
Condensed Interim Consolidated Financial Statements

OMERS Administration Corporation

As at and for the six months ended June 30, 2023 and 2022

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

(in millions of Canadian dollars)

As at	June 30, 2023	December 31, 2022
Net Assets Available for Benefits		
Assets		
Investments (note 3)	\$ 146,680	\$ 153,389
Investment-related assets (note 3)	1,796	1,745
Contributions receivable		
From employers	189	181
From members	189	181
Other assets	230	310
Total Assets	149,084	155,806
Liabilities		
Investment-related liabilities (notes 3 and 4)	17,252	27,095
Amounts payable under contractual agreements	4,006	3,975
Other liabilities	267	354
Total Liabilities	21,525	31,424
Net Assets Available for Benefits	\$ 127,559	\$ 124,382
Accrued Pension Obligation and (Deficit) Surplus		
Primary Plan (note 5)		
Defined Benefit component		
Accrued pension obligation	\$ 130,864	\$ 128,789
(Deficit) Surplus		
Funding deficit	(4,510)	(6,678)
Actuarial value adjustment to net assets available for benefits	(540)	578
	(5,050)	(6,100)
Additional Voluntary Contributions component	1,551	1,517
Accrued Pension Obligation and (Deficit) Surplus of the Primary Plan	127,365	124,206
Retirement Compensation Arrangement		
Accrued pension obligation	1,253	1,235
(Deficit) Surplus	(1,059)	(1,059)
Accrued Pension Obligation and (Deficit) Surplus of the Retirement Compensation Arrangement	194	176
Accrued Pension Obligation and (Deficit) Surplus	\$ 127,559	\$ 124,382

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

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

(unaudited)

(in millions of Canadian dollars)

For the six months ended June 30,

2023

2022

Changes Due to Investment Activities

Net investment income (loss) (note 6)	\$	3,781	\$	(513)
Total Changes Due to Investment Activities		3,781		(513)

Changes Due to Pension Activities

Contributions		2,557		2,351
Benefits paid		(3,103)		(3,035)
Pension administrative expenses		(58)		(51)
Total Changes Due to Pension Activities		(604)		(735)

Total Increase (Decrease)		3,177		(1,248)
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Net Assets Available for Benefits, Beginning of Period		124,382		120,919
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Net Assets Available for Benefits, End of Period	\$	127,559	\$	119,671
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The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN PENSION OBLIGATIONS

(unaudited)

(in millions of Canadian dollars)

For the six months ended June 30,

2023

2022

OMERS Primary Pension Plan (note 5)

Defined Benefit Component

Accrued pension obligation, beginning of period	\$	128,789	\$	119,342
Interest accrued on benefits		3,661		3,390
Benefits accrued		1,993		1,941
Benefits paid		(3,029)		(2,964)
Experience (gains) losses, net		(550)		2,900
Accrued Pension Obligation, End of Period		130,864		124,609

Additional Voluntary Contributions Component

Additional Voluntary Contributions obligation, beginning of period		1,517		1,454
Contributions		66		46
Withdrawals		(56)		(54)
Attributed net investment income (loss)		24		(2)
Additional Voluntary Contributions Obligation, End of Period		1,551		1,444

Retirement Compensation Arrangement

Accrued pension obligation, beginning of period	\$	1,235	\$	1,144
Interest accrued on benefits		19		18
Benefits accrued		17		17
Benefits paid		(18)		(17)
Experience (gains) losses, net		—		23
Accrued Pension Obligation, End of Period	\$	1,253	\$	1,185

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

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

OMERS Primary Pension Plan

The Primary Plan is a multi-employer, jointly sponsored pension plan, created in 1962 by an act of the Ontario Legislature, whose members are mainly employees of Ontario municipalities, local boards, public utilities and non-teaching school board staff. The Primary Plan is governed by the OMERS Act, the PBA, the ITA and other applicable legislation.

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 Regulatory Authority of Ontario and with the Canada Revenue Agency under Registration #0345983.

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

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

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

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

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

These Condensed Interim Consolidated Financial Statements (Interim Financial Statements) include the financial position, changes in net assets available for benefits and changes in pension obligations of AC and of the OMERS Pension Plans and have been prepared in accordance with CPA Canada Handbook Section 4600 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the information and disclosure required in an annual set of consolidated financial statements. These Interim Financial Statements should be read in conjunction with the annual consolidated financial statements and the accompanying notes included in the OMERS 2022 Annual Report. The Interim Financial Statements follow the same accounting policies and methods used in preparation of the audited 2022 annual consolidated financial statements.

Comparative figures relating to future financial commitments have been revised to conform to the current year's presentation as set out in Note 8 – *Guarantees, Commitments and Contingencies*.

These Interim Financial Statements were approved by AC's Board of Directors on August 16, 2023.

Use of Estimates and Judgments

Preparing these Interim Financial Statements requires AC Management (Management) to make estimates, judgments and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued pension obligations and related disclosures. Actual results could differ from these estimates. Areas of significant accounting estimates and judgment include the valuation of real estate, infrastructure, private equity, and private debt investments, as well as derivatives and pension obligations. The recent increases in interest rates and the persistent pace of inflation contributes to heightened uncertainty related to estimates and assumptions for these valuations. In all cases, Management's estimates are sensitive to key assumptions and drivers that are subject to material change, and Management continues to monitor developments in these inputs.

Accrued Pension Obligation

The June 30, 2023 accrued pension obligation is determined by accumulating the December 31, 2022 accrued pension obligation with normal cost and interest and by deducting benefit payments in the period. Adjustments are made for other known experience, if considered material.

NOTE 3

Investments

A. Investments at Fair Value

Investments and investment-related assets and liabilities at fair value by asset class are as follows:

As at	June 30, 2023	December 31, 2022
Fixed Income		
Inflation-linked bonds	\$ 2,653	\$ 2,670
Nominal bonds and debentures	11,575	13,822
Private debt and mortgages	8,687	8,955
Total Fixed Income	22,915	25,447
Equities		
Public equities	16,256	16,602
Private equities	32,573	31,128
Total Equities	48,829	47,730
Real Assets		
Infrastructure investments	30,370	29,742
Real Estate investments	24,988	24,633
Total Real Assets	55,358	54,375
Short-Term Instruments		
Cash and short-term deposits	19,578	25,837
Total Investments	146,680	153,389
Investment-Related Assets		
Investment receivables	565	553
Deferred, prepaid and other assets	48	54
Derivatives	1,056	496
Pending trades	127	642
Total Investment-Related Assets	1,796	1,745
Investment-Related Liabilities		
Investment liabilities (note 4)	(16,833)	(25,894)
Derivatives	(293)	(1,087)
Pending trades	(126)	(114)
Total Investment-Related Liabilities	(17,252)	(27,095)
Net Investment Assets	\$ 131,224	\$ 128,039

B. Investment Fair Value Hierarchy

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

Level 1

Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 primarily includes publicly-listed equity investments, cash and derivative contracts traded on a public exchange.

Level 2

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

Level 3

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

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

As at June 30,		2023			
		Level 1	Level 2	Level 3	Total
Fixed Income	\$	—	\$ 14,228	\$ 8,687	\$ 22,915
Public Equity		15,877	—	379	16,256
Private Equity		—	—	32,573	32,573
Infrastructure		—	—	30,370	30,370
Real Estate		—	—	24,988	24,988
Short-Term Instruments		4,286	15,292	—	19,578
Investment-Related Assets		72	1,724	—	1,796
Investment-Related Liabilities		(58)	(17,194)	—	(17,252)
Net Investment Assets	\$	20,177	\$ 14,050	\$ 96,997	\$ 131,224
As at December 31,		2022			
		Level 1	Level 2	Level 3	Total
Fixed Income	\$	—	\$ 16,492	\$ 8,955	\$ 25,447
Public Equity		16,371	—	231	16,602
Private Equity		—	—	31,128	31,128
Infrastructure		—	—	29,742	29,742
Real Estate		—	—	24,633	24,633
Short-Term Instruments		3,052	22,785	—	25,837
Investment-Related Assets		16	1,729	—	1,745
Investment-Related Liabilities		(52)	(27,043)	—	(27,095)
Net Investment Assets	\$	19,387	\$ 13,963	\$ 94,689	\$ 128,039

(b) The following table presents the changes in Level 3 investments for the period ended June 30, 2023:

	Fair Value Dec 31, 2022	Included in Total Investment Income (Loss)	Transfers In ⁽ⁱ⁾	Transfers Out ⁽ⁱⁱ⁾	Purchases	Sales and Return of Capital ⁽ⁱⁱⁱ⁾	Fair Value June 30, 2023	Unrealized Gains (Losses) Attributable to Investments in the Period ⁽ⁱⁱⁱ⁾
Fixed Income	\$ 8,955	\$ 289	\$ —	\$ —	\$ 1,126	\$ (1,683)	\$ 8,687	\$ (211)
Public Equity	231	6	—	—	159	(17)	379	(9)
Private Equity	31,128	739	—	(60)	3,075	(2,309)	32,573	200
Infrastructure	29,742	814	—	—	967	(1,153)	30,370	2
Real Estate	24,633	5	60	—	946	(656)	24,988	(318)
Total	\$ 94,689	\$ 1,853	\$ 60	\$ (60)	\$ 6,273	\$ (5,818)	\$ 96,997	\$ (336)

The following table presents the changes in Level 3 investments for the period ended June 30, 2022:

	Fair Value Dec 31, 2021	Included in Total Investment Income (Loss)	Transfers In ⁽ⁱ⁾	Transfers Out ^{(ii)(iv)}	Purchases	Sales and Return of Capital ⁽ⁱⁱⁱ⁾	Fair Value June 30, 2022	Unrealized Gains (Losses) Attributable to Investments in the Period ⁽ⁱⁱⁱ⁾
Fixed Income	\$ 9,393	\$ (118)	\$ —	\$ (875)	\$ 1,730	\$ (1,951)	\$ 8,179	\$ (261)
Public Equity	224	—	—	—	—	(4)	220	(4)
Private Equity	25,333	1,951	60	(17)	2,747	(3,404)	26,670	1,147
Infrastructure	29,691	843	—	—	1,063	(3,197)	28,400	145
Real Estate	23,604	1,940	—	(60)	2,453	(2,958)	24,979	1,353
Total	\$ 88,245	\$ 4,616	\$ 60	\$ (952)	\$ 7,993	\$ (11,514)	\$ 88,448	\$ 2,380

(i) Transfers between Private Equity and Real Estate represent asset class transfers.

(ii) Includes realized foreign exchange gains and losses.

(iii) Separately identifies unrealized gains (losses) that are also included in the 'Included in Total Investment Income (Loss)' column.

(iv) Transfers out of Private Equity include an investment which became publicly traded. Transfers out of Fixed Income include investments where quoted market prices are obtained.

(c) Fair Value Assumptions and Sensitivity

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

Significant valuation inputs for private equity investments are earnings before interest, taxes, depreciation and amortization (EBITDA) multiples. All else being equal, higher multiples equate to higher fair values, and vice versa.

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

As at			June 30, 2023	December 31, 2022
	Significant Inputs	Range of Inputs	Change in Significant Inputs	Change in Net Investment Assets
Private credit	Discount rate	3.8% - 23.3% (2022: 3.8% - 24.0%)	+/- 50 bps \$	-/+67 \$
Private equity	EBITDA Multiple	4.5X - 21.5X (2022: 4.5X - 21.5X)	+/- 0.50x	+/-930
Infrastructure investments	Discount rate	7.0% - 15.8% (2022: 7.0% - 15.8%)	+/- 25 bps	-/+1,820
Real estate investments	Discount rate	4.8% - 12.0% (2022: 4.4% - 10.0%)	+/- 25 bps	-/+711
Real estate investments	Terminal capitalization rate	3.1% - 8.5% (2022: 3.0% - 8.5%)	+/-25 bps	-/+1,095

The above sensitivity analysis excludes fund investments totaling \$8,304 (December 31, 2022: \$8,128) for which AC does not have access to the underlying investment information. For those investments, fair values are equal to the values provided by the fund's general partner, unless there is a specific and objectively verifiable reason to vary from the value provided.

C. Derivative Financial Instruments

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

As at	June 30, 2023			December 31, 2022		
	Notional Value	Fair Value		Notional Value	Fair Value	
Assets		Liabilities	Assets		Liabilities	
Fixed Income						
Interest Rate Contracts						
Swaps	\$ 294	\$ 1	\$ —	\$ 225	\$ 11	\$ (2)
Futures	1,196	—	(1)	2,602	1	(1)
Total Interest Rate Contracts		1	(1)		12	(3)
Credit Default Contracts						
Swaps	8,247	—	—	10,467	—	—
Swaptions						
- purchased	277	1	—	435	1	—
Total Credit Default Contracts		1	—		1	—
Total Fixed Income		2	(1)		13	(3)
Equities						
Equity Contracts						
Swaps	10,289	265	(166)	14,286	158	(329)
Futures	3,971	40	(1)	3,786	5	(11)
Options						
- written	3,337	—	(51)	3,326	—	(54)
- purchased	4,605	98	—	4,278	159	—
Total Equity Contracts		403	(218)		322	(394)
Commodity Contracts						
Futures	1,709	32	(6)	1,449	10	(7)
Total Equities		435	(224)		332	(401)
Foreign Exchange Contracts						
Forwards	33,220	613	(62)	32,043	142	(683)
Options						
- written	903	—	(6)	791	—	—
- purchased	1,010	6	—	2,558	9	—
Total Foreign Exchange Contracts		619	(68)		151	(683)
Total	\$	1,056	\$ (293)	\$	496	\$ (1,087)

D. Investment Risk

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

AC manages market, credit and liquidity risk as follows:

a) Market Risk

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

(i) Foreign Exchange Rates

AC pays pensions in Canadian dollars and manages a highly diversified portfolio of long-term investments, many of which are denominated in foreign currencies. AC centrally manages the strategy for foreign currency and assumes certain foreign exchange risks, measuring and considering them in the context of overall portfolio objectives, alongside other investment related risks discussed elsewhere. Net investment assets by currency exposure, after the impact of currency hedging, are as follows:

As at	June 30, 2023		December 31, 2022	
Currency	Net Exposure	% of Total	Net Exposure	% of Total
United States Dollar	\$ 41,066	31 %	\$ 37,632	30 %
Euro	6,883	5	5,268	4
British Pound Sterling	6,578	5	5,554	4
Australian Dollar	3,564	3	3,078	2
Indian Rupee	1,966	2	2,042	2
Hong Kong Dollar	1,911	1	2,347	2
All Other	4,178	3	4,172	3
Total Foreign Currency Exposure	66,146	50	60,093	47
Canadian Dollar	65,078	50	67,946	53
Total	\$ 131,224	100 %	\$ 128,039	100 %

Foreign Currency Sensitivity

After giving effect to the impact of foreign currency hedges and holding constant all other variables and underlying values, a five per cent increase or decrease in the value of the Canadian dollar against all foreign currencies, to which OMERS is exposed, would result in an approximate \$3,307 (December 31, 2022: \$3,005) decrease or increase in AC's net assets as shown below:

As at	June 30, 2023	December 31, 2022
Currency	Change in Unrealized Loss/Gain	Change in Unrealized Loss/Gain
United States Dollar	\$ -/+ 2,053	\$ -/+ 1,882
Euro	-/+ 344	-/+ 263
British Pound Sterling	-/+ 329	-/+ 278
Australian Dollar	-/+ 178	-/+ 154
Indian Rupee	-/+ 98	-/+ 102
Hong Kong Dollar	-/+ 96	-/+ 117
All Other	-/+ 209	-/+ 209
Total	\$ -/+ 3,307	\$ -/+ 3,005

(ii) Interest Rate Risk

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

Sensitivity to changes in interest rates

AC's exposure to a 50 basis point increase (decrease) in interest rates, with all other variables held constant, would result in an approximate decrease (increase) in the value of directly managed fixed income investments and interest rate swaps, net of term note liabilities, of \$102 (December 31, 2022: \$181). This would be recognized as a change in unrealized loss (gain).

(iii) Price Risk

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

AC's investment in publicly-traded equities is achieved through both physical holdings and derivative exposures. A ten per cent increase (decrease) in the aggregate value of these public equities would result in an approximate increase (decrease) in public equity exposures and an unrealized gain (loss) of \$3,038 (December 31, 2022: \$2,995).

AC's investments in private equity, infrastructure, real estate, private debt and mortgages are also subject to price risk. Values are impacted by a number of variables as described in Note 3B - *Investment Fair Value Hierarchy*.

AC is also subject to price risk through changes in credit spreads on certain of its fixed income investments and term note liabilities. A 50 basis point increase (decrease) in the credit spreads of these interest bearing instruments would result in an approximate net decrease (increase) in the value of fixed income investments and term note liabilities, and a net unrealized loss (gain) of \$188 (December 31, 2022: \$103).

b) Credit Risk

Credit risk is defined as the financial loss that results from the failure of a counterparty to honour its contractual obligations. AC is subject to credit risk primarily in connection with issuers or guarantors of securities, debtors, structured securities, derivatives, repurchase agreements and securities lending arrangements. Credit risk for uncleared over-the-counter (OTC) derivatives is mitigated through the exchange or posting of margin. Credit risk for cleared OTC derivative contracts and futures contracts is typically minimal, as the counterparty is an exchange or central clearing counterparty which is designed for reducing counterparty risk and improving financial system stability. For these trades, initial margin is posted and margin receivables and payables are settled daily.

To manage counterparty credit risk, AC:

- requires collateral from its counterparties in certain circumstances, as outlined in contractual arrangements;
- limits how much exposure it has with individual counterparties;

- regularly performs financial analysis of its counterparties, which includes reference to credit rating agencies and other relevant external sources. AC only trades OTC derivatives with high quality counterparties;
- estimates ratings using an internal rating process, if no rating is available from selected reputable credit rating agencies for credit investments; and
- enters into enforceable master netting agreements.

(i) Credit Quality

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

As at June 30,							2023	
		Sovereign Governments		Provincial Governments		Corporate	Total	% of Total
AAA	\$	8,016	\$	—	\$	3	8,019	19 %
AA		7,302		60		12,356	19,718	47
A		—		—		1,235	1,235	3
BBB		—		—		3,915	3,915	9
Below BBB		—		—		7,366	7,366	17
Unrated		—		—		2,240	2,240	5
Total	\$	15,318	\$	60	\$	27,115	42,493	100 %

As at December 31,							2022	
		Sovereign Governments		Provincial Governments		Corporate	Total	% of Total
AAA	\$	9,686	\$	—	\$	4	9,690	19 %
AA		15,022		60		11,001	26,083	51
A		—		—		1,444	1,444	3
BBB		95		—		4,186	4,281	8
Below BBB		—		—		7,498	7,498	15
Unrated		—		—		2,288	2,288	4
Total	\$	24,803	\$	60	\$	26,421	51,284	100 %

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

(ii) Margin and Collateral

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

- In the case of OTC derivatives, variation margin collateral is collected from and provided to counterparties according to the Credit Support Annex (CSA), which forms part of International Swaps and Derivatives Association (ISDA) Master Agreements. Initial margin collateral is pledged to and provided by counterparties, as required by ISDA initial margin credit support or collateral transfer documentation (IM CSA). Initial margin collateral is held by third party custodians in segregated accounts.
- In the case of prime brokerage and securities borrowing, collateral is exchanged to the full extent of the liability with the counterparty, with a borrower required to pledge marketable securities or cash of higher value as collateral than the securities borrowed. AC does not recognize any securities borrowed as its investment assets because the risks and rewards of the securities remain with the lender.

AC enters into securities repurchase transactions under Global Master Repurchase Agreements (GMRA), whereby AC sells securities to counterparties and simultaneously agrees to buy them back at a predetermined price in the future. Collateral is exchanged between the counterparties based on the current value of the securities sold under the agreements. AC does not derecognize any securities sold because the associated risks and rewards remain with AC.

AC is permitted to sell or repledge collateral in the absence of default, with the exception of initial margin on OTC derivatives. The equivalent cash or securities must be returned to the counterparty should the counterparty demand a return of collateral. The fair value of collateral sold or repledged is \$nil (December 31, 2022: \$nil).

The fair value of collateral pledged and received, as well as securities sold under repurchase agreements, is as follows:

As at	June 30, 2023	December 31, 2022
Derivative-related		
Collateral received	\$ 1,301	\$ 911
Collateral pledged	709	2,195
Securities borrowing		
Collateral pledged	869	1,346
Securities sold under repurchase agreements		
Net amounts of securities sold under repurchase agreements	4,032	12,503
Collateral pledged	4,035	12,512

(iii) Right of Netting and Offset

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

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

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

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

As at June 30,							2023
	Gross amounts of recognized Financial Instruments	Less amounts offset in Interim Financial Statements	Net amounts presented in Interim Financial Statements	Related amounts not set off in the Condensed Interim Consolidated Statement of Financial Position		Net amount	
				Amounts subject to netting arrangements	Financial collateral (received) pledged		
Financial Assets							
Derivative assets	\$ 1,056	\$ —	\$ 1,056	\$ (265)	\$ (631)	160	
Pending trade receivable	\$ 1,350	\$ (1,223)	\$ 127	\$ —	\$ —	127	
Total Financial Assets	\$ 2,406	\$ (1,223)	\$ 1,183	\$ (265)	\$ (631)	287	
Financial Liabilities							
Derivative liabilities	\$ (293)	\$ —	\$ (293)	\$ 265	\$ —	(28)	
Securities sold short	(570)	—	(570)	—	570	—	
Securities sold under repurchase agreements	(5,255)	1,223	(4,032)	—	4,032	—	
Total Financial Liabilities	\$ (6,118)	\$ 1,223	\$ (4,895)	\$ 265	\$ 4,602	(28)	
As at December 31,							2022
	Gross amounts of recognized Financial Instruments	Less amounts offset in Interim Financial Statements	Net amounts presented in Interim Financial Statements	Related amounts not set off in the Condensed Interim Consolidated Statement of Financial Position		Net amount	
				Amounts subject to netting arrangements	Financial collateral (received) pledged		
Financial Assets							
Derivative assets	\$ 496	\$ —	\$ 496	\$ (351)	\$ (9)	136	
Total Financial Assets	\$ 496	\$ —	\$ 496	\$ (351)	\$ (9)	136	
Financial Liabilities							
Derivative liabilities	\$ (1,087)	\$ —	\$ (1,087)	\$ 351	\$ 168	(568)	
Securities sold short	(1,013)	—	(1,013)	—	1,013	—	
Securities sold under repurchase agreements	(12,503)	—	(12,503)	—	12,503	—	
Total Financial Liabilities	\$ (14,603)	\$ —	\$ (14,603)	\$ 351	\$ 13,684	(568)	

c) Liquidity Risk

Liquidity risk is the risk that AC will encounter difficulty in meeting cash flow obligations as they come due. AC may use repurchase agreements, derivative contracts, securities lending and securities borrowing arrangements to gain exposure to equities, fixed income, credit, commodities and currency. Using these instruments increases AC's collateral requirements and liquidity risk.

AC has developed forward-looking liquidity risk and cash flow models to periodically assess its liquidity position. AC also maintains a portfolio of highly marketable assets that could be sold or funded on a secured basis to generate liquidity. AC monitors its liquidity position to ensure sufficient liquid assets are available to meet cash and collateral requirements and other obligations.

As at June 30, 2023, AC maintained \$23,618 of liquid assets comprised of \$19,578 cash and short-term deposits, \$2,653 inflation-linked bonds, \$5,422 Canadian and United States government securities, all net of \$4,035 pledged collateral (December 31, 2022: \$23,071 of liquid assets comprised of \$25,837 cash and short-term deposits, \$2,670 inflation-linked bonds, \$7,076 Canadian and United States government securities, all net of \$12,512 pledged collateral).

(i) Terms to Maturity

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

As at	June 30, 2023				December 31, 2022			
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Debt (undiscounted principal and interest (re)payments) ⁽ⁱ⁾	\$ 4,176	\$ 6,421	\$ 3,228	\$ 13,825	\$ 3,720	\$ 6,573	\$ 3,321	\$ 13,614
Securities sold short	54	447	69	570	158	448	407	1,013
Securities sold under repurchase agreements	4,032	—	—	4,032	12,503	—	—	12,503
Payables and other liabilities	679	—	—	679	936	—	—	936
Interest rate contracts	1	—	—	1	3	—	—	3
Equity contracts	218	—	—	218	394	—	—	394
Commodity contracts	6	—	—	6	7	—	—	7
Foreign exchange contracts	68	—	—	68	683	—	—	683
Total	\$ 9,234	\$ 6,868	\$ 3,297	\$ 19,399	\$ 18,404	\$ 7,021	\$ 3,728	\$ 29,153

(i) Includes commercial paper which is due within 1 year of \$2,075 (December 31, 2022: \$1,618).

Since December 31, 2022, there have been no significant changes in composition or maturity for Amounts Payable Under Contractual Agreements of \$4,006 (December 31, 2022: \$3,975) and Other Liabilities of \$267 (December 31, 2022: \$354).

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

As at	June 30, 2023				December 31, 2022			
	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	\$ 817	\$ —	\$ —	\$ 817	\$ 2,081	\$ —	\$ —	\$ 2,081
Equity contracts	7,991	—	—	7,991	16,156	—	—	16,156
Commodity contracts	255	—	—	255	620	—	—	620
Foreign exchange contracts	4,787	—	—	4,787	22,846	—	—	22,846
Total	\$ 13,850	\$ —	\$ —	\$ 13,850	\$ 41,703	\$ —	\$ —	\$ 41,703

(ii) Commercial paper

OMERS Finance Trust (OFT), whose beneficiaries are subsidiaries of AC, is authorized to issue up to an equivalent of \$5,000 (December 31, 2022: \$5,000) in commercial paper, which is unconditionally and irrevocably guaranteed by AC. As directed by the OMERS Investment Risk Policy, total debt with recourse to AC cannot exceed 10 per cent of total Net Investment Assets (gross of debt with recourse to AC). Commercial paper of \$2,075 was issued as at June 30, 2023 (December 31, 2022: \$1,618).

Commercial paper generally has short-term maturities, and the requirement to repay this debt at maturity increases liquidity risk. OFT manages this risk by maintaining a high credit rating and a \$3,900 (December 31, 2022: \$3,900) revolving credit facility with a syndicate of well-capitalized banks to backstop the commercial paper program and to use for other general corporate purposes. As at June 30, 2023, \$nil was drawn against this facility (December 31, 2022: \$nil).

NOTE 4

Investment Liabilities

AC's investment liabilities are as follows:

As at	June 30, 2023	December 31, 2022
Debt	\$ 11,552	\$ 11,442
Securities sold short	570	1,013
Securities sold under repurchase agreements	4,032	12,503
Payables and other liabilities	679	936
Total	\$ 16,833	\$ 25,894

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

As at	June 30, 2023			December 31, 2022		
	Fair Value	Cost	Weighted Average Interest Rate	Fair Value	Cost	Weighted Average Interest Rate
Real Estate						
Credit facilities	\$ 260	\$ 260	5.79 %	\$ 419	\$ 419	4.66 %
Infrastructure						
Secured debt	426	246	5.56	519	411	3.83
OMERS Finance Trust						
Commercial paper ⁽ⁱ⁾	2,075	2,075	4.97	1,618	1,618	4.26
Term notes	8,791	9,468	2.28	8,886	9,510	1.85
Total	\$ 11,552	\$ 12,049	2.96 %	\$ 11,442	\$ 11,958	2.39 %

(i) As at June 30, 2023, commercial paper outstanding has maturities from July 4, 2023 to October 12, 2023 with interest rates ranging from 3.16% to 5.40%.

OFT is authorized to issue term notes, which are unconditionally and irrevocably guaranteed by AC. As at June 30, 2023, term notes totaling \$8,791 are outstanding (December 31, 2022: \$8,886) and details are shown in the table below:

Maturity	Original Term	Currency	Principal Amount	Coupon
May 2, 2024	5 years	USD	1,250	2.500%
May 13, 2025	5 years	EUR	1,000	0.450%
March 26, 2026	5 years	USD	1,000	1.100%
April 21, 2027	7 years	CAD	1,250	1.550%
April 20, 2028	5 years	USD	1,000	4.000%
May 14, 2029	10 years	CAD	1,000	2.600%
April 19, 2032	10 years	USD	600	3.500%
April 19, 2052	30 years	USD	500	4.000%

NOTE 5

OMERS Primary Pension Plan

A summary of the Condensed Interim Financial Statements of the Primary Plan is as follows:

Condensed Interim Statement of Financial Position

As at	June 30, 2023	December 31, 2022
Net Assets Available for Benefits	\$ 127,365	\$ 124,206
Accrued Pension Obligation and (Deficit) Surplus		
Defined benefit component		
Accrued pension obligation	\$ 130,864	\$ 128,789
(Deficit) Surplus		
Funding deficit	(4,510)	(6,678)
Actuarial value adjustment of net assets	(540)	578
	(5,050)	(6,100)
Additional Voluntary Contributions component obligation	1,551	1,517
Total Primary Plan Accrued Pension Obligation and (Deficit) Surplus	\$ 127,365	\$ 124,206

Condensed Interim Statement of Changes in Net Assets Available for Benefits

For the six months ended June 30,	2023	2022
Statement of Changes in Net Assets		
Net investment income (loss)	\$ 3,770	\$ (493)
Contributions	2,532	2,331
Benefits paid	(3,085)	(3,018)
Pension administrative expenses	(58)	(51)
Total Increase (Decrease)	3,159	(1,231)
Net Assets Available for Benefits, Beginning of Period	124,206	120,727
Net Assets Available for Benefits, End of Period	\$ 127,365	\$ 119,496

The primary economic actuarial assumptions used in the actuarial valuation of the Primary Plan as at June 30, 2023 are unchanged from December 31, 2022.

The Primary Plan's financial position is summarized as follows:

As at	June 30, 2023	December 31, 2022
Primary Plan fair value of net assets available for benefits	\$ 127,365	\$ 124,206
Less: Additional Voluntary Contribution net assets	1,551	1,517
Defined benefit net assets available for benefits	125,814	122,689
Less: Actuarial value adjustment	(540)	578
Actuarial value of net assets available for benefits	126,354	122,111
Less: Defined Benefit accrued pension obligation	130,864	128,789
Funding deficit of actuarial value of net assets available for benefits over accrued pension obligation	(4,510)	(6,678)
Actuarial value adjustment to net assets available for benefits	(540)	578
(Deficit) Surplus of net assets available for benefits over accrued pension obligation	\$ (5,050)	\$ (6,100)

The change in the actuarial value adjustment is as follows:

	For the six months ended June 30, 2023	For the year ended December 31, 2022
Expected interest on beginning actuarial value adjustment ⁽ⁱ⁾	\$ 23	\$ 203
Current year returns below the actuarial smoothing rate not recognized in the year ⁽ⁱ⁾	(830)	(2,397)
Prior years' returns above the actuarial smoothing rate recognized in the year	(311)	(290)
Decrease in actuarial value adjustment	(1,118)	(2,484)
Actuarial value adjustment, beginning of period	578	3,062
Actuarial value adjustment, end of period	\$ (540)	\$ 578

(i) Based on the actuarial smoothing rate in effect during the period of 7.97% (2022: 6.63%).

The actuarial value adjustment is constrained such that the resulting actuarial value of net assets is no more than 15% different from the fair value of net assets. As at June 30, 2023 this constraint had no impact on the actuarial value adjustment.

NOTE 6

Net Investment Income (Loss)

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

	Investment Income	Net Gain (Loss) on Investment Assets and Liabilities	Total Investment Income (Loss)	Investment Management Expenses	Net Investment Income (Loss)
For the six months ended June 30, 2023					
Fixed Income					
Inflation-linked bonds	\$ 5	\$ (17)	\$ (12)	\$ (5)	(17)
Nominal bonds and debentures	226	44	270	(12)	258
Private debt and mortgages	359	(96)	263	(49)	214
Total Fixed Income	590	(69)	521	(66)	455
Equities					
Public equities	211	734	945	(57)	888
Private equities	317	311	628	(114)	514
Total Equities	528	1,045	1,573	(171)	1,402
Real Assets					
Infrastructure	670	(1)	669	(75)	594
Real estate	338	(382)	(44)	(10)	(54)
Total Real Assets	1,008	(383)	625	(85)	540
Short-Term Instruments					
Cash and short-term deposits	223	(78)	145	(3)	142
Derivatives	—	1,336	1,336	—	1,336
Investment liabilities	(99)	95	(4)	—	(4)
Total Investment Income (Loss)	\$ 2,250	\$ 1,946	\$ 4,196	\$ (325)	\$ 3,871
Less: Income credited under contractual agreements					90
Net Investment Income (Loss)				\$	3,781

	Investment Income	Net Gain (Loss) on Investment Assets and Liabilities	Total Investment Income (Loss)	Investment Management Expenses	Net Investment Income (Loss)
Fixed Income					
Inflation-linked bonds	\$ 6	\$ (24)	\$ (18)	\$ (6)	(24)
Nominal bonds and debentures	122	(659)	(537)	(9)	(546)
Private debt and mortgages	259	(335)	(76)	(47)	(123)
Total Fixed Income	387	(1,018)	(631)	(62)	(693)
Equities					
Public equities	210	(2,919)	(2,709)	(52)	(2,761)
Private equities	560	1,344	1,904	(151)	1,753
Total Equities	770	(1,575)	(805)	(203)	(1,008)
Real Assets					
Infrastructure	607	232	839	(63)	776
Real estate	465	1,421	1,886	(10)	1,876
Total Real Assets	1,072	1,653	2,725	(73)	2,652
Short-Term Instruments					
Cash and short-term deposits	47	(19)	28	(3)	25
Derivatives					
	–	(1,896)	(1,896)	–	(1,896)
Investment liabilities					
	–	507	507	–	507
Total Investment Income (Loss)	\$ 2,276	\$ (2,348)	\$ (72)	\$ (341)	(413)
Less: Income credited under contractual agreements					100
Net Investment Income (Loss)				\$	(513)

NOTE 7

Segment Information

AC's reporting segments are the asset classes defined in the Primary Plan's Statement of Investment Policies & Procedures (SIP&P). Management uses the SIP&P asset classes to assess AC's investment diversification, risk management and performance.

A. Investments at Fair Value by Segment

As at	June 30, 2023	December 31, 2022
Fixed Income		
Bonds	\$ 7,634	\$ 8,946
Credit	20,859	20,312
	28,493	29,258
Equities		
Public Equity	16,376	16,308
Private Equity	24,191	23,215
	40,567	39,523
Real Assets		
Infrastructure	27,505	26,311
Real Estate	21,803	21,202
	49,308	47,513
Cash and Funding	10,801	9,963
Total Investments	\$ 129,169	\$ 126,257
Reconciliation to Investments by asset class (note 3A)		
OMERS Return Agreements ⁽ⁱ⁾	2,146	2,168
RCA ⁽ⁱⁱ⁾	105	101
Other	(196)	(487)
Net Investment Assets (note 3A)	\$ 131,224	\$ 128,039

(i) Contractual return agreements that provide eligible clients with access to the performance of all or parts of the investment return of the Primary Plan.

(ii) Excludes refundable tax account.

B. Net Investment Income (Loss) by Segment

For the six months ended June 30,	2023	2022
Fixed Income		
Bonds	\$ 98	\$ (246)
Credit	721	(397)
	819	(643)
Equities		
Public Equity	1,701	(4,746)
Private Equity	455	1,424
	2,156	(3,322)
Real Assets		
Infrastructure	757	1,153
Real Estate	(34)	1,923
	723	3,076
Cash and Funding	126	390
	3,824	(499)
Less: Administered Funds ⁽ⁱ⁾	54	(6)
Total Primary Plan	3,770	(493)
Add: RCA	11	(20)
Net Investment Income (Loss) (note 6)	\$ 3,781	\$ (513)

(i) Funds invested by AC on behalf of The Board of Trustees of Toronto Metropolitan University (formerly Ryerson University) and the Transit Windsor Fund under contractual agreements.

NOTE 8

Guarantees, Commitments and Contingencies

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

Guarantees are provided to third parties with respect to certain investments. The maximum amount payable under guarantees, standby letters of credit and contingent amounts payable provided as part of investment transactions was \$2.3 billion as at June 30, 2023 (December 31, 2022: \$2.3 billion).

As at June 30, 2023, future financial commitments relating to the acquisition, development and refurbishment of investments include \$3.6 billion (December 31, 2022: \$3.2 billion) which is expected to be due within one year and \$10.5 billion (December 31, 2022: \$11.7 billion) which is expected to be due after one year. Future financial commitments relating to funds managed by third parties and private debt investments are \$3.4 billion (December 31, 2022: \$3.6 billion) and are payable on demand, subject to the terms and conditions of each agreement.

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

As at June 30, 2023, AC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a material adverse effect on the Interim Financial Statements.