

Going the distance

REPORT TO MEMBERS

Our primary goal at OMERS is to contribute to the financial well-being of our members in retirement – today and tomorrow.

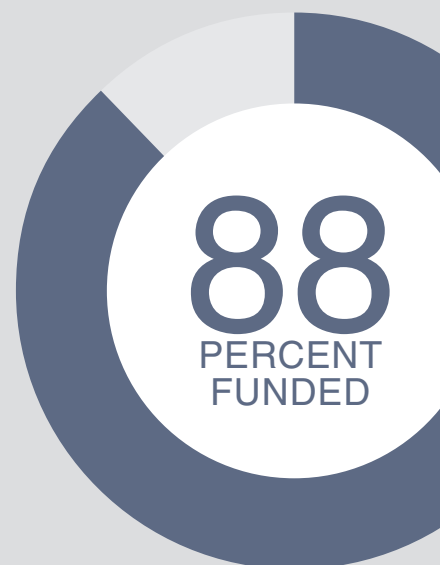
That is our promise. It defines us and lives at the core of everything we do. Out of this deep responsibility to our members comes our commitment that by “going the distance” we will support OMERS members through their pension plan long into the future.

2013

\$65.1 billion net assets*

6.53% gross rate of return
(net rate of return = 6.00%)

 Almost **1** in every **20** people employed in Ontario is an OMERS member



* For the OMERS Pension Plans. All other figures on this page apply to the OMERS Primary Pension Plan (the Plan).

OMERS



2013 results show a \$1.3 billion decline in the funding deficit

from \$9.9 billion in 2012 to \$8.6 billion in 2013 (as at December 31)



the Plan is on target to be fully funded by 2025

as a result of a recent benefit reduction, contribution rate changes and a long-term investment approach

the OMERS Sponsors Corporation (SC) Board sets:

- ✓ contribution rates
- ✓ benefits

\$3.5 billion received

in contributions from members and employers in 2013



\$2.9 billion paid

in benefits to members and survivors in 2013



patient and disciplined investment approach

to continue to expand our globally diversified portfolio



direct ownership and active management

of investments helps to produce superior, risk-adjusted returns and reduces costs



better public-private asset balance

helps to protect the Plan against public-market volatility



focus on long-term returns

provides sustainable growth and sufficient liquidity to fund pensions today and tomorrow



capital-raise initiatives

such as the Global Strategic Investment Alliance (GSIA) program, Additional Voluntary Contributions (AVCs), plan consolidation and OMERS Investment Management (OIM) investment contracts are targeted to increase assets under management



proactive stakeholder outreach

provides accurate and timely information and seeks engagement and input on Plan issues



client-focused philosophy

drives improvements in processes and systems, such as more direct delivery of services to members – providing members with more financial options, while simplifying employer administration

2013 client services stats

194,500

phone calls to/from OMERS client services

\$28,300

average annual pension for newly retired member

19,400

pension benefit claims processed

1,785

member presentations and information sessions delivered

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This report is not intended for U.S. persons. Interests in the Plan are not and will not be offered or sold in the United States, or to or for the account of U.S. persons as defined by U.S. securities laws.

Many factors affect the Plan's performance including changes in market conditions and interest rates and in response to other economic, political or financial developments. Investment returns and values will fluctuate. Past performance is not a guide to or indicative of future results.

Going the distance...

...maintaining the financial health of the Plan

...ensuring the alignment of costs and benefits of OMERS Pension Plans

...growing the fund through investment expertise and innovation

...achieving ongoing excellence in investment performance and services

governance improvements

resulted in the appointment of George Cooke, OMERS first independent OMERS Administration Corporation (OAC) Board Chair in 2013, and enhanced competencies for the OAC Board



...responding to member and stakeholder needs

...to deliver on the pension promise.

Strength, stability and prudence were our dominant themes in 2013, with the Plan achieving a 6.53% gross return, generating \$4 billion in total investment income and reducing its funding deficit by \$1.3 billion to \$8.6 billion. The total net assets for the OMERS Pension Plans reached \$65.1 billion. We also completed the shift to a new public markets investment strategy with a more diversified, risk-balanced portfolio. We have built a stable fund, with a “AAA” credit rating, to withstand severe market shocks, preserve liquidity and generate increasing cash flows.

“Going the distance” – the theme of this year’s *Report to Members* – means being strategic in our focus on the long-term health of our Plan and a solid commitment to our members.


OMERS Overview

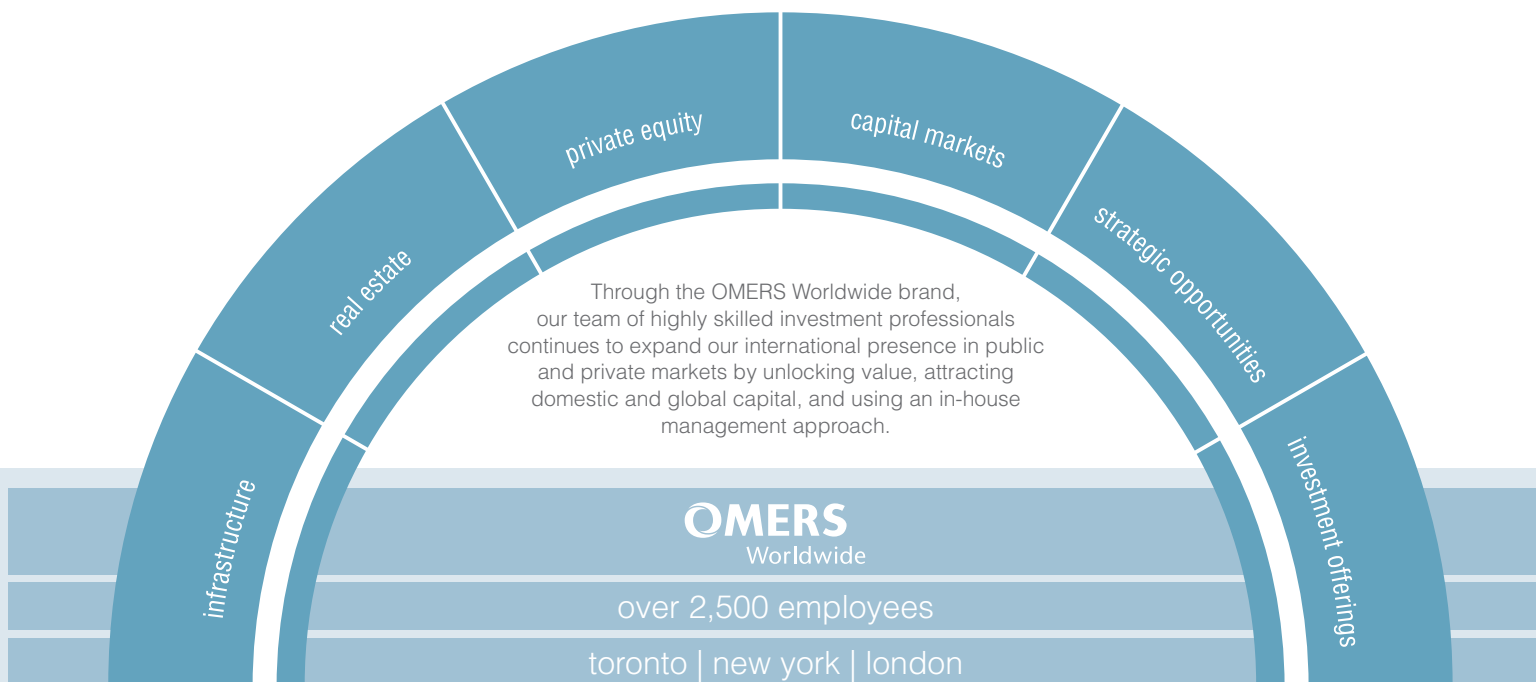
| | |
|------------------|---------------------|
| | OMERS Pension Plans |
| total net assets | \$65.1 billion |

investment strategy

| | | | | |
|---|-------------------------|--------------------|--------------------|-----------------|
| better balance between public and private market assets | 57% public | 43% private | | |
| | 57% public markets | 14% private equity | 15% infrastructure | 14% real estate |
| direct ownership and active management of investments | 88% in-house management | | | 12% external |
| global diversification | 47% canada | 19% usa | 34% international | |

member information

| | | | |
|----------------------|--|-----------------|-----------------|
| members | 439,528 members | | |
| | 270,486 active | 129,401 retired | 39,641 inactive |
| |  includes municipal workers, police, firefighters, transit workers, hydro workers, emergency services, children's aid society workers and school board non-teaching staff | | |
| employers | 982 employers | | |
| source of funds | 1/3 contributions | 2/3 investments | |
| shared contributions | 50% member | 50% employer | |



| infrastructure | real estate | private equity | capital markets | strategic opportunities | investment offerings |
|---|---|--|--|--|---|
| Borealis Infrastructure, on behalf of OMERS and third parties, invests in large-scale infrastructure businesses worldwide and manages a diversified global platform | Oxford Properties is a leading global real estate investment, development and management company | OMERS Private Equity invests in private companies with solid business fundamentals and opportunities to grow | OMERS Capital Markets invests in publicly traded asset classes including equities, bonds, foreign exchange and derivative instruments | OMERS Strategic Investments nurtures attractive investments outside the mandate of other OMERS investment platforms | OMERS Investment Management allows other pension funds the opportunity to receive the returns of the OMERS Fund |
| BOREALIS Infrastructure | OXFORD | OMERS Private Equity | OMERS Capital Markets | OMERS Strategic Investments | OMERS Investment Management |
| energy | office | healthcare | bonds | capital partnerships | total fund return |
| pipelines | retail | business services | currencies | airports | oxford return |
| transportation | industrial | industrial | interest-bearing assets | energy | borealis return |
| social infrastructure | residential | technology | publicly traded equities | innovation | OPE return* |
| | hotels | | commodities | | |
| <p>"We are a true long-term investor with a proven track record of consistent returns."</p> <p>- <i>Michael Rolland,</i> President & CEO, Borealis Infrastructure</p> | <p>"We are as proud of our accomplishments as we are excited about our future."</p> <p>- <i>Blake Hutcheson,</i> President & CEO, Oxford Properties</p> | <p>"We will build on our success by doing what we do best – partnering with proven management teams to grow their companies."</p> <p>- <i>Paul Renaud,</i> President & CEO, OMERS Private Equity</p> | <p>"In 2013, we put in place the last piece of our investment strategy to earn more predictable and stable long-term returns."</p> <p>- <i>James Donegan,</i> President & CEO, OMERS Capital Markets</p> | <p>"Our path-finding investments are attracting the interest of capital partners globally."</p> <p>- <i>Jacques Demers,</i> President & CEO, OMERS Strategic Investments</p> | <p>"We help grow the OMERS Fund to support our investment initiatives, while providing access for smaller funds to benefit from our investments and expertise."</p> <p>- <i>Ana Cacollo,</i> President, OMERS Investment Management</p> |

*on directly-owned assets

2013 Financial Overview

OMERS Primary Pension Plan

Gross Rate of Return

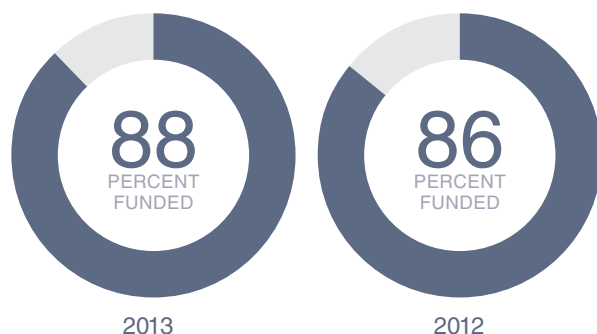
For the year ended December 31,

| | 2013 Rate of Return | 2012 Rate of Return |
|----------------------------------|------------------------|------------------------|
| OMERS Capital Markets | 0.47% | 7.50% |
| OMERS Private Equity | 23.55% | 19.17% |
| Borealis Infrastructure | 12.44% | 12.68% |
| Oxford Properties | 14.33% | 16.91% |
| OMERS Strategic Investments | 9.14% | -10.13% |
| Total Private Markets | 15.50% | 13.79% |
| Total OMERS Primary Pension Plan | 6.53% | 10.03% |

The annual average gross rate of return over the last one-, five- and ten-year periods is shown in the table below:

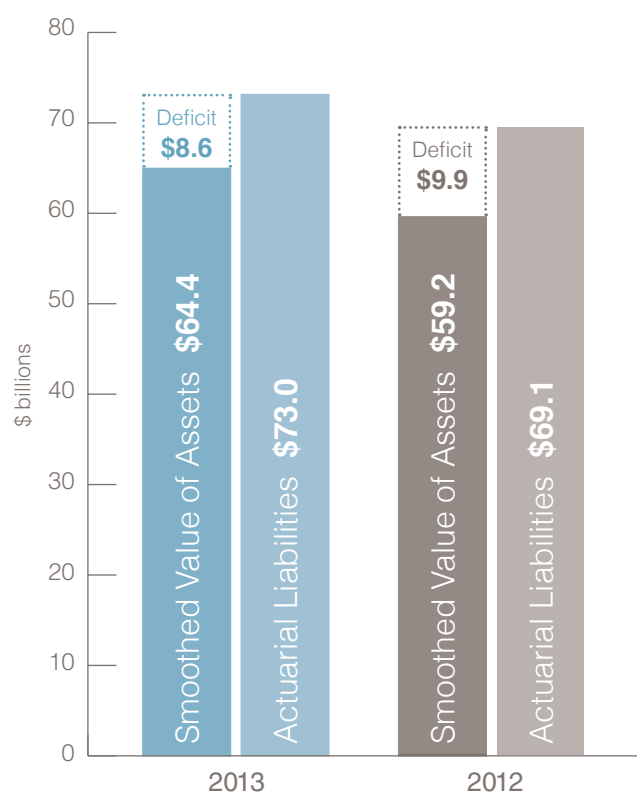
| | One Year | Five Years | Ten Years |
|----------------|----------|------------|-----------|
| Rate of Return | 6.53% | 8.41% | 7.64% |

Funded Ratio



Funded Status*

As at December 31,



* excludes AVC

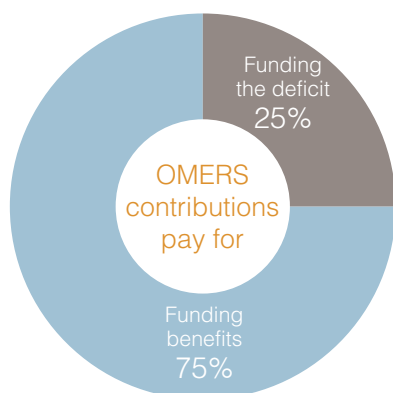
Plan Funding

The Plan's funding deficit at the end of 2013 stands at \$8.6 billion, down from \$9.9 billion a year earlier. Measures are in place to help reduce the deficit. In 2013, the Sponsors Corporation (SC) acknowledged that contribution rates are at an unprecedented high and its ability to further increase contribution rates is limited. It has begun exploring benefit reduction options and identifying events that would indicate when Plan changes are needed. Options are reviewed every year through the Specified Plan Change process.

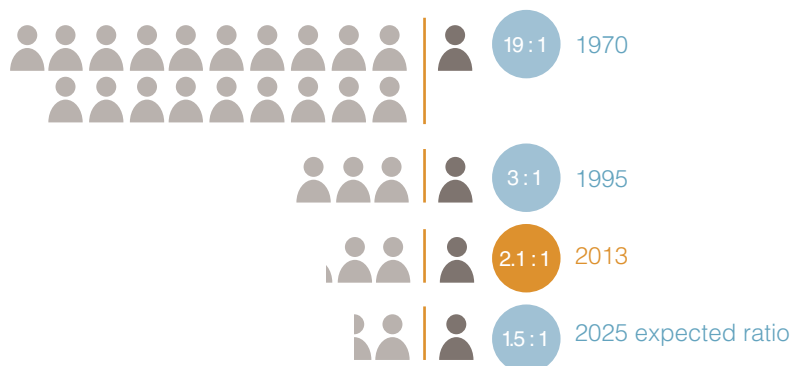
Plan Contribution Rates in 2013

| | | |
|--------------------------|---------------------------------------|-------|
| Normal retirement age 65 | On earnings up to CPP earnings limit* | 9.0% |
| | On earnings over CPP earnings limit* | 14.6% |
| Normal retirement age 60 | On earnings up to CPP earnings limit* | 9.3% |
| | On earnings over CPP earnings limit* | 15.9% |

* \$51,100 in 2013



Ratio of Active-to-Retired Members



We face the challenge of an aging membership and longer retirements, which increases the cost of providing benefits.

Strong Governance

OMERS current governance model was created in 2006 by the *Ontario Municipal Employees Retirement System Act, 2006*, which established two Boards with independent mandates. The SC Board has authority over the structure and type of benefits provided to members, contribution rate levels and the composition of the two Boards. The OAC Board is responsible for pension administration, investment strategy, investments and preparation of the Plan valuation. When the governance model was established in 2006, a process for reviewing the new model in 2012 was mandated in the *Ontario Municipal Employees Retirement System Review Act, 2006*.

In early 2013, the report on the 2012 OMERS governance review was released by the Ontario government with recommendations for improvement. The OMERS Boards worked together throughout 2013 to review the recommendations and implement changes, as appropriate. Important changes were made in 2013, including improved communications and engagement efforts with OMERS stakeholder groups, the introduction of mechanisms to improve OAC Board capacity, and the establishment of an Independent Board Chair (IBC) position for the OAC Board. Significant among these efforts was the announcement of Mr. George Cooke as the first-ever IBC on October 1, 2013, as well as the appointment of five new members to the OAC Board through a new competency-based appointment process.

The two Boards will continue to work together through 2014 to address the remaining recommendations including those related to the establishment of a joint strategic plan.

We think this internet thing is really catching on.

In 1999, **38 million** people had broadband internet. Today, more than **1.2 billion** have it on their mobile phones¹

14.3 trillion webpages are live on the internet²

Google's advertising revenue is bigger than that of the entire U.S. print industry³

200+ million tablets were sold in 2013⁴

myOMERS is a personalized web portal that is accessible whenever you need it. It offers a variety of online retirement planning tools to assist you at any stage in life. myOMERS also enables us to communicate with you in a secure, cost-effective and environmentally friendly way.

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¹ Source: ctrlaltdelatebook.com (2013) ² Source: Worldwidewebsize.com (2013)

³ Source: Business Insider (2013) ⁴ Source: Enders Analysis (2014)

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attend. learn. engage.

| OMERS 2013 Financial Results
| Sponsors Corporation Update
| Interactive Discussions
| Educational Session

Thursday, April 3, 2014 REGISTER NOW

stakeholdermeeting@omers.com

416.350.6708 | 1.866.725.6494

9:00am | doors open
continental breakfast
and refreshments provided
throughout the morning

9:30am | spring information
meeting / q&a

11:00am | refreshment break

11:15am | educational session
with guest speaker
Blake Hutcheson, President
& CEO, Oxford Properties

in-person

Metro Toronto Convention Centre
North Building, Level 100, Room 105
255 Front Street West, Toronto, ON
Public parking available

live audio webcast

Visit omers.com or omerssc.com



information meeting
2014 spring

OMERS