing investments. At December 31, the Funds' interest bearing investments exposed to credit risk are as follows:

	2008		2007	
(millions)	**Interest Bearing Investments**	**% of Total**	Interest Bearing Investments	% of Total
Federal	**$ 4,184**	**31%**	$ 5,443	25%
Provincial	**1,253**	**9%**	2,962	14%
Corporate				
Investment grade	**4,449**	**32%**	5,758	27%
Non-investment grade	**448**	**3%**	272	1%
Securities lending cash collateral	**2,805**	**20%**	6,626	31%
Cash on deposit	**720**	**5%**	446	2%
	$ 13,859	**100%**	$ 21,507	100%

The AC participates in a securities lending program where it lends securities that it owns to third parties for a fee. For securities lent, the Funds receive a fee and the borrower provides cash or readily marketable securities of higher value as collateral which mitigates the credit risk associated with the program. As at December 31, 2008, securities with an estimated fair value of $3,501 million (2007 – $7,284 million) were loaned out, while collateral held had an estimated fair value of $3,604 million (2007 – $7,502 million) of which $2,805 million (2007 – $6,626 million) was cash collateral invested in short-term interest bearing investments.

Liquidity Risk

Liquidity risk is the risk of not being able to meet the Funds' cash requirements in a timely and cost effective manner. For each fund, liquidity requirements are managed through income generated from investments, monthly contributions made by members and employers, and by investing in publicly traded liquid assets that are easily sold and converted to cash. These sources of funds are used to pay pension benefits, make additional investments and fund operating expenses.

The AC's primary future liabilities include the accrued benefit obligation of the Plan (note 7) and the RCA (note 8) and debt financing investments (note 6). The contractual undiscounted principal repayments are disclosed in note 6. In the normal course of business, the AC enters into contracts that give rise to commitments for future payments which may also impact our liquidity (note 16).

NOTE 4

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts, the value of which is derived from changes in underlying assets or indices. Derivatives transactions are conducted in over-the-counter markets directly between two counterparties or on regulated exchange markets.

Derivative financial instruments are used, when appropriate, to manage the Funds' asset mix and to assist in the management of exposure to financial risks, including interest rate, foreign exchange and market risks, without directly purchasing or selling the underlying assets or currencies. In certain circumstances, derivatives are also used to increase returns or to replicate investments synthetically.

Derivative Contracts

Types of contracts currently entered into by the Funds include:

Interest Rate Swaps

Interest rate swaps involve contractual agreements between two counterparties to exchange fixed and floating interest payments based on notional amounts.

Bond and Equity Swaps

Bond and equity swaps involve contractual agreements between two counterparties to exchange a series of cash flows based on changes in the value of bond or equity instruments or an index.

Bond and Equity Options

Bond and equity options are contractual agreements where the seller (writer) gives the right but not the obligation to a counterparty to buy (call option) or sell (put option) a specified quantity of a financial instrument on or before a specified future date at a predetermined price. The financial instruments may include bonds, a bond index, equities or an equity index. The seller receives a premium from the counterparty for this right. Options may be traded through an exchange or in the over-the-counter market.

Bond Forward Contracts

Bond forward contracts are contractual agreements to buy or sell bonds or a bond index at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Equity Index Futures Contracts

Futures contracts are agreements to either buy or sell specified equity indices at a specified price and date in the future. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash settlement of changes in fair value.

Foreign Exchange Forward Contracts

Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Foreign exchange forward contracts are used to provide exposure to currencies other than the Canadian dollar, to hedge currency exposure and for active trading.

Credit Risk

The Funds are exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Funds:

- deal only with highly rated counterparties, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency;
- arrange credit risk mitigation in the form of periodic prepayments of the fair value of contracts.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the replacement cost receivable of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

Credit risk on futures contracts is minimal as the counterparty is an exchange rather than a corporate entity and contracts are marked to market and margin receivables and payables are settled in cash daily.

The following summarizes the Funds' derivative portfolio and related credit exposure as at December 31:

		2008				2007
		Fair Value(ii)			Fair Value(ii)	
(millions)	Notional Value(i)	Assets(iii)	Liabilities	Notional Value(i)	Assets(iii)	Liabilities
Interest Rate Contracts						
Interest rate swap contracts	$ 1,645	$ 12	$ (281)	$ 1,562	$ 22	$ (23)
Bond index swap contracts	575	26	–	417	5	–
	2,220	38	(281)	1,979	27	(23)
Equity Contracts						
Equity index futures contracts	3,857	43	–	3,680	2	(18)
Equity index swap contracts	224	5	(28)	793	4	(12)
Equity options written(iv)	26	–	(2)	88	–	(2)
	4,107	48	(30)	4,561	6	(32)
Foreign Exchange						
Forward Contracts	15,687	386	(680)	14,347	155	(146)
Total	$ 22,014	$ 472	$ (991)	$ 20,887	$ 188	$ (201)

(i) Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows, and is therefore not recorded in the consolidated financial statements.

(ii) Fair value represents unrealized gains or losses from derivative contracts which are recorded in the consolidated statement of net assets based on the fair value of the derivative contract. Fair value represents the cost of replacing all outstanding contracts under current market conditions. Contracts with a positive fair value are recorded as part of amounts due from pending trades. Contracts with a negative fair value are recorded as part of amounts payable from pending trades.

(iii) The fair value of derivative contracts recorded as an asset represents the credit risk replacement cost or the loss to which the Funds are exposed should counterparties fail to perform under the derivative contracts. The amounts do not take into consideration legal contracts that permit offsetting of positions or any collateral which may be held.

(iv) The premium received on equity options written is $3 million (2007 – $4 million).

The term to maturity based on notional value as at December 31 is as follows:

	2008				2007			
(millions)	Interest Rate Contracts	Equity Contracts	Foreign Exchange Contracts	Total	Interest Rate Contracts	Equity Contracts	Foreign Exchange Contracts	Total
Under 1 year	$ 718	$ 4,107	$ 15,687	$ 20,512	$ 706	$ 4,561	$ 14,347	$ 19,614
1 to 5 years	215	–	–	215	59	–	–	59
Over 5 years	1,287	–	–	1,287	1,214	–	–	1,214
	$ 2,220	$ 4,107	$ 15,687	$ 22,014	$ 1,979	$ 4,561	$ 14,347	$ 20,887

NOTE 5

OTHER ASSETS

Other assets are comprised of operational accounts receivable, accrued income and other assets related to private equity, infrastructure and real estate investments and contributions and other non-investment receivables.

(millions) As at December 31,	2008	2007
Investment receivables	$ 667	$ 553
Deferred assets, prepaids and other	194	101
Other investment assets	861	654
Contributions receivable[(i)]	164	145
Other non-investment assets	42	26
	$ 1,067	$ 825

(i) Contributions receivable represent equal amounts due from employers and members.

NOTE 6

INVESTMENT LIABILITIES

(millions) As at December 31,	2008	2007
Debt (a)	$ 8,987	$ 6,883
Payable under securities lending program (b)	2,805	6,626
Deferred revenue	105	116
Payables and other liabilities	1,484	955
	$ 13,381	$ 14,580

(a) Debt is comprised of the following as at December 31:

	2008			2007		
(millions)	Fair Value	Cost	Weighted Average Interest Rate	Fair Value	Cost	Weighted Average Interest Rate
Real estate						
Secured debt(i)	$ 1,702	$ 1,773	5.94%	$ 1,292	$ 1,298	6.19%
Series A debentures(ii)	522	500	4.29%	521	500	4.50%
Series B debentures(iii)	–	–	–	501	500	4.29%
Series C debentures(iv)	395	400	4.40%	–	–	–
Series D debentures(v)	187	200	5.60%	–	–	–
Commercial paper(vi)	1,092	1,092	2.18%	1,142	1,142	4.72%
Unsecured debt	–	–	–	1	1	7.53%
	3,898	3,965	4.49%	3,457	3,441	5.18%
Infrastructure						
Secured debt(vii)	4,744	4,682	4.35%	3,426	3,323	5.56%
Commercial paper(viii)	345	345	1.79%	–	–	–
	5,089	5,027	4.18%	3,426	3,323	5.56%
Total(ix)	$ 8,987	$ 8,992	4.31%	$ 6,883	$ 6,764	5.37%

(i) Includes mortgages and other secured debt with various terms to maturity up to 2027 with each debt instrument secured by a specific real estate asset.
(ii) OMERS Realty Corporation Series A 5.48% Debentures issued December 4, 2002, maturing December 31, 2012.
(iii) OMERS Realty Corporation Series B Debentures matured on June 2, 2008.
(iv) OMERS Realty Corporation Series C 4.09% Debentures issued May 8, 2008, maturing June 4, 2013.
(v) OMERS Realty Corporation Series D 4.74% Debentures issued May 8, 2008, maturing June 4, 2018.
(vi) OMERS Realty Corporation's Commercial Paper program is authorized up to $1,600 million. Commercial paper outstanding has maturities from January 6, 2009 to March 16, 2009.
(vii) Includes mortgages and other secured debt with various terms to maturity up to 2032 with each debt secured by a specific infrastructure asset.
(viii) Borealis Finance Trust's Commercial Paper program is authorized up to $1,500 million. Commercial paper outstanding has maturities from January 12, 2009 to March 6, 2009.
(ix) Scheduled principal repayments for the five years subsequent to December 31, 2008 and thereafter are as follows:

(millions)	
2009	$ 1,780
2010	1,035
2011	410
2012	1,201
2013	790
Thereafter	3,776
	$ 8,992

(b) As part of the securities lending program, the Plan receives cash collateral that it invests in short-term interest bearing investments. The Plan is obligated to return the cash collateral upon termination of the arrangement.

NOTE 7

OMERS PRIMARY PENSION PLAN

A summary of the financial statements for the Plan as at and for the year ended December 31 is as follows:

(millions)	2008	2007
Statement of Net Assets		
Net investment assets(i)	$ 43,306	$ 51,369
Other assets	182	151
Other liabilities	(50)	(41)
Net Assets	$ 43,438	$ 51,479
Statement of Changes in Net Assets		
Net investment income/(loss)	$ (8,008)	$ 3,936
Contributions	2,037	1,875
Benefits	(2,023)	(1,828)
Pension administrative expenses	(47)	(43)
Total Increase/(Decrease)	(8,041)	3,940
Net assets, beginning of year	51,479	47,539
Net Assets, End of Year	$ 43,438	$ 51,479

(i) Excludes amounts due to administered funds.

Actuarial Value of Net Assets of the Plan

The actuarial value of net assets of the Plan is established such that investment returns above or below the long-term return assumption in effect for the year, 6.75 per cent for 2008 (2007 – 6.75 per cent) are recognized over 5 years to smooth fluctuations in the market value of net assets. For 2008, $9,185 million of investment loss was debited to the actuarial valuation adjustment because the investment return was below the long-term rate of return assumption. This compares with 2007 when $550 million of investment income was credited to the actuarial valuation adjustment because the investment return was in excess of the long-term rate of return assumption.

As a result, at December 31, 2008, the Plan has net investment losses of $6,363 million (2007 net investment gains of $4,567 million) in the actuarial valuation adjustment reserve. This net amount represents the present value of unrecognized net investment returns discounted at the long-term return assumption to be recognized from 2009 through 2012 as follows:

(millions)	Actuarial Valuation Adjustment as at	Unrecognized Investment Returns to be Recognized in				Actuarial Valuation Adjustment as at
Initial Year	Dec. 31, 2008(i)	2009	2010	2011	2012	Dec. 31, 2007
2004	$ –	$ –	$ –	$ –	$ –	$ 336
2005	716	762	–	–	–	1,340
2006	1,666	887	945	–	–	2,341
2007	440	156	167	177	–	550
2008	(9,185)	(2,445)	(2,605)	(2,773)	(2,954)	–
	$ (6,363)	$ (640)	$ (1,493)	$ (2,596)	$ (2,954)	$ 4,567

(i) For each initial year, amounts in the actuarial valuation adjustment reserve are escalated annually by the long-term return assumption. Reserve amounts are recognized in actuarial assets based on the number of years remaining in the five-year smoothing period.

The change in the actuarial valuation adjustment for the year ended December 31 is as follows:

(millions)	2008	2007
Expected interest on beginning actuarial valuation adjustment(i)	$ 307	$ 390
Current year returns in excess of/(below) the funding rate(i)	(9,185)	550
Prior years' returns (above)/below the funding rate recognized in the year	(2,052)	(2,164)
Increase/(Decrease)	(10,930)	(1,224)
Actuarial valuation adjustment, beginning of year	4,567	5,791
Actuarial Valuation Adjustment, End of Year	$ (6,363)	$ 4,567

(i) Based on the funding rate in effect during the year, 2008 – 6.75 per cent (2007 – 6.75 per cent).

Accrued Pension Benefits of the Plan

The actuarial present value of accrued benefits is an estimate of the value of pension and other benefit obligations of the Plan in respect of benefits accrued to date for all active and inactive members. This obligation is measured using the same actuarial assumptions and methods adopted by the AC for determining the Plan's minimum funding requirements as set out under the PBA. As the experience of the Plan unfolds, and as underlying conditions change over time, the actual value of accrued benefits payable in the future could be materially different than the actuarial present value.

The projected accrued benefit method (pro-rated on service) is used for the actuarial valuation. Under this method, the cost of providing benefits to an individual member will increase as the individual member ages and gets closer to retirement.

The following are the primary economic actuarial assumptions which have been used in the actuarial valuation of the Plan as at December 31:

	2008	2007
Assumed rate of inflation	2.25%	2.50%
Assumed real rate of pensionable earnings increases		
(Average of a table of age-related increases)	1.50%	1.50%
Rate of pensionable earnings increases		
(Rate of inflation plus real rate of pensionable earnings increase)	3.75%	4.00%
Real rate of return assumed on Plan assets	4.25%	4.25%
Discount rate (Rate of inflation plus real rate of return)	6.50%	6.75%

In addition, demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Plan and on the expectations for future trends.

The accrued benefit obligation as at December 31, 2008 takes account of known changes in the Plan membership up to November 29, 2008, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2009, and estimated pensionable earnings and credited service accruals in 2008.

The surplus/(deficit) of the Plan's actuarial value of net assets over the accrued benefit obligation is as follows as at December 31:

(millions)	Note	2008	2007
Fair value of net assets of the Plan at end of year		$ 43,438	$ 51,479
Actuarial value adjustment		6,363	(4,567)
Actuarial value of net assets at end of year		49,801	46,912
Accrued benefit obligation at beginning of year		46,830	44,167
Interest accrued on benefits		3,223	3,041
Benefits accrued		1,926	1,799
Benefits paid	12	(2,023)	(1,828)
Experience losses/(gains) and changes in actuarial assumptions and methods		124	(349)
Accrued benefit obligation at end of year		50,080	46,830
Surplus/(Deficit) of actuarial value of net assets over accrued benefit obligation		$ (279)	$ 82

As the Plan provides 100 per cent inflation protection, the accrued benefit obligation is particularly sensitive to changes in the assumed real rate of pensionable earnings increases, which impacts future benefits, and the assumed real rate of return on plan assets, which is used in the discounting of these future benefits. A 50 basis point change in the real rates for a particular assumption (with no change in other assumptions) would have the following approximate effects on the accrued benefit obligation:

50 Basis Point Decrease/Increase	Effect on Accrued Benefit Obligation	
Rate of pensionable earnings increases	–/+ $1,306 million	–/+ 2.6%
Real return on plan assets and discount rate	+/– $3,556 million	+/– 7.1%

Solvency Valuation

The actuarial value of net assets and the actuarial present value of accrued pension benefits are presented on a going concern basis. In accordance with the PBA, a solvency (hypothetical windup) valuation must be performed on the Plan, even though the risk of it being wound up, in management's view, is remote. This special valuation assumes a liquidation scenario. Under this method, the solvency liabilities are determined using discount rates set by reference to long-term nominal bond yields at the valuation date and no allowance is made for future salary increments. Effective as at the December 31, 2008 solvency valuation, the Plan has applied smoothing to the solvency assets and liabilities as permitted under the PBA. Solvency funding is meant to help secure pension plan benefits in the event of a windup of a plan. In the case of a multi-employer pension plan such as the Plan, the possibility of a windup is remote and any funding requirements should be based on the long-term going concern position of the Plan.

The actuarial present value of accrued pension benefits for the Plan under the solvency valuation, on a smoothed basis, was estimated to be $46,966 million as at December 31, 2008 (2007 – $44,186 million). This amount excludes the value of future cost of living increases, as permitted under the PBA. As at December 31, 2008, the smoothed value of net assets of the Plan, allowing for a provision for expenses on windup and other adjustments required by the PBA, was $49,933 million (2007 – $46,851 million). On this basis, the Plan has a solvency surplus at December 31, 2008 of $2,967 million, compared to a surplus of $2,665 million at December 31, 2007.

NOTE 8

RETIREMENT COMPENSATION ARRANGEMENT

The Retirement Compensation Arrangement provides pension benefits for those members with earnings exceeding the amount that generates the maximum pension allowed by the *Income Tax Act* with respect to service after 1991. Under the *OMERS Act*, the AC is the administrator and funding agent of the RCA. The investments of the RCA are managed separate from those of the Plan.

The full earnings pension benefits provided by the RCA are not fully funded but are funded on a modified pay-as-you-go basis in order to minimize the impact of the 50 per cent refundable tax applicable to all RCA plans. Contributions to the RCA are based on the top-tier Plan contribution rates and are payable to the RCA on the excess of earnings over the maximum contributory earnings allowed under the Plan, which was $131,820 for 2008 (2007 – $125,860). Benefits in excess of the maximum allowed by the *Income Tax Act* will be paid from the RCA.

A summary of the financial statements for the RCA as at and for the year ended December 31, is as follows:

(millions)	2008	2007
Statement of Net Assets		
Net investment assets	$ 16	$ 18
Other assets	24	20
Other liabilities	(1)	(1)
Net Assets	$ 39	$ 37
Statement of Changes in Net Assets		
Net investment income/(loss)	$ (5)	$ 2
Contributions	11	11
Benefits	(4)	(5)
Total Increase	2	8
Net assets, beginning of year	37	29
Net Assets, End of Year	$ 39	$ 37

The actuarial assumptions used for the RCA are consistent with those used for the Plan except that the discount rate as at December 31, 2008 is 3.25 per cent (2007 – 3.375 per cent), which approximates the effect of the 50 per cent refundable tax applicable to the RCA. A 50 basis point decrease/increase in the assumed real return on plan assets/discount rate (with no change in other assumptions) before reflecting the 50 per cent refundable tax would have a +/– $14 million or +/– 4.9 per cent impact on the accrued benefit obligation.

Determination of the value of the RCA accrued benefit obligation is made on the basis of an actuarial valuation. The deficit of net assets over accrued benefit obligation as at December 31 is as follows:

(millions)	Note	2008	2007
Fair value of net assets at end of year		$ 39	$ 37
Accrued benefit obligation at beginning of year		236	172
Interest accrued on benefits		8	6
Benefits accrued		13	7
Benefits paid	12	(4)	(5)
Experience losses/(gains) and changes in actuarial assumptions and methods		32	56
Accrued benefit obligation at end of year		285	236
Deficit of actuarial value of net assets over accrued benefit obligation		$ (246)	$ (199)

NOTE 9

NET INVESTMENT INCOME/(LOSS)

The Funds' investments consist of the following major asset classes: Public markets (which includes public equities and interest bearing investments such as mortgages and private debt); Private equity; Infrastructure; and Real estate.

Income from assets backing derivative financial instruments is reported in the particular investment category by major asset class. Realized and unrealized income/(loss) from derivative financial instruments is a loss of $3,396 million (2007 – gain of $1,222 million).

The Funds' investment income/(loss) for each major asset class for the year ended December 31 is as follows:

2008 (millions)	Investment Income(i)	Net Gain/(Loss) on Investments and Derivatives(ii)	Total Investment Income/(Loss)	Investment Management Expenses (note 13[b])(iii)	Net Investment Income/(Loss)
Public markets(iv)	$ 1,008	$ (8,076)	$ (7,068)	$ (124)	$ (7,192)
Private equity(iv)	78	(644)	(566)	(52)	(618)
Infrastructure	467	173	640	(44)	596
Real estate(v)	533	(95)	438	(7)	431
	$ 2,086	$ (8,642)	$ (6,556)	$ (227)	(6,783)
Gain/(Loss) from currency hedging activities(vi)					(1,354)
(Income)/Loss credited to administered funds					124
Net investment income/(loss)					$ (8,013)

(millions)	Investment Income(i)	Net Gain/(Loss) on Investments and Derivatives(ii)	Total Investment Income/(Loss)	Investment Management Expenses (note 13[b])(iii)	Net Investment Income/(Loss)
					2007
Public markets(iv)	$ 1,192	$ (309)	$ 883	$ (101)	$ 782
Private equity(iv)	35	473	508	(56)	452
Infrastructure	396	237	633	(38)	595
Real estate(v)	372	873	1,245	(6)	1,239
	$ 1,995	$ 1,274	$ 3,269	$ (201)	3,068
Gain/(Loss) from currency hedging activities(vi)					931
(Income)/Loss credited to administered funds					(61)
Net investment income/(loss)					$ 3,938

(i) Net of total interest on real estate investment liabilities of $167 million (2007 – $157 million) and interest on infrastructure investment liabilities of $209 million (2007 – $145 million).
(ii) Includes net realized loss of $3,061 million (2007 – $3,584 million net realized gain).
(iii) Investment management expenses relate to corporate activity.
(iv) Total investment income/(loss) for the public markets and private equity asset classes for the year ended December 31 are as follows:

(millions)	**2008** Investment Income	**2008** Net Gain/(Loss) on Investments and Derivatives	**2008** Total Investment Income/(Loss)	2007 Investment Income	2007 Net Gain/(Loss) on Investments and Derivatives	2007 Total Investment Income/(Loss)
Public Markets						
Interest Bearing Investments						
Short-term deposits	**$ 126**	**$ –**	**$ 126**	$ 212	$ –	$ 212
Bonds and debentures	**258**	**97**	**355**	301	7	308
Mortgages and private debt	**89**	**(287)**	**(198)**	83	(23)	60
	473	**(190)**	**283**	596	(16)	580
Real return bonds	**61**	**(75)**	**(14)**	58	(25)	33
	534	**(265)**	**269**	654	(41)	613
Public Equity						
Canadian equities	**207**	**(3,641)**	**(3,434)**	171	1,019	1,190
Non-Canadian equities	**267**	**(4,170)**	**(3,903)**	367	(1,287)	(920)
	474	**(7,811)**	**(7,337)**	538	(268)	270
	$ 1,008	**$ (8,076)**	**$ (7,068)**	$ 1,192	$ (309)	$ 883
Private Equity						
Canadian private equities	**$ 55**	**$ (31)**	**$ 24**	$ 12	$ 51	$ 63
Non-Canadian private equities	**23**	**(613)**	**(590)**	23	422	445
	$ 78	**$ (644)**	**$ (566)**	$ 35	$ 473	$ 508

(v) Real estate investment income includes audit costs of $2.2 million (2007 – $1.8 million) and legal costs of $6.1 million (2007 – $4.0 million).
(vi) Represents the gain/(loss) on public markets passive foreign currency hedging activities.

NOTE 10

INVESTMENT RETURNS

Investment returns have been calculated in accordance with methods set forth by the CFA Institute and the Pension Investment Association of Canada and are reflective of the Funds' asset class exposure for the year ended December 31.

	2008	2007
OMERS Primary Pension Plan		
Interest bearing(i)	7.1%	4.7%
Real return bonds	0.3%	1.6%
Canadian public equities	–33.7%	12.8%
Non-Canadian public equities	–25.7%	–5.6%
Private equity	–13.7%	18.7%
Infrastructure	11.5%	12.7%
Real estate	6.0%	22.9%
Total OMERS Primary Pension Plan(ii)	–15.3%	8.7%
Retirement Compensation Arrangement		
RCA Investment Fund(iii)	–26.1%	8.7%

(i) Interest bearing investments include short-term deposits, bonds and debentures, mortgages and private debt.
(ii) Total returns include the results of the Plan's currency hedging related activities.
(iii) Excludes the RCA refundable tax balance with the Canada Revenue Agency. Including the refundable tax balance, the RCA 2008 rate of return was –12.6 per cent.

NOTE 11

CONTRIBUTIONS

(millions) For the year ended December 31,	2008	2007
Employer and member contributions(i)	$ 1,975	$ 1,840
Transfers from other pension plans	39	21
Other contributions(ii)	34	25
	$ 2,048	$ 1,886

(i) Employer and member contributions are funded equally by employers and members. For NRA 65 members, the contribution rate is 6.5 per cent (2007 – 6.5 per cent) of earnings up to $44,900 (2007 – $43,700) and 9.6 per cent (2007 – 9.6 per cent) of earnings above that level. For NRA 60 members, the contribution rate is 7.9 per cent (2007 – 7.9 per cent) of earnings up to $44,900 (2007 – $43,700) and 10.7 per cent (2007 – 10.7 per cent) of earnings above that level.
(ii) Other contributions include amounts for leaves of absence, conversion of normal retirement age and contract adjustments.

For the year ended December 31, 2008, contributions to the Plan were $2,037 million (2007 – $1,875 million) and to the RCA were $11 million (2007 – $11 million).

NOTE 12

BENEFITS

(millions) For the year ended December 31,	2008	2007
Members' pensions	$ 1,656	$ 1,554
Transfers to other registered plans	274	192
Commuted value payments and members' contributions plus interest refunded	97	87
	$ 2,027	$ 1,833

For the year ended December 31, 2008, total benefit payments from the Plan were $2,023 million (2007 – $1,828 million) and from the RCA were $4 million (2007 – $5 million).

NOTE 13

PENSION ADMINISTRATIVE AND INVESTMENT MANAGEMENT EXPENSES

(a) Pension administrative expenses(i)

(millions) For the year ended December 31,	2008	2007
Salaries and benefits	$ 27	$ 27
System development and other purchased services	7	7
Premises and equipment	4	3
Professional services(ii)	6	3
Travel and communication	3	3
	$ 47	$ 43

(b) Investment management expenses(i)

(millions) For the year ended December 31,	2008	2007
Salaries and benefits	$ 76	$ 69
System development and other purchased services	11	9
Premises and equipment	9	7
Professional services(ii)	10	8
Travel and communication	7	8
Investment operating and manager expenses	114	100
	$ 227	$ 201

(i) Includes allocation of corporate expenses.
(ii) Total professional services expenses include independent actuarial costs of $1.0 million (2007 – $0.6 million), external audit costs of $0.7 million (2007 – $0.7 million) and external legal costs of $5.4 million (2007 – $7.0 million).

NOTE 14

EXECUTIVE COMPENSATION

Executive compensation amounts for the years ended December 31 2008 and 2007 are included under salaries and benefits in note 13. The table below represents disclosure of base earnings, annual incentive plan, long-term incentive plan, pension value and other compensation earned by the President and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three other most highly compensated executives for the year ended December 31, 2008.

Name and Principal Position	Year	Base Earnings	Annual Incentive Plan(i)	Long-Term Incentive Plan(ii)	Pension Value(iii)	Other(iv)	Total
Michael Nobrega(v)	2008	$ 474,904	$ 442,863	$ 1,856,108	$ 675,366	$ 301,228	$ 3,750,469
President and CEO	2007	448,077	885,425	1,900,796	452,743	117,543	3,804,584
	2006	400,000	796,000	1,861,532	–	92,402	3,149,934
Patrick G. Crowley(vi)	2008	$ 424,904	$ 425,180	$ –	$ 203,685	$ 22,043	$ 1,075,812
Chief Financial Officer	2007	400,000	400,000	–	175,411	13,314	988,725
	2006	30,769	–	–	6,393	935	38,097
John Macdonald	2008	$ 398,462	$ 341,761	$ 874,500	$ 210,704	$ 47,960	$ 1,873,387
Chief Operating Officer							
R. Michael Latimer	2008	$ 640,000	$ –	$ 1,955,178	$ –	$ 115,408	$ 2,710,586
President and CEO	2007	600,000	600,000	2,017,149	–	66,650	3,283,799
OPGI Management GP Inc.	2006	600,000	600,000	1,980,402	–	52,967	3,233,369
(Real Estate)							
Michael Rolland(vii)	2008	$ 425,000	$ 848,036	$ 1,205,889	$ –	$ 56,118	$ 2,535,043
President and CEO	2007	336,154	598,229	1,050,394	–	54,015	2,038,792
Borealis Capital Corporation							
(Infrastructure)							

(i) The annual incentive plan is based on a combination of achieving corporate and individual performance objectives, such as investment performance targets and pension service standards. The annual incentive plan amount relates to the year it was earned.
(ii) The long-term incentive plan ("LTIP") is awarded based on meeting investment return objectives over a multi-year performance period. The amount reported for a given year reflects the total earned from the LTIP performance period that matured at the end of that year.
(iii) Represents the value of pension earned during the year for members of the Plan.
(iv) Includes group retirement savings plan contributions and contributions to non-AC pension arrangements for non-members of the Plan; hiring, retirement, car and other allowances: insurance and other benefits.
(v) Assumed the role of President and CEO of the AC on March 12, 2007. Prior to this appointment, Mr. Nobrega held the position of President and CEO of Borealis Capital Corporation (Infrastructure). The 2007 amounts reflect compensation from both positions.
(vi) Joined the AC on December 4, 2006.
(vii) Assumed the role of President and CEO of Borealis Capital Corporation (Infrastructure) on March 12, 2007. Prior to this appointment, Mr. Rolland held the position of Senior Vice President of Borealis Capital Corporation (Infrastructure). The 2007 amounts reflect compensation from both positions.

The following table represents disclosure of pension information for those individuals whose remuneration is disclosed above and who are active members of the Plan and the RCA at December 31, 2008.

Name and Principal Position	Years of Credited Service	Annual Benefits Payable(i)	Accrued Benefit Obligation at Beginning of the Year	Change in Pension Value	Accrued Benefit Obligation at End of the Year
Michael Nobrega President and CEO	1.8	$ 75,267	$ 452,743	$ 675,366	$ 1,128,109
Patrick G. Crowley Chief Financial Officer	2.1	$ 22,067	$ 181,804	$ 203,685	$ 385,489
John Macdonald Chief Operating Officer	1.0	$ 10,784	$ –	$ 210,704	$ 210,704

(i) Annual pension benefit payable at December 31, 2008, if the individual had elected to retire on that date. This amount is based on pensionable earnings and credited service up to December 31, 2008 and includes any bridge benefit payable.

NOTE 15

CAPITAL

The AC defines its capital as the funded status (surplus/(deficit)) of each of the OMERS Pension Plans, as determined annually based on the fair value of the net assets of the OMERS Pension Plans and an actuarial valuation prepared by the AC's independent actuary (notes 7 and 8). The AC's objective is to ensure that the OMERS Primary Pension Plan is fully funded over the long-term through the management of investments, contribution rates and benefits. Investments (note 3), the use of derivatives (note 4) and leverage (note 6) are based on an asset mix that is projected to enable each of the plans to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with each plan's Statement of Investment Policies and Procedures approved by the AC Board. The RCA is funded on a modified pay-as-you-go basis in order to minimize the impact of the 50 per cent refundable tax applicable to all RCA plans.

The funded status of each plan and the related cash flows are also impacted by the level of contributions (note 11) and benefits (note 12). The SC is responsible for setting contribution rates and determining benefits for the OMERS Pension Plans.

The Plan and Supplemental Plan are subject to FSCO regulations which require a pension plan to file an actuarial valuation report for a funding and solvency valuation at least once every three years. At that time, a plan must take measures to eliminate any funding deficits including solvency deficits, although the possibility of the plans being wound up is remote. Where the funded status of a plan is filed with a surplus position greater than ten per cent of the accrued benefit obligation, the *Income Tax Act* requires contributions be reduced with the amount of the reduction increasing as the surplus increases. Once the filed surplus reaches twenty-five per cent of the accrued benefit obligation, regular contributions must be eliminated. The SC is responsible for determining when an actuarial valuation of the Plan and Supplemental Plan should be filed, subject to the requirements under the regulations.

NOTE 16

GUARANTEES, COMMITMENTS AND CONTINGENCIES

As part of normal business operations, the AC enters into commitments and guarantees related to the funding of investments. Future commitments to fund investments include, but may not be limited to, investments in infrastructure, real estate and private equity limited partnership agreements. As at December 31, 2008, these future commitments totalled $6.8 billion (2007 – $5.8 billion). The maximum amount payable under guarantees and standby letters of credit provided as part of investment transactions was $397 million as at December 31, 2008 (2007 – $381 million).

The AC, in the normal course of business, indemnifies its and its subsidiaries' and affiliates' directors, officers, employees and certain others in connection with proceedings against them. In addition, the AC may in certain circumstances in the course of investment activities, agree to indemnify a counterparty. Under the terms of such arrangements, the AC and/or its subsidiaries and affiliates 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 the AC from making a reasonable estimate of the maximum amount that would be required to pay such indemnifications.

As at December 31, 2008, the AC was involved in various 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 significant adverse effect on the consolidated financial statements of the AC.

Ten-Year Financial Review

($ millions)	**2008**	2007	2006	2005	2004	2003	2002	2001	2000	1999
Net Assets as at December 31										
Public markets	**28,763**	43,291	43,533	39,338	30,283	30,168	23,823	27,755	30,941	30,303
Private equity	**4,162**	3,608	2,951	2,391	1,460	914	1,021	1,031	1,128	849
Infrastructure	**12,140**	8,412	5,585	3,719	2,314	1,426	349	279	–	–
Real estate	**12,037**	10,904	8,541	6,180	6,898	6,920	7,747	8,181	4,707	4,126
	57,102	66,215	60,610	51,628	40,955	39,428	32,940	37,246	36,776	35,278
Other investment assets	**1,366**	1,001	699	765	494	578	733	652	637	493
Investment liabilities	**(14,474)**	(15,029)	(13,088)	(10,772)	(5,267)	(7,297)	(3,540)	(3,977)	(860)	(280)
Net investment assets	**43,994**	52,187	48,221	41,621	36,182	32,709	30,133	33,921	36,553	35,491
Non-investment assets/(liabilities)										
Due to administered funds	**(672)**	(800)	(741)	(639)	(553)	(496)	(440)	(487)	(528)	(502)
Other assets/(liabilities)	**155**	129	125	83	26	(120)	(188)	(191)	(150)	(59)
Net assets	**43,477**	51,516	47,605	41,065	35,655	32,093	29,505	33,243	35,875	34,930
Changes in Net Assets for the year ended December 31										
Net assets, beginning of year	**51,516**	47,568[i]	41,065	35,655	32,093	29,505	33,243	35,875	34,930	31,380
Changes due to Investment Activities										
Total investment income/(loss)	**(7,910)**	4,200	6,803	5,767	3,907	3,751	(2,358)	(1,362)	2,114	4,711
Investment management expenses	**(227)**	(201)	(169)	(160)	(147)	(158)	(103)	(69)	(62)	(52)
	(8,137)	3,999	6,634	5,607	3,760	3,593	(2,461)	(1,431)	2,052	4,659
(Income)/Loss to administered funds	**124**	(61)	(104)	(92)	(66)	(51)	28	4	(47)	(85)
Net investment income/(loss)	**(8,013)**	3,938	6,530	5,515	3,694	3,542	(2,433)	(1,427)	2,005	4,574
Changes due to Pension Activities										
Contributions										
Employer and member	**1,975**	1,840	1,739	1,498	1,363	404	–	–	–	–
Other contributions	**73**	46	53	36	46	42	47	36	30	27
	2,048	1,886	1,792	1,534	1,409	446	47	36	30	27
Benefit payments to members										
Pensions paid	**(1,656)**	(1,554)	(1,492)	(1,410)	(1,353)	(1,246)	(1,153)	(1,034)	(916)	(817)
Commuted value and other payments	**(371)**	(279)	(252)	(193)	(145)	(110)	(149)	(159)	(129)	(188)
	(2,027)	(1,833)	(1,744)	(1,603)	(1,498)	(1,356)	(1,302)	(1,193)	(1,045)	(1,005)
Pension administrative expenses	**(47)**	(43)	(38)	(36)	(43)	(44)	(50)	(48)	(45)	(46)
Net assets, end of year	**43,477**	51,516	47,605	41,065	35,655	32,093	29,505	33,243	35,875	34,930
Actuarial Surplus/(Deficit) as at December 31										
OMERS Primary Pension Plan										
Net assets	**43,438**	51,479	47,576	41,046	35,643	32,087	29,500	33,236	35,867	34,921
Actuarial value adjustment of net assets	**6,363**	(4,567)	(5,791)	(2,707)	1,168	3,888	6,048	2,239	(1,913)	(3,957)
Actuarial assets	**49,801**	46,912	41,785	38,339	36,811	35,975	35,548	35,475	33,954	30,964
Accrued benefit obligation	**(50,080)**	(46,830)	(44,167)	(41,123)	(37,774)	(35,466)	(33,034)	(30,955)	(28,104)	(25,462)
Surplus/(Deficit)	**(279)**	82	(2,382)	(2,784)	(963)	509	2,514	4,520	5,850	5,502
RCA										
Net assets	**39**	37	29	19	12	6	5	7	8	9
Accrued benefit obligation	**(285)**	(236)	(172)	(157)	(149)	(69)	(63)	(71)	(54)	(42)
(Deficit)	**(246)**	(199)	(143)	(138)	(137)	(63)	(58)	(64)	(46)	(33)
Total Annual Rate of Return for the year ended December 31										
OMERS Primary Pension Plan										
Time-weighted return on market value	**–15.3%**	8.7%	16.4%	16.0%	12.1%	12.7%	–7.1%	–3.4%	6.2%	15.2%
Benchmark	**–13.2%**	5.6%	13.7%	13.2%	9.9%	15.5%	–7.4%	–4.2%	4.1%	14.7%
Funding requirement (including inflation)	**5.4%**	6.6%	5.9%	6.4%	6.4%	6.3%	8.1%	5.0%	7.5%	6.8%
RCA Investment Fund[ii]										
Time-weighted return on market value	**–26.1%**	8.7%	16.4%	16.0%	12.1%	12.7%	–7.1%	–3.4%	6.2%	15.2%
Benchmark	**–27.3%**	5.6%	13.7%	13.2%	9.9%	15.5%	–7.4%	–4.2%	4.1%	14.7%

(i) 2007 beginning of the year net assets were decreased by $37 million to reflect a change in accounting policy for transaction costs.
(ii) Excludes the RCA refundable tax balance with the Canada Revenue Agency.

Glossary

Absolute Return Strategies – Strategies expected to generate positive returns regardless of the movements of the financial markets due to their low correlation to broad financial markets. Absolute return strategies may be used with the objective of increasing the overall investment portfolio risk-adjusted return while contributing to the stability of the overall investment portfolio returns.

AC Board – The Board of Directors of the AC.

Accrued Benefit Obligation/Accrued Pension Benefits – The actuarial present value of future pension benefits earned to date.

Actuarial Smoothing – A common practice accepted in the actuarial profession and by pension regulators to reduce the effect of short-term market fluctuations on pension plan funding by deferring and recognizing changes in net assets above or below the long-term funding objective over five years.

Actuarial Valuation Report – A report issued by the AC's actuary on the funded status of the OMERS Pension Plans. The actuarial valuation is based on a set of assumptions, as approved by the AC Board, that include demographic and economic assumptions.

Basis Point – One basis point equals 1/100th of one percentage point.

Benchmark – A benchmark is a standard or point of reference against which performance of an investment is measured. It is generally a passive external index (i.e. the S&P/TSX Composite Index) or for the AC's private market investments a predetermined absolute return based on operating plans approved by the AC Board.

Benefit Accrual – The accumulation of pension benefits based on a formula using years of credited service, pensionable earnings and an accrual rate. This is expressed in the form of an annual benefit to begin payment at normal retirement age.

Bridge Benefit – A temporary benefit provided to employees who retire prior to age 65. The bridge benefit supplements the pension income until age 65. The bridging benefit is not necessarily related to the size of the prospective government benefits.

Commercial Paper – Short-term unsecured debt instruments issued by companies typically to meet short-term financing needs.

Commuted Value – The lump sum needed today to replace a member's future pension amount based on the member's service and earnings to date. The commuted value fluctuates with changes in factors such as the member's age, current inflation and interest rates.

Currency Hedging – A technique used to offset the risks associated with the changing value of currency.

Custom Benchmark – A benchmark calculated based on the weighted average allocation to two or more underlying benchmarks (i.e. Blended DEX 30 day Treasury Bill Index and DEX Universe).

Debentures – Bonds that are not secured by specific assets of a firm.

Defined Benefit Plan – In a defined benefit plan members' benefits are determined by a formula usually based on years of service times earnings, rather than by the investment returns made on their pension contributions.

Derivative / Derivative Financial Instrument – A financial contract that derives its value from changes in underlying assets or indices. Derivative transactions can be conducted on public exchanges or in the over the counter market using investment dealers. Derivative contracts include forwards, futures, swaps and options and are discussed in more detail in note 4 of the AC Consolidated Financial Statements.

"Direct Drive" Active Management – "Direct drive" active management is where we have involvement in on-going decisions within the businesses we invest in with respect to strategy, major investment decisions, annual financial target setting and the monitoring of performance against these targets, risk management and governance oversight.

Discount Rate – A discount rate is the interest rate used to compute the present value of anticipated future cash flows.

Enterprise-wide – This refers to the AC, including OMERS Pension Group, OMERS Capital Markets, Borealis Infrastructure, OMERS Private Equity, Oxford Properties Group, OMERS Strategic Investments and corporate functions.

Infrastructure – Infrastructure investing involves direct investments in inflation sensitive assets that are critical to the long-term success of a modern industrial economy. Some infrastructure investments are subject to regulatory establishment of rates, service delivery levels or both.

Modified Pay-As-You-Go Funding Policy – Promised retirement benefits are not fully pre-funded, instead contributions are paid into the RCA to fund benefits. This variation of the funding method is used by the AC for the RCA, in order to minimize the 50 per cent refundable tax applicable to RCA plans.

Nominal Bonds – Bonds that pay interest and principal without contractual adjustments for inflation.

OMERS Pension Plans or Plans – Collectively, the OMERS Primary Pension Plan, the Retirement Compensation Arrangement associated with the Plan and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics.

OMERS Primary Pension Plan or the Plan – The primary registered pension plan administered by the AC under the *OMERS Act*.

Passive Investments – Investing in a manner that replicates the performance of a market index (i.e. S&P/TSX Composite Index).

Plan Sponsor – The organization or body, which has the final authority to create a pension plan and/or make revisions to an existing pension plan. Usually the plan sponsor is an employer, but it can also be a union, an association, the government, or a mixture. For the OMERS Pension Plan Plans, the Sponsors Corporation is made up of employer and member representatives and acts as the sponsor.

Private Equity – Private equity is the ownership of equity or equity-like securities in companies that do not generally trade publicly.

Proxy Voting – Proxy voting is the process by which a shareholder expresses their views, on proposed corporate actions, by submitting their vote at a company's annual meeting.

Public Markets – Public market investments are investments in interest bearing (i.e. bonds, debentures and treasury bills) and equity securities (i.e. stocks, trust units, warrants and mutual fund units) traded on recognized public exchanges world wide.

Retirement Compensation Arrangement or RCA – The plan for those members with earnings exceeding the amount that generates the maximum pension allowed by the *Income Tax Act*.

Real Rate of Return – Nominal return adjusted to exclude the impact of inflation.

Real Return Bonds – Interest bearing marketable bonds that pay a semi-annual coupon rate calculated based upon the sum of the principal amount and an inflation compensation component that adjusts for inflation.

SC – The OMERS Sponsors Corporation.

Secured Debt – Debt backed or secured by collateral to reduce the risk associated with lending for creditors given that if the debtor defaults, the creditor may seize the collateral as repayment of the debt.

Supplemental Plan – The OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics is a stand-alone registered pension plan which offers benefits not available in the OMERS Primary Pension Plan and which is not funded from the OMERS Primary Pension Plan.

Unsecured Debt – Debt which is not backed or secured by collateral property.

OMERS

Administration Corporation

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Disponible en français

ONE TEAM
PLANNING FOR TOMORROW

OMERS

2008 Annual Report

OMERS was established in 1962 as the pension plan for employees of local governments in Ontario. On June 30, 2006, the *Ontario Municipal Employees Retirement System Act, 2006* (the *OMERS Act*) came into effect. The Act continued the Ontario Municipal Employees Retirement Board as the OMERS Administration Corporation (AC) and created a Sponsors Corporation (SC) to replace the Ontario government as plan sponsor.

Sponsors (such as plan members, employers and retirees, through their unions, associations and other organizations) appoint the Board Members of the SC and the AC. As of June 30, 2009, the SC will appoint AC Board Members.

OMERS Sponsors Corporation

OMERS Sponsors Corporation has 14 Members: 7 plan member representatives, and 7 employer representatives.

The SC is responsible for:

- Determining plan design for benefits to be provided by the pension plans
- Setting contribution rates for members and participating employers
- Establishing or changing a reserve to stabilize contribution rates
- Setting compensation levels and appointment protocol of SC Members and the AC Board.

OMERS Administration Corporation

OMERS Administration Corporation Board has 14 board members: 7 plan member representatives, and 7 employer representatives. It is the Administrator of the OMERS Pension Plans.

The AC Board is responsible for:

- Appointing and overseeing the AC management team
- Establishing investment policies, asset allocation and investment management of OMERS Pension Plans' assets
- Overseeing pension services, administration and plan valuation
- Appointing the AC auditor and the actuary for the OMERS Pension Plans.

OMERS AC Management

AC Management conducts the affairs of the AC and has been delegated broad responsibilities for ensuring that OMERS discharges its statutory and related responsibilities to plan members, including:

- Administering the OMERS Pension Plans
- Providing for the actuarial valuation of the OMERS Pension Plans
- Investment of the OMERS Pension Plans' assets and plan valuation
- Technical and administrative support for the SC.

Table of Contents

Focused on the Pension Promise

The OMERS Primary Pension Plan is a multi-employer pension plan that serves over 390,000 current and former employees of more than 920 municipal governments, school boards, libraries, police and fire departments, children's aid societies and other local agencies throughout Ontario. OMERS members also belong to a wide variety of unions and association groups. The Plan is a contributory defined benefit pension plan. Equal contributions from participating employers and employees finance about 30% of benefits, while the Plan's investment earnings finance the remaining 70% over the long term.

Continuing to serve our members

In 2008, our second full year of operation, the OMERS Sponsors Corporation (SC) made significant progress both in fulfilling our mandate and in improving the joint governance of the OMERS Pension Plans.

Our Past

The SC was established by the *OMERS Act*, which came into force at the end of June, 2006, as a key part of a new and independent governance model for OMERS. Under the legislation, the SC replaced the provincial government as the plan sponsor, giving employers, employees and retirees control over the pension plans.

In June of 2006, we had appointed board members, but little else. We had embarked on a new governance model that was unique in the pension world. We had no infrastructure, no coordination with the processes of the OMERS Administration Corporation (AC) nor long-term funding in place.

Fulfilling our Mandate

Although our development process has been challenging, two and a half years later the SC is a fully functioning organization able to meet its responsibilities under the legislation. This could not have been accomplished without the extraordinary dedication of our 14 Members and small staff.

Our Members are appointed by the OMERS sponsors to carry out the responsibilities of the SC as defined in the *OMERS Act,* 2006. At the same time, the SC is very conscious of the fact that every decision or initiative we take will affect the interests of OMERS members, employers and retirees. We established three major objectives for 2008:

1) We wanted to complete the development of our governance structure and put in place a supporting infrastructure to allow us to meet our responsibilities effectively, in a cost-efficient manner. We have been able to accomplish this and at the same time, significantly increase the coordination of AC and SC operating procedures, minimizing duplication and inefficiencies.

   In furthering our internal governance process, we established three new standing committees: Plan Design Information, Human Resources and Compensation, and Corporate Governance, which allowed us to effectively distribute responsibilities and time commitments throughout the Board. In addition, we established a small support group of dedicated professionals, led by Tim Hammill as Executive Director, an experienced financial services executive.

2) A second priority was the redesign of our Specified Plan Change process to make it more open and transparent. In October, we introduced new procedures which will both simplify and improve the process of Annual Specified Plan Change and Contribution Rates Review.

   We also completed our second cycle of plan change reviews. We considered six potential Plan design changes, including one which addressed inequities in contribution rates. (A more detailed discussion of these Plan design decisions can be found in the Year in Review section on page 4 of this Annual Report.)

3) We wanted to ensure that our long-term funding needs were met. In August we were able to conclude an extension of our initial provincial government funding agreement which should defer any need to levy Plan members directly for SC costs, for the foreseeable future.

Our Commitment to Your Future

As a result of our significant accomplishments in 2008, we now have both the infrastructure and the experience required to address the challenges and opportunities that lie ahead. Our immediate focus is to fulfill our obligations regarding the composition of the AC Board early in 2009 and to prepare for plan design proposals. We have also undertaken a project to determine our strategic plan design objectives and assess how they will be integrated with the AC's strategic planning process.

The SC is proud to be part of OMERS team and proud of the considerable progress we made in 2008. Our governance structure continues to evolve to address the needs of the Plan and the SC is now well positioned to address the implications of the global financial challenges to the OMERS Pension Plans.

We look forward to continuing to serve our members, retirees, employers and sponsors in the future. Working with the AC, we remain committed to providing best-in-class governance for the OMERS Pension Plans and members.

Sincerely,

Marianne Love
Co-Chair
Employer Group

Brian O'Keefe
Co-Chair
Employee Group

Message from the Executive Director

In 2008, the SC appointed a small support team which I am honoured to lead. During the year, we established an infrastructure that provides support for the SC activities, together with pension policy expertise.

As a result, the SC was not only able to complete its governance objectives but, with the assistance of the AC, provide the expertise required to develop effective plan proposals. The SC is now positioned to meet the challenges of this economic environment on behalf of its stakeholders.

Tim Hammill
Executive Director

Year in Review

2008 was a year of considerable accomplishment for the SC. We dealt effectively with a number of specific issues relating to our ongoing obligations and we made significant progress in establishing the organizational infrastructure that will allow us to operate smoothly, in close co-operation with the AC, as we carry out our responsibilities into the future.

The SC has responsibility for the major plan issues that determine the nature of OMERS Pension Plans. Our mandate includes such areas as: the design of the Plans, setting the terms and conditions for participating in them; establishing contribution rates; determining the specific timing of the plan valuation filings that are required by law at least every three years; and establishing the composition guidelines, compensation and method of choosing SC Members and, starting in mid 2009, the AC Board members.

Bill 206 ushered in a new era in OMERS governance – one that had been sought by both members and sponsors for some time. We believe that 2008 demonstrated that this new era will be one that clearly benefits all OMERS stakeholders.

Who We Are

- The 14 SC members are appointed directly by the sponsors — seven by employer sponsors and seven from among employee sponsors.
- The province of Ontario set the original SC composition, based on representation from the largest sponsor groups. The SC is reviewing this principle in early 2009. The current composition of the SC is detailed on pages 6 and 9.
- SC members have a broad range of experience and competencies that fairly reflect the needs and interests of members, retirees, and employers.

2008 – A Building Year

- We focused on building the governance and operational infrastructure to meet our mandate.
- Our working arrangements with the AC were formalized and continue to be refined. We have undertaken a project to clarify and document our joint processes to ensure efficiency and seamless execution of our separate responsibilities.
- We completed our governance by-laws and policies, including policies on confidentiality and communications.
- The SC has an obligation to be well-informed and knowledgeable. SC Board Education Policy sets guidelines and recommendations for continued learning, including intensive certification programs in pension guidelines and governance issues, and provides opportunities to attend public pension plan conferences and in-house training sessions.
- We retained the services of our own independent actuary, who works with the AC internal and external actuaries.
- We established three new standing Board committees:
  - Plan Design Information Committee (PDIC)
    The PDIC recommended an improved approach to specified plan changes that is simple, transparent and open to wider input. Stakeholders can submit plan design proposals directly with a downloadable form available on our website.
  - Human Resources and Compensation Committee (HRCC)
    The HRCC undertook the establishment and recommendations for a permanent staffing complement. In addition, the committee, with the assistance of external consultants, commenced compensation reviews for both the SC and the AC, as required by the *OMERS Act*.
  - Corporate Governance Committee (CGC)
    The CGC developed a composition by-law for the AC Board. While the by-law had not received the required two-thirds majority by year end, this work continues into 2009. The CGC also started reviewing other governance issues, including the SC composition.

The Support Team

- In March 2008, the SC hired an Executive Director with significant business, legal and financial services background. He enhanced the SC's operational infrastructure and procedures, developed permanent staffing recommendations, completed the permanent funding process and continued developing relations with AC operational groups.

Communications

- In addition to the Annual Report, the SC works with the AC on other communications, including newsletters and informational meetings.
- SC Members receive support and resource materials required to keep their sponsor groups informed. Some SC Members also undertake an 'ambassador' role and speak at public pension plan conferences.

- The SC website is updated regularly. Board meeting summaries, changes to by-laws and protocols, are now posted. New timelines and procedures for proposing specified plan changes, including a downloadable submission form, were posted to allow stakeholders easier access to the process.

Carrying out the SC's Work

- The SC held 14 Board meetings during 2008, and 26 internal standing committee meetings. In addition, there were numerous working group meetings, meetings between the AC and SC and through joint committees generally scheduled around full board meetings. SC Members' attendance record can be found on page 8.
- The SC held a strategy planning retreat in the fall of 2008 to address significant, legislated requirements, including plan design procedures and the composition and protocols for appointments to the AC Board.

Plan Design Decisions

The SC filed the December 31, 2007 actuarial valuation for the Plan in 2008, and, as a result, determined contribution rates and addressed plan design proposals.

Working with the AC, the SC considered six plan design changes:

1. *Remove immediate vesting and replace with vesting after 24 months for members joining the Plan after January 1, 2010.*
2. *Remove early retirement subsidies for deferred vested members joining the Plan after January 1, 2010.*
3. *Provide paramedics with the right to negotiate NRA 60.*
4. *Change the maximum accrual of pensionable earnings from 81.33% to 70% for NRA 60 supplemental plans, effective July 1, 2008.*
5. *Place a cap on the level of contributory earnings over a certain percentage of base pay.*

After thorough review and consideration, none of the above five proposed changes were approved in 2008. However, any of the five can be reintroduced in the future, and proposals can be referred to mediation/arbitration with a simple majority vote.

6. *Revised contribution rates for 2009.*

The sixth proposed change was approved. Contribution rates had not changed since 2006, and the SC unanimously approved new contribution rates for employers and employees in various groups for 2009.

The SC is committed to ensuring that contribution rates are equitable and fairly represent the costs of the pension benefits provided. The new rates involved slight decreases for most groups, and slight increases for some NRA 60 members.

Permanent Funding

- The SC completed permanent funding arrangements in 2008, satisfying legislated requirements and ensuring the ongoing ability to perform its duties.
  - The Joint Protocol between the AC and the SC for reimbursement of certain operating expenses, as confirmed by the Superior Court, was successfully implemented in 2008, with processes and procedures for ensuring compliance and transparency continually being refined and improved.
  - A by-law established in the spring of 2008 provides a mechanism to levy active plan members and employers for SC expenses not eligible under the Joint Protocol.
- The SC secured an amendment and extension to the original funding agreement with the Province of Ontario. As a result, a levy for its costs will likely not be required for a significant period of time.

Working with the Administration Corporation

- The AC Board and AC management continued to provide technical and administrative support, as well as regular presentations and updates at SC Board and committee meetings.
- Two joint SC/AC information and education sessions were held in 2008. These will be ongoing and useful forums for enhancing the skills and knowledge required of each board and for reinforcing the cooperative joint governance model.
- A new joint sub-committee of the SC and AC Boards met eight times to review operational agreements between them. Its work is expected to be completed in early 2009.
- The SC and AC each participated in the spring and fall meetings for members, employers, stakeholders and sponsors. The AC covered investment performance and the SC provided updates on plan design and benefits.
- The SC and the AC worked together on the OMERS submission to the Ontario Expert Commission on Pensions. The two Boards continue to address the future of pension plan regulations and opportunities to better meet the OMERS pension promise.

Governance – OMERS Sponsors Corporation

The *OMERS Act* created the SC to fulfill the role of plan sponsor, giving employers and employees more direct control over the pension plan. The SC has committed itself to upholding OMERS long history of exemplary corporate governance through maintaining high standards of integrity, education, transparency and communication in carrying out its responsibilities.

Governance

The SC strives to achieve standards based on best practices in corporate governance. To achieve this goal, the SC has developed policies and practices with input and advice from third party advisors who are expert and experienced in the field. The governance structure includes:

- Corporate by-laws and policies that support the commitment to a best practice standard.
- A continuing education program for Members with programs that provide director certification in governance issues, pension administration, benefits strategies and pension plan trustee development, as well as mandatory orientation to the OMERS Pension Plans.
- Transparency and accountability to OMERS plan participants through regular meetings with plan participants and stakeholders, together with timely and accurate print and electronic communication carried out in conjunction with the AC, as well as regular updates and posting of by-laws, by-law amendments and accessible information for submitting plan change designs.

Board Membership

The composition of the Board was established under legislation and confirmed by SC By-Law #4 and is based on a balanced formula reflecting plan membership. A review of the SC composition and most recent statistics will be undertaken in early 2009 to ensure the most equitable representation of the participants in the OMERS Pension Plans.

The SC is comprised of seven representatives of the employers of plan members and seven representatives of employee organizations as follows:

Employer Representatives

- Association of Municipalities of Ontario (AMO) – two members
- City of Toronto – one member
- School Boards, rotating between public and Catholic Boards – one member
- Ontario Association of Police Services Boards – one member
- Ontario Association of Children's Aid Societies – one member
- Electricity Distributors Association (Ontario) – one member

Plan Member Representatives

- Canadian Union of Public Employees (CUPE Ontario) – one member
- Canadian Union of Public Employees rotating between Locals 79 and 416 – one member
- Police Association of Ontario – one member
- Ontario Professional Fire Fighters Association – one member
- Ontario Secondary School Teachers' Federation – one member
- Ontario Public Service Employees Union – one member
- Retirees – appointed from among the Municipal Retirees Organization Ontario, the Police Pensioners Association of Ontario, the Police Retirees of Ontario and the Retired Professional Fire Fighters of Ontario – one member

There are 18 total votes on the SC. Employer Representatives and Plan Member Representatives as a group have nine votes each. Individual SC members have one vote each except for the two representatives from AMO, each of whom has two votes, and the representative from CUPE Ontario who has three votes.

Compensation and Expenses for SC Members

Compensation

SC Members are compensated through an annual retainer which covers attendance at SC and committee meetings and at other meetings or events such as the SC's annual planning session and the spring and fall stakeholder consultations. There are no per diem payments for meeting attendance. The retainer may be paid directly to the member or to the organization with which they are affiliated.

The SC annual retainer is:

Co-Chairs	$30,000
Chairs of Standing Committees	$18,000
All other Members	$15,000

Reimbursement of Expenses

SC Members are entitled to reimbursement of reasonable and necessary expenses incurred in connection with carrying out the business of the SC, subject to the necessary approvals under By-Law #6.

Education Expenses

SC Members are reimbursed for travel, tuition and other expenses incurred in attending pension and governance conferences, or other educational programs, which are approved or mandated by the SC under By-Law #6. Aggregate education expenses in 2008 were $119,345.

Meeting Attendance

There were 14 regular meetings of the Board and 26 meetings of standing committees; 22 "other" meetings were held, which Members attended at their discretion and as their obligations allowed. Overall attendance in 2008 was 97 per cent compared with 95 per cent in 2007.

Declaration for Individual Sponsors Corporation Members

										2008		2007	
	Attendance									Remuneration	Meeting Expenses[1]	Remuneration	Meeting Expenses
Board/Committee	SC	Audit	CGC	PDIC	HRCC	Other[3]							
# of Meetings	14	3	9	7	7		Attended	Total	%	$	$	$	$
Marianne Love (Co-Chair)	14	–	7/9	6/7	7	22	56	59	95	30,000	11,675	30,000	10,271
Brian O'Keefe (Co-Chair)	14	–	1/1	6/7	7	22	50	51	98	30,000	3,086	30,000	2,339
Joe Aitchison	13	–	9/9	–	7	5	34	35	97	15,000	8,591	15,000	7,307
Brian Cain[2]	14	3/3	–	–	7	7	31	31	100	18,000	6,797	15,000	5,491
Ann Dembinski	13.5	2/2	–	–	6	5	26.5	28	95	15,000	882	15,000	707
Louise Eason[4]	–	–	–	–	–	–	–	–	–	–	–	7,500	–
John Fleming[2] [5]	14	–	–	7/7	–	9	30	31	97	17,000	6,119	7,500	1,044
Jack Jones	14	–	7/8	2/3	–	6	29	31	94	15,000	–	15,000	–
Fred LeBlanc[2]	14	–	9/9	4/4	–	6	33	33	100	17,000	7,774	15,000	5,012
Charlie Macaluso	14	–	9/9	–	–	3	26	26	100	15,000	2,221	15,000	1,558
Bruce Miller[2]	14	–	–	–	7	11	32	32	100	17,000	8,354	15,000	7,299
Glen Mills	12.5	3/3	–	–	–	3	18.5	20	93	15,000	8,855	15,000	10,758
Marnie Niemi	14	–	9/9	6/7	–	6	35	36	97	n/a	401	n/a	693
Garth Pierce	13	3/3	–	–	–	4	20	21	95	15,000	7,076	15,000	5,850
Bruce Stewart	14	–	–	7/7	–	6	27	27	100	15,000	3,748	15,000	4,002
Total									97	234,000	75,579	225,000	62,331

(1) Meeting expenses relate to individual expenses incurred for board meetings, working group and stakeholder meetings and to administrative work on behalf of the SC, but do not include general and education expenses.
(2) Committee Chairs were: Brian Cain (Audit – Jan 1); John Fleming (PDIC – May 1); Fred LeBlanc (CGC – May 1); Bruce Miller (HRCC– May 1). Committee attendance numbers reflect some changes in membership from May 1 – December 31.
(3) 'Other' includes: stakeholder meetings, joint AC/SC Member or Chairs/Co-Chairs meetings, and a planning retreat.
(4) Term ended June 30, 2007.
(5) Term commenced July 1, 2007.

The Co-Chairs were ex officio members of most committees.

Sponsors Corporation Members

1 Marianne Love, Co-Chair
Employer Representative for Association of Municipalities of Ontario

2 Brian O'Keefe, Co-Chair
Plan Member Representative for CUPE Ontario

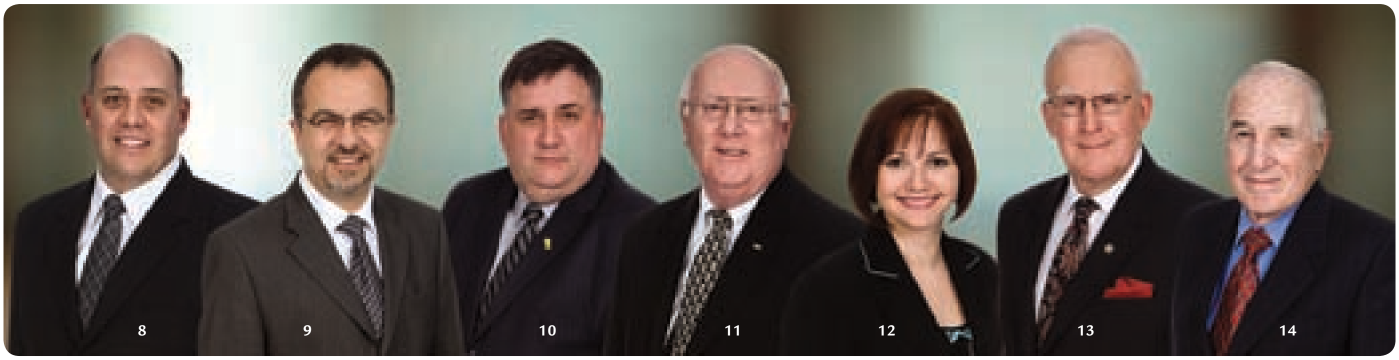
3 Joe Aitchison
Employer Representative for Ontario Association of Children's Aid Societies

4 Brian Cain
Employer Representative for Ontario Public School Boards' Association

5 Ann Dembinski
Plan Member Representative for CUPE Locals 79 and 416

6 John Fleming
Employer Representative for the City of Toronto

7 Jack Jones
Plan Member Representative for Ontario Secondary School Teachers' Federation



8 Fred LeBlanc
Plan Member Representative for Ontario Professional Fire Fighters Association

9 Charlie Macaluso
Employer Representative for Electricity Distributors Association

10 Bruce Miller
Plan Member Representative for Police Association of Ontario

11 Glen Mills
Plan Member Representative for Retirees

12 Marnie Niemi
Plan Member Representative for Ontario Public Service Employees Union

13 Garth Pierce
Employer Representative for Ontario Association of Police Services Boards

14 Bruce Stewart
Employer Representative for Association of Municipalities of Ontario

Auditors' Report

To the Board of OMERS Sponsors Corporation:

We have audited the statement of financial position as at December 31, 2008 and the statements of operations and of cash flows for the year then ended. These financial statements are the responsibility of the OMERS Sponsors Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Langlois Hauck Zettner & Co. LLP

Chartered Accountants,
Licensed Public Accountants

North York, Ontario
February 5, 2009

Financial Statements

STATEMENT OF FINANCIAL POSITION

As at December 31,	2008	2007
Assets		
Cash	$ 2,085,603	$ 853,280
OMERS AC receivable	399,032	–
Prepaid expenses	750	–
Total Assets	$ 2,485,385	$ 853,280
Liabilities		
Accounts payable and accrued liabilities	$ 44,283	$ 114,950
Net Assets		
Excess of Revenue Over Expenses from Operations		
Balance at beginning of year	738,330	355,163
Current year	1,702,772	383,167
Balance at end of year	2,441,102	738,330
Total Liabilities and Net Assets	$ 2,485,385	$ 853,280

The accompanying notes to the financial statements are an integral part of these financial statements.

Signed on Behalf of the Board of OMERS Sponsors Corporation

Marianne Love
Co-Chair

Brian O'Keefe
Co-Chair

Brian Cain
Chair of Audit Committee

STATEMENT OF OPERATIONS

For the year ended December 31,	Note	2008	2007
Revenues			
Government grant revenue		$ 750,000	$ 1,250,000
OMERS AC expense reimbursement	3	2,014,686	–
Interest income		19,956	23,220
		2,784,642	1,273,220
Expenses			
Contract staff including payroll taxes		279,126	54,690
Legal		206,993	303,189
Audit		3,552	2,625
Actuarial		70,917	–
Professional consulting & other administrative	4	59,780	194,539
Board remuneration including payroll taxes	5	238,777	231,650
Board expenses		222,725	103,360
		1,081,870	890,053
Excess of Revenue Over Expenses from Operations		$ 1,702,772	$ 383,167

The accompanying notes to the financial statements are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31,	2008	2007
Operating Activities		
Excess of revenues over expenses	$ 1,702,772	$ 383,167
Changes in non-cash working capital accounts		
OMERS AC receivable	(399,032)	–
Government grant receivable	–	500,000
Prepaid expenses	(750)	–
Accounts payable and accrued liabilities	(70,667)	(29,887)
Increase in Cash	1,232,323	853,280
Cash at Beginning of Year	853,280	–
Cash at End of Year	$ 2,085,603	$ 853,280
Supplemental disclosures of cash flows from operating activities:		
Interest received	$ 19,956	$ 23,220

The accompanying notes to the financial statements are an integral part of these financial statements.

Notes to Financial Statements

Year ended December 31, 2008

NOTE 1

DESCRIPTION OF PLANS SPONSORED BY OMERS SPONSORS CORPORATION

The OMERS Sponsors Corporation (the "SC") is a corporation without share capital under the *Ontario Municipal Employees Retirement System Act, 2006* (the "*OMERS Act*"). The SC is the sponsor of the OMERS Pension Plans (the "OMERS Pension Plans") as defined in the *OMERS Act*. The OMERS Pension Plans are administered by OMERS Administration Corporation (the "AC") and include the OMERS Primary Pension Plan (the "Plan") and the Retirement Compensation Arrangement (the "RCA") associated with the Plan and the OMERS Supplemental Plan for Police, Firefighters and Paramedics (the "Supplemental Plan"). The Ontario Municipal Employees Retirement System ("OMERS") represents the combined retirement system comprised of the SC, the AC, the Plan, the RCA, and the Supplemental Plan.

The SC is responsible for making decisions about the design of the Plan, the RCA, and the Supplemental Plan, amendments to those plans, setting contribution rates, and the filing of the actuarial valuation as required under the *Pension Benefits Act*.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, and present the information of the SC as a separate financial reporting entity independent of the employers, plan members and the AC. Certain comparative figures have been restated to conform to the current year's presentation.

Government Grant Revenue Recognition and Net Assets

Grants for operations are received or receivable from the Ministry of Municipal Affairs and Housing of the Ontario Government (the "Ministry"). Amounts receivable are recognized as income in the year if the amount to be received can be reasonably estimated and collection is reasonably assured. The funding agreement with the Ministry in place during 2007 stated that any part of the grant funds that have not been used or accounted for by the SC at the time the agreement was to expire, on March 31, 2009, would belong to the Ministry.

In July 2008, following the establishment of, and agreement to, a joint SC / AC protocol for SC expenditure reimbursement from the AC and an Ontario Superior Court of Justice decision that confirmed that the AC may lawfully reimburse the SC in accordance with the categories outlined in the protocol, the Ministry agreed to amend their agreement with the SC. The amended agreement authorizes the SC to use the remaining provincial funding for a period of up to five years, to pay for SC costs that, under the protocol, cannot be reimbursed from the AC. Net assets consist of government grant funds received, net of expenditures not reimbursed by the AC, plus interest earned. Interest income from operations is recognized as income in the year received.

Income Taxes

The corporation is not subject to Corporate Income Tax.

Use of Estimates

The preparation of financial statements is in conformity with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported values of assets and liabilities, income and expenses, and related disclosures. Actual results could differ from these estimates.

Financial Instruments

Financial assets and liabilities are initially recorded at fair value and are subsequently accounted for based on the classification of these financial instruments.

Financial assets and liabilities classified as "held-for-trading" are subsequently measured at fair value with changes recognized in the statement of operations. Financial assets classified as "available for sale" are subsequently measured at fair value with changes recognized in the statement of net assts until realized. Financial assets classified as "held-to-maturity", "loans and receivables" and financial liabilities classified as "other financial liabilities" are subsequently measured at amortized cost, using the effective interest method, where applicable.

The corporation has made the following designations in accordance with the new standards:

- Cash is a bank balance which is used to fund the normal operations of the corporation, and is classified as "held-for-trading".
- OMERS AC receivable is classified as "loans and receivables".
- Accounts payable and accrued liabilities are classified as "other financial liabilities".

NOTE 3

OMERS AC EXPENSE REIMBURSEMENT

The expense reimbursement relates to the period July 1, 2006 to December 31, 2008.

NOTE 4

PROFESSIONAL CONSULTING AND OTHER ADMINISTRATIVE EXPENSES

Professional consulting expenses in 2008 consist primarily of an insurance review, and in 2007, a Board compensation review, an insurance review, professional recruitment expenses, and governance advice. Other administrative expenses consist of training & association fees, equipment, computer equipment, supplies, recruitment costs, travel, fees and service charges.

NOTE 5

BOARD REMUNERATION AND EXPENSES

Board remuneration and board expenses are in accordance with SC By-Law #6 established by the SC Board.

NOTE 6

FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Financial instruments of the corporation consist of cash, OMERS AC receivable, and accounts payable and accrued liabilities. The carrying values of the above items approximate their fair value due to their short-term nature.

Credit Risk

The corporation's cash is held at a major financial institution. The OMERS AC receivable is due from an organization with a AAA credit rating and there is virtually no credit risk.

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