Consolidated Statement of Financial Position

As at December 31, (in millions of Canadian dollars)	**2016**	2015
Net Assets available for benefits		
Assets		
Investments (note 3)	**$ 104,065**	$ 99,104
Investment related assets (note 3)	**2,923**	1,062
Contributions receivable		
Employers	**159**	158
Members	**159**	158
Other assets	**216**	169
Total Assets	**107,522**	100,651
Liabilities		
Investment related liabilities (notes 3 and 4)	**19,099**	20,534
Amounts payable under contractual agreements (note 5)	**2,896**	2,719
Other liabilities	**167**	153
Total Liabilities	**22,162**	23,406
Net Assets Available for Benefits	**$ 85,360**	$ 77,245
Accrued Pension Obligation and Deficit		
Primary Plan (note 6)		
Defined benefit component		
Accrued pension obligation	**$ 86,959**	$ 81,924
Deficit		
Funding deficit	**(5,720)**	(6,977)
Actuarial value adjustment to net assets available for benefits	**3,379**	1,718
	(2,341)	(5,259)
Additional Voluntary Contributions component pension obligation	**595**	445
Accrued Pension Obligation and Deficit - Primary Plan	**85,213**	77,110
Retirement Compensation Arrangement (note 7)		
Accrued pension obligation	**739**	679
Deficit	**(592)**	(544)
Accrued Pension Obligation and Deficit - Retirement Compensation Arrangement	**147**	135
Accrued Pension Obligation and Deficit	**$ 85,360**	$ 77,245

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

These financial statements were approved by the Board of Directors on February 23, 2017.

Signed on behalf of the Board of OMERS Administration Corporation

George Cooke,
OAC Board Chair

William Butt,
Chair, Audit & Actuarial Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, (in millions of Canadian dollars)		**2016**		2015
Changes Due to Investment Activities				
Net investment income (note 8)	**$**	**7,856**	$	4,784
Total Changes Due to Investment Activities		**7,856**		4,784
Changes Due to Pension Activities				
Total contributions received (note 10)		**3,965**		3,880
Total benefits paid (note 11)		**(3,626)**		(3,447)
Pension administrative expenses (note 12)		**(80)**		(68)
Total Changes Due to Pension Activities		**259**		365
Total Increase		**8,115**		5,149
Net assets available for benefits, beginning of year		**77,245**		72,096
Net Assets Available for Benefits, End of Year	**$**	**85,360**	$	77,245

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

Statement of Changes in Pension Obligations

For the year ended December 31, (in millions of Canadian dollars)		**2016**		2015
OMERS Primary Pension Plan (note 6)				
Defined Benefit Component				
Accrued pension obligation, beginning of year	**$**	**81,924**	$	76,924
Interest accrued on benefits		**5,102**		4,980
Benefits accrued		**2,997**		2,784
Benefits paid		**(3,599)**		(3,417)
Experience (gains)/losses		**(89)**		323
Changes in actuarial assumptions and methods		**—**		330
Strategic margin		**624**		—
Accrued Pension Obligation, End of Year		**86,959**		81,924
Additional Voluntary Contributions Component				
Additional voluntary contributions obligation, beginning of year		**445**		360
Contributions		**113**		74
Withdrawals		**(12)**		(15)
Attributed net investment income		**49**		26
Additional Voluntary Contributions Obligation, End of Year		**595**		445
Retirement Compensation Arrangement (note 7)				
Accrued pension obligation, beginning of year	**$**	**679**	$	619
Interest accrued on benefits		**21**		20
Benefits accrued		**25**		22
Benefits paid		**(15)**		(15)
Experience (gains)/losses		**28**		42
Changes in actuarial assumptions and methods		**1**		(9)
Accrued Pension Obligation, End of Year	**$**	**739**	$	679

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

Notes to Consolidated Financial Statements

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

The accrued pension obligations of any one of the OMERS Pension Plans cannot be funded by the assets of the other OMERS Pension Plans.

OMERS Primary Pension Plan

The Primary Plan is a multi-employer, jointly sponsored pension plan, created in 1962 by an Act of the Ontario Legislature, whose members are mainly employees of Ontario municipalities, local boards, public utilities and non-teaching school board staff. The Primary Plan is governed by the OMERS Act, the PBA, the ITA and other applicable legislation. The benefit provisions and other terms of the Primary Plan are set out in the Primary Plan text. The Primary Plan consists of both the defined benefit component and the Additional Voluntary Contribution (AVC) component.

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

Attributes of the defined benefit component of the Primary Plan include:

- Funding –The defined benefit component of the Primary Plan is funded by equal contributions from participating employers and members, and by the investment earnings of the Primary Plan assets. OAC determines the regulatory minimum funding requirements in accordance with the ITA and PBA. The SC sets the actual contribution rates.
- Pensions – The normal retirement age (NRA) is 65 years for all Primary Plan members, except police officers and firefighters, who generally have a normal retirement age of 60 years. The defined benefits paid under the Primary Plan, when combined with Canada Pension Plan (CPP) benefits, are designed to approximate 2% of a member’s average annual earnings for the highest-paid 60 consecutive months multiplied by his/her years of credited service to a maximum of 35 years.
- Death Benefits – Death benefits are payable to a surviving spouse, eligible dependent children, designated beneficiary, or the member's estate 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.
- Escalation of Pensions – Pensions are increased for inflation through an annual adjustment equal to 100 per cent of the increase in the average Consumer Price Index (CPI) over the prior year's average. This adjustment 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, the excess is carried forward to future years.
- Disability Pensions – A disability pension is available at any age to an active member who becomes totally disabled as defined by the Primary Plan. The pension is calculated using a member’s years of credited service and the average

annual earnings during the member's highest 60 consecutive months of earnings consistent with a normal retirement pension. Generally, disability pensions continue until normal retirement.

- Income Taxes – The Primary Plan is a Registered Pension Plan as defined in the ITA and 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.

The AVC component of the Primary Plan enables members to make additional voluntary contributions on which the member receives the net investment return of the Primary Plan. For the AVC component of the Primary Plan, the only liability of the Primary Plan is members' AVC contributions plus/minus the net investment rate of return of the defined benefit component of the Primary Plan.

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

The RCA is an arrangement that provides pension benefits for Primary Plan members with earnings exceeding the amount that generates the maximum pension allowed by the ITA with respect to service after 1991. It is a separate trust arrangement and is not governed by the PBA and is not a Registered Pension Plan under the ITA. The RCA is governed by the OMERS Act, the ITA and other applicable legislation and is funded by equal contributions from participating employers and members and by the investment earnings of the RCA fund. Current and future contributions are determined to ensure that the existing RCA fund and future investment earnings are expected to be sufficient to pay projected benefits and expenses over the 20-year period following each actuarial valuation date. The RCA net assets available for benefits are invested and accounted for separately from the Primary Plan and the Supplemental Plan, and the accrued pension obligation of the RCA is valued separately from the Primary Plan and Supplemental Plan accrued pension obligations. Expenses of the RCA are paid from the cash flows of the RCA fund.

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 benefit provisions and other terms of the Supplemental Plan are set out in the Supplemental Plan text. The Supplemental Plan is registered with FSCO and with CRA under Registration #1175892.

Until March 31, 2018, unless the Supplemental Plan has sufficient funds based on the portion of contributions allocated for administrative expenses, any administrative costs of the Supplemental Plan are funded through a startup grant from the Province of Ontario.

Participation in the Supplemental Plan is effective only upon agreement between employee groups and their employer. As at December 31, 2016 and December 31, 2015, no such agreement exists and hence the Supplemental Plan had no assets and no members.

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

The financial statements also provide disclosures required by regulation 909 of the PBA.

These financial statements include the financial position, changes in net assets available for benefits and changes in pension obligations of OAC and the OMERS Pension Plans.

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

Use of Estimates and Judgments

The preparation of consolidated financial statements requires OAC Management (Management) to make estimates, judgments and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued pension obligations and related disclosures. Actual results could differ from these estimates. Areas of significant accounting estimates and judgments include the determination of fair value of financial instruments including valuation of real estate, infrastructure, private equity and private debt investments, certain fund investments and the determination of the accrued pension 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 is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is best evidenced by a quoted closing market price in an active market, if one exists. The determination of fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. Detailed discussion on valuation methodology is presented in Note 3 – Investments.

The difference between the value of an asset 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 the original acquisition. Unrealized appreciation/depreciation in the fair value of investments is the change in fair value adjusted for cash flows recognized during the year and is reflected in Changes due to Investment Activities in the Consolidated Statement of Changes in Net Assets Available for Benefits.

Net Investment Income/(Loss)

Investment income/(loss) includes accrued interest, dividends and real estate rental income. Gains and losses that have been realized on the disposal of investments and the unrealized appreciation/depreciation required to adjust investments to their fair value are added to investment income to arrive at Total Investment Income in Note 8 – Net Investment Income/(Loss).

Investment income is recognized as interest and real estate rental income is earned, as dividends or distributions are declared, as investments are disposed of and as investments are adjusted to their fair value.

Transaction and Pursuit Costs

Transaction and pursuit costs which include broker commissions, legal and other professional fees incurred as a part of the due diligence of a potential or completed transaction are expensed to total investment income as incurred.

External Manager Fees

Base external manager fees for portfolio management are included in investment management expenses as incurred. Performance fees, which are contractually due to external managers for superior investment returns, and fees for pooled funds, where OAC's investment return from the fund is net of fees, are expensed in investment income as incurred.

Investment Liabilities

Investment liabilities include commercial paper, debentures, mortgages, and other debt obligations incurred to acquire an investment. Investment liabilities also include the Plan's liability to return cash collateral received in securities lending transactions and derivative related liabilities as well as the amounts payable in respect of securities sold under agreements to repurchase ("Repo Agreements"). Investment liabilities are financial instruments and are stated at fair value. 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, for which cost plus accrued interest approximates fair value. The credit risk of OAC is also considered in estimating the fair value of investment liabilities.

Liabilities incurred in entities in which OAC has invested are netted as part of investment assets, even when the investment is in an entity over which OAC has effective control or can exercise significant influence.

Derivatives and Pending Trades

Derivatives and pending trades includes unrealized gains and losses from derivative contracts and accrued receivables/payables from pending trade transactions.

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.

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 Investment Assets, Liabilities, and Derivatives in Note 8 – Net Investment Income/(Loss). Once a foreign currency denominated investment is sold, the realized foreign exchange gain or loss based on the rate at the settlement date is also recognized in Net Gain/(Loss) on Investment Assets, Liabilities, and Derivatives in Note 8 – Net Investment Income/(Loss).

Accrued Pension Obligation

The value of the accrued pension obligation of the Primary Plan's defined benefit component is based on the Projected Benefit Method Prorated on Services actuarial valuation prepared by an independent firm of actuaries. This accrued pension obligation is measured in accordance with accepted actuarial practice in Canada using actuarial assumptions and methods adopted by OAC for the purpose of establishing the long-term funding requirements of the Primary Plan. The actuarial valuation included in the consolidated financial statements is consistent with the valuation used for funding purposes.

The AVC pension obligation represents the Primary Plan's liability in respect of the AVC component of the Primary Plan and includes members' AVC contributions plus/minus the net investment rate of return of the defined benefit component of the Primary Plan.

The valuation methodology used in the estimation of the accrued pension obligation of the RCA is developed on a basis consistent with the accrued pension obligation of the Primary Plan's defined benefit component. The accrued pension obligation of the RCA and the AVC pension obligation are separate from the accrued pension obligation of the Primary Plan's defined benefit component.

Actuarial Value of Net Assets and Actuarial Value Adjustment

The actuarial value of net assets for the Primary Plan is used in assessing the funded position of the Primary Plan, including the determination of minimum legally required contributions. The actuarial value adjustment to the fair value of net assets is the amount of net investment returns above or below the discount rate that are being smoothed and recognized over a five-year period. The fair value of net assets is adjusted by the actuarial value adjustment to arrive at the actuarial value of net assets.

Surplus/Deficit

For financial statement reporting, the surplus/deficit of the Primary Plan is based on the difference between the fair value of the Primary Plan's net assets available for benefits and the Primary Plan's accrued pension obligation. For funding purposes, the Primary Plan's surplus/deficit is based on the difference between the Primary Plan's actuarial value of net assets and the Primary Plan's accrued pension obligation. For the RCA, the surplus/deficit for financial statement reporting purposes is based on the difference between the fair value of RCA net assets available for benefits and the RCA's accrued pension obligation.

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 transfers from other pension plans are recorded and service is credited when the purchase amount is received. Contributions for AVCs are recorded when the contribution is received.

Benefits

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

Administrative Expenses

Administrative expenses are incurred for direct pension administration, direct investment management and corporate services and are recorded on an accrual basis. Direct pension administration expenses represent expenses to provide direct services to OMERS Pension Plans members and employers. Direct investment management expenses represent expenses of managing OMERS Pension Plans investments. Corporate services expenses primarily include corporate information systems, accounting, legal and other governance expenses incurred to support either the pension administration or the investment management functions. These are allocated between pensions and investments based on an estimate of the use of resources.

Future Changes in Accounting Policies

The relevant new guidance issued by the International Accounting Standards Board not yet adopted by OAC includes:

IFRS 15 Revenue from Contracts with Customers

The new standard replaces all existing IFRS revenue requirements. The mandatory effective date for the new standard is for years beginning on or after January 1, 2018. Management is currently assessing the impact of adopting these standards on OAC's Consolidated Financial Statements. OAC expects to report more detailed information on IFRS 15, including estimated quantitative financial effects, in its 2017 financial statements.

IFRS 16 Leases

The new standard provides new principles for the recognition, measurement, presentation and disclosure of leasing arrangements including landlord lease accounting. The mandatory effective date for the new standard is for years beginning on or after January 1, 2019. Management is assessing any potential impact on the OAC's investment income when adopting the new standard.

NOTE 3

A. Investments

Investments by Fair Value and Cost

Investments and investment related assets and liabilities are as follows:

	2016		2015	
	Fair Value	**Cost**	Fair Value	Cost
Fixed Income Investments				
Cash and short-term deposits (i)	**$ 17,352**	**$ 17,353**	$ 20,695	$ 20,695
Canadian nominal bonds and debentures	**1,176**	**1,161**	474	475
Non-Canadian nominal bonds and debentures	**5,139**	**5,084**	2,014	1,910
Private debt and mortgages	**3,782**	**3,710**	2,327	2,229
Derivatives - Futures and swaps (v)	**763**	**1**	(8)	—
	28,212	**27,309**	25,502	25,309
Inflation-Linked Bonds	**5,246**	**4,669**	6,446	5,716
Public Equity (ii)				
Canadian public equities	**4,579**	**4,113**	1,084	1,180
Non-Canadian public equities	**12,513**	**10,859**	10,684	9,021
Derivatives - Futures and swaps (v)	**(604)**	**18**	(85)	—
	16,488	**14,990**	11,683	10,201
Private Equity				
Canadian private equities (iii) (iv)	**2,370**	**2,489**	3,337	2,735
Non-Canadian private equities	**8,611**	**5,615**	8,145	6,069
	10,981	**8,104**	11,482	8,804
Infrastructure Investments	**17,544**	**16,169**	16,349	13,634
Real Estate Investments	**25,594**	**21,153**	27,642	23,359
	104,065	**92,394**	99,104	87,023
Investment Related Assets				
Investment receivables	**540**	**963**	382	789
Deferred assets, prepaid and other	**101**	**179**	175	47
Derivatives and pending trades (v)	**2,282**	**7**	505	54
	2,923	**1,149**	1,062	890
Investment Related Liabilities				
Investment liabilities (note 4)	**(16,675)**	**(16,206)**	(19,058)	(18,493)
Derivatives and pending trades (v)	**(2,424)**	**(14)**	(1,476)	(24)
	(19,099)	**(16,220)**	(20,534)	(18,517)
Net Investment Assets	**$ 87,889**	**$ 77,323**	$ 79,632	$ 69,396

(i) Includes restricted cash of $76 (December 31, 2015 - $148).
(ii) Includes externally managed investments of $2,775 (December 31, 2015 - $3,275).
(iii) Includes resource properties with a total fair value of $325 (December 31, 2015 - $525).
(iv) Includes venture capital investments of $490 (December 31, 2015 - $537).
(v) The fair value of Total Derivative Portfolio and Credit Exposure is $30 (December 31, 2015 - negative $1,091) excluding pending trades of $13 (December 31. 2015 - $27).

Investment Valuation Practices

Fair values are based on quoted prices in an active market or where such pricing is not available, fair value is estimated using observable market inputs such as interest rates, quoted prices of comparable securities or unobservable inputs such as Management assumptions or contractual terms. Accredited independent external valuation experts are engaged to perform a review of Management's valuations to determine the reasonableness of the valuations for each significant private 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. Fair values are determined as follows:

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

(ii) Nominal bonds and debentures, inflation-linked bonds and public equities are valued at year-end quoted market prices, where available. For public equities the quoted market prices are based on exchange prices while fixed income and inflation-linked bonds are based on quotes from industry standard sources. For investments, such as 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. Externally managed hedge funds where details of individual securities are not maintained by the OMERS Pension Plans are valued based on values provided by the fund manager.

(iii) Investments in private equity, infrastructure and real estate assets, held either directly or as a limited partner, generally do not have a publicly available market price. For such investments, the completion of a purchase or sale of an identical or similar investment is often the most objective determination of fair value. While not exact, valuation procedures are able to provide estimates or identify likely ranges that a reasonable counterparty would pay for such assets.

The private investments of OMERS Pension Plans are valued as follows:

- For investments that have reasonably predictable future revenue streams or that derive their value based on property or commodity values, the valuation is derived by:
    - discounting projected future cash flows of an investment using discount rates which reflect the risk inherent in the projected cash flows. Discount rates and projected cash flows are based on internal assumptions and external inputs; and
    - assessing the investment assets against the value of comparable publicly listed entities.
- For non-operating and/or start-up directly held private investments, the value may be held at cost where cost is considered the best estimate of fair value, until there is evidence to support a change in valuation.
- The fair value of a private fund investment where OAC'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 swaps, futures, options, credit default swaps 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.

Investment Fair Value Hierarchy

Fair value measurements of investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy as follows:

Level 1

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

Level 2

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

Level 3

Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes private market investments such as real estate, infrastructure, private equity, mortgages and private debt and investment related liabilities including debt valued based on discounted future cash flow models, comparable publicly listed entities, or sales of similar entities which reflect assumptions that a market participant would use when valuing such an asset or liability.

Net investment assets based on the valuation level within the fair value hierarchy are as follows:

As at December 31,				**2016**
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Income Investments	**$ 1,791**	**$ 22,751**	**$ 3,670**	**$ 28,212**
Inflation-Linked Bonds		**5,246**		**5,246**
Public Equity	**11,826**	**1,968**	**2,694**	**16,488**
Private Equity	**157**	**2**	**10,822**	**10,981**
Infrastructure Investments	**—**	**—**	**17,544**	**17,544**
Real Estate Investments	**—**	**—**	**25,594**	**25,594**
Investment Related Assets	**11**	**2,912**		**2,923**
Investment Related Liabilities	**(314)**	**(12,712)**	**(6,073)**	**(19,099)**
Net Investment Assets	**$ 13,471**	**$ 20,167**	**$ 54,251**	**$ 87,889**

As at December 31,				2015
	Level 1	Level 2	Level 3	Total
Fixed Income Investments	$ 825	$ 22,368	$ 2,309	$ 25,502
Inflation-Linked Bonds		6,446		6,446
Public Equity	7,884	1,915	1,884	11,683
Private Equity	105	2	11,375	11,482
Infrastructure Investments	—	—	16,349	16,349
Real Estate Investments	—	—	27,642	27,642
Investment Related Assets	67	480	515	1,062
Investment Related Liabilities	(1,318)	(9,316)	(9,900)	(20,534)
Net Investment Assets	$ 7,563	$ 21,895	$ 50,174	$ 79,632

The Level 3 classification includes all assets and liabilities related to investments valued based on non-observable market data. Where the investment asset is hedged against foreign currency gains and losses, the impact of the hedging activity is included in the valuation.

The following table presents the changes in the fair value measurements in Level 3 of the fair value hierarchy for the year ended December 31, 2016:

	Fair Value Dec 31, 2015	**Total Gain (Loss) Included in Net Income**	**Transfers In (Out) (i)**	**Contributed Capital**	**Capital Returned (ii)**	**Fair Value Dec 31, 2016**	**Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31,(iii)**
Fixed Income Investments	$ 2,309	$ **(120)**	$ **—**	$ **2,404**	$ **(923)**	$ **3,670**	$ **(35)**
Public Equity	1,884	**172**	**(1)**	**881**	**(242)**	**2,694**	**124**
Private Equity	10,891	**690**	**268**	**727**	**(1,754)**	**10,822**	**1,068**
Infrastructure Investments	15,717	**325**	**684**	**3,173**	**(2,355)**	**17,544**	**314**
Real Estate Investments	26,406	**(606)**	**1,236**	**1,334**	**(2,776)**	**25,594**	**327**
Investment related Liabilities	(7,033)	**219**		**1,536**	**(795)**	**(6,073)**	**435**
Total	$ 50,174	$ **680**	$ **2,187**	$ **10,055**	$ **(8,845)**	$ **54,251**	$ **2,233**

The following table presents the changes in the fair value measurements in Level 3 of the fair value hierarchy for the year ended December 31, 2015:

	Fair Value Dec 31, 2014	Total Gain (Loss) Included in Net Income	Transfers In (Out) (i)	Contributed Capital	Capital Returned (ii)	Fair Value Dec 31, 2015	Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31, (iii)
Fixed Income Investments	$ 625	$ 222	$ (18)	$ 1,541	$ (61)	$ 2,309	$ 100
Public Equity	1,270	263	(67)	657	(239)	1,884	292
Private Equity	8,452	1,025	(4)	2,053	(635)	10,891	426
Infrastructure Investments	14,007	2,055	(197)	1,506	(1,654)	15,717	956
Real Estate Investments	21,643	2,516	244	4,241	(2,238)	26,406	931
Investment related Liabilities	(5,650)	(900)	(98)	1,523	(1,908)	(7,033)	(532)
Total	$ 40,347	$ 5,181	$ (140)	$ 11,521	$ (6,735)	$ 50,174	$ 2,173

(i) Represents amounts transferred in(out) of Level 3, the net amount for the year ended December 31, 2016 was $2,187 (December 31, 2015 - negative 140). This represents reclassification of debt and private investments that became publicly traded.
(ii) Includes return of realized foreign exchange gains and losses. The unrealized foreign exchange gains and losses are recorded as part of the valuation of such assets.
(iii) Amount represents unrealized market value adjustments recorded during the year which are included in the valuation of assets held at year end only.

Fair Value Assumptions and Sensitivity

Level 3 financial instruments are valued using internal models and the resulting valuations are significantly affected by non-observable inputs, the most significant of which is the discount rate as the discount rate reflects both current interest rates as well as the uncertainty of future cash flows generated from the investment.

The discount rate is composed of two elements: a risk free rate, which is the return that would be expected from a secure, virtually risk-free investment, such as a high quality government bond; plus a risk premium. The risk premium is estimated from, where available, implied values of similar publicly traded entities or sales of similar entities (similar properties, in the case of real estate investments). If such information is not available, risk premium is estimated at a level that compensates for the incremental amount of risk associated with a particular investment. The selected discount rates are chosen to be consistent with the risk inherent in the stream of cash flows to which they are applied.

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

As at December 31, 2016	**Increase/Decrease in Discount Rate (basis points)**		**Decrease/Increase in Net Investment Assets**
Private equity - direct investments	**70**	**$**	**480**
Infrastructure investments	**20**		**325**
Real estate investments	**25**		**500**
Total impact on Net Investment Assets		**$**	**1,305**

As at December 31, 2015	Increase/Decrease in Discount Rate (basis points)		Decrease/Increase in Net Investment Assets
Private equity - direct investments	70	$	537
Infrastructure investments	20		285
Real estate investments	25		550
Total impact on Net Investment Assets		$	1,372

The fair value of public market, private equity and real estate fund investments where OAC does not have access to the underlying investment information is based on the value provided by the general partner or other external manager and therefore, in the absence of specific information to support deviating from this value, no other reasonably possible alternative assumptions could be applied.

Significant Investments

The OMERS Pension Plans held investments, each having a fair value or cost exceeding one per cent of the fair value or cost of net investment assets as follows:

						2016					2015
	Number of Investments		**Fair Value**		**Cost**		Number of Investments		Fair Value		Cost
Public Investments	**4**	**$**	**4,063**	**$**	**3,811**		3	$	2,887	$	2,574
Private Investments	**15**		**18,685**		**13,853**		14		17,273		12,778
	19	**$**	**22,748**	**$**	**17,664**		17	$	20,160	$	15,352

Public 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 foreign and Canadian government interest bearing securities.

Private investments having a cost or fair value exceeding one per cent of the cost or fair value of net investment assets include ownership interests in Bruce Power, Caliber, Associated British Ports, Oncor, Scotia Gas Networks, Teranet, Ellevio, DTI Global, V. Group, Kenan, Chicago Skyway, London City Airport, and LifeLabs; and real estate ownership interests in Yorkdale Shopping Centre and Olympic Tower.

The effective date of the most recent valuation for the above listed investments was December 31, 2016.

Investment Risk

OAC's primary long term risk is that the value of OAC's assets and its capacity to generate cash is insufficient to meet pension obligations. OAC's future obligation is used to establish the long term investment objectives combined with an assessment of associated risks.

The OAC Board of Directors, through its Investment Committee, determines the acceptable level of investment risk to be taken. The Board of Directors approves the Enterprise Risk Management Policy, a document that articulates how risk is identified, measured, managed, monitored and reported throughout the organization. Within Management, primary accountability for risk remains with the business or function responsible for making operational decisions relative to that risk. This accountability is achieved through a series of sub-delegations by the Board of Directors to the CEO, who further delegates responsibilities to the business leaders, subject to levels of authority. The Chief Risk Officer (CRO) is responsible for implementing the Board-approved risk management mandate, including the development of associated policies and limits, and providing independent enterprise-wide oversight of business activities using the matrix structure that underpins the risk and compliance functions.

OAC's investments are diversified amongst major asset classes such as fixed income, public equity, private equity, infrastructure and real estate investments. Investment teams within OAC execute the specific strategies that are designed to achieve return objectives that reflect both the opportunity and the risk associated with those asset classes. The methods and factors used in the measurement or assessment of investment risk are reviewed on an ongoing basis. The businesses are responsible for measuring, assessing and evaluating their investment risk.

There are three major categories of investment risks that are managed by each business unit and at the OAC level. They are as follows: Market risk, Credit risk and Liquidity risk. A description of each investment risk category and how OAC manages the risk is provided below.

a) Market Risk

Market risk is the risk that the fair value of an investment is impacted by changes in market prices such as foreign exchange rates, interest rates, and equity and commodity prices. For derivative instruments, market risk arises from potential adverse changes in the value of derivative instruments as a result of changes in the underlying market variables. These underlying market variables may include the absolute and relative levels of interest rates, foreign exchange rates, equity, commodity and bond prices and their implied volatilities. To address market risk, investment teams execute various tactical actions and strategies designed to measure, manage and monitor the risks being assumed and to ensure the risks taken are commensurate with their expected returns. An explanation of the nature of each of these sources of market risk appears below.

- Foreign Exchange Rates

OAC pays pensions in Canadian dollars and manages a highly diversified portfolio of long term investments, some of which are denominated in foreign currencies. Over time, the values of these investments expressed in Canadian dollars are impacted by changes in foreign exchange rates. These changes can be either positive or negative and over time can be significant given the volatility of foreign exchange rates. OAC manages the exposures associated with our foreign currency-denominated investments using various tools such as forward contracts and futures. This approach reduces an investment's exposure to foreign exchange rate volatility over time. As illustrated in the table below, OAC employs forward contracts and futures to hedge its exposure to foreign currency volatility for the majority of its non-Canadian dollar investments.

The OMERS Pension Plans' net investment assets by currency before and after the impact of currency hedging and trading activities are as follows:

As at December 31,				**2016**				2015
	Fair Value By Currency				Fair Value By Currency			
	Net investment Assets before Hedging/ Trading Activities	**Effect of Hedging/ Trading Activities**	**Net investment Assets after Hedging/ Trading Activities**	**% of Total**	Net investment Assets before Hedging/ Trading Activities	Effect of Hedging/ Trading Activities	Net investment Assets after Hedging/ Trading Activities	% of Total
Canada	**$ 41,890**	**$ 43,125**	**$ 85,015**	**97%**	$ 41,816	$ 32,417	$ 74,233	93%
United States	**32,506**	**(31,739)**	**767**	**1%**	24,348	(19,870)	4,478	6%
United Kingdom	**7,894**	**(5,890)**	**2,004**	**2%**	9,675	(9,162)	513	1%
Euro Countries	**3,202**	**(3,465)**	**(263)**	**—%**	2,014	(1,932)	82	—%
Japan	**17**	**(34)**	**(17)**	**—%**	(47)	(151)	(198)	—%
Other Pacific	**833**	**(758)**	**75**	**—%**	159	(260)	(101)	—%
Emerging Markets	**114**	**168**	**282**	**—%**	221	238	459	—%
Other Europe	**1,433**	**(1,407)**	**26**	**—%**	1,446	(1,280)	166	—%
	$ 87,889	**$ —**	**$ 87,889**	**100%**	$ 79,632	$ —	$ 79,632	100%

- Foreign Currency Sensitivity

After giving effect to the impact of hedging and trading activities and with all other variables and underlying values held constant, a five per cent increase/decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate $171 (December 31, 2015 - $270) decrease/increase in OAC's net assets as shown below:

As at December 31,		**2016**			2015		
Currency	Change in value of Canadian Dollar	**Unrealized gain/loss**			Unrealized gain/loss		
United States	+/- 5%	**-/+**	**$**	**38**	-/+	$	224
United Kingdom	+/- 5%	**-/+**		**100**	-/+		26
Euro Countries	+/- 5%	**-/+**		**13**	-/+		4
Other	+/- 5%	**-/+**		**20**	-/+		16
		-/+	**$**	**171**	-/+	$	270

- Interest Rate Risk

From an investment perspective, primary exposure to interest rates is a function of the capital deployed in fixed income products and investments both in public and private market asset classes. Since the majority of these investments have fixed rates of interest, the exposure is to rising rates over time (i.e. rising interest rates decreases the market value of investments that have a fixed rate of interest). Interest rate risks include exposure to bonds and debentures, private debt and mortgages. The most significant interest bearing investments that have a fixed rate of interest are the shorter-dated nominal bond futures and long-dated inflation linked bonds in the public investments portfolio. The exposure to nominal bonds is $17,667 (December 31, 2015 - $20,290) with net fair value of the derivative positions totaling $812 (December 31, 2015 - $30). In addition to these investments, OAC holds a variety of other interest bearing investments in private portfolios that also have an exposure to rising interest rates. Lastly, OAC also invests in short-term interest rate related securities primarily for the purpose of maintaining its ability to meet liquidity needs. The following tables illustrate how capital is allocated amongst the various types of interest bearing investments based upon the contractual maturity of the securities:

As at December 31,					**2016**
	Term to Maturity				
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	**Average Effective Yield (i)**
Cash and short-term deposits	**$ 17,352**			**$ 17,352**	**0.9%**
Nominal bonds and debentures	**223**	**2,101**	**3,990**	**6,314**	**3.0%**
Inflation-linked bonds (ii)	**—**	**235**	**5,011**	**5,246**	**0.4%**
Mortgages and private debt	**208**	**2,430**	**1,144**	**3,782**	**7.0%**
	$ 17,783	**$ 4,766**	**$ 10,145**	**$ 32,694**	**2.0%**

As at December 31,					2015
	Term to Maturity				
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Average Effective Yield (i)
Cash and short-term deposits	$ 20,695			$ 20,695	0.7%
Nominal bonds and debentures	—	855	1,633	2,488	4.0%
Inflation-linked bonds (ii)	67	10	6,369	6,446	0.5%
Mortgages and private debt	320	1,703	304	2,327	7.9%
	$ 21,082	$ 2,568	$ 8,306	$ 31,956	1.2%

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

- Sensitivity to changes in interest rates

OAC takes actions to reduce or mitigate its exposure to rising interest rates to address both the strategic and tactical objectives of the OMERS Pension Plans. OAC's sensitivity to changes in interest rates is significant in light of the allocation of capital to interest rate sensitive investments that are required to maintain OAC's liquidity and ability to make significant investments in large scale private assets with relatively short notice.

After giving effect to derivative contracts (note 3 B), debt liabilities, securities sold short and securities sold under repurchase agreements (note 4), 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 fixed income investments and an unrealized gain of $10 (December 31, 2015 - loss of $226). Similarly, a one per cent increase/decrease in real interest rates would result in an approximate decrease/increase in the value of inflation linked bonds and an unrealized (loss)/gain of $480 (December 31, 2015 - $654).

- Equities

OAC makes investments in both public (i.e. publicly-traded) and private companies. Investments in publicly-traded equities are managed to achieve income through dividends or capital gains or both over time. These investments are exposed to volatility due to changes in market sentiment. The investments in publicly traded equities are actively managed with due regard for risk and return objectives.

In addition to the above, OAC also invests directly in the equity of private companies. These "private equity" investments generate capital gain opportunities that are realized after a particular investment is sold. One of the key risks relating to private equity investments is valuation. OAC employs a comprehensive process to estimate the value of these investments on a regular basis. It should be noted that the risks and the returns associated with private equity are generally higher than publicly traded equities.

- Commodities

OAC has invested in commodity futures. The exposure to commodity derivatives is $2,177 (December 31, 2015 - $3,287) with net fair value totaling negative $ 487 (December 31, 2015 - negative $29) which is included in public equities.

- Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. OAC is subject to price risk through its public equity investments and in addition to geographic, industrial sector and entity specific analysis, uses strategies such as diversification and the use of derivative instruments to mitigate the overall impact of price risk. OAC's private 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 10% increase/decrease in the value of all public equity and private investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss of $6,487 (December 31, 2015 - $6,248).

b) Credit Risk

Credit risk is defined as the financial loss that results from the failure of a counterparty (including counterparties to derivative financial instruments) to honour its contractual obligations to OAC. To manage this risk, OAC regularly performs financial analysis of counterparties and issuers it transacts with in addition to using external sources (e.g. credit rating agencies) to assess credit risk exposure. Where appropriate, OAC requires collateral from its counterparties to help offset the perceived risk of an investment transaction. The majority of counterparty related credit risk assumed by OAC is with highly rated global financial institutions with which OAC executes bi-lateral transactions. Based on the financial analysis process referred to above, specific limits are put into place in order to limit how much exposure OAC has with any one counterparty and are also tiered according to the ratings issued by credit rating agencies. 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.

OAC's most significant credit risk exposure arises from its fixed income and inflation-linked bond investments. The OMERS Pension Plans' fixed income and inflation-linked bond investments exposed to credit risk are as follows:

As at December 31,					**2016**
Credit Quality (i)	**Sovereign Governments**	**Provincial Governments**	**Corporate**	**Total**	**% of Total**
AAA	$7,357	$ —	$32	$7,389	23%
AA+	—	—	14,992	14,992	47%
AA	—	—	340	340	1%
AA-	—	—	93	93	—%
A+	—	557	47	604	2%
A	—	—	170	170	1%
A-	—	—	486	486	2%
BBB+	—	—	975	975	3%
BBB	—	—	866	866	3%
Below BBB	—	—	2,972	2,972	9%
Unrated (ii)	—	—	2,763	2,763	9%
	$ 7,357	$ 557	$ 23,736	$ 31,650	100%

As at December 31,					2015
Credit Quality (i)	Sovereign Governments	Provincial Governments	Corporate	Total	% of Total
AAA	$ 7,821	$ —	$ —	$ 7,821	25%
AA+	—	—	17,593	17,593	56%
AA	—	220	772	992	3%
A	—	343	336	679	2%
A-	—	—	89	89	—%
BBB+	—	—	136	136	1%
BBB	—	—	728	728	2%
Below BBB	—	—	1,823	1,823	6%
Unrated (ii)	—	—	1,303	1,303	5%
	$ 7,821	$ 563	$ 22,780	$ 31,164	100%

(i) Based on average rating of major credit rating agencies.
(ii) Unrated comprises securities that are either privately held, managed externally, or not rated by the rating agencies.

- Securities Lending

  OAC engages in securities lending of its own securities to third parties in order to facilitate collateral transformation and to support its securities borrowing activities. OAC lends securities to third parties and receives cash as collateral, which mitigates the credit risk. As at December 31, 2016 securities with an estimated fair value of $67 (December 31, 2015 -$ 58) were loaned out in exchange for collateral of $69 (December 31, 2015 - $59).

- Right of Netting, Offset and Margin

  During the normal course of business, OAC is a counterparty to financial instruments that are subject to netting, offset and margin arrangements. In the case of over-the-counter ("OTC") derivatives, with the majority of all counterparties collateral is collected from and pledged to counterparties according to the Credit Support Annex ("CSA") which forms part of International Swaps and Derivatives Association ("ISDA") master agreements. In the case of prime brokerage and other securities borrowing, collateral is provided to the full extent of the liability to the counterparty. In the case of repurchase transactions, under Global Master Repurchase Agreements ("GMRA"), OAC (where selling the security) receives margin in return for securities sold, with an obligation to buy-back equivalent securities in the future. Following an event of default, bankruptcy or other early termination event in respect of the counterparty, OAC is entitled to liquidate transactions under each of the above arrangements, to net all transactions, to liquidate the assets held as margin (where held by OAC) and to offset against obligations to the same counterparty. OAC may not be permitted to net and set-off upon the default of a clearer in respect of exchange traded derivatives and cleared OTC derivatives.

OAC does not offset the financial instruments in its Consolidated Statement of Financial Position, as its rights of offset are conditional. The following table presents the effect of conditional netting and similar arrangements. Similar arrangements include GMRAs, security lending agreements and any related rights to financial collateral.

Information for OAC related to these arrangements as at December 31, 2016:

As at December 31,					**2016**
		Related amounts not set off in the Consolidated Statement of Financial Position			
	Nettable amount of Financial Instruments	**Financial Instruments**	**Financial collateral (received) pledged**	**Securities sold under agreement to repurchase**	**Net amount**
Financial Assets					
Derivative assets	**$ 431**	**$ (328)**	**$ —**		**$ 103**
Securities lending					**—**
Total Financial Assets	**$ 431**	**$ (328)**	**$ —**		**$ 103**
Financial Liabilities					
Derivative liabilities	**$ (511)**	**$ 328**	**$ 204**		**$ 21**
Securities lending	**(322)**		**322**		**—**
Repurchase agreements	**(1,968)**			**1,968**	**—**
Total Financial Liabilities	**$ (2,801)**	**$ 328**	**$ 526**	**$ 1,968**	**$ 21**

As at December 31,					2015
		Related amounts not set off in the Consolidated Statement of Financial Position			
	Nettable amount of Financial Instruments	Financial Instruments	Financial collateral (received) pledged	Securities sold under agreement to repurchase	Net amount
Financial Assets					
Derivative assets	$ 458	$ (456)			$ 2
Securities lending					—
Total Financial Assets	$ 458	$ (456)	$ —		$ 2
Financial Liabilities					
Derivative liabilities	$ (1,497)	$ 456	$ 824		$ (217)
Securities lending	(1,463)		1,463		—
Repurchase agreements	(1,714)			1,714	—
Total Financial liabilities	$ (4,674)	$ 456	$ 2,287	$ 1,714	$ (217)

c) Liquidity Risk

Liquidity risk is the risk that OAC will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. OAC expects that pension contributions will meet or exceed benefits over the next two years and thereafter liquid requirements for pension payments will need to be funded by returns from the investment portfolio. OAC has developed forward looking liquidity risk and cashflow models which are used on a periodic basis to assess the impact of cash requirements and obligations on the liquidity of the OMERS Pension Plans. OAC maintains a portfolio of highly marketable assets that can be sold or funded on a secured basis as protection against any unforeseen cashflow needs such as to meet capital calls to fund investment commitments and ensuring that sufficient liquid assets are available to fund margin calls in the event of future losses.

In the normal course of business, OAC incurs various financial obligations. OAC's liabilities include the following:

- accrued pension obligation of the Primary Plan (note 6) and the RCA (note 7)
- investment liabilities including debt and securities sold short (note 4).
- contracts that give rise to commitments for future payments (note 15)

Another liquidity risk is the ability of OMERS Finance Trust ("OFT") to cover its commercial paper issuance. OFT is authorised to issue a maximum of $3,100 in commercial paper of which $1,617 (December 31, 2015 - $2,700) was drawn as at December 31, 2016. The commercial paper is highly-rated and further supported by an undrawn $2,325 revolving credit facility with a syndicate of well capitalized banks to backstop the commercial paper program.

B. Derivative Financial Instruments

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

Derivative financial instruments are used, when appropriate, to manage the OMERS Pension Plans' asset mix and to assist in managing the exposure to market risk, by increasing or decreasing foreign currency, interest rate and price risk, without directly purchasing or selling the underlying assets or currencies.

Derivative Contracts

Swaps

Swaps are contractual agreements between counterparties to exchange a series of cash flows. The swap agreements entered into by OAC are as follows:

- Interest Rate Swaps – contractual agreements to exchange fixed and / or floating interest payments based on notional amounts.
- Equity Swaps – contractual agreements to exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or group of equity securities.
- Bond Swaps – contractual agreements to exchange the return on a bond or a bond index for the return based on a fixed or floating interest rate.
- Commodity Swaps – contractual agreements to exchange the return on a commodity index for the return based on a fixed or floating interest rate.
- Credit Default Swaps - contractual agreements that transfer the credit risk of an underlying financial instrument resulting from a specified credit event, such as default or bankruptcy.

Forwards and Futures

Forwards and futures are contractual agreements between counterparties to either buy or sell a specified amount of a currency, commodity or interest bearing financial instrument or index at a specific price and date in the future.

The forward contracts entered into by OAC are as follows:

- Bond Forward Contracts – contractual agreements to buy or sell bonds or a bond index at a specified price and date in the future.
- Foreign Exchange Forward Contracts – foreign exchange forward contracts are contractual agreements to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining. The futures contracts that OAC enters into are as follows:

- Equity Index Futures Contracts – agreements to either buy or sell a specified equity index at a specified price and date in the future.
- Commodity Futures Contracts – agreements to either buy or sell a commodity index at a specified price and date in the future.
- Bond Futures Contracts - agreements to either buy or sell a specified bond or bond index at a specified price and date in the future.
- Currency Futures Contracts - agreements to exchange one currency for another at a specified price and date in the future.

Options

Options are contractual agreements that convey to the purchaser the right but not the obligation to either buy or sell a specified amount of a currency, commodity, equity or interest bearing financial instrument or index at a fixed future date or at any time within a fixed future period. The seller receives a premium from the purchaser for this right. Options may be transacted on a regulated exchange or in the over-the-counter market. Swaptions are contractual agreements that convey to the purchaser the right but not the obligation to enter into or cancel a swap agreement at a fixed future date or at any time within a fixed future period. The seller receives a premium from the purchaser for this right.

The following summarizes the OMERS Pension Plans' derivative portfolio and related credit exposure:

As at December 31,	2016			2015		
		Fair Value (ii)			Fair Value (ii)	
	Notional Value (i)	Assets (iii)	Liabilities	Notional Value (i)	Assets (iii)	Liabilities
Interest Rate Contracts						
Interest rate swap contracts	**$ 255**	**$ 6**	**$ (19)**	$ 1,679	$ 4	$ (3)
Bond Index swap contracts	**1,584**	**18**	**(2)**	986	1	(22)
Inflation Swaps	**300**	**5**	**—**			
Swaptions written	**469**	**—**	**(5)**	1,570	—	—
Swaptions purchased	**268**	**9**	**—**	1,528	1	—
Bond futures - long positions	**8,467**	**783**	**—**	17,942	34	—
Bond futures - short positions	**455**	**—**	**(34)**	765	—	(21)
Bond options written	**469**	**—**	**(1)**			
Bond options purchased	**469**	**1**				
		822	**(61)**		40	(46)
Equity Contracts						
Equity index futures contracts - long positions	**9,540**	**932**	**—**	13,796	—	—
Equity index futures contracts - short positions	**377**	**—**	**(1,137)**	994	1	(50)
Equity index swap contracts	**1,522**	**77**	**(17)**	517	4	(12)
Equity swap contracts	**160**	**22**	**(22)**	114	2	(1)
Equity options written	**424**		**(3)**			
Equity options purchased	**761**	**31**				
		1,062	**(1,179)**		7	(63)
Commodity Contracts						
Commodity futures contracts - long positions	**2,177**	**243**	**—**	3,111	5	—
Commodity futures contracts - short positions	**—**	**—**	**(730)**	176	—	(34)
		243	**(730)**		5	(34)
Credit Default Contracts						
Credit default swaps purchased	**2,754**	**212**	**—**	3,426	75	—
Credit default swaps written	**14,335**	**—**	**(163)**	14,839	—	(39)
Swaptions written	**134**		**—**	836		(1)
Swaptions purchased	**469**	**2**		887	1	
		214	**(163)**		76	(40)
Foreign Exchange Contracts						
Currency options written	**—**	**—**	**—**	126	—	(1)
Currency options purchased	**—**	**—**	**—**	116	1	—
Currency futures - long positions	**—**	**8**	**—**	9	—	—
Currency futures - short positions	**—**	**—**	**—**	195	—	—
Foreign exchange forward contracts	**56,676**	**2,358**	**(2,544)**	47,204	370	(1,406)
		2,366	**(2,544)**		371	(1,407)
Total		**$ 4,707**	**$ (4,677)**		$ 499	$ (1,590)

(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. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore, do not necessarily indicate the Plan's exposure to credit or market risks.

(ii) Fair value represents unrealized gains or losses from derivative contracts which are recorded in the consolidated statement of financial position 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. The net Total Derivative Portfolio and Credit Exposure is $30 (December 31, 2015 - negative $1,091) excluding pending trades of $13 (December 31. 2015 - $27).

(iii) The fair value of derivative contracts recorded as an asset represents the credit risk replacement cost or the loss to which the OMERS Pension Plans 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.

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

As at December 31,				**2016**				2015
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Interest Rate Contracts	**$ 12,183**	**$ 427**	**$ 129**	**$ 12,739**	$ 25,443	$ 577	$ 173	$ 26,193
Equity Contracts	**12,624**	**160**	**—**	**12,784**	15,307	114	—	15,421
Commodity Contracts	**2,177**			**2,177**	3,287			3,287
Credit Default Contracts	**603**	**16,984**	**104**	**17,691**	335	17,579	351	18,265
Foreign Exchange Contracts	**56,676**			**56,676**	47,650			47,650
	$ 84,263	**$ 17,571**	**$ 233**	**$ 102,067**	$ 92,022	$ 18,270	$ 524	$ 110,816

The term to maturity based on the fair value is as follows:

As at December 31,				**2016**				2015
	Under 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Under 1 Year	1 to 5 Years	Over 5 Years	Total
Interest Rate Contracts	**$ 757**	**$ 4**	**$ —**	**$ 761**	$ (6)	$ 1	$ (1)	$ (6)
Equity Contracts	**(118)**	**1**	**—**	**(117)**	(57)	1	—	(56)
Commodity Contracts	**(487)**			**(487)**	(29)			(29)
Credit Default Contracts	**16**	**35**	**—**	**51**	(1)	38	(1)	36
Foreign Exchange Contracts	**(178)**			**(178)**	(1,036)			(1,036)
	$ (10)	**$ 40**	**$ —**	**$ 30**	$ (1,129)	$ 40	$ (2)	$ (1,091)

NOTE 4

Investment Liabilities

The investment liabilities are as follows:

As at December 31,	**2016**	2015
Debt (a)	**$ 13,045**	$ 14,361
Securities sold short	**313**	1,285
Securities sold under repurchase agreements	**1,968**	1,715
Payables and other liabilities	**1,349**	1,697
Total	**$ 16,675**	$ 19,058

a) Debt is comprised of the following:

As at December 31,	2016			2015		
	Fair Value	**Cost**	**Weighted Average Interest Rate**	Fair Value	Cost	Weighted Average Interest Rate
Real Estate						
Credit facilities (i)	**$ 1,921**	**$ 1,921**	**1.90%**	$ 1,601	$ 1,597	1.45%
Secured debt (ii)	**6,073**	**5,933**	**2.87%**	7,035	6,830	2.98%
ORC Series 1 debentures (iii)	**610**	**600**	**1.28%**	614	594	1.54%
ORC Series 2 debentures (iv)	**527**	**500**	**2.45%**	529	500	2.49%
ORC Series 3 debentures (v)	**314**	**300**	**1.81%**	317	300	1.91%
ORC Series 4 debentures (vi)	**313**	**300**	**1.91%**	313	300	2.09%
ORC Series 5 debentures (vii)	**256**	**250**	**1.62%**	256	250	1.78%
ORC Series 6 debentures (viii)	**329**	**315**	**2.72%**	330	315	2.70%
ORC Series 7 debentures (ix)	**382**	**375**	**2.58%**	—	—	—%
ORC Series 8 debentures (x)	**225**	**230**	**2.23%**	—	—	—%
Series D debentures (xi)	**210**	**200**	**1.24%**	216	200	1.32%
ORCTT Series A debentures (xii)				172	170	1.06%
	11,160	**10,924**	**2.45%**	11,383	11,056	2.51%
Infrastructure						
Secured debt (xiii)	**268**	**217**	**2.29%**	278	216	1.87%
OMERS Finance Trust						
Commercial paper (xiv)	**1,617**	**1,617**	**0.78%**	2,700	2,700	0.73%
Total	**$ 13,045**	**$ 12,758**	**2.25%**	$ 14,361	$ 13,972	2.17%

(i) Includes operating lines, revolving and non-revolving facilities with various maturities up to 2019 with interest rates ranging from 1.02% to 5.54%.

(ii) Includes mortgages and other secured debt with various terms to maturity up to 2033 with each debt instrument secured by a specific real estate asset.

(iii) OMERS Realty Corporation Series 1 2.498% Debentures issued June 5, 2013, maturing June 5, 2018.

(iv) OMERS Realty Corporation Series 2 3.358% Debentures issued June 5, 2013, maturing June 5, 2023.

(v) OMERS Realty Corporation Series 3 3.203% Debentures issued July 25, 2013, maturing July 24, 2020.

(vi) OMERS Realty Corporation Series 4 2.971% Debentures issued April 2, 2014, maturing April 5, 2021.

(vii) OMERS Realty Corporation Series 5 2.473% Debentures issued November 12, 2014, maturing November 12, 2019.

(viii) OMERS Realty Corporation Series 6 3.328% Debentures issued November 12, 2014, maturing November 12, 2024.

(ix) OMER Realty Corporation Series 7 2.858% Debentures issued February 23, 2016, maturing February 23, 2024.

(x) OMER Realty Corporation Series 8 1.823% Debentures issued November 9, 2016, maturing May 9, 2022.

(xi) OMERS Realty Corporation Series D 4.74% Debentures issued May 8, 2008, maturing June 4, 2018.

(xii) OMERS Realty CTT Holdings Inc. Series A 4.75% Debentures issued May 5, 2009, matured May 5, 2016.

(xiii) Includes secured debt with various terms to maturity up to 2018 with each debt secured by a specific infrastructure asset.

(xiv) OFT Commercial Paper program is authorized up to $3,100. Commercial Paper outstanding has maturities from January 3, 2017 to March 17, 2017 with interest rates ranging from 0.53% to 0.93%. OFT has in place a $2,325 revolving credit facility with a syndicate of banks to backstop the commercial paper program.

b) Scheduled undiscounted principal and interest repayments for the five subsequent years and thereafter are as follows:

As at December 31,		**2016**
2017	**$**	**4,384**
2018		**2,276**
2019		**1,119**
2020		**1,207**
2021		**1,107**
Thereafter		**4,594**
	$	**14,687**

As at December 31,		2015
2016	$	3,957
2017		2,463
2018		2,364
2019		1,216
2020		842
Thereafter		4,609
	$	15,451

NOTE 5

Amounts Payable Under Contractual Agreements

Under contractual agreements, OAC invests funds on behalf of The Board of Trustees of Ryerson University and the Transit Windsor Fund (collectively, the Administered Funds). OAC is authorized under the terms of the various agreements to recover expenses for administering such funds.

OAC, through its subsidiary OMERS Investment Management (OIM), establishes investment arrangements (OMERS Return Agreements) that provide eligible clients with access to the performance of all or parts of the annual investment return of the Primary Plan.

The amount due to Administered Funds is adjusted for income/(loss) based upon their proportionate share of the Plan's return. OMERS Return Agreements are adjusted for income/(loss) based upon a contractual agreement that provides a return on investment equal to all or part of the Primary Plan return.

Amounts payable under contractual agreements are comprised of the following:

As at December 31,		**2016**		2015
Administered Funds	**$**	**1,233**	$	1,117
OMERS Return Agreements		**1,663**		1,602
Amounts payable under contractual agreements	**$**	**2,896**	$	2,719

NOTE 6

OMERS Primary Pension Plan

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

Statement of Financial Position

As at December 31,	2016	2015
Net Assets Available for Benefits	**$ 85,213**	$ 77,110
Accrued Pension Obligation and Deficit		
Defined benefit component		
Accrued pension obligation	**$ 86,959**	$ 81,924
Deficit		
Funding deficit	**(5,720)**	(6,977)
Actuarial value adjustment of net assets	**3,379**	1,718
	(2,341)	(5,259)
Additional Voluntary Contributions component pension obligation	**595**	445
Total Primary Plan Accrued Pension Obligation and Deficit	**$ 85,213**	$ 77,110

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,	2016	2015
Statement of Changes in Net Assets		
Net investment income	**$ 7,848**	$ 4,774
Contributions	**3,945**	3,858
Benefits	**(3,611)**	(3,432)
Pension administrative expenses	**(79)**	(67)
Total Increase	**8,103**	5,133
Net assets available for benefits, beginning of year	**77,110**	71,977
Net Assets available for benefits, end of year	**$ 85,213**	$ 77,110

Accrued Pension Obligation of the Defined Benefit Component

The accrued pension obligation is the actuarial present value of pension obligations of the Primary 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 OAC for determining the Primary Plan's minimum funding requirements as set out under the PBA. As the experience of the Primary 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 Benefit Method Prorated On Services 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 Primary Plan as at December 31:

Actuarial Assumptions	2016	2015
Assumed rate of inflation	**2.00%**	2.00%
Real rate of return assumed on Primary Plan assets	**4.20%**	4.25%
Discount rate	**6.20%**	6.25%

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 Primary Plan and on the expectations for future trends. The OAC external actuaries have provided their opinion that assumptions adopted are appropriate for valuing the Primary Plan's accrued pension obligation.

The retirement assumption continues to be an age-based scale and reflects a possibility of retirement after normal retirement age. The mortality assumption continues to be based on Primary Plan experience and includes a projection for mortality improvements in the future.

The assumed increases in the real rate of pensionable earnings (i.e., increase in excess of the assumed inflation rate) were last updated in 2014 to reflect recent experience of the Plan and current expectations for future years and are as follows:

	2016				2015			
	NRA60 (i)		**NRA65 (i)**		NRA60 (i)		NRA65 (i)	
	Before 2019	**After 2018**	**Before 2019**	**After 2018**	Before 2019	After 2018	Before 2019	After 2018
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**1.4%**	**1.8%**	**0.8%**	**1.2%**	1.4%	1.8%	0.8%	1.2%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**3.4%**	**3.8%**	**2.8%**	**3.2%**	3.4%	3.8%	2.8%	3.2%

(i) Normal Retirement Age of 60 and 65 years of age respectively.

The accrued pension obligation as at December 31, 2016 takes account of known changes in the Primary Plan membership up to October 30, 2016, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2017, and estimated pensionable earnings and credited service accruals in 2016.

The deficit of the Primary Plan's actuarial value of net assets available for benefits over accrued pension obligation is as follows:

As of December 31,	2016	2015
Primary Plan fair value of net assets available for benefits	**$ 85,213**	$ 77,110
Less Additional Voluntary Contribution net assets	**595**	445
Defined benefit net assets available for benefits	**84,618**	76,665
Actuarial value adjustment	**(3,379)**	(1,718)
Actuarial value of net assets available for benefits	**81,239**	74,947
Less Defined Benefit accrued pension obligation	**86,959**	81,924
Funding deficit of actuarial value of net assets available for benefits over accrued pension obligation	**(5,720)**	(6,977)
Reversal of actuarial value adjustment	**3,379**	1,718
Deficit of net assets available for benefits over accrued pension obligation	**$ (2,341)**	$ (5,259)

Actuarial Value of Net Assets of the Defined Benefit Component

The actuarial valuation of the Primary Plan was performed by Towers Watson Canada Inc. Under the PBA, an actuarial valuation report prepared by an independent external actuarial firm must be filed with FSCO at least once every three years. The Primary Plan valuation report was last filed for the December 31, 2015 year-end and, if not filed earlier, must be filed for the December 31, 2018 year-end.

The change in the actuarial value adjustment is as follows:

For the year ended December 31,		2016		2015
Expected interest on beginning actuarial value adjustment (i)	$	107	$	115
Current year returns in excess of/(below) the funding rate (i)		2,403		71
Prior years' returns above/(below) the funding rate recognized in the year		(849)		(239)
Increase/(Decrease) in actuarial value adjustment		**1,661**		(53)
Actuarial value adjustment, beginning of year		1,718		1,771
Actuarial Value Adjustment, end of year	$	**3,379**	$	1,718

(i) Based on the funding rate in effect during the year, 2016 – 6.25% (2015 – 6.50%).

The present value of unrecognized net investment returns by initial year they were established and the amounts to be recognized from 2017 through 2020, after application of the long-term rate of return assumption, are as follows:

Initial Year Earned		Actuarial Value Adjustment as at Dec. 31, 2016(i)		Unrecognized Investment Returns to be Recognized in 2017		2018		2019		2020		Actuarial Value Adjustment as at Dec. 31, 2015(i)
2012	$	—									$	387
2013		(82)		(87)								(155)
2014		1,003		533		566						1,415
2015		55		19		21		22				71
2016		2,403		638		677		720		764		
	$	**3,379**	$	1,103	$	1,264	$	742	$	764	$	1,718

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

The following table provides the potential sensitivity of the accrued pension obligation to changes in the assumed real rate of pensionable earnings increases and the assumed real rate of return on Primary Plan assets. A 50 basis point change in the following assumptions (with no change in other assumptions) would have the following approximate effects on the accrued pension obligation:

50 Basis Point change		**Approximate Effect on Accrued Pension Obligation**		
As at December 31,		**2016**		2015
Real rate of pensionable earnings increases				
Decrease in assumption	$	**(1,600)**	$	(1,500)
Increase in assumption		**1,700**		1,600
Real return on Primary Plan assets and discount rate				
Decrease in assumption		**6,600**		6,700
Increase in assumption	$	**(5,900)**		(5,900)

NOTE 7

Retirement Compensation Arrangement

As the RCA is not a Registered Pension Plan, a 50 per cent refundable tax is levied by the CRA on all contributions made to the RCA as well as on net investment income received and net realized investment gains. The refundable tax is held by the CRA and earns no investment income for the RCA; it is refunded on the basis of one dollar for every two dollars of realized losses or benefits paid out.

The 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 retirement compensation arrangements plans under the ITA. Contributions to the RCA are based on the top-tier Primary Plan contribution rates and are paid into the RCA on the excess of contributory earnings over a defined earnings threshold, which was $174,441 for 2016 (2015 – $163,010). The defined earnings threshold is actively managed and monitored in such a way that current and future contributions to the RCA, together with the existing RCA Fund and future investment earnings, are expected to be sufficient to provide for projected benefit payments and expenses over the 20-year period following each annual valuation date. Benefits in excess of the maximum amounts payable from the Primary Plan as allowed by the ITA are paid from the RCA.

A summary of the financial statements for the RCA is as follows:

Statement of Financial Position

As at December 31,		2016		2015
Net Assets Available for Benefits	**$**	**147**	$	135
Accrued Pension Obligation and Deficit				
Accrued pension obligation	**$**	**739**	$	679
Deficit		**(592)**		(544)
Accrued Pension Obligation and Deficit	**$**	**147**	$	135

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		2016		2015
Net investment income/(loss)	**$**	**8**	$	10
Contributions		**20**		22
Benefits		**(15)**		(15)
Administrative expenses		**(1)**		(1)
Total Increase		**12**		16
Net assets available for benefits, beginning of year		**135**		119
Net Assets available for benefits, end of year	**$**	**147**	$	135

The actuarial assumptions used for the RCA are consistent with those used for the Primary Plan except that the discount rate as at December 31, 2016 is 3.15% (2015 – 3.15%), which reflects the long term asset mix of the RCA including the effect of the 50 per cent refundable tax. A 50 basis point change in the assumed rate (with no change in other assumptions) before reflecting the 50 per cent refundable tax would have the following approximate effect on the accrued pension obligation:

50 Basis Point change	**Approximate Effect on Accrued Pension Obligation**	
As at December 31,	**2016**	2015
Assumed discount rate		
Decrease in assumption	**$ 33**	$ 31
Increase in assumption	**(31)**	(29)

NOTE 8

Net Investment Income/(Loss)

The OMERS Pension Plans' investment income/(loss) by asset classes is as follows:

For the year ended December 31,	**2016**				
	Investment Income (i) (ii)	**Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives (iii)**	**Total Investment Income/(Loss)**	**Investment Management Expenses (note 12)**	**Net Investment Income / (Loss)**
Fixed Income Investments					
Short-term deposits	**$ 142**	**$ 274**	**$ 416**		
Nominal bonds and debentures	**160**	**1,065**	**1,225**		
Private debt and mortgages	**205**	**(24)**	**181**		
	507	**1,315**	**1,822**		
Inflation-Linked Bonds	**97**	**104**	**201**		
Public Equity and commodities					
Canadian public equities	**106**	**840**	**946**		
Non-Canadian public equities	**289**	**756**	**1,045**		
	395	**1,596**	**1,991**		
Total Public Investments	**999**	**3,015**	**4,014**	**(157)**	**3,857**
Private Equity					
Canadian private equities	**(2)**	**233**	**231**		
Non-Canadian private equities	**31**	**1,049**	**1,080**		
	29	**1,282**	**1,311**	**(168)**	**1,143**
Infrastructure Investments	**1,648**	**31**	**1,679**	**(86)**	**1,593**
Real Estate Investments (iv)	**953**	**618**	**1,571**	**(16)**	**1,555**
Total Investment Income	**$ 3,629**	**$ 4,946**	**$ 8,575**	**$ (427)**	**$ 8,148**
Income credited under contractual agreements					**(292)**
Net Investment Income/(Loss)					**$ 7,856**

For the year ended December 31, 2015

	Investment Income (i) (ii)	Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives(iii)	Total Investment Income/ (Loss)	Investment Management Expenses (note 12)	Net Investment Income / (Loss)
Fixed Income Investments					
Short-term deposits	$ 150	$ (78)	$ 72		
Nominal bonds and debentures	43	147	190		
Private debt and mortgages	103	98	201		
	296	167	463		
Inflation-Linked Bonds	202	672	874		
Public Equity and commodities					
Canadian public equities	5	79	84		
Non-Canadian public equities	134	(1,132)	(998)		
	139	(1,053)	(914)		
Total Public Investments	637	(214)	423	(128)	295
Private Equity					
Canadian private equities	61	(695)	(634)		
Non-Canadian private equities	70	1,644	1,714		
	131	949	1,080	(141)	939
Infrastructure Investments	1,372	740	2,112	(72)	2,040
Real Estate Investments (iv)	690	1,136	1,826	(10)	1,816
Total Investment Income	$ 2,830	$ 2,611	$ 5,441	$ (351)	$ 5,090
Income credited under contractual agreements					(306)
Net Investment Income/(Loss)					$ 4,784

(i) Investment income includes interest, dividends and real estate operating income accrued or received net of interest expense on liabilities incurred in investment related activities. Investment income is net of external manager performance and pooled fund fees of $61 (December 31, 2015 –$81).

(ii) Interest on investment related activities includes interest expense on real estate investment liabilities of $332 (December 31, 2015 – $336) and interest on infrastructure investment liabilities of $13 (December 31, 2015 – $15).

(iii) Includes net realized gain of $4,616 (December 31, 2015 – $193) and is net of transaction and pursuit costs of $65 (December 31, 2015 – $118).

(iv) Real estate investment income includes Oxford Properties Group's operating expenses (net of property management income) of $9 (December 31, 2015 – $40). The total audit costs are $3 (December 31, 2015 – $3).

NOTE 9

Investment Returns

OAC investment returns are calculated using a time-weighted rate of return formula in accordance with the industry standard methods, based upon the following principles:

a. Returns are calculated as the percentage of business unit income to the weighted average fair value of the business unit net assets during the period.

b. Fair value is determined as described in notes 2 and 3.

c. Income is determined as described in notes 2 and 8.

d. The OMERS Primary Pension Plan return includes all business unit returns.

The percentage returns for the years ended December 31 are as follows:

For the year ended December 31,	**2016**	2015
OMERS Primary Pension Plan (i)		
Total Gross Return	**10.87%**	7.25%
Gross Returns applicable to OMERS Return Agreements(i)		
Borealis Infrastructure	**11.48%**	17.88%
Oxford Properties	**12.26%**	15.05%

The above gross returns are before the impact of base and performance fees paid to external fund managers and investment management expenses. The Primary Plan net return after all investment costs for the year ended December 31, 2016 was 10.3% (December 31, 2015 – 6.7%).

(i) Returns reflect the results of the Primary Plan's currency hedging related activities with external counterparties.

NOTE 10

Contributions

For the year ended December 31,	**2016**	2015
Current year required contributions (i)		
Employers	**1,845**	1,825
Members	**1,845**	1,825
Transfers from other pension plans	**59**	68
Past service contributions from members (ii)	**93**	76
Past service contributions from employers (ii)	**10**	12
AVC contributions	**113**	74
Total Contributions Received	**$ 3,965**	$ 3,880

(i) Current year service contributions are funded equally by employers and members. For NRA 65 members, the 2016 contribution rate was 9.0% (2015 – 9.0%) of earnings up to $54,900 (2015 – $53,600) and 14.6% (2015 – 14.6%) of earnings above that level. For NRA 60 members, the 2016 contribution rate was 9.2% (2015 – 9.2%) of earnings up to $54,900 (2015 – $53,600) and 15.8% (2015 – 15.8%) of earnings above that level.

(ii) OMERS, with 990 employers, has an appropriate reconciliation process which reconciles contributions for each employer on a member by member basis. This detailed process ensures that contributions are consistent with member information supplied by the employers.

NOTE 11

Benefits

For the year ended December 31,	2016	2015
Retirement benefits	**$ 3,013**	$ 2,799
Disability benefits	**28**	27
Transfers to other registered plans	**270**	293
Death benefits	**109**	101
Commuted value payments and members' contributions plus interest refunded	**194**	212
AVC benefits	**12**	15
Total Benefits Paid	**$ 3,626**	$ 3,447

NOTE 12

Pension Administrative and Investment Management Expenses

(a) Pension administrative expenses (i)

For the year ended December 31,	2016	2015
Salaries and benefits	**$ 44**	$ 40
System development and other purchased services	**15**	11
Premises and equipment	**3**	4
Professional services	**11**	7
Travel and communication	**7**	6
Total Pension Administrative Expenses	**$ 80**	$ 68

(b) Investment management expenses (i)

For the year ended December 31,	2016	2015
Salaries and benefits (ii)	**$ 286**	$ 228
System development and other purchased services	**20**	17
Premises and equipment	**27**	16
Professional services (iii)	**36**	37
Travel and communication	**21**	19
Investment management services	**39**	33
Other	**(2)**	1
Total Investment Management Expenses	**$ 427**	$ 351

(i) Includes allocation of corporate expenses.
(ii) Includes external management and custody fees and is net of private equity management fees earned from portfolio investments of $14.0 (December 31, 2015 – $22.0).
(iii) Total professional services expenses include independent actuarial costs of $0.7 (December 31, 2015 – $0.7) and external audit costs of $1.2 (December 31, 2015 – $1.2).

NOTE 13

Related Party Disclosures

OAC's related parties include 990 employers whose employees are members of the Primary Plan, the SC, key management personnel (defined below) and investments where OAC has a controlling interest. Transactions with related parties include the following:

- OAC through Oxford Properties Group paid property taxes to municipal employers of $150 (December 31, 2015 - $152) and utility payments to utility employers of $31 (December 31, 2015 - $30). The amounts of property taxes paid were based on normal levies by the individual municipal employers and were consistent with those that would be paid by a non-related party. The utility payments made to utility companies which are OAC employer entities were based on normal usage and rates that would be paid by a non-related party.
- OAC through Oxford Properties Group earned rental revenue from investee entities of $7 (December 31, 2015 - $6) and purchased services from investee entities of $nil (December 31, 2015 - $8). The amounts of rental revenue earned and services purchased were based on normal levies by the individual entities and were consistent with those that would be paid by a non-related party.

Key Management Personnel Compensation

Key management personnel consist of members of the OAC's Board of Directors and those senior executives responsible for planning and directing the activities of the OAC.

For the year ended December 31,		**2016**		2015
Salaries, short-term employee benefits & termination benefits	**$**	**14**	$	11
Post-employment benefits		**1**		1
Other long-term benefits		**7**		6
	$	**22**	$	18

Other than the above, OAC had no other transactions with key management personnel during the year.

NOTE 14

Capital

OAC defines its capital as the funded status (surplus/(deficit)) of each of the OMERS Pension Plans. The funded status of the OMERS Pension Plans is discussed in note 6 and note 7.

OAC's objective is to ensure that the Primary Plan's defined benefit component is fully funded over the long-term through the management of investments, contribution rates and benefits. Investments (note 3), the use of derivatives (note 3 B) and leverage (note 4) are based on asset mix and risk management policies and procedures that are designed to enable the Primary Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Primary Plan's Statement of Investment Policies and Procedures (SIP&P) as approved by the OAC Board. As the Primary Plan's administrator, OAC has adopted a SIP&P for the Primary Plan which sets investment objectives, guidelines and benchmarks used in investing the Primary Plan's assets, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIP&P was originally established in 1989 and is reviewed annually by the OAC Board. The SIP&P effective for the year ending December 31, 2016 was amended on December 10, 2015. The changes included in this amendment are not considered significant.

The SIP&P establishes strategic asset mix ranges and targets. The target strategic asset mix for 2016 is 53% for Public Investments and 47% for Private Investments. The actual asset mix at December 31, 2016 was 55% for Public Investments and 45% for Private Investments which fell within the asset mix ranges at year end.

The Primary Plan's annualized five-year average rate of investment return (net of investment management expenses) as of December 31, 2016 was 8.5% (December 31, 2015 – 6.9%).

On December 15, 2016, the OAC Board approved a revised SIP&P which is effective January 1, 2017. The strategic asset classes and targets are as follows:

	Target
Fixed Income	**46 %**
Inflation-Linked Bonds	2 %
Government bonds	27 %
Credit	17 %
Equities	**36 %**
Public Equities	22 %
Private Equities	14 %
Real Assets	**41 %**
Infrastructure	23 %
Real Estate	18 %
Short term Instruments (net cash and equivalents including economic leverage)	**(23)%**

The RCA investments are based on an asset mix and SIP&P separate from those of the Primary Plan. The RCA SIP&P was originally established in 2007 and is reviewed annually by the OAC Board. The SIP&P effective for the year ending December 31, 2016 was last amended on December10, 2015. The changes included in this amendment are not considered significant.

The Primary Plan's AVC component accrued pension obligation is based on AVC contributions net of withdrawals and administration fee plus net investment rate of return of the defined benefit component of the Primary Plan and as such does not have a surplus/(deficit) position. The Supplemental Plan has no members, net assets or accrued pension obligations. The Supplemental Plan SIP&P was last amended on December 10, 2015. The changes included in this amendment are not considered significant.

NOTE 15

Guarantees, Commitments and Contingencies

As part of normal business operations, OAC 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 direct investments and limited partnership agreements. The future commitments are generally payable on demand based on the capital needs of the investment. As at December 31, 2016, these future commitments totalled $15.6 billion (December 31, 2015 – $16.9 billion). These commitments are primarily due to the future commitment by OAC to refurbish a major infrastructure asset to extend its useful lifespan. The maximum amount payable under guarantees and standby letters of credit provided as part of investment transactions was $439 as at December 31, 2016 (December 31, 2015 – $765). Guarantees and commitments are often provided as part of developing or holding an investment and as such often have no fixed expiration date.

OAC, in the normal course of business, indemnifies its directors, officers, employees, its business units and certain others in connection with proceedings against them to the extent that these individuals are not covered under another arrangement. In addition, OAC may in certain circumstances in the course of investment activities agree to indemnify a counterparty. Under the terms of such arrangements, OAC 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 OAC from making a reasonable estimate of the maximum amount that would be required to pay such indemnifications.

As at December 31, 2016, OAC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of OAC.

Ten-Year Financial Review

As at December 31, (millions of Canadian dollars)	**2016**	2015	2014	2013	2012	2011	2010 (i)	2009	2008	2007
Net Assets available for benefits										
Public markets	**49,946**	43,631	47,300	41,709	37,472	32,154	34,123	31,336	28,763	43,291
Private equity	**10,981**	11,482	8,767	9,208	7,465	7,753	6,633	5,048	4,162	3,608
Infrastructure	**17,544**	16,349	14,401	13,533	11,572	9,635	9,593	12,195	12,140	8,412
Real estate	**25,594**	27,642	22,253	17,603	15,846	14,516	12,599	11,975	12,037	10,904
	104,065	99,104	92,721	82,053	72,355	64,058	62,948	60,554	57,102	66,215
Other investment assets	**2,923**	1,062	1,017	744	853	707	645	1,173	1,366	1,001
Investment liabilities	**(19,099)**	(20,534)	(19,490)	(16,463)	(11,741)	(9,063)	(9,628)	(13,338)	(14,474)	(15,029)
Net investment assets	**87,889**	79,632	74,248	66,334	61,467	55,702	53,965	48,389	43,994	52,187
Non investment assets/(liabilities)										
Amounts payable under contractual agreements	**(2,896)**	(2,719)	(2,397)	(1,524)	(905)	(828)	(809)	(734)	(672)	(800)
Other assets	**367**	332	245	271	205	209	193	177	155	129
Net Assets Available for Benefits	**85,360**	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477	51,516
Accrued Benefit Obligation and Surplus/(Deficit)										
Primary Plan										
Defined benefit component										
Accrued pension obligation	**86,959**	81,924	76,924	73,004	69,122	64,548	60,035	54,253	50,080	46,830
Funding Surplus/(Deficit)	**(5,720)**	(6,977)	(7,078)	(8,641)	(9,924)	(7,290)	(4,467)	(1,519)	(279)	82
Actuarial value adjustment of net assets available for benefits	**3,379**	1,718	1,771	341	1,321	(2,337)	(2,278)	(4,950)	(6,363)	4,567
	(2,341)	(5,259)	(5,307)	(8,300)	(8,603)	(9,627)	(6,745)	(6,469)	(6,642)	4,649
Additional Voluntary Contributions Component pension obligation	**595**	445	360	276	170					
Accrued Pension Obligation and Deficit - Primary Plan	**85,213**	77,110	71,977	64,980	60,689	54,921	53,290	47,784	43,438	51,479
Retirement Compensation Arrangement										
Accrued pension obligation	**739**	679	619	614	555	504	468	486	285	236
(Deficit)	**(592)**	(544)	(500)	(513)	(477)	(436)	(409)	(438)	(246)	(199)
Accrued Pension Obligation and Deficit - Retirement Compensation Arrangement	**147**	135	119	101	78	68	59	48	39	37
Accrued Pension Obligation and Deficit	**85,360**	77,245	72,096	65,081	60,767	54,989	53,349	47,832	43,477	51,516

For the year ended December 31, (millions of Canadian dollars)	**2016**	2015	2014	2013	2012	2011	2010 (i)	2009	2008	2007
Changes in Net Assets Available for Benefits										
Net assets available for benefits, beginning of the year	**77,245**	72,096	65,081	60,767	55,083	53,349	47,832	43,477	51,516	47,568 (iii)
Changes due to Investment Activities										
Total investment income (ii)	**8,575**	5,441	7,082	4,000	5,544	1,648	5,735	4,623	(7,910)	4,200
Investment management expenses (ii)	**(427)**	(351)	(384)	(266)	(265)	(264)	(268)	(246)	(227)	(201)
	8,148	5,090	6,698	3,734	5,279	1,384	5,467	4,377	(8,137)	3,999
Income credited under contractual agreements	**(292)**	(306)	(222)	(97)	(79)	(21)	(83)	(67)	124	(61)
Net Investment Income/(loss)	**7,856**	4,784	6,476	3,637	5,200	1,363	5,384	4,310	(8,013)	3,938
Changes due to Pension Activities										
Contributions										
Current year required contributions	**3,690**	3,650	3,515	3,434	3,026	2,618	2,227	2,077	1,975	1,840
Other contributions	**275**	230	171	210	184	195	86	66	73	46
Total Contributions Received	**3,965**	3,880	3,686	3,644	3,210	2,813	2,313	2,143	2,048	1,886
Benefits										
Benefits paid	**(3,041)**	(2,826)	(2,616)	(2,437)	(2,256)	(2,047)	(1,890)	(1,781)	(1,656)	(1,554)
Transfers, commuted value and other benefit payments	**(585)**	(621)	(450)	(473)	(414)	(336)	(236)	(269)	(371)	(279)
Total Benefits Paid	**(3,626)**	(3,447)	(3,066)	(2,910)	(2,670)	(2,383)	(2,126)	(2,050)	(2,027)	(1,833)
Pension administrative expenses	**(80)**	(68)	(81)	(57)	(56)	(59)	(54)	(48)	(47)	(43)
Net assets available for benefits, end of year	**85,360**	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477	51,516
Net Return										
Primary Plan										
Defined Benefit Component										
Time weighted return on market value	**10.3%**	6.7%	10.0%	6.0%	9.5%	2.6 %	11.4%	10.0%	(15.7)%	8.3%
Benchmark	**7.9%**	7.8%	7.7%	7.5%	7.2%	7.5 %	7.3%	6.8%	8.2 %	7.5%
Additional Voluntary Contribution Component										
Time weighted return on market value	**10.3%**	6.7%	10.0%	6.0%	9.5%					
Retirement Compensation Arrangement Investment Fund (iv)										
Time weighted return on market value	**7.8%**	12.5%	14.5%	28.5%	10.5%	(4.1)%	7.7%	10.3%	(26.8)%	8.3%
Benchmark	**8.7%**	12.2%	14.6%	30.2%	12.2%	(2.4)%	10.1%	16.6%	27.3 %	7.5%

(i) In preparing financial statements in accordance with CPA Canada Handbook Section 4600 - Pension Plans and IFRS starting in 2011, OAC has adjusted amounts for 2010 (were previously reported in accordance with CICA Handbook Section 4100) for comparative purposes.
(ii) In preparing financial statements in 2012, OAC has reclassified pursuit costs from investment management expenses to total investment income. 2011 balances were adjusted to reflect this reclassification.
(iii) 2007 beginning of the year net assets were decreased by $37 million to reflect a change in accounting policy for transaction costs.
(iv) Excludes the RCA refundable tax balance with the Canada Revenue Agency.