2017 Annual Report

We are OMERS, the defined benefit pension plan for almost half a million active, deferred and retired employees of nearly 1,000 municipalities, school boards, libraries, police and fire departments, and other local agencies in communities across Ontario.

The interests of OMERS members, employers, sponsors and other stakeholders are represented by two corporations with separate and distinct mandates:

OMERS Sponsors Corporation (SC) provides strategic and risk oversight and decision-making with regard to designing pension benefits, setting contribution levels, and determining the composition of the two OMERS Boards.

OMERS Administration Corporation (OAC) provides strategic, risk and operational management in serving Plan members and employers, collecting contributions and paying pensions, and investing the Plan funds.

This bicameral (two-part) structure provides for the effective operation of OMERS as a whole. Specifically, it helps to ensure broad input into decision-making by considering the interests of a large number of stakeholders – and focused expertise in key areas, including Plan design, member and employer service, and investments.

The two corporations and their Boards work together, closely and collaboratively, to meet a singular goal: the delivery of secure, sustainable and affordable pension benefits that address the needs of both members and employers.

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2017 Highlights

Our 2020 Strategy continues to serve us well as a roadmap, leading us to another year of strong results. Looking ahead, we are developing a 2030 Strategy that will prepare us for the challenges we anticipate.

MICHAEL LATIMER
President and Chief Executive Officer,
OMERS Administration Corporation

The conversations we are having now will set the course for the next 20, 50 and even 100 years for our Plan. It's all about preserving the pension promise for generations to come.

PAUL HARRIETHA
Chief Executive Officer,
OMERS Sponsors Corporation

We are committed to the long-term sustainability of our defined benefit pension plan, recognizing not only the value it creates with retirement security for our members, but also the broad economic and social value for our communities.

GEORGE COOKE
Board Chair,
OMERS Administration Corporation

We continued to strengthen our outreach in 2017 – and consider a wide range of perspectives – as we take steps to ensure the OMERS Plan remains sustainable and meaningful over the long term.

FRANK RAMAGNANO AND MARIANNE LOVE
Board Co-Chairs,
OMERS Sponsors Corporation

OMERS made strong progress in 2017 toward our 2020 Strategy

In 2017:

- Our funded ratio increased to 94%, reflecting improvement for the fifth consecutive year
- Our investment return was 11.5%, exceeding our benchmark of 7.3% and our 2016 investment return of 10.3%
- Member satisfaction remained high at 92%
- We made progress on our employer satisfaction, improving to 85%, from 80% in 2016
- Member account balances in the Additional Voluntary Contributions program grew to $817 million

Since the first year of our 2020 Strategy in 2015:

- We achieved our objective of reducing the real discount rate, used to calculate our future pension obligations, by 25 basis points, three years ahead of our 2020 Strategy target
- Our investment teams have generated $7.6 billion of net returns above our discount rate
- Net assets have grown by $18 billion to $95 billion

We are pleased with these results and yet are mindful of the risks that may lie ahead. Accordingly, in 2017, the Sponsors Corporation launched a *Comprehensive Plan Review* of the design of the OMERS Pension Plans to ensure OMERS is well-positioned to deliver secure and sustainable defined benefit pensions that meet the needs of members and employers at a stable and predictable cost.

Contribution rates remain unchanged for 2018.

94%
Funded

92%
Member Satisfaction

11.5%
Net Rate of Return

482,000
Members

$95
Billion in Net Assets

$4.0
Billion in Pension Payments

Credit rating of AAA from DBRS, Aaa from Moody's Investors Service, and AA+ from Standard & Poor's

Our 2020 Strategy: Driving Plan Sustainability

The 2020 Strategy reflects our vision to make OMERS a leading model for defined benefit pension plan sustainability.

Our Strategy is based on four pillars:

1. Protecting our funded status
2. Delivering 7-11% net average annual investment returns
3. Continuing to build quality relationships with members, employers, sponsors and other stakeholders
4. Evolving our capabilities and business model

The Strategy recognizes challenges facing OMERS in the coming years, including:

- a maturing Plan as the ratio of active members to retired members continues to decline with demographic shifts and the evolving nature of work. As the Plan matures, it becomes more vulnerable to stresses, as there are relatively fewer members to carry the cost of any impact
- a challenging investment environment globally as a result of slowing growth due to aging populations, rising debt levels and higher borrowing costs, and increasing protectionism
- an evolving pension landscape as retirement security remains a priority for governments. The Canada Pension Plan, for example, will be gradually enhanced beginning in 2019, which will add to member and employer contributions for retirement savings

With the 2020 Strategy, we aim to achieve three objectives:

- Achieve full funding and protect the Plan from market volatility, with stable and predictable contribution rates and benefit levels
- Earn a consistently high satisfaction rate – provide high-quality service to members, employers and stakeholders
- Manage costs effectively – both our Management Expense Ratio (MER) and our Cost Per Member (CPM)

In consideration of the challenges that the Plan faces, we regularly review the landscape and continue to assess the forces at play to make updates and adjustments where required. More information about our changing environment is found in the Looking Ahead section of this report.

We remain focused on delivering on our 2020 Strategy.

Protecting Our Funded Status

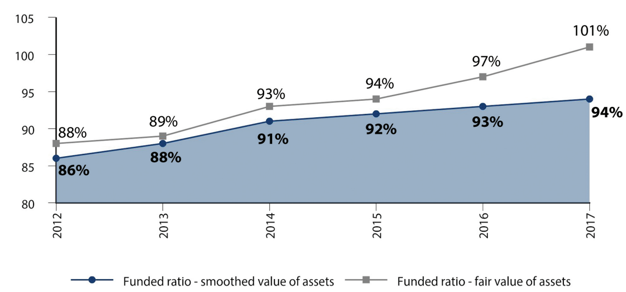
A strong funded status helps to ensure that we deliver on our pension promise for generations to come. In 2017, our funded ratio improved for the fifth consecutive year with unchanged contribution rates and benefits, and the funding discount rate was further reduced by 20 basis points.

In 2017, the funded ratio increased to 94%, up from 93% in 2016, marking the fifth year in a row of improvement. OMERS 2020 Strategy aims to return the Plan to full funding on a smoothed basis by 2025 and we remain on course.

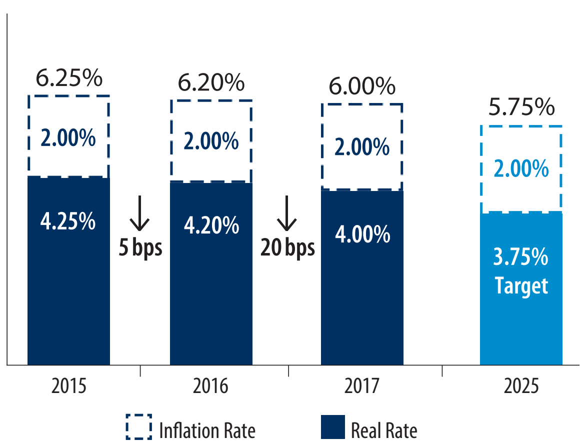
Contribution rates and benefits are of utmost importance. Contributions were unchanged in 2017, and they remain at current levels in 2018. The current average contribution rate paid by members is 10.7% and is matched equally by employers.

Our target is to reduce the real discount rate to 3.75%. The real discount rate is used to calculate the present value of future pension obligations. In 2017, OMERS reduced the real discount rate by 20 basis points to 4.00%. This step was taken to reduce the risk of future contribution rate increases and to provide greater stability for future benefit levels. OMERS reduces the real discount rate when there is positive Plan experience – when actual results are better than OMERS long-term actuarial assumptions.

Plan Funded Ratio



Funding Discount Rate



2018 Member Contribution Rates	Normal Retirement Age 65	Normal Retirement Age 60
On earnings up to $55,900*	9.0%	9.2%
On earnings above $55,900*	14.6%	15.8%

*The CPP earnings limit in 2018. There are no changes to contribution rates in 2018.

Investment Highlights

1 In partnership with an international investor, OMERS acquired the Sony Center in Berlin – a prime mixed-use, eight-building complex located in the heart of the city. This transaction represented a rare and highly strategic opportunity to acquire a landmark property complex in Berlin, Europe's fastest growing major city and a key target market for Oxford Properties Group, OMERS real estate company.

2 A part of the OMERS portfolio for nearly 15 years, Bruce Power provides almost a third of Ontario's electricity and, in 2017, achieved solid progress on its Life Extension Program. Under this initiative, Bruce Power is executing a carefully planned, multi-year series of investments that will ensure the longevity of the facility until at least 2064.

3 Founded in 1980, U.S.-based Inmar operates intelligent commerce networks that securely manage over $75 billion in transactions across the promotions, supply chain and healthcare end markets each year. Inmar gives the OMERS investment portfolio reach into the rapidly evolving data science sector, where the company is well-positioned to expand further. The OMERS investment in Inmar in 2017 is consistent with our strategy of acquiring industry-leading companies with significant growth potential.

4 OMERS, as part of a consortium, purchased an interest in GLP, a leading global real estate fund manager, developer, and owner-operator of modern logistics facilities. The company, through its network of properties and ecosystem partners, offers both space and technology-led solutions for its customers. GLP operates in North America, Asia, Brazil and Europe and its 4,000 customers include some of the world's most dynamic manufacturers, retailers and third party logistics companies.

Delivering 7-11% Net Average Annual Investment Returns

Investment returns are important so that we can meet the long-term costs of providing pension benefits. In 2017, our net investment return exceeded our benchmark, with all major asset classes performing well.

In 2017, the Plan achieved a net investment return of 11.5%, exceeding our benchmark of 7.3% and our 2016 net investment return of 10.3%. We continued to execute on our investment strategy of building a diversified portfolio of high-quality investments, which has generated $7.6 billion of investment income above our discount rate since we launched our 2020 Strategy.

All major asset classes performed well in 2017. OMERS performance was a result of a tactical allocation in favour of public equities which performed exceptionally well in 2017, and our strategic allocations toward credit, infrastructure, private equity and real estate, which have delivered strong multi-year returns.

Investment returns in recent years have enabled us to improve our financial position. Indicators suggest that we may see further economic growth in the short term that will enable us to realize continued positive results.

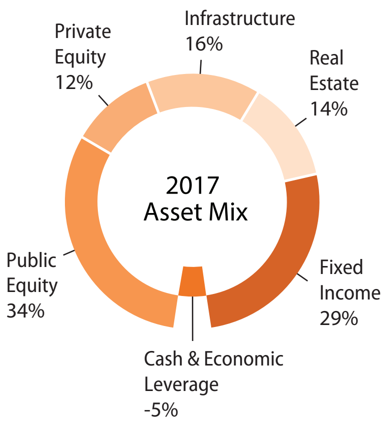
As stewards of the Plan, we take a long-term view and we are aware that there are headwinds on the horizon including the potential for slower global economic growth, that may temper investment returns in the future.

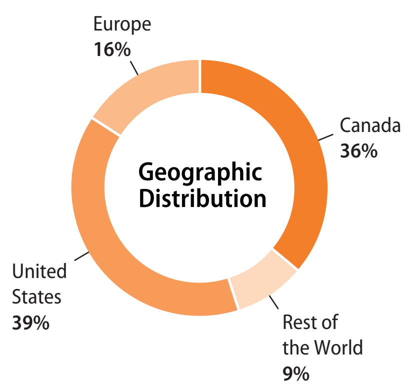
Net Return History

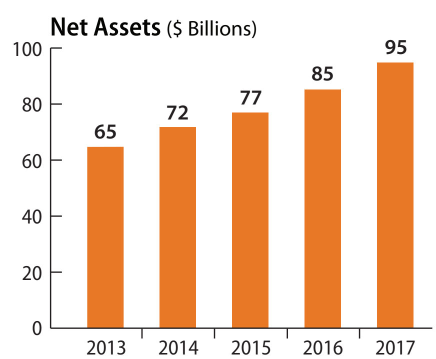
	1-year	**3-year**	**5-year**	**10-year**	**20-year**
Net Return	11.5%	9.5%	8.9%	5.9%	7.0%

Net Investment Return Summary

	2017	2016
Fixed Income	**4.3%**	6.5%
Public Equity	**14.7%**	7.1%
Private Equity	**11.1%**	12.3%
Infrastructure	**12.3%**	10.9%
Real Estate	**11.4%**	12.3%







Sustainable Investing at OMERS

We believe incorporating sustainable investing into our thinking is the right thing to do. OMERS approach to sustainable investing is founded on the belief that well-run organizations with sound environmental, social and governance (ESG) practices will perform better in the long term, and that the consideration of such factors is consistent with our long-term payment obligations to members. By considering the risks and opportunities associated with ESG factors, we believe we will achieve a better understanding of investment opportunities, which will enable us to make and manage better investments over the long term.

Sustainable investing is not something new to OMERS. As stewards of members' capital, we have long believed in the importance of considering sustainable investing in our decisions, and have supported various organizational initiatives over the years. For example, Oxford Properties, OMERS real estate investment company, has been building and strengthening its sustainable investing platform for more than a decade. For four years in a row, Oxford received the top spot in the Global Real Estate Sustainability Benchmark survey (an industry-driven organization committed to assessing the ESG performance of real assets globally) as the North American Regional Sector Leader in the Diversified Office and Retail category.

100 Adelaide Street West

With the move to OMERS new office in Toronto, we are pleased with the following results:

- 93% of the building's construction waste was recycled
- 492 tons of material was diverted from landfill, which is a reduction of 940 tons of carbon dioxide emissions. This is the equivalent to the reduction of over 105,000 gallons of gas consumption
- 76 tons of old furniture was donated to charity

OMERS has also invested in new audio and web conferencing tools to support employees, along with technology to reduce the use of paper and unnecessary printing.

For more specific information on sustainable investing in each of our asset classes, please refer to their respective sections in the Management Discussion and Analysis.

Our Approach to Sustainable Investing

The issues related to sustainable investing – whether environmental, social or otherwise – are complex and evolving. As we further our understanding of key issues and their impact on financial returns, our approach to sustainable investing will adapt and evolve.

Our core mission – to deliver secure, sustainable and affordable defined benefit pensions – guides our approach to sustainable investing.

Our approach is broad, encompassing the wide range of activities we undertake – as pension plan benefit providers; asset developers, owners and operators; private and public market investors; and as an employer. No single approach to sustainable investing fits all of these activities; rather, each business within OMERS has its own approach, which aligns with our beliefs and with the following strategies:

Integration

We consider the impact of our operations on our environment, our communities, and our people.

As investors, we incorporate ESG factors into our investment decision-making process and asset management practices, as such factors could have a material impact on long-term investment performance.

Engagement

We actively and directly engage with our investee companies, employees, and other stakeholders to promote sustainable business practices and encourage responsible corporate behaviour.

Collaboration

We collaborate with like-minded organizations and investors to exchange information and to advocate for better transparency and performance on relevant standards and practices.

Adaptation

We adapt our capabilities and practices, as we expand our knowledge and deepen our understanding of sustainable investing business practices, to ensure that our approach remains relevant and effective over time.

Building Quality Relationships

Our relationships with members, employers, sponsors, unions and associations are important to us. We strive for strong member and employer satisfaction as we work to support an increasing number of our members transitioning into retirement.

Serving our members is an important focus for OMERS. We understand the value of a high service standard as our members make important decisions. Our member satisfaction measure reflects feedback on services received, whether working through a benefit application or speaking with an OMERS representative.

92%
Member satisfaction

10,200
New retirees

The most convenient and readily available access for members to obtain their pension information is through myOMERS, our member online portal. In 2017, more than 196,000 members (41%) were able to use myOMERS to update their profile information and access their annual statement online. The Retirement Income Estimator on myOMERS was used to produce more than 132,000 pension estimates to help members with their retirement planning.

Retirement decisions can involve many questions and often require personalized support. OMERS provides a variety of communication vehicles and options for addressing member questions relating to their pension.

OMERS continues to encourage members to take advantage of the convenience of receiving important Plan updates and information through e-subscription. Not only is this efficient, electronic record-keeping for members, it is an environmentally friendly option that enables us to reduce our use of paper and saves the Plan money.

During 2017, the Additional Voluntary Contributions (AVC) program continued to grow steadily. The AVC program provides the opportunity for members to build their pension through additional contributions that earn the OMERS net rate of return. Participants are benefiting from OMERS returns at a low cost relative to other retail retirement savings options.

In June, five Plan changes were approved, including adjustments to the availability of commuted values and buy-backs, access to pensions by dual members, Plan membership for international workers, and technical amendments to the Additional Voluntary Contributions (AVC) Income Option. These changes are subtle, but important – balancing the needs of affected members with the needs of the whole Plan membership.

These changes include transition measures that will

$30,300	**202,000**	**450**	**39**
Average annual OMERS pension for members who retired in 2017	Member phone calls handled by Client Services	Member information sessions held	Member webinars hosted

give affected members time to adjust. Further details are available at **www.omers.com/2017planchanges**.

Employers play an important role in the Plan, partnering with OMERS to administer pension benefits for members and matching members' contributions. We strive to keep employers informed on key strategic and administration matters.

During 2017, OMERS senior management met directly with more than 60 employers across the province. We discussed OMERS 2020 Strategy, funded status, investments, workforce trends, Plan demographics and pension administration, and we asked for feedback on our progress. These meetings provide critical input toward our efforts of continuous improvement.

85%

Employers were satisfied with the support they received from OMERS

OMERS enhanced its service model and support for employers in a number of ways. We created a focused Employer Support Services team to assist with the most complex employer questions, and launched new e-learning and e-tutoring offerings.

We also continued to offer webinars and learning forums, which were well-attended with 2,800 participants.

As a number of Plan administrators are approaching retirement, OMERS is ready to support new Plan administrators get quickly up to speed on OMERS administration matters, using a number of tools and approaches to suit different needs.

During 2017, OMERS held meetings with sponsor organizations. We also had sessions with unions, associations and other groups of members. These meetings provide an opportunity to achieve a deeper understanding of important issues, to build stronger relationships, and to further partner in connecting with members.

Following OMERS SC announcement of a *Comprehensive Plan Review* being led by the SC, a Sponsors Forum was held in November to discuss more about the Plan. We are open to all views, concerns and ideas.

18,570	18,500	$817 million	$20 million
Members provided with buy-back options	Total number of members in AVC program	Total AVC member account balances	Converted to AVC income option

Evolving Our Capabilities and Business Model

In 2017, evolving our capabilities meant further developing OMERS culture by moving Toronto employees under one roof, expanding our Asia Pacific presence through a new office in Singapore, making advances with our new pension administration system, and developing our risk management capabilities.

In 2017, OMERS consolidated several Toronto locations into a single office for over 1,400 employees at 100 Adelaide St. W. This building, in which we own a 50% interest, was developed and is managed by Oxford, our real estate company. The move will generate related savings of over $26 million over the next 15 years relative to renewing our previous office leases, and has provided for the consolidation of several duplicate functions and the streamlining of disparate systems and processes. Moreover, the move supports the continued development of one OMERS culture, which we believe is essential to our long-term success.

We remain attentive to our costs and are using our scale, technology and strong procurement practices to contain growth in expenses while responsibly investing in managing our risks and achieving our strategic objectives.

In 2017, OMERS announced the opening of a new investment office in Singapore to advance our deployment of capital into the higher-growth emerging Asian markets.

We also invested in our risk-management capabilities. We set out our desired amount of risk in pursuit of delivering secure and sustainable defined benefit pensions. As well, we worked to improve cybersecurity to protect our member, investment and real estate tenant data.

As the rate of member retirements increases, we are carefully adding resources to our Member Services team to keep up with demand while generating efficiencies in productivity through streamlined working practices.

OMERS Management Expense Ratios in 2017 and 2016 of 55 basis points and 61 basis points, respectively, include the impact of incentive compensation in

recognition of the very strong investment returns in both years. Over time, we aspire to drive our Management Expense Ratio toward 50 basis points. One of the ways we are seeking to do this is through earning fee income from the management of third-party capital in the assets that we own.

In 2017, we made significant progress in the development of OMERS new pension administration system, which will provide high-quality service to members and employers in the future. System reliability and functionality are of utmost importance, and in-depth testing of the new platform will be the focus for 2018. With our attention to quality, we are spending the necessary time to ensure that we get the system development right.

As a result of our systems-renewal initiative, we expect that our Cost Per Member expense metric, which is currently below the average of our large Canadian public pension plan peers, will increase. Our Cost Per Member for 2017 was $195, above our 2020 target of $185. In 2018, we will be evaluating the costs and benefits of further systems development, which will establish new long-term Cost Per Member targets for the future.

To ensure that we have talented employees to advance OMERS into the future, we are building the capabilities of our people. We have expanded our leadership development programs globally to create new experiences that will build greater depth across the organization. We believe that being inclusive is an integral part of our talent agenda, as demonstrated by the work of OMERS Inclusion & Diversity Council and our Pride Employee Resource Group. We recognize the value of hiring, developing and advancing the best people who are committed to working together to deliver on the pension promise. Our differences generate better discussions and produce better outcomes.

Committed to Our Communities

OMERS employees are passionate supporters of the communities where we live and work, which is why we established the OMERS Foundation in 2016. Our employees raise the funds, run the events and select the charities to which we provide grants.

In 2017, we raised more than $1.6 million through employee-led events. Our fundraising efforts and grants are making a difference in our communities. Each of the organizations chosen for grants supports the OMERS Foundation's mission to create healthy and vibrant communities for generations to come.

Our employees have a strong tradition of giving back. In the spirit of community commitment in 2017, participation was high in Volunteer Days in Toronto, New York, London and Sydney.

Volunteer Days provide the opportunity for our employees to connect with members and partner with employers to reach out and support our communities.

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1. OMERS Foundation grant recipient, The George Hull Centre for Children and Families
2. OMERS volunteers with New York Cares
3. OMERS Foundation grant recipient, Youth Philanthropy Initiative Canada
4. OMERS Foundation grant recipient, Unity, performing at the OMERS Foundation AGM
5. OMERS London, U.K. employees raise funds for the Rainbow Trust by participating in the Stockholm Marathon

The Social Value of the OMERS Plan

OMERS is committed to long-term Plan sustainability as a defined benefit plan. While we have long understood the importance of the Plan to our members, recent research confirms that the Plan contributes broad value in the communities in which they live and work.

Research has confirmed the value of the Plan for our communities more broadly. In November 2017, a comprehensive study was conducted, which compared the attitudes and behaviours of OMERS members who are retired, or near retirement, with retirees who do not belong to a defined benefit pension plan. The study focused on four drivers of social value: management of health, community engagement, financial stability and self-reliance.

We set out to understand if greater certainty of retirement income generates social value for communities and governments.

Key highlights of the study findings include:

- OMERS members feel healthier overall and stay more physically active in retirement
- OMERS members are more active community participants and help others in need, donate more often to charity, and volunteer more
- OMERS members are also more confident about their retirement savings and about their ability to handle unexpected expenses
- They feel more confident about their ability to financially look after themselves and their families, and are less reliant on government financial support

In addition to the social value created by OMERS members in the community, there is also positive economic value created by the Plan with the impact of benefit payments, investments and job creation.

We are also invested in companies which provide and create thousands of jobs. In addition, OMERS is further providing leadership in the future of the Canadian economy through investments in 30 Canadian technology companies that have already created 5,000 jobs.

All of these factors highlight the importance of preserving coverage under OMERS as a defined benefit plan.

$4 billion in annual pension payments	→	Supports retirement security
Taxes paid on retiree pension income	→	Helps fund government priorities
Investing in companies	→	Creates jobs

Looking Ahead

OMERS focus is on long-term Plan sustainability. This means managing not only for today, but for tomorrow, and for generations to come. We are focused on addressing the challenges and risks that come with a changing environment.

OMERS has long recognized the need to manage change. A statement from our 1968 Annual Report highlighted: "A pension fund, if it is to be effective, must meet a number of requirements – it must be financially sound, provide efficient and helpful service to its members, be aware of the constant demand for change and improvement and be responsive to the needs of its members. OMERS makes every effort to meet these requirements."

Looking beyond 2017, change will remain a key factor and the OMERS Plan will continue to mature. In 1997, the ratio of active members to retirees was slightly less than 3:1. In 2017, this ratio was just below 2:1. By the late 2030s, our Plan is expected to have an active member to retiree ratio of 1:1. As the Plan matures, it becomes more vulnerable to stresses, as there are relatively fewer members to carry the cost of any impact, which, without preparation in advance, could require higher contribution rates, reduced benefits, or a combination of the two, in the future.

The makeup of Plan membership is shifting and this has an impact on determining contribution rates. In 2017, a *Membership Evolution Study* was conducted to help OMERS better understand the changing nature of work and its implications for OMERS active membership. The study identified four areas of potential workplace disruption:

- growth in non-full-time work
- privatization
- new, alternative service-delivery models
- automation and technology

We are aware of the challenges ahead and the forces at play. Through our research studies and through the *Comprehensive Plan Review*, OMERS is committed to finding the right solutions, which are essential to protecting, securing and sustaining the Plan for the benefit of us all. The following realities are driving us to assess the Plan:

Plan Maturity

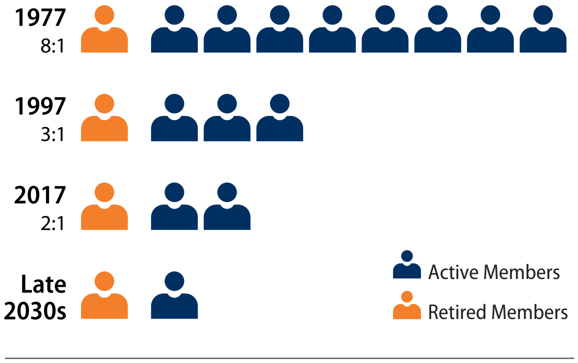
The Plan is aging, with the ratio of active members to retirees increasingly shrinking. With relatively fewer contributing members, mature plans are more vulnerable to economic downturns. As well, mature plans can expect to pay out more in pensions each year than is taken in through contributions.

Longevity

As with the broader demographic trend, OMERS members are living longer. This places additional financial pressure on the Plan since the Plan pays pensions for life.

Workforce Trends

The *Membership Evolution Study* highlights potential changes to OMERS membership as the Plan continues to mature. A changing workforce could impact evolving retirement needs.



These factors are expected to contribute to OMERS active membership leveling off, or even potentially declining in the coming years. The Study's findings will be used to support planning and Plan design decisions to ensure long-term sustainability of the Plan.

While benefits that have been earned to date are protected, we need to look ahead and examine the ability to adjust the Plan. Formal consultations with key stakeholders took place in 2017 regarding the possible introduction of Modified Inflation Indexing. During the consultations, we heard that our sponsors and other stakeholders wanted to learn more about a range of Plan design options that could be available. To this end, in 2017, the Sponsors Corporation initiated a *Comprehensive Plan Review*. This Review is a logical extension of OMERS commitment to managing and planning for change, and is an opportunity to evaluate the Plan in response to realities that are largely beyond our immediate control.

Economic Factors

In spite of recent strong investment returns, we anticipate it could be extremely challenging to generate consistently higher returns over the longer term. Any major economic setback puts greater pressure on contributions to sustain the Plan's financial health.

CPP Enhancement

Starting in 2019, the Canada Pension Plan will begin its enhancement program. As more dollars are being directed to secure more retirement income outside of OMERS, this puts further pressure on OMERS contribution rates, decreasing the dollars members and employers have to absorb future increases. The CPP enhancement could impact OMERS membership needs in the future.

Governance

Effective and transparent governance is fundamental in fulfilling the pension promise. Throughout our history, OMERS has focused on achieving high standards in governance and has continued to evolve our governance model and practices.

The OMERS Act of 2006 created OMERS Sponsors Corporation to give members and employers more direct control over the OMERS Pension Plans. OMERS Sponsors Corporation and its Board provide for strategic oversight and decision-making by sponsors representing members and employers on major policy directions, including benefits and contribution levels.

The Act also provides that OMERS Sponsors Corporation determines the composition of the two OMERS Boards, including the nomination and appointment process for Directors. While a process for the nomination and appointment of Directors has been in place for some time, in 2017, an updated Competency Framework process for the OMERS Administration Corporation Board was developed.

The Competency Framework outlines the necessary personal attributes that each Director must possess and identifies competencies that the OMERS Administration Corporation Board requires as a whole. It is expected that each Director will contribute specific competencies to the Board's overall requirements. The OMERS Administration



Corporation Board's Governance Committee evaluates each Director's self-assessment and approves a consolidated Skills Matrix. The Competency Framework and the Skills Matrix are communicated to the OMERS Sponsors Corporation annually, together with a gap analysis to assist the OMERS Sponsors Corporation in the recruitment of new OMERS Administration Corporation Directors.

This approach continues the evolution of OMERS governance framework and supports the continued development of a high-capacity Board where members have demonstrable skills and experience in areas that are critical to the business and success of OMERS.

In furtherance of its 2020 Strategy implementation work, the OMERS Administration Corporation Board has established a Risk Oversight Committee. The mandate of this Committee includes oversight of the development of a *Risk Appetite Statement* and further enhancement of the risk framework, which provides guidance on the risks the organization needs to actively understand, manage and monitor to further its business objectives, both from an asset (investments) and liability (pensions) perspective. Under the OMERS Act, OMERS Administration Corporation is responsible for pension administration (including collecting contributions and paying pensions), providing for valuation of the accrued pension obligation and investment of the pension funds. In carrying out these responsibilities, OMERS Administration Corporation has a fiduciary obligation to Plan members.

For the past decade, OMERS Sponsors Corporation and OMERS Administration Corporation have collaborated to help ensure the long-term sustainability of the Plan. In 2015, the two corporations worked together to develop one joint Strategy for OMERS. Each Board approved those aspects of the 2020 Strategy related to their respective roles and responsibilities, and endorsed the overall direction. Similarly, the Boards are both responsible for monitoring the implementation and effectiveness of the 2020 Strategy.

In 2017, the two Boards commenced joint planning for the development of OMERS 2030 Strategy. These sessions demonstrate a continuing commitment to working together to provide OMERS with strong leadership in good governance.

Further details about the specific governance practices of OMERS Sponsors Corporation are found at **www.omerssc.com/Sponsors/Governance**, while more details about the specific governance practices of OMERS Administration Corporation are located at **www.omers.com/governance**.

Board Members OMERS Sponsors Corporation

Marianne Love
Board Co-Chair

Frank Ramagnano
Board Co-Chair

Dan Axford

Paul Bailey

Frederick Biro

Barry Brown

Diana Clarke

Peter Derochie

Mary McConville

Charlie Macaluso

Tim Maguire

Joe Pennachetti

Sandra Sahli

John Weatherup

Board Members — OMERS Administration Corporation

George Cooke
Board Chair

Bill Aziz

Monty Baker

David M. Beatty

Darcie Beggs

William (Bill) Butt

Paul Elliott

Michael Fenn

Laurie Hutchinson

Cliff Inskip

Charlene Mueller

James Phillips

Penny Somerville

Eugene Swimmer
(to December 2017)

David Tsubouchi

Yung Wu
(from January 2018)

2017 Management Discussion and Analysis

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This Management Discussion and Analysis is the responsibility of the management of OMERS Administration Corporation (OAC) and OMERS Sponsors Corporation (SC).

The SC provides strategic oversight and decision-making with regard to designing benefits, setting contribution levels, and determining the composition of the two OMERS Boards. OAC provides strategic and operational management in serving members and employers of the OMERS Pension Plans (the Plans), collecting contributions and paying pensions, and investing the Plans' funds.

The Management Discussion and Analysis contains Management's analysis of the Plans' financial condition, operational results, and the environment in which the Plans operate. The Board of Directors of OAC has reviewed and approved the contents of this Management Discussion and Analysis, as at February 22, 2018. SC management has reviewed and approved the "Primary Plan Funded Status" section of the Management Discussion and Analysis. This Management Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

In addition to historical information, this section contains forward-looking statements with regard to Management's strategy, objectives, outlook and expectations. Forward-looking statements made in this section 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 and technological factors. 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), including funding deficit, as key metrics in our financial reporting to enable our readers to better understand the performance of our business. Other non-GAAP financial measures that we use include performance returns by asset group. These non-GAAP financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies or pension plans. They should not be viewed as an alternative to measures of financial performance determined in accordance with GAAP. This report is not intended for U.S. persons. 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 laws.

Overview of OMERS Pension Plans

About OMERS

Established in 1962, OMERS provides defined pension plan benefits to local government employees, retirees and their survivors throughout Ontario. The OMERS Primary Pension Plan (the Primary Plan or the Plan) is a jointly sponsored, multi-employer pension plan with nearly 1,000 participating employers and almost half a million Primary Plan members in 2017. Employers range from large cities to local agencies. Primary Plan members include union and non-union municipal workers; the non-teaching staff of school boards; employees of transit systems and electrical utilities; police, firefighters and paramedics; and employees of children's aid societies.

The Primary Plan is funded by equal contributions from members and employers, and by the investment earnings of the Primary Plan's assets.

The Primary Plan is sponsored by OMERS Sponsors Corporation (SC) and administered by OMERS Administration Corporation (OAC). The SC and OAC each have their own mandates and Boards of Directors.

OMERS Sponsors Corporation

The SC is primarily responsible for plan design, including setting benefit levels and contribution rates, and determines the composition of the two OMERS Boards. The SC Board comprises 14 members, half of whom are appointed by employer groups, and half of whom are appointed by unions and associations of the Primary Plan.

OMERS Administration Corporation

OAC has three main responsibilities:

- investing the pension funds;
- administering the Plans and paying pension benefits to members; and
- preparing and approving the actuarial valuations.

To carry out these responsibilities, OAC is organized into four businesses, supported by a corporate office:

- Pension Services
- Capital Markets
- Private Markets
- Real Estate and Platform Investments

OAC is governed by a Board of Directors consisting of 14 members nominated by sponsor organizations and appointed by the SC Board, and an independent Chair, also appointed by the SC Board in a joint process with the OAC Board.

Pension Plans

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.

OMERS Primary Pension Plan

There are two components to the OMERS Primary Pension Plan: defined benefits and Additional Voluntary Contributions (AVCs). The defined benefits paid under the Primary Plan, when combined with current Canada Pension Plan (CPP) benefits, are designed to approximate 2% of a member’s average annual earnings for the highest-paid 60 consecutive months, multiplied by their years of credited service, to a maximum of 35 years.

The Primary Plan currently provides eligible members with:

- inflation protection;
- a bridge benefit, which ceases at age 65, when CPP benefits are expected to commence;
- early retirement options;
- disability protection in the event a contributing member becomes disabled and is unable to work;
- survivor benefits for a spouse and dependent children; and
- portability options on termination.

Benefits payable under the Primary Plan are limited by the maximum pension allowed under the *Income Tax Act* (ITA). The Primary Plan's financial statements are set out in the Notes to the Consolidated Financial Statements.

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

The RCA provides pension benefits using the OMERS pension formula, which are above the maximum pension allowed under the ITA. The benefit is based on annual earnings capped at the lesser of 150% of the member’s base annual current compensation, or seven times the year’s maximum pensionable earnings.

Net assets of the RCA were $162 million at December 31, 2017, compared to $147 million at December 31, 2016.

The RCA is not subject to the minimum funding standards of the *Pension Benefits Act* (PBA), and is partially funded on a modified pay-as-you-go basis. The funding target is to help ensure that the existing RCA Fund, projected contributions, and investment earnings, are sufficient to pay for benefits and expenses for a period of 20 years following each valuation date.

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The Supplemental Plan is a separately funded, stand-alone, multi-employer pension plan for members who are police, firefighters or paramedics. It provides supplemental pension benefits that top up those available under the Primary Plan. Participation in the Supplemental Plan is effective only upon an agreement between an employee group and its employer. As at December 31, 2017, no such agreement was in place. As a result, the Supplemental Plan currently has no members, assets or liabilities.

Primary Plan Funded Status

In 2017, the funded ratio increased to 94% from 93% in 2016. The funded ratio is a key indicator of the long-term financial health of the Plan. With $93.6 billion of pension obligations as at December 31, 2017, compared to $87.0 billion as at December 31, 2016, the Primary Plan ended 2017 with a funding deficit of $5.4 billion, compared to a deficit of $5.7 billion at the end of 2016. Net assets on a smoothed basis were $88.2 billion as at December 31, 2017, compared to $81.2 billion the previous year. There were no changes to contribution rates or benefits in 2017 and these will remain at current levels in 2018.

The funded ratio is the relationship of Plan assets to pension obligations on a going-concern basis. Plan assets are calculated by smoothing investment returns – above or below the Plan's discount rate – over a five-year period. By smoothing asset values, contribution rates can be set and benefits designed while taking a long-term view of investment performance. The deficit represents the difference between the pension obligations and the smoothed value of assets. At the end of 2017, unrecognized investment returns were $6.0 billion compared to $3.4 billion in 2016, which will be recognized over the next four years.

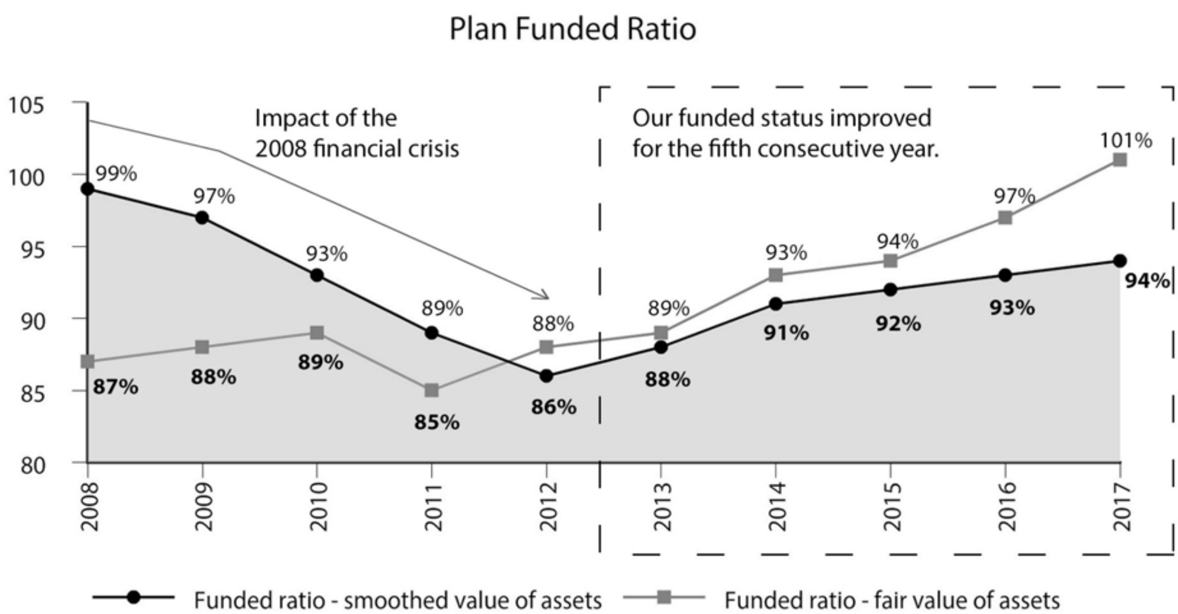
The improvement in funded status during 2017 was the net result of the following factors:

Funded Ratio %			**Deficit $ billions**
93%	**Beginning of year**	$	(5.7)
1	Contributions from members and employers to pay down the deficit		0.8
2	Recognized investment returns in excess of the discount rate		2.0
(3)	Reduction in the discount rate by 20 basis points		(2.7)
1	Primary Plan experience and other factors		0.6
n/a	Interest on deficit		(0.4)
94%	**End of year**	$	(5.4)

The main factors contributing to the improvement in the Plan's funded status are member and employer contributions, and investment returns. The Plan's net investment return was 11.5%, which exceeded both OMERS operating plan target of 7.3% and discount rate of 6.2%. As at December 31, 2017, OMERS reduced the discount rate from 6.2% to 6.0%.

The Plan's funded status, on a smoothed basis, has improved for the fifth year in a row, mainly due to contributions above the benefits accrued, along with positive investment returns in excess of the discount rate. OMERS goal is to return the Primary Plan to full funding while reducing the discount rate further over time. OMERS 2020 Strategy advances our funded status to achieve full funding by 2025 and we remain on course.

The following chart tracks the funded status of the Plan over the past 10 years.



Managing the Plan's Funded Status

Making good decisions to protect the Plan's funded status is critical to keeping the Plan healthy over the long term. Three levers are available to manage the Plan's funded status:

- contribution rates
- benefit design
- investment returns

Responsibility for implementing strategies to manage the three levers is shared between SC and OAC.

The SC sets contribution rates and benefit levels, taking into consideration the Plan's funded status (surplus, reserve or deficit). Decisions are guided by a clear framework – a Funding Management Strategy – that protects the Plan's funded status, and supports pension security and sustainability for current and future retirees.

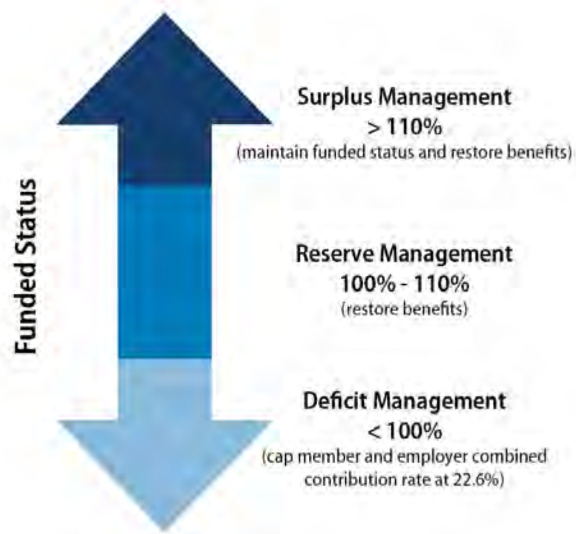
OAC determines the actuarial assumptions and methods used to calculate pension obligations – including the Plan's discount rate, based on advice from an independent actuary – and sets minimum funding requirements in accordance with pension laws and regulations. OAC is also responsible for investments on behalf of the Plan.

Achieving OMERS target to be fully funded by 2025 is conditional upon actual investment returns and demographic experience.

OMERS is committed to taking a strategic and co-ordinated approach to using the three funding levers so that decisions are fair, balanced and supportive of long-term sustainability objectives. Contributions and benefits must be balanced to keep pensions secure and sustainable, while ensuring the Plan provides meaningful retirement benefits for its members. We continue to pursue investment returns that meet or exceed our long-term targets.

Funding Management Strategy

The Funding Management Strategy, which was adopted by the SC Board in 2014, includes three funding zones, and provides parameters for setting contribution rates and benefits within each zone. The Strategy strives to maintain a healthy balance between the Plan's assets and long-term pension obligations. It clearly sets out the conditions for when contributions and benefits will be adjusted to manage the Plan's long-term financial health.



As the funding status improves, and as the Plan moves from deficit to surplus management zones, the SC will take a conservative approach to reducing contribution rates and restoring benefits.

The Plan is currently in the Deficit Management zone. In the absence of any unforeseen events, OMERS funded status is targeted to reach 100% no later than December 31, 2025. The 2017 combined employer and member contribution rate of 21.3% exceeds the minimum contribution rates of 19.6% under the PBA. In the event the Plan should move further into deficit and the minimum contribution rates under the PBA exceed 21.3%, the Funding Management Strategy calls for such additional deficit to be funded by a combination of benefit reductions and contribution increases. Contribution rates are subject to an overall cap of 22.6%, after which any remaining deficit is to be funded through benefit reductions.

Once 100% funded status is achieved and the Plan enters the Reserve Management zone, the Funding Management Strategy calls for contribution rates to be reduced to normal cost, plus 2%, until the funded status reaches 105%, and then reduced further to normal cost, plus 1%, until the funded status reaches 110%. Normal cost is the present value of pension benefits accrued during the year. In other words, it is the contribution rate that pays for current service without the deficit payments. Benefit reductions, which occurred while in Deficit Management zone, are restored at the point when the Plan reaches 105% funded status. Restoration will be on a prospective basis, which means it will only impact benefits earned in the future – not those that have already accrued.

Above a funded status of 110%, the Plan enters the Surplus Management zone where the objective is to maintain the 110% funded status and further restore benefits. Contribution rates will be set so as to fund the normal cost of benefit accruals. Benefits will be restored retroactively, but only when doing so will not reduce the funded status to below 110%, and when it is considered prudent to do so. Additional contribution rate reductions and benefit enhancements also may occur, but only to the extent the funded status is not reduced to below 110%.

Plan Funding Risk

Plan funding risk is the potential that the SC will need to increase contributions or reduce benefits as a result of unfavourable investment performance, adverse Plan experience, or Plan maturity. Increasing Plan maturity through time means the Plan will have less capacity to bear Plan funding risk in the future, everything else being equal.

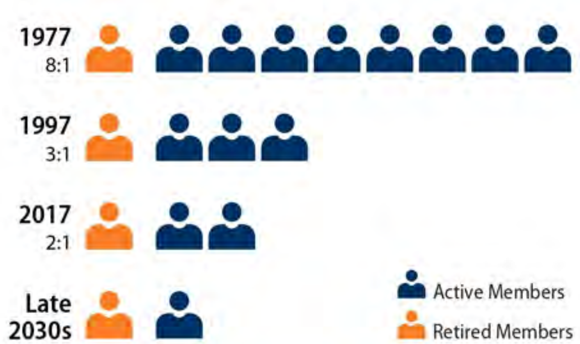
Unfavourable investment performance includes circumstances where Plan returns in the long term are lower than the Plan's discount rate, and where fluctuations in the Plan's short-term returns require changes to contributions/benefits. Many economic factors – including financial market volatility, persistently low interest rates, and a high level of competition for asset classes – present risks that impact the ability to generate returns that meet or exceed the Plan's discount rate. Accordingly, each year, OAC tests the reasonableness of the Plan's discount rate to ensure it contains sufficient margins to protect the Plan against adverse experience over the long term.

An important factor in setting the Plan's discount rate is our target asset mix, which is approved by the OAC Board and which reflects target allocations across a set of asset classes. OAC conducts periodic studies (the most recent being in 2016) to adjust the Plan's target asset mix to ensure investments are allocated in a way that optimizes the Plan's ability to return to full funding by 2025. The asset mix also helps our ability to pay pensions without having to sell assets, while minimizing the risk of unexpected Plan design changes.

The Plan has recently enjoyed several years of strong investment returns, fueled by an increase in global economic growth and the effects of low interest rates, which has generated intense competition for private investments. As the population in the world's major economies age, we anticipate that global growth will slow, and that future investment returns will be lower compared to the past 10 years.

Adverse Plan experience includes unexpected changes in life expectancy (such as increased longevity), salary increases, and retirement and termination trends. Continuing adverse Plan experience, leading to actuarial losses, requires a change to actuarial assumptions that negatively impact pension obligations and funding requirements. Life expectancy, in particular, has steadily increased over time. This means retirees collect pensions for longer periods, which increases the pension liabilities. We monitor our Plan experience against actuarial assumptions annually, and conduct a detailed Plan experience study at least once every five years.

Plan maturity is the phenomenon of a declining active membership relative to the retired member population, whether due to increasing longevity, a decline in new members, retirement patterns or other factors. Since all Plan funding risk is currently borne by active members and employers, this trend means the cost of funding Plan deficits is increasingly concentrated in a relatively smaller group. The ratio of active members to retired members is a common measure of Plan maturity. The Plan is maturing, as this ratio was just below 2:1 at the end of 2017, compared to slightly less than 3:1 in 1997. As the proportion of contributing members continues to decrease, annual contributions will become less than annual pension payments. We will rely upon investment income to make up the difference, leaving the Plan more vulnerable to economic downturns. We expect the Plan to continue to mature for the foreseeable future.



A recent *Membership Evolution Study* looking at workforce and employment trends suggests that our active membership may shrink over the next 25 years. Declining active membership intensifies the Plan maturity challenges described in this section.

Beginning in 2019, members and employers will be impacted by gradual enhancements to the Canada Pension Plan (CPP). These will include increasing the CPP income replacement rate from 25% to 33% of earnings, with consequently higher employer and employee contributions. The OMERS pension formula does not adjust for changes in CPP automatically. As a result, the combined pension benefit future retirees will receive from CPP and OMERS will increase in the long term. As more dollars are being directed to secure more retirement income outside of OMERS, this puts further pressure on OMERS contribution rates, decreasing the available dollars members and employers have to absorb future increases.

Discount rate

The discount rate is the interest rate used to calculate the present value of anticipated future benefit payments. This rate impacts the Plan's pension obligations and minimum contribution rates. The discount rate is comprised of two main components: 1) the real discount rate (before inflation), which reflects expectations of future real investment returns from the Plan; and 2) an assumption for future inflation.

The discount rate at December 31, 2017 is 6.0%, compared to a discount rate of 6.2% at December 31, 2016. This reflects a reduction in the real discount rate of 20 basis points from 4.2% to 4.0%. The assumption for future inflation remains unchanged at 2.0%.

Reducing the real discount rate by 20 basis points in 2017 increased the pension obligation and deficit by $2.7 billion and reduced the funded ratio by 3%. The 2018 normal cost of the Plan increased by 0.8% of contributory earnings to 17.4% of contributory earnings. If the 2017 Actuarial Valuation Report is filed with the Financial Services Commission of Ontario, the Minimum Contribution Rate required by law in 2019 will increase to 20.8%, which is less than the current blended contribution rate of 21.3%, indicating that no contribution rate increase would be required through to 2021.

As at December 31, 2017, the real discount rate of 4.0% is net of a strategic margin of 0.25%. Strategic margins are a lever within the discount rate which works to protect the funded status of the Primary Plan from volatility. In the event the Plan were to experience a shock, such as a future financial crisis, OMERS may release strategic margins to increase the discount rate and stabilize the funded status of the Plan, contribution rates and benefits.

In the coming years, we anticipate further reductions to our discount rate to protect against investment and liability risk, which will reduce funding risk over time and provide for stable contribution rates and benefits. OMERS objective is to reduce the Plan's real discount rate to 3.75%. As we reduce our real discount rate, the normal cost of the Plan will increase. Each five basis point reduction in the real discount rate, as at December 31, 2017, would increase the 2018 normal cost by 0.2%. At the end of 2017, we are on track to meet our long-term objectives.

Opportunities to Reduce Plan Funding Risk

A sustainable defined benefit pension plan will deliver an appropriate range of benefits within an acceptable range of costs, across generations and through both favourable and adverse circumstances. Plan design and the way that contributions and benefits are managed through time, are fundamental to ensuring the Plan remains sustainable.

In 2017, OMERS Sponsors Corporation launched a *Comprehensive Plan Review* to evaluate and explore opportunities to enhance plan sustainability and address funding risks. The review will model the Plan's long-term financial health, and explore benefit and contribution management approaches which manage risk. The objective is to keep benefits relevant, and costs affordable, for current and future generations of stakeholders.

Investment Results

Economic Environment

Global economic growth became increasingly synchronized in 2017, with activity picking up across advanced and developing economies. The global momentum was supported by increased investment spending, record-low unemployment, accommodative monetary policies and weak inflation. As a result, equity markets have performed well globally and, though interest rates have increased, they still remain low relative to historic levels. All of these factors led to an economic environment conducive for investing and drove increased competition for private assets.

Results

In 2017, the Primary Plan had a return, net of expenses, of 11.5%, compared to a benchmark of 7.3%. All major asset classes performed well in 2017 and outperformed against benchmarks. Public investments delivered net returns of 11.4% and Private Investments delivered net returns of 11.6%.

We measure our performance against an absolute return benchmark approved before or at the beginning of each year by the OAC Board. Our goal is to earn stable returns for OMERS that meet or exceed our benchmarks.

Current Year Returns at a Glance

Investment returns for the Primary Plan and RCA for 2017 and 2016 were as follows:

For the years ended December 31,	**2017**			2016 [1]		
	Net Investment Income $ millions	**Net Rate of Return %**	**Benchmark %**	Net Investment Income $ millions	Net Rate of Return %	Benchmark %
Public Investments						
Fixed Income						
Inflation-Linked Bonds	**$ 85**	**2.0 %**		$ 195	3.3 %	
Government Bonds	**44**	**0.2**		648	2.3	
Credit	**1,186**	**6.9**		702	9.0	
Public Equity	**3,937**	**14.7**		1,903	7.1	
Cash and short-term instruments	**249**	**n/a**		412	n/a	
Total Public Investments	**$ 5,501**	**11.4 %**	**6.1 %**	$ 3,860	9.4 %	6.4 %
Private Investments						
Private Equity	**1,195**	**11.1**	**9.3**	1,137	12.3	10.7
Infrastructure	**1,917**	**12.3**	**8.7**	1,591	10.9	9.8
Real Estate	**1,455**	**11.4**	**8.4**	1,560	12.3	8.2
Total Private Investments	**$ 4,567**	**11.6 %**	**8.7 %**	$ 4,288	11.8 %	9.7 %
Total Primary Plan Fund	**$ 10,068**	**11.5 %**	**7.3 %**	$ 8,148	10.3 %	7.9 %
RCA Investment Fund [2]	**$ 12**	**13.1 %**	**12.8 %**	$ 8	7.8 %	8.7 %

[1] Comparative figures have been presented on the same basis as 2017.

[2] Excludes the RCA refundable tax balances with the Canada Revenue Agency. Including the refundable tax, the balance net rate of return in 2017 is 7.4%, compared to 4.2% in 2016.

Asset Allocation and Exposure

OAC mitigates risk and targets strong, consistent returns by diversifying investments across asset type, economic sector and geographic market, and by purchasing high-quality assets. OAC has a Board-approved target asset mix for the Plan (updated in December 2016), designed to deliver returns over the long term to provide secure and sustainable pensions. Fixed Income investments include securities in inflation-linked bonds, government bonds and credit. Equity includes both public and private equities, either through the purchase of instruments directly, or through the use of derivatives. OAC also invests in Real Assets, which includes both infrastructure and real estate – selected specifically for their ability to provide more predictable returns and cash flows.

Asset Mix – Exposure

To arrive at the Plan's ultimate exposure by asset class, the asset mix includes derivatives exposure and other items, such as amounts payable under administered funds. Net investment asset exposure, based on the holdings as set out in the Consolidated Financial Statements and, after all allocations, is as set out in the table below. The inclusion 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 derivative in the asset class. Net investment asset exposure at the end of 2017 was $96.4 billion ($86.4 billion, 2016) and includes administered funds of $1.4 billion ($1.2 billion, 2016) and non-investment related items of $(0.2) billion ($(0.2) billion, 2016).

As at December 31,	**2017**				2016			
	Investment Assets $ millions	**Investment Liabilities $ millions**	**Net Investment Asset Exposure $ millions**	**Asset Mix %**	Investment Assets $ millions	Investment Liabilities $ millions	Net Investment Asset Exposure $ millions	Asset Mix %
Fixed Income								
Inflation-Linked Bonds	**$ 3,855**		**$ 3,855**	**4.0 %**	$ 5,242		$ 5,242	6.1 %
Government Bonds	**6,754**		**6,754**	**7.0**	9,632		9,632	11.2
Credit	**17,653**		**17,653**	**18.3**	15,139		15,139	17.5
Equities								
Public Equity	**32,522**		**32,522**	**33.7**	24,038		24,038	27.8
Private Equity	**11,521**		**11,521**	**12.0**	11,730		11,730	13.6
Real Assets								
Infrastructure	**17,044**	**(1,365)**	**15,679**	**16.3**	16,462	(1,720)	14,742	17.0
Real Estate	**14,932**	**(1,172)**	**13,760**	**14.3**	14,107	(1,489)	12,618	14.6
Short Term Instruments								
Cash	**13,753**		**13,753**	**14.2**	15,919		15,919	18.4
Economic Leverage	**(19,099)**		**(19,099)**	**(19.8)**	(22,650)		(22,650)	(26.2)
Total	**$ 98,935**	**$ (2,537)**	**$ 96,398**	**100.0 %**	$ 89,619	$ (3,209)	$ 86,410	100.0 %

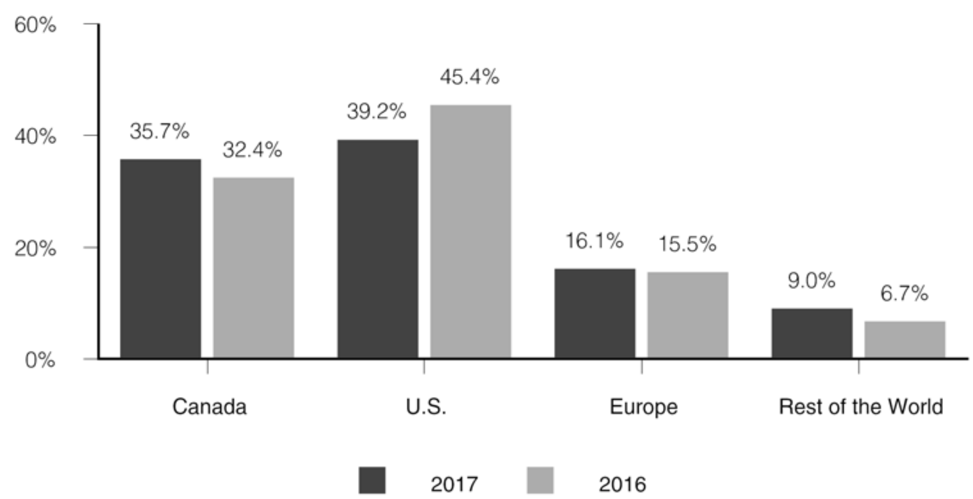
In 2017 we shifted the Plan's asset mix, reducing its exposure to inflation-linked bonds and government bonds. We also increased our exposures to public equities and credit, and proactively reduced economic leverage as asset prices increased.

Country Exposure

The chart below represents the total of the Plan's exposure by country. While Canada continues to offer strong, long-term investment opportunities, prudence and related risk management practices make it necessary to diversify investments across global markets with different growth profiles.

During 2017 we increased exposure to Canada and emerging markets, and reduced exposure to the U.S. economy.

Total Fund Exposure[1]
as at December 31,



[1] Exposures are presented net of financial leverage and before economic leverage.

Currency Exposure

As at December 31, 2017, 95% of currency exposure on our foreign investments was hedged to Canadian dollars. During 2017 foreign exchange losses of $2.1 billion were offset by hedging gains of $2.1 billion. This compared to foreign exchange losses of $3.1 billion, which were offset by hedging gains of $2.9 billion in 2016.

Industry Exposure

The OMERS portfolio remains highly diversified across industries. The table below shows OMERS investment exposure by industry, net of financial leverage and before deducting economic leverage.

As at December 31,	**2017**	2016
Financials	**16.9%**	14.5%
Real Estate	**13.3%**	12.2%
Cash and Cash Equivalents[1]	**11.8%**	12.8%
Industrials	**10.0%**	10.2%
Government	**9.2%**	13.1%
Utilities	**9.0%**	8.2%
Consumer Discretionary	**6.6%**	7.5%
Information Technology	**6.3%**	5.5%
Energy	**5.2%**	4.7%
Health Care	**4.8%**	3.9%
Consumer Staples	**3.0%**	3.3%
Materials	**2.4%**	2.9%
Telecommunication Services	**1.5%**	1.2%
Total	**100.0%**	100.0%

[1] Repurchase agreements are included in cash and cash equivalents. Comparatives have been presented on the same basis.

Investment Management and Pension Administration Expenses

Investment management expenses were $409 million in 2017, compared to $427 million in 2016. The impact of strong investment performance on pay-for-performance expenses were more than offset by the impact of compensation plan design, lower external manager fees due to reduced fund investments, and lower premise and equipment expenses.

The investment management expenses, which included external manager performance and fund fees recorded in investment income, represent an Investment Management Expense Ratio of 55 basis points, compared to 61 basis points for 2016. Over the long term, we are targeting our Management Expense Ratio to be lower than 50 basis points, subject to performance-related expenses. Our Management Expense Ratio will vary and depends on many factors, including actual performance results and asset mix.

Pension administration expenses were $85 million for 2017, compared to $80 million for 2016. This increase was due to the impact of strong results on pay-for-performance, and improvements in technology, including cybersecurity.

Pension administration expenses represent a Cost Per Member of $195 for 2017, compared to $189 for 2016. We expect that Cost Per Member will increase in the near term as we renew our pension administration system. In 2018, we will be evaluating the costs and benefits of further systems development which will establish new long term Cost Per Member targets above the current target of $185 set out in our 2020 Strategy. We remain focused on deliberate expense management and the value of every dollar in the Plan.

Public Investments

Investment Approach

Our approach to investing in public markets is focused on high-quality investments that can generate sustainable income and growth, which results in more consistent returns and low volatility. We seek investments in companies with strong balance sheets and resilient business models. We partner with leading businesses, operators and best-in-class investors to access investment opportunities on a global basis. Our objective is to construct a well-diversified portfolio across geographies, sectors, strategies and income streams that will deliver long-term, consistent, absolute returns to meet the pension liabilities.

2017 Performance

Public investments generated a net return of 11.4%, compared to 9.4% for 2016 and our 2017 benchmark of 6.1%. This represents net investment income of $5.5 billion in 2017, compared to $3.9 billion in 2016.

The strong performance above benchmark in 2017 was a result of a tactical asset allocation to public equities, which returned 14.7% and reduced exposure to lower return inflation-linked bonds and government bonds, which returned 2.0% and 0.2%, respectively, as well as a strategic allocation to credit which returned 6.9%.

Capital Allocation

Public investments were $56.9 billion as at December 31, 2017, compared to $49.6 billion as at December 31, 2016. The increase in capital was primarily attributable to strong public equity performance and strategic allocation towards public equity and credit. The amount of capital available for Public investments increased by $3.1 billion from sales in other asset classes, and $1.6 billion realized gains from the settlement of foreign currency hedges.

Sustainable Investing in Public Investments

Sustainable investing in public investments focuses on integrating material environmental, social and governance (ESG) factors into our rigorous due diligence process of potential investments. Once an investment is made, we actively engage with our investee companies as a shareholder through our voice with management and exercising our votes.

ESG Assessments

We incorporate ESG considerations into our investment analysis and decision-making processes for all of our key investments, whether we are investing in equity or debt securities, and focus on those ESG factors that are most relevant and material to the investment under consideration.

Our objective is to gauge the likelihood and degree to which ESG-related issues could affect our investments, either through a direct impact to the intrinsic value of the business, or through reputational risk. When we make an investment, we continuously monitor ESG factors, alongside other factors, as part of our active asset management.

Proxy Voting

As owners of companies, OMERS has important rights and responsibilities, including the right to vote our shares at company meetings. We exercise our ownership rights through the proxy process by voting our shares, whether with respect to governance matters, corporate transactions and in connection with other matters being presented to shareholders.

Our voting decisions are based on OMERS proxy voting guidelines, which promote good corporate governance and which hold boards accountable for their decisions. These guidelines are regularly reviewed and updated to reflect evolving developments, and are publicly accessible on our website. We retain the flexibility to consider circumstances and determine how to vote in the best interest of OMERS.

Our proxy voting decisions are made internally by OMERS professionals for all of our North American securities and our largest holdings. Although we consider research and recommendations from third-party proxy advisors, such decisions are based on our own opinion as to what is best for OMERS. We do not always agree with the recommendations of proxy advisors or management of companies.

Shareholder Engagement

In addition to diligently voting our shares, we encourage responsible corporate behaviour by speaking directly to investee companies. As a large and influential shareholder, OMERS often has the opportunity to meet with management teams and boards of directors, and to directly engage them in open and constructive dialogue. By sharing our views on a one-to-one basis with representatives of the companies in which we invest, we can encourage responsible corporate behaviour and accountability.

Private Investments

Infrastructure

Investment Approach

Our approach is to seek strong, stable cash flows through investments in large-scale infrastructure businesses in energy, social infrastructure and transportation – primarily in North America, Europe and Australia. In 2017 we made our first direct investment in South America as part of our growing interest in emerging markets. The infrastructure businesses we invest in include contracted and regulated services supported by long-term arrangements that provide an effective way to manage risk, which contributes to reliable income over the long term.

We take a patient and disciplined approach to infrastructure investing and we execute on the prudent diversification of our portfolio. We actively manage the absolute and relative exposures to a number of factors, such as industrial sector, technology, demographics and currency through dynamic asset and portfolio management.

2017 Performance

The infrastructure net return was 12.3%, compared to 10.9% for 2016 and our 2017 benchmark of 8.7%. This represents net investment income of $1.9 billion in 2017, compared to $1.6 billion in 2016 and an operating cash yield of 8.3% in 2017, compared to 7.9% in 2016.

The Infrastructure performance in 2017 was attributable, in part, to our capital rotation program with the sale of HS1 (our high speed rail investment in the U.K.), along with our active asset management focus which led to operational outperformance across a number of our core assets.

Capital Allocation

Investments in infrastructure increased to $18.1 billion in 2017, up from $17.4 billion in 2016. This increase was attributable to the progress made with our capital deployment strategy, along with increases in the market value of existing assets within our portfolio, net of the HS1 disposition.

During 2017, we invested in Thames Water (a water utility in the U.K.) and we entered the South American market with our investment in GNL Quintero (a liquid natural gas regasification business in Chile).

Private Equity

Investment Approach

Our core private equity approach is to acquire significant direct ownership interests in private companies (usually majority), primarily headquartered in North America and Europe, often with a global reach and with the objective of generating strong capital returns, while appropriately managing risk. We take a thoughtful approach to capital deployment and invest in companies with solid business fundamentals, strong management teams, and opportunities to grow both organically and through acquisitions.

In addition, the private equity asset class includes an increasingly small and focused externally managed funds program to gain access to strategic geographies and sectors; and an innovation-based program, including investments in high potential start-up technology-based firms.

2017 Performance

The private equity asset class net return was 11.1%, compared to 12.3% in 2016 and our 2017 benchmark of 9.3%. This represents net investment income of $1.2 billion for 2017, compared to $1.1 billion in 2016. The asset class return was largely driven by a very strong net return of 18.2% by the core private equity platform, underpinned by the growth in the underlying earnings of portfolio companies, and gains from successful exits. These include Civica (a leading provider of business critical software and digital solutions in the U.K.) and Husky IMS International (a global supplier of injection molding equipment based in Canada), where a definitive sale agreement has been signed. Certain non-core legacy assets, which are no longer on strategy, and fund investments which we expect to exit in the near future, reduced the asset class return.

Capital Allocation

Total investments in private equity remained relatively consistent with the prior year at $10.8 billion, compared to $11.0 billion, as at December 31, 2016. In 2017, OMERS closed the purchase of Inmar (a supply chain support services company in North America based in the U.S.), and acquired an interest in National Veterinary Associates, Inc. (an independent operator of veterinary hospitals based in the U.S.).

Sustainable Investing in Infrastructure and Private Equity

The approach taken with infrastructure and private equity investments is to incorporate sustainability in our investment decisions, consistent with our commitment to our members, and with OMERS stated approach to sustainable investing and corporate responsibility. Specifically, we gauge the likelihood and degree to which ESG-related issues could affect our investments, either through a direct impact to the intrinsic value of the business, or through reputational risk.

We also consider opportunities to enhance ESG practices through the active role we take in the management practices of our portfolio companies. Generally, we have influence over governance through holding seat(s) on the Board, active involvement in strategy setting, and through direct contact with management teams.

We consider sustainable investing and corporate responsibility factors in all stages of the investment cycle.

Origination

When considering a potential investment, we review relevant ESG factors that could influence our investment return. While we do not exclude industries from our review process based on ESG factors, we tailor the depth of assessment required for potential investments, as required, to ensure consistency with OMERS sustainability beliefs. Some ESG factors that are considered include:

- environmental risk;
- health and safety;
- compliance with regulation; and
- governance over anti-bribery and anti-fraud practices.

Asset Management

As an asset owner, we take an active governance role in influencing the way our portfolio companies approach ESG. In almost all circumstances, we hold an equity position (minority or majority) with appropriate governance rights, including negative control rights, as applicable, and participation on boards and related committees. We will appoint independent directors to bring in specialized skills and varied experiences, where necessary.

Monitoring

Our investment monitoring and valuation process includes identification of and reporting on key investment risks, including relevant ESG risks. In our oversight of the companies in which we invest, we require that they be transparent in reporting on sustainable investing.

In 2018, our objective will be to ensure that every private investment in which we have a board seat has a robust discussion about sustainable investing.

Real Estate

Investment Approach

Our strategy is centered on building a world-class global real estate development, investment and management platform that delivers stable income and capital returns through all cycles. Oxford Properties Group executes and manages this strategy and is comprised of a diversified portfolio that includes over 60 million square feet of office, retail and industrial properties, along with significant multi-family and hotel properties, and a development pipeline of projects globally.

Our approach is to invest and develop in select major global urban centres in Canada, the U.S., Europe and Asia where we believe in market fundamentals and the prospect of delivering superior long-term returns. The platform is well-diversified across regions, property types and industry sectors, and we use our competitive advantage in management, leasing, information technology, development and investment to compete successfully against the best real estate investors and operating companies globally.

2017 Performance

The real estate net return in 2017 was 11.4%, compared to 12.3% in 2016, and our 2017 benchmark of 8.4%. This represents net investment income of $1.5 billion in 2017, compared to $1.6 billion in 2016. The performance above benchmark was attributable to strong operating performance and realized and unrealized gains.

Capital Allocation

Total investment in real estate as at December 31, 2017 was $15.5 billion, relatively consistent with $15.1 billion, as at December 31, 2016. During the year, Oxford made 13 acquisitions, committed to nine new developments, and completed four sales transactions, all consistent with our strategy.

Successfully completed sales transactions in 2017 include our 50% interest in the Leadenhall Building (London, U.K.) and our remaining 50% interest in Constitution Square (Ottawa, Canada). Oxford's new investments included a 95% interest in the Sony Center (Berlin, Germany), and a 51% share in 900 16th Street NW and 1101 New York Avenue NW (Washington, U.S.). We also committed to purchasing a 100% interest in Window, an office tower in La Défense (Paris, France), and a 52.5% interest in the development of St. John's Terminal (New York, U.S.). In line with OMERS strategy to diversify our portfolio by allocating capital to Asia, subsequent to year end, we also closed our first investment in that region by participating in the privatization of Global Logistic Properties (a global warehouse operator and real estate fund manager based in Singapore).

In 2017, Oxford continued to make significant progress on over 24 active development projects.

Sustainable Investing in Real Estate

Oxford Properties aspires to develop the best properties in every market in which we choose to invest and to be a leading global development team. Pursuing the highest sustainable design standards is an important part of supporting that strategy, and we strive to be recognized by our customers, employees, shareholders, co-owners and the market-at-large, as an industry leader in sustainable investing. We believe that our decision to invest in and develop premium, green assets has a positive impact on the surrounding ecosystem, and increases the long-term value and financial performance of our assets.

As a landlord, we aspire to provide exceptional customer service, operate buildings as efficiently as possible, and conserve natural resources, and support and engage with our communities and protect our license to operate. To that end, we operate our buildings in a manner consistent with best-in-class standardsacross our different asset classes and markets. These standards include LEED (Canada/U.S. office), BOMA BEST (Canada retail/industrial) and BREEAM (U.K. office) - all standards that focus on enhancing the sustainability performance of buildings. In 2017 two of our properties received best-in-class LEED Platinum recognition: 111 Richmond St. (Toronto, Canada) and the Eau Claire Tower (Calgary, Canada).

"Sustainable Intelligence" is Oxford's program to manage and communicate on its sustainable investing performance. As part of this program, we undertake numerous activities related to sustainable investing, including:

- Energy Management: We implement best practices around energy management, set energy management targets, and monitor performance against these targets to drive cost savings and enhance asset competitiveness. Since 2010, there has been a 26% improvement in the energy efficiency of our managed portfolio on a per square foot basis.
- Waste Management: We set waste management targets and monitor performance against these targets. Customers are provided with reference materials to enhance waste diversion from landfill and reduce costs. We strive to maintain a minimum national diversion rate of 65% in our office properties and 60% in retail.
- Green Building Certification Support: We have achieved 85% LEED-certified office space which is recognition valued by our customers and which helps enhance the sustainable investing performance of our buildings.
- Customer Engagement: We have joint landlord-tenant green teams across all our managed office and retail properties. We also support sustainable investing lobby events which helps differentiate our business and enhance customer attraction and retention.

The Plan's Investment Return History

While we measure our investment performance annually, OAC emphasizes long-term performance, as pensions are paid over decades. Consistent long-term performance is important. The table below sets out the Plan's historical returns over a one, three, five, 10 and 20-year period. The 10-year and 20-year returns were adversely impacted by the financial crisis of 2008.

Net return for the period ending December 31, 2017	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**20 Year**
	11.5%	9.5%	8.9%	5.9%	7.0%

Investments Outlook

Global economic expansion is expected to continue into 2018, driven by increased capital spending and robust household consumption. Recent tax cuts in the U.S. should incentivize further private investment which, combined with rising commodity prices, will bolster the Canadian growth outlook.

Inflation is expected to rise across advanced economies due to tight labour markets, diminishing economic slack, and rising commodity prices. Consequently, central banks are expected to continue cautiously tightening monetary policy. In setting the path of interest rates, central banks will be closely monitoring key risks, including the emergence of protectionist trends in major economies. In the face of these observations, we continue to be thoughtful, disciplined and innovative in our management approach to provide the returns needed for our members.

Risk Management

2017 was a year of significant progress in building out the organization's risk management framework and capabilities. A key milestone was the development of a *Risk Appetite Statement*, which was approved by the OAC Board of Directors in 2017. This Statement will inform our long-term strategy and help guide overall decision-making. It complements existing policies such as Statement of Investment Beliefs, Statement of Investment Authorities, and Statement of Investment Policies and Procedures.

At OMERS, the Risk Management Group and Senior Executive Team create a robust, risk-aware culture and control environment, supported by the Board of Directors. The Chief Risk Officer (CRO) is responsible for the Risk Management Group, which provides independent and objective analysis, and reports to both the Senior Executive Team and the Board of Directors.

Day-to-day accountability for managing risks and ongoing execution remains with the business units and functions responsible for making operational decisions. To assist in the management and communication of risk, four broad categories have been defined: Investment risk, Pension risk, Operational risk, and Emerging risks. We consider funding risk, which is the risk that contribution rates may increase or benefits be cut, to be the result of interaction between these risk categories. These categories are described in more detail below.

Top Risks and Emerging Risks

Top Risks

A top risk is one that could have a material impact on the Plans' objectives in the short term, and some of the risks are explained below.

Plan Funding Risk

The most significant risk facing the Plans is plan funding risk - the potential that the SC will need to increase contributions or reduce benefits as a result of unfavourable investment performance, adverse Plan experience, or Plan maturity. The Plans' funding levels are impacted by how much and by how long pensions will be payable in the future, and by changing economic conditions that influence investment returns. In addressing these factors, the current and prior year positive returns have permitted OAC to build strategic margins into its discount rate at a rate faster than anticipated. Despite this positive outcome, the Plan is still heavily reliant on investment returns to achieve our long- term success and, as such, investment or liability shocks still pose a threat to long- term Plan sustainability.

Pension Administration

We are in the process of significantly upgrading our existing legacy pension administration and processing system, which was developed more than 15 years ago. Modernizing the system is critical to continuing to provide efficient, high-quality services to members and employers. This project is complex and so, to provide an appropriate level of oversight, our governance structure includes members of the OAC Board of Directors, executive management, business and technology leaders, and support personnel.

Emerging Risks

An emerging risk is a matter that, while not currently a top risk, is identified, evaluated and monitored for its potential to become a top risk.

On an ongoing basis, OMERS evaluates and monitors a number of emerging risks in an effort to understand their potential impact on our organization. These risks currently include workforce trends, CPP expansion and Plan maturity.

Risk Categories

OMERS primary objective is to ensure the sustainability of the Plan to pay pensions to all members into the future. The ultimate expression of our key organizational risk is ensuring sufficient capital exists to meet our pension obligations.

OAC believes that, by managing the components of risk in the following risk categories - Investment, Operational, Pension and Emerging - in an integrated, transparent and systematic manner, the organization will be successful in achieving our objectives. A brief overview of each category, its major components, and how we manage the risks, is provided below.

Investment Risk

The value of the Plans' assets is affected by a number of expected and unexpected economic, political and social events that jointly impact the outlook for the major asset classes, as well as the individual assets in which OAC invests. OMERS measures the impact of these changes using quantitative methodologies to provide insights into absolute and relative levels of market risk associated with our investments. This analysis also provides a systematic articulation of the amount of market risk at the total portfolio level. These results provide support for senior management in making strategic investment decisions. These decisions ultimately address the Plans' capability to sustain its long-term obligations to pay pensions. Our investment risks are described in the Notes to the Consolidated Financial Statements and should be read in conjunction with this section.

Operational Risk

Operational Risk is the risk of loss arising either directly or indirectly from operational error due to failure in systems, processes, technology, actions of people, or unforeseen or unexpected external events. Examples of Operational Risk include:

- information technology - the risk that systems infrastructure may not appropriately support business activities;
- people - the risk that we may not have the appropriate talent in place to manage and support business activities;
- model - erroneous or inappropriate use of various models used to support business decisions;
- legal - regulatory - the risk that we are not compliant with laws and regulations; and
- privacy and information security - the risk of inappropriate access to, or misuse of, identifiable personal information, or other business-sensitive information.

The operational risk management program has a range of tools and processes which guide how OAC identifies, evaluates and tracks mitigation activities on an ongoing basis.

Pension Risk

For risk management purposes, Pension Risk consists of potential changes to the pension liability due to Plan experience, Plan assumptions or Plan design. A discussion about the factors contributing to, and the steps taken to manage Pension Risk (and other components of plan funding risks) may be found in the Primary Plan Funded Status section of this Management Discussion and Analysis. To address this risk, we continuously enhance tools, practices and resources to deliver insights and analysis which help inform strategic decisions made by senior management and the OAC Board.

Emerging Risks

This category captures those disparate risks that may not specifically or readily fall within the three categories noted above, and yet may have significant impact on OMERS achieving its strategic objectives. Emerging risks are defined as those risks which are recognizable and which may, at any time, accelerate or impact investment activities, or the operations of the enterprise, or potentially impact the Plan. We actively monitor and manage these risks.

Responsibilities of Management, Actuary and Independent Auditors

The consolidated financial statements of OAC have been prepared by OAC Management (Management) and approved by the Board of OAC (OAC 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 an adequate system of internal control 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, we are 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 OAC's systems of internal controls over financial reporting and disclosure to determine whether these controls are appropriate and operating effectively.

The OAC 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 OAC, assists the OAC Board in executing this responsibility. The Audit & Actuarial Committee meets regularly with Management, the internal audit team and independent external auditors to review the scope and timing of their respective audits as well as to review any internal control or financial reporting issues and their resolution. The Audit & Actuarial Committee reviews the annual consolidated financial statements and recommends them to the OAC Board for approval.

The external actuary is appointed by the OAC 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 OAC 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 OAC and its active, deferred and retired members.

The independent external auditors are also appointed by the OAC Board. Their responsibility is to report to the OAC Board whether in their opinion the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of changes in net assets available for benefits and the statements of changes in pension obligations for the years ended December 31, 2017 and 2016 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 independent external auditors have 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 auditors' 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 financial statements, together with the other financial information included in this Annual Report, fairly present in all material respects the financial position, changes in net assets available for benefits and changes in pension obligations of OAC as of the date and for the periods presented in this Annual Report.

Michael Latimer President and Chief Executive Officer	**Jonathan Simmons** Chief Financial Officer

Toronto, Ontario
February 22, 2018

Actuarial Opinion

We conducted actuarial valuations as at December 31, 2017 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 (OAC). The purpose of the valuations is to fairly present the actuarial funded status of the Primary Plan and the RCA as at December 31, 2017, for inclusion in this Annual Report in accordance with Section 4600 of Part IV of the Chartered Professional Accountants of Canada Handbook.

The results of the actuarial valuation of the Primary Plan disclosed total going concern actuarial liabilities of $94,431 million in respect of benefits accrued for service to December 31, 2017 (comprising $93,614 million with respect to the defined benefit component and $817 million with respect to the Additional Voluntary Contribution (AVC) component). The actuarial assets at that date were $89,028 million (comprising $88,211 million with respect to the defined benefit component and $817 million with respect to the AVC component), indicating a going concern actuarial deficit of $5,403 million. Ongoing adequacy of the Primary Plan's contribution rates will need to be monitored to ensure that future contributions, together with the Primary Plan assets and future investment earnings thereon, will be sufficient to provide for its future benefits.

The RCA is not fully pre-funded. The actuarial liability in respect of RCA benefits accrued for service to December 31, 2017, net of the RCA assets, was $651 million. 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, 2017 were conducted using the Projected Benefit Method Prorated on Services, and membership data as at October 29, 2017 and financial information as at December 31, 2017 supplied by OAC.

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; and
- the methods employed in the valuations are appropriate for the purpose of the valuations.

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.

Ian Markham

Ian Markham
Fellow, Canadian Institute of Actuaries

Philip Morse

Philip A. Morse
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 22, 2018

Independent Auditors' Report

To the Board of OMERS Administration Corporation

We have audited the accompanying consolidated financial statements of OMERS Administration Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of changes in net assets available for benefits and changes in pension obligations for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OMERS Administration Corporation and its subsidiaries as at December 31, 2017 and December 31, 2016 and the changes in 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 22, 2018

Consolidated Statement of Financial Position

As at December 31, (in millions of Canadian dollars)	**2017**	2016
Net Assets available for benefits		
Assets		
Investments (note 3)	**$ 101,152**	$ 93,080
Investment related assets (note 3)	**3,978**	5,063
Contributions receivable		
Employers	**159**	159
Members	**159**	159
Other assets	**274**	216
Total Assets	**105,722**	98,677
Liabilities		
Investment related liabilities (notes 3 and 4)	**7,175**	10,254
Amounts payable under contractual agreements (note 5)	**3,138**	2,896
Other liabilities	**211**	167
Total Liabilities	**10,524**	13,317
Net Assets Available for Benefits	**$ 95,198**	$ 85,360
Accrued Pension Obligation and Surplus/(Deficit)		
Primary Plan (note 6)		
Defined benefit component		
Accrued pension obligation	**$ 93,614**	$ 86,959
Surplus/(Deficit)		
Funding surplus/(deficit)	**(5,403)**	(5,720)
Actuarial value adjustment to net assets available for benefits	**6,008**	3,379
	605	(2,341)
Additional Voluntary Contributions component pension obligation	**817**	595
Accrued Pension Obligation and Surplus/(Deficit) - Primary Plan	**95,036**	85,213
Retirement Compensation Arrangement (note 7)		
Accrued pension obligation	**813**	739
Surplus/(Deficit)	**(651)**	(592)
Accrued Pension Obligation and Surplus/(Deficit) - Retirement Compensation Arrangement	**162**	147
Accrued Pension Obligation and Surplus/(Deficit)	**$ 95,198**	$ 85,360

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

These financial statements were approved by the Board of Directors on February 22, 2018.

Signed on behalf of the Board of OMERS Administration Corporation

George Cooke,
OAC Board Chair

William Butt,
Chair, Audit & Actuarial Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, (in millions of Canadian dollars)		**2017**		2016
Changes Due to Investment Activities				
Net investment income (note 8)	**$**	**9,735**	$	7,856
Total Changes Due to Investment Activities		**9,735**		7,856
Changes Due to Pension Activities				
Total contributions received (note 10)		**4,193**		3,965
Total benefits paid (note 11)		**(4,005)**		(3,626)
Pension administrative expenses (note 12)		**(85)**		(80)
Total Changes Due to Pension Activities		**103**		259
Total Increase		**9,838**		8,115
Net assets available for benefits, beginning of year		**85,360**		77,245
Net Assets Available for Benefits, End of Year	**$**	**95,198**	$	85,360

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

Statement of Changes in Pension Obligations

For the year ended December 31, (in millions of Canadian dollars)	2017	2016
OMERS Primary Pension Plan (note 6)		
Defined Benefit Component		
Accrued pension obligation, beginning of year	**$ 86,959**	$ 81,924
Interest accrued on benefits	**5,367**	5,102
Benefits accrued	**3,154**	2,997
Benefits paid	**(3,969)**	(3,599)
Experience (gains)/losses	**(561)**	(89)
Change to strategic margin	**2,664**	624
Accrued Pension Obligation, End of Year	**93,614**	86,959
Additional Voluntary Contributions Component		
Additional voluntary contributions obligation, beginning of year	**595**	445
Contributions	**162**	113
Withdrawals	**(17)**	(12)
Attributed net investment income	**77**	49
Additional Voluntary Contributions Obligation, End of Year	**817**	595
Retirement Compensation Arrangement (note 7)		
Accrued pension obligation, beginning of year	**$ 739**	$ 679
Interest accrued on benefits	**23**	21
Benefits accrued	**25**	25
Benefits paid	**(19)**	(15)
Experience (gains)/losses	**45**	28
Changes in actuarial assumptions and methods	**—**	1
Accrued Pension Obligation, End of Year	**$ 813**	$ 739

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

Notes to Consolidated Financial Statements

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

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

OMERS Primary Pension Plan

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

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

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

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

- Disability Pensions – A disability pension is available at any age to an active member who becomes totally disabled as defined by the Primary Plan. The pension is calculated using a member's years of credited service and the average annual earnings during the member's highest 60 consecutive months of earnings consistent with a normal retirement pension. Generally, disability pensions continue until normal retirement.
- Income Taxes – The Primary Plan is a Registered Pension Plan as defined in the ITA and is not subject to income taxes for contributions or investment income received. The operations of certain entities holding private equity, infrastructure or real estate investments may be taxable.

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

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

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

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The Supplemental Plan became effective on July 1, 2008, pursuant to the requirements of the OMERS Act. The benefit provisions and other terms of the Supplemental Plan are set out in the Supplemental Plan text. The Supplemental Plan is registered with FSCO and with CRA under Registration #1175892.

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

Participation in the Supplemental Plan is effective only upon agreement between employee groups and their employer. As at December 31, 2017 and December 31, 2016, no such agreement existed and hence the Supplemental Plan had no assets and no members.

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

Change in Presentation for Real Estate

In 2017, OAC changed the presentation of debt related to real estate. Previously real estate debt was included in the statement of financial position as part of investment related liabilities. Effective January 1, 2017, real estate investment assets are presented net of related debt. Prior period comparatives have been restated. Under Handbook Section 4600 - Pension Plans investments are to be presented on a non-consolidated basis even when OAC has effective control. The accounting change was made to better reflect how OAC evaluates the performance of equity invested in the real estate asset class and makes consistent the treatment of real estate debt with other asset classes.

The effects of the accounting change on the statement of financial position was to decrease both Investments and Investment Related Liabilities as at December 31, 2017 and 2016 by $13,378 million and $11,060 million respectively. There was no impact on Net Assets Available for Benefits.

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

Use of Estimates and Judgments

The preparation of consolidated financial statements requires OAC Management (Management) to make estimates, judgments and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued pension obligations and related disclosures. Actual results could differ from these estimates. Areas of significant accounting estimates and judgments include the determination of fair value of financial instruments including valuation of real estate, infrastructure, private equity and private debt investments, certain fund investments and the determination of the accrued pension obligation.

Investments

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

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is best evidenced by a quoted closing market price in an active market, if one exists. The determination of fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. Detailed discussion on valuation methodology is presented in Note 3 – Investments.

The difference between the value of an asset at the time it was acquired and its current fair value takes into account changes in market rates and credit risk of the issuer that have occurred since the original acquisition. Unrealized appreciation/depreciation in the fair value of investments is the change in fair value adjusted for cash flows recognized during the year and is reflected in Changes due to Investment Activities in the Consolidated Statement of Changes in Net Assets Available for Benefits.

Derivative Financial Instruments

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

Derivative financial instruments are used, when appropriate, to manage the OMERS Pension Plans' asset mix and to assist in managing the exposure to market risk, by increasing or decreasing foreign currency, interest rate and price risk, without directly purchasing or selling the underlying assets or currencies. The fair value of the derivative contracts represents unrealized gains or losses from derivative contracts which are recorded in the consolidated statement of financial position based on the fair value of the derivative contract. Fair value represents the cost of replacing all outstanding contracts under current market conditions. Contracts with a positive fair value are recorded as derivative asset in the investment related assets and contracts with a negative fair value are recorded as derivative liability in the investment related liabilities.

Net Investment Income/(Loss)

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

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

Transaction and Pursuit Costs

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

External Manager Fees

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

Investment Liabilities

Investment liabilities include commercial paper, debentures, and other debt obligations recourse to OAC and incurred to acquire an investment. Investment liabilities also include the amounts payable in respect of securities sold under agreements to repurchase ("Repo Agreements"). Investment liabilities are financial instruments and are stated at fair value. The fair value of investment liabilities is estimated using discounted cash flows based on current market yields, except for items that are short term in nature, for which cost plus accrued interest approximates fair value. The credit risk of OAC is also considered in estimating the fair value of investment liabilities.

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

Pending Trades

Pending trades include accrued receivables/payables from pending trade transactions.

For securities transactions, the fair value of amounts due from pending trades and amounts payable from pending trades approximate their carrying amounts due to their short-term nature.

Foreign Currency Translation

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

Accrued Pension Obligation

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

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

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

Actuarial Value of Net Assets and Actuarial Value Adjustment

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

Surplus/Deficit

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

Contributions

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

Benefits

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

Administrative Expenses

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

Future Changes in Accounting Policies

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

IFRS 15 Revenue from Contracts with Customers

The new standard replaces all existing IFRS revenue requirements and recognizes revenue when control of a good or service transfers to a customer. The mandatory effective date for the new standard is for years beginning on or after January 1, 2018. There are no material impacts expected to the OAC financial statements.

IFRS 16 Leases

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

NOTE 3

A. Investments

Investments by Fair Value and Cost

Investments and investment related assets and liabilities are as follows:

	2017		2016	
	Fair Value	**Cost**	Fair Value	Cost
Fixed Income				
Inflation-Linked Bonds	**$ 3,824**	**$ 3,608**	$ 5,246	$ 4,669
Canadian nominal bonds and debentures	**1,988**	**1,975**	1,176	1,161
Non-Canadian nominal bonds and debentures	**4,896**	**5,138**	5,139	5,084
Private debt and mortgages	**5,849**	**5,946**	3,782	3,710
	16,557	**16,667**	15,343	14,624
Equities				
Public Equity (ii)				
Canadian public equities	**8,760**	**7,814**	4,579	4,113
Non-Canadian public equities	**16,979**	**15,322**	12,513	10,859
	25,739	**23,136**	17,092	14,972
Private Equity				
Canadian private equities (iii) (iv)	**2,896**	**2,673**	2,371	2,489
Non-Canadian private equities	**7,863**	**6,412**	8,610	5,615
	10,759	**9,085**	10,981	8,104
	36,498	**32,221**	28,073	23,076
Real Assets				
Infrastructure Investments	**18,053**	**16,909**	17,443	16,076
Real Estate Investments	**15,470**	**11,812**	15,084	11,545
	33,523	**28,721**	32,527	27,621
Short Term Instruments				
Cash and short-term deposits (i)	**14,574**	**14,574**	17,137	17,137
Total Investments	**101,152**	**92,183**	93,080	82,458
Investment Related Assets				
Investment receivables	**294**	**294**	271	271
Deferred assets, prepaid and other	**44**	**44**	33	33
Derivatives	**3,590**	**100**	4,706	21
Pending trades	**50**	**50**	53	53
	3,978	**488**	5,063	378
Investment Related Liabilities				
Investment liabilities (note 4)	**(4,054)**	**(3,829)**	(5,515)	(5,450)
Derivatives	**(3,097)**	**(5)**	(4,677)	(1)
Pending trades	**(24)**	**(24)**	(62)	(62)
	(7,175)	**(3,858)**	(10,254)	(5,513)
Net Investment Assets	**$ 97,955**	**$ 88,813**	$ 87,889	$ 77,323

(i) Includes restricted cash of $227 (December 31, 2016: $76).
(ii) Includes externally managed investments of $2,214 (December 31, 2016: $2,775).
(iii) Includes resource properties with a total fair value of $135 (December 31, 2016: $325).
(iv) Includes venture capital investments of $460 (December 31, 2016: $490).

Investment Valuation Practices

Fair values are based on quoted prices in an active market or where such pricing is not available, fair value is estimated using observable market inputs such as interest rates, quoted prices of comparable securities or unobservable inputs such as Management assumptions or contractual terms. Accredited independent external valuation experts are engaged to perform a review of Management's valuations to determine the reasonableness of the valuations for each significant private investment at least once every three years or in any year where the valuation changes by more than fifteen per cent from the prior year. Fair values are determined as follows:

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

(ii) Nominal bonds and debentures, inflation-linked bonds and public equities are valued at year-end quoted market prices, where available. For public equities the quoted market prices are based on exchange prices while fixed income and inflation-linked bonds are based on quotes from industry standard sources. For investments, such as mortgages and private debt, where quoted market prices are not available, estimated values are calculated using discounted cash flows based on current market yields for comparable securities, independent asset appraisals, and financial analysis. Externally managed hedge funds where details of individual securities are not maintained by the OMERS Pension Plans are valued based on values provided by the fund manager.

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

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

- For investments that have reasonably predictable future revenue streams or that derive their value based on property or commodity values, the valuation is derived by:
  - discounting projected future cash flows of an investment using discount rates which reflect the risk inherent in the projected cash flows. Discount rates and projected cash flows are based on internal assumptions and external inputs; and
  - assessing the investment assets against the value of comparable publicly listed entities.
- For non-operating and/or start-up directly held private investments, the value may be held at cost where cost is considered the best estimate of fair value, until there is evidence to support a change in valuation.
- The fair value of a private fund investment where OAC's ability to access information on underlying individual fund investments is restricted, such as under the terms of a limited partnership agreement, is equal to the value provided by the fund's general partner unless there is a specific and objectively verifiable reason to vary from the value provided by the general partner.

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

Investment Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

As at December 31,				**2017**
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Income	**$ —**	**$ 10,857**	**$ 5,700**	**$ 16,557**
Public Equity	**21,143**	**906**	**3,690**	**25,739**
Private Equity	**110**	**289**	**10,360**	**10,759**
Infrastructure			**18,053**	**18,053**
Real Estate			**15,470**	**15,470**
Short Term Instruments	**693**	**13,881**		**14,574**
Investment Related Assets	**20**	**3,958**		**3,978**
Investment Related Liabilities	**(218)**	**(6,957)**		**(7,175)**
Net Investment Assets	**$ 21,748**	**$ 22,934**	**$ 53,273**	**$ 97,955**

As at December 31,				2016
	Level 1	Level 2	Level 3	Total
Fixed Income	$ —	$ 11,673	$ 3,670	$ 15,343
Public Equity	12,518	1,880	2,694	17,092
Private Equity	157	2	10,822	10,981
Infrastructure			17,443	17,443
Real Estate			15,084	15,084
Short Term Instruments	830	16,307		17,137
Investment Related Assets	1,966	3,097		5,063
Investment Related Liabilities	(2,215)	(8,039)	—	(10,254)
Net Investment Assets	$ 13,256	$ 24,920	$ 49,713	$ 87,889

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

The following table presents the changes in the fair value measurements in Level 3 of the fair value hierarchy for the year ended December 31, 2017:

	Fair Value Dec 31, 2016	Total Gain (Loss) Included in Net Income	Transfers In (Out) (i)	Contributed Capital	Capital Returned (ii)	Fair Value Dec 31, 2017	Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31,(iii)
Fixed Income	$ 3,670	$ (256)	$ 10	$ 3,239	$ (963)	$ 5,700	$ (105)
Public Equity	2,694	(26)		1,450	(428)	3,690	335
Private Equity	10,822	863		1,960	(3,285)	10,360	753
Infrastructure	17,443	1,896		1,665	(2,951)	18,053	(92)
Real Estate	15,084	607		2,087	(2,308)	15,470	666
Total	$ 49,713	$ 3,084	$ 10	$ 10,401	$ (9,935)	$ 53,273	$ 1,557

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

	Fair Value Dec 31, 2015	Total Gain (Loss) Included in Net Income	Transfers In (Out) (i)	Contributed Capital	Capital Returned (ii)	Fair Value Dec 31, 2016	Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31, (iii)
Fixed Income	$ 2,309	$ (120)	$ —	$ 2,404	$ (923)	$ 3,670	$ (35)
Public Equity	1,884	172	(1)	881	(242)	2,694	124
Private Equity	10,891	689	269	727	(1,754)	10,822	1,068
Infrastructure	16,245	328	52	3,173	(2,355)	17,443	314
Real Estate	16,301	(119)	—	1,372	(2,470)	15,084	354
Total	$ 47,630	$ 950	$ 320	$ 8,557	$ (7,744)	$ 49,713	$ 1,825

(i) Represents amounts transferred in(out) of Level 3, the net amount for the year ended December 31, 2017 was $10 (December 31, 2016: 320). This represents reclassification of debt and private investments that became publicly traded.
(ii) Includes return of realized foreign exchange gains and losses. The unrealized foreign exchange gains and losses are recorded as part of the valuation of such assets.
(iii) Amount represents unrealized market value adjustments recorded during the year which are included in the valuation of assets held at year end only.

Fair Value Assumptions and Sensitivity

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

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

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

As at December 31, 2017	**Increase/Decrease in Discount Rate (basis points)**		**Decrease/Increase in Net Investment Assets**
Private credit	**20**	**$**	**31**
Private equity - direct investments	**70**		**701**
Infrastructure investments	**20**		**400**
Real estate investments	**25**		**550**
Total impact on Net Investment Assets		**$**	**1,682**

As at December 31, 2016	Increase/Decrease in Discount Rate (basis points)		Decrease/Increase in Net Investment Assets
Private credit	20	$	17
Private equity - direct investments	70		480
Infrastructure investments	20		325
Real estate investments	25		500
Total impact on Net Investment Assets		$	1,322

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

Significant Investments

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

						2017						2016
	Number of Investments		**Fair Value**		**Cost**		Number of Investments		Fair Value		Cost	
Public Investments	**1**	**$**	**1,070**	**$**	**1,013**		4	$	4,063	$	3,811	
Private Investments	**13**		**16,705**		**12,455**		15		18,685		13,853	
	14	**$**	**17,775**	**$**	**13,468**		19	$	22,748	$	17,664	

Public investments where the individual issue has a cost or fair value exceeding one per cent of the cost or fair value of net investment assets include investments in foreign and Canadian government interest bearing securities.

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

The effective date of the most recent valuation for the above listed investments was December 31, 2017.

Investment Risk

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

The OAC Board of Directors, through its Investment Committee, determines the acceptable level of investment risk to be taken. Investment is primarily managed through the long-term asset mix study, which is reviewed and recommended by the Investment Committee to the Board of Directors for approval. Within Management, primary accountability for risk remains with the business or function responsible for making operational decisions relative to that risk. This accountability is achieved through a series of sub-delegations by the Board of Directors to the CEO, who further delegates responsibilities to the business leaders, subject to levels of authority. The Chief Risk Officer (CRO) is responsible for implementing the Board-approved risk management mandate, including the development of associated policies and limits, and providing independent enterprise-wide oversight of business activities using the matrix structure that underpins the risk and compliance functions.

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

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

a) Market Risk

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

Foreign Exchange Rates

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

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

As at December 31,	2017				2016			
	Fair Value By Currency				Fair Value By Currency			
	Gross Exposure	**Impact of Derivatives**	**Net Exposure**	**% of Total**	Gross Exposure	Impact of Derivatives	Net Exposure	% of Total
Canada	**$ 44,758**	**$ 48,633**	**$ 93,391**	**95%**	$ 41,890	$ 43,125	$ 85,015	97%
United States	**36,951**	**(34,309)**	**2,642**	**3%**	32,506	(31,739)	767	1%
United Kingdom	**7,977**	**(6,737)**	**1,240**	**1%**	7,894	(5,890)	2,004	2%
Euro Countries	**4,156**	**(4,418)**	**(262)**	**—%**	3,202	(3,465)	(263)	—%
Japan	**459**	**(721)**	**(262)**	**—%**	17	(34)	(17)	—%
Other Pacific	**996**	**(469)**	**527**	**—%**	833	(758)	75	—%
Emerging Markets	**526**	**560**	**1,086**	**1%**	114	168	282	—%
Other Europe	**2,132**	**(2,539)**	**(407)**	**—%**	1,433	(1,407)	26	—%
	$ 97,955	**$ —**	**$ 97,955**	**100%**	$ 87,889	$ —	$ 87,889	100%

Foreign Currency Sensitivity

After giving effect to the impact of hedging and trading activities and with all other variables and underlying values held constant, a five per cent increase/decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate $321 (December 31, 2016: $171) decrease/increase in OAC's net assets as shown below:

As at December 31,		2017		2016	
Currency	**Change in value of Canadian Dollar**	**Unrealized gain/loss**		Unrealized gain/loss	
United States	**+/- 5%**	**-/+**	**$ 132**	-/+	$ 38
United Kingdom	**+/- 5%**	**-/+**	**62**	-/+	100
Euro Countries	**+/- 5%**	**-/+**	**13**	-/+	13
Other	**+/- 5%**	**-/+**	**114**	-/+	20
		-/+	**$ 321**	-/+	$ 171

Interest Rate Risk

From an investment perspective, primary exposure to interest rates is a function of the capital deployed in fixed income products and investments both in public and private market asset classes. For investments with fixed rates of interest, the exposure is to rising rates over time (i.e. rising interest rates decreases the market value of investments that have a fixed rate of interest). Interest rate risks include exposure to bonds and debentures, private debt and mortgages. The most significant interest bearing investments that have a fixed rate of interest are the shorter-dated nominal bond futures and long-dated inflation linked bonds in the public investments portfolio. The exposure to nominal bonds is $15,364 (December 31, 2016: $17,667) with net fair value of the derivative positions totaling $356 (December 31, 2016: $702). In addition to these investments, OAC holds a variety of other interest bearing investments in private portfolios that also have an exposure to rising interest rates. Lastly, OAC also invests in short-term interest rate related securities primarily for the purpose of maintaining its ability to meet liquidity needs. The following tables illustrate how capital is allocated amongst the various types of interest bearing investments based upon the contractual maturity of the securities:

As at December 31,					**2017**
	Term to Maturity				
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	**Average Effective Yield (i)**
Cash and short-term deposits	**$ 14,574**	**$ —**	**$ —**	**$ 14,574**	**1.4%**
Nominal bonds and debentures	**60**	**3,075**	**3,749**	**6,884**	**3.3%**
Inflation-linked bonds (ii)	**—**	**—**	**3,824**	**3,824**	**0.5%**
Mortgages and private debt	**150**	**2,878**	**2,822**	**5,850**	**6.7%**
	$ 14,784	**$ 5,953**	**$ 10,395**	**$ 31,132**	**2.7%**

As at December 31,					2016
	Term to Maturity				
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Average Effective Yield (i)
Cash and short-term deposits	$ 17,137	$ —	$ —	$ 17,137	0.9%
Nominal bonds and debentures	223	2,101	3,990	6,314	3.0%
Inflation-linked bonds (ii)	—	235	5,011	5,246	0.4%
Mortgages and private debt	208	2,430	1,144	3,782	7.0%
	$ 17,568	$ 4,766	$ 10,145	$ 32,479	2.0%

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

Sensitivity to changes in interest rates

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

After giving effect to derivative contracts (note 3 B), debt liabilities, securities sold short and securities sold under repurchase agreements (note 4), a one per cent increase/decrease in nominal interest rates, with all other variables held constant, would result in an approximate decrease/increase in the value of fixed income investments and an unrealized (Loss)/gain of $516 (December 31, 2016: $414). Similarly, a one per cent increase/decrease in real interest rates would result in an approximate decrease/increase in the value of inflation linked bonds and an unrealized (loss)/gain of $369 (December 31, 2016: $480).

Equities

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

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

Commodities

OAC has invested in commodity futures. The exposure to commodity derivatives is $1,884 (December 31, 2016: $2,177) with net fair value totaling $4 (December 31, 2016: negative $487) which is included in public equities.

Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. OAC is subject to price risk through its public equity investments and in addition to geographic, industrial sector and entity specific analysis, uses strategies such as diversification and the use of derivative instruments to mitigate the overall impact of price risk. OAC's private investments are also subject to price risk as they are impacted by many general and specific market variables.

After giving effect to derivative contracts, a 10% increase/decrease in the value of all public equity and private investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss of $7,002 (December 31, 2016: $6,060).

b) Credit Risk

Credit risk is defined as the financial loss that results from the failure of a counterparty (including counterparties to derivative financial instruments) to honour its contractual obligations to OAC. To manage this risk, OAC regularly performs financial analysis of counterparties and issuers it transacts with in addition to using external sources (e.g. credit rating agencies) to assess credit risk exposure. Where appropriate, OAC requires collateral from its counterparties to help offset the perceived risk of an investment transaction. The majority of counterparty related credit risk assumed by OAC is with highly rated global financial institutions with which OAC executes bi-lateral transactions. Based on the financial analysis process referred to above, specific limits are put into place in order to limit how much exposure OAC has with any one counterparty and are also tiered according to the ratings issued by credit rating agencies. Credit risk exposure on derivative financial instruments is represented by the replacement cost receivable of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date. Credit risk on futures contracts is minimal as the counterparty is an exchange rather than a corporate entity and contracts are marked to market and margin receivables and payables are settled in cash daily. OAC's most significant credit risk exposure arises from its fixed income and inflation-linked bond investments.

The credit ratings of securities issued or guaranteed by governments are obtained from recognized credit rating agencies. For Corporate sector securities where no rating is available from the credit rating agencies, ratings are determined using an internal rating process that monitors changes in the credit cycle annually when the necessary information is available. The OMERS Pension Plans' fixed income and inflation-linked bond investments exposed to credit risk are as follows:

As at December 31,					**2017**
Credit Quality [i]	**Sovereign Governments**	**Provincial Governments**	**Corporate**	**Total**	**% of Total**
AAA	**$5,804**		**$31**	**$5,835**	**19%**
AA+			**13,086**	**13,086**	**43%**
AA			**—**	**—**	**—%**
AA-		**343**	**239**	**582**	**2%**
A+		**213**	**27**	**240**	**1%**
A			**173**	**173**	**1%**
A-			**443**	**443**	**2%**
BBB+			**1,286**	**1,286**	**4%**
BBB			**1,662**	**1,662**	**5%**
BBB-			**700**	**700**	**2%**
BB+ and lower	**306**		**4,599**	**4,905**	**16%**
Unrated			**1,526**	**1,526**	**5%**
	$ 6,110	**$ 556**	**$ 23,772**	**$ 30,438**	**100%**

As at December 31,					2016
Credit Quality [i]	Sovereign Governments	Provincial Governments	Corporate	Total	% of Total
AAA	$ 7,357	$ —	$ 32	$ 7,389	23 %
AA+	—	—	14,992	14,992	47 %
AA	—	—	340	340	1 %
AA-	—	—	93	93	— %
A+	—	557	61	618	2 %
A	—	—	170	170	1 %
A-	—	—	486	486	2 %
BBB+	—	—	1,231	1,231	4 %
BBB	—	—	917	917	3 %
BBB-			963	963	3 %
BB+ and lower	—	—	3,120	3,120	10 %
Unrated	—	—	1,331	1,331	4 %
	$ 7,357	$ 557	$ 23,736	$ 31,650	100 %

(i) Based on average rating of major credit rating agencies.

Securities Lending

OAC engages in securities lending of its own securities to third parties in order to facilitate collateral transformation and to support its securities borrowing activities. OAC lends securities to third parties and receives cash as collateral, which mitigates the credit risk. As at December 31, 2017 securities with an estimated fair value of $127 (December 31, 2016: $67) were loaned out in exchange for collateral of $124 (December 31, 2016: $69).

Right of Netting, Offset and Margin

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

OAC does not offset the financial instruments in its Consolidated Statement of Financial Position, as its rights of offset are conditional. The net amount in the following table represents the effect of the amounts that do not qualify for offsetting but are subject to conditional netting arrangements or similar arrangements. Similar arrangements include GMRAs, security lending agreements and any related rights to financial collateral.

Information for OAC related to these arrangements as at December 31, 2017:

As at December 31,					2017
		Related amounts not set off in the Consolidated Statement of Financial Position			
	Nettable amount of Financial Instruments	Financial Instruments	Financial collateral (received) pledged	Securities sold under agreement to repurchase	Net amount
Financial Assets					
Derivative assets	$ 784	$ (342)	$ —		$ 442
Securities lending					—
Total Financial Assets	$ 784	$ (342)	$ —		$ 442
Financial Liabilities					
Derivative Liabilities	$ (357)	$ 342	$ (164)		$ (179)
Securities Borrowing	(241)		241		—
Repurchase agreements	(962)			962	—
Total Financial Liabilities	$ (1,560)	$ 342	$ 77	$ 962	$ (179)

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

c) Liquidity Risk

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

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

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

Another liquidity risk is the ability of OMERS Finance Trust ("OFT") to cover its commercial paper issuance. OFT is authorised to issue a maximum of $3,100 in commercial paper of which $1,375 (December 31, 2016: $1,617) was drawn as at December 31, 2017. Effective January 31, 2018, OFT is authorised to issue a maximum of $5,000 in commercial paper. The commercial paper is highly-rated and further supported by an undrawn $2,325 revolving credit facility with a syndicate of well capitalized banks to backstop the commercial paper program. Effective January 31, 2018, the credit facility supporting the commercial paper program has increased to $3,750.

B. Derivative Financial Instruments

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

As at December 31,	**2017**			2016		
		Fair Value			Fair Value	
	Notional Value (i)	**Assets (ii)**	**Liabilities**	Notional Value (i)	Assets (ii)	Liabilities
Fixed Income						
Interest Rate Contracts						
Interest rate swap contracts - long positions	**$ 163**	**$ 1**	**$ —**	$ 62	$ 6	$ —
Interest rate swap contracts - short positions	**952**	**—**	**—**	193		(19)
Bond index swap contracts - long positions	**—**	**120**	**—**	—	18	—
Bond index swap contracts - short positions	**1,081**	**—**	**(110)**	1,584		(2)
Inflation Swaps - long positions	**281**	**302**	**—**	300	5	—
Inflation Swaps - short positions	**—**	**—**	**(299)**	—		—
Interest rate swaption	**3,007**	**7**	**(3)**	738	9	(5)
Bond futures - long positions	**5,187**	**8**	**—**	8,467	783	—
Bond futures - short positions	**807**	**—**	**—**	455		(34)
Bond options	**—**	**—**	**—**	939	1	(1)
		438	**(412)**		822	(61)
Credit Default Contracts						
Credit default swaps - long positions	**413**	**748**	**—**	2,754	212	—
Credit default swaps - short positions	**8,619**	**—**	**(706)**	14,335		(162)
Credit default swaptions	**501**	**—**	**—**	603	2	(1)
		748	**(706)**		214	(163)
Foreign Exchange Contracts						
Currency options	**2,324**	**5**	**(5)**	—	—	—
Currency futures - long positions	**—**	**—**	**—**	—	8	—
Foreign exchange forward contracts	**50,704**	**2,114**	**(1,826)**	46,711	2,307	(2,425)
		2,119	**(1,831)**		2,315	(2,425)
		3,305	**(2,949)**		3,351	(2,649)
Equities						
Equity Contracts						
Equity index futures contracts - long positions	**10,048**	**7**	**—**	9,540	932	—
Equity index futures contracts - short positions	**735**	**—**	**(17)**	377	—	(1,137)
Equity index swap contracts - long positions	**—**	**19**	**—**	10	77	—
Equity index swap contracts - short positions	**348**	**—**	**(16)**	1,511	—	(17)
Equity swap contracts - long positions	**—**	**26**	**—**	—	22	—
Equity swap contracts - short positions	**2,003**	**—**	**(13)**	160	—	(22)
Equity options	**5,471**	**99**	**(10)**	1,185	31	(3)
		151	**(56)**		1,062	(1,179)
Commodity Contracts						
Commodity futures contracts - long positions	**1,884**	**5**	**—**	2,177	243	—
Commodity futures contracts - short positions	**—**	**—**	**(1)**	—	—	(730)
		5	**(1)**		243	(730)
Foreign Exchange Contracts						
Foreign exchange forward contracts	**15,716**	**129**	**(91)**	9,965	51	(119)
		129	**(91)**		51	(119)
		285	**(148)**		1,356	(2,028)
Total		**$ 3,590**	**$ (3,097)**		$ 4,707	$ (4,677)

(i) Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the consolidated financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore, do not necessarily indicate the Plan's exposure to credit or market risks.
(ii) The fair value of derivative contracts recorded as an asset represents the credit risk replacement cost or the loss to which the OMERS Pension Plans are exposed should counterparties fail to perform under the derivative contracts. The amounts do not take into consideration legal contracts that permit offsetting of positions or any collateral which may be held.

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

As at December 31,				2017				2016
	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	**$ 10,276**	**$ 1,167**	**$ 34**	**$ 11,477**	$ 12,182	$ 427	$ 129	$ 12,738
Credit Default Contracts	**576**	**8,838**	**119**	**9,533**	603	16,984	104	17,691
Equity Contracts	**16,602**	**2,003**		**18,605**	12,624	160		12,784
Commodity Contracts	**1,884**			**1,884**	2,177			2,177
Foreign Exchange Contracts	**68,745**			**68,745**	56,676			56,676
	$ 98,083	**$ 12,008**	**$ 153**	**$ 110,244**	$ 84,262	$ 17,571	$ 233	$ 102,066

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

As at December 31,				2017				2016
	Under 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Under 1 Year	1 to 5 Years	Over 5 Years	Total
Interest Rate Contracts	**$ 22**	**$ 3**	**$ 1**	**$ 26**	$ 757	$ 4		$ 761
Credit Default Contracts	**2**	**39**	**1**	**42**	16	35		51
Equity Contracts	**82**	**13**		**95**	(117)	1		(116)
Commodity Contracts	**4**			**4**	(488)			(488)
Foreign Exchange Contracts	**326**			**326**	(178)			(178)
	$ 436	**$ 55**	**$ 2**	**$ 493**	$ (10)	$ 40	$ —	$ 30

NOTE 4

Investment Liabilities

The investment liabilities are as follows:

As at December 31,	2017	2016
Debt	**$ 2,334**	$ 2,721
Securities sold short	**199**	313
Securities sold under repurchase agreements	**961**	1,968
Payables and other liabilities	**560**	513
Total	**$ 4,054**	$ 5,515

The debt included in the table above is comprised of the following:

As at December 31,		2017			2016	
	Fair Value	**Cost**	**Weighted Average Interest Rate**	Fair Value	Cost	Weighted Average Interest Rate
Real Estate						
Credit facilities and debentures	**$ 802**	**$ 799**	**1.76%**	$ 936	$ 926	1.25%
Infrastructure						
Secured debt	**157**	**123**	**2.63%**	168	123	1.92%
OMERS Finance Trust						
Commercial paper (i)	**1,375**	**1,375**	**1.26%**	1,617	1,617	0.75%
Total	**$ 2,334**	**$ 2,297**	**1.52%**	$ 2,721	$ 2,666	1.00%

(i) Commercial Paper outstanding has maturities from January 4, 2018 to March 21, 2018 with interest rates ranging from 1.00% to 1.53%.

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

As at December 31,	2017
2018	**$ 999**
2019	**175**
2020	**597**
2021	
2022	
Thereafter	
	$ 1,771

As at December 31,	2016
2017	$ 1,804
2018	307
2019	
2020	
2021	
Thereafter	
	$ 2,111

NOTE 5

Amounts Payable Under Contractual Agreements

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

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

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

Amounts payable under contractual agreements are comprised of the following:

As at December 31,		2017		2016
Administered Funds	**$**	**1,374**	$	1,233
OMERS Return Agreements		**1,764**		1,663
Amounts payable under contractual agreements	**$**	**3,138**	$	2,896

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,		2017		2016
Net Assets Available for Benefits	**$**	**95,036**	$	85,213
Accrued Pension Obligation and Surplus/(Deficit)				
Defined benefit component				
Accrued pension obligation	**$**	**93,614**	$	86,959
Surplus/(Deficit)				
Funding surplus/(deficit)		**(5,403)**		(5,720)
Actuarial value adjustment of net assets		**6,008**		3,379
		605		(2,341)
Additional Voluntary Contributions component pension obligation		**817**		595
Total Primary Plan Accrued Pension Obligation and Surplus/(Deficit)	**$**	**95,036**	$	85,213

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		2017		2016
Statement of Changes in Net Assets				
Net investment income	**$**	**9,723**	$	7,848
Contributions		**4,170**		3,945
Benefits		**(3,986)**		(3,611)
Pension administrative expenses		**(84)**		(79)
Total Increase		**9,823**		8,103
Net assets available for benefits, beginning of year		**85,213**		77,110
Net Assets available for benefits, end of year	**$**	**95,036**	$	85,213

Accrued Pension Obligation of the Defined Benefit Component

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

The Projected Benefit Method Prorated On Services is used for the actuarial valuation. Under this method, the cost of providing benefits to an individual member will increase as the individual member ages and gets closer to retirement.

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

Actuarial Assumptions	**2017**	2016
Assumed rate of inflation	**2.00%**	2.00%
Real rate of return assumed on Primary Plan assets	**4.00%**	4.20%
Discount rate	**6.00%**	6.20%

In addition, demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Primary Plan and on the expectations for future trends. The OAC external actuaries have provided their opinion that assumptions adopted are appropriate for valuing the Primary Plan's accrued pension obligation.

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

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

	2017				2016			
	NRA60 (i)		**NRA65 (i)**		NRA60 (i)		NRA65 (i)	
	Before 2019	**After 2018**	**Before 2019**	**After 2018**	Before 2019	After 2018	Before 2019	After 2018
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**1.4%**	**1.8%**	**0.8%**	**1.2%**	1.4%	1.8%	0.8%	1.2%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**3.4%**	**3.8%**	**2.8%**	**3.2%**	3.4%	3.8%	2.8%	3.2%

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

The accrued pension obligation as at December 31, 2017 takes account of known changes in the Primary Plan membership up to October 29, 2017, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2018, and estimated pensionable earnings and credited service accruals in 2017.

Summary of the Primary Plan's financial position is as follows:

As of December 31,		**2017**		2016
Primary Plan fair value of net assets available for benefits	**$**	**95,036**	$	85,213
Less Additional Voluntary Contribution net assets		**817**		595
Defined benefit net assets available for benefits		**94,219**		84,618
Actuarial value adjustment		**(6,008)**		(3,379)
Actuarial value of net assets available for benefits		**88,211**		81,239
Less Defined Benefit accrued pension obligation		**93,614**		86,959
Funding surplus/(deficit) of actuarial value of net assets available for benefits over accrued pension obligation		**(5,403)**		(5,720)
Reversal of actuarial value adjustment		**6,008**		3,379
Surplus/(Deficit) of net assets available for benefits over accrued pension obligation	**$**	**605**	$	(2,341)

Actuarial Value of Net Assets of the Defined Benefit Component

The actuarial valuation of the Primary Plan was performed by Towers Watson Canada Inc. Under the PBA, an actuarial valuation report prepared by an independent external actuarial firm must be filed with FSCO at least once every three years. The Primary Plan valuation report was last filed for the December 31, 2016 year-end and, if not filed earlier, must be filed for the December 31, 2019 year-end.

The change in the actuarial value adjustment is as follows:

For the year ended December 31,		**2017**		2016
Expected interest on beginning actuarial value adjustment (i)	**$**	**210**	$	107
Current year returns in excess of/(below) the funding rate (i)		**3,522**		2,403
Prior years' returns above/(below) the funding rate recognized in the year		**(1,103)**		(849)
Increase/(Decrease) in actuarial value adjustment		**2,629**		1,661
Actuarial value adjustment, beginning of year		**3,379**		1,718
Actuarial Value Adjustment, end of year	**$**	**6,008**	$	3,379

(i) Based on the funding rate in effect during the year, 2017: 6.20% (2016: 6.25%).

The present value of unrecognized net investment returns by initial year they were established and the amounts to be recognized from 2018 through 2021, after application of the long-term rate of return assumption, are as follows:

Initial Year Earned		**Actuarial Value Adjustment as at**		Unrecognized Investment Returns to be Recognized in								Actuarial Value Adjustment as at
		Dec. 31, 2017(i)		2018		2019		2020		2021		Dec. 31, 2016(i)
2013	**$**	**—**									$	(82)
2014		**533**		565								1,003
2015		**40**		21		22						55
2016		**1,913**		676		717		760				2,403
2017		**3,522**		933		989		1,048		1,112		
	$	**6,008**	$	2,195	$	1,728	$	1,808	$	1,112	$	3,379

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

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

50 Basis Point change		**Approximate Effect on Accrued Pension Obligation**		
As at December 31,		**2017**		2016
Real rate of pensionable earnings increases				
Decrease in assumption	**$**	**(1,700)**	$	(1,600)
Increase in assumption		**1,800**		1,700
Real return on Primary Plan assets and discount rate				
Decrease in assumption		**7,200**		6,600
Increase in assumption	**$**	**(6,400)**		(5,900)

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 net investment income received and net realized investment gains. 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 applicable to all retirement compensation arrangements plans under the ITA. Contributions to the RCA are based on the top-tier Primary Plan contribution rates and are paid into the RCA on the excess of contributory earnings over a defined earnings threshold, which was $170,797 for 2017 (2016: $174,441). The defined earnings threshold is actively managed and monitored in such a way that current and future contributions to the RCA, together with the existing RCA Fund and future investment earnings, are expected to be sufficient to provide for projected benefit payments and expenses over the 20-year period following each annual valuation date. Benefits in excess of the maximum amounts payable from the Primary Plan as allowed by the ITA are paid from the RCA.

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

Statement of Financial Position

As at December 31,		**2017**		2016
Net Assets Available for Benefits	**$**	**162**	$	147
Accrued Pension Obligation and Surplus/(Deficit)				
Accrued pension obligation	**$**	**813**	$	739
Surplus/(Deficit)		**(651)**		(592)
Accrued Pension Obligation and Surplus/(Deficit)	**$**	**162**	$	147

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		**2017**		2016
Net investment income/(loss)	**$**	**12**	$	8
Contributions		**23**		20
Benefits		**(19)**		(15)
Administrative expenses		**(1)**		(1)
Total Increase		**15**		12
Net assets available for benefits, beginning of year		**147**		135
Net Assets available for benefits, end of year	**$**	**162**	$	147

The actuarial assumptions used for the RCA are consistent with those used for the Primary Plan except that the RCA discount rate as at December 31, 2017 is 3.15% (2016: 3.15%), which reflects the long term asset mix of the RCA including the effect of the 50 per cent refundable tax. A 50 basis point change in the assumed rate (with no change in other assumptions) before reflecting the 50 per cent refundable tax would have the following approximate effect on the accrued pension obligation:

50 Basis Point change	**Approximate Effect on Accrued Pension Obligation**	
As at December 31,	**2017**	2016
Assumed discount rate		
Decrease in assumption	**$ 36**	$ 33
Increase in assumption	**(34)**	(31)

NOTE 8

Net Investment Income/(Loss)

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

For the year ended December 31,					2017
	Investment Income (ii)	Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives (iii)	Total Investment Income/(Loss) (i)	Investment Management Expenses (note 12)	Net Investment Income / (Loss)
Fixed Income					
Inflation-linked bonds	$ 88	$ 3	$ 91	$ (6)	$ 85
Nominal bonds and debentures	239	896	1,135	(39)	1,096
Private debt and mortgages	309	(149)	160	(26)	134
	636	750	1,386	(71)	1,315
Equities					
Canadian public equities	270	643	913		
Non-Canadian public equities	496	2,609	3,105		
	766	3,252	4,018	(81)	3,937
Canadian private equities	(18)	834	816		
Non-Canadian private equities	51	494	545		
	33	1,328	1,361	(166)	1,195
	799	4,580	5,379	(247)	5,132
Real Assets					
Infrastructure	1,470	523	1,993	(76)	1,917
Real estate (iv)	705	760	1,465	(10)	1,455
	2,175	1,283	3,458	(86)	3,372
Short-term Instruments					
Cash and short-term deposits	152	102	254	(5)	249
Total Investment Income	$ 3,762	$ 6,715	$ 10,477	$ (409)	$ 10,068
Income credited under contractual agreements					(333)
Net Investment Income/(Loss)					$ 9,735

For the year ended December 31,					2016
	Investment Income [ii]	Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives[iii]	Total Investment Income/(Loss) [i]	Investment Management Expenses (note 12)	Net Investment Income /(Loss)
Fixed Income					
Inflation-linked bonds	$ 97	$ 104	$ 201	(6)	195
Nominal bonds and debentures	160	1,065	1,225	(36)	1,189
Private debt and mortgages	205	(24)	181	(20)	161
	462	1,145	1,607	(62)	1,545
Equities					
Canadian public equities	106	840	946		
Non-Canadian public equities	289	756	1,045		
	395	1,596	1,991	(88)	1,903
Canadian private equities	(2)	233	231		
Non-Canadian private equities	31	1,049	1,080		
	29	1,282	1,311	(174)	1,137
	424	2,878	3,302	(262)	3,040
Real Assets					
Infrastructure	1,648	31	1,679	(88)	1,591
Real estate (iv)	953	618	1,571	(11)	1,560
	2,601	649	3,250	(99)	3,151
Short-term Instruments					
Cash and short-term deposits	142	274	416	(4)	412
Total Investment Income	$ 3,629	$ 4,946	$ 8,575	$ (427)	$ 8,148
Income credited under contractual agreements					(292)
Net Investment Income/(Loss)					$ 7,856

(i) Investment income includes interest, dividends and real estate operating income accrued or received net of interest expense on liabilities incurred in investment related activities. Investment income is net of external manager performance and pooled fund fees of $83 (December 31, 2016: $61).
(ii) Interest on investment related activities includes interest expense on real estate investment liabilities of $360 (December 31, 2016: $332) and interest on infrastructure investment liabilities of $15 (December 31, 2016: $13).
(iii) Includes net realized gain of $8,139 (December 31, 2016: $4,616) and is net of transaction and pursuit costs of $199 (December 31, 2016: $65).
(iv) Real estate investment income includes Oxford Properties Group's operating expenses (net of property management income) of $32 (December 31, 2016: $9). The total audit costs are $3 (December 31, 2016: $3).

NOTE 9

Investment Returns

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

a. Returns are calculated as the percentage of business unit income to the weighted average fair value of the business unit net assets during the period.
b. Fair value is determined as described in notes 2 and 3.
c. Income is determined as described in notes 2 and 8.
d. The OMERS Primary Pension Plan return includes all business unit returns.

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

For the year ended December 31,	**2017**	2016
OMERS Primary Pension Plan (i)		
Total Gross Return	**12.05%**	10.87%
Gross Returns applicable to OMERS Return Agreements(i)		
OMERS Infrastructure	**12.76%**	11.48%
Oxford Properties	**11.50%**	12.26%

The above gross returns are before the impact of base and performance fees paid to external fund managers and investment management expenses. The Primary Plan net return after all investment costs for the year ended December 31, 2017 was 11.5% (December 31, 2016: 10.3%).

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

NOTE 10

Contributions

For the year ended December 31,		**2017**		2016
Current year required contributions (i)				
Employers		**1,929**		1,845
Members		**1,929**		1,845
Transfers from other pension plans		**51**		59
Past service contributions from members (ii)		**107**		93
Past service contributions from employers (ii)		**15**		10
AVC contributions		**162**		113
Total Contributions Received	**$**	**4,193**	$	3,965

(i) Current year service contributions are funded equally by employers and members. For NRA 65 members, the 2017 contribution rate was 9.0% (2016: 9.0%) of earnings up to $55,300 (2016: $54,900) and 14.6% (2016: 14.6%) of earnings above that level. For NRA 60 members, the 2017 contribution rate was 9.2% (2016: 9.2%) of earnings up to $55,300 (2016: $54,900) and 15.8% (2016: 15.8%) of earnings above that level.
(ii) OMERS, with 984 employers, has an appropriate reconciliation process which reconciles contributions for each employer on a member by member basis. This detailed process ensures that contributions are consistent with member information supplied by the employers.

NOTE 11

Benefits

For the year ended December 31,	2017	2016
Retirement benefits	**$ 3,265**	$ 3,013
Disability benefits	**28**	28
Transfers to other registered plans	**307**	270
Death benefits	**124**	109
Commuted value payments and members' contributions plus interest refunded	**264**	194
AVC benefits	**17**	12
Total Benefits Paid	**$ 4,005**	$ 3,626

NOTE 12

Pension Administrative and Investment Management Expenses

(a) Pension administrative expenses

For the year ended December 31,	2017	2016
Salaries and benefits	**$ 46**	$ 44
System development and other purchased services	**16**	15
Premises and equipment	**6**	3
Professional services (i)	**9**	11
Travel and communication	**8**	7
Total Pension Administrative Expenses	**$ 85**	$ 80

(b) Investment management expenses

For the year ended December 31,	2017	2016
Salaries and benefits (ii)	**$ 287**	$ 286
System development and other purchased services	**28**	27
Premises and equipment	**23**	27
Professional services (i)	**24**	22
Travel and communication	**14**	14
Investment management services	**25**	39
Other	**8**	12
Total Investment Management Expenses	**$ 409**	$ 427

(i) Total professional services expenses include independent actuarial costs of $0.6 (December 31, 2016: $0.7) and external audit costs of $1.8 (December 31, 2016: $1.2).
(ii) Includes external management and custody fees and is net of management fees earned from portfolio investments of $29.9 (December 31, 2016: $28.4).

NOTE 13

Related Party Disclosures

OAC's related parties include 984 employers whose employees are members of the Primary Plan, the SC, key management personnel (defined below) and investments where OAC has a controlling interest. Transactions with related parties include the following:

- OAC through Oxford Properties Group paid property taxes to municipal employers of $153 (December 31, 2016: $150) and utility payments to utility employers of $30 (December 31, 2016: $31). The amounts of property taxes paid were based on normal levies by the individual municipal employers and were consistent with those that would be paid by a non-related party. The utility payments made to utility companies which are OAC employer entities were based on normal usage and rates that would be paid by a non-related party.
- OAC through Oxford Properties Group earned rental revenue from investee entities of $6 (December 31, 2016: $7) and purchased services from investee entities of $nil (December 31, 2016: $nil). The amounts of rental revenue earned and services purchased were based on normal levies by the individual entities and were consistent with those that would be paid by a non-related party.

Key Management Personnel Compensation

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

For the year ended December 31,		2017		2016
Salaries, short-term employee benefits & termination benefits	**$**	**15**	$	14
Post-employment benefits		**1**		1
Other long-term benefits		**8**		7
	$	**24**	$	22

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

NOTE 14

Capital

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

OAC's objective is to ensure that the Primary Plan's defined benefit component is fully funded over the long-term through the management of investments, contribution rates and benefits. Investments (note 3), the use of derivatives (note 3 B) and leverage (note 4) are based on asset mix and risk management policies and procedures. In 2017, OAC invested in our risk management capabilities to define the amount of risk that is appropriate to take in pursuit of our objective of delivering a secure and sustainable defined benefit pension at a stable and predictable cost. This complements policies such as Statement of Investment Beliefs, Statement of Investment Authorities and Statement of Investment Policies & Procedures (SIP&P). As the Primary Plan's administrator, OAC has adopted a SIP&P for the Primary Plan which sets investment objectives, guidelines and benchmarks used in investing the Primary Plan's assets, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIP&P was originally established in 1989 and is reviewed annually by the OAC Board. The SIP&P effective for the year ending December 31, 2017 was amended on December 15, 2016. The updated SIP&P classifies the six strategic asset classes in four strategic asset groups (fixed income, equities, real assets and short-term instruments) as part of its long-term strategic asset mix. Previously, the six strategic asset classes were categorized in two broad asset groups (Public Investments and Private Investments).

The SIP&P establishes long-term strategic asset mix ranges and targets by asset class. The actual asset mix at December 31, 2017 was within the long-term asset mix ranges.

The Primary Plan's annualized five-year average rate of investment return (net of investment management expenses) as of December 31, 2017 was 8.9% (December 31, 2016: 8.5%).

The RCA investments are based on an asset mix and SIP&P separate from those of the Primary Plan. The RCA SIP&P was originally established in 2007 and is reviewed annually by the OAC Board. The SIP&P effective for the year ending December 31, 2017 was last amended on December15, 2016. The changes included in this amendment are not considered significant.

The Primary Plan's AVC component accrued pension obligation is based on AVC contributions net of withdrawals and administration fee plus net investment rate of return of the defined benefit component of the Primary Plan and as such does not have a surplus/(deficit) position. The Supplemental Plan has no members, net assets or accrued pension obligations. The Supplemental Plan SIP&P was last amended on December 15, 2016. The changes included in this amendment are not considered significant.

NOTE 15

Guarantees, Commitments and Contingencies

As part of normal business operations, OAC enters into commitments and guarantees related to the funding of investments. Future commitments to fund investments include, but may not be limited to, investments in infrastructure, real estate and private equity direct investments and limited partnership agreements. The future commitments are generally payable on demand based on the capital needs of the investment. As at December 31, 2017, these future commitments totalled $17.5 billion (December 31, 2016: $16.8 billion). These commitments are primarily due to the future commitment by OAC to refurbish a major infrastructure asset to extend its useful lifespan. The maximum amount payable under guarantees and standby letters of credit provided as part of investment transactions was $436 as at December 31, 2017 (December 31, 2016: $439). Guarantees and commitments are often provided as part of developing or holding an investment and as such often have no fixed expiration date.

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

As at December 31, 2017, OAC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of OAC.

Ten-Year Financial Review

As at December 31, (millions of Canadian dollars)	**2017**	2016 (iv)	2015	2014	2013	2012	2011	2010 (i)	2009	2008
Net Assets available for benefits										
Public markets	**56,870**	49,572	43,631	47,300	41,709	37,472	32,154	34,123	31,336	28,763
Private equity	**10,759**	10,981	11,482	8,767	9,208	7,465	7,753	6,633	5,048	4,162
Infrastructure	**18,053**	17,443	16,349	14,401	13,533	11,572	9,635	9,593	12,195	12,140
Real estate	**15,470**	15,084	27,642	22,253	17,603	15,846	14,516	12,599	11,975	12,037
	101,152	93,080	99,104	92,721	82,053	72,355	64,058	62,948	60,554	57,102
Other investment assets	**3,978**	5,063	1,062	1,017	744	853	707	645	1,173	1,366
Investment liabilities	**(7,175)**	(10,254)	(20,534)	(19,490)	(16,463)	(11,741)	(9,063)	(9,628)	(13,338)	(14,474)
Net investment assets	**97,955**	87,889	79,632	74,248	66,334	61,467	55,702	53,965	48,389	43,994
Non investment assets/(liabilities)										
Amounts payable under contractual agreements	**(3,138)**	(2,896)	(2,719)	(2,397)	(1,524)	(905)	(828)	(809)	(734)	(672)
Other assets	**381**	367	332	245	271	205	209	193	177	155
Net Assets Available for Benefits	**95,198**	85,360	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477
Accrued Benefit Obligation and Surplus/(Deficit)										
Primary Plan										
Defined benefit component										
Accrued pension obligation	**93,614**	86,959	81,924	76,924	73,004	69,122	64,548	60,035	54,253	50,080
Funding Surplus/(Deficit)	**(5,403)**	(5,720)	(6,977)	(7,078)	(8,641)	(9,924)	(7,290)	(4,467)	(1,519)	(279)
Actuarial value adjustment of net assets available for benefits	**6,008**	3,379	1,718	1,771	341	1,321	(2,337)	(2,278)	(4,950)	(6,363)
	605	(2,341)	(5,259)	(5,307)	(8,300)	(8,603)	(9,627)	(6,745)	(6,469)	(6,642)
Additional Voluntary Contributions Component pension obligation	**817**	595	445	360	276	170	94			
Accrued Pension Obligation and Deficit - Primary Plan	**95,036**	85,213	77,110	71,977	64,980	60,689	55,015	53,290	47,784	43,438
Retirement Compensation Arrangement										
Accrued pension obligation	**813**	739	679	619	614	555	504	468	486	285
(Deficit)	**(651)**	(592)	(544)	(500)	(513)	(477)	(436)	(409)	(438)	(246)
Accrued Pension Obligation and Deficit - Retirement Compensation Arrangement	**162**	147	135	119	101	78	68	59	48	39
Accrued Pension Obligation and Deficit	**95,198**	85,360	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477

For the year ended December 31, (millions of Canadian dollars)	**2017**	2016 (iv)	2015	2014	2013	2012	2011	2010 (i)	2009	2008
Changes in Net Assets Available for Benefits										
Net assets available for benefits, beginning of the year	**85,360**	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477	51,516
Changes due to Investment Activities										
Total investment income (ii)	**10,477**	8,575	5,441	7,082	4,000	5,544	1,648	5,735	4,623	(7,910)
Investment management expenses (ii)	**(409)**	(427)	(351)	(384)	(266)	(265)	(264)	(268)	(246)	(227)
	10,068	8,148	5,090	6,698	3,734	5,279	1,384	5,467	4,377	(8,137)
Income credited under contractual agreements	**(333)**	(292)	(306)	(222)	(97)	(79)	(21)	(83)	(67)	124
Net Investment Income/(loss)	**9,735**	7,856	4,784	6,476	3,637	5,200	1,363	5,384	4,310	(8,013)
Changes due to Pension Activities										
Contributions										
Current year required contributions	**3,858**	3,690	3,650	3,515	3,434	3,026	2,618	2,227	2,077	1,975
Other contributions	**335**	275	230	171	210	184	195	86	66	73
Total Contributions Received	**4,193**	3,965	3,880	3,686	3,644	3,210	2,813	2,313	2,143	2,048
Benefits										
Benefits paid	**(3,293)**	(3,041)	(2,826)	(2,616)	(2,437)	(2,256)	(2,047)	(1,890)	(1,781)	(1,656)
Transfers, commuted value and other benefit payments	**(712)**	(585)	(621)	(450)	(473)	(414)	(336)	(236)	(269)	(371)
Total Benefits Paid	**(4,005)**	(3,626)	(3,447)	(3,066)	(2,910)	(2,670)	(2,383)	(2,126)	(2,050)	(2,027)
Pension administrative expenses	**(85)**	(80)	(68)	(81)	(57)	(56)	(59)	(54)	(48)	(47)
Net assets available for benefits, end of year	**95,198**	85,360	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477
Net Return										
Primary Plan										
Defined Benefit Component										
Time weighted return on market value	**11.5%**	10.3%	6.7%	10.0%	6.0%	9.5%	2.6 %	11.4%	10.0%	(15.7)%
Absolute return target	**7.3%**	7.9%	7.8%	7.7%	7.5%	7.2%	7.5 %	7.3%	6.8%	8.2 %
Additional Voluntary Contribution Component										
Time weighted return on market value	**11.5%**	10.3%	6.7%	10.0%	6.0%	9.5%				
Retirement Compensation Arrangement Investment Fund (iii)										
Time weighted return on market value	**13.1%**	7.8%	12.5%	14.5%	28.5%	10.5%	(4.1)%	7.7%	10.3%	(26.8)%
Benchmark	**12.8%**	8.7%	12.2%	14.6%	30.2%	12.2%	(2.4)%	10.1%	16.6%	27.3 %

(i) In preparing financial statements in accordance with CPA Canada Handbook Section 4600 - Pension Plans and IFRS starting in 2011, OAC has adjusted amounts for 2010 (were previously reported in accordance with CICA Handbook Section 4100) for comparative purposes.
(ii) In preparing financial statements in 2012, OAC has reclassified pursuit costs from investment management expenses to total investment income. 2011 balances were adjusted to reflect this reclassification.
(iii) Excludes the RCA refundable tax balance with the Canada Revenue Agency.
(iv) OAC 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.

Report of the OMERS Administration Corporation Board

Human Resources Committee

Members in 2017	
Monty Baker (Chair)	Darcie Beggs
Bill Aziz	David Tsubouchi
David Beatty	George Cooke (ex officio)

Our Human Resources Committee (HR Committee) assists the OAC 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 OAC Mission Statement, Core Values and Leadership Principles; (ii) overseeing a robust succession management process for the position of Chief Executive Officer (CEO) and the C-Suite executives; and (iii) overseeing CEO performance, compensation and compensation programs.

In 2017, the HR Committee's work included:

- oversight of an annual performance assessment process for the CEO;
- making recommendations to the OAC Board on compensation for the CEO;
- reviewing the candidates for CEO and C-Suite executives' succession as part of the succession management process, including discussion of development plans;
- successful advancement of the CEO succession plan;
- approving a new compensation plan for Real Estate executives (effective January 1, 2018)
- reviewing compensation awards for the C-Suite executives;
- reviewing performance assessment for the C-Suite executives;
- reviewing the talent management strategy;
- reviewing 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 annual reviews of HR governance and risk reports, as well as additional compensation reporting.

Independent Compensation Advisor

The HR Committee engages an independent compensation advisor 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 2017.

During 2017, the independent advisor's scope of services included the following:

(i) support HR Committee in CEO performance assessment process and reviewing 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 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 advisor's fees. Executive compensation-related fees paid to our advisor in 2017 reflect the services as described above. The following table outlines the fees paid for services provided in 2017 and 2016:

Advisor	Executive Compensation-Related Fees		All Other Fees	
	2017	2016	**2017**	2016
Hugessen Consulting	**$133,570**	$146,940	**Nil**	Nil

HR Committee Composition and Meetings

Members of the HR Committee are appointed by the OAC Board from among the Board's members, and are independent of Management. As a cohesive unit, 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 two special meetings during 2017 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 President and CEO and the HR Committee's independent advisor, attended the meetings. At each meeting, there was an *in camera* session without Management present.

2017 Year in Review

Our 2020 Strategy sets out our five-year roadmap and reflects our vision to be a leading model for defined benefit pension plan sustainability. It positions us to protect our funded status by using a robust approach to funding management; deliver 7-11% net annual average investment returns; build quality relationships with members, employers and stakeholders; and develop our business model and capabilities to deliver value for pension dollars. This is evident through the investment we make in our people through such programs as leadership development and total rewards.

In 2017, we continued to invest in our people through:

- Our OMERS People Plan that created a focus on our global talent pool across all of our regions to ensure we have talent capabilities as global investors across many asset classes alongside deep expertise in pension plan administration.
- Continued development of a senior leadership pipeline to ensure we are well-positioned with the right leadership talent for the future. Developing this pipeline provides an excellent view of the talent at OMERS as well as highlights key strengths and development areas that are necessary for our future growth.
- Continued focus on succession management processes, and identifying and developing leaders for key positions. This ensures that we have the right talent in place to deliver on our priorities and lead us into the future.
- Creating an organization that is diverse and inclusive, from the way we attract and hire talent, to the way we develop and engage our employees globally.
- Providing learning opportunities right from the start through orientation, to developing people management skills, all the way through to opportunities to strengthen capabilities to lead the business forward, and adapting to change.
- Ongoing evolution of our compensation philosophy and our pay-for-performance culture which supports our talent strategy to attract, engage and reward top talent.

Compensation Governance and Risk

Our compensation plans are designed to align with business objectives, while ensuring we deliver market-competitive compensation that rewards for performance and differentiates across markets. We keep compensation plan design simple, while ensuring the plans also continue to reflect leading governance principles. We ensure that the consideration of risk is incorporated in our plans, allowing 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.

Furthermore, to ensure compensation and risk outcomes are symmetrical, the OAC Board has the discretion to withhold awards to reflect significant unexpected or unusual events. It also has the ability to claw back any variable compensation awarded in the event of a material misrepresentation of results in the prior three years. To align executive interests with those of Plan members, and to motivate 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.

Business Performance Highlights

As further detailed in the Management Discussion and Analysis section of this Annual Report, in 2017, our performance results indicated that we are on course to reach fully funded status by 2025. Here are some of our performance highlights:

- Our funded ratio improved for the fifth consecutive year to 94%.
- Net investment returns of 11.5% exceeded our benchmark of 7.3% and our 2016 net investment return of 10.3%.
- Member satisfaction was 92%.
- We have made progress on employer satisfaction, improving to 85% from 80% in 2016.

Compensation Highlights

The following factors influenced year-end compensation awards:

- 2017 business performance factors in our compensation plans were above target, reflecting strong performance in all major asset classes which is discussed above and in the Management Discussion and Analysis section of this Annual Report; and
- Risk assessments concluded that our business units are managing risks consistently with our desired risk culture, resulting in compensation plan risk adjustments of 0% (neutral) across all plans.

Looking Ahead to 2018 and Beyond

Human Resources takes an integrated approach to talent in order to create a great employee experience from the time we attract them to OMERS and all the way through their career journey with us. We focus on the long term when we hire, whether one joins as an early career professional or further along. In 2018, we will continue to reach a diverse set of students, at multiple universities to create early career opportunities.

During their tenure at OMERS, we invest in building capability by providing on-the-job experiences, well-designed learning opportunities and feedback to help better understand what is working and what can be improved. In 2018, we are continuing to enhance learning for high-potential leaders in our Future Leaders program and offer learning across our Director level with an IVEY leadership program to deepen our focus on strategy execution and leading change.

We continue to engage employees and encourage the pride they demonstrate in delivering the OMERS pension promise. We are on a journey to celebrate an inclusive culture where we respect and value the broadest range of experiences, geographies, gender, ethnicities and perspectives as key elements of our culture.

We review our Total Rewards programs regularly to ensure they remain relevant to our compensation approach. As a result of such a review, in 2018, we will continue to transition all compensation plans to a 3-year return for determining variable compensation awards. Using a 3-year return measure aligns the interest of our executives to our Plan members by focusing them on long term sustainable growth while still maintaining a focus on annual performance.

In 2018, an average salary increase of 2% was approved for employees below the executive level. Salary increases were not provided to employees in executive positions other than for promotion or changes in scope or responsibility, as we believe that our market benchmarking for executives continues to position them appropriately.

Effective January 1, 2018, a new compensation plan for executives in Real Estate was approved by the HR Committee that aligns to the business strategy and continues to focus on delivering long term returns.

OMERS 2020 Strategy remains our playbook for the next three years. We have made progress and continue to keep focused on the Strategy and execute against it. We work to ensure our approach to compensation:

- Remains aligned with the 2020 Strategy;
- Remains aligned with the interests of our Plan members, employers, sponsors and other stakeholders;
- Continues to be market competitive; and
- Remains anchored in a strong governance framework.

Conclusion

We continue to dedicate a significant amount of time to talent management, ensuring that we have the right leaders and people to produce results that deliver long term value for Plan members. We are confident that our approach to compensation attracts and engages talented leadership 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 being a leader in compensation governance within the pension industry, and will continue to provide clear and transparent disclosure to Plan members, employers, sponsors and other stakeholders.

Monty Baker
2017 Chair of the Human Resources Committee

Compensation Discussion and Analysis

OMERS is committed to maintaining transparency with our stakeholders in all facets of our executive compensation program. As part of this commitment, our goal is to provide information that is clear, relevant and appropriate. This Compensation Discussion and Analysis section highlights OMERS 2017 performance, reviews our executive compensation program in detail, and describes the compensation awards for the Named Executive Officers. The Named Executive Officers include the President and CEO, Chief Financial Officer (CFO) and the three highest-paid members of the C-Suite Executives.

Approach to Compensation

OMERS is committed to a pay-for-performance approach for all employees, including the senior leaders. This philosophy supports the execution of the OMERS 2020 Strategy, and the commitment to help ensure the sustainability of the Plan by delivering realistic returns over the long term.

As a result, the compensation programs are designed to attract, engage and retain high-performing people and help ensure they are motivated to pursue OMERS investment goal of earning returns that meet or exceed the Plan's long term requirements. OMERS recognizes that this must be done with an acceptable level of risk, and the HR Committee is responsible for helping to ensure that our compensation programs and practices do not encourage undue risk taking. As a result, OMERS compensation programs align with the long term investment strategy and investment risk limits, measured against pre-established Board-approved benchmarks, and are communicated to and understood by Management and employees.

Compensation Principles

The executive compensation program is based on the following principles:

- Align with the interests of Plan members: Align employee and executive interests with the Plan member interests through effective compensation plan design;
- Align with OMERS strategy: Focus employee efforts on critical performance targets and reward for superior performance results in order to deliver on our commitment to meet the pension promise;
- Pay for performance: Promote a pay-for-performance culture where there are clear relationships between pay and performance, ensuring differentiated pay to reward and retain top talent;
- Effective risk management: Ensure compensation plan design does not incent excessive risk-taking and review plans regularly to ensure they are operating as intended;
- Pay competitively: Reward employees in a manner consistent with competitive market practice to improve the organization's ability to attract, engage and retain high-performing talent. For total compensation, target-level performance is benchmarked to the 50th percentile, and superior level performance is benchmarked to the 75th percentile in the marketplace; and
- Good corporate governance: Strive to be a leader in governance and continually review and incorporate industry-leading compensation practices that align with our governance model.

Elements of Executive Compensation

Executive compensation for 2017 consists of the following elements:

- Base salary;
- Variable compensation - comprising of short-term incentives (STIP) and long-term incentives (LTIP); and
- Benefit and retirement programs.

These elements provide a total compensation package designed to attract highly qualified individuals, provide strong incentive to align efforts with OMERS objectives, and motivate to deliver performance that creates sustainable outcomes for our Plan members.

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 at the end of the three-year performance period.	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 President and CEO, CFO and other Named Executive Officers participate in the Executive Compensation Plan. The plan has been designed to support OMERS 2020 Strategy, compensation principles, and continued alignment with the interests of Plan members. 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 or upon hire, or with changes in roles or responsibilities. An individual's target total compensation consists of base salary plus risk-adjusted variable compensation, which includes annual cash compensation (STIP) and long-term compensation (LTIP), and benefit and retirement programs.

Risk-adjusted Variable Compensation

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

Risk-adjusted variable compensation refers to the elements of total compensation that can change from year-to-year based on business and individual performance. A significant portion of each executive's total compensation is performance-based and a substantial percentage is deferred in the form of long-term incentive awards to align compensation with the interests of our Plan members.

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 median of the competitive market, on average. Targets for an individual executive may be positioned above or below the median to reflect experience, potential, performance or other factors specific to the executive or role.

The HR Committee, with the advice from its independent advisor, reviews target total compensation for C-Suite executives, while the OAC Board of Directors approves the President and CEO's total 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 his or her 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.

Performance Measure	Rationale	2017 Weighting			
		CEO	CIOs	CFO / COO	CRO
Investment Returns	The combination of Total Fund and/or Business Unit net absolute returns measures the actual value added to the OMERS Plan and aligns executives with the interests of Plan members.	50%	60%	40%	20%
Key Strategy Execution and Leadership Objectives	This component of the scorecard includes the following measures: 1. Strategic initiatives based on enterprise and business priorities that drive sustainable growth of the OMERS Plan, so we can achieve ongoing investment performance. 2. Leadership objectives critical to our success; they focus on initiatives that will drive continued successful performance of the business and our people.	50%	40%	60%	80%

The President and 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 President and CEO to the OAC Board of Directors for approval.

To ensure appropriate alignment with results, the net absolute return measure for the President and CEO and Corporate executives is based on enterprise-wide performance (Total Fund). Chief Investment Officers are assessed against both Total Fund performance and the specific returns for their business unit. Chief Investment Officers are measured on Total Fund performance scorecards to further enhance the alignment across OMERS in the interests of our Plan members, employees, sponsors and other stakeholders.

Step 3	Evaluate performance

Following the end of the year, financial performance is determined and performance against other key objectives is assessed for the President and CEO, and for each member of the C-Suite.This combined performance will determine each individual's balanced scorecard factor within a range of 0% to 200%. The OAC Board of Directors evaluates the performance of the President and CEO relative to his objectives, and the President and CEO evaluates performance for members of the C-Suite. Commentary on 2017 performance for the President and CEO is discussed in the section "Compensation of the President and CEO".

Step 4	Determine compensation awards

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

Risk-Adjusted Variable Compensation Award	=	Variable Compensation Target	x	[Balanced Scorecard Factor	+/-	Risk Adjustment]
		STIP + LTIP		0% - 200%		+/- 15%

The *risk adjustment* is determined annually by the HR Committee and applied to each executive's balanced scorecard factor. The outcome is based on an assessment of how well risk was managed over the performance period, and its impact on incenting risk-taking behaviour.

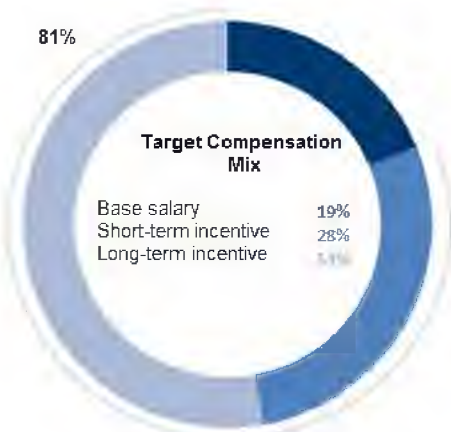
Final awards may range between 0% and 200% of target, based on performance achieved. The HR Committee, with advice from its independent advisor, reviews all variable compensation awards for the C-Suite executives, while the OAC Board of Directors approves the President and CEO's annual awards based on 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 all members of the C-Suite 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 (CFO and three highest-paid executives) is variable and at risk as outlined in the following charts.

President and CEO



Other Named Executive Officers (Average)

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. Within these comparator groups, OMERS reviews compensation levels of comparable positions, and assesses relative performance and size of the comparator groups. Annually, the compensation comparator groups are used to benchmark compensation for positions across the enterprise. The following chart captures the general parameters used to develop the annual comparator groups:

	Sample Organizations
Corporate Functions	General industry organizations with revenues greater than $1 billion.
Pensions Services	Pension funds, consulting firms, general industry organizations with revenues greater than $1 billion.
Investment Teams	Investment management organizations, including pension funds, asset management firms, banking and insurance. Local organizations for locations outside of Canada.
Oxford Properties	Real Estate organizations and investment management organizations, including pension funds, asset management firms and banking. Local organizations for locations outside of Canada.

Compensation Governance

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

OMERS Program	Description
Risk Adjustment	The Executive Compensation Plan incorporates a risk adjustment that provides the HR Committee with the ability to modify awards to reflect risk. The risk adjustment reflects how well risk was managed over the performance period, and can impact all variable compensation awards within ±15% range. The adjustment is determined annually and approved by the HR Committee.
Board Discretion	The OAC 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 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. The following table highlights how OMERS approach to compensation is aligned with these principles and standards:

Financial Stability Board Principles	Compensation Practices at OMERS
1. Active oversight of the compensation design and operation	ALIGNED The HR Committee of the OAC Board has oversight over the Executive Compensation Plan, including the review and approval of material changes to the plan design, as well as an annual review of the total compensation to be awarded each year under the plan.
2. Board of Directors monitors and reviews the compensation plan to ensure it operates as intended	ALIGNED The HR Committee has a formal and comprehensive process for approving the design of compensation plans across the organization. On an annual basis, the HR Committee approves the performance measures, weightings and targets at the beginning of the year. The HR Committee receives forecasted performance and payments under the plans throughout the year, and a final review of payments at the end of the year.
3. Finance, risk and other control function employees are compensated independent of the business	PARTIALLY ALIGNED In addition to a significant personal performance element, compensation for executives in corporate finance, risk, audit and compliance is based on enterprise performance, rather than specific business segment level metrics. Compensation for control functions in the business units will be reviewed in the future.
4. Compensation is adjusted for all types of risk	ALIGNED The majority of compensation plans reviewed or designed after 2011 include a comprehensive review of risk measures. All new compensation plans have a discretionary element (risk adjustment) that allows the HR Committee to appropriately consider risk when determining final awards, based on an annual risk assessment. The assessment evaluates risks taken during the year against OMERS risk framework, as well as the prospective direction of risk in future years.
5. Compensation and risk outcomes are symmetrical	ALIGNED A significant portion of our executive compensation is variable and at risk. All variable compensation awards are dependent on the performance results based on pre-determined Board-approved measures and the level of risk taken in achieving results. In addition, the following mechanisms have been put in place to help ensure that compensation awarded under the plan is symmetric with risk outcomes: • The Board, at its discretion, has the ability to withhold variable compensation awards to reflect significant unexpected or unusual events as defined by OMERS. • In the event of a material misrepresentation or financial restatement of results in the prior 36 months (three years), the Board may require plan participants to return any variable compensation awarded.
6. Compensation payouts are sensitive to time horizon of risks	ALIGNED To align compensation with the risk-time horizon and motivate plan participants to create longer-term value, a significant portion of total compensation is deferred and aligned with OMERS Total Fund return over the deferral period. Deferred awards cliff vest at the end of three years, helping ensure sufficient time for the payment to incorporate the impact of risks taken.
7. The mix of cash and deferred compensation is consistent with risk alignment	ALIGNED A significant portion of pay at risk is deferred to align compensation with the risk-time horizon, and to motivate plan participants to create longer-term value.

2017 Performance and Compensation

In 2017, we continued to execute on our investment strategy of building a diversified portfolio of high-quality investments, along with the announcement of opening a new investment office in Singapore to advance our deployment of capital into the higher-growth emerging Asian markets.

This past year, Pension Services continued to achieve strong client services results.

Long term sustainable growth is critical to meeting the pension promise as OMERS must produce investment returns that exceed the actuarially assumed rate of return within an acceptable risk tolerance. As active managers, we make adjustments to our asset mix in order to achieve the required returns, while managing risk.

To that effect, a new target mix was put in place effective January 1, 2017. For compensation purposes, our asset classes are measured against net absolute returns. At the beginning of the year, the OAC Board approved target returns for the asset classes in which OMERS invests. This year, OMERS had a return, net of expenses, of11.5%. The benefits of our diversified asset classes were evident.

Ultimately, we have a responsibility to members, employers, sponsors and other stakeholders to make the best possible use of every pension dollar they contribute. Creating value for pension dollars is about sustaining a culture of managing costs, and making wise choices so that we can focus on our main goal of providing secure and sustainable defined benefit pensions over the long term.

The strategic initiatives and results for each investment platform are further discussed in the Management Discussion and Analysis section of this Annual Report.

Based on 2017 results, the HR Committee believes that the compensation awarded to the Named Executive Officers appropriately reflects overall performance during the year.

Compensation of the President and CEO

This section examines the 2017 performance and resulting compensation for the President and CEO.

MICHAEL LATIMER

President and CEO

Reporting to the Board of Directors of OMERS, the President and CEO is responsible for the overall strategic and operational leadership of the enterprise, which includes responsibility for overall organizational effectiveness, developing and effectively implementing the 2020 Strategy, overseeing interactions with external stakeholders, and providing leadership to, and management of, employees, ensuring the enterprise's ability to compete in a global economy to meet the pension promise.

2017 Performance

A balanced scorecard was established for Mr. Latimer based on performance achieved against the Total Fund net absolute return (50%) and key strategy execution, and leadership objectives (50%). The OAC Board assessed Mr. Latimer's 2017 performance against the following key individual objectives:

- Effectively engage and lead the Senior Executive Team in the achievement of 2017 milestones in the 2020 Strategy. Focus on culture (performance, people, innovation, controls). Develop a market entry strategy for emerging markets;
- Implement approved 2017 milestones from the asset mix study. Explore options to share funding risk more broadly across the OMERS membership base;
- Actively oversee the implementation of the new OMERS pension administration system and cybersecurity programs through achievement of 2017 milestones;
- Deepen relationships with the OAC and SC Boards, stakeholders, sponsors, government, regulators, members, employers, employees, and partners, along with peer organizations. Participate with SC CEO where appropriate;
- Evolve talent management and leadership development programs to support OMERS Strategy and target culture. Deepen leadership capability creating future succession potential across all levels of leadership, including the CEO;
- Effectively manage the overall cost effectiveness of OMERS cost per member, and OMERS MER, as approved by the OAC Board. Actively oversee the Toronto office move to 100 Adelaide; and
- Engage the OAC Board and senior leaders on key elements of the next generation 2030 strategy.

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. Latimer's annual variable compensation awards for 2017, the OAC Board assessed his performance against specific objectives that were agreed upon by the OAC Board at the beginning of the year. Given the 2017 Total Fund results and his individual performance, the OAC Board approved the variable compensation performance factor of 190% which resulted in actual awards shown below.

Compensation Element	Target	Award
2017 Salary	$565,000	$565,000
2017 Short-Term Incentive	$856,187	$1,626,755
2017 Long-Term Incentive	$1,590,063	$3,021,120
Total	**$3,011,250**	**$5,212,875**

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 Value	All Other Compensation	Total
Michael Latimer President and CEO	**2017**	**565,000**	**1,626,755**	**3,021,120**	**53,420**	**58,518**	**5,324,813**
	2016	565,000	1,583,947	2,941,616	53,033	58,681	5,202,277
	2015	565,000	1,044,750	1,590,063	134,848	58,863	3,393,524
Jonathan Simmons Chief Financial Officer	**2017**	**450,000**	**565,250**	**1,049,750**	**53,420**	**1,026**	**2,119,446**
	2016	450,000	605,000	1,010,000	53,033	2,605	2,120,638
	2015	450,000	402,500	552,500	98,529	2,970	1,506,499
Blake Hutcheson Chief Investment Officer, Real Estate and Platform Investments	**2017**	**500,000**	**1,197,677**	**2,079,823**	**53,420**	**53,592**	**3,884,512**
	2016	500,000	1,197,677	2,077,323	53,033	53,755	3,881,788
	2015	500,000	1,025,500	1,121,250	51,776	53,937	2,752,463
Michael Rolland Chief Investment Officer, Private Markets	**2017**	**500,000**	**1,147,125**	**2,130,375**	**53,420**	**19,395**	**3,850,315**
	2016	500,000	1,099,449	1,885,551	53,033	19,218	3,557,251
	2015	500,000	1,001,000	1,121,250	51,776	19,194	2,693,220
Satish Rai Chief Investment Officer, Capital Markets	**2017**	**500,000**	**1,147,125**	**2,130,375**	**53,420**	**1,140**	**3,832,060**
	2016	500,000	1,000,000	1,850,000	53,033	1,302	3,404,335
	2015	500,000	681,878	1,266,344	49,860	1,485	2,499,567

Notes:

(1) 2016 & 2017 amounts shown represent the LTIP awards reflecting business and individual performance for the calendar year. 2015 amounts shown represent the LTIP targets, as granted on January 1st of each year. The 2015 LTIP award for Mr. Latimer was $1,940,250. For more details on LTIP targets and awards for the Named Executive Officers, refer to the Incentive Plan Awards Table.

Incentive Plan Awards Table

The following table presents the target value, award value and forecasted payments for outstanding long-term incentives for each Named Executive Officer. LTIP is granted at target value on January 1st of the year and is adjusted to an LTIP award based on the Balanced Scorecard at the end of the year. The LTIP award vests on December 31st of the third year (three-year vesting period). The actual payments depend on the OMERS Total Fund performance over the three-year performance period relative to a performance hurdle. The performance hurdle is the cumulative three-year Total Fund threshold return, which aligns to our funding discount rate.

Forecasted payments were determined using a Total Fund performance factor over the three-year performance period of 110% and 113% for 2017 and 2016 respectively. The payment amount for 2015 is based on the actual three-year performance period factor of 111%.

The 2015 long-term incentive awards matured at the end of 2017 and were paid out, leaving the 2016 and 2017 long-term incentive awards outstanding. All long-term incentive (LTIP) awards vest and mature on December 31 of the third year of the plan. A new LTIP award was granted on January 1, 2018. Details for this award will be provided in the 2018 Compensation Discussion and Analysis.

Name	Year	Target Value	Award Value	Vesting Date	Forecasted Payment
Michael Latimer President and CEO	2017	$1,590,063	$3,021,120	December 31, 2019	$3,323,232
	2016	$1,590,063	$2,941,616	December 31, 2018	$3,324,026
	2015	**$1,590,063**	**$1,940,250**	**December 31, 2017**	**$2,153,678**
Jonathan Simmons Chief Financial Officer	2017	$552,500	$1,049,750	December 31, 2019	$1,154,725
	2016	$552,500	$1,010,000	December 31, 2018	$1,141,300
	2015	**$552,500**	**$747,500**	**December 31, 2017**	**$829,725**
Blake Hutcheson Chief Investment Officer, Real Estate and Platform Investments	2017	$1,121,250	$2,079,823	December 31, 2019	$2,287,805
	2016	$1,121,250	$2,077,323	December 31, 2018	$2,347,375
	2015	**$1,121,250**	**$1,904,500**	**December 31, 2017**	**$2,113,995**
Michael Rolland Chief Investment Officer, Private Markets	2017	$1,121,250	$2,130,375	December 31, 2019	$2,343,413
	2016	$1,121,250	$1,885,551	December 31, 2018	$2,130,673
	2015	**$1,121,250**	**$1,859,000**	**December 31, 2017**	**$2,063,490**
Satish Rai Chief Investment Officer, Capital Markets	2017	$1,121,250	$2,130,375	December 31, 2019	$2,343,413
	2016	$975,000	$1,850,000	December 31, 2018	$2,090,500
	2015	**$1,266,344**	**$1,266,344**	**December 31, 2017**	**$1,405,642**

Pension Plan Benefits

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

Pension Formula	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 pensionable earnings. Pensionable 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 his or her 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.

Defined Benefit Pension Plan Table

We continue to review our compensation disclosure on an annual basis to ensure greater clarity and transparency. To that end, we have elected to simplify our pension plan disclosure. This table has been designed to outline the following:

1. The estimated annual pension benefit payable if commenced at age 65; and
2. The present value of the Named Executive Officers pension as at December 31, 2017.

The present value of the total defined benefit pension promise can change from one year-end to another based on factors that are either compensatory (e.g. the accrual of employer-provided benefits for an additional year of service), or non-compensatory in nature (e.g. interest on the present value of benefits and impact of any assumption changes).

The table below represents disclosure of estimated pension information for the Named Executive Officers as at December 31, 2017.

Name	Projected Years of Credited Service at Age 65	Estimated Annual Defined Benefit Pension Benefit at Age 65	Present Value of Defined Benefit Pension January 1, 2017	2017 Compensatory Changes in Defined Benefit Pension Value	2017 Non-Compensatory Changes in Defined Benefit Pension Value	Present Value of Defined Benefit Pension December 31, 2017
Michael Latimer[1] President and CEO	12.8	322,927	3,943,121	(180,180)	388,409	4,151,350
Jonathan Simmons Chief Financial Officer	23.0	228,961	256,223	5,725	82,454	344,402
Blake Hutcheson Chief Investment Officer, Real Estate and Platform Investments	11.3	96,373	147,118	21,191	70,509	238,818
Michael Rolland Chief Investment Officer, Private Markets	7.7	59,946	162,989	28,377	71,059	262,425
Satish Rai Chief Investment Officer, Capital Markets	13.3	119,593	137,832	16,027	70,195	224,054

Notes:

(1) Mr. Latimer 's projected years of service are as of December 31, 2017, as he is over the age of 65.

Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the 2017 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, pro-rated to reflect the period of active employment	Outstanding awards will continue to mature in normal course
Termination without Cause	Entitled to a partial award, pro-rated to reflect the period of active employment	Entitled to a partial award, pro-rated to reflect the period of active employment
Termination with Cause	Forfeited	Forfeited

Conclusion

All OMERS employees are committed to delivering appropriate returns over the long term to meet the pension promise to Plan members and employers. The approach to executive compensation motivates executives to achieve OMERS objectives prudently by encouraging an appropriate balance between risk and reward. OMERS remains committed to ensuring our compensation programs support our talent management strategy to continue to attract, engage and retain high-performing people who will produce the results that deliver value for our Plan members, employers, sponsors and other stakeholders.

Board Remuneration and Attendance

OMERS Administration Corporation Board Remuneration		
2017		Annual Retainer
Chair	$	165,000
Committee Chair	$	80,000
All Other Directors	$	65,000

Effective January 1, 2017, new compensation rates came into effect for OMERS Administration Corporation Board members. Under the OMERS Act, OMERS Sponsors Corporation has the legislative authority to determine OMERS Administration Corporation Board remuneration. To implement recommendations of the Dean Report relative to improving skills and collective capacity of the OMERS Administration Corporation Board, OMERS Sponsors Corporation engages an independent consultant from time to time to determine peer practices on Board remuneration. As a result of this work, the OMERS Sponsors Corporation reviewed its bylaw and changed compensation rates for OMERS Administration Corporation Board members. The changes reflect OMERS Sponsors Corporation's assessment of a competitive compensation arrangement, while recognizing the public interest component of service on the OMERS Administration Corporation Board.

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

OMERS Administration Corporation members do not receive any other remuneration for acting as directors of OMERS Administration Corporation. Board members are reimbursed for reasonable and necessary expenses incurred in connection with carrying out the business of OMERS Administration Corporation. Reimbursement in this category has been primarily related to travel and accommodation expenses for attending OMERS Administration Corporation Board, committee or other similar meetings.

In addition, Directors are required to meet certain educational requirements to stay current on key issues and to continue their professional development. Expenses can vary by year and for a variety of reasons, e.g. availability and location of educational programs, number of meetings, and location of primary residence, etc. For clarity, travel time is not compensated.

New Directors participate in an extensive orientation process, which includes a comprehensive discussion of the history and mandate of the corporation, OMERS strategy and investments, business planning process and current programs. Directors also participate in various educational programs and industry conferences, which are either approved or mandated by the organization.

The table on page 101 includes remuneration paid to OMERS Administration Corporation Board members as well as other eligible expenses in 2017, with comparable numbers for 2016. The table on page 102 sets out Board and committee meeting attendance in 2017.

Board Membership Update

Eugene Swimmer left the OMERS Administration Corporation Board on December 31, 2017 and was replaced by Yung Wu, effective January 1, 2018. Monty Baker, Cliff Inskip and Charlene Mueller were reappointed to the OMERS Administration Corporation Board, effective January 1, 2018.

OMERS Administration Corporation Board Remuneration and Expenses

	2017		2016	
	Remuneration (i)	**Expenses (ii)**	Remuneration	Expenses
Cooke, George (Chair)	**$ 167,000**	**$ 6,878**	$ 152,000	$ 5,386
Aziz, William	**82,000**	**—**	69,500	6,899
Baker, Monty	**82,000**	**13,745**	69,500	5,121
Beatty, David	**67,000**	**203**	62,000	9,104
Beggs, Darcie (iii)	**67,750**	**25,688**	15,500	3,572
Butt, Bill	**82,000**	**1,945**	69,500	2,614
Elliott, Paul (iii)	**67,000**	**32,558**	—	—
Fenn, Michael	**82,000**	**908**	69,500	2,511
Hutchinson, Laurie	**65,000**	**2,624**	60,000	5,363
Inskip, Cliff	**67,000**	**9,743**	62,000	16,998
Mueller, Charlene	**67,000**	**14,282**	46,500	15,420
Phillips, James	**82,000**	**13,883**	69,500	18,338
Somerville, Penny	**74,500**	**7,980**	62,000	5,686
Swimmer, Eugene	**69,000**	**14,496**	70,000	24,043
Tsubouchi, David	**68,500**	**14,079**	68,000	8,722
Vandenberk, Sheila	**750**	**66**	68,000	1,868
Weatherup, John (iii)	**—**	**—**	62,000	1,394
Other Expenses (iv)	**—**	**41,328**	—	62,142
Total	**$ 1,190,500**	**$ 200,406**	$ 1,075,500	$ 195,179

(i) Remuneration of the Directors of the OAC Board is in accordance with the Director Remuneration Policy effective January 1, 2017.
(ii) Includes reimbursement for normal out-of-pocket business expenses including education, travel for meetings, and communication expenses incurred on behalf of OAC. These Board expenses by Directors are reported to the Audit & Actuarial Committee annually.
(iii) Member Changes:
- D. Beggs resigned on March 31, 2016; Reappointed to the Board effective January 1, 2017
- P. Elliott appointed to the Board effective January 1, 2017
- J. Weatherup reached maximum term limit on the Board on December 31, 2016.

(iv) Other expenses include meeting accommodations/meals/catering for OMERS Board meetings and OAC/SC Joint Sessions.

2017 Board/Committee Meetings

Director [i]	OAC Board Meetings (7)		Audit & Actuarial Committee (6)	Governance Committee (6)	Human Resources Committee (6)	Investment Committee (13)	Appeals Committee (1)	Technology Committee (7)	Risk Oversight Committee [ii] (6)	Overall Attendance: 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	%
Aziz, Bill	5	71			5	13				18/19	95	23/26	88	14/15	93
Baker, Monty	7	100	6		6			7		19/19	100	26/26	100	20/20	100
Beatty, David	7	100			6	13				19/19	100	26/26	100	15/15	100
Beggs, Darcie	7	100		5	6		1		5	17/19	89	24/26	92	15/15	100
Butt, Bill	7	100	6			12				18/19	95	25/26	96	17/17	100
Cooke, George (Chair) [iv]	7	100	6	6	6	12	1	7	6	44/45	98	51/52	98	29/30	97
Elliott, Paul	6	86	6			11				17/19	89	23/26	88	17/17	100
Fenn, Michael	7	100		6				7		13/13	100	20/20	100	14/14	100
Hutchinson, Laurie	7	100	6					7	6	19/19	100	26/26	100	16/16	100
Inskip, Cliff	7	100	6			12			6	24/25	96	31/32	97	17/17	100
Phillips, James	5	71		6				7		13/13	100	18/20	90	12/14	86
Mueller, Charlene	7	100	6					7		13/13	100	20/20	100	16/16	100
Somerville, Penny	7	100		6		11			6	23/25	92	30/32	94	15/15	100
Swimmer, Eugene	7	100	6			13	1			20/20	100	27/27	100	18/18	100
Tsubouchi, David	7	100		6	6		1			13/13	100	20/20	100	15/15	100
Overall Attendance		**95%**	**100%**	**96%**	**96%**	**95%**	**100%**	**100%**	**97%**		**97%**		**90%**		**98%**

(i) OAC Directors also attended other discretionary meetings such as the Spring and Fall Information Meetings, Joint Education Sessions with the SC, New Board and Committee Member Orientation Sessions and in house education sessions.
(ii) Risk Oversight Committee established effective July 1, 2017.
(iii) Scheduled meetings are regularly scheduled Board and Committee meetings which exclude special meetings and meetings called on short notice.
(iv) Board Chair is ex officio member of the Appeals, Audit & Actuarial, Governance, Human Resources, Investment, Risk Oversight and Technology Committees.

OMERS Sponsors Corporation Board Member Remuneration and Attendance

2017 compensation is as follows:

2017		Annual Retainer
Co-Chairs	$	80,000
Committee Chair	$	45,000
All Other Directors	$	38,500

No other compensation is provided to OMERS Sponsors Corporation Directors.

A Director’s compensation may be paid to the Director or to the organization with which they are affiliated.

The table on page 104 provides information about remuneration.

Reimbursement of Expenses

OMERS Sponsors Corporation Board Directors are reimbursed for reasonable and necessary expenses incurred in connection with carrying out the business of OMERS Sponsors Corporation. Reimbursement in this category has been primarily related to travel and accommodation expenses for attending OMERS Sponsors Corporation Board, committee or other similar meetings.

In addition, Directors are required to meet certain educational requirements to stay current on key issues, and to continue to develop their knowledge and skills. As a result, they are also reimbursed for travel, tuition and other expenses incurred while attending relevant conferences - or other professional and educational programs - within Canada and the continental U.S.

Expenses can vary considerably by year and by Director for a variety of reasons (e.g. Director experience, availability and location of programs, number of meetings, and location of primary residence, etc.) For clarity, travel time is not compensated.

The table on page 104 provides information about expenses.

OMERS Sponsors Corporation By-law No. 6 sets out the requirements and approval process for ongoing Director development.

Board and Committee Meeting Attendance

In 2017, Directors attended anywhere from 19 to 33 meetings, with the median being 26. Details about the number of meetings and Director attendance can be seen on page 105.

Other Events and Meetings

In 2017, Directors also attended up to 7 other business events and meetings, including in-house education sessions, committee meetings of which they were not members, and other business meetings, as necessary. Numerous informal meetings and individual Director meetings with sponsor organizations are not tracked, but may occur monthly for some members of the OMERS Sponsors Corporation Board.

Director Orientation and Education

New Directors participate in an orientation process, which includes a comprehensive discussion of the history and mandate of the corporation, OMERS strategy, business planning process and current programs.

Directors also participate in various educational programs and industry conferences, which are either approved or mandated by the organization.

In 2017, 10 OMERS Sponsors Corporation Board Members attended up to four industry-related conferences and seminars, lasting from one to four days. (Directors are not compensated for related travel time).

OMERS Sponsors Corporation Board Remuneration and Expenses

	2017		2016	
	Remuneration (i)	**Expenses (ii)**	Remuneration	Expenses
Love, Marianne (Co-Chair)	**$ 80,000**	**$ 20,714**	$ 75,000	$ 18,928
Ramagnano, Frank (Co-Chair)	**80,000**	**8,623**	75,000	6,651
Axford, Dan	**38,500**	**22,664**	35,800	14,028
Bailey, Paul (iv)	**45,000**	**16,183**	40,800	25,469
Biro, Fred (iv)	**45,000**	**14,959**	40,800	5,138
Brown, Barry	**38,500**	**11,197**	35,800	5,016
Clarke, Diana	**38,500**	**12,714**	35,800	11,645
Derochie, Peter (iii)(iv)	**45,000**	**11,042**	—	—
Macaluso, Charlie	**38,500**	**838**	35,800	1,075
Maguire, Tim	**38,500**	**4,386**	35,800	2,242
McConville, Mary	**38,500**	**16,107**	35,800	7,665
McNally, Wayne (v)	**—**	**300**	40,800	3,044
O'Keefe, Brian (v)	**—**	**30**	40,800	3,014
Pennachetti, Joe	**38,500**	**17,456**	35,800	1,593
Sahli, Sandra (iv)	**45,000**	**21,295**	35,800	17,206
Weatherup, John (iii)	**38,500**	**—**	—	—
Other Expenses (vi)	**38,109**	**17,244**	32,814	15,122
Total	**$ 686,109**	**$ 195,752**	$ 632,414	$ 137,836

(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) Term commenced January 1, 2017.
(iv) Committee Chairs
Paul Bailey – Human Resources and Compensation Committee
Sandra Sahli – Corporate Governance Committee
Peter Derochie – Audit Committee
Fred Biro – Plan Design Committee
(v) Term ended December 31, 2016. Expenses booked in 2017 were incurred in 2016 and processed after December 31, 2016.
(vi) Other expenses include Board meeting expenses not allocated by individual and benefits (CPP & EHT).

2017 Board/Committee Meetings

Director	SC Board Meetings[i] (12)		Audit Committee (4)	Corporate Governance Committee (7)	Human Resources and Compensation Committee (3)	Plan Design Committee (7)	Committees (Total)		All Meetings		Other Events and Meetings [ii]	All Events and Meetings	Education Days [iv]
	Attended	%	Attended	Attended	Attended	Attended	Attended/ Eligible	%	Attended/ Eligible	%			
Love, Marianne (Co-Chair) [iii]	12	100%	4	7	3	7	21/21	100	33/33	100	5	38	9
Ramagnano, Frank (Co-Chair) [iii]	12	100%	4	7	3	7	21/21	100	33/33	100	5	38	2
Axford, Dan	12	100%		6	3	7	16/17	94	28/29	97	4	32	8
Bailey, Paul	12	100%			3	7	10/10	100	22/22	100	6	28	5
Biro, Fred	11	92%			3	7	10/10	100	21/22	95	4	25	5
Brown, Barry	10	83%	4	6		7	17/18	94	27/30	90	4	31	3
Clarke, Diana	12	100%	4	7		7	18/18	100	30/30	100	5	35	6
Derochie, Peter	12	100%	4	6		6	16/18	89	28/30	93	6	34	2
Macaluso, Charlie	12	100%				7	7/7	100	19/19	100	4	23	
Maguire, Tim	12	100%	3		3	7	13/14	93	25/26	96	4	29	
McConville, Mary	11	92%		6	2	7	15/17	88	27/29	93	5	32	8
Pennachetti, Joe	12	100%		7	3	7	17/17	100	29/29	100	5	34	5
Sahli, Sandra	12	100%		7		7	14/14	100	26/26	100	7	33	4
Weatherup, John	10	83%		4		5	9/14	64	19/26	73	3	22	
Overall Attendance		**96%**	**96%**	**90%**	**96%**	**96%**		**94%**		**96%**			**57**

(i) Board meetings consisted of 10 regularly scheduled meetings and 2 strategic planning session/days, all of which SC Board Members were expected to attend.
(ii) Members attended up to 7 additional 'Other' meetings and events, such as the Spring Information Meeting, joint education sessions with the OAC, new board and committee member orientation, in-house education sessions, ad hoc meetings of special committees and attendance at committee meetings of which they are not members. Many Members also attended educational programs or pension/governance conferences ranging from 2-5 days, exclusive of travel time.
(iii) In addition to chairing the SC Board meetings, Co-Chairs are ex-officio members of all committees; not all of their other obligations are 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.

Independent Auditors’ Report

To the Board of OMERS Sponsors Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of OMERS Sponsors Corporation, which comprise the statement of financial position as at December 31, 2017 and the statements of operations and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of OMERS Sponsors Corporation as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Norton McMullen LLP

NORTON MCMULLEN LLP Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario, Canada
February 14, 2018

Statement of Financial Position

As at December 31,		2017		2016
Assets				
Current				
Cash	**$**	**12,059**	$	78,425
OAC receivable		**392,862**		65,618
Prepaid expenses and other assets		**1,030**		45
	$	**405,951**	$	144,088
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**404,928**	$	143,065
	$	**404,928**	$	143,065
Net Assets				
Excess/(Deficit) 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
	$	**405,951**	$	144,088

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

Signed on behalf of the Board of OMERS Sponsors Corporation

Marianne Love
Co-Chair

Frank Ramagnano
Co-Chair

Peter Derochie
Chair, Audit Committee

Statement of Operations

For the year ended December 31,		2017		2016
Revenues				
OAC expense reimbursement	**$**	**2,373,444**	$	2,004,875
	$	**2,373,444**	$	2,004,875
Expenses				
Contract and administrative salaries (i)	**$**	**943,071**	$	811,171
Legal		**113,978**		53,364
Audit		**8,475**		8,475
Actuarial		**3,769**		6,992
Professional advisors		**228,606**		199,592
Other administrative		**111,118**		72,465
Insurance		**82,566**		82,566
Board remuneration including payroll taxes and benefits (note 3)		**686,109**		632,414
Board expenses (note 3)		**195,752**		137,836
	$	**2,373,444**	$	2,004,875
Excess/(Deficit) of Revenues Over Expenses from Operations	**$**	**—**	$	—

(i) Includes payroll taxes and benefits.

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

Statement of Cash Flows

For the year ended December 31,		2017		2016
Cash was provided by (used in):				
Operating Activities				
Excess/(Deficit) of revenues over expenses	**$**	**—**	$	—
Changes in non-cash working capital accounts				
OAC receivable		**(327,244)**		86,439
Prepaid expenses and other assets		**(985)**		3,282
Accounts payable and accrued liabilities		**261,863**		(24,117)
Increase/(Decrease) in cash	**$**	**(66,366)**	$	65,604
Cash - Beginning of Year		**78,425**		12,821
Cash - End of Year	**$**	**12,059**	$	78,425

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

Notes to Financial Statements

December 31, 2017

Nature of Operations

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) as defined in the OMERS Act. The OMERS Pension Plans are administered by OMERS Administration Corporation (OAC) and include the OMERS Primary Pension Plan (Primary Plan) and the Retirement Compensation Arrangement (RCA) associated with the Plan 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 Plan, the RCA, and the Supplemental Plan, amendments to those plans, setting contribution rates, and the filing of the actuarial valuation as required under the *Pension Benefits Act* (Ontario) (PBA).

NOTE 1

Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (the "ASNPO") and include the following significant accounting policies:

(a) Revenue Recognition

OAC expense reimbursement is recorded as revenue after the expenses are incurred in accordance with the joint SC/OAC protocol.

(b) Use of Estimates

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

(c) Cash

Cash consists of cash on hand and balances with banks that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(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 financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and the OAC receivable. Financial liabilities measured at amortized cost include 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 measured at amortized cost 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.

NOTE 2

Bank Operating Facility

The SC maintains an unsecured, uncommitted overdraft facility (Demand Operating Overdraft Facility) with a major bank in the amount of $1,000,000; advances would bear interest at the Prime Rate per annum. Access to the overdraft facility was not required in 2017.

NOTE 3

Board Remuneration and Expenses

Board remuneration and expenses are recorded in accordance with the 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 at December 31, 2017:

a) Credit Risk

Credit risk is defined as the financial loss that results from the failure of a counterparty to honour its contractual obligations to SC. The SC's main credit risk relates to its OAC receivable. The OAC receivable is due from an organization with a high-quality credit rating and therefore there is limited credit risk associated with this financial instrument.

b) Liquidity Risk

Liquidity risk is the risk that the SC will be unable to meet its financial liabilities in a timely and cost-effective manner. The SC is exposed to this risk mainly in respect to its accounts payable. The SC manages this risk by managing its working capital, ensuring that sufficient credit is available.

c) 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 and interest rates. The SC is exposed to interest rate risk, the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in note 2, the SC is exposed to interest rate risk with respect to its bank operating facility, should it be necessary to use. The SC does not currently hold any financial instruments to mitigate this risk. The exposure to this risk would fluctuate as the debt and related interest rates change from year to year.

100 Adelaide St W, Toronto, ON M5H 0E2 | Canada
T +1 416.369.2444 +1 800.387.0813 | **F** +1 416.369.9704 +1 877.369.9704 | omers.com