Condensed Interim Consolidated Financial Statements

OMERS Administration Corporation

As at and for the six months ended June 30, 2022 and 2021

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited)

As at (in millions of Canadian dollars)		**June 30, 2022**		December 31, 2021
Net Assets Available for Benefits				
Assets				
Investments (note 3)	**$**	**147,671**	$	136,112
Investment-related assets (note 3)		**1,583**		1,177
Contributions receivable				
From employers		**181**		174
From members		**181**		174
Other assets		**317**		253
Total Assets		**149,933**		137,890
Liabilities				
Investment-related liabilities (notes 3 and 4)		**26,125**		12,850
Amounts payable under contractual agreements		**3,791**		3,771
Other liabilities		**346**		350
Total Liabilities		**30,262**		16,971
Net Assets Available for Benefits	**$**	**119,671**	$	120,919
Accrued Pension Obligation and Surplus (Deficit)				
Primary Plan (note 5)				
Defined Benefit component				
Accrued pension obligation	**$**	**124,609**	$	119,342
Surplus (Deficit)				
Funding (deficit) surplus		**(6,079)**		(3,131)
Actuarial value adjustment to net assets available for benefits		**(478)**		3,062
		(6,557)		(69)
Additional Voluntary Contributions component		**1,444**		1,454
Accrued Pension Obligation and Surplus (Deficit) of the Primary Plan		**119,496**		120,727
Retirement Compensation Arrangement				
Accrued pension obligation		**1,185**		1,144
(Deficit) Surplus		**(1,010)**		(952)
Accrued Pension Obligation and Surplus (Deficit) of the Retirement Compensation Arrangement		**175**		192
Accrued Pension Obligation and Surplus (Deficit)	**$**	**119,671**	$	120,919

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

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

(unaudited)

For the six months ended June 30, (in millions of Canadian dollars)		2022		2021
Changes Due to Investment Activities				
Net investment (loss) income (note 6)	**$**	**(513)**	$	9,223
Total Changes Due to Investment Activities		**(513)**		9,223
Changes Due to Pension Activities				
Contributions		**2,351**		2,296
Benefits paid		**(3,035)**		(2,788)
Pension administrative expenses		**(51)**		(49)
Total Changes Due to Pension Activities		**(735)**		(541)
Total (Decrease) Increase		**(1,248)**		8,682
Net Assets Available for Benefits, Beginning of Period		**120,919**		105,575
Net Assets Available for Benefits, End of Period	**$**	**119,671**	$	114,257

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

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN PENSION OBLIGATIONS

(unaudited)

For the six months ended June 30, (in millions of Canadian dollars)		**2022**		2021
OMERS Primary Pension Plan (note 5)				
Defined Benefit Component				
Accrued pension obligation, beginning of period	**$**	**119,342**	$	111,820
Interest accrued on benefits		**3,390**		3,231
Benefits accrued		**1,941**		1,855
Benefits paid		**(2,964)**		(2,725)
Experience losses (gains)		**2,900**		600
Accrued Pension Obligation, End of Period		**124,609**		114,781
Additional Voluntary Contributions Component				
Additional Voluntary Contributions obligation, beginning of period		**1,454**		1,235
Contributions		**46**		51
Withdrawals		**(54)**		(45)
Attributed net investment (loss) income		**(2)**		53
Additional Voluntary Contributions Obligation, End of Period		**1,444**		1,294
Retirement Compensation Arrangement				
Accrued pension obligation, beginning of period	**$**	**1,144**	$	1,152
Interest accrued on benefits		**18**		18
Benefits accrued		**17**		14
Benefits paid		**(17)**		(18)
Experience losses (gains)		**23**		—
Accrued Pension Obligation, End of Period	**$**	**1,185**	$	1,166

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

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

OMERS Primary Pension Plan

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

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

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

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

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

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

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

These Condensed Interim Consolidated Financial Statements (Interim Financial Statements) include the financial position, changes in net assets available for benefits and changes in pension obligations of AC and of the OMERS Pension Plans and have been prepared in accordance with CPA Canada Handbook Section 4600 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the information and disclosure required in an annual set of consolidated financial statements. These Interim Financial Statements should be read in conjunction with the annual consolidated financial statements and the accompanying notes included in OMERS 2021 Annual Report. The Interim Financial Statements follow the same accounting policies and methods used in preparation of the audited 2021 annual consolidated financial statements, except as described below.

Certain comparative figures have been revised to conform to the current period's presentation, including those set out in Note 6 - *Net Investment (Loss) Income* .

These Interim Financial Statements were approved by AC's Board of Directors on August 18, 2022.

Use of Estimates and Judgments

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

Accrued Pension Obligation

The June 30, 2022 accrued pension obligation is determined by accumulating the December 31, 2021 accrued pension obligation with normal cost and interest and by deducting benefit payments in the period. Adjustments are made for other known experience, if considered material.

NOTE 3

A. Investments

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

As at		**June 30, 2022**		December 31, 2021
Fixed Income				
Inflation-linked bonds	**$**	**2,412**	$	2,957
Nominal bonds and debentures		**14,166**		8,515
Private debt and mortgages		**8,179**		9,393
Total Fixed Income		**24,757**		20,865
Equities				
Public equities		**16,327**		18,697
Private equities		**26,688**		25,365
Total Equities		**43,015**		44,062
Real Assets				
Infrastructure investments		**28,400**		29,691
Real Estate investments		**24,979**		23,604
Total Real Assets		**53,379**		53,295
Short-Term Instruments				
Cash and short-term deposits		**26,520**		17,890
Total Investments		**147,671**		136,112
Investment-Related Assets				
Investment receivables		**455**		286
Deferred, prepaid and other assets		**48**		55
Derivatives		**887**		740
Pending trades		**193**		96
Total Investment-Related Assets		**1,583**		1,177
Investment-Related Liabilities				
Investment liabilities (note 4)		**(24,651)**		(12,264)
Derivatives		**(1,367)**		(529)
Pending trades		**(107)**		(57)
Total Investment-Related Liabilities		**(26,125)**		(12,850)
Net Investment Assets	**$**	**123,129**	$	124,439

B. Investment Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

As at June 30,				**2022**
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Income	$ **—**	$ **16,578**	$ **8,179**	$ **24,757**
Public Equity	**16,107**	**—**	**220**	**16,327**
Private Equity	**—**	**18**	**26,670**	**26,688**
Infrastructure	**—**	**—**	**28,400**	**28,400**
Real Estate	**—**	**—**	**24,979**	**24,979**
Short-Term Instruments	**3,309**	**23,211**	**—**	**26,520**
Investment-Related Assets	**18**	**1,565**	**—**	**1,583**
Investment-Related Liabilities	**(112)**	**(26,013)**	**—**	**(26,125)**
Net Investment Assets	$ **19,322**	$ **15,359**	$ **88,448**	$ **123,129**

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

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

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

The following table presents the changes in Level 3 investments for the period ended June 30, 2021:

	Fair Value Dec 31, 2020	Included in Total Investment Income (Loss)(i)	Transfers In(ii)	Transfers Out(ii)	Purchases	Sales and Return of Capital(iv)	Fair Value June 30, 2021	Unrealized Gains (Losses) Attributable to Investments in the period(i)(v)
Fixed Income	$ 10,059	$ 33	$ —	$ —	$ 1,310	$ (1,888)	$ 9,514	$ (220)
Public Equity	233	(19)	—	—	—	(8)	206	(24)
Private Equity	19,743	2,430	—	(63)	1,713	(938)	22,885	2,372
Infrastructure	28,678	466	—	—	966	(2,181)	27,929	(416)
Real Estate	18,316	1,019	63	—	1,635	(691)	20,342	588
Total	$ 77,029	$ 3,929	$ 63	$ (63)	$ 5,624	$ (5,706)	$ 80,876	$ 2,300

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

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

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

(iv) Includes realized foreign exchange gains and losses.

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

(c) Fair Value Assumptions and Sensitivity

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

Private equity significant valuation inputs are comprised of earnings before interest, taxes, depreciation and amortization (EBITDA) multiples. All else being equal, higher multiples equate to higher fair values, and vice versa.

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

As at				**June 30, 2022**	December 31, 2021
	Significant Inputs	**Range of Inputs**	**Change in Significant Inputs**	**Change in Net Investment Assets**	Change in Net Investment Assets
Private credit	Discount rate	3.6% - 23.6% (2021: 1.1% - 18.3%)	**+/- 100 bps**	$ **-/+158**	$ -/+199
Private equity	Multiple[1]	5.0X - 21.5X (2021: 5.0X - 21.0X)	**+/- 0.50x**	**+/-790**	+/-730
Infrastructure investments	Discount rate	6.8% - 15.8% (2021: 7.0% - 15.8%)	**+/- 25 bps**	**-/+1,600**	-/+ 1,245
Real estate investments	Discount rate	4.6% - 10.5% (2021: 4.5% - 10.5%)	**+/- 25 bps**	**-/+763**	-/+ 730
Real estate investments	Terminal capitalization rate	3.1% - 8.5% (2021: 3.1% - 8.5%)	**+/-25 bps**	**-/+1,419**	-/+1,370

[1]Primarily reflects EBITDA and, in limited instances, revenue multiple.

The above sensitivity analysis excludes fund investments totaling $7,267 (December 31, 2021: $7,070) for which AC does not have access to the underlying investment information. For those investments, fair values are equal to the values provided by the fund's general partner, unless there is a specific and objectively verifiable reason to vary from the value provided.

C. Derivative Financial Instruments

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

As at	**June 30, 2022**			December 31, 2021		
		Fair Value			Fair Value	
	Notional Value	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Fixed Income						
Interest Rate Contracts						
Swaps	**$ 532**	**$ —**	**$ (12)**	$ 645	$ 6	$ (1)
Futures	**1,539**	**—**	**(12)**	753	—	—
Options	**6**	**—**	**—**	—	—	—
		—	**(24)**		6	(1)
Credit Default Contracts						
Swaps	**14,583**	**—**	**—**	10,816	1	—
Swaptions						
- written	**4,321**	**—**	**(29)**	632	—	—
- purchased	**4,736**	**10**	**—**	632	1	—
		10	**(29)**		2	—
		10	**(53)**		8	(1)
Equities						
Equity Contracts						
Swaps	**16,633**	**291**	**(754)**	15,343	414	(137)
Futures	**4,386**	**14**	**(33)**	3,484	3	(9)
Options						
- written	**8,271**	**—**	**(181)**	5,089	—	(75)
- purchased	**10,553**	**317**	**—**	7,743	195	—
		622	**(968)**		612	(221)
Commodity Contracts						
Futures	**1,719**	**4**	**(29)**	1,548	5	(15)
		4	**(29)**		5	(15)
		626	**(997)**		617	(236)
Foreign Exchange Contracts						
Forwards	**35,148**	**241**	**(306)**	37,308	115	(292)
Options						
- written	**1,538**	**—**	**(11)**	—	—	—
- purchased	**1,829**	**10**	**—**	—	—	—
		251	**(317)**		115	(292)
Total		**$ 887**	**$ (1,367)**		$ 740	$ (529)

D. Investment Risk

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

AC manages market, credit and liquidity risk as follows:

a) Market Risk

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

(i) Foreign Exchange Rates

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

As at	**June 30, 2022**		December 31, 2021	
	Fair Value By Currency		Fair Value By Currency	
Currency	**Net Exposure**	**% of Total**	Net Exposure	% of Total
United States Dollar	**$ 34,332**	**28 %**	$ 31,114	25 %
Euro	**4,944**	**4**	3,529	3
British Pound Sterling	**4,731**	**4**	5,988	5
Hong Kong Dollar	**2,582**	**2**	2,860	2
Indian Rupee	**2,164**	**2**	2,428	2
Australian Dollar	**1,738**	**1**	1,829	1
All Other	**3,076**	**3**	4,150	4
Total Foreign Currency Exposure	**53,567**	**44**	51,898	42
Canadian Dollar	**69,562**	**56**	72,541	58
Total	**$ 123,129**	**100 %**	$ 124,439	100 %

Foreign Currency Sensitivity

After giving effect to the impact of hedging and holding constant all other variables and underlying values, a five per cent increase or decrease in the value of the Canadian dollar against all foreign currencies would result in an approximate $2,679 (December 31, 2021: $2,593) decrease or increase in AC's net assets as shown below:

As at		**June 30, 2022**	December 31, 2021
Currency	**Change in value of Canadian Dollar**	**Change in Unrealized Gain/Loss**	Change in Unrealized Gain/Loss
United States Dollar	**+/- 5%**	**$ -/+ 1,717**	$ -/+ 1,556
Euro	**+/- 5%**	**-/+ 247**	-/+ 176
British Pound Sterling	**+/- 5%**	**-/+ 237**	-/+ 299
Hong Kong Dollar	**+/- 5%**	**-/+ 129**	-/+ 143
Indian Rupee	**+/- 5%**	**-/+ 108**	-/+ 121
Australian Dollar	**+/- 5%**	**-/+ 87**	-/+ 91
All Other	**+/- 5%**	**-/+ 154**	-/+ 207
Total		**$ -/+ 2,679**	$ -/+ 2,593

(ii) Interest Rate Risk

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

Sensitivity to changes in interest rates

AC's exposure to a 150 basis point increase (decrease) in interest rate, with all other variables held constant, would result in an approximate decrease (increase) in the value of directly managed fixed income investments and interest rate swaps, net of term note liabilities, of $635 (December 31, 2021: $528). This would be recognized as a change in unrealized loss (gain).

(iii) Price Risk

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

AC's investment in publicly-traded equities is achieved through both physical holdings and derivative exposures. A ten per cent increase (decrease) in the aggregate value of these public equities would result in an approximate increase (decrease) in public equity exposures and an unrealized gain (loss) of $3,187 (December 31, 2021: $3,644).

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

AC is also subject to price risk through changes in credit spreads on its fixed income investments and term note liabilities. A 50 basis point increase (decrease) in the credit spreads of these interest bearing instruments would result in an approximate net decrease (increase) in the value of fixed income investments and term note liabilities, and a net unrealized loss (gain) of $156 (December 31, 2021: $221).

b) Credit Risk

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

To manage counterparty credit risk, AC:

- requires collateral from its counterparties in certain circumstances, as outlined in contractual arrangements;
- limits how much exposure it has with individual counterparties;
- regularly performs financial analysis of its counterparties, which includes reference to credit rating agencies and other relevant external sources. AC only trades OTC derivatives with high quality counterparties;
- if no rating is available from selected reputable credit rating agencies for credit investments, Management estimates ratings using an internal rating process where information is available; and
- enters into enforceable master netting agreements.

(i) Credit Quality

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

As at June 30,									**2022**
		Sovereign Governments		**Provincial Governments**		**Corporate**		**Total**	**% of Total**
AAA	**$**	**10,607**	**$**	**—**	**$**	**1**	**$**	**10,608**	**21 %**
AA		**14,023**		**96**		**12,677**		**26,796**	**52**
A		**—**		**15**		**1,005**		**1,020**	**2**
BBB		**166**		**—**		**3,654**		**3,820**	**7**
Below BBB		**—**		**—**		**7,759**		**7,759**	**15**
Unrated		**—**		**—**		**1,274**		**1,274**	**3**
Total	**$**	**24,796**	**$**	**111**	**$**	**26,370**	**$**	**51,277**	**100 %**

As at December 31,									2021
		Sovereign Governments		Provincial Governments		Corporate		Total	% of Total
AAA	$	6,631	$	—	$	—	$	6,631	17 %
AA		4,057		383		13,940		18,380	47
A		—		233		1,226		1,459	4
BBB		474		—		3,316		3,790	10
Below BBB		—		—		6,857		6,857	18
Unrated		—		—		1,638		1,638	4
Total	$	11,162	$	616	$	26,977	$	38,755	100 %

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

(ii) Margin, Right of Netting and Offset

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

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

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

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

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

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

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

As at June 30,				Related amounts not set off in the Condensed Interim Consolidated Statement of Financial Position		**2022**
	Gross amounts of recognized Financial Instruments	**Less amounts offset in Interim Financial Statements**	**Net amounts presented in Interim Financial Statements**	**Amounts subject to netting arrangements**	**Financial collateral (received) pledged**	**Net amount**
Financial Assets						
Derivative assets	$ **887**	$ **—**	$ **887**	$ **(617)**	$ **(58)**	$ **212**
Total Financial Assets	$ **887**	$ **—**	$ **887**	$ **(617)**	$ **(58)**	$ **212**
Financial Liabilities						
Derivative liabilities	$ **(1,367)**	$ **—**	$ **(1,367)**	$ **617**	$ **483**	$ **(267)**
Securities sold short	**(896)**	**—**	**(896)**	**—**	**896**	**—**
Securities sold under repurchase agreements	**(11,776)**	**—**	**(11,776)**	**—**	**11,776**	**—**
Total Financial Liabilities	$ **(14,039)**	$ **—**	$ **(14,039)**	$ **617**	$ **13,155**	$ **(267)**

As at December 31,				Related amounts not set off in the Condensed Interim Consolidated Statement of Financial Position		2021
	Gross amounts of recognized Financial Instruments	Less amounts offset in Interim Financial Statements	Net amounts presented in Interim Financial Statements	Amounts subject to netting arrangements	Financial collateral (received) pledged	Net amount
Financial Assets						
Derivative assets	$ 740	$ —	$ 740	$ (410)	$ (188)	$ 142
Total Financial Assets	$ 740	$ —	$ 740	$ (410)	$ (188)	$ 142
Financial Liabilities						
Derivative liabilities	$ (529)	$ —	$ (529)	$ 410	$ 81	$ (38)
Securities sold short	(862)	—	(862)	—	862	—
Securities sold under repurchase agreements	(152)	—	(152)	—	152	—
Total Financial Liabilities	$ (1,543)	$ —	$ (1,543)	$ 410	$ 1,095	$ (38)

c) Liquidity Risk

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

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

As of June 30, 2022, AC maintained $25,404 of liquid assets (December 31, 2021: $25,137), excluding securities sold under the agreement to repurchase. Liquid assets include cash and short-term deposits, inflation-linked bonds and government securities.

AC enters into securities repurchase agreements whereby it sells financial assets to counterparties and simultaneously agrees to buy them back at a predetermined price in the future. Securities sold are not derecognized. As of June 30, 2022, the fair value of securities sold under repurchase agreements is $11,834 (December 31, 2021: $152) and the liabilities related to securities sold under repurchase agreements are $11,776 (December 31, 2021: $152).

(i) Terms to Maturity

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

As at	**June 30, 2022**				December 31, 2021			
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Debt (undiscounted principal and interest (re)payments) (i)	**$ 3,019**	**$ 6,950**	**$ 3,251**	**$ 13,220**	$ 2,060	$ 6,642	$ 2,325	$ 11,027
Securities sold short	**41**	**448**	**407**	**896**	72	278	512	862
Securities sold under repurchase agreements	**11,776**	**—**	**—**	**11,776**	152	—	—	152
Payables and other liabilities	**676**	**—**	**—**	**676**	619	—	—	619
Interest rate contracts	**24**	**—**	**—**	**24**	1	—	—	1
Credit default contracts	**29**	**—**	**—**	**29**	—	—	—	—
Equity contracts	**968**	**—**	**—**	**968**	221	—	—	221
Commodity contracts	**29**	**—**	**—**	**29**	15	—	—	15
Foreign exchange contracts	**317**	**—**	**—**	**317**	292	—	—	292
Total	**$ 16,879**	**$ 7,398**	**$ 3,658**	**$ 27,935**	$ 3,432	$ 6,920	$ 2,837	$ 13,189

(i) Includes commercial paper which is due within 1 year of $989 (December 31, 2021: $1,201).

Since December 31, 2021, there have been no significant changes in composition or maturity for Amounts Payable Under Contractual Agreements of $3,791 (December 31, 2021: $3,771) and Other Liabilities of $346 (December 31, 2021: $350).

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

As at	**June 30, 2022**				December 31, 2021			
	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	**$ 1,337**	**$ —**	**$ —**	**$ 1,337**	$ 126	$ —	$ —	$ 126
Credit default contracts	**4,321**	**19**	**—**	**4,340**	632	—	—	632
Equity contracts	**22,556**	**—**	**—**	**22,556**	11,955	—	—	11,955
Commodity contracts	**1,538**	**—**	**—**	**1,538**	950	—	—	950
Foreign exchange contracts	**21,219**	**—**	**—**	**21,219**	20,060	—	—	20,060
Total	**$ 50,971**	**$ 19**	**$ —**	**$ 50,990**	$ 33,723	$ —	$ —	$ 33,723

(ii) Commercial paper

OMERS Finance Trust (OFT), whose beneficiaries are subsidiaries of AC, is authorized to issue up to an equivalent of $5,000 (December 31, 2021: $5,000) in commercial paper, which is unconditionally and irrevocably guaranteed by AC. As directed by the Investment Risk Policy, total debt with recourse to AC cannot exceed 10 per cent of total Net Investment Assets (gross of debt with recourse to AC). Commercial paper of $989 was issued as at June 30, 2022 (December 31, 2021: $1,201).

Commercial paper generally has short-term maturities, and the requirement to repay this debt at maturity increases liquidity risk. OFT manages this risk by maintaining a high credit rating and by maintaining a $3,750 (December 31, 2021: $3,750) revolving credit facility with a syndicate of well-capitalized banks to backstop the commercial paper program and to use for other general corporate purposes. At June 30, 2022, $nil was drawn against this facility (December 31, 2021: $nil).

NOTE 4

Investment Liabilities

AC's investment liabilities are as follows:

As at	June 30, 2022	December 31, 2021
Debt	**$ 11,303**	$ 10,631
Securities sold short	**896**	862
Securities sold under repurchase agreements	**11,776**	152
Payables and other liabilities	**676**	619
Total	**$ 24,651**	$ 12,264

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

As at	June 30, 2022		December 31, 2021	
	Fair Value	**Weighted Average Interest Rate**	Fair Value	Weighted Average Interest Rate
Real Estate				
Credit facilities	**$ 476**	**2.01 %**	$ 450	0.90 %
Infrastructure				
Secured debt	**1,028**	**1.71**	1,070	1.43
OMERS Finance Trust				
Commercial paper (i)	**989**	**0.64**	1,201	0.23
Term notes	**8,784**	**1.88**	7,904	1.54
Credit facility (ii)	**26**	**0.50**	6	0.50
Total	**$ 11,303**	**1.76 %**	$ 10,631	1.36 %

(i) As at June 30, 2022, commercial paper outstanding has maturities from July 5, 2022 to July 22, 2022 with interest rates ranging from 0.23% to 1.34%.

(ii) EUR €225 revolving credit facility expires on September 27, 2023 with an interest rate of EURIBOR + 0.50%. At June 30, 2022, EUR €18.9 was drawn (December 31, 2021: EUR €3.9).

OFT is authorized to issue term notes, which are unconditionally and irrevocably guaranteed by AC. As at June 30, 2022, term notes totaling $8,784 are outstanding (December 31, 2021: $7,904) and details are shown in the table below:

Maturity	Term	Currency	Principal Amount	Coupon
April 14, 2023	3 years	USD	1,000	1.125%
May 2, 2024	5 years	USD	1,250	2.500%
May 13, 2025	5 years	EUR	1,000	0.450%
March 26, 2026	5 years	USD	1,000	1.100%
April 21, 2027	7 years	CAD	1,250	1.550%
May 14, 2029	10 years	CAD	1,000	2.600%
April 19, 2032	10 years	USD	600	3.500%
April 19, 2052	30 years	USD	500	4.000%

NOTE 5

OMERS Primary Pension Plan

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

Condensed Interim Statement of Financial Position

As at	June 30, 2022	December 31, 2021
Net Assets Available for Benefits	$ **119,496**	$ 120,727
Accrued Pension Obligation and Surplus (Deficit)		
Defined benefit component		
Accrued pension obligation	$ **124,609**	$ 119,342
Surplus (Deficit)		
Funding (deficit) surplus	**(6,079)**	(3,131)
Actuarial value adjustment of net assets	**(478)**	3,062
	(6,557)	(69)
Additional Voluntary Contributions component obligation	**1,444**	1,454
Total Primary Plan Accrued Pension Obligation and Surplus (Deficit)	$ **119,496**	$ 120,727

Condensed Interim Statement of Changes in Net Assets Available for Benefits

For the six months ended June 30,	2022	2021
Statement of Changes in Net Assets		
Net investment (loss) income	$ **(493)**	$ 9,212
Contributions	**2,331**	2,278
Benefits paid	**(3,018)**	(2,770)
Pension administrative expenses	**(51)**	(49)
Total (Decrease) Increase	**(1,231)**	8,671
Net Assets Available for Benefits, Beginning of Period	**120,727**	105,400
Net Assets Available for Benefits, End of Period	$ **119,496**	$ 114,071

The primary economic actuarial assumptions used in the actuarial valuation of the Primary Plan as at June 30, 2022 are unchanged from December 31, 2021.

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

As of	June 30, 2022	December 31, 2021
Primary Plan fair value of net assets available for benefits	$ **119,496**	$ 120,727
Less: Additional Voluntary Contribution net assets	**1,444**	1,454
Defined benefit net assets available for benefits	**118,052**	119,273
Less: Actuarial value adjustment	**(478)**	3,062
Actuarial value of net assets available for benefits	**118,530**	116,211
Less: Defined Benefit accrued pension obligation	**124,609**	119,342
Funding (deficit) surplus of actuarial value of net assets available for benefits over accrued pension obligation	**(6,079)**	(3,131)
Actuarial value adjustment to net assets available for benefits	**(478)**	3,062
(Deficit) Surplus of net assets available for benefits over accrued pension obligation	$ **(6,557)**	$ (69)

The change in the actuarial value adjustment is as follows:

		For the six months ended June 30, 2022		For the year ended December 31, 2021
Expected interest on beginning actuarial value adjustment (i)	**$**	**100**	$	(301)
Current year returns (below) in excess of the actuarial smoothing rate not recognized in the year (i)		**(3,495)**		7,358
Prior years' returns (above) below the actuarial smoothing rate recognized in the year		**(145)**		449
(Decrease) Increase in actuarial value adjustment		**(3,540)**		7,506
Actuarial value adjustment, beginning of period		**3,062**		(4,444)
Actuarial value adjustment, end of period	**$**	**(478)**	$	3,062

(i) Based on the actuarial smoothing rate in effect during the period of 6.63% (2021: 6.78%).

The actuarial value adjustment is constrained to no more than 15% of the fair value of net assets for the Primary Plan. As at both June 30, 2022 and December 31, 2021 this constraint had no impact on the actuarial value adjustment.

NOTE 6

Net Investment (Loss) Income

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

For the six months ended June 30,					2022
	Investment Income	Net Gain (Loss) on Investment Assets and Liabilities	Total Investment (Loss) Income	Investment Management Expenses	Net Investment (Loss) Income
Fixed Income					
Inflation-linked bonds	$ 6	$ (24)	$ (18)	$ (6)	$ (24)
Nominal bonds and debentures	122	(659)	(537)	(9)	(546)
Private debt and mortgages	259	(335)	(76)	(47)	(123)
Total Fixed Income	387	(1,018)	(631)	(62)	(693)
Equities					
Public equities	210	(2,919)	(2,709)	(52)	(2,761)
Private equities	560	1,344	1,904	(151)	1,753
Total Equities	770	(1,575)	(805)	(203)	(1,008)
Real Assets					
Infrastructure	607	232	839	(63)	776
Real estate	465	1,421	1,886	(10)	1,876
Total Real Assets	1,072	1,653	2,725	(73)	2,652
Short-Term Instruments					
Cash and short-term deposits	47	(19)	28	(3)	25
Derivatives	—	(1,896)	(1,896)	—	(1,896)
Investment liabilities	—	507	507	—	507
Total Investment (Loss) Income	$ 2,276	$ (2,348)	$ (72)	$ (341)	$ (413)
Less: Income credited under contractual agreements					100
Net Investment (Loss) Income					$ (513)

For the six months ended June 30,					2021
	Investment Income	Net Gain (Loss) on Investment Assets and Liabilities	Total Investment Income (Loss)	Investment Management Expenses	Net Investment Income (Loss)
Fixed Income					
Inflation-linked bonds	$ 9	$ (10)	$ (1)	$ (5)	$ (6)
Nominal bonds and debentures	70	(157)	(87)	(7)	(94)
Private debt and mortgages	283	(168)	115	(41)	74
Total Fixed Income	362	(335)	27	(53)	(26)
Equities					
Public equities	223	1,150	1,373	(48)	1,325
Private equities	300	2,035	2,335	(129)	2,206
Total Equities	523	3,185	3,708	(177)	3,531
Real Assets					
Infrastructure	843	(280)	563	(55)	508
Real estate	401	640	1,041	(5)	1,036
Total Real Assets	1,244	360	1,604	(60)	1,544
Short-Term Instruments					
Cash and short-term deposits	26	(168)	(142)	(3)	(145)
Derivatives (i)	125	4,105	4,230	—	4,230
Investment liabilities (i)	—	320	320	—	320
Total Investment Income (Loss)	$ 2,280	$ 7,467	$ 9,747	$ (293)	$ 9,454
Less: Income credited under contractual agreements					231
Net Investment Income (Loss)					$ 9,223

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

NOTE 7

Segment Information

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

A. Investments at fair value by segment

As at		**June 30, 2022**		December 31, 2021
Fixed Income				
Bonds	**$**	**11,082**	$	6,931
Credit		**17,383**		16,610
		28,465		23,541
Equities				
Public Equity		**14,813**		18,268
Private Equity		**20,107**		19,761
		34,920		38,029
Real Assets				
Infrastructure		**24,561**		24,036
Real Estate		**21,076**		19,843
		45,637		43,879
Cash and Funding		**12,245**		17,097
Total Investments	**$**	**121,267**	$	122,546
Reconciliation to Investments by asset class (note 3A)				
OMERS Return Agreements (i)		**2,057**		2,029
RCA (ii)		**93**		120
Other		**(288)**		(256)
Net Investments Assets (note 3A)	**$**	**123,129**	$	124,439

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

(ii) Excludes refundable tax account

B. Net Investment (Loss) Income by segment

For the six months ended June 30,		2022		2021
Fixed Income				
Bonds	**$**	**(246)**	$	10
Credit		**(397)**		195
		(643)		205
Equities				
Public Equity		**(4,746)**		4,182
Private Equity		**1,424**		2,407
		(3,322)		6,589
Real Assets				
Infrastructure		**1,153**		1,036
Real Estate		**1,923**		1,340
		3,076		2,376
Cash and Funding		**390**		174
		(499)		9,344
Less: Administered Funds (i)		**(6)**		132
Total Primary Plan		**(493)**		9,212
Add: RCA		**(20)**		11
Net Investment (Loss) Income	**$**	**(513)**	$	9,223

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

NOTE 8

Guarantees, Commitments and Contingencies

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

Guarantees are provided to third parties with respect to certain investments. The maximum amount payable under guarantees, standby letters of credit and contingent amounts payable provided as part of investment transactions was $2.2 billion as at June 30, 2022 (December 31, 2021: $2.8 billion).

Future financial commitments and contingencies include those relating to acquisitions of investments, funds managed by third parties, development of real estate projects and refurbishment of a major infrastructure asset. As at June 30, 2022, $6.6 billion (December 31, 2021: $3.4 billion) is expected to be due within one year and $13.9 billion (December 31, 2021: $14.7 billion) is expected to be due after one year.

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

As at June 30, 2022, AC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a material adverse effect on the Interim Financial Statements.