OMERS

2021 ANNUAL REPORT

Building Tomorrow Together

CONTRIBUTION RATES FOR 2021

Earnings up to $61,600	
9.2% NRA 60	**9.0%** NRA 65
Earnings above $61,600	
15.8% NRA 60	**14.6%** NRA 65

The current average contribution rate paid by members is 10.5%, which is matched equally by employers. Contribution rates and benefit accruals remain unchanged for 2022. Pension payments to retired members increased by a cost-of-living adjustment of 0.94% in 2021 and 2.74% in 2022, representing 100% of the eligible increase calculated in accordance with the Plan text.

We Are OMERS

A jointly sponsored, defined benefit pension plan, with 1,000 participating employers ranging from large cities to local agencies and over half a million active, deferred and retired members.

Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario. Contributions to the Plan are funded equally by members and employers.

OMERS teams work in Toronto, London, New York, Amsterdam, Luxembourg, Singapore, Sydney and other major cities across North America and Europe – serving members and employers and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure and real estate.

The benefits OMERS provides are funded equally from active members' and their employers' contributions, combined with investment income. We expect that the majority of future benefit payments for today's active members will be funded by investment returns.

OMERS actively seeks out opportunities to engage with decision-makers to advocate for the advantages of the jointly sponsored, defined benefit pension model.

The OMERS Pension Plans comprise the OMERS Primary Pension Plan; the Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan; and the Supplemental Pension Plan for Police, Firefighters and Paramedics, which has no assets, liabilities or members. When we refer to the "OMERS Plan" or the "Plan" in our communications, it is the OMERS Primary Pension Plan that we are typically referring to, unless otherwise specified. For information on the RCA, refer to Management's Discussion & Analysis. When we refer to the "OMERS Act", it is to the OMERS Act, 2006, as amended.

2021 at a Glance

15.7%

Net return

$16.4B

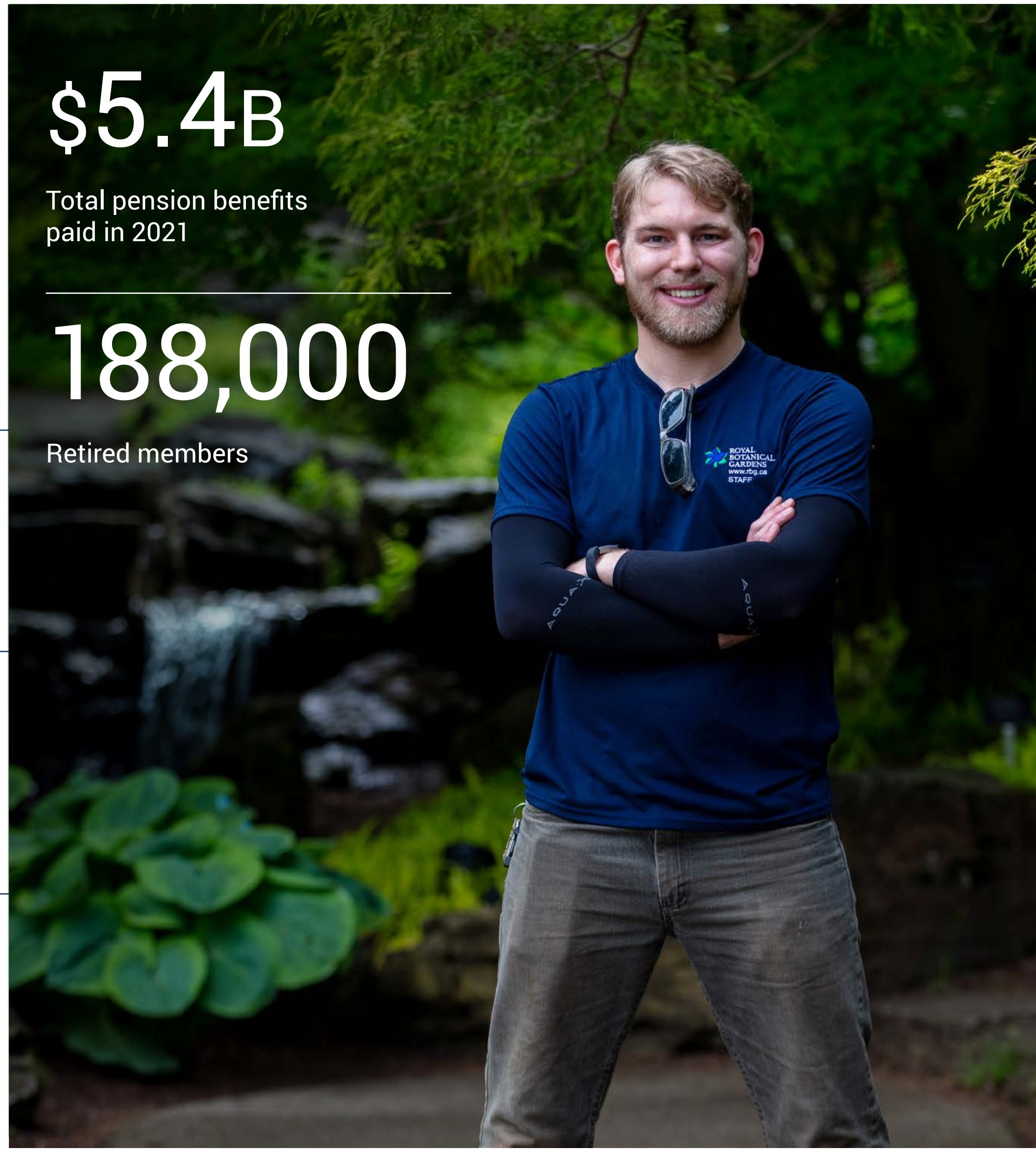
Net investment income

97%

Funded status (smoothed)

3.75%

Real discount rate



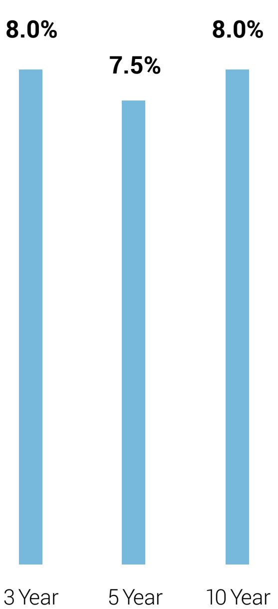
$5.4B

Total pension benefits paid in 2021

188,000

Retired members

HISTORICAL NET RETURNS FOR 3, 5 AND 10 YEARS



NET ASSETS ($ BILLIONS)

93%

Member satisfaction

86%

Employer satisfaction

$33,240

Average annual pension for members retiring in 2021

OMERS commitment:

Net zero

Greenhouse gas emissions by 2050

81%

Employee engagement

PLAN MATURITY

1981 | 5.6:1

2001 | 2.3:1

2021 | 1.6:1

Late 2030s

Plan maturity is one of the headwinds facing the Plan. The ratio of active members to retired members is a common measure of plan maturity. Our ratio today is less than 2:1. It is expected to reach less than 1:1 in the late 2030s.

Refer to "Challenges Facing the Plan" in the MD&A.

OMERS | 60

2022 marks OMERS 60th Anniversary

This Annual Report is addressed to our members, employers, sponsors, unions, associations, and the many others who are interested in OMERS 2021 performance, and in our progress in making OMERS a sustainable, affordable and meaningful defined benefit Plan.

Introduction

As the pandemic continues, community remains of paramount importance as we all strive to stay connected, safe and well. OMERS active and retired members and their employers continue to support and build our communities across Ontario, and we would like to sincerely acknowledge and thank you for your leadership and dedication through these turbulent times.

Serving our members and supporting their employers is at the heart of who we are and drives everything we do. We are committed to delivering strong results and excellent service. In 2021, we earned a 15.7% net investment return, well above the benchmark we set at the start of the year. We also served our 541,000 members, who span five generations, exceptionally well, achieving a 93% member satisfaction rating based on your feedback.

OMERS has now grown to $121 billion in assets and our long-term returns were bolstered by our 2021 results.

As we build for tomorrow, we also set the important goal of achieving net zero greenhouse gas emissions for our global and diverse portfolio by 2050. This expands on our goal of a 20% carbon intensity reduction for the portfolio by 2025. Most importantly, it advances our efforts to make your Plan more environmentally sustainable and responsible for the generations to come.

This past year also brought OMERS to the cusp of a milestone, as we prepare this spring to mark our 60th anniversary. For six decades we have been serving our members, consistently paying pensions. As we look to the future, the Plan faces some challenges. At a 97% smoothed funded status, the OMERS Plan is not fully funded. There is a growing number of retired members for each active member, and people are living longer, so pensions are paid over a longer period. The benefits we pay already exceed the contributions we receive, and the gap is expected to grow. This increases our reliance on investment returns.

Addressing these challenges will require a continued focus on ensuring that we have the right assets and the right talent. It will also require a keen focus on the future and ongoing efforts to improve the Plan's long-term resilience by building sufficient reserves. Our commitment to providing sustainable, affordable and meaningful pensions to our members is our purpose and our privilege, and the reason we come to work every day.

More detail on all of these topics will follow in this Annual Report.

SECTION 1

Delivering Today

IndInfravit Trust, India

Results

In 2021, we earned a one-year net investment return of 15.7%, equivalent to $16.4 billion of net investment income. We outperformed our absolute benchmark of 6.6% by more than $9 billion.

OMERS investing strategy and high-quality, diversified portfolio positioned us well to capture these favourable returns as the pandemic restrictions eased and the economy began to recover. We continued to pursue our strategy, with a focus on a long-term target asset mix, allocating capital to our high-conviction sectors, and actively managing our portfolio.

Four factors in particular contributed to the Plan's outperformance:

1. Public equities generated a net return of 20.7%. Our portfolio of diversified, high-quality public equities performed well in 2021. Approximately 45% of our outperformance is explained by our public equities asset class.
2. The private equity businesses we own grew their earnings and increased in value throughout 2021 – organically and through acquisitions. In addition, our return in this asset class includes a significant sale of one of our private equity businesses. Taken together, private equity returned 25.8%, and explains 30% of our outperformance relative to our benchmark.
3. Over the years we have increased our allocation to industrial real estate. In 2021, this real estate significantly increased in value, due to the growing demand for warehousing and logistics spaces resulting from online sales and e-commerce. We also earned meaningful profits from our active development program. In total, real estate earned 15.9%, and explains 15% of our outperformance relative to our benchmark.
4. By design, our infrastructure investments continued to deliver strong and consistent multi-year returns, with a 10.7% return in 2021; our investments in clean power and regulated assets increased in value, supported by strong investor demand.

OUR 2021 BENCHMARK

The OMERS Administration Corporation Board approves an annual investment return benchmark in December of each year, for the following year. By achieving or exceeding that annual target benchmark return, we ensure that we are making steady progress towards improving the Plan's financial health.

Our 2021 benchmark return of 6.6% was set in December 2020. It assumed that recovering from the economic impact of the pandemic would be gradual and would take a few years. It assumed interest rates would remain low and that the investment environment would continue to be disrupted. Our benchmark reflected the uncertainty of these unprecedented times.

For more information on our benchmark, refer to the MD&A.

Beyond these key factors, we also remained committed to investing in higher-yielding, short-dated credit investments, which delivered a return of 5.8% for the Plan, mostly from interest income, despite the low interest rate environment. Our low allocation to long-dated government bonds protected our returns from negative valuations as long-term bond yields rose in 2021. Movements in foreign currencies had a limited net impact on our returns, and we continued to enhance the Plan's liquidity and diversification by reducing our currency hedges.

In short, we exceeded our benchmarks across all segments of our portfolio.

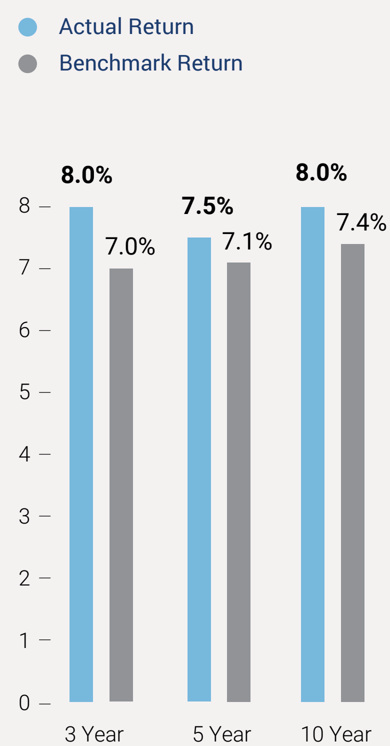
Riverbend Business Park, Canada

MANAGING OUR TOTAL PORTFOLIO

The Total Portfolio Management team takes a view of the entire diverse OMERS portfolio to help optimize the Plan's investment strategy. This includes how we build our portfolio, manage our currency exposure and liquidity, plan for different scenarios, and carry out our economic and thematic research. We have built on our capabilities and evolved our approach while managing market volatility. We use leverage and derivatives prudently to enhance investment returns, and are highly rated by four credit rating agencies, including two 'AAA' ratings. Our portfolio generated healthy cash flow through dividends, interest payments, rents and operating profits.

We pay pensions over decades, meaning we put great emphasis on our long-term returns. As at December 31, 2021, our 3-, 5- and 10-year returns exceeded their multi-year benchmarks.

HISTORICAL NET RETURNS AT 3, 5 AND 10 YEARS



Refer to the MD&A for an explanation of how OMERS sets our multi-year benchmarks.

Our high-quality portfolio of assets now totals $121 billion, with investments across geographies, currencies, asset classes and sectors, and is designed to continue to meet our return targets within an acceptable level of risk. This year, we continued to diversify our asset mix, rotating more capital into real estate, infrastructure, private credit and private equity. We have ample liquidity to take advantage of future market opportunities as they emerge.

Today, our 10-year average return is 8.0%.

Supporting Ontario's Economy and Communities

OMERS activities help to generate almost $12 billion of GDP annually in Ontario and provide social value to communities across the province. Almost $7 billion of the economic contribution is generated by retirees spending their pension payments, and approximately $5 billion comes from OMERS investments and operations in the province. Together, this activity supports more than 118,000 jobs provincewide. Based on their review of 2020 data, this was the conclusion of independent research conducted for OMERS by the Canadian Centre for Economic Analysis.

A second study, which examined survey responses of OMERS members who live in Ontario and the responses of the general Ontario public, found that providing a secure and stable pension delivers value beyond monetary benefits. The research reported a strong association between pension plan participation and a higher satisfaction with life for both active and retired members. It also found that access to a secure and stable pension provides a strong bond between employees and employers.

Contributing to Ontario's Economy

Based on 2020 data

$11.9B

OMERS approximate contribution to Ontario's economy

$3.3B

The amount of provincial and federal tax revenue generated by OMERS activity

1 in every 64 jobs

The number of jobs supported by OMERS activities in Ontario; a total of 118,000 jobs

- **1/4** of these jobs are held by people under the age of 30
- **1/3, or 39,000,** of the 118,000 jobs are in rural communities

Almonte, Ontario

91%

of active OMERS members (and 87% of members under the age of 35) said their OMERS membership is an important factor in their decision to stay with their employer

Generating social value
Pension plans result in higher life satisfaction

The research found that people with a pension plan are almost 50% more likely to report higher satisfaction with life than people who do not participate in a pension plan.

"This is largely due to the reported positive impacts on their long-term financial security, positive impacts on physical and mental health, less stress, and higher community involvement and leisure time. It also demonstrates the potential value of extending access to pensions to more people across society."

— Social Value Benefits Report, 2021

Social Value: Meaningful Benefits for Individuals and Communities

The study leveraged and compared survey responses of more than 4,000 Ontario-based OMERS members and more than 1,000 responses from the general Ontario public.

Responses from OMERS retired members indicated the following:

FINANCIAL SECURITY

20%
higher feeling of financial security

48%
felt they had saved well to meet their retirement needs

MENTAL AND PHYSICAL HEALTH

15%
higher satisfaction with their health

42%
rated their physical health as very good or excellent

54%
more likely to report higher satisfaction with life

90%
attributed higher life satisfaction to being part of a defined benefit pension plan

REDUCED STRESS

22%
more likely to report lower stress levels

29%
less likely to attribute stress to financial concerns

COMMUNITY INVOLVEMENT AND LEISURE

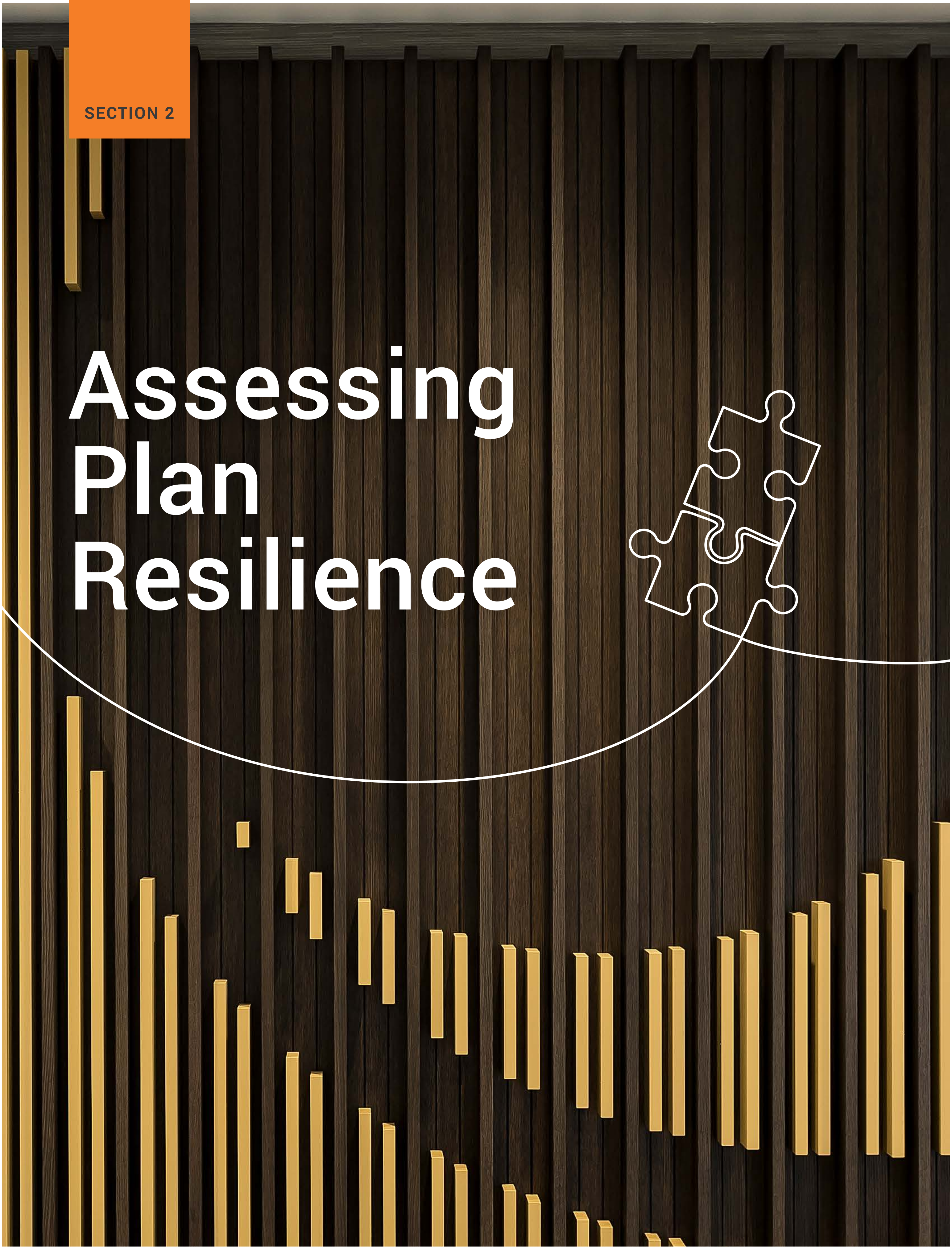
38%
more likely for OMERS retired members to volunteer time in their community

94%
donated to charities and not-for-profits

Source: Social Value Benefits Report, 2021. This research report is available on omers.com

SECTION 2

Assessing Plan Resilience



It is a milestone year for OMERS as we mark six decades of delivering retirement income to Ontario's municipal workers. We will leverage the institutional knowledge and expertise we have built over the past 60 years as we look forward to serving current and future generations of OMERS members well into the future.

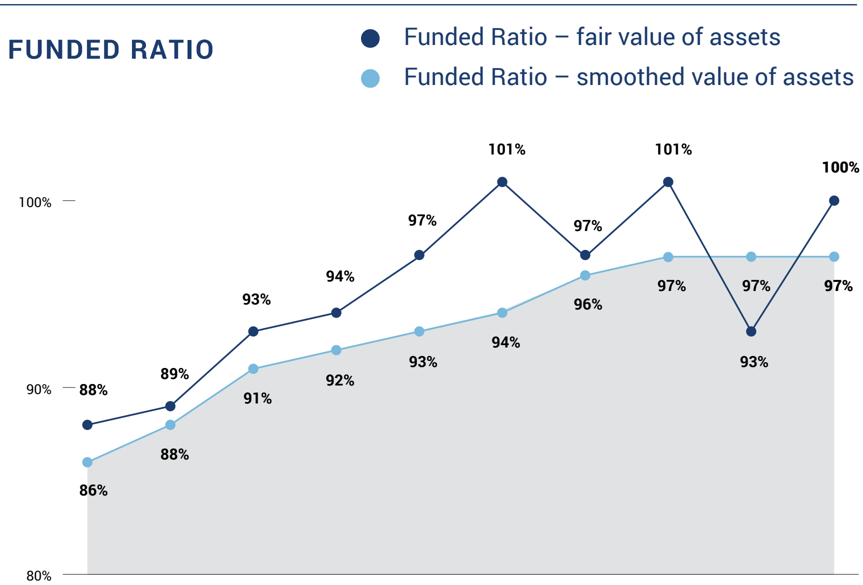
This is a significant responsibility, and one that we take very seriously. As we look to pay pensions for generations to come, we are keenly focused on ensuring the Plan remains sustainable over the long term.

At December 31, 2021, OMERS funded ratio on a smoothed basis stood at 97%, measured based on a real discount rate of 3.75%. Our funded ratio is unchanged from a year ago, and reflects the effects of smoothing (averaging our investment returns over five years), and the effects of lowering our "discount rate" – that is, measuring our pension liabilities in a way that makes the Plan slightly less dependent on investment returns each year. We lowered our discount rate by 10 bps in 2021, and we intend to incrementally lower our discount rate over time. We have set a target real discount rate of 3.00%, which will be reviewed annually.

Alongside member and employer contributions, long-term investment returns have been a significant driver of the improvements in the Plan's financial health over the past 10 years, during which period the smoothed funded ratio has increased by more than 10%.

As a result of the high investment return for 2021, our funded ratio measured on a "fair value" basis (i.e., without smoothing) improved year over year from 93% to 100%. This means that the fair value of our assets equals the measured value of our pension liabilities.

PLAN FUNDED RATIO



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Real Discount Rate	4.25%	4.25%	4.25%	4.25%	4.20%	4.00%	4.00%	3.90%	3.85%	3.75%
Inflation Assumption	2.25%	2.25%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Nominal Discount Rate	6.50%	6.50%	6.50%	6.25%	6.20%	6.00%	6.00%	5.90%	5.85%	5.75%

FUNDED RATIO AND REAL DISCOUNT RATE

The "funded ratio" is the ratio of net investment assets to long-term pension obligations. It is an indicator of the long-term financial health of the Plan. It can be calculated on a "smoothed" or "fair value" basis:

- "Smoothed" evens out the variations in annual returns over a five-year period. In this way, contribution rates and benefits are set using a more stable, long-term view of investment performance.
- "Fair value" uses year-end values of OMERS assets, without any adjustments. Because our investment returns vary each year, this calculation results in a funded ratio that will also vary year over year. In some years the variation will be significant.
- The real discount rate is a key assumption in calculating the funded ratio.

The Plan's net assets grew year over year, but we remain focused on the long term. The long-term funding risk of the Plan remains our priority as we have more work to do to build the reserves we need for the risks that we face.

We assume that, in the future, our members will enjoy increased life expectancy, meaning pensions will be paid out for longer. We expect that the number of retired members collecting pensions will increase and outpace the growth of our active members who contribute to the Plan. Today 188,000 of our 541,000 members are retired, and we have fewer than two active members for every retiree. We expect that by the late 2030s, we will have less than one active member for every retiree. In short, we are a maturing pension plan. We also carefully monitor and plan for changing member workforce trends to determine any impact to the Plan.

As a maturing plan, OMERS now pays out more in benefits than we collect in contributions, and that gap will continue to increase over time. That makes us increasingly dependent on investment returns to pay pensions – and there is a risk of a challenging investment environment ahead, with higher public market volatility, continued low interest rates, unpredictable geopolitics, the transition to a low-carbon economy, and fierce competition for quality investment assets and talent. It also means that we will need to continue to assess and mitigate the risks facing the Plan, and build reserves to best position ourselves against potential shocks that we could experience.

SECTION 3

Serving Our Members

541,000

OMERS members

81,000

Number of members eligible to retire today

$26,937

Average annual pension for all current retirees

Our Plan provides stable retirement income to more than 188,000 current retirees, and the promise of future stable retirement income to over 353,000 active and deferred members across Ontario. These members span five generations, from pre-baby boomers to Generation Z: our oldest member is 106, and our youngest is 16.

Recognizing this range, we offer our members a variety of ways to connect with us. We know that nothing replaces the important relationships and discussions that OMERS members have with our personable and professional teams. Our member experience team had close to 192,000 conversations with our members in 2021. Members rated their experience highly, resulting in a 93% satisfaction rate. In addition, our pension education team had the opportunity to connect with more than 12,000 members through live webinars and in-person events.

We also heard valuable feedback on where we can do even better, so we're innovating and adapting.

We're expecting a dramatic increase in the number of members retiring in the coming years: today, 81,000 members are eligible to retire but are still working and contributing to the OMERS Plan. We're getting ready for this retirement cohort by continuing to modernize our platforms.

In 2021, we:

- released the first iteration of our new core pension system, and made significant changes to our legacy systems, that set the foundation for greater flexibility in the future;
- introduced a pilot for chat functionality, including back-end automation, in order to expand the channels through which our members receive service;
- built an enhanced Retirement Planner for members' use in preparation for their retirement. This tool enables members to enter information about their assets, other sources of income, and expenses, to provide a more holistic view of their financial health in retirement; and
- created efficiencies in the pension estimates process through automation, resulting in more members having quicker access to their pension estimates. This is especially relevant as more and more members request these estimates.

Each of these activities is aimed at improving our members' experience, through any channel they wish to use to engage with us.

For employers, we launched two new resources in 2021. We completed the redesign and development of a new portal, e-access, that will enable us to stay better connected and we launched OMERS Learning Experience, the new learning platform for employers. These initiatives allow our employers to service our members more quickly, efficiently and accurately.

16

Age of youngest member

106

Age of oldest member

SECTION 4

Building for Tomorrow

Leeward Renewable Energy, United States

We are relentlessly future focused in order to find and secure the right investment opportunities and the right talent, while managing the risks that we face. This focus and commitment remain essential to provide members with sustainable, affordable and meaningful pensions.

The Right Assets in the Right Places

We continue to seek out, secure and deploy capital in high-quality assets across geographies. This includes increasing our private investments, particularly in high-conviction sectors such as industrial and residential real estate, digital infrastructure, and clean power and transitioning energy networks.

For example, we believe that investments in healthcare, laboratory services and medical devices present compelling opportunities in the dynamic life sciences sector. The importance of industrial and logistics space has increased globally, driven by the growth of e-commerce and demand for expedited supply chains.

We will continue to diversify our investments geographically, including in the Asia-Pacific region, where demographic trends and economic growth potential are attractive. Today we have 10% of our portfolio invested in the region, across all our asset classes, with skilled investment and management teams in Singapore and Australia.

Our strategy also includes actively managing our portfolio. We work with our investee companies to build and grow good businesses into global leaders. We sell some or all of our interests when we encounter compelling opportunities to realize profits, or when we need to rebalance our exposures. We influence our companies through our board seats and voting rights.

In 2021, we issued a mid-year investment update for the first time, responding to interest from our members, employers, sponsors and stakeholders. We will continue to provide a mid-year update each year in addition to this Annual Report. This mid-year report will typically be made available in August.

TRANSITIONING TO A LOW-CARBON ECONOMY

Goals

CO_2

Reduce our carbon intensity by

20% by 2025

Achieve

net zero greenhouse gas emissions by 2050

We continue to assess both the impact and the risk of climate change on our portfolio, as well as the opportunities presented by the transition to a low-carbon economy. In 2021, OMERS made a commitment to achieve net zero greenhouse gas emissions across our portfolio by 2050. This long-term goal complements the short-term goal we announced last year of reducing our portfolio's carbon intensity by 20% by 2025.

We continue to look for ways to prudently shift our portfolio towards a lower-carbon economy, seeking opportunities across all asset classes. Our real estate arm, Oxford Properties, has reduced its carbon footprint by 35% since 2015, and is developing its first zero carbon office building in Vancouver, while our infrastructure team is building its expertise with the addition of a new leader for its ESG program. Many of our investee companies are also on this same journey. For example, healthcare provider Aledade is already "carbon neutral", and the Ontario-based nuclear power plant Bruce Power has committed to "net zero" by 2027.

35%

Oxford Properties has reduced its carbon footprint by **35%** since 2015

Carbon neutral

Healthcare provider Aledade is already "carbon neutral"

INVESTING IN A GREEN FUTURE

We believe that climate change is one of the defining issues of our time, so we look for ways to prudently shift our portfolio towards the green energy transition. We seek opportunities across all asset classes, focusing on three key themes:

Green buildings

THE STACK is an Oxford Properties office tower in development in Vancouver. The tower is aiming for a LEED Platinum green standard target and will be one of two towers in Canada to be a part of the Net Zero Carbon pilot.

Renewables

AZURE POWER provides low-cost and reliable renewable power solutions to customers throughout India, while safeguarding peoples' health and safety and giving back to the environment and communities in a socially responsible way.

Energy efficiency

NORTHVOLT is a Sweden-based supplier of sustainable, high-quality battery cells and systems. Its mission is to deliver the world's greenest lithium-ion battery with a minimal CO_2 footprint, helping enable the transition to a decarbonized future.

The Right Talent

Serving our members is our core purpose. OMERS teams, across functions and geographies, are dedicated to you, to your future and to Building Tomorrow Together.

OUR VALUES

1

Inclusion

We believe and invest in each other. We know that inclusion, and the diversity it nurtures, drives innovation, global perspective, a successful platform and exceptional long-term outcomes.

2

Integrity

United by our purpose and fortified by trust, we work in an open and honest way to deliver on our commitments and secure the results that safeguard futures.

3

Humility

We know our members, our markets and our team -- we also deeply respect the value that comes from listening, learning and engaging. Through collaboration, insight and strong partnerships, we build bright tomorrows for our members.

4

Excellence

Extremely proud of what we do and whom we do it for, we set our own bar high. We are fiercely competitive in everything we do and approach each day with the drive to outperform.

The challenges created by the pandemic fueled our determination to keep our people safe and well, so they could keep up their service to you. This included programs aimed at enhancing the overall wellness and mental health, inclusion, as well as growth and career development, while providing the technology enhancements needed to keep us working and teaming seamlessly, even while remote. We continued to feel connected to one another, and committed to our members, despite another year that at many times kept us physically apart.

INVESTED IN INCLUSION

We continue to make progress on our inclusion and diversity strategy, leveraging employee feedback, leadership training and survey insights to build a more inclusive workplace.

Our Inclusion & Diversity Council is chaired by OMERS President and CEO Blake Hutcheson and Chief Human Resources Officer Nancy Nazer, setting the tone from the top, with representation from across businesses, functions and geographies.

Women in Leadership Program

40%

of participants were promoted during or shortly after the program

90%

assessed by their managers as more equipped for the next role

"My team is a community that understands that I'm different and cares about how I feel."

Judine Allen, Manager, Investment Finance, Toronto

Enhanced recruitment and referral programs to focus on inclusion

Established **new partnerships** to attract a more diverse pool of new graduate talent

Inclusive Benefits

Extended **flexible fertility coverage**

Offered **gender affirmation coverage**

Great Place To Work. Certified CANADA

Six Employee Resource Groups – Building Community & Engagement

Briefcase Parents
DiversAbilities (*new*)
Indigenous Peoples Alliance (*new*)
Multicultural Alliance
Pride@OMERS
Women@OMERS

"The commitment that everybody at OMERS has made to I&D is something we can be extremely proud of."

Jambu Palaniappan, Managing Director, OMERS Ventures, London

GROWING OUR CULTURE

87%

Employee Experience Survey – Inclusion Index

+4 points above best-in-class benchmark

90%

of Employee Experience Survey respondents completed the voluntary self-identification information

Building Accountability

In 2022, accountability for Inclusion and Diversity is embedded in scorecards for all Executive Leadership Team members.

As we continue our journey, we have made some significant progress on our People Strategy in 2021 that includes:

- An expanded leadership team that brings diversity of experience and global perspective. Under this new leadership, we enhanced our focus on inclusion, expanded operational capabilities and created new opportunities, including for growth and succession.
- An 81% engagement rating, three points above the external best-in-class benchmark, in our newly launched Employee Experience Survey. All employees were invited to participate in this survey, which measured their pride, motivation and willingness to recommend OMERS as a workplace of choice. Leaders across OMERS have used their teams' feedback to develop specific action plans.
- A continued focus on deliberate and proactive expansion of recruitment pipelines and career development opportunities for women. In particular, the Women in Leadership Program, aimed at retaining and developing high-performing women at senior levels, contributed to our achievement of an 87% Inclusion Index score drawn from the Employee Experience Survey, 4 points above the best-in-class benchmark.
- Impactful conscious inclusion sessions held for our global leaders, building on an enterprise-wide education program the year before.
- Achieved certification as one of Canada's Great Places to Work and selected as a Greater Toronto Area Top 100 Employer, based on factors including our work atmosphere, benefits, training and skills development, and community involvement.

Continuing our journey to advance representation of women

WOMEN AT OMERS
as of December 31, 2021

47%

Total global workforce

40%

Executive Leadership Team

26%

Investment Professionals

Aligned to industry average as provided by the Investor Leadership Network

Managing the Risks that We Face

The OMERS Plan is the collective responsibility of deeply committed executive teams and experienced Boards of Directors at the Sponsors Corporation (SC) and Administration Corporation (AC).

As part of our responsibility to manage the Plan, we regularly evaluate and assess the likelihood and impact of risks to the Plan, along with potential options to mitigate them.

We are making progress on the priority to lower our discount rate over time, as another key component of strengthening Plan resiliency. This will be done incrementally, to balance our long-term financial health with benefit and contribution rate stability.

Through informed decision-making and leading governance practices, our overriding objective is to ensure the Plan remains sustainable, affordable and meaningful in our complex and fast-changing world. The SC has sole responsibility for determining the Plan's benefit levels and contribution rates.

In 2020, "shared risk indexing" (SRI) was introduced as an optional tool that could be invoked to assist with improving Plan resilience by reducing future inflation increases on benefits earned after December 31, 2022, based on an annual assessment of the Plan's financial health. Shared risk indexing would allow risk to be more equitably spread across all generations of active and retired members. For more information on shared risk indexing, please refer to the MD&A.

As we continue to assess the Plan's long-term financial sustainability, we are focused on strengthening and protecting its resilience against the potential risks on the horizon. Members, employers, sponsors and stakeholders are an important part of the OMERS community, and we will continue to prioritize keeping them informed as we focus on ensuring that the Plan serves the needs of all members now and for decades to come.

MANAGING THE DISCOUNT RATE

This key actuarial assumption is used to calculate the present value of members' future pension benefits and is based on a variety of factors, including long-term investment return expectations. OMERS current discount rate is higher than our long-term target. Gradually lowering the discount rate will make the Plan less reliant on investment returns and more resistant to potential adverse market conditions. Lowering the discount rate decreases our funded ratio, but strengthens the Plan's long-term resilience. So in 2021, we reduced the real discount rate used to calculate our liabilities by 10 basis points, from 3.85% to 3.75%. This reduction is in line with our strategy and moves the real discount rate closer to our long-term target. Including our assumption for long-term inflation of 2.00%, our year-end "nominal" discount rate is 5.75%.

Conclusion

OMERS plays an important part of Ontario's economy and retirement system. We serve more than half a million members across the province, with $121 billion in assets across the globe invested on their behalf.

Looking back, we have added to the retirement security and peace of mind for our members for 60 years. Today, your Plan owns high-quality, diverse investments across the globe that have been carefully selected to generate returns to pay pensions. We have made, and will continue to make, meaningful commitments towards a green future. We are strengthening and modernizing our services and platforms to meet your needs as we build a skilled and talented team dedicated to our common purpose.

Our Plan is maturing, and we will keep building our resiliency so that we can continue to deliver defined benefit pensions for future generations.

There is so much more to do. We look to the next 60 years, and beyond, ready to take on the challenges and opportunities that lie ahead as we Build Tomorrow Together.

OMERS members, employers, sponsors and stakeholders are integral to our community. We are deeply committed to engaging with you regularly to share information and partner on areas of mutual interest. We invite you to join our Annual Meeting taking place via webcast on Monday, April 11, 9:00 AM to 11:00 AM EST. For more information and to register for the Annual Meeting, please click here.

Update on Governance

OMERS is governed by two corporations: OMERS Sponsors Corporation (SC) and OMERS Administration Corporation (AC). Each has a separate and distinct mandate as set out in the Ontario Municipal Employees Retirement System Act, 2006 and described on our website at omers.com/omers-governance.

The two corporations and their Boards work together, closely and collaboratively, to meet a singular goal: to make OMERS a sustainable, affordable and meaningful defined benefit pension plan. The Boards have each adopted the OMERS 2025 Strategy to ensure operational alignment and a joint risk management process to promote a common understanding of, and approach to, managing relevant risks.

This bicameral structure enables broad input into decision-making. This is important because of the large number of OMERS stakeholders; the complexity of the Plans; and the need for focused expertise in key areas including plan design, member and employer services and investments.

We believe that effective and transparent governance is fundamental to achieving our respective mandates. We are continually reviewing our governance models and practices to ensure that we achieve high governance standards.

Both Boards continued to meet in virtual formats throughout 2021.

Joint Board Activities

OMERS two Boards met jointly on four occasions in 2021. Our sessions covered OMERS 2020 annual results and 2021 investment performance, Director education, external communication principles, and reviews of our 2025 Strategy – including OMERS discount rate and joint funding framework. We agreed that our strategy remains relevant and appropriate, and agreed on additional steps to continue to execute that strategy. We also discussed Plan sustainability matters, including long-term discount rate and investment return assumptions, and plan risk assessment matters, including the Plan's risk model and risk appetite, among other topics. The Plan's risk profile remains high and addressing the Plan's risks will continue to be our joint focus.

The respective AC and SC governance committees also met jointly on two occasions in 2021. Our sessions covered governance trends, the AC Director appointment process, the review of risk appetite statements and frameworks, stakeholder engagement, and communications.

Our Joint Council, which is comprised of representatives from each Board, continued to be an effective forum to discuss governance and oversight matters of mutual importance to both Boards. Our Joint Council met at minimum once a month, and often more frequently, for most of 2021, working closely together to create a critical communication link between the Boards during these unprecedented times. This Joint Council is supplemented by a management working group comprised of senior executives from AC and SC, who meet biweekly.

Finally, in conjunction with our ongoing engagement efforts, the SC and AC met together with 25 sponsors and stakeholders during the latter part of 2021. These meetings provided an opportunity to solicit feedback and build relationships while discussing areas of interest such as OMERS investment results, climate commitments, Plan administration and communications. We will be reporting on that feedback at an upcoming Sponsor and Stakeholder Forum in 2022.

OMERS Sponsors Corporation

At the Sponsors Corporation (SC), we are responsible and accountable for what we call the "ABCs" of OMERS: Appointments, Benefits and Contributions. Specifically, we are responsible for determining benefit levels and contribution rates for the Plans and setting compensation levels and appointment protocols for both the SC and AC Boards. This includes formal protocols related to the nomination, appointment and reappointment of Directors for both the AC and SC Boards. The intent is to select qualified candidates to provide effective stewardship and oversight based on, among other things, their considerable experience, proven competencies, sector knowledge, and commitment to the defined benefit pension model.

The SC Board comprises 14 members, half of whom are appointed by employer groups and half of whom are appointed by unions and associations, representing members. Biographies and photographs of each SC Board member can be found at omers.com/omers-governance.

The SC Board continued to focus on the Plan's sustainability by conducting plan risk assessment during 2021. As part of that effort, the SC met with 25 sponsors and stakeholders to garner feedback on our engagement and communication activities, as well as matters related to sustainability.

With respect to plan design, the SC also extended certain changes introduced in 2020 because of COVID-19 and reviewed certain by-laws regarding AC Board composition and the plan change process. Each of these activities is described more fully below.

As described in our 2020 Annual Report, the SC's CEO Michael Rolland introduced a new leadership team to provide additional expertise and depth with respect to governance, plan design, risk, strategy development and stakeholder relations. This team commenced their duties on January 1, 2021, and includes Executive Director of Strategy, Stakeholder Relations and Communication, Pierre Côté; Executive Director, Operations and General Counsel, Audrey Mak; and Executive Director, Plan Funding and Risk, Manuel Monteiro. You can read the biographies of each team member at omers.com/leadership.

During the fall of 2021, SC CEO Michael Rolland announced his retirement. We thank Michael for the significant contributions he has made to OMERS and to the SC. The SC Board has hired an external consultant to assist in conducting a search for the SC's next CEO. We expect the next CEO will be appointed during the first quarter of 2022.

PLAN RISK ASSESSMENT

During 2021, the SC continued our plan risk assessment. This reflects our ongoing responsibility to determine whether plan changes are necessary to ensure the Plan remains sustainable, affordable and meaningful into the future; the risks affecting the Plan are set out in the "Highlights" and "Management's Discussion and Analysis" sections of this Annual Report. The SC Board will continue to assess these risks and to evaluate options for mitigation during 2022. We commit to continuing discussions on these issues with sponsors, stakeholders, employers and members throughout the assessment process.

PLAN DESIGN CHANGES

The SC decided in 2021 to extend, for an additional year, two of the plan amendments that were introduced in 2020, in response to the pandemic's impact on members' employment. Specifically,

1. The deadline to complete a leave purchase has been extended by one year for those members who return from a leave of absence during 2022. (This is in addition to the previous extension granted for members returning from a leave of absence during 2020 or 2021.)

2. Members may purchase credited service for periods of absence due to temporary layoff that are initiated in 2022. (This is in addition to the option to purchase credited service for periods of absence due to temporary layoff that were initiated in 2020 or 2021.) The service can be purchased at two times contributions.

Additional details on these changes are available at omers.com.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

The SC also adopted a change to the Additional Voluntary Contributions (AVC) program, with respect to the window of time during which members can make lump-sum transfers. Starting in 2022, members can make lump-sum transfers to their account between January 1 to June 30 each year. Members can continue to make automatic and catch-up contributions throughout the calendar year.

BOARD COMPETENCIES AND EFFECTIVENESS

Since 2019 and continuing into 2021, the SC Board has been engaged in a Board effectiveness review, with the goal of ensuring the SC's governance regime promotes effective decision-making and meets the highest contemporary governance standards. The changes made to By-Law No. 4 (highlighted below) is one output of this ongoing review.

The Corporate Governance Committee ("CGC") regularly reviews the attributes that each SC Director must possess and the competencies that the SC Board, as a whole, must satisfy. SC Directors are likewise regularly assessed against these attributes and competencies, particularly when they are eligible for reappointment to the SC Board. This review ensures that any skills gaps are identified and addressed by the SC Board, so that the SC Board is fully capable of carrying out its statutory objectives as set out in the *Ontario Municipal Employees Retirement System Act, 2006*. The SC Board, upon recommendation of the CGC, approves both the attributes and the competencies, which are as follows:

SC Director Attributes and Competencies

Attributes	Competencies
Each SC Director must possess the following attributes: • Independence, integrity and sound judgment • Curiosity and courage to ask the right questions • Long-term, strategic outlook • Commitment to the defined benefit model • Demonstrated ability to operate effectively as part of a diverse team to arrive at a conclusion benefitting all	The SC Board as a whole must demonstrate competency in the following 7 areas: • Stakeholder Relations • Pensions – Design • Pensions – Funding • Governance • Government/Regulatory/Public Policy • Risk • Leadership Experience

Any skills gaps identified are addressed through, among other things, enhanced and targeted Director development and education, and for new Board members, tailored orientation sessions.

In addition, at the end of 2021, the SC Board evaluated the Board Chair, Vice Chair and Committee Chairs, as well as the role descriptions for each of these positions and the position of Board Member.

SC BY-LAW REVIEW

The SC Board reviewed and amended By-Law No. 4 ("AC Board Composition") during 2021. Key amendments include:

- updating the AC Board Chair succession process to, among other things, align it with the appointment process for other Board members;

- changing the nomination and appointment process for all other AC Board members to provide Sponsors with more time to make their nominee decisions;
- adding a new requirement to be "Formally Independent" for all appointments;
- establishing an overall 12-year term limit for any AC Board member who is appointed as AC Board Chair; and
- expanding the mandate of the SC's Nomination Advisory Committee to address both appointments and reappointments.

These changes are intended to provide more clarity, transparency and flexibility to those involved in the nomination and appointment process for the AC Board. We believe these improvements will strengthen the governance framework and help ensure that the individuals appointed to the AC Board continue to have the qualifications, skills and competencies necessary to effectively carry out AC's roles and responsibilities as set out in the *Ontario Municipal Employees Retirement System Act, 2006*.

The set of SC By-Laws can be found on OMERS website at omers.com/sc-governance-manual.

BOARD POSITION CHANGES

As reported in our 2020 Annual Report, effective January 1, 2021, Frank Ramagnano assumed the role of SC Board Chair, and Barry Brown assumed the role of Vice Chair.

The SC also appointed new chairs for each of its committees, effective January 1, 2021:

- Plan Design Committee: Pete Derochie
- Corporate Governance Committee: Dan Axford
- Human Resources and Compensation Committee: Mary McConville
- Audit Committee: Joe Pennachetti

Mr. Paul Bailey's and Mr. Charlie Macaluso's terms as SC Directors ended on December 31, 2021. The SC Board thanks Paul and Charlie for their invaluable contributions during their tenure. Mr. Scott Marks and Mr. Max Cananzi have been appointed as their replacements, effective January 1, 2022.

ORIENTATION AND EDUCATION

New Directors to the SC Board participate in an orientation process, which includes a comprehensive discussion of the history and mandate of the corporation, OMERS governance and strategy, plan design, risk, and current initiatives.

In 2021, because of pandemic-related closures and travel restrictions, participation in external conferences and education sessions continued to be significantly lower than in prior years.

REMUNERATION

Set out in the table is the remuneration for Directors of the SC Board for 2021 and effective January 1, 2022. No other remuneration is provided to SC Directors. For Directors appointed after January 1, 2020, compensation is paid directly to the Director; for Directors appointed prior to this date, compensation may be paid to the Director or to the organization with which they are affiliated.

	2021 and 2022 Annual Retainer
Chair	$95,000
Vice Chair	$75,000
Committee Chair	$49,000
All other Directors	$42,000

Generally, SC Board Directors are reimbursed for reasonable and necessary expenses incurred in connection with carrying out the business of the SC. These reimbursements relate primarily to travel and accommodation expenses incurred because of attendance at SC Board, committee or similar meetings. Directors are also reimbursed for mode of travel, tuition and other expenses incurred while attending relevant conferences – or other professional and educational programs – within Canada and the continental U.S.; however, travel time is not compensated.

All SC Directors also receive an annual technology allowance to compensate them for the expenses incurred related to acquisition, maintenance and licensing of technology related to their Board duties, as well as covering incidental expenses. This is a taxable benefit.

Expenses may vary by year and by Director for a variety of reasons, including the availability and location of programs, number of scheduled and ad hoc meetings attended and the location of the Director's primary residence. Expenses in 2021 reflect the reduced level of travel as all meetings continued to be conducted virtually in 2021.

ATTENDANCE

SC Board member attendance at Board and committee meetings is summarized in the "Reference" section of this Annual Report.

OMERS Administration Corporation

The AC Board comprises 14 members nominated by sponsor organizations and appointed by the SC Board, plus an independent Chair, George Cooke, who was appointed by the SC Board in a joint process with the AC Board. Biographies and photographs of each AC Board member can be found at omers.com/board-of-directors.

In our 2020 Annual Report, AC's CEO Blake Hutcheson introduced the expansion of OMERS leadership team, resulting in a more inclusive group that represents virtually every aspect of our enterprise, with more depth, diversity, experience, global perspective and cross-enterprise reach. This Executive Leadership Team (ELT) was established in January 2021. You can read the biographies of each of the ELT members at omers.com/leadership.

BOARD AND COMMITTEE ACTIVITIES

The environment in which OMERS operates was subjected to sustained uncertainty in 2021, as the COVID-19 pandemic continued to evolve. This uncertainty necessitated continued heightened oversight by the AC Board and its committees.

The AC Board and its committees met frequently to review management activities and to provide oversight in many areas, including investments, risk management, governance, pension services and human resources. We focused on matters such as currency and liquidity management, investment management and portfolio construction, financial reporting frequency, OMERS revised return-to-office and remote work principles, and amendments to the Additional Voluntary Contributions program. We established an *ad hoc* Asset-Liability Study Committee to oversee the current asset-liability study, which is scheduled to be completed in 2022. The AC Board and each of its committees also conducted a thorough review and update of their mandates to ensure continued execution and oversight of AC Board and Management responsibilities, respectively. These mandates are available at omers.com/governance-manual-policies-and-guidelines.

We continued our regular education sessions with external speakers presenting at each Board meeting, including presentations on strategic foresight, climate change, investing for the 21st century and the geopolitics of the Asia-Pacific region.

We also continued our oversight of OMERS approach to sustainable investing and the integration of environmental, social and governance (ESG) factors, including climate change in our investment processes. This included the AC Board's approval of OMERS commitment to net-zero emissions in our portfolio by 2050, together with the establishment of interim goals every five years. In 2020, OMERS committed to reduce the carbon intensity of the total portfolio by 20% by 2025. We intend to now turn our attention to setting a 2030 interim goal.

BOARD COMPETENCIES AND EFFECTIVENESS

AC's Governance & Risk Committee regularly reviews the attributes that each AC Director must possess and the competencies that the AC Board, as a whole, must satisfy. AC Directors are likewise regularly assessed against these attributes and competencies. This ensures that any skills gaps are identified and provided to the SC Board for consideration in appointing or reappointing AC Directors, and that the AC Board is fully capable of providing the oversight necessary for OMERS to achieve its statutory objectives as set out in the *Ontario Municipal Employees Retirement System Act, 2006*. The AC Board, upon recommendation of the Governance & Risk Committee, approves both the attributes and the competencies, which are as follows:

AC Director Attributes and Competencies

Attributes/"Table Stakes"	Competencies
Each Director must possess the following attributes: • Independence, integrity and sound judgment • Long-term, strategic outlook with a stewardship mindset • Governance knowledge and experience at a major organization • Knowledge of business issues and financial matters • Demonstrated ability to operate effectively and collaboratively as part of a diverse team	The AC Board as a whole must demonstrate competency in the following 13 areas: • Senior Leadership Experience • People • Pension Funding • Pension Administration • Public Market Investing • Private Markets Investing • Environmental, Social, Governance Matters • Financial & Operational Controls • Government & Public Policy • Regulatory Affairs • Stakeholder Relations • Technology & Innovation • Risk

The Governance & Risk Committee likewise regularly reviews the AC Board's effectiveness, and in 2021 oversaw an independent review by an external governance consultant of the effectiveness of each of the AC Board, its committees, and its individual Directors. This review focused on Board and committee structures and processes, team interactions and individual behaviours, with the objective of better understanding effectiveness in each of these areas and to identify opportunities for improvement. The review concluded that the AC Board is a high-functioning board with robust processes and strong leadership and that there are no major issues. The AC Board worked with Management to implement the identified opportunities for continuous improvement in 2021 and will continue to do so in 2022.

BOARD MEMBERSHIP CHANGES

Mr. David Beatty's and Ms. Darcie Beggs' terms as AC Directors ended on December 31, 2021. The AC Board is grateful for their contributions during their tenure. Mr. John Armstrong and Mr. Kevin Skerrett have been appointed as their replacements, effective January 1, 2022.

ORIENTATION AND EDUCATION

Directors new to the AC Board participate in an extensive orientation process, which includes a comprehensive discussion of the history and mandate of the corporation, OMERS business and planning process, its strategy and current programs.

Directors also participate in various educational programs and industry conferences, which are either approved or mandated by the organization. Additionally, in-house programs are developed with external experts to educate the AC Board on matters relevant to its duties and mandate.

In order to maintain their respective certified director designations, Directors are also required to meet certain educational requirements to stay current on key issues and to continue their professional development.

REMUNERATION

Set out in the table below are the retainers for Directors of the AC Board for 2021 and 2022. Retainers are paid directly to AC Directors, and they are provided no other remuneration.

	2021 and 2022 Annual Retainer
Chair	$185,000
Committee Chair	$90,000
All other Directors	$75,000

AC Board directors are reimbursed for reasonable and necessary expenses incurred in connection with carrying out the business of AC. These reimbursements relate primarily to travel and accommodation expenses for attending AC Board, committee or other similar meetings. AC Directors receive an annual technology allowance to compensate them for the expenses incurred related to acquisition, maintenance and licensing of technology related to their Board duties, as well as covering incidental expenses. This is a taxable benefit.

Travel time is not compensated.

Expenses may vary by year and by Director for a variety of reasons, including the availability and location of programs, number of scheduled and ad hoc meetings attended, and the location of the Director's primary residence. Expenses in 2021 reflect the reduced level of travel as all meetings were conducted virtually.

Compensation for Members of the Appeals Committee

Board members who serve as members of the Appeals Committee are entitled to receive the applicable annual retainer payment plus an additional meeting fee for each day of attendance at a hearing of an Appeals Panel, provided they are present for the full hearing while in session – regardless of the duration of the hearing on any given day. The Chair of the Appeals Committee earns $1,000 per day and all other committee members earn $750 per day.

ATTENDANCE

AC Board member attendance at Board and committee meetings is summarized in the "Reference" section of this Annual Report.

IN MEMORIAM – DARCIE BEGGS

The AC Board and Management are very saddened by the passing of Darcie Beggs in January 2022 and we offer our sincere condolences to all of Darcie's family, friends and colleagues. Darcie was a proud CUPE nominee and two-term member of the AC Board of Directors and was a valued voice and active member of the AC Board and each of the Audit & Actuarial, Human Resources and Appeals Committees. She provided important input to, and oversight of, the Plan on behalf of all OMERS members and her personal championing of inclusion and diversity and her strong commitment to, and promotion of, defined benefit pensions will be long remembered.

SECTION 6

Management's Discussion & Analysis

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Port of Melbourne, Australia

FUNDED RATIO

97%

2020: 97%

NET RETURN

15.7%

Benchmark: 6.6%
2020: (2.7)%

REAL DISCOUNT RATE

3.75%

2020: 3.85%

NOMINAL DISCOUNT RATE

5.75%

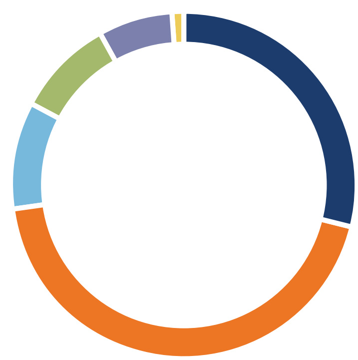
2020: 5.85%

2021 ASSET MIX

Public Equity	29%
Credit	14%
Bonds	6%
Private Equity	16%
Infrastructure	20%
Real Estate	16%
Cash & Short-Term Instruments (net of economic leverage)	(1)%

Historical Net Returns

2021 ASSETS BY GEOGRAPHY



Canada	29%
U.S.	44%
Asia-Pacific	10%
Europe excluding U.K.	9%
United Kingdom (U.K.)	7%
Rest of the World	1%

NET ASSETS ($ BILLIONS)

Solar Panels at Yorkdale Shopping Centre, Canada

This Management's Discussion & Analysis ("MD&A") is the responsibility of the Management of OMERS Administration Corporation (AC) and OMERS Sponsors Corporation (SC). It contains Management's analysis of the OMERS Pension Plans' financial condition, operational results, approach to sustainable investing and the environment in which the Plans operate, and should be read in conjunction with AC's Consolidated Financial Statements. The OMERS Pension Plans comprise the OMERS Primary Pension Plan (Primary Plan or Plan), the Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan, and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (Supplemental Plan).

The AC Board of Directors has reviewed and approved the contents of this MD&A, as at February 28, 2022. The SC Board of Directors has reviewed and approved those sections that are relevant to SC's mandate, as at February 23, 2022.

In addition to historical information, this MD&A contains forward-looking statements with regard to Management's strategy, objectives, outlook and expectations. Forward-looking statements made in this MD&A represent Management's views at the date of this report and Management does not undertake to update or revise any forward-looking statements as a result of new information, future events or otherwise. Many factors affect the Plans' performance, such as changes in market conditions, interest rates, demographics, technological factors, environmental and climate factors, and the ongoing health and other effects of the COVID-19 pandemic. Investment returns and values will fluctuate. Past performance is not a guide to or indicative of future results.

We use certain financial measures that are not based on Generally Accepted Accounting Principles (GAAP) as key metrics in our financial reporting to enable our readers to better understand our condition and results. Non-GAAP financial terms are listed and defined in the Glossary section of this MD&A.

Interests in the Plans are not and will not be offered or sold in the U.S., or to or for the account of U.S. persons, as defined by U.S. securities law.

Overview of OMERS

Founded in 1962, OMERS is a jointly sponsored, defined benefit pension plan, with approximately 1,000 participating employers ranging from large cities to local agencies, and over half a million active, deferred and retired members. Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario. Contributions to the OMERS Pension Plans are funded equally by members and employers.

OMERS teams work in Toronto, London, New York, Amsterdam, Luxembourg, Singapore, Sydney and other major cities across North America and Europe – serving members and employers, and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure and real estate.

Overview of the OMERS Pension Plans

The OMERS Pension Plans comprise the OMERS Primary Pension Plan (Primary Plan or Plan), the Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan, and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (Supplemental Plan).

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 Pension Benefits Act (Ontario) (PBA), the Income Tax Act (Canada) (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 (FSRA) and with the Canada Revenue Agency (CRA) under Registration #0345983. Attributes of the defined benefit component of the Primary Plan include:

1. **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. AC determines the regulatory minimum and maximum funding requirements in accordance with the PBA and the ITA. SC sets actual contribution rates and benefits.
2. **Pensions** 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. These pensions are calculated as a percentage of the member's annual earnings averaged over the highest 60 consecutive months, multiplied by years of credited service.
3. **Normal Retirement Age** The normal retirement age (NRA) is 65 years for all Primary Plan members, except for police officers and firefighters, who generally have a normal retirement age of 60 years. Effective January 1, 2021, an OMERS employer can elect to provide NRA 60 benefits to all or a class of paramedics. For unionized employees, access to NRA 60 benefits is subject to negotiation between employers and unions.
4. **Death Benefits** Benefits are payable upon the death of a member to a surviving spouse, eligible dependent children, a designated beneficiary, or to the member's estate. Depending on eligibility requirements, the benefits may be paid in the form of a survivor pension, lump sum payment or both.
5. **Escalation of Pensions** Inflation protection increases pensions each year, based on the increase in the average of the Canadian Consumer Price Index (CPI) for the preceding 12-month period ending in October compared to the average CPI for the same period of the previous year, as follows:
   - Benefits earned on or before December 31, 2022 receive full inflation protection, up to a maximum annual increase of 6%. Any excess is carried forward so it can be used in later years if and when CPI increases by less than 6%.
   - Benefits earned on or after January 1, 2023 are subject to shared risk indexing, meaning that the level of inflation protection will depend on SC's annual assessment of the financial health of the OMERS Plan, and may be less than the full inflation protection.
6. **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.
7. **Income Taxes** The Primary Plan is a Registered Pension Plan as defined in the ITA and is not subject to income taxes for contributions received or investment income earned. The operations of certain entities holding private equity, infrastructure, private credit or real estate investments may be taxable.

AVC Component

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. The liability of the Primary Plan, with respect to the AVC component, is equal to members' AVC contributions, plus (if positive) or minus (if negative) the prorated, full-year net investment rate of return earned by the defined benefit component of the Primary Plan over the period of time that the AVC contributions had been invested. Funds invested in AVCs earned the Primary Plan's return of 15.7% in 2021. In 2020, funds invested in AVCs earned the Primary Plan's return of (2.7)%.

Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan

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

Current and future contributions are determined annually 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 offers optional benefits for members of the police sector, firefighters and paramedics. It 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 FSRA and with the CRA under Registration #1175892.

Until March 31, 2024, 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, 2021 and December 31, 2020, no such agreement existed and hence the Supplemental Plan had no assets, no liabilities and no members.

Primary Plan Funded Status

The Plan's funded status is an indicator of its long-term financial health. As at December 31, 2021, the Plan's funded ratio remained unchanged at 97%, while its funding deficit decreased from $3.2 billion to $3.1 billion. Unrecognized investment gains or losses increased from a cumulative loss of $4.4 billion to a cumulative gain of $3.1 billion.

OMERS has taken steps in recent years to manage continuing funding risks that could impair our objective of providing sustainable, affordable and meaningful pensions to current and future members. These steps include progressively lowering the discount rate and amending the Plan to introduce shared risk indexing, which, if invoked, will allow us to share risk more equitably between active and retired members as the Plan matures. Despite this progress, and even though the investment return in 2021 improved the Plan's financial health, we believe that the Plan's funding risk profile remains high.

The following table summarizes the Plan's financial condition, excluding the AVC component, at December 31, 2021 and 2020:

$ billions unless otherwise indicated	**December 31, 2021**	**December 31, 2020**
Funding deficit[1]	**(3.1)**	(3.2)
Funded ratio[2]	**97%**	97%
Nominal discount rate	**5.75%**	5.85%
Real discount rate	**3.75%**	3.85%
Net assets on a smoothed basis	**116.2**	108.6
Net assets on a fair value basis	**119.3**	104.2
Pension obligations	**119.3**	111.8
Unrecognized investment gains or (losses)[3]	**3.1**	(4.4)

1 The difference between the net assets on a smoothed basis and the pension obligations.
2 The net assets on a smoothed basis divided by the pension obligations.
3 The difference between the net assets on a fair value basis and the net assets on a smoothed basis.

The funding deficit and funded ratio are calculated by comparing the value of pension obligations on a going-concern basis to the smoothed value of assets. Under this approach investment returns above or below the 'smoothing rate' are smoothed into the value of assets over a five-year period. The 'smoothing rate' is described in Note 2 to the Consolidated Financial Statements. In doing so, contribution rates can be set, and benefits designed, without putting undue emphasis on short-term investment performance and volatility. The difference between the fair value and the smoothed value of assets is known as unrecognized net investment gains or losses; these unrecognized amounts will be recognized in the smoothed value of assets, the funded ratio and the funding deficit over the next four years.

The following table presents the movements in the funded ratio and funding deficit from December 31, 2020 to December 31, 2021:

	Funded Ratio %	Funding Deficit $ billions
Beginning of year	**97**	(3.2)
Interest on deficit	**n/a**	(0.2)
Contributions from members and employers to pay down the deficit	**–**	0.5
Smoothed investment return above the discount rate	**2**	2.4
Plan experience and other factors	**(1)**	(0.9)
Reduction in the real discount rate by 10 basis points	**(1)**	(1.7)
End of year	**97**	(3.1)

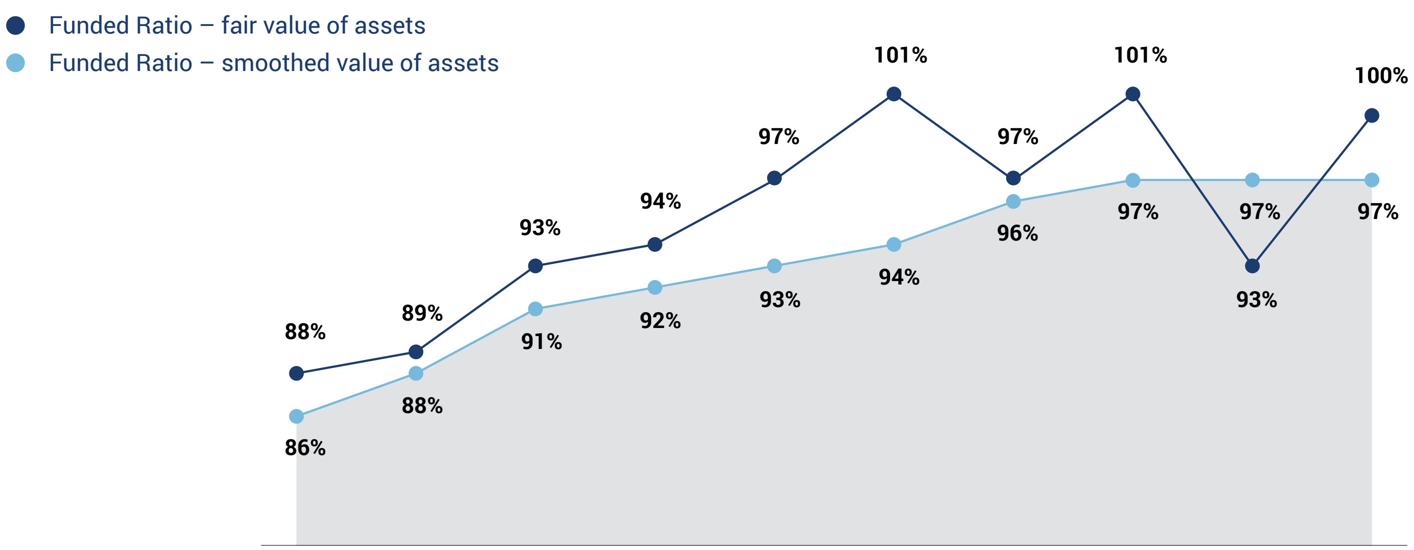
On a fair value basis, the funded ratio increased from 93% as at December 31, 2020 to 100% as at December 31, 2021, as the Plan's assets grew more than its pension obligations during the year. The deficit reduced from $(7.6) billion to $(0.1) billion over the same period.

The differences in the funded ratio and the deficit between the smoothed and fair value basis are presented below:

	December 31, 2021		December 31, 2020	
	Funded Ratio %	Surplus (Deficit) $ millions	Funded Ratio %	Surplus (Deficit) $ millions
Smoothed basis	97	**(3,131)**	97	(3,211)
Unrecognized investment gains or (losses)	3	**3,062**	(4)	(4,444)
Fair value basis	100	**(69)**	93	(7,655)

The following chart tracks the funded status of the Plan over the past 10 years on a fair value and smoothed value basis.

PLAN FUNDED RATIO



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Real Discount Rate	4.25%	4.25%	4.25%	4.25%	4.20%	4.00%	4.00%	3.90%	3.85%	3.75%
Inflation Assumption	2.25%	2.25%	2.25%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Nominal Discount Rate	6.50%	6.50%	6.50%	6.25%	6.20%	6.00%	6.00%	5.90%	5.85%	5.75%

DISCOUNT RATE

For long-term strategic and risk management purposes, Management values the Plan's pension obligations, measures its financial health and assesses its funding risk using both the current discount rate and a target real discount rate of 3.00%. This target real discount rate is reviewed annually.

We intend to lower the real discount rate over time, as a lower discount rate can help make the Plan more resilient to the funding risks we see on the horizon. We are doing this incrementally so that we balance our long-term financial health with benefit and contribution rate stability.

Consistent with our strategy, the historical funded ratios in the chart above reflect a progressively lower discount rate. We reduced the inflation component of our nominal discount rate from 2.25% to 2.00% in 2015. We reduced the real discount rate by a total of 50 basis points since 2015, including a 10 basis point reduction in 2021, from 3.85% to 3.75%.

Our objective is to reduce the real discount rate by at least 5 basis points per year toward our target real discount rate by 2035.

The table below presents the impact of a 5 basis point reduction in the real discount rate on the following metrics:

	December 31, 2021	December 31, 2020
Pension obligation	**+ $0.9 billion**	+ $0.8 billion
Normal cost as a percentage of pay	**+ 0.2%**	+ 0.2%

Normal cost is the value of pension benefits members will earn in the next year, expressed as a percentage of those members' contributory earnings. The normal cost of benefits accruing in 2022 is 18.3% of contributory earnings. This normal cost is calculated based on a real discount rate of 3.75%.

Plan Changes

There were no changes to contribution rates or benefits in 2021 and contribution rates and benefits will remain unchanged in 2022. The Plan's blended contribution rate for 2022 is estimated to be 21.0% of contributory earnings (2021 – 21.3%). This rate exceeds the minimum funding contribution rate required by law. The year-over-year decrease of 30 basis points in the Plan's blended contribution rate stems from changes in Canada's wage environment: a lower contribution rate is assessed on members' earnings below the average Canadian wage, and when the average wage in Canada increases, as it significantly did in 2021 due to pandemic-induced job losses at lower wage levels, the threshold for earnings assessed at the lower contribution rate rises.

Pension payments in 2022 will increase by 2.74% from their 2021 levels on account of inflation. In accordance with the Plan Text, we calculate the annual inflationary increases as the average of the Canadian Consumer Price Index (CPI) for the preceding 12-month period ending in October compared to the average CPI for the same period of the previous year.

Challenges Facing the Plan

Immediate funding challenges include near-term headwinds from higher levels of inflation and from the impact of the pandemic on the global economy and on OMERS employers' workforces. Long-term funding challenges include the expectation of lower future investment returns, increasing plan maturity and potential adverse demographic experience, as described below. The Plan remains underfunded and is maturing; it does not yet have sufficient reserves to mitigate the impact of these risks.

Management regularly models these funding risks and continues to assess options for improving the Plan's long-term financial health and for strengthening the Plan's resilience.

Increasing Plan Maturity

The Plan is maturing; this means that our retired membership base is increasing relative to our active member population. Plan maturity could be accelerated if member life expectancy increases; if we experience a slowing growth rate of active contributing membership due to shifting workforce trends and the changing nature of work; if active members seek to retire earlier than expected from historical norms; or if member longevity continues to increase, as discussed below.

Importantly, as the ratio of active to retired members continues to decline, annual pension payments will increasingly exceed annual pension contributions; in 2021, these totalled $5.4 billion and $4.4 billion, respectively. We expect the deficiency between the contributions received and benefits paid will continue to widen each year. This trend increases the Plan's reliance on investment income to pay pensions, making the Plan more vulnerable to economic downturns. Our risk tolerance therefore decreases as the Plan matures.

PLAN MATURITY

The ratio of active members to retired members is a common measure of plan maturity. Our ratio today is less than 2:1. It is expected to reach less than 1:1 in the late 2030s.

In 2021, we commissioned a study on our active membership base to identify feasible growth scenarios. That study suggests that growth in OMERS active membership may slow over the long-term, relative to the growth in the general Ontario population, further increasing Plan maturity. We have incorporated the results of this study into our management and assessment of the Plan's long-term financial health.

Inflation

During 2021, Canada's year-over-year inflation rate rose to 4.8%, which is its highest level in 30 years. While this heightened level of inflation may be transitory, a scenario of persistent high inflation could have a range of consequences for the Plan's financial health. As inflation rises, members contributory earnings may rise, expected benefit payments increase, and the Plan's future pension obligations grow.

The impact of variable or higher-than-expected inflation on the Plan's future expected investment returns is unpredictable: some assets will benefit, while others will be negatively affected. However, we believe that our significant allocation to real assets, and our low allocation to nominal bonds, should help to mitigate inflation risk.

Lower, Uncertain and Volatile Investment Return Expectations

The long-term impacts of COVID-19 on the global economy and on future investing opportunities remain uncertain.

The impacts of climate change, and the progress of global economies toward emission reductions to mitigate those impacts, are similarly unclear and present investment risk.

Increased geopolitical tensions could also impede long-term returns.

As a result, global growth could be slow and erratic, and volatile public equity valuations, persistently low real interest rates and fierce competition for private assets could further reduce future long-term investment returns. Should our investment returns underperform our long-term return expectations, the Plan could require increased contributions, decreased benefits or both to fund the resulting incremental deficit.

To manage this risk, OMERS regularly monitors the suitability of our investment strategies and periodically conducts studies to inform the selection of our asset mix. OMERS last conducted an Asset-Liability Study in 2019 and plans to complete a new study in 2022.

Adverse Demographic Experience

Adverse demographic experience includes greater than expected improvements in life expectancy (from increased longevity), higher than expected salary increases, and accelerated member retirements and termination trends. If demographic experience differs adversely from our expectations we may be required to increase the value of our pension obligations and, therefore, our funding requirements.

Life expectancy, in particular, has steadily increased over time. This means that retirees have been collecting pensions for longer periods. Our valuation assumes that longevity will continue to improve; however, to the extent that longevity improves faster than our current assumption, our pension obligations will increase.

Changes in the wage environment can also impact demographic experience. To the extent that the average Canadian wage increases at a higher pace than OMERS members' actual wages increase, as transpired in 2021 due to pandemic-induced job losses at lower wage levels in Canada, the overall contributions OMERS receives may be lower than our expectations.

We monitor our demographic experience against actuarial assumptions annually and conduct a detailed experience study at least once every five years, with the most recent study completed in 2018.

RCA Funding

The RCA is funded on a modified pay-as-you-go basis and, unlike the Primary Plan, is not meant to be prefunded, given the tax implications of funding non-registered pension plans. We target a level of funding that ensures that the existing RCA fund, plus projected contributions and projected investment earnings are, in aggregate, sufficient to pay for benefits and expenses for a period of 20 years following the valuation date.

The RCA fund consists of i) a refundable tax account, which is a non-interest-bearing account with the CRA and ii) passively managed Canadian and Foreign Equity Funds.

Because the RCA's partial funding model is based on contributions more than investment returns, it is resilient to lower-than-expected investment returns.

The RCA's primary risk is that contributions collected will be insufficient to meet its 20-year funding target. This risk is compounded by the fact that the level of RCA contributions is dependent on Primary Plan contribution rates and on the number of active members who contribute to the RCA.

The RCA is also subject to increasing plan maturity and its associated risks.

OMERS continually monitors these risks and reflects them in our actuarial assumptions. Those assumptions are set out in Note 7 of the Consolidated Financial Statements.

During the year ended December 31, 2021, the RCA earned net investment income of $22 million (2020 – $11 million) and collected contributions of $29 million (2020 – $29 million). It paid out benefits of $33 million (2020 – $26 million) and administrative expenses of $1 million (2020 – $1 million). These activities resulted in a net increase in the net assets available for benefits of $17 million (2020 – $13 million).

At December 31, 2021, the RCA's net assets totalled $192 million (2020 – $175 million) and its accrued pension obligations were $1,144 million (2020 – $1,152 million).

Investment Results: Primary Plan

NET RETURN

15.7%

Benchmark: 6.6%
2020: (2.7)%
5-year average: 7.5%

NET INCOME

$16.4B

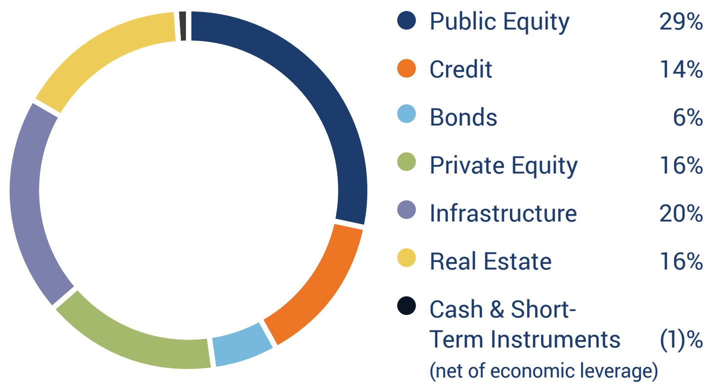
2020: $(3.0)B

NET ASSETS

$120.7B

2020: $105.4B

ASSET MIX



Results

In 2021, the Primary Plan's return, net of expenses, was 15.7%, or $16.4 billion. This compares to a one-year absolute benchmark, approved by the AC Board in December 2020, of 6.6%, and a loss of 2.7%, or $3.0 billion in the prior year.

In Management's view, OMERS portfolio, and the investment strategies that shape it, were positioned well to capitalize on the opportunities that arose during the economic recovery in 2021. As a result, our 2021 results significantly exceeded our one-year benchmark. The specific, primary factors explaining this year's outperformance relative to our benchmark are presented in the Highlights on page 5. All asset classes exceeded their one-year benchmarks.

Asset class investment returns for the Primary Plan and RCA for 2021 and 2020 are included in the table below.

For the years ended December 31,			2021			2020
	Net Investment Income $ millions	Net Rate of Return %	Benchmark %	Net Investment Income $ millions	Net Rate of Return %	Benchmark %
Bonds	85	1.3		67	1.1	
Credit[1]	934	5.8		(793)	(4.3)	
Public Equity	6,589	20.7		(586)	1.5	
Cash and Short-Term Instruments	267	n/a		(463)	n/a	
Total Public Investments	7,875	14.6	5.8	(1,775)	(3.1)	5.5
Private Equity	3,975	25.8	8.0	(1,100)	(8.4)	9.0
Infrastructure	2,267	10.7	7.9	1,767	8.6	7.8
Real Estate	2,532	15.9	6.1	(1,945)	(11.4)	7.5
Total	**16,649**	**15.7**	**6.6**	**(3,053)**	**(2.7)**	**6.9**
Less: Income Credited to Administered Funds	234	15.7	6.6	(41)	(2.7)	6.9
Total Primary Plan	**16,415**	**15.7**	**6.6**	**(3,012)**	**(2.7)**	**6.9**
RCA Investment Fund[2]	22	20.7	20.5	11	11.6	12.6

1 Credit includes private credit investments. These assets have observable public market comparables and are reported with public investments.

2 Excludes the RCA refundable tax account with the Canada Revenue Agency. The RCA net rate of return including the refundable tax account in 2021 is 12.0%, compared to 6.4% in 2020.

The Plan's Benchmarks and Investment Return History

We measure our investment performance annually. Each year, we aim to earn returns that meet or exceed one-year benchmarks approved by the AC Board, generally in December of the prior year. We set return and income benchmarks for asset classes and for the Plan overall.

OMERS benchmarks are for absolute rather than relative returns. We set absolute return benchmarks because we believe that it is important to annually grow our assets, irrespective of market volatility and economic conditions, given the Plan's current funding risk profile.

We establish our public asset benchmarks by considering long-term return assumptions for our public equities and fixed income investments and incorporating forecasted market conditions and portfolio allocations. We establish our private asset benchmarks through a bottom-up, investment-by-investment approach, using budgeted cash flows from our investee companies and real estate assets. Short- and long-term variable incentive compensation is tied to actual performance against these benchmarks.

Our benchmarks exclude the effect of potential foreign currency changes. They are also net of budgeted expenses.

We also measure our investment performance over multi-year periods, as pensions are paid over decades. To that end, we aim to earn average multi-year returns that exceed the geometric average of the one-year benchmarks set for the same periods. Management assesses those geometric average one-year benchmarks relative to the average annual return expectation of 7% set out in our Board-approved Statement of Investment Policies and Procedures ("SIP&P").

The table below sets out OMERS 2021 net return, and our historical net returns over relevant multi-year periods:

	1-Year	3-Year	5-Year	10-Year
Net Return	15.7%	8.0%	7.5%	8.0%
Benchmark	6.6%	7.0%	7.1%	7.4%

Asset Allocation and Exposure

Our Board-approved target asset mix is designed to mitigate long-term risk and deliver long-term returns to meet pension obligations: we diversify our assets across asset type, economic sector and geography. Our long-term target asset mix is summarized in the adjacent chart.

Long-term Target Asset Mix	
Fixed Income	**30%**
Bonds	10%
Credit	20%
Equities	**45%**
Public Equities	30%
Private Equities	15%
Real Assets	**45%**
Infrastructure	22.5%
Real Estate	22.5%
Short-Term Instruments	**(20)%**
(includes cash and equivalents and net of economic leverage)	

Our net exposure at December 31, 2021 totalled $122.5 billion (2020 – $107.3 billion), as set out in the table below. Net exposure at the end of 2021 includes balances related to administered funds of $1.7 billion (2020 – $1.5 billion), and other balances of $0.1 billion (2020 – $0.4 billion).

As at December 31,	2021		2020	
	Net Exposure $ millions	Asset Mix %	Net Exposure $ millions	Asset Mix %
Fixed Income				
Bonds	**7,684**	**6.3**	6,203	5.8
Credit	**16,912**	**13.8**	18,432	17.2
	24,596		24,635	
Equities				
Public Equity	**36,008**	**29.4**	33,193	30.9
Private Equity	**19,761**	**16.1**	14,780	13.8
	55,769		47,973	
Real Assets				
Infrastructure[1]	**24,036**	**19.6**	22,083	20.6
Real Estate[1]	**19,843**	**16.2**	15,047	14.0
	43,879		37,130	
Short-Term Instruments				
Cash	**17,097**	**14.0**	18,320	17.1
Economic Leverage	**(18,795)**	**(15.4)**	(20,808)	(19.4)
	(1,698)		(2,488)	
Total	**122,546**	**100.0**	107,250	100.0
Less: Administered Funds & Other Balances	**1,819**		1,850	
Total Primary Plan	**120,727**		105,400	

Our asset mix includes physical exposures plus derivative exposures. We include our net economic derivative exposure within each relevant asset class, and present a corresponding offset (equal to the sum of all of our net economic derivative exposures across all asset classes) in the "Economic Leverage" category.

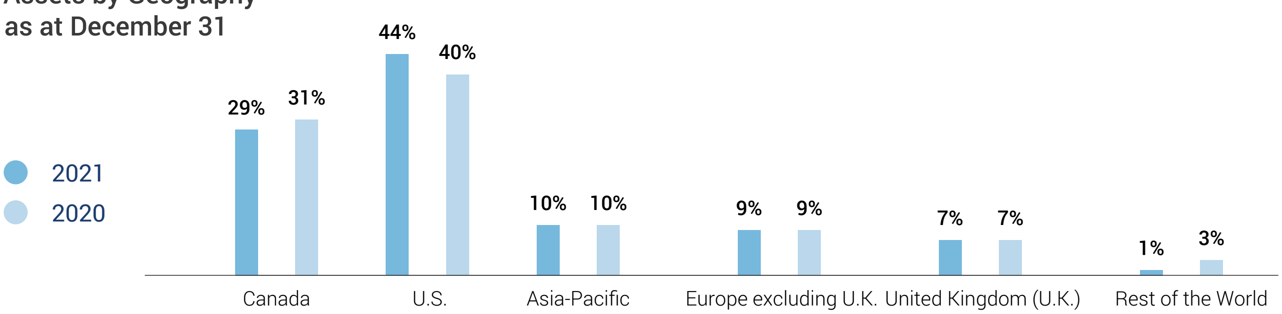
1 Presented net of liabilities related to OMERS Return Agreements, which are presented in Note 5 to the Consolidated Financial Statements.

Geographic Exposure

OMERS portfolio is diversified across geographies. While Canada continues to offer strong long-term investment opportunities, prudence and related risk-management practices make it appropriate to diversify investments across global markets with different growth profiles. This includes increasing our exposure to the Asia-Pacific region.

The chart below presents the Plan's diversification by geography.

Assets by Geography as at December 31



Currency Exposure

Historically, we used foreign currency forward contracts to hedge a large proportion of our exposure to foreign currencies. Since 2020, we have been reducing our currency hedging positions and increasing our exposure to foreign currencies, to enhance liquidity management and portfolio diversification. As at December 31, 2021, 42% of our net exposure was exposed to foreign currencies, compared to 29% at the end of 2020.

Our exposures to currencies, net of any hedging effects, are summarized in the table below:

At December 31,		2021		2020
	$ millions	% of portfolio	$ millions	% of portfolio
Canadian Dollar	**70,776**	**58**	76,154	71
United States Dollar	**30,988**	**25**	17,954	17
British Pound Sterling	**5,984**	**5**	4,328	4
Euro	**3,531**	**3**	197	0
Other	**11,267**	**9**	8,617	8
Total	**122,546**	**100**	107,250	100

During the year, the Canadian dollar strengthened relative to most of the other currencies in which OMERS invests. This resulted in $0.5 billion of unrealized foreign currency losses on our unhedged exposures, compared to $2.3 billion of unrealized foreign currency losses on our unhedged exposure to foreign currencies in 2020.

Industry Exposure

OMERS portfolio is diversified across industries. The table below presents OMERS net exposure by industry at December 31, 2021 and 2020.

As at December 31,	2021	2020
Real Estate	**16%**	14%
Utilities	**11%**	11%
Industrials	**11%**	11%
Financials	**10%**	13%
Cash & Equivalents	**9%**	10%
Health Care	**9%**	8%
Government	**8%**	9%
Information Technology	**8%**	6%
Consumer Discretionary	**6%**	5%
Energy	**4%**	4%
Communication Services	**4%**	4%
Consumer Staples	**2%**	3%
Materials	**2%**	2%
Total	**100%**	100%

Liquidity and Capital Resources

We manage our liquidity and capital requirements through a diverse set of funding sources, including income generated from investments, the issuance of guaranteed commercial paper and term debt by OMERS Finance Trust (OFT), maintaining a portfolio of highly marketable securities, the use of derivatives and repurchase agreements, and contributions from our Plan members and employers. Our principal liquidity needs include meeting our pension obligations, funding investment acquisitions, meeting collateral demands related to our use of derivatives, and funding investment management and pension administration expenses.

OFT is an independent entity that issues debt unconditionally and irrevocably guaranteed by AC. OFT extends loans to entities in which AC has a majority economic interest.

Below is a summary of our available sources of liquidity:

As at December 31,	2021 $ billions	2020 $ billions
Cash and Short-term Deposits	**17.9**	19.7
Government Bonds[1]	**4.3**	1.1
Inflation-Linked Bonds	**2.9**	2.0
Marketable Securities	**20.4**	16.5
Undrawn OFT Credit Line Capacity[2]	**4.1**	4.1

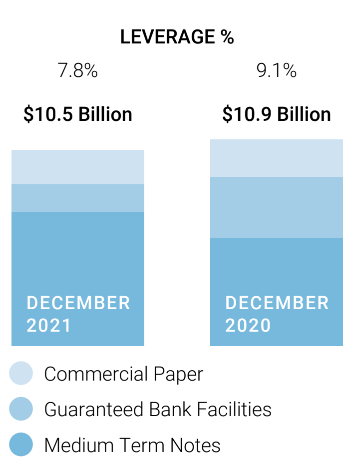
1 Government Bonds include U.S. Government Treasury Bonds and Canadian Government Bonds.
2 Credit facilities held by OFT: a $3.8 billion three-year revolving credit facility maturing in 2024, which backstops our commercial paper program and is available for general corporate purposes; and a €225 million revolving credit facility maturing in 2023 and available for general corporate purposes.

During the year, OFT issued a USD $1.0 billion five-year note bearing a coupon of 1.10% and maturing in 2026. At December 31, 2021, OFT had $7.9 billion (2020 – $7.0 billion) of outstanding term notes and $1.2 billion (2020 – $2.6 billion) of outstanding commercial paper. OFT can raise additional liquidity through the issuance of debt guaranteed by AC, including commercial paper and term debt, subject to leverage limits and Board approval.

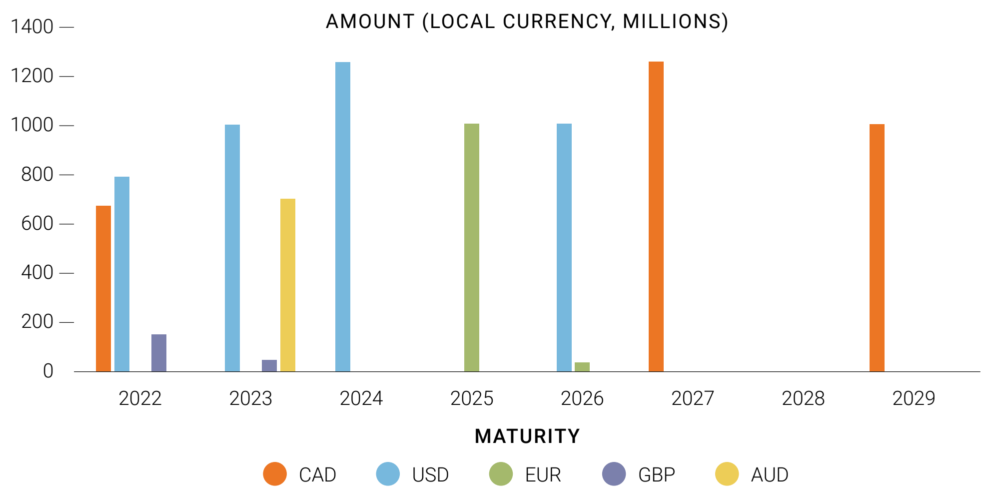
In addition to OFT's guaranteed debt, AC also unconditionally and irrevocably guarantees $1.5 billion (2020 – $1.6 billion) of debt for assets within our credit, infrastructure and real estate asset classes. This debt is generally used to fund development projects, credit investments and acquisitions.

We use leverage prudently to enhance our investment returns. Our leverage position and debt maturity profile are outlined below:

RECOURSE DEBT



MATURITY PROFILE OF OUTSTANDING DEBT OBLIGATIONS



At December 31, 2021, the weighted average interest rate on outstanding term debt was 1.36% (2020 – 1.26%). Of the outstanding debt, 74% is fixed-rate with more than 12 months to maturity.

We evaluate our 30-day liquidity requirements daily by monitoring a standard liquidity coverage ratio. This evaluation includes stress testing that simulates major market events. On a monthly basis, we evaluate OMERS ability to fund expected cash demands using available liquidity sources over a 12-month horizon.

We expect to have sufficient cash on hand to meet liquidity obligations even in the event of a significant market disruption.

AC and OFT are rated by four credit ratings agencies:

Agency	Rating
Fitch Ratings	AAA
DBRS	AAA
S&P Global	AA+
Moody's	Aa1

Investment Management and Pension Administration Expenses

Internal investment management expenses were $657 million in 2021, compared to $276 million in 2020. As outlined previously, the 2021 investment return of 15.7% significantly exceeded the performance benchmark of 6.6% and all asset classes exceeded their benchmarks. This high level of investment outperformance resulted in higher pay-for-performance expenses relative to 2020, which reflected lower management compensation due to returns below Plan and business unit benchmarks. Office operating costs, meals and travel continue to remain below historical levels due to pandemic-related restrictions.

In addition to internal investment management expenses, we incurred expenses for external manager performance and pooled fund fees of $110 million in 2021 compared to $106 million in 2020. We incurred these higher external manager and pooled fund fees due to outperformance of the investments managed by these third parties.

These costs aggregate to a management expense ratio of 68 basis points in 2021, compared to 38 basis points in 2020.

Pension administration expenses totalled $105 million in 2021, compared to $94 million in 2020. In 2021, we responded to a 30% year-over-year increase in transaction volumes, including a nearly 70% increase in digital communication volumes; meanwhile, average call handle time increased by approximately 30%, as a result of increased call complexity. We continued to invest in our pension technology, as we implement the Plan amendments approved in 2020 and as we continue to advance the platforms that serve OMERS members and employers.

Our Board approves an annual budget for investment management and pension administration expenses, and regularly reviews incurred and forecasted expenses relative to that budget.

Leeward Renewable Energy, United States

Sustainable Investing at OMERS

As a long-term investor, we focus on identifying and assessing changes that we see or anticipate in the world around us, which may affect the value or risk of our investments or present new opportunities. This includes frequent review and analysis of rapidly shifting environmental, social and governance (ESG) factors.

We believe that well-run organizations with sound ESG practices will perform better, particularly over the long term. This belief is formalized in our Statement of Investment Policies and Procedures and described in our Sustainable Investing Policy, both of which are approved by the AC Board. Our Sustainable Investing Policy applies to all asset classes across OMERS investment portfolio. Central to this policy is our commitment to being a leader in sustainable investing.

In 2021, OMERS announced our goal to reach net-zero greenhouse gas emissions for our portfolio by 2050. This builds on the commitment we made in 2020 to reduce the carbon intensity of our portfolio by 20% by 2025. We intend to follow this goal with five-year successive interim goals.

Our Approach

Sustainable investing at OMERS is grounded in four overarching principles – integration, engagement, collaboration, and adaptation. Sustainability is engrained in our culture and is an integral part of how we invest. A consideration of ESG factors is one of many lenses we use to assess risk and value.

The AC Board approves the OMERS Sustainable Investing Policy on an annual basis, setting our strategic approach, and our senior management is responsible for overseeing its execution. Board members receive regular reporting on our sustainable investing practices, which in 2021 included education sessions on carbon accounting, the transition to net zero, and climate-related investment opportunities.

Our Sustainable Investing Committee is chaired by our Chief Legal & Corporate Affairs Officer, and includes representation from across our enterprise and provides a forum to discuss sustainable investing issues, share best practices and advance OMERS knowledge and expertise in these areas. This committee is responsible for developing OMERS ESG and Climate Change Guidelines and approving ESG Assessment Procedures for our business units annually.

This approach is aligned with the Canadian Coalition for Good Governance (CCGG) Stewardship Principles, which we have formally endorsed. The principles reinforce our responsibilities to our members in areas such as proxy voting, portfolio monitoring and engaging with companies on ESG factors.

Integration and Engagement are Fundamental to Our Approach to ESG

ESG factors are integrated into our investment analyses and asset management practices alongside other investment considerations. Our investment approval processes require specific consideration of material ESG risks and opportunities. These factors include climate change, labour practices and employee development, inclusion and diversity, business conduct and Board composition, among others.

Our investment teams actively promote sustainable business practices and long-term perspectives through direct and collaborative engagement with management teams, boards of directors and the broader investment community. Each investment team has developed an ESG assessment framework and asset management practices tailored to their unique asset class characteristics.

Below are some examples of how ESG integration and engagement are carried out in practice.

Infrastructure

Our Infrastructure team developed an ESG scorecard to assess a broad range of factors including inclusion and diversity, climate change and social value. Our team of experts pairs due diligence with complementary training, to understand potential material risks and opportunities.

Throughout the year, the asset management teams engaged with portfolio companies on ESG issues through Board and committee participation, appointing skilled independent directors where needed, and exercising governance rights commensurate with our investment position.

Real Estate – Oxford Properties

Oxford's sustainability program focuses on guiding principles including climate and energy, well-being, materials and resources and communities.

These sustainability principles are embedded in interactions with customers and communities to drive meaningful outcomes, including carbon emission reduction, installation of rooftop solar, and green building certifications.

Capital Markets

Our Capital Markets team evaluates ESG risks and opportunities that current and prospective investee companies face as a key component of their investment process.

Our portfolio managers promote sustainable business practices at investee companies by active proxy voting and engagement, directly or in collaboration with like-minded investors. Each process is tailored to specific circumstances, with a priority on climate change.

Private Equity

Our Private Equity team employs an ESG performance assessment framework, which prioritizes critical factors that enhance the value of each investment.

The team also uses insights from its ESG framework to build value creation plans and Board agendas that help shape the priorities for each portfolio company. New in 2021, our Portfolio Company Director's Handbook and training program provides additional support to our internal teams as they engage at the portfolio company Board level.

In 2021, OMERS continued to engage regulators and standard setters to advocate for the standardization of sustainability reporting using the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) frameworks, through our engagement with the Ontario Securities Commission, the Ontario Capital Markets Modernization Taskforce and the International Financial Reporting Standards (IFRS) Foundation.

Achievements and Outcomes

Our integration and engagement efforts have produced meaningful outcomes and achievements in 2021. Some examples include:

CAPITAL MARKETS

Voting our proxies, with the goal of optimizing the long-term value of our investments:

- In 2021, we voted on 8,332 items at 865 meetings.

Establishing an innovative new Capital Solutions investment program:

- Focuses on equity and debt investments in themes including decarbonization and cleantech
- Partners with future-focused growth-oriented companies that will use capital to dramatically grow and scale their platforms
- Inaugural investment in Northvolt, a Sweden-based supplier of sustainable, high-quality battery cells and systems, building Europe's largest lithium-ion battery factory

INFRASTRUCTURE

Deploying capital in the highly competitive clean energy markets including investments in:

- **Leeward Renewable Energy** – a platform that builds greenfield wind and solar projects
- **Azure Power** – an Indian developer and provider of affordable, clean energy in a sustainable and socially responsible manner
- **Fotowatio Renewable Ventures** – a solar and storage developer creating new solutions for the transition to clean, sustainable, reliable and low-cost models of delivering electricity
- **Navisun LLC** – a distributed generation solar power and storage company based in Massachusetts, which was acquired after year-end

Advancing our capabilities:

- Established a new position and hired deeply experienced executive Bruce Schlein as Director, Head of ESG at OMERS Infrastructure, to lead our commitment to ESG excellence for our global Infrastructure team

PRIVATE EQUITY

Focusing on our portfolio through direct management engagement and Board participation:

- **Inmar Intelligence and Aledade** celebrated numerous awards for workplace culture, culminating in Great Place to Work certifications
- **OMERS Ventures** and **OMERS Growth Equity** – investment teams received certifications from Diversity VC for their I&D best practices
- **Alida**, **Clearcover** and **Hootsuite** received diversity awards

REAL ESTATE – OXFORD PROPERTIES

Oxford's sustainability principles are embedded in its interactions with customers and communities and have driven meaningful outcomes. Highlights include:

- 35% reduction of carbon emissions on a per square foot basis compared to 2015, temporarily exceeding Oxford's goal of 30% reduction by 2025 – due to better performance, asset mix changes, electric grid decarbonization and the impact of reduced occupancy due to the pandemic
- 213,000 square feet dedicated to rooftop solar, toward a target of 1 million square feet by 2024
- More than 90% of buildings achieving an industry-leading green building certification for their region and asset class
- Top 5% of Commercial Real Estate Participants in the Global Real Estate Sustainability Benchmark (GRESB), the Global ESG Benchmark for Real Assets, achieving a total score of 92

INVESTMENT EXCLUSIONS

We believe we can influence sustainable business practices among our investee companies. We therefore believe that engagement is more impactful than exclusion or divestment. However, we believe that there are instances where excluding an industry or sector is appropriate. We exclude investments in entities engaged in the manufacturing of the following products: civilian firearms, anti-personnel landmines, cluster munitions, and tobacco.

COLLABORATION FOR IMPACT

We collaborate with like-minded organizations to share best practices and to advocate for better transparency and performance on relevant standards and regulations. We believe that working together amplifies our voice on these important issues. Highlights from 2021 include:

- Chief Executive Officer Blake Hutcheson appointed Investor Leadership Network (ILN) CEO Council Co-Chair. The ILN's mandate is to facilitate and accelerate collaboration by leading global investors on key issues related to sustainability and long-term growth.
- Chief Legal and Corporate Affairs Officer Michael Kelly appointed to Canada's Sustainable Finance Action Council (SFAC). SFAC's mandate is to convene key players to share perspectives and act as a centre of expertise, partnership, and dialogue with a view to advancing a common vision for sustainable finance across the financial sector.
- Chief Financial and Strategy Officer Jonathan Simmons appointed Co-Chair of the Canadian Chapter of the Accounting for Sustainability (A4S) CFO Leadership Network.
- OMERS became a founding member of Climate Engagement Canada, a finance-led initiative that aims to drive dialogue between the financial community and Canadian corporations to promote a just transition to a net-zero economy.
- As a member of the 30% Club we were involved in the evolution of its mandate beyond gender to include other underrepresented groups on boards and at the executive management level including, but not limited to, Black, Indigenous, members of the LGBTQ+ community, and persons with disabilities.

ADAPTATION

We recognize that the sustainable investing landscape is rapidly evolving, including in areas such as disclosure, data, metrics, methodologies and regulation. We therefore continually assess and enhance our capabilities and practices. We remain committed to being transparent and ensuring that our approach remains relevant and effective over time.

Climate-Related Disclosure

At OMERS we believe that climate change and the transition to a lower-carbon economy can have a significant long-term impact on the financial performance of the companies and assets in which we invest. We have endorsed the Task Force on Climate-Related Financial Disclosures (TCFD) as we believe it is the most effective standard to deliver the information investors need to assess climate risk. Our TCFD-aligned reporting follows:

Governance

The AC Board, senior management and our Sustainable Investing Committee all have active governance roles in our approach to climate change. The AC Board approves our strategy and policies in this area, senior management adopts guidelines focusing on our specific approaches to ESG and climate change and the Sustainable Investing Committee brings together representatives from across the enterprise for more in-depth discussion and analysis.

In 2021, the Board approved our Net Zero 2050 goal and a commitment to establish successive five-year interim reduction goals, building on our initial goal of a 20% reduction in carbon intensity by 2025. To increase their understanding of their responsibilities with respect to this matter, Board members receive regular reporting on our sustainable investing practices, which in 2021 included education sessions on carbon accounting, the transition to net zero and climate-related investment opportunities.

Strategy

Climate change presents both physical and transition risks to OMERS investment portfolio.

Physical risks include the risk of loss due to extreme weather events or longer-term shifts in climate patterns. This year, we worked with our partners in the ILN on the Climate Change Physical Risk Toolkit, which serves as a common framework for investors to address direct and indirect physical risks associated with climate change. The Toolkit is complemented by a Resource Guide, which offers investors a searchable database of credible, third-party resources to help analyze specific physical climate risk.

Transition risks include changes in policies and legal, technology, markets, and reputation, which may increase the costs of certain assets (e.g., carbon pricing) or their marketability (e.g., stranded assets). These changes may impact the value of our investments.

Attractive investment opportunities continue to arise as renewable, low-carbon and next generation energy projects continue to emerge and grow.

Our approach to climate change is aligned with the four pillars of our Sustainable Investing Framework: Integration; Engagement; Collaboration and Adaptation, as described on previous pages.

The TCFD recommends using climate scenario analysis as a tool to help organizations better understand their resilience under various climate pathways. In 2021, we completed our first climate scenario analysis, leveraging the capabilities of a third-party asset-liability management service provider. This enabled us to complete top-down scenario analysis, considering macroeconomic factors such as long-term GDP growth and inflation, climate-related government policies, transition risks and physical risks. This exercise enabled us to explore three scenarios: an orderly transition under the Paris Agreement, a disorderly transition under the Paris Agreement, and a failed transition. These scenarios are aligned with certain Intergovernmental Panel on Climate Change Representative Concentration Pathway scenarios.

The analysis completed demonstrates that the potential impacts to our portfolio are highly dependent on the scenario that unfolds and the sectors and regions in which we invest, rather than limited to specific asset classes, sectors, or geographies. The findings highlight areas of both risk and opportunity for the Plan and emphasize the importance of our integrated decision-making process, which considers climate-related scenario analysis at the total portfolio level. The climate scenarios were also incorporated in the preparation of the OMERS 2021-2022 Asset-Liability Study, which aims to determine the long-term target asset mix for the Plan. We anticipate continuing to refine this analysis as the variables for each scenario evolve, and as new information becomes available.

Risk Management

OMERS has a formal risk framework that governs our approach to identifying and managing risks, including those related to ESG and climate change. In 2021, climate change risk was explicitly added to our Investment Risk Policy, Risk Appetite Statement and Statement of Investment Policies and Procedures.

The Climate Risk Working Group is comprised of risk professionals from each investment team, representatives from our Sustainable Investing Committee, and other functions across the Plan. The mandate of this group includes developing a framework to evaluate climate risk across the portfolio, including our total portfolio carbon footprint.

Where climate change impacts are considered material to a proposed investment, our teams analyze potential impacts to value or to risk – whether positive or negative. They involve internal or external experts as necessary. Each of our asset classes has developed ESG Assessment Procedures, tailored to their investing approaches and strategies.

We use our influence to address climate change risks specifically through our engagement and proxy voting activities. This includes becoming a founding participant of Climate Engagement Canada, which leads collaborative engagement with Canada's highest carbon-emitting companies.

Metrics & Targets

In 2021, we continued to evaluate measures to help us understand the implications of climate change to OMERS and to view our portfolio through this lens. We are disclosing the results of our second total portfolio carbon footprinting exercise as well as our exposure to green assets for the first time.

Our carbon footprint is computed based on the recommendations of the TCFD. These carbon footprinting metrics are based on assets held as of December 31, 2020 and the most recent emissions data available.

Our Methodology:

- Is in line with the TCFD recommendations for Asset Owners and the Greenhouse Gas (GHG) Protocol
- Includes Scope 1 (direct emissions that occur from sources owned or controlled by a company) and Scope 2 emissions (indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling)
- Uses the "financed emissions approach", which sets our ownership of an asset's carbon footprint equal to OMERS proportionate share of the asset's enterprise value
- Uses GHG emissions data provided by a third-party data provider, MSCI Inc. (MSCI), for publicly listed assets. Where emissions are not available, estimates are provided by MSCI based on their carbon emissions estimation models
- Uses data provided directly by our private assets. Where emissions data is not available, we apply an estimation approach using public proxies and subindustry emission intensities as applicable.

Carbon accounting methodologies continue to evolve, and we continue to revise our approach and scope of coverage in line with these developments. For example, we added index and basket equity derivatives to our scope of coverage this year using notional value to account for equity exposure.

Our scope for footprinting includes all Plan assets that have a current footprinting methodology, position transparency and data availability.

Following this approach, we were able to calculate the carbon footprint on $91 billion out of the $132 billion of total portfolio exposure. The 2020 footprint does not include cash, short-term notes, currency instruments, short positions, interest rate swaps, commodities and sovereign securities, among other items. For more details on the scope of analysis and further details on our methodology, please refer to omers.com/climate-change.

While footprinting is valuable for assessing climate change impacts on our portfolio, it also has limitations; it is backward-looking and does not encompass all climate-related risks and opportunities each company faces. Portfolio carbon accounting continues to evolve and iterate to address concerns related to completeness and timeliness of measurement. OMERS participates in those initiatives focused on developing more advanced approaches.

The TCFD recommends that asset owners report on their Weighted Average Carbon Intensity (WACI) as well as consider other metrics. WACI measures the portfolio's carbon efficiency and considers total emissions relative to the business' revenue and the weight of the asset in the OMERS portfolio. We report annually on overall carbon footprint and WACI. We measure our results against our WACI reduction goal of 20% from 2019 levels by 2025. Over the past year, we achieved a 4% reduction in WACI.

Our 2020 carbon footprint metrics are:

	2020	2019
Carbon Footprint tCO_2e/$M invested	57	58
Weighted Average Carbon Intensity (WACI) tCO_2e/$M revenue	191	199

We engaged PricewaterhouseCoopers LLP, an independent third party, to conduct a limited assurance engagement on our 2020 carbon footprint metrics. Their assurance report is included in the Reference section of this Annual Report on page 137.

Green Assets

As part of OMERS approach to climate change, we are regularly looking for new models and metrics to evaluate the portfolio through an ESG lens. Understanding how the portfolio is positioned against green, low carbon, and transition taxonomies is a key area of work for the Climate Risk Working Group. OMERS took the first step this year to identify the portfolio's green asset exposure using the International Capital Market Association's (ICMA) Green Bond Principles and June 2021 Guidance Handbook. We plan to expand these categories over time as sustainable finance taxonomies are further developed. At year-end 2021, investments in green assets[1] totalled more than $18 billion including green buildings, renewable energy, and energy efficiency assets.

1 Green assets are presented as net of financial leverage and gross of economic leverage, recourse debt and other contractual liabilities.

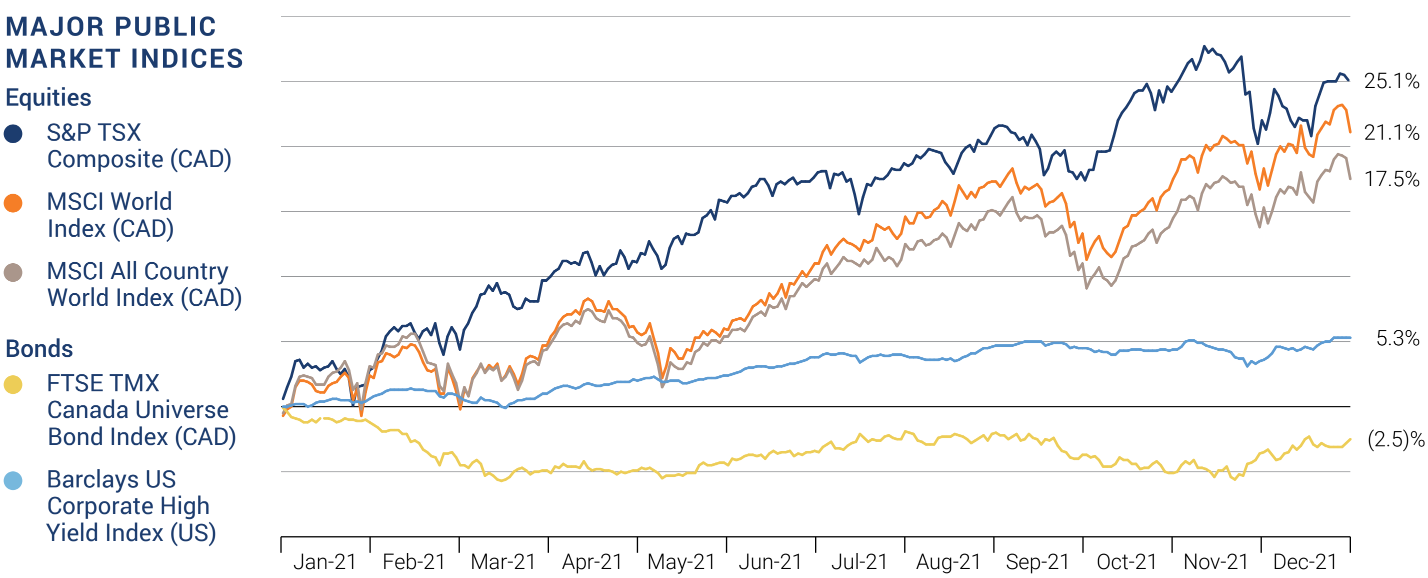
Asset Class Performance

Economic Environment

In 2021, the global economy continued to recover from the impact of the pandemic, though not all economies recovered equally. The effects of broad economic reopening, widespread vaccination efforts and persistently elevated stimulus in most major economies were partially offset by intermittent localized restrictions in some geographies, uneven access to vaccines, and concerns about virus variants. Inflation rose significantly and persistently above central bank targets across major economies, including in Canada and the U.S, as driven by increased demand for goods, elevated energy prices, global supply chain constraints and labour shortages.

In capital markets, equities continued to perform well, with major equity market indices reaching record highs, while the bond markets underperformed, as yields rose and credit spreads remained relatively flat. The 10-year U.S. Treasury and Canadian government bond yields rose 59 bps and 75 bps in 2021, respectively.

The following chart illustrates the performance of major equity and bond market indices in 2021, reported on a Canadian dollar basis, unless otherwise noted:



Public Investments

NET RETURN

14.6%

2020: (3.1)%

5-YEAR AVERAGE: 6.6%

NET INCOME

$7.9B

2020: $(1.8)B

NET LOCAL RETURN

15.6%

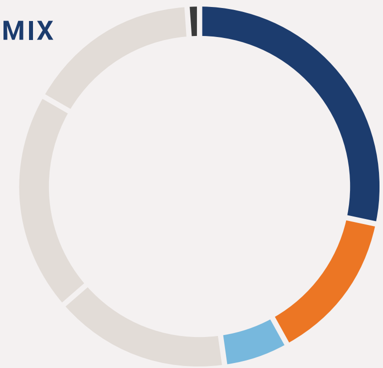
BENCHMARK: 5.8%

NET EXPOSURE

$58.9B

2020: $55.3B

ASSET MIX



Public Equity	29%
Credit	14%
Bonds	6%
Cash & Short-Term Instruments (net of economic leverage)	(1)%

We include the Plan's cash balance in public investments. This balance fluctuates based on public investment activity, as well as changes in collateral received or pledged, deployment and divestiture activity in our private investment asset classes, and the timing of net pension payments and expenses. For additional information, refer to the Liquidity and Capital Resources section in this MD&A.

INVESTMENT APPROACH

Public investments include fixed income and public equities. In these asset classes, we focus on high-quality investments that can generate sustainable cash income and capital growth; we aim to construct a portfolio that is diversified across geographies, sectors, strategies and income streams. We target investments in companies with strong balance sheets and resilient business models, and we partner with leading businesses, operators and best-in-class investors to access investment opportunities around the world. We believe this approach should result in more consistent returns and lower volatility over a multi-year period.

2021 PERFORMANCE

Public investments generated a net return of 14.6% in 2021, compared to our 2021 benchmark of 5.8%. This represents a net investment gain of $7.9 billion, compared to a net investment loss of $1.8 billion in 2020.

- Public equities earned 20.7% in 2021 compared to 1.5% in 2020. Our core holdings in high-quality stocks, combined with our broad equity market exposure, performed well and contributed strong gains in our portfolio. Currency effects reduced the 2021 return by 0.7%. Public equities comprised 29.4% of OMERS portfolio at December 31, 2021 (2020 – 30.9%).
- Credit investments generated a net gain of 5.8% in 2021 compared to a loss of 4.3% in 2020. Our credit portfolio, whose average duration is four years, generated returns primarily from interest income; changes during the year in interest rates and spreads had little valuation impact. Currency effects reduced the 2021 return by 0.8%. The credit asset class comprised 13.8% of OMERS portfolio at December 31, 2021 (2020 – 17.2%).
- Government and Inflation linked bonds generated a net return of 1.3% in 2021 compared to a return of 1.1% in 2020. This portfolio, which had an average duration of two years as at December 31, 2021, was generally unaffected by the rise in long-term bond yields. Currency effects reduced the 2021 return by 0.2%. Bonds comprised 6.3% of OMERS portfolio at December 31, 2021 (2020 – 5.8%).

CAPITAL ALLOCATION

Public investments increased to $58.9 billion from $55.3 billion at the end of 2020, primarily due to gains in public equities.

Private Equity

NET RETURN

25.8%

2020: (8.4)%

5-YEAR AVERAGE: 8.7%

NET INCOME

$4.0B

2020: $(1.1)B

NET LOCAL RETURN

26.0%

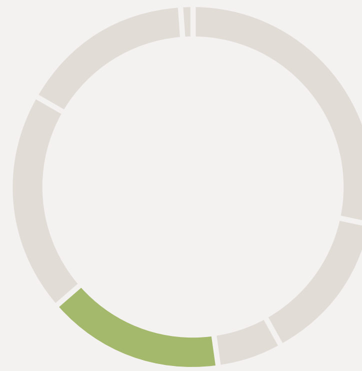
BENCHMARK: 8.0%

NET EXPOSURE

$19.8B

2020: $14.8B

ASSET MIX



Private Equity 16%

INVESTMENT APPROACH

We acquire and actively manage interests in private companies through various phases of the investment lifecycle, including later stage buyouts, growth and venture investing. We aim to generate strong capital returns while appropriately managing risk.

We invest in companies with solid business fundamentals, strong management teams and opportunities to grow both organically and through acquisitions. We focus on four core verticals: Business Services, Healthcare, Industrials and Software & Technology. The companies we invest in are primarily headquartered in North America and Europe.

2021 PERFORMANCE

Private equity assets generated a net return of 25.8% in 2021, compared to our 2021 benchmark of 8.0% (2020 – net loss of 8.4%). This equates to net investment income of $4.0 billion in 2021 (2020 – net investment loss of $1.1 billion). Currency effects reduced the 2021 return by 0.2%.

Our private equity return was driven by several factors. The recovery of our businesses from the pandemic's impacts, combined with active asset management, resulted in EBITDA growth, both organic and through M&A activities across all core verticals. We also saw valuation multiples increase across certain sectors and for certain investments with strong growth profiles. Our venture and growth equity strategies, which focus on software & technology, benefited from higher valuations in new, third-party led financing rounds and IPOs. Additionally, the sale of Environment Resources Management (a global provider of sustainability services) which we acquired in 2015, was a key contributor to our 2021 return.

CAPITAL ALLOCATION

Total investments in private equity increased to $19.8 billion at the end of 2021 compared to $14.8 billion at December 31, 2020. This increase was primarily driven by valuation gains and by net acquisition activity, including in the healthcare vertical and in the growth equity and ventures portfolios.

Infrastructure

NET RETURN

10.7%

2020: 8.6%

5-YEAR AVERAGE: 10.2%

NET INCOME

$2.3B

2020: $1.8B

NET LOCAL RETURN

11.1%

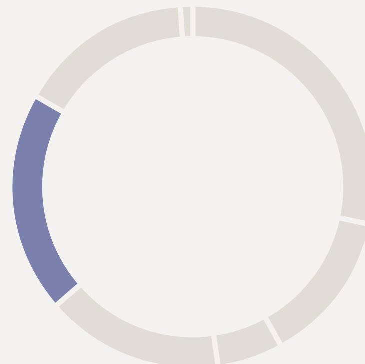
BENCHMARK: 7.9%

NET EXPOSURE

$24.0B

2020: $22.1B

ASSET MIX



INVESTMENT APPROACH

We invest in large-scale infrastructure services or businesses in energy, including clean power, social infrastructure, transportation and digital infrastructure – primarily in North America, Europe and the Asia-Pacific region. We take a patient and disciplined approach to infrastructure investing, and we actively diversify our portfolio across industries, technologies, and geographies. We focus on investments that have high barriers to entry or that are supported by public regulation or by substantially contracted revenue streams.

2021 PERFORMANCE

Infrastructure assets generated a net return of 10.7%, compared to our 2021 benchmark of 7.9% (2020 – net return of 8.6%). This equates to net investment income of $2.3 billion in 2021 (2020 – $1.8 billion) and an operating cash yield of 5.0% in 2021, compared to 4.4% in 2020. Currency effects reduced the 2021 return by 0.4%.

Our core regulated and clean power assets performed well throughout the year, with higher valuations supported by strong investor demand for assets in these sectors. In addition, returns were supported by strong operational performance across the portfolio, particularly in the social infrastructure sector. We also benefited from accretive financing activities across several assets.

CAPITAL ALLOCATION

Infrastructure investments increased to $24.0 billion in 2021, up from $22.1 billion in 2020. This increase was a combination of capital deployment, consistent with OMERS long-term target asset mix and growth in the value of existing assets. During 2021, we made a number of acquisitions in the renewables sector, including Fotowatio Renewable Ventures (a renewable solar platform in Australia), as well as continued capital deployment in Leeward Renewable Energy in support of its development pipeline and the closing of a follow-on investment in the solar development platform of First Solar. We also continued to support the refurbishment of reactor units at Bruce Power (nuclear power facility in Ontario) and invested in amedes Group (a laboratory testing platform in Germany).

In line with our capital rotation strategy, we completed the dispositions of our interest in Caruna (an electricity distribution system operator in Finland) and Vento II (a renewables wind farm portfolio in the U.S.).

Real Estate

NET RETURN

15.9%

2020: (11.4)%

5-YEAR AVERAGE: 6.1%

NET INCOME

$2.5B

2020: $(1.9)B

NET LOCAL RETURN

15.8%

BENCHMARK: 6.1%

NET EXPOSURE

$19.8B

2020: $15.0B

ASSET MIX

Real Estate 16%

INVESTMENT APPROACH

We invest in real estate through Oxford Properties Group (Oxford) – a leading global real estate investor, manager and builder of businesses. We focus on building, buying and growing a network of defined real estate businesses and pairing our global expertise and scale with local platforms and world-class management teams to meet our capital allocation priorities and enhance returns.

Oxford's purpose is to create economic and social value through real estate – safeguarding the future and creating a world of opportunities for our customers, communities, partners and people. We invest in a diversified portfolio of office, industrial, retail, residential, life sciences, hotel, credit and niche alternative assets in growth markets in Canada, the U.S., Europe and Asia-Pacific. Our real estate portfolio consists of approximately 120 million square feet of office, retail and industrial space, including 10,000 residential units and 3,000 hotel rooms.

2021 PERFORMANCE

Real estate assets generated a net return of 15.9%, compared to our 2021 benchmark of 6.1% (2020 – net loss of 11.4%). This equates to net investment income of $2.5 billion in 2021 (2020 – net investment loss of $1.9 billion). Currency effects increased the 2021 return by 0.1%.

Our performance in 2021 was driven by significant valuation growth in Oxford's industrial assets, gains generated from development projects across the portfolio and a positive revaluation of our long-term debt, partially offset by COVID impacts in our retail assets.

In this MD&A, we present our investments and performance by asset class. As such, Oxford's real estate credit business and public equity investment in HKSE-listed ESR Logistics is presented under "credit" and "public equity" respectively, and not in "real estate". Including the performance of its credit business and investment in ESR Logistics, the Oxford 2021 net return is 12.6%.

CAPITAL ALLOCATION

Real estate investments increased to $19.8 billion at December 31, 2021, up from $15.0 billion at December 31, 2020.

In 2021, Oxford continued to execute on its capital allocation strategy, increasing portfolio weightings in the industrial, residential and life sciences sectors. Key deployments included the acquisition of a portfolio of light industrial properties in the U.S. totalling 14.5 million square feet; several properties through the newly acquired M7 Real Estate platform, a pan-European, industrial-focused investment management business; a portfolio of e-warehousing assets in the U.K.; and several life sciences and residential assets in North America and the U.K.

Oxford continued to make significant progress on almost 70 active development projects representing $2.5 billion in committed equity deployment (with $0.9 billion remaining). Oxford acquired over 15 new development sites in 2021, primarily for development in the life sciences and residential sectors.

Oxford successfully executed several office sales transactions across North America and Europe including the sale of St. John's Terminal, a 1.3 million square-foot Class A Oxford-developed office building, shortly after year-end.

Hudson Yards, New York, United States

Risk Management

OMERS activities expose us to a broad range of investment and non-investment risks, and therefore our ability to manage these risks is an important capability. Our risk management process, through our "risk appetite statements", defines our risk profile both quantitatively and qualitatively. Management and the Boards of Directors rely on this risk management process to manage the Plan's financial health.

We define risk management as the identification, measurement, mitigation or acceptance of risk.

We use risk frameworks to manage five key risk categories that support plan and funding risk: Pension, Investment, Operational, Governance and Emerging.

We measure our risk within these categories relative to our risk appetite statements. Doing so assists us in evaluating the Plan's overall risk profile.

Risk Governance

OMERS governance plays a fundamental role in supporting risk management and in supporting the processes and culture necessary for high-quality decision-making. We believe that fostering a culture that encourages candour and debate is critical to ensure prudent decision-making. Policies and frameworks, including our *Code of Conduct and Ethics* articulate our expectations and behaviours for risk-conscious decision-making.

The AC and SC Boards have approved OMERS risk frameworks. The risk frameworks describe overall risk management governance and detail the structure for categorizing risks to which the two organizations are exposed. The Boards delegate the day-to-day management of risk to Management. The Chief Risk Officer is responsible for our Risk Management function, which provides independent and objective analysis and risk reporting to both the Executive Leadership Team and to OMERS Boards of Directors. This approach produces a unified risk assessment across both the AC and SC, enabling consistent frameworks to better understand and assess the broad range of risks and opportunities OMERS faces.

Our Boards of Directors also approve OMERS risk appetite, which we express through a number of quantitative and qualitative statements that describes the desired amount of risk the enterprise believes is appropriate to take in the pursuit of OMERS objectives. The Primary Plan risk appetite statement addresses plan risk – also known as funding risk – which is the risk that OMERS is not able to deliver sustainable, affordable and meaningful pensions. Funding risk is inherent in the interaction of the five primary risk categories cited above. "Subsidiary" risk appetite statements address Pension, Investment, Operational and Governance risk at a more granular level. A separate risk appetite statement for the RCA addresses funding risk specifically for the RCA.

The risk appetite statements:

- help define the desired risk appetite with respect to relevant risk categories;
- determine the nature, types and degree of risk that OMERS is willing to assume through the articulation of qualitative statements and risk tolerances;
- establish metrics that allow quantitative assessment of risk positioning relative to its desired risk appetite, as articulated by the qualitative statements and risk tolerances; and
- provide the Boards and their Committees with the necessary information and transparency required to effectively discharge their risk oversight responsibilities and make key strategic decisions.

We manage our various risks following the "three lines of accountability" approach to ensure clear roles and accountabilities.

1ST LINE OF ACCOUNTABILITY "Risk Owner"	Refers to groups that own OMERS primary business activities to fulfil OMERS business objectives or who operate corporate functions such as Data & Technology. These groups are responsible for identifying and managing risk as part of their accountability for achieving objectives. These include, for example, pension administration and investment personnel.
2ND LINE OF ACCOUNTABILITY "Risk Partner"	Refers to control groups and other corporate functions that provide the policies and frameworks to enable risk and compliance to be managed in the first line and provide risk oversight of those who own the primary business activities. These include, for example, compliance and risk management or corporate functions, such as Finance.
3RD LINE OF ACCOUNTABILITY "Independent Assurance Provider"	Refers to Internal Audit. This group is an independent, objective assurance and consulting function whose responsibility is to assess OMERS internal controls and to provide recommendations to strengthen controls or improve operating efficiency. Our internal audit function reports directly to the Audit & Actuarial Committee of the AC Board.

Provided in the following pages is a brief overview of each subsidiary risk category, its major components and how we manage specific risks.

Pension Risks

Pension Risk is the risk of significant changes in Plan liabilities and normal cost, or the risk of Plan design being inconsistent with design objectives. There are three key elements of Pension Risk:

1. the risk of experiencing significant, unexpected changes in OMERS pension liabilities and normal cost due to changes in demographic experience, assumptions or methods;
2. the risk of failing to deliver appropriate value or perceived value to members and employers; and
3. the risk of inequitable sharing of risks across generations and/or across categories of members.

To evaluate and address these risks, we regularly review our assumption-setting philosophy, our assumptions and our methods in accordance with our Funding Policy. We measure and assess value and equity of the plan design and the actual value that members receive. Additionally, we assess the trade-off that must be made between inter-generational equity and contribution and benefit stability. The adoption of "non-full-time expansion" and "shared risk indexing" in 2020, both effective January 1, 2023, will allow for greater equity across categories of members and generations, respectively. Finally, we continually enhance tools, practices and resources to deliver insights and analysis, which helps inform strategic decisions.

Investment Risks

Investment Risk is the risk that investments will underperform our return expectations. In 2021, we revisited the investment risk taxonomy to ensure better alignment with OMERS objectives and position as a long-term investor including the addition of climate risk. There are four key elements of Investment Risk:

1. Risk of capital impairment. This risk was revised to clearly distinguish between short-term market volatility compared to the risk of permanent loss of capital. As a long-term investor OMERS can benefit from a higher risk tolerance to short-term market movements while maintaining a lower risk appetite to permanent losses. In 2021, Climate Risk was added to the Investment Risk taxonomy as a component of the risk of permanent losses. To address the risk of capital impairment, we evaluate and assess market risk, credit risk, counterparty risk, foreign exchange risk and valuation risk, typically using quantitative measures. These risks, and our risk management practices, are discussed in further detail in the Consolidated Financial Statements;
2. Risk of inappropriate portfolio construction. We consider this risk in our assessment of the ability of the strategic long-term asset mix to achieve OMERS return expectations;
3. Liquidity risk, the risk of encountering difficulty meeting financial obligations as they come due. We consider both short-term and longer-term liquidity requirements and use liquidity management tools to promote active planning. In 2021, we conducted a comprehensive review of our liquidity risk management framework, which included enhancements to our liquidity risk metrics to better measure enterprise-wide liquidity needs during normal and adverse market conditions; and
4. Risk that we are unable to execute and implement our investment strategies.

OMERS regularly evaluates and updates its risk appetite to ensure that it remains relevant given OMERS objectives and the environment in which it operates.

Operational Risks

Operational Risk is the risk of loss or other adverse impacts arising from operational failures, such as failure in people, processes, systems and infrastructure, and from external events. The Operational Risk management program has a range of tools and processes that guide how OMERS identifies, evaluates and tracks mitigation activities on an ongoing basis, including regular internal reporting on specific metrics for each area of risk. Examples of important Operational Risks include:

1. Process risk, including our ability to efficiently and effectively manage the day-to-day business operations for pension administration and member and employer interactions, including in times of crisis. In 2021, we continued to apply work-from-home protocols enterprise-wide and began a measured approach to our return to office, with no impairment to member services, technology infrastructure or financial controls;
2. People risk, including our ability to identify, attract, develop and retain the right talent, and to best align incentives with desired behaviour for achieving our strategy. This includes our ability to achieve a diverse and inclusive workforce and environment. In 2021, we remained focused on employee wellness and continued to focus on our People Strategy, including employee development and career progression considerations among others;
3. Data and technology risk, including our ability to develop and appropriately manage and safeguard our proprietary and member and employer information, to maintain appropriate technology and to protect against adverse cyber incidents. We remain focused on the constantly changing external cybersecurity threat landscape and on our ability to maintain resilience in our business operations, safeguarding OMERS people and business activities;
4. Legal and regulatory risk, including our ability to manage compliance, litigation, contract, regulatory and financial crime risks associated with our business activities globally;

5. Vendor governance risk, including our ability to procure and manage our vendors to mitigate potential exposures to OMERS; and
6. Fraud risk, and our ability to manage and mitigate internal and external fraud risks associated with our business activities.

Governance Risks

Governance Risk is the risk of adverse effects due to OMERS quality of decision-making resulting from its governance structure, processes and culture. In addition to its risk management activities outlined above, both OMERS Boards also conduct an annual assessment of governance risks, including an assessment of Board structure, competencies and effectiveness to execute their duties.

Emerging Risks

Emerging Risks are defined as risks that are new, evolving or already known, but which lack specificity and/ or are difficult to quantify, and individually or in combination, have the potential to gradually or suddenly impact OMERS ability to achieve its objectives.

Our Emerging Risk framework outlines six key Emerging Risk dimensions: Economic, Environmental, Geopolitical, Regulatory and Pension Landscape, Societal and Innovation & Technological. These dimensions support the identification and classification of emerging trends that are most relevant to OMERS and provide a more structured approach to categorizing trends. Any emerging risk we identify may or may not fall within the other four categories of risk noted above.

As our context evolves – because of the pandemic and otherwise – OMERS will continue to identify, measure and manage those risks that impact the Plan's long-term financial health and our strategy.

Reconciliation of Non-GAAP Measures

Reconciliation of Net Investment Assets to Net Exposure

The classification and measurement of certain investment assets and investment liabilities in this MD&A differ from the amounts reported in our Consolidated Financial Statements in accordance with GAAP. The following table sets out the reconciliation of Net Investment Assets and Net Investment Liabilities in Note 3 in the Consolidated Financial Statements, to the Net Exposure in this MD&A.

			Reclassifications									
Consolidated Financial Statements		**Derivative Exposures[1]**	**Private Credit Funds[2]**	**Preferred Shares[3]**	**Corporate Bonds[4]**	**Real Estate Funds[5]**	**Recourse Debt[6]**	**Contractual Agreements[7]**	**RCA[8]**	**Other Items**		**MD&A**
in $ millions as at December 31, 2021												
Fixed Income												**Fixed Income**
Inflation-Linked Bonds	**2,957**									(8)		
Nominal Bonds and Debentures	**8,515**	753			(3,813)					(720)	**7,684**	Bonds
Private Debt and Mortgages	**9,393**	302	5,124	629	3,813		(2,065)			(284)	**16,912**	Credit
Equities												**Equities**
Public Equity	**18,697**	17,740		(629)					(115)	315	**36,008**	Public Equity
Private Equity	**25,365**		(5,124)			(458)				(22)	**19,761**	Private Equity
Real Assets												**Real Assets**
Infrastructure	**29,691**						(4,406)	(1,304)		55	**24,036**	Infrastructure
Real Estate	**23,604**					458	(4,026)	(647)		454	**19,843**	Real Estate
Short-Term Instruments												**Short-Term Instruments**
Cash and Short-Term Deposits	**17,890**						(134)	(78)	(5)	(576)	**17,097**	Cash
		(18,795)									**(18,795)**	Economic Leverage
Investment-Related Assets and Liabilities	**(11,673)**						10,631			1,042		
Total Net Investment Assets	**124,439**	—	—	—	—	—	—	**(2,029)**	**(120)**	**256**	**122,546**	**Total Net Exposure**

1 Derivatives are measured at their fair value in the Consolidated Financial Statements. In this MD&A, to arrive at the Plan's ultimate exposure by asset class, derivatives are measured at their exposure value. The effect of derivatives exposure is reflected in each asset class, with an offset to economic leverage. Economic leverage is the difference between the exposure to an asset class and the fair value of the derivatives in the asset class.

2 Private credit funds are classified as private equity in the Consolidated Financial Statements, and are classified as credit in this MD&A.

3 Preferred shares are classified as public equity in the Consolidated Financial Statements, and are classified as credit in this MD&A.

4 Corporate bonds are classified as nominal bonds and debentures in the Consolidated Financial Statements, and are classified as credit in this MD&A.

5 Real estate funds are classified as private equity in the Consolidated Financial Statements, and are classified as real estate in this MD&A.

6 Recourse debt is classified as investment liabilities in the Consolidated Financial Statements, and is classified in the respective asset classes which the debt is financing in this MD&A.

7 OMERS has entered into agreements that provide eligible clients with access to the performance of its real estate and infrastructure businesses. The real estate and infrastructure assets are gross of the related liabilities on the Consolidated Financial Statements, and are net of the related liabilities in this MD&A.

8 The Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan is classified as public equity and short-term instruments in the Consolidated Financial Statements, and is not included in this MD&A.

Reconciliation of Net Investment Income

The following table sets out the reconciliation of Net Investment Income for each asset class and in total, as reported in Note 8 in the Consolidated Financial Statements, to the Net Investment Income in this MD&A.

Consolidated Financial Statements		Derivative Exposures[1]	Reclassifications					Contractual Agreements[7]	RCA[8]	Other Items	MD&A	
			Private Credit Funds[2]	Preferred Shares[3]	Corporate Bonds[4]	Public Equity and Real Estate Funds[5]	Recourse Debt[6]					
in $ millions as at December 31, 2021												
Fixed Income												**Fixed Income**
Inflation-Linked Bonds	**114**	9								(123)	**–**	
Nominal Bonds and Debentures	**(13)**	(41)			5					134	**85**	Bonds
Private Debt and Mortgages	**361**	160	495	62	(4)		5			(145)	**934**	Credit
Equities												**Equities**
Public Equity	**2,317**	4,344		(62)		2			(22)	10	**6,589**	Public Equity
Private Equity	**4,347**	202	(495)			(59)	21			(41)	**3,975**	Private Equity
Real Assets												**Real Assets**
Infrastructure	**1,832**	672					52	(134)		(155)	**2,267**	Infrastructure
Real Estate	**2,269**	213				57	40	(74)		27	**2,532**	Real Estate
Cash and Short-Term Deposits	**(145)**	(125)			(1)		245			293	**267**	**Cash and Short-Term Instruments**
Derivatives	**5,434**	(5,434)									**–**	
Investment Liabilities	**363**						(363)				**–**	
Total Investment Income	**16,879**	–	–	–	–	–	–	(208)	(22)	–	**16,649**	**Total Net Investment Income**
Income Credited under Contractual Agreements	**(442)**							208	22	–	**(212)**	**Income Credited under Contractual Agreements and RCA Investment Fund**
Net Investment Income/(Loss)	**16,437**		–	–	–	–	–	–		–	**16,437**	

1 Net Gain (Loss) on derivatives is classified as Derivatives in the Consolidated Financial Statements, and is classified based on the asset exposure in this MD&A.
2 Income from private credit funds are classified as private equity in the Consolidated Financial Statements, and are classified as credit in this MD&A.
3 Income from preferred shares are classified as public equity in the Consolidated Financial Statements, and are classified as credit in this MD&A.
4 Losses from corporate bonds are classified as nominal bonds and debentures in the Consolidated Financial Statements, and are classified as credit in this MD&A.
5 Income from private funds that are invested in public equities and real estate are classified as private equity in the Consolidated Financial Statements, and are classified as public equity and real estate, respectively, in this MD&A.
6 Principally relates to unrealized gains on term notes that are classified as investment liabilities in the Consolidated Financial Statements, and are classified as short-term instruments in this MD&A.
7 OMERS has entered into contractual agreements that provide eligible clients with access to the performance of its real estate and infrastructure businesses. The Investment income related to these contracts is reported gross in Total Investment Income in the Consolidated Financial Statements and net in this MD&A.
8 The Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan is classified as public equity in the Consolidated Financial Statements, and is not included in this MD&A.

Glossary of Financial Terms

The following table sets out non-GAAP financial terms, supplementary measures and other key financial terms referred to in the preceding Management's Discussion & Analysis. These measures do not have standardized meanings and may not be comparable with similar measures used by other pension plans, asset managers or investment firms. They should not be viewed as alternatives to measures of financial performance determined in accordance with GAAP. For certain non-GAAP financial measures, there are no directly comparable amounts under GAAP.

Management uses the measures presented below, in addition to GAAP-based measures, to better understand and present OMERS performance, financial health, and risk. We believe these measures provide relevant and useful information to our stakeholders.

When used in the table below, the "Plan" refers to the OMERS Primary Pension Plan, and "asset class" refers to the asset classes defined in our Statement of Investment Policies & Procedures.

Term	Definition	Comparability to Nearest GAAP Measure
Net Assets ($)	Equal to the Net Assets Available for Benefits of the Plan, as set out in Note 6 to the Consolidated Financial Statements. *Note that this is a GAAP measure; it is named differently in the MD&A for convenience.*	
Net Exposure ($) (Non-GAAP Term)	The aggregate dollar value of the Primary Plan and Administered Funds. This excludes OMERS Return Agreements as set out in Note 5 of the Consolidated Financial Statements. This comprises exposure through direct ownership and derivatives and is net of financial leverage. Exposure achieved through option contracts is measured on a delta-adjusted basis.	This measure is most similar to Net Investment Assets in Note 3 to the Consolidated Financial Statements. This MD&A presents a reconciliation between Net Exposure and Net Investment Assets on page 66. This MD&A presents Net Exposure in aggregate and by each asset class. We present our Asset Mix (defined below) using each asset class's Net Exposure, with an offset to "economic leverage".
Asset Mix (%) (Non-GAAP Ratio)	The proportion of our total Net Exposure attributed to each asset class. This is a method of presenting investment portfolio diversification aligned with our long-term asset mix.	n/a: the Consolidated Financial Statements do not present a disclosure similar to the percentage proportion of assets by asset class.
Assets by Geography (%) (Non-GAAP Ratio)	The proportion of our total Net Exposure, adjusted to include exposure through credit and equity derivatives, across major geographic regions. When we have a Net Exposure to a multinational enterprise, we attribute that Net Exposure to the "country of risk" listed by Bloomberg, or if unavailable, to the "country of incorporation". This is a method of presenting investment portfolio diversification.	n/a: the Consolidated Financial Statements do not present a disclosure similar to the percentage proportion of assets by geography.

Term	Definition	Comparability to Nearest GAAP Measure
Assets by Industry (%) (Non-GAAP Ratio)	The proportion of our total Net Exposure, adjusted to include exposure through credit and equity derivatives, across industries based on Global Investment Industry Classification Standards (GICS) first-level industries. This is a method of presenting investment portfolio diversification.	n/a: the Consolidated Financial Statements do not present a disclosure similar to the percentage proportion of assets by industry.
Funded Ratio – Fair Value of Assets (%) (Supplementary Measure)	The ratio of Net Assets to the Plan's Accrued Pension Obligation, both excluding Additional Voluntary Contributions. These items are set out in Note 6 to the Consolidated Financial Statements. The Plan's funded ratio is an indicator of its long-term financial health, and this measure compares the value of pension obligations on a going-concern basis to the fair value of assets.	n/a: the Consolidated Financial Statements present the components for the ratio's numerator and denominator, but not a comparable ratio.
Funded Ratio – Smoothed Value of Assets (%) (Supplementary Measure)	The ratio of the Actuarial Value of Net Assets Available for Benefits to the Defined Benefit Accrued Pension Obligation, both excluding Additional Voluntary Contributions. These items are set out in Note 6 to the Consolidated Financial Statements. The Plan's funded ratio is an indicator of its long-term financial health, and this measure compares the value of pension obligations on a going-concern basis to the smoothed value of assets. Primarily used for funding and regulatory purposes, calculating a ratio on this smoothed basis evens out variations in annual net investment returns over a five-year period, and thereby incorporates a more stable, long-term view of investment performance.	n/a: the Consolidated Financial Statements present the components of the ratio's numerator and denominator, but not a comparable ratio.
Unrecognized Investment Gains or Losses ($)	The difference between the Plan's net assets on a fair value basis and net assets on a smoothed basis. This measure reflects the amount that will be recognized in the smoothed value of assets, the funded ratio and the funding deficit over the next four years.	This measure is equal to the Actuarial Value Adjustment as presented in Note 6 to the Consolidated Financial Statements.
Management Expense Ratio (bps) (Non-GAAP Term)	The ratio of "investment expenses" to the time-weighted average Net Exposure. "Investment expenses" are comprised of two components: Investment Management Expenses presented in Note 12B, and the "external manager performance and pooled fund fees" disclosed in footnote (i) of Note 8 to the Consolidated Financial Statements. This measure provides information to assess investment management expenses relative to assets.	n/a: the Consolidated Financial Statements present the components for the numerator of this ratio, but do not present the denominator or a comparable ratio.

Term	Definition	Comparability to Nearest GAAP Measure
Net Income (Loss) ($) (Non-GAAP Term)	The income (loss) generated by Net Exposure, including balances attributable to Administered Funds, presented in aggregate and by asset class.	This measure is most similar to Net Investment Income as presented in Note 8 to the Consolidated Financial Statements. This MD&A includes a reconciliation between Net Income (Loss) and Net Investment Income, on page 67.
Net Return (Loss) (%) (Non-GAAP Term)	The investment return generated (lost), net of investment expenses, over the period of time specified. This measure is annualized, if relevant, and is presented in aggregate and by asset class. We calculate net returns in accordance with standard industry computation methods.	n/a: the Consolidated Financial Statements do not present a ratio of the Plan's return to Net Exposure.
Net Local Return (Loss) (%) (Non-GAAP Term)	The investment return generated (lost), net of investment expenses, over the period of time specified, excluding any impact from foreign exchange. This measure is annualized, if relevant, and is presented in aggregate and by asset class. We calculate net local returns in accordance with standard industry computation methods.	n/a: the Consolidated Financial Statements do not present a ratio of the Plan's local return to Net Exposure.
Recourse Leverage (%) (Non-GAAP Term)	This ratio uses as its numerator total debt with recourse to AC, defined as the undiscounted principal value of the Debt listed in Note 4 of the Consolidated Financial Statements, translated at period-end foreign exchange rates. Its denominator is equal to total debt with recourse to AC plus Net Investment Assets as presented in Note 3 to the Consolidated Financial Statements. This measures the extent to which recourse leverage is used, relative to assets.	n/a: the Consolidated Financial Statements do not present a ratio of total debt with recourse to AC to Net Investment Assets.
Operating Cash Yield (%) (Non-GAAP Term)	The ratio of aggregate operating cash distributions to Net Exposure for any particular asset class, as calculated on a time-weighted basis. This measures the extent to which investment(s) generate returns in cash.	n/a: the Consolidated Financial Statements do not present a ratio of cash returned to Net Exposure of specified asset class.

Financial Statements
OMERS Administration Corporation

RESPONSIBILITIES OF MANAGEMENT, ACTUARY AND THE INDEPENDENT AUDITOR

The consolidated financial statements of OMERS Administration Corporation (AC) have been prepared by AC Management (Management) and approved by the Board of AC (AC Board). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for pension plans.

Management is responsible for designing, implementing and maintaining adequate systems of internal controls over financial reporting to enable the preparation and fair presentation of the consolidated financial statements, including amounts based on estimates and judgment. In this regard, Management is responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information. In addition, our internal audit team reviews AC's systems of internal control over financial reporting and disclosure to determine whether these controls are appropriate and operating effectively.

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

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

The independent external auditor, PricewaterhouseCoopers LLP, is appointed by the AC Board. It is the external auditor's responsibility to report to the AC Board whether in their opinion the consolidated financial statements for the years ended December 31, 2021 and 2020 present fairly in all material respects the financial position, the changes in net assets available for benefits and changes in pension obligations in accordance with Canadian accounting standards for pension plans. The external auditor has full and unrestricted access to Management and the Audit & Actuarial Committee to discuss any findings arising from their audit related to the integrity of financial reporting and the adequacy of internal control systems on which they rely for the purposes of their audit. The auditor's report outlines the scope of their examination and opinion.

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

Based on my knowledge, the annual consolidated financial statements, together with the other financial information included in this Annual Report, present fairly in all material respects the financial position, changes in net assets available for benefits and changes in pension obligations of AC as of the date and for the periods presented in this Annual Report.

E.M. Blake Hutcheson	**Jonathan Simmons, FCPA, FCA**
President and Chief Executive Officer	Chief Financial and Strategy Officer

Toronto, Ontario
February 28, 2022

ACTUARIAL OPINION

We conducted actuarial valuations as at December 31, 2021 of the OMERS Primary Pension Plan (the Primary Plan) and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (the RCA) administered by OMERS Administration Corporation (AC). The purpose of the valuations is to fairly present the actuarial funded status of the Primary Plan and the RCA as at December 31, 2021, for inclusion in this Annual Report in accordance with Section 4600 of Part IV of the Chartered Professional Accountants of Canada (CPA Canada) Handbook.

The results of the actuarial valuation of the Primary Plan disclosed total going concern actuarial liabilities of $120,796 million in respect of benefits accrued for service to December 31, 2021 (comprising $119,342 million with respect to the defined benefit component and $1,454 million with respect to the AVC component). The actuarial value of net assets at that date were $117,665 million (comprising $116,211 million with respect to the defined benefit component and $1,454 million with respect to the AVC component), indicating a going concern actuarial deficit of $3,131 million.

The actuarial liability in respect of RCA benefits accrued for service to December 31, 2021, net of the RCA assets, was $952 million. The RCA is not fully pre-funded. The funding of the RCA is managed on a modified pay-as-you go basis and monitored to ensure that the fund will have sufficient assets to provide for the projected benefit payments over the 20-year period following each valuation date.
The actuarial valuations of the Primary Plan and the RCA as at December 31, 2021 were conducted using the Projected Benefit Method Prorated on Services, and membership data as at October 31, 2021 and financial information as at December 31, 2021 supplied by AC.

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

- the membership data are sufficient and reliable for the purpose of the valuations;
- the assumptions adopted were set with reference to the Primary Plan's and RCA's funding policies and are appropriate for the purpose of the valuations;
- the methods employed in the valuations are appropriate for the purpose of the valuations; and
- the valuations have been completed in accordance with our understanding of the requirements of the CPA Canada Handbook Section 4600.

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

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

Respectfully submitted,
Towers Watson Canada Inc.

Philip Morse

Philip A. Morse
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 28, 2022

Janis Cooper
Fellow, Canadian Institute of Actuaries

Independent auditor's report

To the Board of OMERS Administration Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of OMERS Administration Corporation and its subsidiaries (together, AC) as at December 31, 2021 and 2020, and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

What we have audited
AC's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of changes in net assets available for benefits for the years then ended;
- the consolidated statements of changes in pension obligations for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of AC in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing AC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate AC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing AC's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on AC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause AC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within AC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 28, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, (in millions of Canadian dollars)		2021		2020
Net Assets Available for Benefits				
Assets				
Investments (note 3)	**$**	**136,112**	$	119,611
Investment-related assets (note 3)		**1,177**		2,189
Contributions receivable				
From employers		**174**		174
From members		**174**		174
Other assets		**253**		352
Total Assets		**137,890**		122,500
Liabilities				
Investment-related liabilities (notes 3 and 4)		**12,850**		13,185
Amounts payable under contractual agreements (note 5)		**3,771**		3,401
Other liabilities		**350**		339
Total Liabilities		**16,971**		16,925
Net Assets Available for Benefits	**$**	**120,919**	$	105,575
Accrued Pension Obligation and Surplus (Deficit)				
Primary Plan (note 6)				
Defined Benefit component				
Accrued pension obligation	**$**	**119,342**	$	111,820
Surplus (Deficit)				
Funding (deficit) surplus		**(3,131)**		(3,211)
Actuarial value adjustment to net assets available for benefits		**3,062**		(4,444)
		(69)		(7,655)
Additional Voluntary Contributions component		**1,454**		1,235
Accrued Pension Obligation and Surplus (Deficit) of the Primary Plan		**120,727**		105,400
Retirement Compensation Arrangement (note 7)				
Accrued pension obligation		**1,144**		1,152
(Deficit) Surplus		**(952)**		(977)
Accrued Pension Obligation and Surplus (Deficit) of the Retirement Compensation Arrangement		**192**		175
Accrued Pension Obligation and Surplus (Deficit)	**$**	**120,919**	$	105,575

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

These Consolidated Financial Statements were approved by the Board of Directors on February 28, 2022.
Signed on behalf of the Board of OMERS Administration Corporation

George L Cooke

Laurie L. Hutchinson

George Cooke
AC Board Chair

Laurie L. Hutchinson
AC Audit & Actuarial Committee Chair

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31, (in millions of Canadian dollars)	2021	2020
Changes Due to Investment Activities		
Net investment income (loss) (note 8)	**$ 16,437**	$ (3,001)
Total Changes Due to Investment Activities	**16,437**	(3,001)
Changes Due to Pension Activities		
Contributions (note 10)	**4,528**	4,415
Benefits paid (note 11)	**(5,516)**	(5,125)
Pension administrative expenses (note 12)	**(105)**	(94)
Total Changes Due to Pension Activities	**(1,093)**	(804)
Total Increase (Decrease)	**15,344**	(3,805)
Net Assets Available for Benefits, Beginning of Year	**105,575**	109,380
Net Assets Available for Benefits, End of Year	**$ 120,919**	$ 105,575

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

CONSOLIDATED STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended December 31, (in millions of Canadian dollars)		2021		2020
OMERS Primary Pension Plan (note 6)				
Defined Benefit Component				
Accrued pension obligation, beginning of year	**$**	**111,820**	$	106,443
Interest accrued on benefits		**6,496**		6,239
Benefits accrued		**3,843**		3,642
Benefits paid		**(5,428)**		(5,046)
Experience losses (gains)		**898**		(401)
Changes in actuarial assumptions and methods				
Reduction of the discount rate		**1,713**		804
Others		**—**		139
Accrued Pension Obligation, End of Year		**119,342**		111,820
Additional Voluntary Contributions Component				
Additional Voluntary Contributions obligation, beginning of year		**1,235**		1,244
Contributions		**82**		78
Withdrawals		**(55)**		(53)
Attributed net investment income (loss)		**192**		(34)
Additional Voluntary Contributions Obligation, End of Year		**1,454**		1,235
Retirement Compensation Arrangement (note 7)				
Accrued pension obligation, beginning of year	**$**	**1,152**	$	928
Interest accrued on benefits		**36**		29
Benefits accrued		**44**		27
Benefits paid		**(33)**		(26)
Experience (gains) losses		**(65)**		(22)
Changes in actuarial assumptions and methods				
Reduction of the discount rate		**10**		—
Others		**—**		216
Accrued Pension Obligation, End of Year	**$**	**1,144**	$	1,152

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

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

OMERS Primary Pension Plan

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

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

In June 2020, SC approved five changes to the Primary Plan. These changes take effect on two different dates and do not materially impact the current year's accrued pension obligation.

1. The following three changes were effective June 24, 2020:
    i. Extending the deadline to complete a leave purchase by one year for members who return from a leave of absence in 2020 or 2021, to December 31, 2022 or 2023, respectively;
    ii. Reducing or eliminating the 36-month employment requirement for purchases of periods of reduced pay, subject to changes to the Income Tax Regulations; and
    iii. Allowing members to purchase credited service for periods of absence due to temporary layoffs that were initiated in 2020 or 2021. The service can be purchased at two times contributions.

2. The following two changes will be effective January 1, 2023:
    iv. Removing the current eligibility requirement for non-full-time employees to join the Primary Plan, so that all non-full-time employees may elect to join the Primary Plan at any time.
    v. Providing the option to the SC Board, based on its annual assessment of the Primary Plan's health and viability, to reduce future inflation increases on benefits earned after December 31, 2022 (shared risk indexing). This change does not affect benefits earned before that date.

In November 2021, SC approved the extension of two of the temporary changes made in 2020, given the global health pandemic created by the spread of COVID-19 (the Pandemic) is ongoing. These changes, described below, will be effective January 1, 2022 and do not materially impact the current year's accrued pension obligation:

i. Extending the deadline to complete a leave purchase by one year for members who return from a leave of absence in 2022 to December 31, 2024; and
ii. Allowing members to purchase credited service for periods of absence due to a temporary layoff that is initiated in 2022. The service can be purchased at two times contributions.

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. AC determines the regulatory minimum and maximum funding requirements in accordance with the PBA and the ITA. SC sets actual contribution rates.
- Pensions: 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. These pensions are calculated as a percentage of the member's annual earnings averaged over the highest 60 consecutive months, multiplied by years of credited service.
- Normal Retirement Age: The normal retirement age (NRA) is 65 years for all Primary Plan members, except for police officers and firefighters, who generally have a normal retirement age of 60 years. Effective January 1, 2021, an OMERS employer can elect to provide NRA 60 benefits to all or a class of paramedics. For unionized employees, access to NRA 60 benefits are subject to negotiation between employer and unions.
- Death Benefits: Benefits are payable upon the death of a member to a surviving spouse, eligible dependent children, a designated beneficiary, or to the member's estate. Depending on eligibility requirements, the benefits may be paid in the form of a survivor pension, lump sum payment or both.
- Escalation of Pensions: Inflation protection increases pensions each year, based on the increase in the average of the Canadian Consumer Price Index (CPI) for the preceding 12-month period ending in October compared to the average CPI for the same period of the previous year, as follows:
    - Benefits earned on or before December 31, 2022 receive full inflation protection, up to a maximum annual increase of 6%. Any excess is carried forward so it can be used in later years if and when CPI increases by less than 6%.
    - Benefits earned on or after January 1, 2023 are subject to shared risk indexing, meaning that the level of inflation protection will depend on SC's annual assessment of the financial health of the OMERS Plan, and may be less than the full inflation protection.
- 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 received or investment income earned. The operations of certain entities holding private equity, infrastructure, private credit or real estate investments may be taxable.

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. The liability of the Primary Plan, with respect to the AVC component, is equal to members' AVC contributions plus (if positive) or minus (if negative) the prorated, full-year net investment rate of return earned by the defined benefit component of the Primary Plan over the period of time that the AVC contributions had been invested.

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 from active members and by the investment earnings of the RCA fund.

Current and future contributions are determined annually 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 the 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 offers optional benefits for members of the police sector, firefighters and paramedics. It 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 FSRA and with the CRA under Registration #1175892.

Until March 31, 2024, 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, 2021 and December 31, 2020, no such agreement existed and hence the Supplemental Plan had no assets, no liabilities and no members.

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 Consolidated 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. They also provide disclosures required by regulation 909 under the PBA.

Certain comparative figures have been revised to conform to the current year's presentation as set out in Note 8 - *Net Investment Income (Loss)*.

Use of Estimates and Judgments

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

Investments and Valuations

Investment transactions are recorded 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; 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. The determination of fair value is based on market conditions at a specific point in time and may not reflect future fair values.

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) Inflation-linked bonds, nominal bonds and debentures are valued at year-end quoted market prices, where available, based on quotes from industry standard sources. Public equities are valued using quoted market exchange prices.

(iii) For investments whose quoted market prices are not available, such as mortgages and private debt, values are estimated using discounted cash flows based on current market yields for comparable securities, independent asset appraisals and financial analysis.

(iv) Investments with externally-managed hedge funds, whose individual securities valuations are not available to AC, are recorded based on the values provided by the fund manager, after Management evaluates these for reasonability.

(v) The 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.

(vi) Investments in private equity, infrastructure and real estate assets, held either directly or through limited partnership arrangements, generally do not have a publicly-available market price. For such investments, the completion of a recent 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.

Management values private investments as follows:

a) 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 by using discount rates and, where appropriate, terminal capitalization rates that reflect the risk inherent in the projected cash flows. Discount rates, terminal capitalization rates, and projected cash flows are based on internal assumptions and external inputs; and/or
   - assessing the valuation against the value of comparable publicly listed investments, where applicable.

b) For non-operating and start-up directly-held private investments, the value is held at cost until there is evidence to support a change in valuation.

c) For a private fund investment, where AC's ability to access information on underlying individual fund investments is restricted, such as under the terms of a limited partnership agreement, the investment's value 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.

For each significant private investment, Management engages accredited, independent external valuation experts, to assess the reasonableness of the investment's valuation, at least once every three years.

Derivative Financial Instruments

Derivative financial instruments are financial contracts, the value of which are derived from changes in prices of underlying assets or indices. Derivative transactions are conducted in over-the-counter markets directly between two counterparties or are cleared through clearinghouses, or on regulated exchange markets. AC uses derivative financial instruments to manage the Primary Plan's asset mix and to assist in managing the exposure to market risk by increasing or decreasing foreign currency, interest rates, credit or price risk, without directly purchasing or selling the underlying assets or currencies.

The fair value of derivative contracts are presented in the Consolidated Statement of Financial Position. These fair values represent the cost of replacing all outstanding contracts under current market conditions. Contracts with a positive fair value are recorded as derivative assets in Investment-Related Assets, and contracts with a negative fair value are recorded as derivative liabilities in Investment-Related Liabilities. Management nets both legs of a swap contract into one unit of measurement.

Net Investment Income (Loss)

Investment income (loss) includes accrued interest, dividends and real estate rental income. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of investments are recognized in net investment income.

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 estimates of fair values change.

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 (Loss) in Note 8 – *Net Investment Income (Loss)* as incurred.

External Manager Fees

The base fees payable to external managers for managing certain of AC's investment portfolios are recognized in Investment Management Services as incurred in Note 12 - *Pension Administrative and Investment Management Expenses*. Performance fees, which are contractually due to external managers for superior investment returns, and fees for pooled funds, where AC's investment return from the fund is net of fees, are expensed directly to Investment Income as incurred in Note 8 - *Net Investment Income (Loss)*.

Investment Liabilities

Investment liabilities include commercial paper, term notes, and other debt obligations with recourse to AC. These obligations are issued by OMERS Finance Trust (an entity whose beneficiaries are subsidiaries of AC) (OFT), and by entities in which AC has invested. Investment liabilities also include the obligations in respect of securities sold short and securities sold under repurchase agreements. For securities sold under repurchase agreements, AC sells securities and simultaneously agrees to buy them back at a specified price at a future date.

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. AC's own credit risk is considered when estimating the fair value of investment liabilities.

Liabilities incurred by entities in which AC has invested are netted against investment assets, even when the investment is in an entity over which AC has effective control or can exercise significant influence, except for those liabilities which have recourse to AC.

Pending Trades

Pending trades include accrued receivables and payables from unsettled transactions.

The fair values of amounts due and amounts payable from pending trades approximate their carrying amounts due to their short-term nature.

Foreign Currency Translation

Certain Investment assets and liabilities are denominated in foreign currencies. The fair values of such investment assets and liabilities are translated into Canadian dollars at the year-end foreign exchange rate. Unrealized foreign exchange gains and losses arising from this translation are included in Net Gain (Loss) on Investment Assets and Liabilities in Note 8 – *Net Investment Income (Loss)*. When an investment denominated in a foreign currency is sold, the realized foreign exchange gain or loss is also recognized in Net Gain (Loss) on Investment Assets and Liabilities in Note 8, based on the foreign exchange rate at the settlement date.

Accrued Pension Obligation

The value of the accrued pension obligation of the Primary Plan’s defined benefit component is based on an actuarial valuation prepared by an independent firm of actuaries. The accrued pension obligation is measured using the Projected Benefit Method Prorated on Services, in accordance with accepted actuarial practice in Canada using actuarial assumptions and methods adopted by AC 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 obligation represents the Primary Plan's liability in respect of the AVC component of the Primary Plan and equals members' AVC contributions plus or minus the net investment rate of return earned by the defined benefit component of the Primary Plan over the period of time that the AVC contributions have been invested.

The valuation methodology used to estimate 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, while recognizing the difference in the tax treatment of the plans' assets.

The AVC obligation and the accrued pension obligation of the RCA 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 to assess the funded position of the Primary Plan, including the determination of minimum contributions required by law. The actuarial value adjustment to the fair value of net assets is the cumulative amount of unrecognized net investment returns. In each year, a new balance is added equal to the net investment return above or below the actuarial smoothing rate in effect for that year; this amount is then recognized over a five-year period. The actuarial smoothing rate applied to net investment returns recognized in years prior to 2021 is the nominal discount rate in effect at the end of the previous year. The actuarial smoothing rate applied to net investment returns recognized in years beginning 2021 is the estimated future long-term median market rate of return. The fair value of net assets available for benefits is adjusted by the actuarial value adjustment to arrive at the actuarial value of net assets. The actuarial value adjustment is constrained to no more than 15% of the fair value of net assets.

Surplus (Deficit)

For presentation in the financial statements, 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 presentation in the financial statements, the surplus (deficit) of the RCA 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 active members are recorded on an accrual basis. Service purchases including 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 as received.

Benefits

Benefit payments are recorded as they become due. Commuted value payments and transfers to other pension plans are recorded in the period in which AC is notified of the request. 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. Administrative expenses are recorded on an accrual basis. Direct pension administration expenses include expenses to provide direct services to OMERS Pension Plans members and employers. Direct investment management expenses include expenses for managing OMERS Pension Plans investments. Corporate services expenses primarily include corporate information systems, accounting, risk management, human resources, legal and other governance expenses incurred to support either the pension administration or the investment management functions. These are allocated between pensions administration or investment management expenses based on an estimate of the use of resources.

New Accounting Pronouncements In Effect on January 1, 2021

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

Management has concluded that the transitions to ARRs with firm cessation dates do not have a significant impact on the measurement or disclosure of balances presented in the Consolidated Financial Statements. AC will continue to assess the impact of these reforms and transitions on its operations.

All other accounting pronouncements in effect during 2021 have been determined to have no significant impact on the Consolidated Financial Statements.

NOTE 3

A. Investments by Fair Value and Cost

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

As at December 31,		2021		2020
	Fair Value	Cost	Fair Value	Cost
Fixed Income				
Inflation-linked bonds	**$ 2,957**	**$ 2,674**	$ 2,514	$ 2,363
Canadian nominal bonds and debentures	**6,781**	**6,781**	2,660	2,583
Non-Canadian nominal bonds and debentures	**1,734**	**1,821**	1,520	1,571
Private debt and mortgages	**9,393**	**9,645**	10,059	10,361
Total Fixed Income	**20,865**	**20,921**	16,753	16,878
Equities				
Public Equity				
Canadian public equities	**3,857**	**3,216**	4,851	4,728
Non-Canadian public equities	**14,840**	**12,380**	10,735	9,206
Total Public Equity	**18,697**	**15,596**	15,586	13,934
Private Equity (i)				
Canadian private equities (ii)	**2,724**	**2,564**	2,434	2,726
Non-Canadian private equities	**22,641**	**18,922**	18,377	17,270
Total Private Equity	**25,365**	**21,486**	20,811	19,996
Total Equities	**44,062**	**37,082**	36,397	33,930
Real Assets				
Infrastructure investments	**29,691**	**28,856**	28,678	27,197
Real Estate investments	**23,604**	**20,644**	18,316	16,886
Total Real Assets	**53,295**	**49,500**	46,994	44,083
Short-Term Instruments				
Cash and short-term deposits (iii)	**17,890**	**17,890**	19,467	19,468
Total Investments	**136,112**	**125,393**	119,611	114,359
Investment-Related Assets				
Investment receivables	**286**	**286**	339	339
Deferred assets, prepaid and other	**55**	**54**	54	82
Derivatives	**740**	**213**	1,609	469
Pending trades	**96**	**97**	187	187
Total Investment-Related Assets	**1,177**	**650**	2,189	1,077
Investment-Related Liabilities				
Investment liabilities (note 4)	**(12,264)**	**(12,448)**	(12,348)	(12,268)
Derivatives	**(529)**	**(90)**	(658)	(339)
Pending trades	**(57)**	**(57)**	(179)	(179)
Total Investment-Related Liabilities	**(12,850)**	**(12,595)**	(13,185)	(12,786)
Net Investment Assets	**$ 124,439**	**$ 113,448**	$ 108,615	$ 102,650

(i) Includes venture capital investments of $1,931 (December 31, 2020: $1,102).

(ii) There were no resource properties held as at December 31, 2021 and December 31, 2020.

(iii) Includes restricted cash of $287 (December 31, 2020: $121).

B. Investment Fair Value Hierarchy

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

Level 1

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

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, public fund investments and investment-related liabilities, including debt and securities sold under repurchase agreements.

Level 3

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

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

As at December 31,				**2021**
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Income	**$ —**	**$ 11,472**	**$ 9,393**	**$ 20,865**
Public Equity	**18,202**	**271**	**224**	**18,697**
Private Equity	**—**	**32**	**25,333**	**25,365**
Infrastructure	**—**	**—**	**29,691**	**29,691**
Real Estate	**—**	**—**	**23,604**	**23,604**
Short-Term Instruments	**2,253**	**15,637**	**—**	**17,890**
Investment-Related Assets	**8**	**1,169**	**—**	**1,177**
Investment-Related Liabilities	**(95)**	**(12,755)**	**—**	**(12,850)**
Net Investment Assets	**$ 20,368**	**$ 15,826**	**$ 88,245**	**$ 124,439**

As at December 31,				2020
	Level 1	Level 2	Level 3	Total
Fixed Income	$ —	$ 6,694	$ 10,059	$ 16,753
Public Equity	15,310	43	233	15,586
Private Equity	113	955	19,743	20,811
Infrastructure	—	—	28,678	28,678
Real Estate	—	—	18,316	18,316
Short-Term Instruments	1,171	18,296	—	19,467
Investment-Related Assets	21	2,168	—	2,189
Investment-Related Liabilities	(89)	(13,096)	—	(13,185)
Net Investment Assets	$ 16,526	$ 15,060	$ 77,029	$ 108,615

(b) The following table presents the changes in Level 3 investments for the year ended December 31, 2021:

	Fair Value Dec 31, 2020	Included in Total Investment Income (Loss)(i)	Transfers In(ii)	Transfers Out(ii)	Purchases	Sales and Return of Capital(iii)	Fair Value Dec 31, 2021	Unrealized Gains (Losses) Attributable to Investments in the Year(i) (iv)
Fixed Income	$ 10,059	$ 461	$ —	$ —	$ 3,179	$ (4,306)	$ 9,393	$ 5
Public Equity	233	10	—	—	—	(19)	224	(4)
Private Equity	19,743	4,751	—	(359)	4,052	(2,854)	25,333	3,368
Infrastructure	28,678	1,886	—	—	2,544	(3,417)	29,691	149
Real Estate	18,316	2,352	63	—	5,259	(2,386)	23,604	1,403
Total	$ 77,029	$ 9,460	$ 63	$ (359)	$ 15,034	$ (12,982)	$ 88,245	$ 4,921

The following table presents the changes in Level 3 investments for the year ended December 31, 2020:

	Fair Value Dec 31, 2019	Included in Total Investment Income (Loss)(i)	Transfers In(v)	Transfers Out(v)	Purchases	Sales and Return of Capital(iii)	Fair Value Dec 31, 2020	Unrealized Gains (Losses) Attributable to Investments in the Year(i) (iv)
Fixed Income	$ 8,446	$ 191	$ 50	$ —	$ 2,949	$ (1,577)	$ 10,059	$ (388)
Public Equity	—	(10)	—	—	248	(5)	233	(13)
Private Equity	21,388	(700)	—	(7)	2,117	(3,055)	19,743	(1,271)
Infrastructure	25,292	2,606	—	—	4,726	(3,946)	28,678	437
Real Estate	20,497	(1,729)	—	—	2,906	(3,358)	18,316	(2,457)
Total	$ 75,623	$ 358	$ 50	$ (7)	$ 12,946	$ (11,941)	$ 77,029	$ (3,692)

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

(ii) Transfers out of Private Equity include an investment transferred into Real Estate and private investments that became publicly traded where additional valuation inputs are applied.

(iii) Includes realized foreign exchange gains and losses.

(iv) Unrealized Gains (Losses) Attributable to Investments in the Year separately identifies unrealized gains (losses) that are also included in Included in Total Investment Income (Loss).

(v) Transfers into Level 3 were primarily due to lack of market observable inputs used to determine fair value. Transfers out of Level 3 into Level 1 were due to a private investment becoming publicly traded.

(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. 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.

Private equity valuation inputs include 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 investments' valuations to reasonably possible alternative assumptions for asset categories where such reasonably possible alternative assumptions would change the fair value significantly. These sensitivities are hypothetical and should be used with caution. The impact to the valuation from such changes to the significant input has been calculated independently of the impact of changes in other key variables. In actual experience, a change in the significant input 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,				2021	2020
	Significant Inputs	**Range of Inputs**	**Change in Significant Inputs**	**Change in Net Investment Assets**	Change in Net Investment Assets
Private credit	Discount rate	1.09% - 18.3% (2020: 1.2% - 16.4%)	**+/- 25 bps**	$ **-/+50**	$ -/+ 50
Private equity	Multiple[1]	5.0X - 21.0X (2020: 5.5X - 19.7X)	**+/- 0.50x**	**+/-730**	+/- 630
Infrastructure investments	Discount rate	7.0% - 15.8% (2020: 6.5% - 15.8%)	**+/- 25 bps**	**-/+ 1,245**	-/+ 1,220
Real estate investments	Discount rate	4.5% - 10.5% (2020: 4.7% - 10.5%)	**+/- 25 bps**	**-/+ 730**	-/+ 590
Real estate investments	Terminal capitalization rate	3.1% - 8.5% (2020: 3.1% - 8.5%)	**+/-25 bps**	**-/+1,370**	-/+ 1,110

[1]Primarily reflects EBITDA or revenue multiple.

The above sensitivity analysis excludes fund investments totaling $7,070 (December 31, 2020: $6,144) for which AC does not have access to the underlying investment information. For those investments, fair values are equal to the values provided by the fund’s general partner, unless there is a specific and objectively verifiable reason to vary from the value provided.

C. Significant Investments

Investments with either a fair value or cost exceeding one per cent of the fair value or cost, respectively of total net investment assets are as follows:

As at December 31,			2021			2020
	Number of Investments	**Fair Value**	**Cost**	Number of Investments	Fair Value	Cost
Public Investments	**3**	$ **5,848**	$ **5,226**	1	$ 2,083	$ 1,351
Private Investments	**15**	**22,891**	**19,343**	11	14,675	13,490
Total	**18**	$ **28,739**	$ **24,569**	12	$ 16,758	$ 14,841

Public investments in the table above include an interest in an integrated logistics company and fixed income investments.

Private investments in the table above include:

- ownership interests in Ares AO Middle Market Credit LP Fund, Associated British Ports, Bruce Power, Ellevio, Leeward Renewable Energy, Lifelabs, London City Airport, ONCOR, Premise Health, Puget Energy, Scotia Gas Networks and Turnpoint Services;
- fixed income investment in Allied World Assurance Holdings Limited; and
- real estate ownership interests in IDI Logistics and Yorkdale Shopping Centre.

The effective date of the most recent valuation for the above listed investments was December 31, 2021.

D. Derivative Financial Instruments

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

As at December 31,		**2021**			2020	
		Fair Value			Fair Value	
	Notional Value	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Fixed Income						
Interest Rate Contracts						
Swaps	**$ 645**	**$ 6**	**$ (1)**	$ 325	$ 6	$ —
Swaptions						
- written	**—**	**—**	**—**	—	—	—
- purchased	**—**	**—**	**—**	637	—	—
Futures	**753**	**—**	**—**	2,856	1	—
		6	**(1)**		7	—
Credit Default Contracts						
Swaps	**10,816**	**1**	**—**	1,697	—	—
Swaptions						
- written	**632**	**—**	**—**	3,376	—	(3)
- purchased	**632**	**1**	**—**	3,376	9	—
		2	**—**		9	(3)
		8	**(1)**		16	(3)
Equities						
Equity Contracts						
Swaps	**15,343**	**414**	**(137)**	17,794	580	(195)
Futures	**3,484**	**3**	**(9)**	3,533	13	(7)
Options						
- written	**5,089**	**—**	**(75)**	13,448	—	(164)
- purchased	**7,743**	**195**	**—**	15,552	224	—
		612	**(221)**		817	(366)
Commodity Contracts						
Futures	**1,548**	**5**	**(15)**	1,584	7	(6)
		5	**(15)**		7	(6)
		617	**(236)**		824	(372)
Foreign Exchange Contracts						
Forwards	**37,308**	**115**	**(292)**	42,958	750	(235)
Options						
- written	**—**	**—**	**—**	3,389	—	(48)
- purchased	**—**	**—**	**—**	5,354	19	—
		115	**(292)**		769	(283)
Total		**$ 740**	**$ (529)**		$ 1,609	$ (658)

E. Investment Risk

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

The AC Board of Directors (the Board), through its Investment Committee, determines the acceptable level of investment risk to be taken. This Committee reviews and recommends the long-term asset mix to the Board for approval. Primary accountability for managing risk, within the Board's authorized parameters, is delegated by the Board to the Chief Executive Officer, who further delegates the responsibility to business leaders. The Chief Risk Officer 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. Accountability for managing investment risks remains with the business units and functions responsible for making investment decisions.

AC’s investments are diversified among major asset classes. Investment teams execute specific strategies 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 Pandemic, and the resulting economic conditions, may materially impact AC's investment portfolio, AC's counterparties' ability to service their loan obligations and AC's sources of liquidity. AC continues to monitor the risks arising from the Pandemic.

AC manages market, credit and liquidity risk as follows:

a) Market Risk

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

To address market risk, investment teams employ tactics and strategies designed to measure, manage and monitor the risks and ensure the risks taken are commensurate with their expected returns. The investment teams monitor key market risk metrics such as volatility, drawdown, interest rate sensitivity, duration, credit spread risk, credit ratings, and foreign exchange exposures to assess the sensitivity of the total portfolio to each type of market risk. Actions will be taken to adjust portfolio exposures if risk sensitivities exceed the desired level or contradict the investment team’s market view. At the security level, the investment teams develop fundamental or quantitative models to help assess the fair value of each security. When the observed price significantly deviates from a security’s fair value, the portfolio manager may take action to reduce or increase position sizes.

(i) Foreign Exchange Rates

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

As at December 31,		**2021**		2020
		Fair Value By Currency		Fair Value By Currency
Currency	**Net Exposure**	**% of Total**	Net Exposure	% of Total
United States Dollar	**$ 31,114**	**25 %**	$ 18,040	17 %
British Pound Sterling	**5,988**	**5**	4,328	4
Euro	**3,529**	**3**	196	—
Hong Kong Dollar	**2,860**	**2**	2,869	3
Indian Rupee	**2,428**	**2**	1,801	2
Australian Dollar	**1,829**	**1**	1,112	1
Chinese Yuan	**1,049**	**1**	1,292	1
All Other	**3,101**	**3**	1,538	1
Total Foreign Currency Exposure	**51,898**	**42**	31,176	29
Canadian Dollar	**72,541**	**58**	77,439	71
Total	**$ 124,439**	**100 %**	$ 108,615	100 %

Foreign Currency Sensitivity

After giving effect to the impact of hedging and holding constant all other variables and underlying values, a five per cent increase or decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate $2,593 (December 31, 2020: $1,559) decrease or increase in AC's net assets as shown below:

As at December 31,		**2021**	2020
Currency	**Change in value of Canadian Dollar**	**Change in Unrealized Gain/Loss**	Change in Unrealized Gain/Loss
United States Dollar	**+/- 5%**	**$ -/+ 1,556**	$ -/+ 902
British Pound Sterling	**+/- 5%**	**-/+ 299**	-/+ 216
Euro	**+/- 5%**	**-/+ 176**	-/+ 10
Hong Kong Dollar	**+/- 5%**	**-/+ 143**	-/+ 143
Indian Rupee	**+/- 5%**	**-/+ 121**	-/+ 90
Australian Dollar	**+/- 5%**	**-/+ 91**	-/+ 56
Chinese Yuan	**+/- 5%**	**-/+ 52**	-/+ 65
All Other	**+/- 5%**	**-/+ 155**	-/+ 77
Total		**$ -/+ 2,593**	$ -/+ 1,559

(ii) Interest Rate Risk

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

Sensitivity to changes in interest rates

AC's exposure to a one per cent increase (decrease) in interest rate, with all other variables held constant, would result in an approximate decrease (increase) in the value of directly managed fixed income investments and interest rate swaps net of term note liabilities of $351 (December 31, 2020: $246). 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 invests in publicly-traded equities to achieve capital gains, income through dividends, or both over time. These investments are exposed to price risk and volatility. Investments in publicly-traded equities are actively managed with due regard for risk and return objectives through countries-, sectors- and entity-specific analyses as well as through diversification.

AC's investment in publicly-traded equities is achieved through both physical holdings and derivative exposures. A ten per cent increase (decrease) in the value of these public equities would result in an approximate increase (decrease) in public equity exposures and an unrealized gain (loss) of $3,644 (December 31, 2020: $3,401).

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 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 $221 (December 31, 2020: $162).

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 counterparties. 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;
- if no rating is available from selected reputable credit rating agencies for credit investments, Management estimates ratings using an internal rating process; 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 December 31,					**2021**
	Sovereign Governments	**Provincial Governments**	**Corporate**	**Total**	**% of Total**
AAA	**$ 6,631**	**$ —**	**$ —**	**$ 6,631**	**17 %**
AA	**4,057**	**383**	**13,940**	**18,380**	**47**
A	**—**	**233**	**1,226**	**1,459**	**4**
BBB	**474**	**—**	**3,316**	**3,790**	**10**
Below BBB	**—**	**—**	**6,857**	**6,857**	**18**
Unrated	**—**	**—**	**1,638**	**1,638**	**4**
Total	**$ 11,162**	**$ 616**	**$ 26,977**	**$ 38,755**	**100 %**

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

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

(ii) Margin, Right of Netting and Offset

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

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

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

AC enters into enforceable master netting agreements, such as ISDA Master Agreements, GMRA and securities lending agreements. Under these agreements, following a counterparty's event of default, bankruptcy or other early termination event, AC is entitled to liquidate transactions under each of the above derivative, repurchase and securities lending arrangements and to net amounts payable under all transactions under that agreement. Master netting agreements might include contractual rights of set-off, enforceable following the occurrence of an event of default or other termination event, that might allow, in certain circumstances, AC or its counterparty to set-off amounts owing under one agreement against amounts owed under another agreement, on a counterparty by counterparty basis. In the 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 Consolidated 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 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 December 31,				Related amounts not set off in the Consolidated Statement of Financial Position		**2021**
	Gross amounts of recognized Financial Instruments	**Less amounts offset in Consolidated Financial Statements**	**Net amounts presented in Consolidated Financial Statements**	**Amounts subject to netting arrangements**	**Financial collateral (received) pledged**	**Net amount**
Financial Assets						
Derivative assets	**$ 740**	**$ —**	**$ 740**	**$ (410)**	**$ (188)**	**$ 142**
Total Financial Assets	**$ 740**	**$ —**	**$ 740**	**$ (410)**	**$ (188)**	**$ 142**
Financial Liabilities						
Derivative liabilities	**$ (529)**	**$ —**	**$ (529)**	**$ 410**	**$ 81**	**$ (38)**
Securities borrowing	**(862)**	**—**	**(862)**	**—**	**862**	**—**
Repurchase agreements	**(152)**	**—**	**(152)**	**—**	**152**	**—**
Total Financial Liabilities	**$ (1,543)**	**$ —**	**$ (1,543)**	**$ 410**	**$ 1,095**	**$ (38)**

As at December 31,				Related amounts not set off in the Consolidated Statement of Financial Position		2020
	Gross amounts of recognized Financial Instruments	Less amounts offset in Consolidated Financial Statements	Net amounts presented in Consolidated Financial Statements	Amounts subject to netting arrangements	Financial collateral (received) pledged	Net amount
Financial Assets						
Derivative assets	$ 1,609	$ —	$ 1,609	$ (671)	$ (514)	$ 424
Total Financial Assets	$ 1,609	$ —	$ 1,609	$ (671)	$ (514)	$ 424
Financial Liabilities						
Derivative liabilities	$ (658)	$ —	$ (658)	$ 671	$ —	$ 13
Securities borrowing	(480)	—	(480)	—	1,080	600
Total Financial Liabilities	$ (1,138)	$ —	$ (1,138)	$ 671	$ 1,080	$ 613

c) Liquidity Risk

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

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

As of December 31, 2021, AC maintained $25,137 of available liquid assets (December 31, 2020: $22,794). Available liquid assets include cash and short term deposits, inflation-linked bonds and government securities.

(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 December 31,				**2021**				2020
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Debt (undiscounted principal and interest (re)payments) (i)	**$ 2,060**	**$ 6,642**	**$ 2,325**	**$ 11,027**	$ 3,021	$ 6,091	$ 2,402	$ 11,514
Securities sold short	**72**	**278**	**512**	**862**	217	36	227	480
Securities sold under repurchase agreements	**152**	**—**	**—**	**152**	—	—	—	—
Payables and other liabilities	**619**	**—**	**—**	**619**	647	—	—	647
Interest rate contracts	**1**	**—**	**—**	**1**	—	—	—	—
Credit default contracts	**—**	**—**	**—**	**—**	3	—	—	3
Equity contracts	**221**	**—**	**—**	**221**	366	—	—	366
Commodity contracts	**15**	**—**	**—**	**15**	6	—	—	6
Foreign exchange contracts	**292**	**—**	**—**	**292**	257	26	—	283
Total	**$ 3,432**	**$ 6,920**	**$ 2,837**	**$ 13,189**	$ 4,517	$ 6,153	$ 2,629	$ 13,299

(i) Includes commercial paper which is due within 1 year of $1,201 (December 31, 2020: $2,570).

Other liabilities included in the Consolidated Statement of Financial Position of $350 (December 31, 2020: $339) are due within 1 year.

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

December 31,				**2021**				2020
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Interest rate contracts	**$ 126**	**$ —**	**$ —**	**$ 126**	$ 52	$ —	$ —	$ 52
Credit default contracts	**632**	**—**	**—**	**632**	3,376	—	—	3,376
Equity contracts	**11,955**	**—**	**—**	**11,955**	20,057	—	—	20,057
Commodity contracts	**950**	**—**	**—**	**950**	626	—	—	626
Foreign exchange contracts	**20,060**	**—**	**—**	**20,060**	16,645	1,035	—	17,680
Total	**$ 33,723**	**$ —**	**$ —**	**$ 33,723**	$ 40,756	$ 1,035	$ —	$ 41,791

(ii) Commercial paper

OFT is authorized to issue up to an equivalent of $5,000 (December 31, 2020: $5,000) in commercial paper, which is unconditionally and irrevocably guaranteed by AC. As directed by the 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 $1,201 was issued as at December 31, 2021 (December 31, 2020: $2,570).

Commercial paper generally has short-term maturities, and the requirement to repay this debt at maturity increases liquidity risk. OFT manages this risk by maintaining a high credit rating and by maintaining an undrawn $3,750 (December 31, 2020: $3,750) revolving credit facility with a syndicate of well-capitalized banks to backstop the commercial paper program and to use for other general corporate purposes.

NOTE 4

Investment Liabilities

AC's investment liabilities are as follows:

As at December 31,	**2021**	2020
Debt	**$ 10,631**	$ 11,221
Securities sold short	**862**	480
Securities sold under repurchase agreements	**152**	—
Payables and other liabilities	**619**	647
Total	**$ 12,264**	$ 12,348

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

As at December 31,	**2021**			2020		
	Fair Value	**Cost**	**Weighted Average Interest Rate**	Fair Value	Cost	Weighted Average Interest Rate
Real Estate						
Credit facilities	**$ 450**	**$ 450**	**0.90 %**	$ 546	$ 546	1.03 %
Infrastructure						
Secured debt	**1,070**	**1,019**	**1.43**	1,101	998	1.47
OMERS Finance Trust						
Commercial paper (i)	**1,201**	**1,201**	**0.23**	2,570	2,570	0.23
Term notes	**7,904**	**8,120**	**1.54**	7,004	6,855	1.62
Credit facility (ii)	**6**	**6**	**0.50**	—	—	—
Total	**$ 10,631**	**$ 10,796**	**1.36 %**	$ 11,221	$ 10,969	1.26 %

(i) Commercial paper outstanding has maturities from January 5, 2022 to March 29, 2022 with interest rates ranging from 0.13% to 0.30%.

(ii) EUR €225 revolving credit facility expires on September 27, 2023 with an interest rate of EURIBOR + 0.50%. At December 31, 2021, EUR €3.9 was drawn (December 31, 2020: nil).

OFT is authorized to issue term notes, which are unconditionally and irrevocably guaranteed by AC. As at December 31, 2021, term notes totaling $7,904 are outstanding (December 31, 2020: $7,004) and details are shown in the table below:

Issuance	Currency	Principal Amount	Maturity	Coupon
April 14, 2020	USD	1,000	April 14, 2023	1.125%
May 2, 2019	USD	1,250	May 2, 2024	2.500%
May 13, 2020	EUR	1,000	May 13, 2025	0.450%
March 26, 2021	USD	1,000	March 26, 2026	1.100%
April 21, 2020	CAD	1,250	April 21, 2027	1.550%
May 14, 2019	CAD	1,000	May 14, 2029	2.600%

NOTE 5

Amounts Payable Under Contractual Agreements

Amounts payable under contractual agreements are comprised of two balances:

(i) AC invests funds on behalf of The Board of Trustees of Ryerson University and the Transit Windsor Fund (collectively, the Administered Funds) under contractual agreements and may recover expenses for administering such funds. These Administered Funds are adjusted for income (loss) based on their proportionate share of the Primary Plan's net investment income. The Administered Funds have no set maturity date. These funds would become payable within one year of receipt of notice by AC in accordance with the terms of each of the management and custodial agreements between, among others, AC and the Administered Funds.

(ii) Through its subsidiary OMERS Investment Management Inc., AC established 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 amounts due under the OMERS Return Agreements are adjusted for income (loss) based on an investment return equal to part of the Primary Plan's return. The term to maturity for the amounts due is greater than five years.

Amounts payable under contractual agreements are comprised of the following:

As at December 31,	**2021**	2020
Administered Funds	**$ 1,742**	$ 1,517
OMERS Return Agreements	**2,029**	1,884
Amounts payable under contractual agreements	**$ 3,771**	$ 3,401

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,		2021		2020
Net Assets Available for Benefits	$	**120,727**	$	105,400
Accrued Pension Obligation and Surplus (Deficit)				
Defined benefit component				
Accrued pension obligation	$	**119,342**	$	111,820
Surplus (Deficit)				
Funding (deficit) surplus		**(3,131)**		(3,211)
Actuarial value adjustment of net assets		**3,062**		(4,444)
		(69)		(7,655)
Additional Voluntary Contributions component obligation		**1,454**		1,235
Total Primary Plan Accrued Pension Obligation and Surplus (Deficit)	$	**120,727**	$	105,400

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		2021		2020
Statement of Changes in Net Assets				
Net investment income (loss)	$	**16,415**	$	(3,012)
Contributions		**4,499**		4,386
Benefits		**(5,483)**		(5,099)
Pension administrative expenses		**(104)**		(93)
Total Increase (Decrease)		**15,327**		(3,818)
Net Assets Available for Benefits, Beginning of Year		**105,400**		109,218
Net Assets Available for Benefits, End of Year	$	**120,727**	$	105,400

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 as are used 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 from the recorded actuarial present value.

AC used the Projected Benefit Method Prorated on Services for the actuarial valuation and Towers Watson Canada Inc. performed the actuarial valuation. Under the PBA, an actuarial valuation report prepared by an independent external actuarial firm must be filed with FSRA at least once every three years. A Primary Plan valuation report was last filed for the December 31, 2020 year-end.

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

Actuarial Assumptions	2021	2020
Assumed rate of inflation	**2.00 %**	2.00 %
Real discount rate	**3.75**	3.85
Nominal discount rate	**5.75 %**	5.85 %

Demographic assumptions are also 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 expectations for future trends. AC's external actuaries have provided their opinion that assumptions adopted are appropriate for valuing the Primary Plan's accrued pension obligation.

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

The assumed real rates of increases of pensionable earnings (i.e., increase in excess of the assumed inflation rate) were last updated in 2018 to reflect recent experience of the Primary Plan and current expectations for future years . They are as follows:

	2021				2020			
	NRA60 (i)		**NRA65 (i)**		NRA60 (i)		NRA65 (i)	
	Before 2023	**After 2022**	**Before 2023**	**After 2022**	Before 2023	After 2022	Before 2023	After 2022
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**1.8%**	**1.9%**	**1.1%**	**1.2%**	1.8%	1.9%	1.1%	1.2%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**3.8%**	**3.9%**	**3.1%**	**3.2%**	3.8%	3.9%	3.1%	3.2%

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

The following table provides the sensitivity of the accrued pension obligation to (i) changes in the real discount rate, and to (ii) changes in the assumed real rate of pensionable earnings increases. 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:

As at December 31,	**2021**	2020
Real discount rate		
Decrease in assumption	**$ 9,200**	$ 8,600
Increase in assumption	**(8,100)**	(7,600)
Real rate of pensionable earnings increases		
Decrease in assumption	**(2,000)**	(1,800)
Increase in assumption	**2,100**	2,000

The accrued pension obligation as at December 31, 2021 takes account of known changes in the Primary Plan membership up to October 31, 2021, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2022, and estimated pensionable earnings and credited service accruals in 2021.

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

As of December 31,	**2021**	2020
Primary Plan fair value of net assets available for benefits	**$ 120,727**	$ 105,400
Less: Additional Voluntary Contribution net assets	**1,454**	1,235
Defined benefit net assets available for benefits	**119,273**	104,165
Less: Actuarial value adjustment	**3,062**	(4,444)
Actuarial value of net assets available for benefits	**116,211**	108,609
Less: Defined Benefit accrued pension obligation	**119,342**	111,820
Funding (deficit) surplus of actuarial value of net assets available for benefits over accrued pension obligation	**(3,131)**	(3,211)
Actuarial value adjustment	**3,062**	(4,444)
(Deficit) Surplus of net assets available for benefits over accrued pension obligation	**$ (69)**	$ (7,655)

Actuarial Value of Net Assets of the Defined Benefit Component

The change in the actuarial value adjustment is as follows:

For the year ended December 31,		2021		2020
Expected interest on beginning actuarial value adjustment (i)	**$**	**(301)**	$	291
Current year returns in excess of (below) the actuarial smoothing rate not recognized in the year (i)		**7,358**		(7,460)
Prior years' returns (above) below the actuarial smoothing rate recognized in the year		**449**		(2,203)
Increase (Decrease) in actuarial value adjustment		**7,506**		(9,372)
Actuarial value adjustment, beginning of year		**(4,444)**		4,928
Actuarial value adjustment, end of year	**$**	**3,062**	$	(4,444)

(i) Based on the actuarial smoothing rate in effect during the year of 6.78% (2020: 5.90%).

The unrecognized net investment returns are presented in the table below by the initial year they were earned and by the years in which they are expected to be recognized from 2022 through 2025. These amounts accrete annually at the actuarial smoothing rate for 2022, which is 6.63%.

Initial Year Earned	Actuarial Smoothing Rate in Effect for the Year		Actuarial Value Adjustment as at Dec. 31, 2021		Unrecognized Investment Returns to be Recognized in 2022		2023		2024		2025		Actuarial Value Adjustment as at Dec. 31, 2020
2017	6.20 %	**$**	**—**	$	—	$	—	$	—	$	—	$	1,048
2018	6.00 %		**(830)**		(886)		—		—		—		(1,555)
2019	6.00 %		**2,508**		1,337		1,426		—		—		3,523
2020	5.90 %		**(5,974)**		(2,123)		(2,264)		(2,414)		—		(7,460)
2021	6.78 %		**7,358**		1,962		2,091		2,230		2,378		—
		$	**3,062**	$	290	$	1,253	$	(184)	$	2,378	$	(4,444)

Starting from its December 31, 2021 determination, the actuarial value adjustment is constrained to no more than 15% of the fair value of net assets for the Primary Plan. As at December 31, 2021 this constraint had no impact on the actuarial value adjustment.

NOTE 7

Retirement Compensation Arrangement

As the RCA is not a registered pension plan, a 50 per cent refundable tax is levied on all contributions made to the RCA as well as on investment income received and net realized investment gains. This is applicable to retirement compensation arrangements under the ITA. The refundable tax 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. Contributions to the RCA are based on the top-tier Primary Plan contribution rates applied to contributory earnings over a defined earnings threshold, which was (in dollars) $180,505 for 2021 (2020: $168,317). 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 balance 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,		2021		2020
Net Assets Available for Benefits	$	**192**	$	175
Accrued Pension Obligation and Surplus (Deficit)				
Accrued pension obligation	$	**1,144**	$	1,152
(Deficit) Surplus		**(952)**		(977)
Accrued Pension Obligation and Surplus (Deficit)	$	**192**	$	175

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		2021		2020
Net investment income	$	**22**	$	11
Contributions		**29**		29
Benefits		**(33)**		(26)
Administrative expenses		**(1)**		(1)
Total Increase		**17**		13
Net assets available for benefits, beginning of year		**175**		162
Net assets available for benefits, end of year	$	**192**	$	175

The accrued pension obligation of the RCA incorporates distinct actuarial assumptions for pensionable earnings increases, mortality rates and retirement rates reflecting the recent experience of its membership and future expectations. The nominal discount rate used for the RCA as at December 31, 2021 is 3.10% (December 31, 2020: 3.15%), which reflects the expected long-term return on the long-term asset mix of the RCA, including the effect of the 50 per cent refundable tax.

The assumed real rate of increases of pensionable earnings (i.e., increase in excess of the assumed inflation rate) were last updated in 2020 and are as follows:

	2021				2020			
	NRA60 (i)		NRA65 (i)		NRA60 (i)		NRA65 (i)	
	Before 2023	After 2022	Before 2023	After 2022	Before 2023	After 2022	Before 2023	After 2022
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**2.5%**	**2.6%**	**1.6%**	**1.7%**	2.5%	2.6%	1.6%	1.7%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**4.5%**	**4.6%**	**3.6%**	**3.7%**	4.5%	4.6%	3.6%	3.7%

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

A 50 basis point change in the following assumptions (with no change in other assumptions) would have the following approximate effect on the accrued pension obligation:

As at December 31,		2021		2020
Discount rate before reflecting the 50 per cent refundable tax				
Decrease in assumption	$	**54**	$	56
Increase in assumption		**(50)**		(52)
Real rate of pensionable earnings increases				
Decrease in assumption		**(79)**		(97)
Increase in assumption		**199**		276

NOTE 8

Net Investment Income (Loss)

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

For the year ended December 31,					2021
	Investment Income (ii)	Net Gain (Loss) on Investment Assets and Liabilities (iii)	Total Investment Income (Loss) (i)	Investment Management Expenses (note 12)	Net Investment Income (Loss)
Fixed Income					
Inflation-linked bonds	$ 19	$ 107	$ 126	$ (12)	$ 114
Nominal bonds and debentures	148	(147)	1	(14)	(13)
Private debt and mortgages	551	(107)	444	(83)	361
Total Fixed Income	718	(147)	571	(109)	462
Equities					
Canadian public equities	210	768	978		
Non-Canadian public equities	201	1,247	1,448		
Total public equities	411	2,015	2,426	(109)	2,317
Canadian private equities	257	515	772		
Non-Canadian private equities	434	3,448	3,882		
Total private equities	691	3,963	4,654	(307)	4,347
Total Equities	1,102	5,978	7,080	(416)	6,664
Real Assets					
Infrastructure	1,695	243	1,938	(106)	1,832
Real estate (iv)	773	1,516	2,289	(20)	2,269
Total Real Assets	2,468	1,759	4,227	(126)	4,101
Short-Term Instruments					
Cash and short-term deposits	20	(159)	(139)	(6)	(145)
Derivatives	—	5,434	5,434	—	5,434
Investment liabilities	—	363	363	—	363
Total Investment Income (Loss)	$ 4,308	$ 13,228	$ 17,536	$ (657)	$ 16,879
Income credited under contractual agreements					(442)
Net Investment Income (Loss)					$ 16,437

For the year ended December 31,					2020
	Investment Income [(ii)]	Net Gain (Loss) on Investment Assets and Liabilities [(iii)]	Total Investment Income (Loss) [(i)]	Investment Management Expenses (note 12)	Net Investment Income (Loss)
Fixed Income					
Inflation-linked bonds	$ 35	$ (104)	$ (69)	$ (10)	$ (79)
Nominal bonds and debentures	127	37	164	(12)	152
Private debt and mortgages	570	(305)	265	(65)	200
Total Fixed Income	732	(372)	360	(87)	273
Equities					
Canadian public equities	214	(1,669)	(1,455)		
Non-Canadian public equities	226	(437)	(211)		
Total public equities	440	(2,106)	(1,666)	(97)	(1,763)
Canadian private equities	57	(219)	(162)		
Non-Canadian private equities	505	(1,124)	(619)		
Total private equities	562	(1,343)	(781)	60	(721)
Total Equities	1,002	(3,449)	(2,447)	(37)	(2,484)
Real Assets					
Infrastructure	1,317	1,047	2,364	(133)	2,231
Real estate [(iv)]	558	(2,414)	(1,856)	(14)	(1,870)
Total Real Assets	1,875	(1,367)	508	(147)	361
Short-Term Instruments					
Cash and short-term deposits	19	(50)	(31)	(5)	(36)
Derivatives [(v)]	—	(931)	(931)	—	(931)
Investment liabilities [(v)]	—	(159)	(159)	—	(159)
Total Investment (Loss) Income	$ 3,628	$ (6,328)	$ (2,700)	$ (276)	$ (2,976)
Income credited under contractual agreements					(25)
Net Investment (Loss) Income					$ (3,001)

(i) Total Investment Income (Loss) includes interest, dividends and real estate operating income accrued or received net of interest expense on liabilities incurred in investment related activities. Total Investment Income (Loss) is net of external manager performance and pooled fund fees of $110 (2020: $106).

(ii) Interest on investment related activities includes interest expense on real estate investment liabilities of $443 (2020: $452) and interest on infrastructure investment liabilities of $123 (2020: $161).

(iii) Net Gain (Loss) on Investment Assets and Liabilities is net of transaction and pursuit costs of $371 (2020: $163) and includes a net realized gain of $8,132 (2020: loss of $(1,276)) from foreign exchange and sale of assets.

(iv) Real estate investment income includes Oxford Properties Group's operating expenses (net of property management income) of $78 (2020: $94). The total audit costs are $4 (2020: $4).

(v) For 2021 presentation, Net Investment Income (Loss) from Derivatives and Investment liabilities are reclassified from other line items and disclosed as separate asset classes, with no impact to Total Investment (Loss) Income.

NOTE 9

Investment Returns

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

a. Returns are calculated as the percentage of applicable income to the weighted average fair value of the applicable net assets during the period.
b. Fair value is determined as described in Note 2.
c. Income is determined as described in Notes 2 and 8.
d. The OMERS Primary Plan return includes all investments.

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

For the year ended December 31,	**2021**	2020
OMERS Primary Plan		
Total Gross Return	**16.41 %**	(2.35)%
Returns applicable to OMERS Return Agreements		
OMERS Infrastructure	**10.88 %**	9.29 %
Oxford Properties	**12.58 %**	(6.68)%

The above OMERS Primary Plan return and OMERS Infrastructure return are before the impact of base and performance fees paid to external fund managers and before investment management expenses. The OMERS Primary Plan net return after all investment costs for the year ended December 31, 2021 was 15.7% (December 31, 2020: (2.7)%).

NOTE 10

Contributions

For the year ended December 31,	**2021**	2020
Current year required contributions (i)		
From employers	**$ 2,138**	$ 2,093
From members	**2,138**	2,093
	4,276	4,186
Transfers from other pension plans	**64**	62
Past service contributions from members	**92**	78
Past service contributions from employers	**14**	11
Defined benefit contributions	**4,446**	4,337
AVC contributions received	**82**	78
Total contributions (ii)	**$ 4,528**	$ 4,415

(i) Current year service contributions are funded equally by employers and active members. For NRA 65 members, the 2021 contribution rate was 9.0% (2020: 9.0%) of earnings up to $61,600 (2020: $58,700) and 14.6% (2020: 14.6%) of earnings above that level. For NRA 60 members, the 2021 contribution rate was 9.2% (2020: 9.2%) of earnings up to $61,600 (2020: $58,700) and 15.8% (2020: 15.8%) of earnings above that level.

(ii) As at December 31, 2021, OMERS had 1,030 employers (December 31, 2020: 1,023). OMERS has a 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,		2021		2020
Retirement benefits	$	**4,573**	$	4,287
Disability benefits		**29**		28
Death benefits		**149**		149
Transfers to other pension plans		**72**		65
Commuted value payments		**638**		543
Defined benefits paid		**5,461**		5,072
AVC benefits paid		**55**		53
Total Benefits Paid	$	**5,516**	$	5,125

NOTE 12

Pension Administrative and Investment Management Expenses

(a) Pension administrative expenses

For the year ended December 31,		2021		2020
Salaries, incentives and benefits	$	**68**	$	60
Technology and systems development		**19**		12
Premises and equipment		**5**		4
Professional services and fees (i)		**10**		12
Travel and communication		**3**		6
Total Pension Administrative Expenses	$	**105**	$	94

(b) Investment management expenses

For the year ended December 31,		2021		2020
Salaries, incentives and benefits (ii)	$	**502**	$	134
Technology and systems development		**42**		33
Premises and equipment		**29**		20
Professional services and fees (i)		**33**		40
Travel and communication		**13**		15
Investment management services		**41**		30
Other (income) expenses		**(3)**		4
Total Investment Management Expenses	$	**657**	$	276

(i) Professional services and fees include independent actuarial costs of $1 (2020: $1) and external audit costs of $3 (2020: $3).

(ii) Net of management fees of $44 (2020: $37) earned from portfolio investments.

NOTE 13

Related Party Disclosures

(Amounts in millions of Canadian dollars)

AC's related parties include employers whose employees are members of the Primary Plan, SC, key management personnel (defined below) and investments in which AC has a controlling interest. Transactions with related parties include the following through AC's investment in real estate:

- AC paid property taxes to municipal employers of $147 (2020: $157) and utility payments to utility employers of $26 (2020: $29). 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 employer entities were based on normal usage and rates that would be paid by a non-related party.
- AC earned rental revenue from investee entities of $27 (2020: $32). The amounts of rental revenue earned were based on normal levies by the individual entities and were consistent with those that would be paid by a non-related party.
- AC entered into a lease arrangement with an agency of a municipal employer, whose employees are members of the Primary Plan. The terms of the lease are at fair market value and consistent with those that would be paid by a non-related party.

Key Management Personnel Compensation

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

For the year ended December 31,	2021	2020
Salaries, short-term employee benefits and termination benefits	**$ 14**	$ 12
Post-employment benefits	**1**	1
Other long-term benefits	**15**	10
Total	**$ 30**	$ 23

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

NOTE 14

Capital

AC 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.

AC's objective is to ensure that the Primary Plan's defined benefit component is funded sufficiently to address a variety of funding risks that could reasonably arise over the long term. We aim to achieve this level of funding through managing investments; through setting the discount rate used in the actuarial valuation; and through assisting SC in its management of the Primary Plan's contribution rates and benefits.

Investments (Note 3), the use of derivatives (Note 3D) and leverage (Note 4) are based on asset mix and risk management policies and procedures. AC has a risk framework which describes overall risk-management governance and details the structure for categorizing risks to which the organization is exposed. This complements policies such as the Funding Policy, Statement of Investment Beliefs, Statement of Investment Authorities and Statement of Investment Policies & Procedures (SIP&P).

As the Primary Plan's administrator, AC 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 also establishes long-term strategic asset mix ranges and targets by asset class. The actual asset mix at December 31, 2021 was within the long-term asset mix ranges. The SIP&P was originally established in 1989 and is reviewed and approved annually by the Board. The SIP&P effective for the year ending December 31, 2021 was amended on December 10, 2020 with effective date of January 1, 2021.

AC’s objective with respect to the RCA is to target a level of funding that ensures that the existing RCA fund, plus projected contributions and projected investment earnings are, in aggregate, sufficient to pay for benefits and expenses for a period of 20 years following the valuation date.

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 and approved annually by the Board. The SIP&P effective for the year ending December 31, 2021 was last amended on December 10, 2020 with effective date of January 1, 2021.

The Primary Plan's AVC component accrued pension obligation is based on AVC contributions net of withdrawals and administration fees, plus net investment rates of return of the defined benefit component of the Primary Plan; as such, it 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 31, 2020.

NOTE 15

Segment Information

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

A. Investments by Segment

As at December 31,	**2021**	2020
	Fair Value	Fair Value
Fixed Income		
Bonds	**$ 6,931**	$ 3,783
Credit	**16,610**	18,467
	23,541	22,250
Equities		
Public Equity	**18,268**	14,770
Private Equity	**19,761**	14,780
	38,029	29,550
Real Assets		
Infrastructure	**24,036**	22,083
Real Estate	**19,843**	15,047
	43,879	37,130
Cash and Short-Term Instruments	**17,097**	18,320
Total Investments	**$ 122,546**	$ 107,250
Reconciliation to Investments by asset class (note 3A)		
OMERS Return Agreements	**2,029**	1,884
RCA (i)	**120**	105
Other	**(256)**	(624)
Net Investments Assets (note 3A)	**$ 124,439**	$ 108,615

(i) Excludes refundable tax account

B. Net Investment Income (Loss) by Segment

For the year ended,		2021		2020
Fixed Income				
Bonds	$	85	$	67
Credit		934		(793)
		1,019		(726)
Equities				
Public Equity		6,589		(586)
Private Equity		3,975		(1,100)
		10,564		(1,686)
Real Assets				
Infrastructure		2,267		1,767
Real Estate		2,532		(1,945)
		4,799		(178)
Cash and Short-Term Instruments		267		(463)
		16,649		(3,053)
Less: Administered Funds		234		(41)
Total Primary Plan Fund		16,415		(3,012)
Add: RCA Investment Fund		22		11
Net Investment Income (Loss)	$	16,437	$	(3,001)

NOTE 16

Guarantees, Commitments and Contingencies

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

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

Future financial commitments and contingencies include those relating to acquisitions of investments, funds managed by third parties, development of real estate projects and refurbishment of a major infrastructure asset. As at December 31, 2021, $3.4 billion (December 31, 2020: $2.0 billion) is expected to be due within one year and $14.7 billion (December 31, 2020: $15.0 billion) is expected to be due after one year.

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 December 31, 2021, AC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a material adverse effect on the Consolidated Financial Statements.

SECTION 8

Report of the Human Resources Committee and Compensation Discussion & Analysis

Members in 2021	
Monty Baker (Chair)	Debbie Fischer
David Beatty	Rajiv Silgardo
Darcie Beggs	David Tsubouchi
Bill Butt	George Cooke (ex officio)

Our Human Resources Committee (HR Committee) assists the AC Board in meeting its fiduciary oversight and related obligations by: (i) attracting, engaging and retaining excellent leadership at the senior executive level who are committed to the AC Mission Statement, Core Values and Leadership Principles; (ii) overseeing a robust management succession process for the position of Chief Executive Officer (CEO) and the C-Suite executives; and (iii) overseeing CEO performance, compensation and compensation policies.

In 2021, the HR Committee's work included:

- oversight of an annual performance assessment process for the CEO;
- making recommendations to the AC Board on compensation for the CEO;
- reviewing the candidates for CEO and C-Suite executives' succession as part of the robust management succession process, including discussion of development plans;
- reviewing compensation awards for the C-Suite executives;
- reviewing performance assessments for the C-Suite executives;
- reviewing the People Strategy, including talent management, performance frameworks, wellness, inclusion and diversity, and employee surveys;
- approving compensation plans to ensure appropriate strategic linkages and risk mitigation;
- approving compensation-related disclosure in public documents; and
- continued focus on HR governance matters, including compensation reporting.

Independent Compensation Adviser

The HR Committee engages an independent compensation adviser to provide advice and assistance in executing its responsibilities. Hugessen Consulting (Hugessen) is directly retained and instructed by, and reports directly to, the HR Committee. All work is pre-approved by the HR Committee, and Hugessen did not provide any non-Board-approved services to the organization during 2021.

During 2021, the independent adviser's scope of services included the following:

i. supporting the HR Committee in reviewing CEO pay and performance outcomes;

ii. providing independent executive compensation advice pertaining to the CEO and C-Suite executives (i.e., compensation philosophy, comparator groups, competitive pay positioning and pay mix);

iii. ensuring the HR Committee understood and was comfortable with the current compensation program for the CEO and C-Suite executives;

iv. providing counsel to the HR Committee on any recommendations made by Management;

v. reviewing proposals for new compensation plan designs; and

vi. assisting with any other items that the HR Committee requested.

The HR Committee has sole authority to approve the amount of the independent compensation adviser's fees. Executive compensation-related fees paid to our adviser in 2021 reflect the services as described above. The following table outlines the fees paid for services provided in 2021 and 2020:

	Executive Compensation-Related Fees		All Other Fees	
Adviser	2021	2020	2021	2020
Hugessen Consulting	$90,419	$127,650	Nil	Nil

HR Committee Composition and Meetings

Members of the HR Committee are appointed by the AC Board from among the Board's members and are independent of Management. Collectively, HR Committee members have skills, knowledge and experience in investment management, pensions, economics and public policy, executive leadership and strategy, risk management, talent management and executive compensation. The HR Committee had four regular meetings and three special meetings during 2021 to review key items according to its mandate and annual work plan. At the invitation of the Chair of the HR Committee, members of Management, including the CEO and the HR Committee's independent adviser, attended the meetings. At each meeting, there was an in camera session without Management present.

Chair of the Human Resources Committee Letter to Plan Members

2021 YEAR IN REVIEW

In 2021, we continued to progress the People Strategy on four main goals that directly align with the OMERS 2025 Strategy and the CEO's priorities of People, Relationships, Brand, Culture and Future. These goals remain as:

1. **Growing Our Culture:** Being fiercely competitive yet incredibly humble by sharing our common values.
2. **Becoming a Leading Employer:** Attracting diverse global talent to succeed now and in the future.
3. **Investing in Our People:** Providing opportunities for our people to develop and grow.
4. **Creating a Rewarding Employee Experience:** Providing our people with the best environment to succeed.

In 2021, we supported these goals in various ways, including:

- continued expansion of our wellness, inclusion and diversity, and growth and development programs with a focus on a consistent user experience;
- advancements in our talent conversations and identification of critical capabilities through a robust talent review process and strategic workforce planning;
- progression in our talent acquisition strategy and supporting tools with a focus on attracting diverse and global talent;
- establishment of our new employee engagement survey, benchmarks, and action plans;
- implementation of Workday, creating advancements in our data quality and people reporting, and allowing for more strategic HR support; and
- implementation of our refreshed compensation frameworks for OMERS and pay-for-performance culture.

COMPENSATION GOVERNANCE AND RISK

Our compensation plans are designed to align with our business strategy of attracting, engaging and retaining high-performing people who contribute to our long-term success. We deliver clear, competitive compensation plans that reward performance and are differentiated across markets. We ensure our plans also continue to reflect leading governance principles by incorporating risk considerations. This allows the HR Committee to appropriately reward behaviours consistent with our desired risk culture. Our aim is to achieve a balance between risk and reward so that employees are aligned with the long-term investment strategy of OMERS.

Our compensation plans are aligned to the interests of Plan members and sponsors. The AC Board has the discretion to withhold or grant awards to reflect significant unexpected or unusual events. It also has the ability to clawback any variable compensation awarded in the event of a material misrepresentation of results in the prior three years. To ensure long-term sustainability and the creation of long-term value, a significant portion of total compensation is deferred and aligned with enterprise-wide performance measures over the deferral period.

COMPENSATION HIGHLIGHTS

The following factors influenced year-end compensation awards:

- Our compensation frameworks and principles were refreshed in 2021 to solidify a rewarding employee experience and to provide our people with the best environment to succeed.
- Investment return performance is now measured by the annual Primary Plan net absolute return against an annual return range, averaged over a five-year period.
- The 2021 Primary Plan net absolute return of 15.7% outperformed our Primary Plan net absolute return benchmark of 6.6%. The primary factors that explain this year's outperformance are presented on page 5 of this annual report. As a direct result of our returns in 2021, variable compensation awards for the Plan's investment return performance have increased significantly.
- The investment return performance resulted in a 120% score on that measure for the CEO and the other Named Executive Officers' balanced scorecards.

We review our Total Rewards programs regularly to ensure they remain effective.

Conclusion

We continue to dedicate significant attention to talent management, ensuring that we have the right people in the right roles to deliver long-term value for Plan members. We are confident that our approach to compensation attracts and engages a talented workforce through strong governance practices while achieving the appropriate balance of protecting against incenting excessive risk-taking and paying for performance.

Our HR Committee remains committed to a pay-for-performance approach, being a leader in compensation governance and providing clear and transparent disclosure to Plan members, employers, sponsors and other stakeholders.

Monty Baker
2021 Chair of the Human Resources Committee

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section describes our executive compensation program and awards for the Named Executive Officers, which include the CEO, Chief Financial & Strategy Officer and the three highest-paid C-Suite executives who are direct reports of the CEO.

Approach to Compensation

OMERS is committed to a pay-for-performance approach for all employees. To achieve this, the compensation programs are designed to incent the right behaviour in the delivery of our business objectives within the appropriate risk parameters.

Compensation Principles

The executive compensation program is based on the following principles:

- **Driven.** Driven by the pension promise putting the best interests of Plan members and sponsors at the heart of everything we do; linking investment and human capital strategy to how people are rewarded.
- **Clear.** Clearly anchor performance expectations to rewards levels. Simple and transparent in our design and communication.
- **Flexible.** Be flexible to compete in our relevant talent markets and reflect the needs of our various business units; within one framework, as makes business sense.
- **Competitive.** For expected levels of performance, provide a level of total compensation (salary, incentives, and pension & benefits) competitive with our relevant talent markets.
- **Long-term.** Consider the long-term sustainability of OMERS. Emphasize retention of the best talent to deliver consistent superior results.

Elements of Executive Compensation

Executive compensation for 2021 consists of the following elements:

- base salary;
- variable compensation – comprising short-term incentives (STIP) and long-term incentives (LTIP); and
- benefit and retirement programs.

Compensation Element	Description	Compensation Type
Base Salary	Based on market benchmarking and reviewed annually.	Fixed
Short-Term Incentives (STIP)	Based on business and individual performance against pre-established objectives.	Variable (At-Risk)
Long-Term Incentives (LTIP)	Based on business and individual performance against pre-established objectives. LTIP awards are deferred and paid out 26 months after the end of the year in which they are awarded.	Variable (At-Risk)
Benefits and Retirement Programs	Includes vacation, life and disability insurance, health and dental benefits, and retirement programs.	Fixed

Design of the Executive Compensation Plan

The CEO, Chief Financial & Strategy Officer and other Named Executive Officers participate in the Executive Compensation Plan. There are four key steps in determining annual variable compensation awards under the Executive Compensation Plan:

Step 1	Establish target total compensation
Step 2	Establish balanced scorecards
Step 3	Evaluate performance
Step 4	Determine compensation awards

The first two steps take place at the beginning of the plan year and establish the foundation through setting target compensation and performance objectives. Steps three and four occur at the end of the year when performance is measured against objectives and final awards are determined.

Step 1	Establish target total compensation

Target total compensation is determined at the beginning of the year, upon hire, or with changes in roles or responsibilities.

Total Compensation = Base Salary + Annual Cash Compensation (STIP) + Long-Term Compensation (LTIP) + Benefit and Retirement Programs

For all executives, target total compensation is reviewed annually as well as at the time of any material change in roles. Our philosophy is to set target total compensation to reflect the 60th percentile of the competitive market, on average. Targets for an individual executive may be positioned above or below the 60th percentile to reflect experience, potential, performance or other factors specific to the executive or role.

The HR Committee, with the advice from its independent adviser, reviews target total compensation for C-Suite executives, while the AC Board of Directors approves the CEO's total target compensation based on the HR Committee's recommendation.

Step 2	Establish balanced scorecards

At the beginning of the year, a balanced scorecard is established for each participant, made up of their key objectives, and is used to assess performance at the end of the year. The balanced scorecard includes performance against net absolute returns and other key priorities.

The table below outlines the rationale for the inclusion of each performance measure:

		2021 Weighting			
Performance Measure	**Rationale**	**CEO**	**Chief Investment Officer**	**Chief Financial & Strategy Officer**	**Other Senior Executives**
Investment Returns	Net absolute returns aligning executives with the interests of Plan members.	40%	60%	35%	35%
Key Strategy Execution and Leadership Objectives	Strategic initiatives aligning executives on collaborative enterprise and divisional priorities. Leadership objectives aligning executives with their impact on talent and culture.	60%	40%	65%	65%

The CEO approves the objectives for each member of the C-Suite, which are reviewed by the HR Committee. The HR Committee will recommend the annual balanced scorecard for the CEO to the AC Board of Directors for approval.

Step 3	Evaluate performance

Following the end of the year, performance is assessed for each member of the C-Suite, which determines each individual's balanced scorecard factor within a range of 0% to 200%. The AC Board of Directors evaluates the performance of the CEO. Commentary on 2021 performance for the CEO is discussed in the section "Compensation of the CEO".

Step 4	Determine compensation awards

At the end of the year, individual variable compensation awards are determined as outlined below:

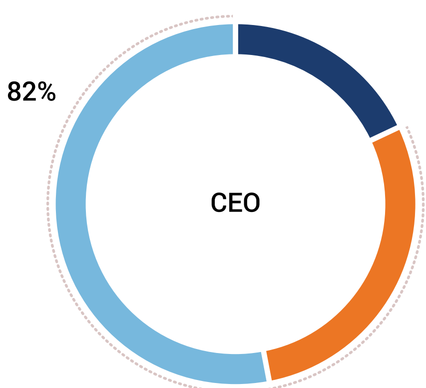
Variable Compensation Award	=	**Variable Compensation Target**	X	**Balanced Scorecard Factor**
		STIP + LTIP		0%–200%

Final awards may range between 0% and 200% of target. The HR Committee, with advice from its independent adviser, reviews all variable compensation awards for the C-Suite executives, while the AC Board of Directors approves the CEO's annual awards based on the HR Committee's recommendation. Once a participant's variable compensation awards are determined, 35% is paid in cash (STIP) and 65% is deferred (LTIP).

TARGET COMPENSATION MIX

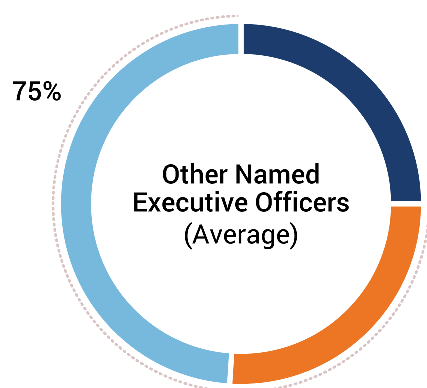
Aligned with OMERS pay-for-performance approach, total compensation for C-Suite executives is comprised primarily of variable compensation tied to investment and individual performance.

The majority of compensation for the CEO and the Named Executive Officer positions is variable and at-risk as outlined in the following charts.



Target Compensation Mix

- Base salary 18%
- Short-term incentive 29%
- Long-term incentive 53%



Target Compensation Mix

- Base salary 25%
- Short-term incentive 26%
- Long-term incentive 49%

COMPARATOR GROUPS USED TO SET COMPETITIVE PAY

OMERS has identified comparator groups for its various businesses in setting competitive compensation to closely reflect the marketplace. The comparator groups are reviewed on a regular basis by the HR Committee.

Typical considerations include other organizations that compete for similar talent, industry-specific organizations or organizations with similar objectives. OMERS reviews compensation levels of comparable positions and assesses relative performance, size, geographical scope and complexity.

Compensation Governance

This section outlines key governance-related features to help ensure that compensation aligns with the short- and long-term interests of our Plan members.

OMERS Features	Description
Board Discretion	The AC Board may make the decision to withhold awards of any variable compensation, including the short-term and long-term incentive payments, to reflect significant unexpected or unusual events as defined by OMERS at its sole discretion.
Clawback	All variable compensation awards, whether paid or unpaid, are subject to a clawback in the event of a material misrepresentation or financial restatement of results, within a 36-month look-back period. In the event of a material misrepresentation or financial restatement, the HR Committee will determine the extent of the clawback (i.e., who, on an individual or plan basis, will be impacted and to what extent) based on the specific circumstances.

ALIGNMENT TO FINANCIAL STABILITY BOARD PRINCIPLES FOR EFFECTIVE GOVERNANCE OF COMPENSATION

The HR Committee has taken steps to further strengthen our approach to compensation, including incorporating the Financial Stability Board (FSB) Principles for Sound Compensation Practices and the associated Implementation Standards. These principles and standards, established in 2009, are intended to ensure effective governance of compensation, alignment of compensation with prudent risk-taking, effective supervisory oversight and stakeholder engagement in compensation. OMERS continues to adhere to these FSB principles and will continue to review our adherence on an annual basis.

Compensation of the CEO

This section examines the 2021 performance and resulting compensation for the CEO.

Blake Hutcheson
Chief Executive Officer
OMERS Administration Corporation

2021 PERFORMANCE

A balanced scorecard was established for Mr. Hutcheson based on performance achieved against the Primary Plan net absolute return (40%) and execution against his strategic CEO priorities (60%). The AC Board assessed Mr. Hutcheson's 2021 performance against the following key individual objectives:

Leadership:

- Inspire a better tomorrow, while leading the enterprise with integrity, drive, conviction and optimism.
- Work collaboratively and conduct oneself professionally, fairly and supportively – in relation to our teams, and all other stakeholders. Promote the same throughout the organization.

People:

- Ensure we have the right people in the right roles, globally, to set us up for success.
- Promote high-trust teams among our broader relationship base, as well as the enterprise.

Culture:

- Launch a refreshed set of values and continue to progress our Inclusion and Diversity initiatives, and act as the champion to drive winning behaviours.
- Reinforce the importance of positive results with the appropriate risk management mindset.
- Demonstrate that we are fiercely competitive in all that we do, yet remain incredibly humble and share the same values and purpose across our platform.

Brand, Communication, Relationships:

- Act as the brand protector and ambassador for OMERS globally.
- Build our voice and positive communications internally and externally and grow our global reputation and geo-political footprint, and strengthen relationships around the world.
- Lead and build trusted relationships with key stakeholders across our collective areas of responsibility.

Future:

- Be forward focused on unlocking our 2025 and 2030 vision and strategy, including taking an active role in how we advance our Environment, Social and Corporate Governance (ESG) agenda, drive operational innovation and excellence, and scale our global investment footprint for long-term success.

TOTAL COMPENSATION AWARDS

When determining compensation awards, the HR Committee aims to ensure there is a strong link between compensation and performance achieved. In determining Mr. Hutcheson's annual variable compensation awards for 2021, the AC Board assessed his performance against specific objectives that were agreed upon by the AC Board at the beginning of the year and that are consistent with the market-tested CEO compensation model utilized for several years at OMERS.

Given that the 2021 Primary Plan net absolute return outperformed our Primary Plan net absolute return benchmark, an investment return performance score of 120% was awarded on that measure for Mr. Hutcheson's balanced scorecard based on the five-year average multiplier methodology.

In respect of key strategic priorities, Mr. Hutcheson had an outstanding year driving numerous initiatives forward as we continue through the evolution of the global pandemic, notably:

- establishing a new Executive Leadership Team (ELT) to bring more depth, gender diversity, experience, global perspective, and cross-enterprise reach to the most senior team at OMERS;
- actioning talent plans to grow and develop high potential leaders and to create the right structure and support for both now and in the future;
- demonstrating a commitment to inclusion and diversity as Co-Chair of OMERS Enterprise Inclusion & Diversity Council and in the broader marketplace as Co-Chair of the Investor Leadership Network CEO Council;
- achieving the certification for OMERS in Canada as a Great Place to Work for the first time, as well as being recognized as one of Greater Toronto's Top 100 Employers;
- taking an active role in scaling our investment teams globally, with a targeted focus on expanding our team in the Asia-Pacific region;
- protecting and advancing our brand at every opportunity with our members, employers, stakeholders, employees and the broader global community;
- continuing to modernize and leverage data and technology to improve OMERS interface with members, leading to a 93% member satisfaction;
- driving our ESG agendas forward by committing to a net-zero greenhouse gases footprint by 2050; and
- producing strong fiscal results while at the same time diversifying and de-risking the plan and remaining committed to a long-term view.

Given the outstanding strategic execution and leadership demonstrated against the CEO priorities, a performance score of 200% was awarded on that measure for Mr. Hutcheson's balanced scorecard.

As a result, the AC Board approved a total variable compensation performance factor of 168%, which translated in the actual awards shown below.

Compensation Element	Target	Award
2021 Salary	$565,000	$565,000
2021 Short-Term Incentive	$922,250	$1,549,380
2021 Long-Term Incentive	$1,712,750	$2,877,420
Total	**$3,200,000**	**$4,991,800**

Summary Compensation Table

The table below represents disclosure of the compensation paid to or earned by each Named Executive Officer during the three most recently completed financial years.

Name and Principal Position	Year	Salary	Non-Equity Incentive Compensation: Short-Term Incentive Plan (STIP)	Non-Equity Incentive Compensation: Long-Term Incentive Plan (LTIP)[1]	Pension Contribution[2]	All Other Compensation	Total
Blake Hutcheson	**2021**	**$565,000**	**$1,549,380**	**$2,877,420**	**$59,506**	**$87,082**	**$5,138,388**
CEO	2020	$564,500	$1,027,650	$908,493	$56,704	$87,472	$2,644,819
	2019	$500,000	$1,318,800	$2,449,200	$55,448	$86,986	$4,410,435
Jonathan Simmons[3]	**2021**	**$450,000**	**$686,525**	**$1,274,975**	**$59,506**	**$1,393**	**$2,472,399**
Chief Financial	2020	$450,000	$418,950	$778,050	$56,704	$1,544	$1,705,248
& Strategy Officer	2019	$450,000	$681,345	$1,265,355	$55,448	$1,307	$2,453,455
Satish Rai[4]	**2021**	**$500,000**	**$1,263,500**	**$2,846,500**	**$59,506**	**$1,548**	**$4,671,054**
Chief Investment Officer	2020	$500,000	$498,750	$926,250	$56,704	$1,716	$1,983,420
	2019	$500,000	$1,461,600	$2,714,400	$55,448	$1,452	$4,732,900
Bob Aziz[5]	**2021**	**$450,000**	**$595,437**	**$1,105,812**	**$59,506**	**$49,171**	**$2,259,926**
Chief Operating Officer	2020	$449,474	$566,030	$879,770	$49,854	$51,079	$1,996,207
	2019	$381,620	$800,447	$900,447	$27,230	$42,843	$2,152,587
Michael Kelly	**2021**	**$400,000**	**$515,375**	**$957,125**	**$57,593**	**$20,284**	**$1,950,377**
Chief Legal &	2020	$400,000	$384,000	$768,000	$55,646	$20,419	$1,628,065
Corporate Affairs Officer	2019	$350,000	$489,090	$908,310	$50,472	$20,062	$1,817,934

1 2019, 2020 and 2021 amounts shown represent the LTIP awards reflecting balanced scorecard performance for the calendar year.

2 Reflects matching pension contributions that OMERS makes on behalf of employees. Pension contributions are based on capped pensionable earnings, as described in the Pension Plan Benefits table later in this report. Mr. Aziz's 2019 and 2020 pension contributions include matching contributions to the defined contribution pension plan from his previous role as Executive Vice President, Chief Legal Officer at Oxford.

3 Mr. Simmons received a one-time 2021 STIP award of $87,500 and a one-time 2021 LTIP award of $162,500 for extraordinary personal contributions and to recognize his expanded leadership responsibilities for Asset Liability Management and Strategy.

4 Mr. Rai received a one-time 2021 LTIP award of $500,000 in recognition of extraordinary individual performance and significant contributions to the 2021 Primary Plan net absolute return that exceeded our benchmark by $9 billion.

5 Mr. Aziz was appointed Chief Operating Officer in April of 2020. Mr. Aziz received a one-time 2020 STIP award of $200,000 and a one-time 2020 LTIP award of $200,000 for contributions related to his previous role at Oxford that are not eligible for a performance factor adjustment. Mr. Aziz's 2019 compensation is reflective of his previous role as Executive Vice President, Chief Legal Officer at Oxford.

Incentive Plan Awards Table

The following table presents the target value, award value and payout value for outstanding long-term incentives (LTIP) for each Named Executive Officer. LTIP is granted at target value on January 1 of the year. The target value is adjusted to an LTIP award based on the balanced scorecard at the end of the same year. The LTIP award vests over a 36-month period from the grant date. The LTIP awards are then adjusted by a performance factor based on the OMERS Primary Plan's two-year net returns following the year of the award.

Payout values for 2020 and 2021 were determined using a forecasted Primary Plan performance factor of 124% and 115%, respectively. The payout value for 2019 is based on a Primary Plan performance factor of 113%.

The 2019 long-term incentive awards finished vesting on December 31, 2021 and were paid out, leaving the 2020 and 2021 long-term incentive awards outstanding.

Name	Year	Target Value	Award Value[1]	Vesting Date	Payout Value[2]
Blake Hutcheson[3]	2021	$1,712,750	$2,877,420	December 31, 2023	$3,309,033
CEO	2020	$1,712,750	$908,493	December 31, 2022	$1,126,531
	2019	**$1,300,000**	**$2,449,200**	**December 31, 2021**	**$2,767,596**
Jonathan Simmons[4]	2021	$682,500	$1,274,975	December 31, 2023	$1,466,221
Chief Financial & Strategy Officer	2020	$682,500	$778,050	December 31, 2022	$964,782
	2019	**$682,500**	**$1,265,355**	**December 31, 2021**	**$1,429,851**
Satish Rai[5]	2021	$1,543,750	$2,846,500	December 31, 2023	$3,273,475
Chief Investment Officer	2020	$1,543,750	$926,250	December 31, 2022	$1,148,550
	2019	**$1,462,500**	**$2,714,400**	**December 31, 2021**	**$3,067,272**
Bob Aziz[6]	2021	$682,500	$1,105,812	December 31, 2023	$1,271,684
Chief Operating Officer	2020	$682,500	$879,770	December 31, 2022	$1,042,915
	2019	**$509,190**	**$900,447**	**December 31, 2021**	**$1,017,505**
Michael Kelly	2021	$585,000	$957,125	December 31, 2023	$1,100,694
Chief Legal & Corporate Affairs Officer	2020	$600,000	$768,000	December 31, 2022	$952,320
	2019	**$552,500**	**$908,310**	**December 31, 2021**	**$1,026,390**

1 2019, 2020 and 2021 amounts shown represent the LTIP awards reflecting balanced scorecard performance for the calendar year.

2 2019, 2020 and 2021 amounts shown represent the LTIP award value adjusted by the Primary Plan performance factor.

3 Mr. Hutcheson requested a $1,000,000 reduction to his 2020 LTIP award in recognition of the challenging economic environment and the hardship many of our members, employers and sponsors were experiencing as a direct result of the COVID-19 pandemic and its impact on OMERS.

4 Mr. Simmons received a one-time 2021 LTIP award of $162,500 for extraordinary personal contributions and to recognize his expanded leadership responsibilities for Asset Liability Management and Strategy.

5 Mr. Rai received a one-time 2021 LTIP award of $500,000 in recognition of extraordinary individual performance and significant contributions to the 2021 Primary Plan net absolute return that exceeded our benchmark by $9 billion.

6 Mr. Aziz received a one-time 2020 LTIP award of $200,000 for contributions related to his previous role at Oxford that is not eligible for a performance factor adjustment.

Pension Plan Benefits

The following section describes the OMERS Pension Plans in which the Named Executive Officers participate:

Pension Formula	Two percent (2%) of "best five" earnings multiplied by years of credited service (maximum of 35 years) less 0.675% of "best five" earnings capped at the five-year average YMPE (Year's Maximum Pensionable Earnings, as set by the Canada Pension Plan).
"Best Five" Earnings	The highest average of five consecutive years of contributory earnings. Contributory earnings are capped, as follows: • Cap on incentive pay: Post-2010 earnings are capped at 150% of contributory earnings calculated before incentive pay. • 7X YMPE Cap: Total contributory earnings are limited to seven times the YMPE (applies to all earnings if the member enrolled on/after January 1, 2014, and to post-2015 earnings if the member enrolled before January 1, 2014).
Normal Retirement Age	65
Early Retirement	Plan members are eligible to retire early when they reach age 55. Each member's unreduced date is the earliest of the date the member attains their 90 Factor (age and qualifying service), attains 30 years of qualifying service or turns age 65. If a member retires before their unreduced date, there is a 5% reduction factor per year short of their unreduced date.
Form of Pension	The pension is paid monthly for the life of the member, with 66 2/3% of the member's pension amount continuing to a surviving spouse after the member's death.

Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the 2021 Executive Compensation Plan, which are summarized in the following table:

	Short-Term Incentive Plan	Long-Term Incentive Plan
Resignation	Forfeited	Forfeited
Retirement (as defined by the compensation plan)	Entitled to a partial award, prorated to reflect the period of active employment	Outstanding awards will continue to mature in normal course
Termination Without Cause	Entitled to a partial award, prorated to reflect the period of active employment	Entitled to a partial award, prorated to reflect the period of active employment
Termination With Cause	Forfeited	Forfeited

SECTION 9

Financial Statements
OMERS Sponsors Corporation

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360 Oakville Place Drive, Suite 500
Oakville ON L6H 6K8 Canada

Independent Auditor's Report

To the Board of Directors of OMERS Sponsors Corporation

Opinion
We have audited the financial statements of OMERS Sponsors Corporation (the "SC"), which comprise the statement of financial position as at December 31, 2021, and the statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SC as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the SC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Other Information
Management is responsible for other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the OMERS 2021 Annual Report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or other appears to be materially misstated.

The OMERS 2021 Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the SC’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SC's financial reporting process.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SC to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Ontario
February 7, 2022

STATEMENT OF FINANCIAL POSITION

(in Canadian dollars) As at December 31,		2021		2020
Assets				
Current				
Cash	**$**	**7,145**	$	5,031
OMERS Administration Corporation receivable (Note 2)		**1,106,898**		998,651
Prepaid expenses and other assets		**81,836**		81,120
		1,195,879		1,084,802
Non-current				
OMERS Administration Corporation receivable (Note 2)		**112,500**		—
	$	**1,308,379**	$	1,084,802
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**1,113,020**	$	1,002,677
Deferred revenue		**81,836**		81,102
		1,194,856		1,083,779
Non-current				
Accounts payable and accrued liabilities		**112,500**		—
		1,307,356		1,083,779
Net Assets				
Excess of revenues over expenses from operations				
Balance at beginning of year		**1,023**		1,023
Current year		**—**		—
Balance at end of year		**1,023**		1,023
	$	**1,308,379**	$	1,084,802

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

Signed on behalf of the Board of OMERS Sponsors Corporation

Frank Ramagnano
Chair, SC Board

Joe Pennachetti
Chair, Audit Committee

STATEMENT OF OPERATIONS

(in Canadian dollars) For the year ended December 31,		2021		2020
Revenues				
OMERS Administration Corporation expense reimbursement (Note 2)	**$**	**4,443,821**	$	3,470,138
Expenses				
Contract and administrative salaries		**2,777,286**		1,910,403
Legal		**165,004**		226,220
Audit		**17,036**		15,164
Actuarial		**—**		55,008
Professional advisors		**439,823**		246,351
Subscriptions, memberships and licenses		**61,016**		43,463
Other administrative		**30,592**		24,066
Insurance		**106,596**		89,640
Board remuneration (Note 3)		**795,878**		806,840
Board education and conferences (Note 3)		**50,590**		22,714
Board expenses (Note 3)		**—**		30,269
		4,443,821		3,470,138
Excess of Revenues Over Expenses from Operations	**$**	**—**	$	—

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

STATEMENT OF CASH FLOWS

(in Canadian dollars)

For the year ended December 31,	**2021**	2020
Cash was provided by (used in):		
Operating Activities		
Excess of revenues over expenses from operations	**$ —**	$ —
Changes in non-cash working capital accounts		
OMERS Administration Corporation receivable	**(220,747)**	(792,687)
Prepaid expenses and other assets	**(716)**	(21,484)
Accounts payable and accrued liabilities	**222,843**	786,021
Deferred revenue	**734**	21,914
Increase/(Decrease) in cash	**2,114**	(6,236)
Cash - Beginning of Year	**5,031**	11,267
Cash - End of Year	**$ 7,145**	$ 5,031

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

NOTES TO FINANCIAL STATEMENTS

(in Canadian dollars)

NATURE OF OPERATIONS

The OMERS Sponsors Corporation (SC) is a corporation without share capital under the *Ontario Municipal Employees Retirement System Act, 2006* (OMERS Act). The SC is the sponsor of the OMERS Pension Plans (OMERS Pension Plans or Plans) as defined in the OMERS Act. The OMERS Pension Plans are administered by OMERS Administration Corporation (AC) and include the OMERS Primary Pension Plan (Primary Plan), the Retirement Compensation Arrangement (RCA), and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (Supplemental Plan). The SC is responsible for making decisions about the design of the Primary Plan, the RCA, and the Supplemental Plan, amendments to those plans, setting contribution rates, and deciding whether to file actuarial valuations more frequently than is required under the *Pension Benefits Act* (Ontario) (PBA).

NOTE 1 - Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

b) Revenue Recognition

AC expense reimbursement is recorded as revenue as the expenses are incurred in accordance with the joint SC/AC protocol. Amounts received in advance of revenue recognition are treated as deferred revenue.

c) Use of Estimates

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

The global health pandemic created by the spread of COVID-19 continues to heighten uncertainty on the global economy. The increased uncertainty has had limited impact on estimates and assumptions used in determining the reported value of assets and liabilities.

d) Financial Instruments

Measure of Financial Instruments

The SC initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and liabilities at cost or amortized cost less impairment.

Financial assets measured at amortized cost are cash and AC receivable. Financial liabilities measured at amortized cost are accounts payable and accrued liabilities.

The SC has no financial assets measured at their fair value and has not elected to carry any financial assets or liabilities at fair value.

Impairment

Financial assets are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in excess (deficit) of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

e) Income Tax Status

The SC is tax exempt under the Income Tax Act.

NOTE 2 - Related Party Transactions

During 2021, the SC received expense reimbursements of $4,443,812 (2020: $3,470,138) from the AC of which $1,219,398 (December 31, 2020: $998,651) was receivable at year-end.

The transactions are in the normal course of operations and are measured at the exchange amount.

The amounts due from related parties are non-interest bearing, unsecured and have no specific terms of repayment.

NOTE 3 - Board Remuneration and Expenses

Board remuneration and board education and conferences, and board expenses are in accordance with SC By-law No. 6.

NOTE 4 - Financial Instruments

The SC is exposed to various risks through its financial instruments. The following provides a summary of the SC's exposure to risk as at December 31, 2021:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The SC is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The SC's main credit risk relates to its AC receivable. The AC receivable is due from an organization with a high-quality credit rating and therefore there is limited credit risk associated with this financial instrument. There have not been any changes in this risk from the prior year.

b) Liquidity Risk

Liquidity risk is the risk that the SC will encounter difficulties in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the SC will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The SC is exposed to this risk mainly in respect to its accounts payable and accrued liabilities. The SC manages this risk by managing its working capital, ensuring that sufficient credit is available. There have not been any changes in this risk from the prior year.

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The SC is not exposed to significant market risk. There have not been any changes in these risks from the prior year.

SECTION 10

Reference

OMERS 2025 Strategy

OMERS has set five key areas of focus for the next few years. These priorities comprise our 2025 Strategy, which is a multi-year plan whose progress is reported annually. Our five priorities are centred on making OMERS a sustainable, affordable and meaningful defined benefit plan:

Financial Resiliency

Funding – ensuring the Plan's financial health. We will continue to manage its funded status and its discount rate, among other inputs.

Investments – maintaining a diverse and high-quality investment portfolio.

Our priorities include diversifying globally and continuing to incorporate environmental, social and governance (ESG) factors into our investment decisions.

Plan design – evolving the OMERS Plan. We aim to ensure its continued sustainability and to meet stakeholders' needs through exploring Plan design modernization, simplification and membership growth.

Institutional Resiliency

Engagement – improving stakeholder trust and understanding. We are focused on enhancing stakeholder engagement, government relations and service delivery to our members.

Operations – advancing our capabilities. We know that talent depth, data and technology, and cost management are important to executing our strategy.

We adopt governance and risk management practices to assist in achieving this strategy (refer to the Update on Governance section of this Annual Report, and the Risk Management section of the MD&A), with a fundamental focus on funding risk – that is, the risk that OMERS will need to increase contributions or reduce benefits. Our funding management statement, discount rate methodology and investment decisions help manage funding risk and address plan sustainability. The progress we made against our 2025 Strategy in 2021 is presented throughout this Annual Report.

Independent practitioner's limited assurance report in relation to the 2020 Carbon Footprint Metrics of OMERS Administration Corporation (OMERS) as included in the OMERS' 2021 Annual Report

To the Board of Directors and Management of OMERS

We have undertaken a limited assurance engagement on the carbon footprint metrics detailed below ("the selected information") contained in the OMERS 2021 Annual Report ("the Annual Report") for the year ended December 31, 2020.

Selected Information
Our limited assurance engagement was performed on the following selected carbon footprint metrics:

Performance Indicator	**2020 Result**
Weighted Average Carbon Intensity (WACI)	191 tCO_2e/$M revenue
Carbon Footprint	57 tCO_2e/$M invested

OMERS has disclosed the results and the basis of preparation for each performance indicator on pages 54-55 of the Annual Report.

Management's responsibility
Management is responsible for the preparation of the selected information in accordance with the following criteria:

- Task Force on Climate-Related Financial Disclosures. *Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures*. Supplemental Guidance for the Financial Sector, Asset Owners;
- The Greenhouse Gas Protocol; and
- Management's internally developed criteria applied as explained in the Climate-Related Disclosure section of the Report.

Management is also responsible for such internal control as management determines necessary to enable the preparation of the selected information that is free from material misstatement.

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Our responsibility
Our responsibility is to express limited assurance conclusion on the selected information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other than Audit or Reviews of Historical Financial Information*. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the selected information is not fairly stated, in all material respects.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures) and evaluating the evidence obtained. The procedures are selected based on our professional judgment, which includes identifying areas where the risks of material misstatement in preparing the selected information in accordance with the criteria are likely to arise.

The extent of our procedures included but was not limited to inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing the procedures listed above we:

- Reviewed the OMERS' methodology and evaluated whether OMERS' methods for determining the boundaries and quantification of the carbon footprint were appropriate and consistent with the applicable criteria;
- Through inquiries, obtained an understanding of the OMERS' control environment and the information systems relevant to the carbon footprint quantification and reporting. Our procedures did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- evaluated whether OMERS' methods for developing estimates are appropriate and consistently applied.
- For a limited sample of assets, reconciled the carbon footprint data back to the underlying records. The sample included items selected across all the portfolio asset classes. The data inputs that were tested for each item included: total greenhouse gas emissions, enterprise value, market value, apportioning factor, and revenue. The testing of these data inputs entailed the reconciliation of the data back to supporting OMERS' files, third party data providers and, where available, public records.
- Reviewed the carbon footprint disclosure in the Annual Report to ensure consistency with our understanding and procedures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selected information has been prepared to assist OMERS management to report to the Board on its carbon footprint metrics in accordance with the criteria. As a result, the selected information may not be suitable for another purpose. Our report is intended solely for the use of OMERS. We neither assume nor accept any responsibility or liability to any third party in respect of this report.

Our independence and quality control
We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that OMERS' selected information prepared in accordance with the criteria for the year ended December 31, 2020, is not fairly stated, in all material respects.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, BC
February 28, 2022

OMERS SPONSORS CORPORATION BOARD REMUNERATION AND EXPENSES

	2021		2020	
	Remuneration (i)	**Expenses (ii)**	Remuneration	Expenses
Ramagnano, Frank (Chair)	**$99,000**	**$17,480**	$89,000	$7,141
Brown, Barry (Vice-Chair)	**79,000**	**17,480**	89,000	5,894
Axford, Dan (iii)	**53,000**	**13,110**	53,000	10,289
Bailey, Paul (iv)	**46,000**	**—**	46,000	1,552
Biro, Frederick	**46,000**	**—**	53,000	3,192
Chan, Jason	**46,000**	**—**	46,000	279
Derochie, Peter (iii)	**53,000**	**—**	53,000	3,367
Love, Marianne	**46,000**	**—**	53,000	2,656
Macaluso, Charlie (iv)	**46,000**	**—**	46,000	—
McConville, Mary (iii)	**53,000**	**2,277**	46,000	1,044
Pennachetti, Joe (iii)	**53,000**	**—**	46,000	326
Sahli, Sandra	**46,000**	**—**	53,000	4,836
Volpe, Giulia (v)	**46,000**	**—**	46,000	5,514
Weatherup, John	**46,000**	**243**	46,000	—
Other Expenses (vi)	**37,878**	**—**	41,800	7,894
Total	**$795,878**	**$50,590**	$806,800	$53,984

(i) Remuneration is in accordance with By-law No. 6.

(ii) Includes reimbursement for normal out-of-pocket business expenses including education, meeting and communication expenses incurred in conducting SC business. These expenses are reviewed by the Audit Committee on a quarterly basis.

(iii) Committee Chairs:

- Dan Axford - Corporate Governance Committee
- Peter Derochie - Plan Design Committee
- Mary McConville - Human Resources & Compensation Committee
- Joe Pennachetti - Audit Committee

(iv) Member Changes:

- Paul Bailey: Retired from Board as of December 31, 2021
- Charlie Macaluso: Retired from Board as of December 31, 2021

(v) In accordance with By-Law No. 6, the Board Member has directed their compensation to their appointing organization.

(vi) Other expenses include Board meeting expenses not allocated by individual and benefits (Canada Pension Plan contributions and Employer Health Tax).

2021 OMERS SPONSORS CORPORATION BOARD/COMMITTEE MEETINGS

Director	SC Board Meetings[i] (21)		Audit Committee (4)	Corporate Governance Committee (20)	Human Resources and Compensation Committee (9)	Plan Design Committee (9)	Joint Council (14)	Committees (Total)		All Meetings		Other Events and Meetings [ii]	All Events and Meetings	Education Days [iv]
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended /Eligible	%	Attended /Eligible	%	Attended	Attended	
Ramagnano, Frank (Chair) [iii]	21	100		19	9	9	14	51/52	98	72/73	99	8	80	17
Brown, Barry (Vice-Chair) [iii]	21	100	3			9	14	26/27	96	47/48	98	17	64	20
Axford, Dan	21	100		20	9	9	14	52/52	100	73/73	100	5	78	17
Bailey, Paul	21	100	4		8	8		20/22	91	41/43	95	5	46	
Biro, Frederick	20	95		20	9	9		38/38	100	58/59	98	5	63	
Chan, Jason	19	90	4			9		13/13	100	32/34	94	6	38	
Derochie, Peter	18	86	2			7		9/13	69	27/34	79	14	41	
Love, Marianne	20	95		20	9	9		38/38	100	58/59	98	5	63	
Macaluso, Charlie	17	81	3			9		12/13	92	29/34	85	7	36	
McConville, Mary	21	100		20	9	9		38/38	100	59/59	100	5	64	
Pennachetti, Joe	16	76	4	18		9		31/33	94	47/54	87	9	56	
Sahli, Sandra	20	95	4	20		8		32/33	97	52/54	96	9	61	
Volpe, Giulia	21	100		20	9	9		38/38	100	59/59	100	5	64	6
Weatherup, John	19	90		16		8		24/29	83	43/50	86	5	48	
Overall Attendance		**94%**	**86%**	**96%**	**98%**	**96%**	**100%**		**96%**		**96%**			**60**

(i) Board meetings consisted of 19 regularly scheduled meetings and 2 strategic planning session/days, all of which SC Board Members were expected to attend.

(ii) Members attended additional 'Other' meetings and events, such as the Spring Information Meeting, joint education sessions with AC, new board member orientation, ad hoc meetings of special committees and attendance at committee meetings of which they are not members.

(iii) In addition to chairing the SC Board meetings, the Chair is an ex-officio member of the CGC and HRCC, and the Vice-Chair is an ex-officio member of the Audit Committee; these obligations are not tracked for attendance purposes.

(iv) Education days refer to the actual number of days Members spent at education programs or pension-related conferences and exclude travel time.

OMERS ADMINISTRATION CORPORATION BOARD REMUNERATION AND EXPENSES

	2021		2020	
	Remuneration (i) (iii)	**Expenses (ii)**	Remuneration	Expenses
Cooke, George (Chair)	**$189,000**	**$53**	$189,000	$865
Baker, Monty	**94,000**	**–**	94,000	–
Beatty, David (iv)	**79,000**	**–**	79,000	58
Beggs, Darcie (iv)	**79,000**	**–**	79,750	6,224
Butt, William (Bill)	**94,000**	**–**	94,000	–
Elliott, Paul	**79,000**	**1,512**	79,750	3,648
Fenn, Michael	**79,000**	**–**	79,000	376
Fischer, Debbie	**79,000**	**2,456**	79,000	4,907
Hutchinson, Laurie	**90,000**	**2,444**	90,000	983
Inskip, Cliff	**79,000**	**4,509**	79,000	2,685
Mueller, Charlene	**79,000**	**–**	79,000	358
Phillips, James (v)	**–**	**–**	–	2,239
Silgardo, Rajiv	**79,000**	**160**	79,000	–
Somerville, Penny	**94,000**	**–**	94,000	–
Tsubouchi, David	**79,000**	**–**	80,000	2,794
Wu, Yung	**79,000**	**–**	79,000	10,020
Other Expenses (vi)	**–**	**11,769**	–	24,027
Total	**$1,351,000**	**$22,903**	$1,353,500	$59,184

(i) Remuneration of the Directors of the AC Board is in accordance with the Director Remuneration Policy effective January 1, 2020.

(ii) Includes reimbursement for normal out-of-pocket business expenses including education, travel for meetings, and communication expenses incurred on behalf of AC. These expenses are reviewed by the Audit & Actuarial Committee annually.

(iii) All Directors (with the exception of Laurie Hutchinson) are paid an annual technology allowance in the amount of $4,000 to cover all equipment and line charges required to review electronic Board materials.

(iv) Member Changes:

- Darcie Beggs: Retired from the Board as of December 31, 2021
- David Beatty: Retired from the Board as of December 31, 2021

(v) 2019 expenses claimed in 2020.

(vi) Other Expenses include Board meetings and AC/SC Joint Sessions expenses not allocated by individual.

2021 OMERS ADMINISTRATION CORPORATION BOARD/COMMITTEE MEETINGS

Director (i)	AC Board Meetings (13)		Audit & Actuarial Committee (5)	Governance & Risk Committee (8)	Human Resources Committee (7)	Investment Committee (12)	Appeals Committee (1)	Asset-Liability Study Committee (4)(ii)	Joint Council (16)	Committees (Total)		Overall Attendance: All Meetings		Overall Attendance: Scheduled Meetings (iii)	
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended /Eligible	%	Attended /Eligible	%	Attended /Eligible	%
Baker, Monty	13	100	5		7			4		16/16	100	29/29	100	15/15	100
Beatty, David	8	62			6	9				15/19	79	23/32	72	11/15	73
Beggs, Darcie	13	100	4		6		1			11/13	85	24/26	92	14/16	88
Butt, William (Bill)	13	100			7	12		4		23/23	100	36/36	100	15/15	100
Cooke, George (Chair) (v)	13	100	5	8	7	12	1	4	16	53/53	100	66/66	100	25/25	100
Elliott, Paul (iv)	13	100	5	8			1	4	2	20/20	100	33/33	100	15/15	100
Fenn, Michael	13	100	5			12				17/17	100	30/30	100	15/15	100
Fischer, Debbie	13	100		8	7		1			16/16	100	29/29	100	15/15	100
Hutchinson, Laurie	13	100	5	8				4		17/17	100	30/30	100	14/14	100
Inskip, Cliff	13	100	5			11				16/17	94	29/30	97	15/15	100
Mueller, Charlene	13	100	5	8						13/13	100	26/26	100	14/14	100
Silgardo, Rajiv	13	100			7	11		4		22/23	96	35/36	97	15/15	100
Somerville, Penny	12	92		8		12		4	16	40/40	100	52/53	98	14/14	100
Tsubouchi, David	13	100		8	7		1			16/16	100	29/29	100	15/15	100
Wu, Yung	12	92		8		12				20/20	100	32/33	97	14/14	100
Overall Attendance		**96%**	**98%**	**100%**	**96%**	**95%**	**100%**	**100%**	**100%**		**97%**		**97%**		**97%**

(i) AC Directors also attended other discretionary meetings such as the Annual Meeting, Joint Sessions with SC, Sponsor and Stakeholder Forums, and in-house education sessions.
(ii) The Asset-Liability Study Committee was established as an ad hoc Committee effective August 10, 2021.
(iii) Scheduled meetings are regularly scheduled Board and Committee meetings which exclude special meetings and meetings called on short notice.
(iv) Paul Elliot became a member of the Joint Council in December 2021.
(v) Board Chair is ex officio member of the Appeals, Audit & Actuarial, Governance & Risk, Human Resources and Investment Committees.

TEN-YEAR FINANCIAL REVIEW

(millions of Canadian dollars)

As at December 31,	**2021**	2020	2019	2018	2017	2016 (ii)	2015	2014	2013	2012
Net Assets Available for Benefits										
Public markets	**57,452**	51,806	50,757	45,272	56,870	49,572	43,631	47,300	41,709	37,472
Private equity	**25,365**	20,811	22,561	20,246	10,759	10,981	11,482	8,767	9,208	7,465
Infrastructure	**29,691**	28,678	25,292	20,796	18,053	17,443	16,349	14,401	13,533	11,572
Real estate	**23,604**	18,316	20,497	22,110	15,470	15,084	27,642	22,253	17,603	15,846
	136,112	119,611	119,107	108,424	101,152	93,080	99,104	92,721	82,053	72,355
Other investment assets	**1,177**	2,189	1,749	2,780	3,978	5,063	1,062	1,017	744	853
Investment liabilities	**(12,850)**	(13,185)	(8,616)	(10,923)	(7,175)	(10,254)	(20,534)	(19,490)	(16,463)	(11,741)
Net investment assets	**124,439**	108,615	112,240	100,281	97,955	87,889	79,632	74,248	66,334	61,467
Non investment assets (liabilities)										
Amounts payable under contractual agreements	**(3,771)**	(3,401)	(3,485)	(3,247)	(3,138)	(2,896)	(2,719)	(2,397)	(1,524)	(905)
Other net assets	**251**	361	625	405	381	367	332	245	271	205
Net Assets Available for Benefits	**120,919**	105,575	109,380	97,439	95,198	85,360	77,245	72,096	65,081	60,767
Accrued Pension Obligation and Surplus (Deficit)										
Primary Plan - Defined benefit component										
Accrued pension obligation	**119,342**	111,820	106,443	99,058	93,614	86,959	81,924	76,924	73,004	69,122
Funding (deficit) surplus	**(3,131)**	(3,211)	(3,397)	(4,191)	(5,403)	(5,720)	(6,977)	(7,078)	(8,641)	(9,924)
Actuarial value adjustment of net assets available for benefits	**3,062**	(4,444)	4,928	1,401	6,008	3,379	1,718	1,771	341	1,321
	(69)	(7,655)	1,531	(2,790)	605	(2,341)	(5,259)	(5,307)	(8,300)	(8,603)
Primary Plan - Additional Voluntary Contributions component pension obligation	**1,454**	1,235	1,244	1,023	817	595	445	360	276	170
Primary Plan - Accrued Pension Obligation and Surplus (Deficit)	**120,727**	105,400	109,218	97,291	95,036	85,213	77,110	71,977	64,980	60,689
Retirement Compensation Arrangement										
Accrued pension obligation	**1,144**	1,152	928	851	813	739	679	619	614	555
(Deficit) Surplus	**(952)**	(977)	(766)	(703)	(651)	(592)	(544)	(500)	(513)	(477)
Retirement Compensation Arrangement - Accrued Pension Obligation and Surplus (Deficit)	**192**	175	162	148	162	147	135	119	101	78
Accrued Pension Obligation and Surplus (Deficit)	**120,919**	105,575	109,380	97,439	95,198	85,360	77,245	72,096	65,081	60,767

(millions of Canadian dollars) For the year ended December 31,	**2021**	2020	2019	2018	2017	2016 [ii]	2015	2014	2013	2012
Changes in Net Assets Available for Benefits										
Net assets available for benefits, beginning of the year	**105,575**	109,380	97,439	95,198	85,360	77,245	72,096	65,081	60,767	55,083
Changes Due to Investment Activities										
Total investment income	**17,536**	(2,700)	12,362	2,957	10,477	8,575	5,441	7,082	4,000	5,544
Investment management expenses	**(657)**	(276)	(581)	(540)	(409)	(427)	(351)	(384)	(266)	(265)
	16,879	**(2,976)**	11,781	2,417	10,068	8,148	5,090	6,698	3,734	5,279
Income credited under contractual agreements	**(442)**	(25)	(326)	(212)	(333)	(292)	(306)	(222)	(97)	(79)
Net Investment Income (loss)	**16,437**	(3,001)	11,455	2,205	9,735	7,856	4,784	6,476	3,637	5,200
Changes Due to Pension Activities										
Contributions										
Current year required contributions	**4,276**	4,186	4,054	3,988	3,858	3,690	3,650	3,515	3,434	3,026
Other contributions	**252**	229	295	382	335	275	230	171	210	184
Total Contributions	**4,528**	4,415	4,349	4,370	4,193	3,965	3,880	3,686	3,644	3,210
Benefits										
Benefits paid	**(4,602)**	(4,315)	(3,910)	(3,574)	(3,293)	(3,041)	(2,826)	(2,616)	(2,437)	(2,256)
Transfers, commuted value and other benefit payments	**(914)**	(810)	(736)	(703)	(712)	(585)	(621)	(450)	(473)	(414)
Total Benefits Paid	**(5,516)**	(5,125)	(4,646)	(4,277)	(4,005)	(3,626)	(3,447)	(3,066)	(2,910)	(2,670)
Assumption of City of Toronto Pension Plans	**—**	—	973	36	—	—	—	—	—	—
Pension administrative expenses	**(105)**	(94)	(190)	(93)	(85)	(80)	(68)	(81)	(57)	(56)
Net Assets Available for Benefits, End of Year	**120,919**	105,575	109,380	97,439	95,198	85,360	77,245	72,096	65,081	60,767
Nominal Discount Rate										
Primary Plan	**5.75 %**	5.85 %	5.90 %	6.00 %	6.00 %	6.20 %	6.25 %	6.50 %	6.50 %	6.50 %
Retirement Compensation Arrangement	**3.10 %**	3.15 %	3.15 %	3.15 %	3.15 %	3.15 %	3.15 %	3.25 %	3.25 %	3.25 %
Net Return										
Primary Plan - Defined Benefit Component										
Time weighted return on market value	**15.7 %**	(2.7)%	11.9 %	2.3 %	11.5 %	10.3 %	6.7 %	10.0 %	6.0 %	9.5 %
Absolute return target	**6.6 %**	6.9 %	7.5 %	7.3 %	7.3 %	7.9 %	7.8 %	7.7 %	7.5 %	7.2 %
Primary Plan - Additional Voluntary Contribution Component										
Time weighted return on market value	**15.7 %**	(2.7)%	11.9 %	2.3 %	11.5 %	10.3 %	6.7 %	10.0 %	6.0 %	9.5 %
Retirement Compensation Arrangement Investment Fund [i]										
Time weighted return on market value	**20.7 %**	11.6 %	20.9 %	(1.6)%	13.1 %	7.8 %	12.5 %	14.5 %	28.5 %	10.5 %
Benchmark	**20.5 %**	12.6 %	21.5 %	0.1 %	12.8 %	8.7 %	12.2 %	14.6 %	30.2 %	12.2 %

(i) Excludes the RCA refundable tax balance with the Canada Revenue Agency.
(ii) AC has changed the presentation of debt related to real estate. Effective January 1, 2017 real estate investment assets are presented net of related debt. 2016 comparatives have been restated.

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