2007 ANNUAL REPORT

one team one goal

OMERS

OMERS ADMINISTRATION CORPORATION

OMERS SPONSORS CORPORATION

OMERS was established in 1962 as the pension plan for employees of local governments in Ontario. On June 30, 2006, the *Ontario Municipal Employees Retirement System Act, 2006* (the OMERS Act) came into effect. The new Act continued the Ontario Municipal Employees Retirement Board as the OMERS Administration Corporation (AC) and created a Sponsors Corporation (SC) to replace the Ontario government as plan sponsor. Sponsors (such as plan members, employers and retirees, through their unions, associations and other organizations) appoint the Board members of the SC and the AC.

OMERS Sponsors Corporation

OMERS Sponsors Corporation has 14 Board members: 7 plan member representatives, and 7 employer representatives.

The SC is responsible for:

- Determining plan design for benefits to be provided by the pension plans
- Setting contribution rates for members and participating employers
- Establishing or changing a reserve to stabilize contribution rates
- Setting compensation levels and appointment protocol of SC and AC Boards by June 2009.

OMERS Administration Corporation

OMERS Administration Corporation Board has 14 Board members: 7 plan member representatives, and 7 employer representatives. It is the Administrator of the OMERS Plans under the PBA.

The AC is responsible for:

- Appointing OMERS management
- Investment policies, asset allocation and investment management of OMERS Plans' assets
- Pension services and administration
- Appointing the AC auditor and the actuary for the OMERS Plans.

OMERS Management

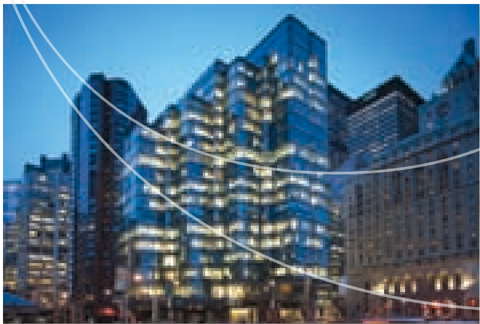
OMERS Management conducts the affairs of the AC and has been delegated broad responsibilities for ensuring that OMERS discharges its statutory and related responsibilities to plan members, including:

- Administering the OMERS Plans and implementing Supplemental Plans for the police sector, firefighters and paramedics
- Providing for the actuarial valuation of the OMERS Plans
- Investment of the OMERS Plans' assets
- Technical and administrative support for the SC.

CONTENTS

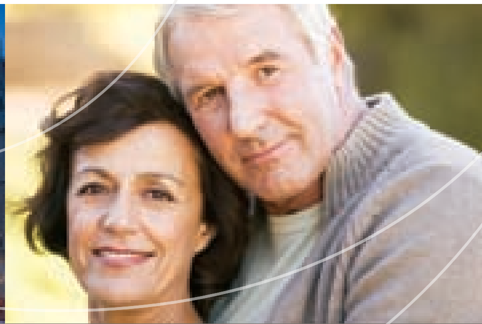
Working for our members

The OMERS Primary Pension Plan is a multi-employer pension plan that serves over 380,000 current and former employees of more than 900 municipal governments, school boards, libraries, police and fire departments, children's aid societies and other local agencies throughout Ontario. The Plan is a contributory defined benefit pension plan. Equal contributions from participating employers and employees finance about 30% of benefits, while the Plan's investment earnings finance the remaining 70% over the long term.



OMERS MANAGEMENT

OMERS Management is the delegated authority which administers the OMERS Plans. OMERS Management has broad responsibilities for communicating to the members and sponsors on behalf of the SC and AC. Among the responsibilities are: undertaking an actuarial valuation of Plan liabilities for approval by the AC Board, investment management according to AC policy, and developing strategic plans.



PENSION SERVICES

Our Pension Division's mandate is to provide best-in-class service to our members and employers and we're committed to paying our members' pensions accurately and on time. Part of our pension promise is to provide information and assistance through a variety of access options and we deliver this by phone, written communications, on-line services and face-to-face presentations throughout the province. Established service standards measure our performance and ensure members are receiving the best service we can provide.

Sustaining and expanding best-in-class service standards are our top priorities. Anticipating growth in membership, service needs and legislative changes, we're establishing an operating environment with well-trained staff that has the flexibility to support expansion and new initiatives, such as Supplemental Plans. By listening to our members through regular surveys and focus groups, we can meet changing needs and enhance our reputation as a leader in pension services.

PUBLIC MARKET INVESTMENTS

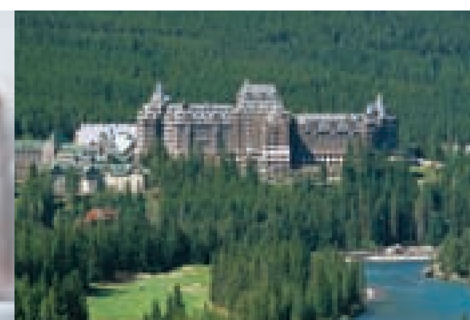
OMERS Capital Markets

The experience of our OMERS Capital Markets team is a crucial element of our investing success. Making daily decisions on investments in publicly traded companies as well as interest bearing investments such as bonds and mortgages, our investment professionals at OMERS Capital Markets have consistently positioned our portfolio to capture growth and income opportunities. Our team evaluates investment opportunities and selects those that will grow the value of the Fund and benefit our members.

Our team continuously reviews our asset mix to respond to economic and financial factors that affect the market. Diversification is important as we manage our portfolio with a view to ensuring solid return rates balanced with prudent risk management.

70.2% / 29.8% Public/Private Asset Mix

We have a responsibility to deliver pensions to our retirees – today and in the future. To ensure the stability of our Fund, we understand the importance of practicing a prudent, long-term strategy for building our investments. Our asset-mix strategy balances private and public investments, taking into account changing economic and financial trends and targeting growth opportunities. In 2007, the Fund's asset mix was 70.2% in public market and 29.8% in private market asset classes.



PRIVATE INVESTMENTS

OMERS Capital Partners

OMERS Capital Partners manages all aspects of our private equity investments, and our strategy includes both a fund and a direct investments program. For funds, we make commitments as a limited partner to top tier fund managers. The majority of our commitments are for leverage buyout funds and we also commit to venture, mezzanine debt, distress and special situation funds. Direct investments have two facets – investments where we either manage or exercise joint management; and investments where we make passive investments, representing a small equity ownership, alongside our fund manager.

Diversification by geographic market, industry sector and by company size is an important element of our strategy. Our direct control investments are focused primarily in Canada whereas our fund commitments are global.

Borealis Infrastructure

Borealis invests in and manages our global infrastructure assets, including Bruce Power, Scotia Gas Networks, Confederation Bridge, LifeLabs, Associated British Ports, Express Pipeline and Enwave Energy Corporation. A leader in infrastructure investing, Borealis manages a global portfolio of over 20 different investments with an enterprise value exceeding $25 billion. These investments are ideal for long-term stable and predictable returns, consistent with the future needs of the OMERS Pension Plans.

Our strategy is to position Borealis as a first-choice partner for infrastructure investments around the world focusing on transportation, energy, pipelines and satellite communications.

Oxford Properties Group

Oxford Properties Group believes in a world of opportunity. For over four decades, acting as developer, owner, manager and investor, Oxford has created opportunities in the world's major real estate markets. Our understanding of real estate fundamentals and our unsurpassed access to resources combine to create knowledgeable capital that enables Oxford to add value to every transaction, partnership and opportunity. Our investments in real estate generate strong, sustainable cash flow with low volatility, contributing to the stability of the Fund.

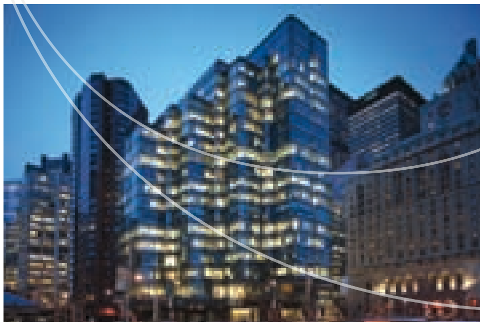
The Oxford team continues to expand real estate holdings internationally. Investing in, managing and developing commercial real estate are three elements of the business that contribute to our success. We continue to diversify by property type and geographic market to deliver consistent returns within an appropriate risk profile.

one team one goal ...*performance*

OMERS has implemented a number of significant changes over the past two years – improving our corporate structure and our board governance, and positioning a new leadership team to continue delivering on our pension promise to members. One thing that has not changed is our focus on working together to achieve the kind of investment performance and pension service quality that OMERS members and employers deserve. In 2007, we once again ranked among the pension industry's leaders in every meaningful performance measure and we did it together.

Working for our members

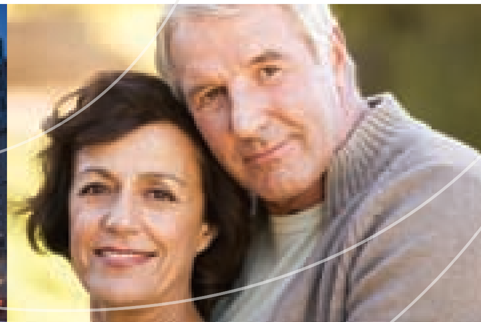
The OMERS Primary Pension Plan is a multi-employer pension plan that serves over 380,000 current and former employees of more than 900 municipal governments, school boards, libraries, police and fire departments, children's aid societies and other local agencies throughout Ontario. The Plan is a contributory defined benefit pension plan. Equal contributions from participating employers and employees finance about 30% of benefits, while the Plan's investment earnings finance the remaining 70% over the long term.



OMERS MANAGEMENT

OMERS Management is the delegated authority which administers the OMERS Plans. OMERS Management has broad responsibilities for communicating to the members and sponsors on behalf of the SC and AC. Among the responsibilities are: undertaking an actuarial valuation of Plan liabilities for approval by the AC Board, investment management according to AC policy, and developing strategic plans.

OMERS



PENSION SERVICES

Our Pension Division's mandate is to provide best-in-class service to our members and employers and we're committed to paying our members' pensions accurately and on time. Part of our pension promise is to provide information and assistance through a variety of access options and we deliver this by phone, written communications, on-line services and face-to-face presentations throughout the province. Established service standards measure our performance and ensure members are receiving the best service we can provide.

Sustaining and expanding best-in-class service standards are our top priorities. Anticipating growth in membership, service needs and legislative changes, we're establishing an operating environment with well-trained staff that has the flexibility to support expansion and new initiatives, such as Supplemental Plans. By listening to our members through regular surveys and focus groups, we can meet changing needs and enhance our reputation as a leader in pension services.

PUBLIC MARKET INVESTME

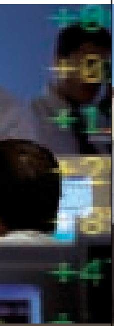
OMERS Capital Markets

The experience of our OMERS C
Markets team is a crucial elemen
our investing success. Making da
decisions on investments in publ
traded companies as well as inter
bearing investments such as bon
and mortgages, our investment
professionals at OMERS Capital
Markets have consistently positi
our portfolio to capture growth
income opportunities. Our team
evaluates investment opportuniti
selects those that will grow the v
of the Fund and benefit our mem

Our team continuously reviews o
asset mix to respond to economi
financial factors that affect the m
Diversification is important as w
manage our portfolio with a view
ensuring solid return rates balan
with prudent risk management.

70.2% / 29.8% Public/Private Asset Mix

We have a responsibility to deliver pensions to our retirees – today and in the future. To ensure the stability of our Fund, we understand the importance of practicing a prudent, long-term strategy for building our investments. Our asset-mix strategy balances private and public investments, taking into account changing economic and financial trends and targeting growth opportunities. In 2007, the Fund's asset mix was 70.2% in public market and 29.8% in private market asset classes.



PRIVATE INVESTMENTS

OMERS Capital Partners

OMERS Capital Partners manages all aspects of our private equity investments, and our strategy includes both a fund and a direct investments program. For funds, we make commitments as a limited partner to top tier fund managers. The majority of our commitments are for leverage buyout funds and we also commit to venture, mezzanine debt, distress and special situation funds. Direct investments have two facets – investments where we either manage or exercise joint management; and investments where we make passive investments, representing a small equity ownership, alongside our fund manager.

Diversification by geographic market, industry sector and by company size is an important element of our strategy. Our direct control investments are focused primarily in Canada whereas our fund commitments are global.

Borealis Infrastructure

Borealis invests in and manages our global infrastructure assets, including Bruce Power, Scotia Gas Networks, Confederation Bridge, LifeLabs, Associated British Ports, Express Pipeline and Enwave Energy Corporation. A leader in infrastructure investing, Borealis manages a global portfolio of over 20 different investments with an enterprise value exceeding $25 billion. These investments are ideal for long-term stable and predictable returns, consistent with the future needs of the OMERS Pension Plans.

Our strategy is to position Borealis as a first-choice partner for infrastructure investments around the world focusing on transportation, energy, pipelines and satellite communications.

Oxford Properties Group

Oxford Properties Group believes in a world of opportunity. For over four decades, acting as developer, owner, manager and investor, Oxford has created opportunities in the world's major real estate markets. Our understanding of real estate fundamentals and our unsurpassed access to resources combine to create knowledgeable capital that enables Oxford to add value to every transaction, partnership and opportunity. Our investments in real estate generate strong, sustainable cash flow with low volatility, contributing to the stability of the Fund.

The Oxford team continues to expand real estate holdings internationally. Investing in, managing and developing commercial real estate are three elements of the business that contribute to our success. We continue to diversify by property type and geographic market to deliver consistent returns within an appropriate risk profile.

one team one goal ...*performance*

OMERS has implemented a number of significant changes over the past two years – improving our corporate structure and our board governance, and positioning a new leadership team to continue delivering on our pension promise to members. One thing that has not changed is our focus on working together to achieve the kind of investment performance and pension service quality that OMERS members and employers deserve. In 2007, we once again ranked among the pension industry's leaders in every meaningful performance measure and we did it together.

Our operating principles are key to our performance strategy.

1 Ensure the quality of our balance sheet.

- Our assets are prudently invested and deliver a return that meets our needs within an appropriate risk profile.
- Our assets match our liabilities.
- Our assets and our liabilities are fairly valued.

2 Ensure that the right organizational structure – with clear lines of accountability – is in place to meet our objectives.

- Our organization is aligned for accountability and clarity of purpose.
- Our organizational structure allows active, hands-on management of our assets.
- Our organizational design provides value for the cost.
- Everyone at OMERS knows what is expected of them and of others.

3 Ensure that our members' needs are understood and met.

- We understand the needs of all our members.
- We deliver what our members want, where and when they want it, and at a price that represents value for them.

4 Ensure we have the right people in the right jobs.

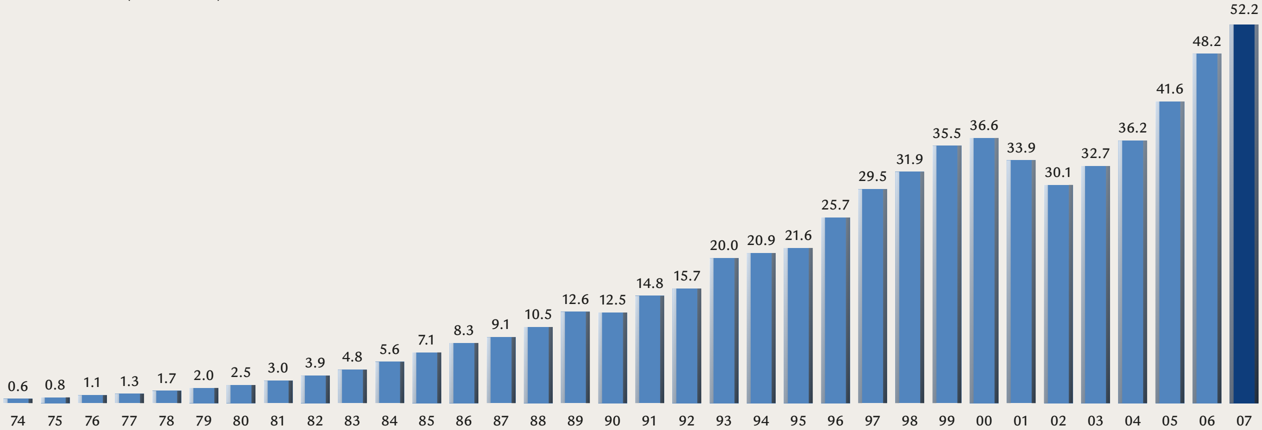
- Our business is organized around our primary asset: individuals making decisions.
- Our people are motivated, engaged and have the knowledge they need to achieve our aims.
- Our compensation programs reward performance.

5 Ensure we have access to the right management information.

- We have the information we need to manage our business.
- Our management information is timely, accurate and actionable.
- This information is universally understood throughout our organization.

NET INVESTMENT ASSET GROWTH

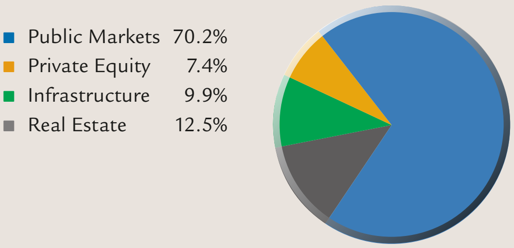
MARKET VALUE ($ BILLIONS)



ASSET MIX

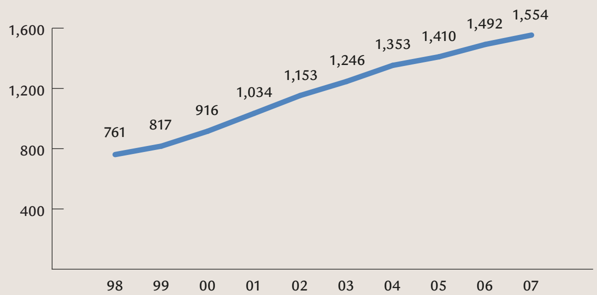
(AS AT DECEMBER 31, 2007)

NET INVESTMENT ASSETS



GROWTH IN MEMBERS' PENSION PAYMENTS

($ MILLIONS)



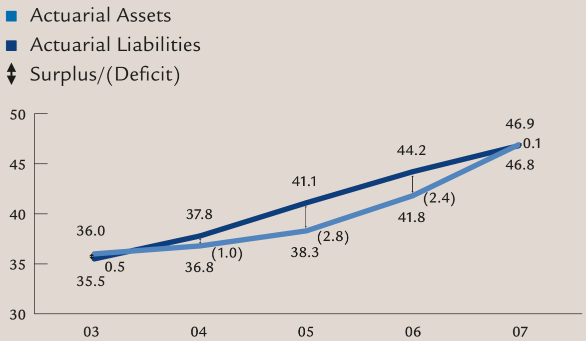
RATE OF RETURN VS. FUNDING OBJECTIVE

(%)

ACTUARIAL ASSETS AND LIABILITIES – OMERS PRIMARY PENSION PLAN

(AS AT DECEMBER 31, 2007)

MARKET VALUE ($ BILLIONS)



Teamwork is an essential part of our organization – in the way we function and in our attitude.

We work closely with each other to ensure that we meet the needs of our members. At OMERS, teamwork has resulted in greater efficiencies, superb investment returns and outstanding levels of service. We share ideas and knowledge and we support each other. Teamwork unites individual and group initiatives and is the key behind our success as one of Canada's leading pension plans.

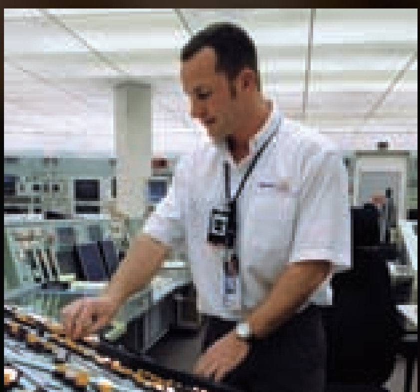
LEFT – Human Resources is just one of the many teams working together at OMERS.

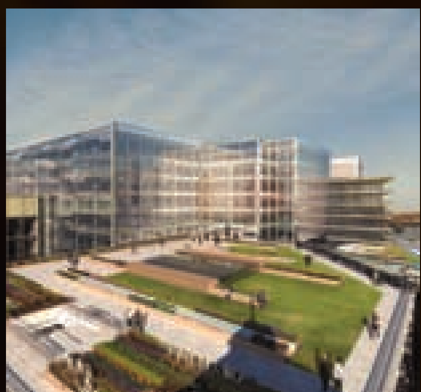
CENTRE – The Business and Information Technology team provides essential services and supports the infrastructure for OMERS.

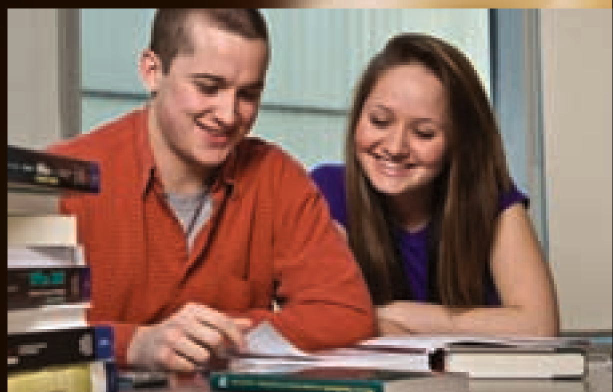
RIGHT – Our service record is one of the best among public sector pension plans. Plan membership has grown and we're handling more requests for service and still exceeding our service targets.

Our members deserve a worry-free retirement. That's why performance is important to us.

Performance means delivering excellent service to members and ensuring strong investment returns. Our Pension Division, a leader in our industry, continues to explore new service options. And our investment professionals have built a growing portfolio of assets that consistently ranks among Canada's leaders when it comes to rate of return. We're committed to exceeding the expectations of our members when it comes to all areas of performance.







LEFT – The largest investment in the Borealis Infrastructure portfolio is the Bruce Power nuclear plant. OMERS has committed to provide funding to restart and refurbish four reactors, which will supply about 25 per cent of Ontario's electricity by 2013.

CENTRE – Oxford Properties is developing Watermark Place, an 11-storey, 530,000 square foot office building situated on the River Thames in London, England. Watermark Place is scheduled to be completed in the third quarter of 2009 and is a highlight of Oxford Properties' growing global investment platform.

RIGHT – OMERS Capital Partners invests in and manages our private equity interests, such as Nelson Education, Canada's leading provider of education solutions and publisher of textbooks.

This year's Annual Report marks a new milestone for OMERS.

It is the first to feature OMERS Administration Corporation and the Sponsors Corporation that was created by the new OMERS Act in 2006. My letter covers the responsibilities of the AC which I have had the privilege of chairing for the past two years. However, I believe that the presence of both organizations in this Annual Report clearly reflects the co-operation and teamwork that have characterized the past year and allowed the establishment of the SC and the implementation of our new governance structure to be seamless and effective.

Both boards, as well as AC management, have worked together to ensure that the organizational strengths that have earned OMERS a leadership position among Canadian pension plans not only remain intact but are improved under our new and independent self-governance model. It is these strengths that I wish to highlight as the AC Chair.

Our Strategy

The AC Board plays a critical oversight role in the development, execution and monitoring of the long-term investment strategy that we adopted in 2003. This strategy was designed to mitigate the peaks and valleys that public equity markets inevitably face over time and ensure that our performance fully benefited from the expertise of our investment professionals in all areas. Our performance in 2007 demonstrates that this strategy is working – and working well.

The centrepiece of the strategy is a rebalancing of our asset allocation to allow for more private market investments. When carefully chosen, these types of investments generate strong, predictable returns over the long term. With 70 per cent of every pension cheque coming from investment returns, this stability and performance is essential. To oversee the day-to-day operations of our strategy, the AC has assembled a highly professional and experienced team of investment managers expert in real estate, private equity and infrastructure investments, as well as public markets which continue to account for the majority of our investment assets.

The proof of an investment strategy's worth is long-term performance, and over the period since we implemented our 2003 plan, it has produced returns in every single year that have exceeded our performance benchmarks. In fact, in each of the last three years the Fund has ranked in the top quartile of all Canadian pension funds.

Another key objective of our strategy is to provide best-in-class pension services through our Pension Division, the main contact point for members and employers. We are consistently ranked among Canada's leaders in this area, and we continue to enhance our service capabilities for members.

Strengthening our governance

The AC is committed to – and has achieved excellence in – its Board governance practices and has developed positive relationships with all its stakeholders.

In August, the Financial Services Commission of Ontario (FSCO) released its report following a review of our processes during and preceding the purchase of Borealis Capital Corporation by OMERS. The report confirms what we said from the beginning – that there was no wrongdoing or misuse of pension fund money by anyone associated with the transaction. Our alternative asset investments in private equity, real estate and infrastructure – before and since 2004 – have been a success by any measure and have generated substantial cash flows that help to secure the pensions of our members and retirees. The full FSCO report can be found on our website at www.omers.com.

The FSCO report also examined our governance practices over the past decade and acknowledged that, in the past five years, we have implemented many industry-leading governance improvements, including the establishment of a standing Board Governance Committee, the creation of internal audit and legal departments and an internal compliance office, and the requirement that all Directors complete a director certification program. This is supplemented by a budget for further governance education for every Director as well as by regular internal information sessions with senior executives who provide in-depth analysis on different aspects of our activities.

In view of our commitment to improving our governance practices, we recently launched a governance reform project that seeks to ensure that we operate with industry leading standards and processes and responds to the recommendations of the FSCO report.

This project includes initiatives to define AC Board competencies, to establish clear Board and committee mandates, to define roles and responsibilities between the Board and management, to develop processes to effectively monitor management performance, and to provide a means of benchmarking and assessing the overall governance process itself, all in pursuit of a clearly defined governance vision and mission.

- **Governance Vision**
  The AC Board will be publicly recognized as an industry leader in corporate and pension governance.

- **Governance Mission**
  The purpose of governance is to ensure effective board and management decision-making through the use of processes and controls to ensure the Plan is administered in the best interests of the members and beneficiaries.

I wish to close my tenure as a Board member and as Chair by thanking those I have had the opportunity to work with:

- Michael Nobrega and the senior management team, who have provided outstanding direction and leadership to our employees. We have taken a number of important steps, adopting and implementing our new strategy and undertaking the transition to self-governance. My thanks to Michael and his team.
- To my fellow Directors, I offer my sincere gratitude for their commitment and counsel. I would like to particularly acknowledge Frederick Biro who preceded me as Chair during 2004 and 2005 and who, like me, retired from the Board at the end of 2007.
- John Sabo, who joined the Board in 2001 and has chaired the Audit Committee and served as Vice Chair, was elected Chair effective January 1, 2008. Mr. Sabo is currently the Associate Director of Leading Services and the Treasurer of the Board for the York Catholic District School Board, and a Director and Vice-President of both the Ontario School Boards Financing Corporation and the Catholic School Boards Services Association. His personal history with OMERS extends back 23 years when he first joined as a member of the Plan.
- John G. Goodwin, a retired partner with the law firm of Osler, Hoskin & Harcourt LLP will replace Frederick Biro on the Board as the appointee of the Ontario Association of Police Services Boards. Mr. Goodwin is a Past Chairman of the Canadian Bar Association – Ontario Pension and Benefits Section, past President of the Canadian Pension & Benefits Institute, and immediate past chair of the Provincial Judges Pension Board.
- Eugene R. Swimmer has been appointed to fill my vacancy on the Board as a representative of the Police Association of Ontario. Dr. Swimmer is a professor of public policy and administration at Carleton University and is an acknowledged expert in public sector labour-management relations and compensation. In 2004, he received the Gérard Dion Award, the highest award offered by the Canadian Industrial Relations Association, for his outstanding contribution to the industrial relations profession.

I am confident that John Sabo, John Goodwin and Eugene Swimmer will help to ensure that the Board continues to fulfil its obligation to administer the Plan in the best interests of the members.

Finally, I would like to thank our employees – the people who dedicate themselves every day to ensuring that we continue to fulfil the pension promise to our members by earning superior investment returns and providing industry-leading pension services.

Over the past seven years, it has been my pleasure to serve our members as part of the OMERS organization. We are all part of one team, from top to bottom and from one division to the next, united by a desire to deliver on our pension promise with outstanding performance and service excellence, and an overriding commitment to the security of our members' pensions.

David Kingston
Board Chair

A strong team and a solid game plan served us well in 2007.

The year was highlighted by important new developments for OMERS. This was our first full year operating under the governance structure mandated by the new OMERS Act and we made a number of changes that strengthened our leadership team.

While our investment teams faced uncertainty in public equity markets, especially in the second half of 2007, the entire organization remained focused on delivering performance – in service to members and investment results – to ensure that the pension promise to our members is fulfilled.

Delivering on that promise means working as a team to achieve strong investment returns to secure current and future pensions, and to meet the pension service needs of our members and employers. We also undertook new initiatives in support of the SC, our new plan sponsor.

Results for 2007

Our rate of return in 2007 once again ranked the Fund in the top quartile of Canadian pension funds. Our total rate of return for 2007 was 8.7 per cent, beating our benchmark of 5.6 per cent, and was the direct result of the expertise of our investment professionals. The incremental value of return above the benchmark was more than $1.4 billion, a total of $4.2 billion for the last four years.

The real rate of return for 2007, after deducting inflation of 2.4 per cent, was 6.3 per cent, which exceeded our long-term real return funding requirement of 4.25 per cent.

Another direct result of our investment expertise is that we had no exposure to third party asset-backed commercial paper.

OMERS members and employers have come to expect exemplary service. In 2007, we met or exceeded all the targets we use to measure and compare our service to our peers. The result: we continue to rank among public sector pension leaders in service.

Investing effectively and globally

Our four investment entities made many significant transactions during the year, as well as managing operations and extending their global reach. The five initiatives described immediately below are excellent examples of the opportunities we have developed with our experience, our wide network of investment contacts, and our reputation as a strong investment partner.

OMERS Capital Markets contributed to a new fund managed by BlackRock, one of the world's largest publicly traded investment management firms. Headquartered in New York, BlackRock manages assets of more than $1.3 trillion on behalf of institutions and retail clients worldwide, through equity, fixed income, cash management and alternative investment products.

OMERS Capital Partners and Apax Partners acquired Cengage Learning (formerly Thomson Learning) including its Canadian operations, Nelson Education. Cengage and Nelson Education are leading providers of customized learning solutions for universities, government, corporations, and professionals around the world, and a publisher of academic textbooks.

MDS Diagnostic Services, acquired by Borealis Infrastructure, launched a Canada-wide re-branding, changing its name to LifeLabs. With over 50 years of experience, LifeLabs delivers more than 50 million laboratory tests annually to over 10 million patients. The LifeLabs name reflects the important role that medical laboratories have in diagnoses and healthcare decisions that help improve a patient's quality of life.

Two real estate transactions made by Oxford Properties highlight the investment opportunities that bring long-term benefits to our members. Centennial Place, a two-tower, 1.2 million square foot office complex in Calgary, Alberta is being entirely developed and underwritten by Oxford Properties and is scheduled for completion by the fall of 2009.

Oxford Properties is also developing Watermark Place, an 11-storey, 530,000 square foot office building situated on the River Thames in London, England. Watermark Place is scheduled to be completed in the third quarter of 2009 and is a highlight of Oxford Properties' growing global investment platform.

Our strategy remains the key to the future

Our strategy includes cross-organizational, active management of our investments. An important element of this strategy is our asset mix initiative, designed to increase our private market investment holdings, reduce volatility, and secure long-term stable investment returns. This creates a better balance between our private market investments and the more volatile public market investments, and between our long-term liabilities and long-term returns.

In 2007, we increased our long-term private markets asset mix target to 42.5 per cent of the Fund's net investment assets and decreased our public market target to 57.5 per cent. Asset classes such as private equity, infrastructure and real estate are expected to produce strong and stable returns over time. At the end of 2007, the Fund's asset mix exposure was 70.2 per cent to public market investments and 29.8 per cent to private market investments, compared with 75.8 per cent and 24.2 per cent respectively at the end of 2006.

OMERS proposes changes to pension investment regulations

As our pension payments grow, the importance of positive annual cash flow also grows, underscoring our need for greater access to – and control over – our investments to ensure stable, long-term returns. In 2008, for the first time outside of contribution holidays, our pension payments are expected to exceed contributions to the Plan. Long-term returns from investments are required to cover this increasing demand. OMERS urgently needs the Ontario government to lift the investment rule restricting pension funds from owning more than 30 per cent of the voting shares of a company, which, among other constraints, limits our ability to control dividend distributions from our investments.

In an October 2007 presentation to the Ontario Expert Commission on Pensions, OMERS showed that these restrictions on pension plans limit our ability to be competitive, hinder our interest in owning Canadian companies, and ultimately impact our members and retirees by effectively reducing our investment returns.

With our expertise and long-term record of success, OMERS and other large public sector pension plans have earned the right to be treated with regulatory confidence by lawmakers. Other major global jurisdictions, including the U.S., the U.K. and Australia, operate under principle-based legislation. OMERS also recommended that public sector pension plans be exempt from solvency valuations as the likelihood of plan wind-up is negligible. Our presentation to the Expert Commission is on our website at www.omers.com

Meeting the needs of members

Our Pension Division had three key objectives for 2007: ensuring that pension services meet the expectations of members and employers; assisting the SC in their first full year of operations and establishing the Supplemental Plan. We met all service targets and continued effective dialogue with our stakeholders, which helps us plan for service enhancements and expansion. The SC has successfully completed its first full year of operations with assistance from us in areas such as funding, technical advice and logistical support. We are also on target to launch the Supplemental Plan on July 1, 2008, having fulfilled the requirements for plan text, funding policy and costing framework.

Teamwork and performance

In 2007 we demonstrated our ability to work as a team – internally with each other and among our various divisions, with our new sponsor, the SC, and as a preferred investment partner with major institutional investors.

I would like to thank the AC Board for their support and our employees for their commitment during the past year. Our focus is on performance in all areas of our operations and our goal is to remain among Canada's pension leaders. I look forward to 2008 as we work together to extend OMERS record of achievement.

Sincerely,

Michael Nobrega
President and Chief Executive Officer

Management's Discussion and Analysis

CONTENTS

OMERS Administration Corporation (the "AC") is the administrator of the primary pension plan (the "OMERS Primary Pension Plan" or the "Plan") as defined in the *Ontario Municipal Employees Retirement System Act, 2006* (the "OMERS Act") and the Retirement Compensation Arrangement ("RCA") associated with the Plan. The AC is responsible for investing the funds of the Plan and the RCA (the "Fund"). In addition, under the OMERS Act, the Ontario Municipal Employees Retirement System ("OMERS") represents the combined retirement system comprised of OMERS Sponsors Corporation (the "SC") which is the Plan sponsor, the AC, the Plan and the RCA. This management's discussion and analysis is the responsibility of management of the AC ("management") and contains management's analysis of the AC's financial condition, operational results and the environment in which it operates as of February 21, 2008. This section should be read in conjunction with the Consolidated Financial Statements. The Audit Committee and Board of Directors of the AC (the "AC Board") have reviewed and approved the contents of this section.

In addition to historical information, this section contains forward-looking statements with respect to management's strategy, objectives, outlook and expectations. Forward-looking statements are preceded by words such as "believe", "expect", "may", "could", "intend", "continue" and "estimate". By their very nature, those statements are subject to risks and uncertainties, which may cause actual results to differ from the expectations expressed in the forward-looking statements. Forward-looking statements made in this section represent management's views at the date of this report and the AC does not undertake to update or revise any forward-looking statements as a result of new information, future events, or otherwise.

Vision and Strategy

Vision

The OMERS Administration Corporation has one clear and overriding objective: paying the pensions of our current and our future retirees. We work as a team in pursuit of an outstanding performance level that will enable us to meet this objective including:

- Generating sufficient returns through the investment of the Plan's assets; and
- Providing pension administration services that meet our members' needs, the most important of which is to pay monthly pensions.

Our vision focuses on four key areas which are integrated into our strategies and decisions:

Lead

Be the leader in the pension industry.

We want to be nothing less than the leader in the pension industry. We will earn this status if we rank in the top quartile of investment performance and if we set the industry standard for service to members and employers.

Perform

Provide first-in-class investment management.

We recognize the importance of earning superior returns to keep pensions secure.

Serve

Deliver superior pension services to our members and employers.

Services to Plan members are one of our top priorities and one of our key strengths.

Grow

Grow by attracting investment partners and employers through our leadership.

Growth is an objective not for its own sake but because it will expand the range and size of investment opportunities we can pursue and allow us to improve our services for the benefit of all members.

Investment Strategy

In order to meet our pension obligations, the Plan must earn a 4.25 per cent real return annually (that is, before the impact of inflation) on its investments over the long term.

Our investment strategy is based on an asset mix policy that will allow us to meet or exceed the long-term return requirements with an acceptable level of risk. In determining the asset mix policy for the Fund we identify the asset classes that collectively are most likely to meet our pension obligations within the Plan's risk tolerance. We weigh the risk/reward profile of each asset class to ensure that we are reasonably compensated for risk and we invest in different asset classes and geographic markets to disperse risk and reduce the volatility of total returns. We invest domestically and internationally in interest bearing investments, real return bonds, public equities, private equities, infrastructure and real estate assets, often in combination with conservative use of derivative financial instruments which are exchange traded and backed by other investment assets. We use derivative financial instruments to give us exposure to equity markets and manage our asset mix. (Derivative financial instruments are discussed on page 29 of this Annual Report.)

We believe that over the long term, an asset mix with greater exposure to private market investments is better positioned to generate strong, predictable returns and consistent cash flow with reduced risk to meet the Plan's funding requirements. As a result, our investment strategy over the long term is to reduce our asset mix exposure to public market investments – such as public equities and interest bearing investments – to approximately 57.5 per cent of the Plan's net investment assets with a corresponding increase in our asset mix exposure to private market investments – such as private equities, infrastructure and real estate – to approximately 42.5 per cent of net investment assets.

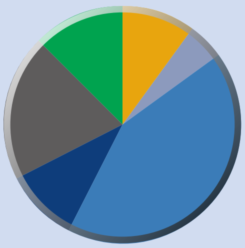
During 2007, the asset mix strategy was reviewed and the AC Board approved an increase in the Fund's target exposure to infrastructure investments by 5 per cent with a corresponding decrease in interest bearing investments. This increased the long-term asset mix target for private markets from 37.5 per cent to 42.5 per cent and decreased the target for public market investments from 62.5 per cent to 57.5 per cent. The Plan's asset mix policy is supported by foreign currency management, derivatives and absolute return strategies.

Since 2003, the Plan has reduced its exposure to public equities and interest bearing investments from 82.2 per cent to 70.2 per cent at the end of 2007, and increased our exposure to private market investments from 17.8 per cent to 29.8 per cent at the end of 2007. Our investment professionals are managing this shift by constantly monitoring the asset mix and making the necessary adjustments to investments to achieve the target investment levels in a prudent manner, subject to market conditions and investment opportunities.

Over the long term, investment returns on the Plan's assets are expected to fund approximately 70 cents of every dollar paid in benefits with the balance coming from employee and employer contributions.

LONG-TERM ASSET MIX TARGETS

Interest Bearing	10.0%
Real Return Bonds	5.0%
Public Equity	42.5%
Private Equity	10.0%
Infrastructure	20.0%
Real Estate	12.5%



Performance vs. Objectives

Our most important objective as a management team is to fulfil the pension promise to our current and future retirees. To achieve this objective our goal is to excel in our investment performance by outperforming the markets in which we invest. In addition, we strive to excel in the quality of service provided to our members. (Service standards are discussed on page 38 of this Annual Report.)

Investment Performance Overview

We invest in several asset classes and in several markets which are described more fully beginning on page 26 of this Annual Report. Returns for 2007 and 2006 were as follows:

	2007		2006	
	Rate of Return	**Benchmark**	Rate of Return	Benchmark
Public Markets	**2.6%**	**1.5%**	16.2%	15.5%
Private Equity[(i)]	**18.6%**	**11.6%**	17.7%	10.8%
Infrastructure[(i)]	**12.4%**	**9.9%**	14.0%	10.8%
Real Estate[(i)]	**22.9%**	**7.8%**	26.2%	9.2%
Total	**8.7%**	**5.6%**	16.4%	13.7%

(i) Returns for private equity, infrastructure and real estate include the results of the Fund's currency hedging program related to the respective asset classes.

The Fund earned an 8.7 per cent total rate of return in 2007, compared with a 16.4 per cent total rate of return in 2006. While the total return is below last year's return, our return is in the top quartile of performance. After allowing for inflation of approximately 2.4 per cent, the real rate of return was 6.3 per cent. Net investment income totaled $3,938 million in 2007, compared with $6,530 million a year earlier.

Net assets in 2007 include net investment assets of $52,187 million, net pension related assets of $129 million less the value of administered funds of $800 million.

Net Assets

(MILLIONS)	2007	2006
Net investment assets	**$ 52,187**	$ 48,221
Net pension amounts receivable	**129**	125
Due to administered funds	**(800)**	(741)
	$ 51,516	$ 47,605

In accordance with guidance of the Canadian Institute of Chartered Accountants (the "CICA"), the AC changed its policy for the treatment of transaction costs incurred on acquisition of investments. As discussed in Note 2 of the Consolidated Financial Statements on page 57 of this Annual Report, these costs are now recorded in investment income as incurred. The CICA required retrospective adoption of this practice without restatement of prior years; as such the 2007 opening net assets have been reduced by $37 million to reflect acquisition costs not included in prior years' investment income.

After accounting for the restatement of net assets at the beginning of the year, net assets grew by $3,948 million, or 8.3 per cent, to $51,516 million in 2007 compared with an increase of $6,540 million, or 15.9 per cent in 2006. The increase in 2007 was due to strong performance in real estate, infrastructure and private equity investments; however, this was tempered by lower returns in volatile public market investments.

Changes in Net Assets

(MILLIONS)	2007	2006
Net assets, beginning of year	$ 47,605	$ 41,065
Change in accounting policy for transaction costs	(37)	–
Net assets, beginning of year restated	47,568	41,065
Changes due to investment activities	3,938	6,530
Changes due to pension activities	10	10
Net assets, end of year	$ 51,516	$ 47,605

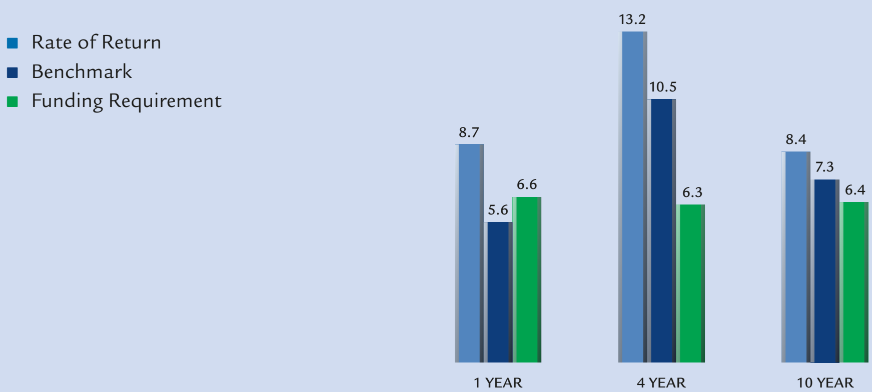
The Plan funding requirement is based on earning a real return plus inflation. For 2007, this represented a real return of 4.25 per cent plus inflation of approximately 2.4 per cent for a return of approximately 6.6 per cent. The four-year and the ten-year funding requirements shown in the chart below are an average of the annual funding requirements over those time periods.

Investment returns over the past ten years have exceeded the Plan funding requirement; and in 2007 the Plan has returned to an actuarial surplus position. The factors contributing to the funding surplus are discussed under the Plan Funding Status section on page 20 of this Annual Report.

We measure the performance of each of our public market investment asset classes against a market benchmark and our private market investments against an absolute return set at the beginning of each year. We develop a benchmark for total investment activities by aggregating and weighting the individual benchmarks for each asset class. Our benchmarks are reviewed and approved by the AC Board. Our goal is to earn returns that exceed these benchmarks. When we exceed the benchmark, our investment managers are adding value to the portfolio above the targeted return for the asset class or the return generated by the markets through passive investments. For the year ended December 31, 2007, the Fund's total return

RATE OF RETURN, BENCHMARK RETURN AND FUNDING REQUIREMENT

(%)



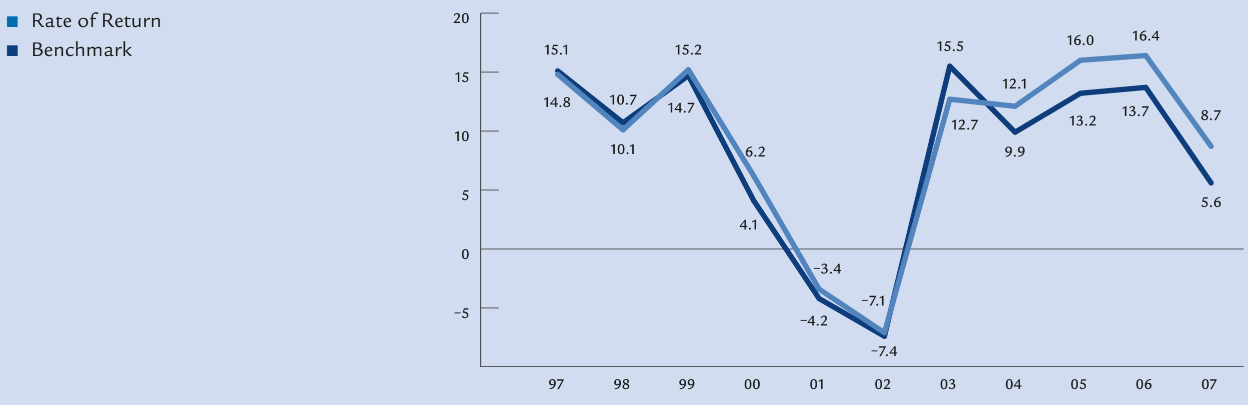
was 8.7 per cent, exceeding the aggregate benchmark of 5.6 per cent by 310 basis points which represents value added of approximately $1.4 billion. As illustrated in the graph below the Fund has frequently exceeded its benchmark; over the last four years the value added from actual fund returns exceeding the benchmark has totaled approximately $4.2 billion.

The benchmarks used by the Fund in 2007 are based primarily on (i) externally computed indices that reflect the results of markets in which the Fund invests or (ii) an expected absolute return. The benchmarks used are as follows:

ASSET CLASS	BENCHMARK
Interest bearing	Blended Scotia Capital 31 day Treasury Bill Index and Scotia Capital Universe
Real return bonds	Scotia Capital Real Return Bond Index
Canadian public equities	S&P/TSX Composite Index
Non-Canadian public equities	Blended hedged FTSE All World Index excluding Canada and U.S., hedged FTSE All Cap U.S. Index and hedged custom Derivative Index
Private equity, Infrastructure, Real estate	Absolute return set at the beginning of each year based on operating plans approved by the AC Board.

ANNUAL RATE OF RETURN AND BENCHMARK

(%)



Corporate

Pension Plans

OMERS Primary Pension Plan is a multi-employer pension plan whose members consist primarily of employees of Ontario municipalities, local boards, public utilities and non-teaching school board staff. The Plan is a contributory defined benefit pension plan financed by equal contributions from participating employers and employees as well as by investment earnings of the Plan. The Plan has over 380,000 members.

The Plan's pension payments are integrated with the Canada Pension Plan as the benefit formula includes a bridge benefit paid to age 65. Including this bridge benefit, the benefits paid under the Plan are calculated by multiplying two per cent of the member's average annual earnings for the highest paid five consecutive years ("pensionable earnings"), times years of credited service, to a maximum of 35 years. At age 65 the bridge benefit of 0.675 per cent of the pensionable earnings (or 0.675 per cent of the average of the yearly maximum pensionable earnings (YMPE) in the year of retirement and the four preceding years, if this amount is less than 0.675 per cent of the pensionable earnings), is subtracted for integration with the Canada Pension Plan. Inflation protection, survivor and disability benefits and early retirement options are also excellent features of the Plan.

In addition to the Plan for all members, the AC maintains a full earnings pension plan through the use of a RCA, which provides pension benefits for members whose benefits under the Plan are limited by ceilings imposed by the *Income Tax Act*. The RCA provides a means to enable retirement savings and contributions on members' total earnings. As the RCA is not a registered plan, a 50 per cent refundable tax is levied on all contributions made to the RCA as well as on all investment income and realized investment gains. Such tax is held by the Canada Revenue Agency and does not earn investment income for the RCA. It is refunded to the RCA on the basis of one dollar for every two dollars of benefits paid out. The RCA is consolidated in the AC's financial statements and is accounted for separately from the Plan. Net assets of the RCA were $37 million at December 31, 2007 and were $29 million at December 31, 2006. The RCA financial statements are set out in Note 8 to the AC's Consolidated Financial Statements on page 70 of this Annual Report.

The OMERS Act requires the AC to establish and administer a Supplemental Plan to provide optional benefits for members of the police sector, fire fighters and paramedics. The SC can establish other Supplemental Plans for other members of the Plan. Supplemental Plans are stand-alone registered pension plans which offer benefits not available in the OMERS Primary Pension Plan and are not funded from the Plan. There are no Supplemental Plans currently in place; however, as required by the OMERS Act, the first Supplemental Plan for members of the police sector, fire fighters and paramedics is to be established by July 1, 2008. The Province of Ontario is providing the AC with funding to pay for the start-up costs of establishing this first Supplemental Plan as such expenses can not be paid by the Plan.

Plan Funding Status

In 2007, the Plan returned to an actuarial surplus position primarily due to investment returns that have exceeded the assumed nominal rate of return since 2003.

Each year an independent actuary determines the Plan's funded status by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. On December 31, 2007, the estimated actuarial accrued pension obligation for all members (including survivors) of the Plan was $46,830 million, compared with $44,167 million a year earlier. The increase of $2,663 million is primarily due to interest accrued on the pension benefit obligation, plus new benefits accrued during the year, partially offset by benefits paid in 2007 and experience gains and losses and changes in actuarial methods and assumptions. The Plan had an actuarial value of net assets of $46,912 million at the end of 2007, compared with $41,785 million in the prior year. The resulting funding surplus was $82 million as at December 31, 2007, an increase of $2,464 million compared with a funding deficit of $2,382 million as at December 31, 2006.

Current Year Change in Surplus/(Deficit)

(MILLIONS)	2007	2006
OMERS Primary Pension Plan		
Deficit, beginning of year	$ (2,382)	$ (2,784)
Increase in net assets available for benefits(i)	3,903	6,530
Change in actuarial smoothing adjustments	1,224	(3,084)
Increase in actuarial value of net assets available for benefits	5,127	3,446
Less: increase in accrued pension benefit obligation	(2,663)	(3,044)
Surplus/(Deficit), end of year	$ 82	$ (2,382)

(i) For 2007, includes the impact of the change in accounting policy for transaction costs.

The funded ratio (actuarial value of net assets divided by accrued pension benefit obligation) at December 31, 2007 is 100.2 per cent compared with 94.6 per cent a year earlier.

In arriving at the actuarial surplus, changes in the fair value of net assets above or below the long-term nominal actuarial rate of return assumption are deferred and amortized over five years to "smooth out" the peaks and valleys in an individual year's investment returns caused by market volatility. Smoothing is a common practice accepted by the actuarial profession and pension regulators to reduce the effect of short-term market fluctuations on pension plan funding. The annual actuarial valuation adjustment is based on the difference between the current year's actual returns and the long-term return expectation (expected inflation plus 4.25 per cent, equivalent to 6.75 per cent in 2007) adjusted for the amortization of equivalent amounts from the four preceding years. This approach is in keeping with the long-term nature of the Plan and assists in maintaining stable contribution rates.

Investment returns were greater than the long-term actuarial rate of return assumption from 2003 to 2007 as the Fund's investments achieved strong overall returns over this period. As a result, as at December 31, 2007 the market value of Plan assets was $51,479 million compared with the smoothed actuarial value of $46,912 million. The resulting actuarial valuation adjustment account represents unrecognized net gains of $4,567 million which will be recognized in actuarial assets over the next four years, with $2,052 million to be recognized in 2008.

On a market value basis, excluding smoothing adjustments, the net assets of the Plan exceed the accrued benefit obligation by $4,649 million.

Funding Outlook

Pension plan funding is made up of two components – the amount required to fund the cost of benefits earned by active members in respect of the current year, which is the normal actuarial cost and the amount required to eliminate any funding deficits that have emerged.

Under Ontario provincial regulations, a pension plan must file an actuarial valuation report at least once every three years, and at that time must take measures to eliminate any going concern funding deficit over a period not to exceed 15 years through increased contributions. The Plan's December 31, 2004 actuarial valuation was filed with the Ontario pension regulator and, based on a funding deficit of $963 million at that time, the AC Board implemented an increase in contribution rates which averaged 0.6 per cent of a member's earnings for both employers and members on January 1, 2006. This was equivalent to a 9.0 per cent increase in the amount of contributions.

The Plan's normal actuarial cost, the current contribution rates and the funded status will be reviewed by the SC prior to the next government filing which must be filed by September 30, 2008 for the year ended December 31, 2007.

The 2007 contribution rate for Plan members with a normal retirement age of 65 was 6.5 per cent of earnings up to $43,700 and 9.6 per cent for earnings above that level. For members with a normal retirement age of 60, the 2007 contribution rate for earnings up to $43,700 was 7.9 per cent and 10.7 per cent for earnings above that level.

The 2008 contribution rate for Plan members with a normal retirement age of 65 will be 6.5 per cent of earnings up to $44,900 and 9.6 per cent for earnings above that level. For members with a normal retirement age of 60, the 2008 contribution rate for earnings up to $44,900 will be 7.9 per cent and 10.7 per cent for earnings above that level.

Employer contributions equal member contributions under the Plan.

Actuarial Assumptions

In calculating the funded position and the ongoing normal actuarial cost for active members, the actuary makes various demographic and long-term economic assumptions. Demographic assumptions are used to project the future benefits 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 Plan and on the expectations for future trends. Economic assumptions about future investment returns, i.e. the discount rate, and assumptions about inflation and member salary increases affect both the projected benefits and the present value of those future benefits. The actuary's major economic assumptions included in the going-concern funding valuation as at December 31, 2007, which were approved by the AC Board, are summarized as follows:

- *Inflation Rate*

  The Plan has used an inflation rate assumption of 2.5 per cent per annum for future years in the calculation of the anticipated salary increases, future indexing adjustments, and as a component of the nominal discount rate for estimating liabilities. Any variation in the actual inflation rate from this assumption will result in experience gains or losses to the Plan.

- *Discount Rate*

  The Plan's annual nominal rate of return and discount rate for future years is assumed to be 6.75 per cent, consistent with 2006. Taking into account the 2.5 per cent assumed inflation, this results in a real investment return assumption, based on the Fund's asset mix, of 4.25 per cent, consistent with 2006. A decrease/increase of 50 basis points in the real discount rate would result in an approximate increase/decrease of 8.0 per cent or approximately $3,700 million in the total actuarial liabilities of the Plan.

  The real investment return assumption used in 2007 is unchanged from that used in 2006. It includes a conservative margin to account for potential adverse investment experience so that over the long term there is a greater chance of actuarial gains than losses arising from the Plan's assets. This assumption includes an estimate of the returns expected to be earned over the long term on the Plan's assets over and above fixed income returns, based on the current asset mix. In comparison to other public sector plans, our asset mix has a higher proportion of non-fixed income investments. In addition, the Plan has a lower ratio of retired members to active members compared to other public sector plans. This results in a low fixed income component in the asset mix and results in a relatively higher real discount rate.

- *Salary Increases*

  The estimated value of the actuarial liability includes an assumption about future increases in the salaries of active members. The salary increase assumption uses an age-based scale which allows for increases in productivity as well as merit and promotion-related earnings increases. For members with normal retirement age of 60, the assumption also includes service-related increases. The assumed average increase, including assumed inflation, was 4.0 per cent at the December 31, 2007 valuation, unchanged from 4.0 per cent used for the December 31, 2006 valuation.

Retirement Compensation Arrangement

The RCA is funded using a modified pay-as-you-go approach, where inflows from contributions and investment income are used to pay the current benefits to members. The excess of current contributions and investment income over current benefit payments are accumulated as a reserve for future years' benefit payments. As a consequence of the modified pay-as-you-go funding policy adopted for the RCA, its assets will remain small relative to its liability. However, the AC's actuary estimates that if contributions to the RCA continue, the annual cash inflow will be sufficient to cover benefit payments and the RCA's assets will continue to grow for the short to medium term. A relatively small increase in the number of terminations and retirements at higher income levels, however, can increase actual benefit payments from, and decrease actual contributions to, the RCA.

The actuarial liability for the RCA increased from $172 million in 2006 to $236 million at the end of 2007 due to new benefits earned in the year; interest on the accrued benefit obligation; and experience gains/losses and changes in actuarial assumptions and methods; offset by pension and lump sum payments made in the year. The RCA had an estimated funding deficit of $199 million at December 31, 2007 compared with a deficit of $143 million last year as shown below:

Current Year Change in Deficit

(MILLIONS)	2007	2006
Retirement Compensation Arrangement		
Deficit, beginning of year	$ (143)	$ (138)
Increase in net assets	8	10
Less: increase in accrued pension benefit obligation	(64)	(15)
Deficit, end of year	$ (199)	$ (143)

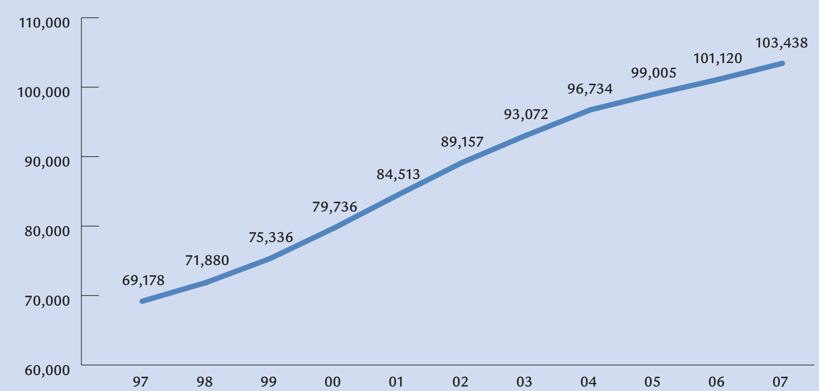
Pension Benefits and Contributions

In 2007, the Plan ended the year with over 103,000 retired members and survivors receiving pension benefits. Benefits paid from the Plan in 2007 were $1,828 million, an increase of $88 million over 2006 while benefits paid from the RCA in 2007 were $5 million compared with $4 million in 2006. The increase reflected new retirements, the adjustment of benefits for inflation and higher pension values for new retirees compared with those already receiving benefits. In addition, commuted value and transfer payments to other plans increased by $27 million over 2006.

Contributions to the Plan in 2007 were $1,875 million compared with $1,780 million in 2006. The increase reflects a larger number of active members and increased members' salaries.

Contributions to the RCA in 2007 were $11 million, slightly lower than the $12 million received in 2006.

GROWTH IN NUMBER OF PENSIONERS



Plan Asset Mix

As discussed in the investment strategy section on page 16, one of our corporate strategies is to shift the asset mix to 57.5 per cent public market investments and 42.5 per cent private market investments over the long term. As illustrated in the table below, in 2007 we made progress toward our long-term asset mix targets. At the end of 2007 private market investments comprised 29.8 per cent of our asset mix compared with 24.2 per cent at the end of 2006. As illustrated in the table below, the market value of our net investment assets with exposure to private equity, infrastructure and real estate grew to $15,546 million, an increase of $3,890 million, or 33.4 per cent over 2006. We will continue our disciplined investment approach over the next few years as we move closer to our long-term targets.

Asset Mix – Actual vs. Target

	Actual		Long-Term
	2007	2006	Target
Public Markets			
Interest bearing (i)	**18.2%**	17.6%	10.0%
Real return bonds	**3.9%**	4.1%	5.0%
Public equity	**48.1%**	54.1%	42.5%
	70.2%	75.8%	57.5%
Private Markets			
Private equity	**7.4%**	6.0%	10.0%
Infrastructure	**9.9%**	7.9%	20.0%
Real estate	**12.5%**	10.3%	12.5%
	29.8%	24.2%	42.5%

(i) Includes short-term deposits, bonds and debentures, mortgages and private debt.

In determining the Fund's asset mix exposure, the market value of cash and other investment related assets and liabilities included in net investment assets per the Consolidated Financial Statements are allocated to the individual asset classes. In addition, to reflect asset class responsibility, derivative exposure and other items are allocated to arrive at the Fund's ultimate exposure by asset class. Net investment assets based on the holdings per the Consolidated Financial Statements and after all allocations are as follows:

Asset Mix – Exposure

	2007			2006		
		Asset Mix			Asset Mix	
(MILLIONS)	**Holdings**	**Exposure**	**%**	Holdings	Exposure	%
Public Markets						
Interest bearing (i)	**$ 19,468**	**$ 9,471**	**18.2%**	$ 19,122	$ 8,476	17.6%
Real return bonds	**2,039**	**2,044**	**3.9%**	1,969	1,977	4.1%
Total interest bearing	**21,507**	**11,515**	**22.1%**	21,091	10,453	21.7%
Public equity	**21,784**	**25,126**	**48.1%**	22,442	26,112	54.1%
	43,291	**36,641**	**70.2%**	43,533	36,565	75.8%
Private Markets						
Private equity	**3,608**	**3,838**	**7.4%**	2,951	2,876	6.0%
Infrastructure	**8,412**	**5,166**	**9.9%**	5,585	3,833	7.9%
Real estate	**10,904**	**6,542**	**12.5%**	8,541	4,947	10.3%
	22,924	**15,546**	**29.8%**	17,077	11,656	24.2%
Investment related assets	**1,001**	**–**	**–**	699	–	–
Investment related liabilities	**(15,029)**	**–**	**–**	(13,088)	–	–
Net investment assets	**$ 52,187**	**$ 52,187**	**100.0%**	$ 48,221	$ 48,221	100.0%

(i) Includes short-term deposits, bonds and debentures, mortgages and private debt.

Long-Term Debt

The AC has maintained a "AAA" credit rating from leading credit rating agencies. This has enabled us, where appropriate, to obtain debt financing at preferred rates to support our investment strategy. Debt outstanding through our real estate operations at December 31, 2007 includes $1,022 million of debentures, $1,142 million of commercial paper as well as $1,293 million in secured and unsecured debt. In addition, our infrastructure portfolio is financed with $3,426 million in secured and unsecured debt. Infrastructure debt increased by $1,782 million in 2007 due largely to the addition of secured debt on certain infrastructure investments.

Corporate Expenses

Investment management expenses were $201 million in 2007, compared to $169 million in 2006. The increase of 18.9 per cent is primarily related to increased salaries and benefit costs and higher third party investment management costs as we raised our exposure to private equity funds. As a percentage of year-end net investment assets, total investment expenses increased in 2007 to 0.39 per cent from 0.35 per cent in 2006.

Pension administrative expenses were $43 million for the year, compared with $38 million for the previous year, an increase of 13.2 per cent. This increase is primarily due to higher salaries and benefits costs which resulted from increased corporate governance measures taken in 2007.

Enterprise Risk Management

In 2007, we implemented a more rigorous Enterprise Risk Management program ("ERM") to enhance our overall governance framework. The ERM program is intended to identify and manage risk on an integrated basis; to apply consistent risk standards, concepts and policies across the organization; and to make the concept of risk assessment and management an integral and sustainable part of business operations. The ERM program is based on the Enterprise Risk Management-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

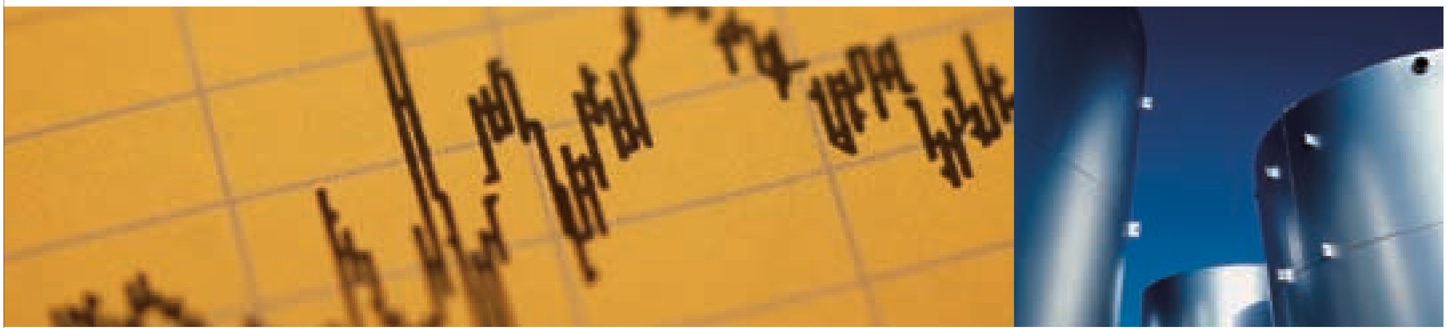
The AC maintains systems of internal controls that are designed to ensure the integrity and fairness of the data presented, that transactions are duly authorized and that assets are adequately safeguarded. The internal controls are reviewed by Internal Audit to ensure they are appropriate and operating effectively. In 2007, the AC commenced an internal review of our internal controls over financial reporting and disclosure controls using the Internal Control – Integrated Framework issued by COSO. This initiative is intended to enhance our overall governance framework and is consistent with our commitment to strong accountability.

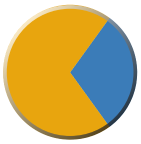
The Audit Committee oversees the ERM program and receives regular communications from management on the status of the program and the risks identified by the program.

Public Market Investments

A portfolio positioned to capture growth and income opportunities

OMERS Capital Markets (OCM) manages our public market investments, which include Canadian and non-Canadian investments in bonds, other interest bearing assets and publicly traded equities. These investments are often made in combination with a variety of derivative financial instruments. Over the last three years, the rate of return on our public market investments has exceeded the benchmark each year.





70.2%
ASSET MIX EXPOSURE AS AT DEC. 31/07

In 2007, Canadian and non-Canadian equity returns declined sharply compared to 2006; however, the investment expertise of OCM's investment professionals allowed the Fund to earn an overall return exceeding the benchmark for the year. The return on public market investments, excluding the impact of the Fund's currency hedging, was 2.6 per cent compared with a benchmark of 1.5 per cent and a return of 16.2 per cent in 2006. In 2007, public market investments generated net investment income of $1,713 million compared with $4,870 million a year earlier. The decrease from the prior year is primarily attributable to significantly lower returns in Canadian and non-Canadian public equity markets. In 2007, our Canadian public equities returned 12.8 per cent compared with 21.3 per cent in 2006, while our non-Canadian public equities returned 0.5 per cent compared with 20.0 per cent in 2006 (including the impact of our currency hedging program).

Interest Bearing Investments

Interest bearing investments provide low-risk returns that offset the more volatile nature of publicly traded equities. As a result they are a natural fit for a pension plan.

Interest bearing investments, excluding real return bonds, produced income before investment management expenses of $580 million, an increase of $66 million or 12.8 per cent compared with 2006. The return for interest bearing investments, excluding real return bonds, was 4.7 per cent compared with 3.7 per cent for the benchmark and 4.7 per cent a year earlier. The return of 1.0 per cent over the benchmark is primarily due to favourable sector positioning, general underweighting of the corporate sector in the portfolio, and OCM's successful anticipation of interest rate and yield curve changes in both Canada and U.S. Another direct result of OCM's investment expertise is that the Fund had no exposure to third party asset-backed commercial paper. Real return bonds produced income of $33 million, an increase of $82 million over 2006 and had returns of 1.6 per cent, consistent with the benchmark of 1.6 per cent and an increase compared with the -2.9 per cent return in 2006.

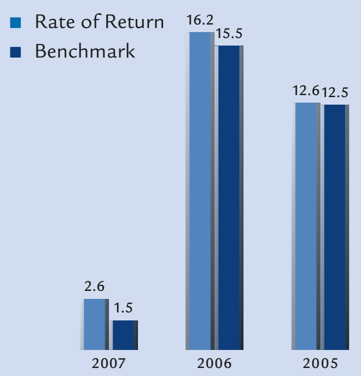
RETURNS AND BENCHMARKS

2.6% *The overall public market investments return excluding the impact of currency hedging in 2007 was 2.6% compared with a benchmark of 1.5%.*

	2007		2006	
	Rate of Return	Benchmark	Rate of Return	Benchmark
Interest bearing	4.7%	3.7%	4.7%	4.1%
Real return bonds	1.6%	1.6%	–2.9%	–2.9%
Canadian public equities	12.8%	9.8%	21.3%	20.2%
Non-Canadian public equities(i)	0.5%	0.5%	20.0%	19.3%

(i) Returns for non-Canadian public equities include the results of the Fund's currency hedging program. For 2007 excluding the results of the currency hedging program the rate of return was –5.6 per cent and the benchmark was –5.5 per cent compared to a rate of return of 21.9 per cent and a benchmark of 21.1 per cent for 2006.

RATE OF RETURN AND BENCHMARK
(%)



The modest increase in the return of real return bonds and related income was due to a lower increase in real interest rates in 2007 compared with 2006.

At December 31, 2007, interest bearing investments totaled $21,507 million and consisted of federal bonds, provincial bonds, mortgages with a mix of commercial, industrial and multi-residential loans, real return bonds issued by governments, corporate bonds of institutional investment grade, private debt and short-term cash equivalent securities. Of this total, $9,471 million was invested with exposure to bonds and debentures, mortgages, private debt and money market and other short-term investments; and $2,044 million was invested with exposure to real return bonds. In addition, $3,358 million represented assets backing derivatives programs that provide exposure to public equity markets and $6,634 million related to cash collateral received as part of securities lending transactions and amounts allocated to other asset categories.

In the past 10 years, interest bearing investments, excluding real return bonds, have earned an annualized return of 6.7 per cent, including capital gains, due in part to the declining interest rate environment.

Significant Public Market Investments

- Government of Canada Interest Bearing Securities
- Royal Bank of Canada
- Suncor Energy
- Potash Corporation
- Encana Corporation
- The Toronto-Dominion Bank

Public Equities

At December 31, 2007, the Fund had $10,017 million invested in Canadian public equities and $11,767 million in non-Canadian public equities including both actively managed and non-derivative, quantitatively managed portfolios. Included in the non-Canadian public equities are $867 million of assets in absolute return and other long-short strategies. Exposure to public equities also includes $3,422 million representing the market value of non-equity assets backing equity derivatives and the net allocation of -$80 million of investment related liabilities less cash and short-term investments and investment related assets.

Public equity investments generated income before investment management expenses of $1,201 million comprised of income of $1,190 million from the Canadian market and $11 million from global markets. Canadian public equities plus Canadian equity derivative exposure earned a return of 12.8 per cent for the year, compared with a benchmark return of 9.8 per cent and a 21.3 per cent return in 2006. Non-Canadian public equities and non-Canadian equity derivative exposure, including the impact of our currency hedging program, earned a return of 0.5 per cent in 2007, compared with 0.5 per cent for the benchmark and a 20.0 per cent return in 2006. Although mitigated by our currency-hedging program, the non-Canadian public equity return was impacted by the strengthening in value of the Canadian dollar against foreign currencies as the Canadian dollar appreciated against all major currencies, including the

British pound, the yen, the euro and the U.S. dollar. These currencies comprise approximately 85 per cent of the Fund's foreign currency exposure before the impact of hedging.

Actively Managed Equity Portfolios

Actively managed Canadian equity investments totaled $9,062 million in 2007 compared with $8,090 million in 2006.

OCM's investment professionals are value investors who buy the securities of well-managed, profitable companies that can produce reliable long-term returns. They select, for example, companies that should gain value from synergistic acquisitions or that have a competitive advantage in their industry. Within approved asset allocation guidelines, our investment professionals can take advantage of short-term trading opportunities to generate added value.

U.S. equities can comprise up to 10 per cent of our actively managed core portfolio. This enables us to add companies in economic sectors that are underrepresented in Canada, such as pharmaceuticals, or regional U.S. banks that have different valuation multiples and performance profiles than Canadian banks.

As part of our actively managed Canadian equity investments, we manage smaller portfolios with more specific mandates than our other equity investments to enhance overall investment returns. The more concentrated nature of these portfolios results in increased risk; however, we believe this risk is balanced by our expectation for enhanced returns over the long term. These portfolios include:

- The Canadian Focus Fund which had assets of $1,618 million as at December 31, 2007 and invests in a select group of up to 30 Canadian equities which are expected to earn above average returns over the long term.
- The Canadian Small Cap Fund which had assets of $472 million as at December 31, 2007 and invests in well-managed publicly traded Canadian small capitalization companies with strong growth profiles and positive business outlooks.
- The Canadian Enhanced Fund which had assets of $437 million as at December 31, 2007 and strategically invests in Canadian stocks listed on the S&P/TSX Composite Index that are expected to outperform relative to their peers within a sector.

Participating in global economies increases our portfolio diversification and lowers overall risk. In 2007, we actively invested $11,767 million in the equities of companies outside of Canada, including in the United States, Europe, the Far East, United Kingdom and emerging markets as shown in the table below.

Our non-Canadian equity portfolios are actively managed by external investment management firms that specialize in regional and national markets around the world. Such a global mandate enables us to make larger allocations by country, sector or capitalization where we believe higher returns are possible. During the year, additional funds were allocated to non-Canadian equities managed by external investment management firms; however, this was offset by decreases in market value as a result of the generally poor performance of global equity markets and the strengthening of the Canadian dollar against major currencies.

	2007		2006	
(MILLIONS)	Holdings	(%)	Holdings	(%)
United States	$ 4,746	40%	$ 4,419	39%
Europe	2,836	24%	2,768	25%
Far East	1,656	14%	1,632	15%
United Kingdom	1,125	10%	1,085	10%
Emerging markets	1,404	12%	1,249	11%
	$ 11,767	100%	$ 11,153	100%

Quantitatively Managed Equity Portfolios

Our investment professionals earn enhanced and less volatile returns from market indices by employing actively managed low-risk strategies that include index-based swaps, arbitrage and the anticipation of changes in index composition. Using technical analysis and computer modeling, these strategies, referred to as quantitative management, are applied to Canadian equities. The Fund has invested $955 million in managed portfolios that target the S&P/TSX Composite Index and other indices.

Derivative Financial Instruments

In order to manage risk and enhance returns we enter into a variety of widely used industry standard derivative contracts. These contracts are used in combination with other investment assets with the objective of providing a cost efficient means to improve returns by mitigating uncompensated risks and to add flexibility to the asset mix. Derivatives also enable us to rebalance the overall asset mix, or the asset mix within a class, on short notice to adjust for market shifts. We held derivatives with a notional value of $20,887 million at December 31, 2007, including $14,347 million of foreign exchange forward contracts.

Interest Rate Derivatives

We use interest rate derivatives to enhance investment yields and to manage the duration of our interest bearing investments and our fixed versus floating interest rate exposure. At the end of 2007 we held interest rate derivatives with a notional value of $1,979 million.

Equity Derivatives

We use derivative contracts to replicate Canadian and non-Canadian equity index returns. This exposure to the indices of major equity markets is achieved primarily through the use of equity futures and equity index swap contracts, and complements the Canadian equities portfolio and global equity portfolios managed both internally and externally. At December 31, 2007, the Fund had public equity derivative exposure of $4,561 million representing the notional value of derivatives as follows:

- $779 million in derivative portfolios that provide exposure to the S&P/TSX Composite, the S&P/TSX 60 index and other indices;
- $2,271 million in derivative portfolios that provide exposure to the S&P 500 index;
- Various derivative portfolios totaling $1,511 million that provide diversified exposure to major equity indices throughout the world.

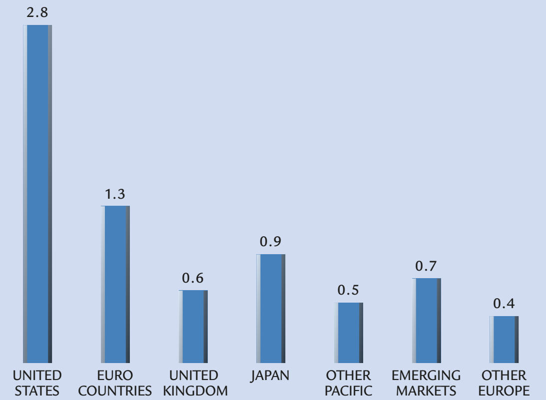
Foreign Exchange Derivatives

We use foreign exchange forward contracts to manage our exposure to currencies other than the Canadian dollar and to generate returns through active trading. At December 31, 2007, $19,458 million or 37 per cent of the Fund's net investment assets were exposed to foreign exchange risk before foreign currency management. Our largest foreign currency management strategy hedges approximately 50 per cent of our exposure to 14 major currencies, narrowing their volatility relative to the Canadian dollar. In addition, for non-Canadian private market investments we hedge foreign currency exposure up to 100 per cent. Our currency management programs produced income of $1,475 million in 2007, compared to a loss of $473 million in 2006, largely as a result of the significant appreciation of the Canadian dollar against the U.S. dollar, the British pound, the yen and the euro during the year. In 2006 the Canadian dollar had depreciated against the British pound and the euro. Since our currency hedging program was implemented in 2001, it has produced total income of $2,274 million. Our net foreign currency exposure after accounting for our foreign currency management and trading programs at December 31, 2007 was $7,174 million and is allocated as shown in the chart below.

NET FOREIGN CURRENCY EXPOSURE

(AS AT DECEMBER 31, 2007)

(BILLIONS, CDN DOLLAR EQUIVALENT)

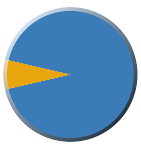


The credit risk exposure for derivatives is the unpaid amount receivable from counterparties. We follow prudent risk management policies, limiting our derivative credit risk exposure to less than five per cent of total fund net investment assets. We require that all counterparties have a minimum "A" credit rating. At December 31, 2007, the credit risk exposure was 0.4 per cent, or $188 million.

Private Equity Investments

Diversification is an important element of our strategy

OMERS Capital Partners (OCP) manages our private equity investments and has delivered strong returns exceeding the benchmark over the last three years. OCP continues to develop and strengthen investment relationships around the world which are the foundation for our future growth and meeting our long term objectives. At the end of 2007, the private equity team managed 61 fund relationships and 24 direct investments.



7.4%
ASSET MIX EXPOSURE AS AT DEC. 31/07

Private equity is the ownership of equity or equity-like securities in companies that do not generally trade publicly. Our goal over the long term is to build a portfolio of private equity investments diversified by geographic market, industry sector, size of company and type of investment that will represent approximately 10 per cent of our asset mix.

Our private equity investment strategy includes both a fund and a direct investment program. Our fund investment programs involve making investment commitments as a limited partner in a select number of top tier private equity funds managed by external investment professionals who have demonstrated the ability to consistently outperform their peers over time in selecting companies in which to invest. Other factors important in our consideration in making fund commitments include the quality, continuity and depth of the investment management team, the amount of capital the investment management team is committing, the strategic fit within our investment program and the likelihood of being presented co-investment opportunities. The types of fund commitments we make include leverage buyouts, venture capital, mezzanine debt, distress and special situations. Leverage buyouts represent the majority of our fund commitments, representing from 65 to 85 per cent of our investment program. The fund investment strategy is an efficient and cost-effective investment approach to achieve a diversified investment portfolio. We use diversification to manage investment risk. Individual fund commitments range from $50 million to up to $250 million.

RATE OF RETURN AND ASSET MIX EXPOSURE

18.6% Rate of Return

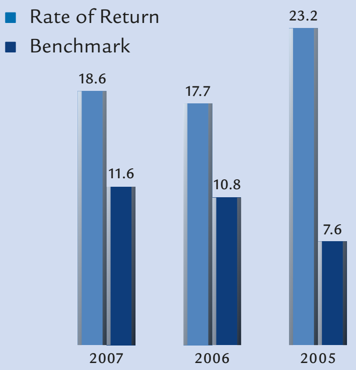
The overall private equity return in 2007 was 18.6% compared with a benchmark of 11.6%.

ASSET MIX EXPOSURE

	2007	2006	2005
Private Equity	7.4%	6.0%	6.0%

RATE OF RETURN AND BENCHMARK

(%)



OCP's direct investment strategy has two facets – investments where we manage, jointly manage or exercise significant influence; and passive direct investments, which we define as co-investments, side-by-side with our fund investment manager. Our focus for direct majority managed investments is primarily on companies headquartered in Canada. When we decide to partner, it is with other like-minded investors. Our target investment size is from $50 million to $250 million, except for co-investments where we will consider a lower amount.

Combining a fund investment strategy with a direct investment strategy brings the right resource skills together. It strengthens our relations with our fund partners, with our willingness and ability to participate as a co-investor. It also broadens our investment partnering network.

Significant Direct Investments
- Cengage Learning (formerly, Thomson Learning) and Nelson Education
- Constellation Software Inc.
- Give and Go Prepared Foods
- Golf Town
- Marketwire (formerly, CCNMatthews)
- NXP (formerly, Philips Semiconductor)
- Warner Chilcott

Significant Fund Investments
- APAX
- Charterhouse
- Hellman and Friedman
- KKR
- ONEX
- Sagard
- TPG (formerly, Texas Pacific Group)

In 2007, the AC reclassified two investments from the private equity asset class to the infrastructure asset class: CEDA International, a leading industrial, mechanical and electrical services company serving the Alberta oil sands; and OMERS Energy, an oil and gas exploration company with interests in oil and gas wells throughout western Canada.

Private equity investments generated net investment income of $452 million in 2007, compared with $360 million last year. The 2007 return on total private equity investments was 18.6 per cent compared with a benchmark return of 11.6 per cent and a 17.7 per cent return in 2006. Income and returns continued to be strong in 2007, driven by strong gains in both direct investments and fund holdings, which more than offset the reduction of income due to the reclassification of CEDA International and OMERS Energy.

During 2007, private equity investments increased from $2,951 million to $3,608 million due to investments in both funds and direct investments. Approximately 64 per cent of our private equity investments are managed by fund managers in Canada, the United States, western Europe and Asia with the remaining 36 per cent directly invested in companies. We were successful at increasing the pace of our investments in 2007; as a result the Fund's asset mix exposure to private equity investments increased to 7.4 per cent at the end of 2007 compared with 6.0 per cent a year earlier. We are continuing to make progress toward our long-term asset mix target of 10 per cent.

In 2007, we made 15 new fund commitments totaling $1,077 million, in both new and existing relationships. We expect that our investment in private equity will continue to grow as we fund commitments made in previous years, of which $1,915 million was unfunded at the end of 2007. We expect the pace of investments by our fund managers to slow in 2008 as a result of the debt crisis in the U.S. and its impact on global markets.

During 2007, we made $540 million of direct investments including the acquisition of majority interest in Nelson Education. This was done in conjunction with APAX, one of our significant fund relationships, which led the acquisition of the global operations of Cengage Learning (formerly, Thomson Learning), a leading provider of learning solutions and publisher of academic textbooks for kindergarten to grade 12 and for higher education. In addition, in 2007 we acquired Golf Town Income Fund, Canada's leading retailer of golf merchandise, for approximately $240 million, and Give and Go Prepared Foods, a market leader in thaw-and-serve sweet baked goods throughout North America. We will continue to be responsive and proactive in seeking new direct investments where we can add value to deliver our required return.

In addition, other significant investments include interests in:

AFFINIA

Affinia Group Inc. is a leading manufacturer and distributor of aftermarket components for cars, trucks and off-highway vehicles. Affinia's broad range of brake, filtration and chassis products are sold in North and South America, Europe, and Asia.

Cari-All

Cari-All Group Inc. is a North American leading manufacturer and distributor of retail shopping carts.

CONSTELLATION SOFTWARE INC.

Constellation Software Inc. is an international provider of market leading software and services to the public and private sectors. Constellation acquires, manages and builds vertical market software businesses that provide custom mission-critical software.

COOKIE JAR

Cookie Jar Group of Companies produces and distributes high-quality, non-violent programming and supplemental educational products for children, families and educators worldwide.

GIVE & GO

Give and Go Prepared Foods Corp. is a Toronto-based wholesale bakery producing Two-Bite Brownies™, Cinnamon Crunchies™, Butter Tarts and Two-Bite Coffee™Cakes. Give and Go products are sold throughout Canada and in the U.S.

GOLF TOWN

Golf Town is Canada's leading retailer of golf merchandise from leading manufacturers together with teaching academies, golf simulators and pro shop services. Golf Town also provides logo services on apparel and equipment for corporate tournaments and events.

SITEL

Sitel Corporation (formerly Client Logic) was acquired by Client Logic in 2007, and the combined company changed its name to Sitel and is a leading global provider of outsourced customer care and back office processing services. Sitel has over 65,000 associates across 28 countries.

marketwire

Marketwire is a leading provider of newswire services, with one of the largest distribution platforms in North America. Based in Toronto, Marketwire has partnerships worldwide to distribute news, and has offices in the U.S. and the U.K.

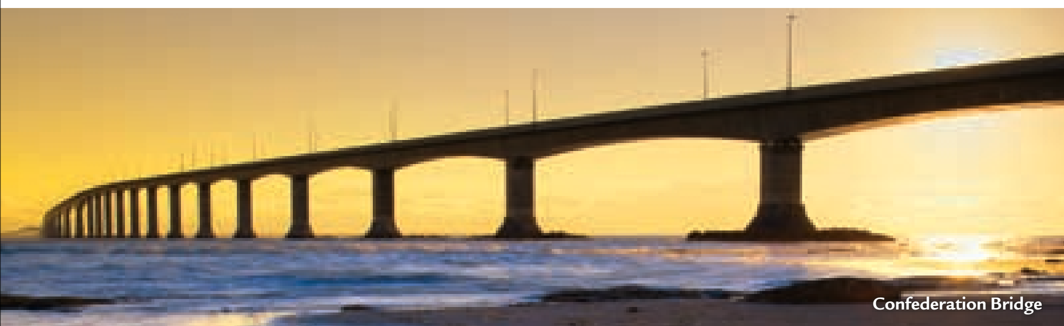
NELSON EDUCATION

Nelson Education is Canada's leading education publisher, from kindergarten to university and college levels. Nelson offers customized educational solutions for core disciplines such as math, science and language arts.

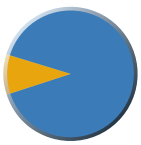
Infrastructure Investments

A global portfolio with an enterprise value exceeding $25 billion

Borealis Infrastructure (Borealis) manages our infrastructure investments and has been a world leader in developing infrastructure investing as an asset class for institutional investors. Borealis has a proven track record in identifying, investing and managing infrastructure investments around the world and has delivered solid returns, outperforming its benchmark in each of the last three years.


Confederation Bridge


Enwave



9.9%
ASSET MIX EXPOSURE AS AT DEC. 31/07

Infrastructure investing involves direct investments in inflation-sensitive assets that are critical to the long-term success of a modern industrial economy. Some infrastructure investments are subject to regulatory establishment of rates, service delivery levels or both. Individual investments generally require capital commitments for a minimum of 15 to 20 years and typically generate consistent annual cash flows; a perfect fit in meeting our long-term pension obligations. Through Borealis, we have become a significant investor in the infrastructure sector. Our assets include majority or minority positions alongside other pension, corporate and government investors.

In 2007, the AC reclassified two investments from the private equity asset class to the infrastructure asset class: CEDA International, a leading industrial, mechanical and electrical services company serving the Alberta Oil Sands and OMERS Energy, an oil and gas exploration company with interests in oil and gas wells throughout western Canada. These long-term investments are managed by the infrastructure team.

Infrastructure investments generated net investment income of $595 million, compared with $388 million a year earlier. The 2007 return was 12.4 per cent, compared with 9.9 per cent for the benchmark and a 14.0 per cent return in 2006. Net investment income increased $207 million in 2007 compared with 2006 as a result of unrealized gains recognized on investments made within the past three years and additional income due to the reclassification of CEDA International and OMERS Energy to infrastructure investments, which was partially offset by lower energy sector earnings in 2007.

The infrastructure portfolio is partially funded by $3,426 million in debt, which is secured by the underlying assets in the portfolio. Interest expense for the year was $145 million.

At December 31, 2007, we had $8,412 million invested in infrastructure assets, an increase of $2,827 million over the prior year. This increased our asset mix exposure to infrastructure from 7.9 per cent in 2006 to 9.9 per cent at the end of 2007. We continue to make good progress toward our long-term asset mix goal. During 2007, recognizing the importance of the infrastructure asset class to providing

RATE OF RETURN AND ASSET MIX EXPOSURE

12.4% Rate of Return

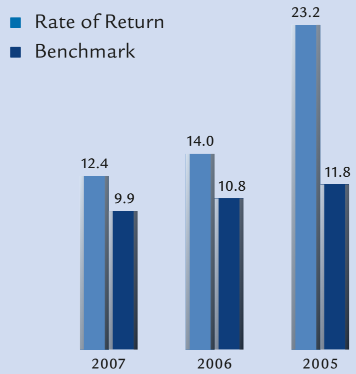
The overall infrastructure return in 2007 was 12.4% compared with a benchmark of 9.9%.

ASSET MIX EXPOSURE

	2007	2006	2005
Infrastructure	**9.9%**	7.9%	5.7%

RATE OF RETURN AND BENCHMARK

(%)



long-term stable returns for the Fund, we increased our long-term asset mix exposure target for infrastructure from 15 per cent to 20 per cent.

Our largest infrastructure investment is our limited partnership interests in the Bruce Power nuclear power plant. The agreement with the Ontario Power Authority to restart and refurbish three of the eight reactors at Bruce Power was amended in August, 2007 to allow for the complete refurbishment of an additional reactor. When the program is completed, Bruce Power is expected to supply approximately 25 per cent of Ontario's electricity by 2013 up from the current 20 per cent.

In February 2007, we finalized our purchase of LifeLabs (formerly, MDS Diagnostic Services), from MDS Inc. for $1,320 million. LifeLabs is Canada's largest provider of laboratory services and provides more than 50 million diagnostic tests to more than 10 million patients and nearly 20,000 physicians each year.

Other significant investments made in previous years include interests in:

- Associated British Ports, the largest port operator in the United Kingdom which owns 21 ports handling approximately 25 per cent of all marine traffic goods into and out of the United Kingdom;
- Scotia Gas Networks which operates the Scotland and the South of England gas distribution networks, comprising approximately 73,000 km of gas lines serving approximately 5.6 million customers;
- CEDA International, a leading industrial, mechanical and electrical services company which is well established in the Alberta oil sands;
- OMERS Energy, an oil and gas exploration company with interests in oil and gas wells throughout western Canada;
- Express Pipeline, a pipeline system that exports crude oil from Alberta to the United States and serves refineries in six western and midwestern states;
- The Detroit River Tunnel which transports over 425,000 railcars annually, making it one of the largest trade corridors in the world;
- Enwave Energy Corporation, which owns the largest deep lake water cooling service in the world and provides environmentally friendly heat and air conditioning to Toronto's downtown office core;
- Confederation Bridge linking Prince Edward Island and New Brunswick, which operates under a concession agreement with the federal government until 2032; and
- CIEL Satellite which will offer wholesale satellite capacity to the North American market.

Significant Investments

- Bruce Power
- Associated British Ports
- Scotia Gas Networks
- LifeLabs
- CEDA International
- OMERS Energy
- Express Pipeline
- Detroit River Tunnel Partnership

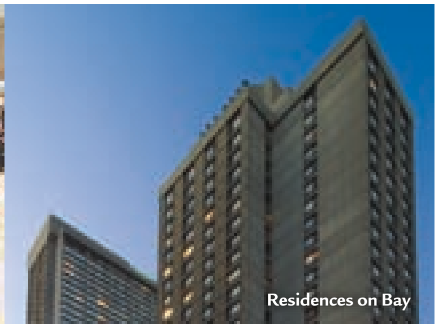
Real Estate Investments

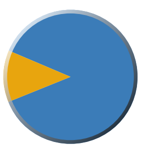
Investments that generate strong, sustainable cash flow with low volatility

Oxford Properties Group (Oxford) manages our real estate investments and is one of North America's largest commercial real estate investment and real estate management firms. Oxford oversees and manages approximately $16 billion of real estate for itself and on behalf of its co-owners and investment partners. Oxford's rate of return in each of the past three years has significantly exceeded the benchmark.


WaterPark Place


Yorkdale Shopping Centre


Residences on Bay



12.5%
ASSET MIX EXPOSURE AS AT DEC. 31/07

Oxford continues to build a global platform for real estate investment, providing superior risk-adjusted returns and secure, sustainable and growing cash flows for the Fund. Oxford's strategy focuses on the ownership and active management of significant assets, diversified by property type, geographic market and risk-reward profile. Real estate investments of this nature generate reliable cash flows, facilitating our ability to meet current benefit obligations. Furthermore, actively managed real estate generally appreciates in capital value over time in step with inflation, which offsets the inflation exposure of our pension liabilities.

Real estate generated net investment income of $1,239 million; including operating income of $372 million after interest expense, a 21.9 per cent increase over 2006 net investment income of $1,016 million, which included operating income of $350 million after interest expense. The real estate portfolio is partially funded by $3,457 million in mortgages, debentures, commercial paper and other debt, which resulted in an interest expense of $157 million in 2007. Based on total investment income of $1,245 million before investment management expenses, the return for the real estate portfolio was 22.9 per cent in 2007, compared with a 2007 benchmark return of 7.8 per cent and a 26.2 per cent return in 2006. This is the third straight year of real estate returns in excess of 20 per cent and in each year returns have been well in excess of the benchmark. The increase in income over the prior year is primarily a result of strong rental income, gains on the sales of properties and favourable market value appreciation in the year. In 2007, the continued growth in the real estate market valuations again exceeded expectations.

Oxford's total real estate assets were valued at $10,904 million at December 31, 2007, an increase of $2,363 million from 2006. Our asset mix exposure to real estate increased to 12.5 per cent at December 31, 2007 compared with 10.3 per cent in 2006 due to net acquisitions during the year and favourable market valuation increases. As a result, we have reached our long-term asset mix goal of 12.5 per cent for real estate.

RATE OF RETURN AND ASSET MIX EXPOSURE

22.9% Rate of Return

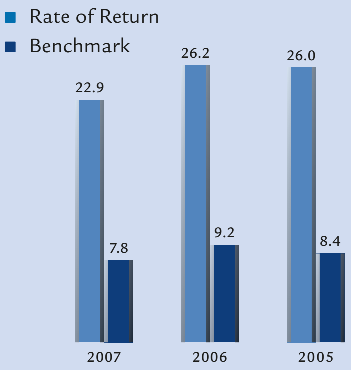
The overall real estate return in 2007 was 22.9% compared with a benchmark of 7.8%.

ASSET MIX EXPOSURE

	2007	2006	2005
Real Estate	12.5%	10.3%	8.1%

RATE OF RETURN AND BENCHMARK

(%)



At December 31, 2007, our direct portfolio consisted of 107 properties, located primarily in Canada, with a total leaseable area of 48.1 million square feet, 2,933 hotel rooms and 18,778 residential units. The portfolio composition is shown in the table below:

Direct Real Estate Portfolio Composition	Number of Properties	Percentage of Portfolio Based on Market Value
Office	42	41%
Retail	20	27%
Industrial	16	5%
Residential	17	9%
Hotels and resorts	7	16%
Properties under development	2	2%
Land held for development	3	0%
	107	100%

Oxford's office portfolio is diversified geographically in Canada across six major markets. The largest concentration is in Toronto and the surrounding areas (representing approximately 57 per cent of the market value of the office portfolio) with investments in a number of properties. The most significant properties are Canada Trust Tower, Royal Bank Plaza, and the Richmond Adelaide Complex. The other major urban centres where Oxford has investments are Calgary, Vancouver, Edmonton, Ottawa and Montréal.

The retail portfolio comprises 20 properties, primarily super regional and regional shopping centres, totaling 19.3 million square feet. The properties are located across Canada and in the United States, but are predominantly in the Greater Toronto Area. The more significant properties include 50 per cent ownership interests in Yorkdale Shopping Centre, Square One Shopping Centre, Scarborough Town Centre and the Oshawa Centre in the Greater Toronto Area, Oakridge Centre in Vancouver and Place Laurier in Québec City.

As part of Oxford's strategic and global investment plans, we intend to increase the international component of our direct real estate investments to diversify and enhance returns. At December 31, 2007, 90.2 per cent of Oxford's direct real estate portfolio based on market value was invested in Canada and the remaining 9.8 per cent was invested in the United States, Germany and the United Kingdom. In 2007, Oxford partnered with Babcock & Brown to acquire a 48.9 per cent interest in eight regional shopping centres in the U.S. and a 65 per cent interest in a portfolio of multi-family residential units in Germany. During the year, Oxford also acquired a leasehold interest to develop Watermark Place, a landmark 530,000 square foot office development located in London, England for a total gross development price estimated at $500 million. Through rigorous research, due diligence and strategic relationships, new investment opportunities will continue to be pursued and assessed in 2008 as part of the continued execution of Oxford's global investment platform.

Oxford also holds and manages a portfolio of indirect investments that were valued at $656 million as at December 31, 2007.

Significant Investments

- Royal Bank Plaza
- Richmond Adelaide Complex
- Canterra Tower
- Watermark Place, England
- Yorkdale Shopping Centre
- Square One Shopping Centre
- A portfolio of seven Fairmont Hotels

Pension Services

A mandate to provide best-in-class service to our members, retirees and employers

The Pension Division is the primary communications link to our members and employers. We are committed to consistently meeting their needs through two-way open channels of communication. This means we are constantly listening, learning and adapting to ensure our members and employers receive best-in-class service. We are widely recognized in the pension industry both for our excellent pension plan and for our high standards of service.

Our members belong to a wide variety of unions and association groups. The chart on the next page shows a breakdown of our active membership by their affiliation at December 31, 2007.

The OMERS Primary Pension Plan provides members with:

- a guaranteed pension benefit, based on earnings and years of service (as described in the Pension Plans section on page 20 of this Annual Report);
- early retirement options;
- a Canada Pension Plan "bridge" benefit if the member retires before age 65;
- full inflation protection up to 6 per cent per year with any inflation amount above that carried forward to subsequent years;
- disability protection in the event a contributing member becomes disabled and is unable to work;
- survivor benefits to protect a member's family when a member dies; and
- portability to continue to be a Plan member with over 900 employers across Ontario.

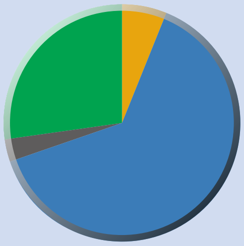
The benefits paid under the Plan, including the Canada Pension Plan bridge benefit (as discussed on page 20, Pension Plans), are calculated by multiplying two per cent of the member's average annual contributory earnings for the highest paid five consecutive years, times years of credited service, to a maximum of 35 years. This benefit is also provided to members earning in excess of certain federal pension maximum limits through the RCA.

Delivering on the pension promise requires a combination of innovative programs and processes as well as highly skilled and dedicated people who appreciate the importance of understanding the needs of our customers, and fulfilling them efficiently and promptly.

The mandate of the Pension Division is to provide our members and employers with best-in-class pension services. Our performance in 2007 confirms that the technology and human resource platforms we have built over the past several years are meeting this challenge.

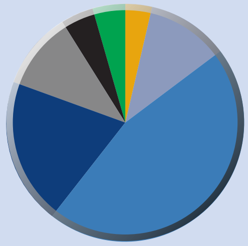
MEMBER PROFILE

Active	242,158
Deferred	11,740
Retired/Survivor	103,438
Inactive	22,925
Total	380,261



MEMBER AFFILIATION

Canadian Union of Public Employees	45.9%
Management/Non-union	20.0%
Police Associations	10.6%
Ontario Professional Fire Fighters Association	4.6%
Ontario Secondary School Teachers Federation	4.3%
Ontario Public Service Employees Union	3.5%
Other	11.1%



In 2007, our results against our demanding service standards were:

- Initial claims turnaround time – in each month in 2007, met or exceeded target of 3 business days for all key business activities;
- Incoming calls resolved at first point of contact – in each month in 2007, met or exceeded target of 90 per cent;
- Answer incoming calls to client services within 100 seconds – in each month in 2007, met or exceeded target of 80 per cent.

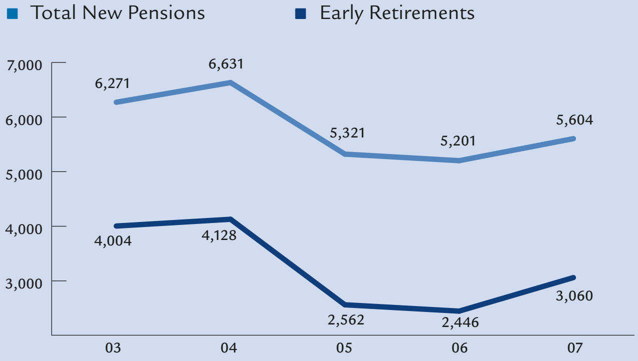
The requirement to deliver outstanding service continues to grow:

- As illustrated by the member profile above, we now serve a total membership of over 380,000, 2.2 per cent more than at the end of 2006, as well as more than 900 employers;
- In 2007, the pension promise was delivered through monthly Plan and RCA payments for a total of $1,554 million to over 103,000 retirees. Where individuals left the Plan and the RCA, payments of $279 million were also made in the form of commuted value payments and transfer payments to other pension plans;
- In 2007, we received requests for over 30,500 retirement, termination, disability, pre-retirement death benefits as well as retirement and termination estimates, an increase of 6 per cent over 2006;
- Communication is a critical element of our service. In 2007, our website had 638,000 visits, an increase of 5 per cent over 2006. We also continued our practice of serving our members and building our relationship with employers through regular communication. We made over 1,100 on-site visits in 2007, making presentations at member information and pre-retirement sessions and supporting employers;
- Eighty-nine per cent of employers (covering 99 per cent of active members) are now registered for our e-access program, which enables employers to look up member information, check the status of an event or process a form over a secure online service;
- e-access continued to extend its reach in 2007. Over the course of the year, 89 per cent of key employer forms were received through e-access, compared with about 87 per cent in 2006 and about 79 per cent at the end of 2005. The most significant e-access application for both employers and the AC is the e-Form 119 application through which employers report annual member data directly through our secure online e-access system. Ninety eight per cent of all annual pension statements were issued to members by June 30, 2007, which exceeded our target of 90 per cent in that time frame.

Not only do we serve many individual members on a timely basis but our annual survey to assess how we are doing at meeting the needs of members and employers reveals that we are doing it well. The 2007 survey results showed an average satisfaction rate of 87 per cent for the overall level of service which demonstrates continuing recognition of our high standards.

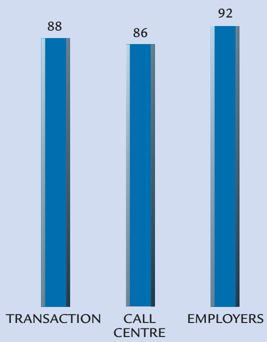
NUMBER OF NEW PENSIONS

Unusually high numbers from 2003 to 2004 reflect temporary early retirement windows that were in effect during those years



SATISFACTION SURVEYS

Percentage of respondents who rated OMERS 4 out of 5 or 5 out of 5 for service excellence



During 2007, the Pension Division was busy implementing the provisions of the OMERS Act, which included the requirement for the AC to implement a Supplemental Plan for members of the police sector, fire fighters and paramedics by July 1, 2008. The SC can also establish other Supplemental Plans for other members of the Plan.

The Supplemental Plan is a separately funded, stand-alone registered pension plan, which offers benefits that "top up" those available in the OMERS Primary Pension Plan. Benefit options under the Supplemental Plan include a 2.33 per cent pension accrual rate; an enhanced earnings formula ("best-three" or "best-four" earnings compared to "best-five" in the Plan); and enhanced early retirement options.

Benefits under the Supplemental Plan are not automatic. Under the OMERS Act, a supplemental benefit is not effective until the employer consents to provide that benefit. Only one additional supplemental benefit may be provided every three years.

Our systems and pension processes are being updated to be ready to administer these supplemental benefits. During the year, we also responded to requests for information about the Supplemental Plan, posting detailed information on our website and holding a series of information sessions to help employers, unions and associations understand how the supplemental benefits will work.

In 2007, we reached an agreement with the Ontario Public Service Pension Plan to provide new pension options to protect the benefits of police officers whose employment moves between provincial and municipal police forces. The agreement gives affected members the option of retaining pensions in both plans or consolidating their pension benefits in their current plan. The transfer option stems from an agreement among municipal and provincial police, the Ontario government, the Ontario Pension Board and the AC, and new legislation under the Ontario *Police Services Act* permitting these police pension transfers.

In order to continue to enhance customer service, in 2007, the Pension Division launched a service initiative called "Raising the Bar." This initiative focuses on areas where we can enhance the quality of our service and our approach to customer communications. It will be supported by a new communications tracking system which will consolidate and provide better access to our history of client contact and enhance our already excellent service for members, retirees and employers across Ontario.

Risk Management

We are committed to providing secure pensions to our members by investing in a broad range of assets in a manner that strives to earn superior returns without taking undue risk. Our goal is to ensure that the value of the Fund is sufficient to meet the value of all pension benefits (the "liabilities"), promised to members of the Plan, on a sustained basis.

Our ability to meet this obligation is affected by two factors:

- fluctuations in the value of the investment portfolio, which are driven by changes in investment markets (primarily market and credit risk), and
- changes in the value of the Plan's actuarial liabilities, which are driven by both economic and demographic factors.

Risk management is an essential part of our corporate and investment strategy by helping the Fund generate the investment returns needed to keep the pension promise without incurring substantial risk of loss. We continually strive to improve our approach which is enterprise-wide and involves our AC Board, management and employees within each line of business. Risk management is supported by our system of internal controls, procedures and corporate policies including our Code of Conduct, Conflict of Interest and Statement of Investment Policies and Procedures. Management and employees are required to adhere to policies, procedures and standards that a prudent person would reasonably exercise when managing the assets of others.

The value of the Plan's actuarial liabilities is sensitive to movements in interest rates and inflation rates similar to changes in the value of a portfolio consisting of real return bonds and nominal bonds. However the Fund invests in a combination of equities, infrastructure, real estate and a broad range of interest bearing instruments. While this investment strategy diversifies the investment portfolio and assists in maintaining stable and cost effective contribution rates, it produces a mismatch between the characteristics of the actuarial liabilities and the characteristics of the assets. This exposes the Plan to various risks that must be closely monitored and managed.

Risks Affecting the Plan

The Enterprise Risk Management program has identified four categories of risks that could potentially have an adverse effect on the Plan.

- First, there are investment risks (market and credit) that are an inherent part of investing in capital markets;
- Second, there is an array of operational risks that we face as a business operation;
- Third, there are strategic risks inherent in the execution of our longer-term plan; and
- Finally, there are legal and compliance risks that we deal with in the management and administration of the Plan and the RCA under the laws of Canada as well as laws and regulations of the various countries where we invest.

Investment Risk

We ensure the Fund is well diversified across assets, industries and regions. The purpose of diversification is to have different segments of the investment portfolio exposed to different investment risks. This reduces the overall volatility of returns and helps insulate the investment portfolio from the negative impact of adverse returns in any one asset class, industry or region.

Since our primary long-term focus is to meet the pension promise, we review and adjust the asset mix periodically so that the expected long-term investment returns are sufficient to meet the Plan's liabilities. Our goal is to manage an asset mix that balances risks and rewards, avoids excessive volatility in the investment portfolio and is appropriate for the size and duration of the Plan's liabilities. The target weight of each asset class, as a proportion of the total portfolio, and the associated allowable ranges, are approved annually by the AC Board with the objective of reaching our long-term strategic asset mix in a prudent and efficient manner. The progress of our actual asset mix towards our annual and long-term strategic asset mix targets is reviewed on an ongoing basis by the AC Board and management.

We manage a variety of investment risks associated with investing in capital markets including market and credit risk.

- Market Risk

  Market risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. Market risk encompasses a variety of financial risks, such as interest rate risk, commodities risk, equity risk and foreign exchange risk. Significant volatility in interest rates, commodity prices, equity values and the value of the Canadian dollar against the currencies in which our investments are held can significantly impact the value of our investments and the funded status of the Plan.

We use various investment strategies such as diversification, hedging and the use of derivative instruments to mitigate the various forms of market risk. Our investment exposures in various assets and markets are monitored daily.

- **Credit Risk**

  Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its contractual obligations, including the inability or unwillingness to pay the principal borrowed, or to make interest payments when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations.

  Among other mechanisms, we manage credit risk by establishing limits to credit exposure from individual corporate entities and by requiring collateral where appropriate.

Operational Risk

Operational risk is the risk of loss arising either directly or indirectly from operational error due to failure in processes, systems, technology, actions of personnel or due to unforeseen external events. Our framework of policies and procedures is designed to identify and manage operational risks through the implementation of controls over data integrity, information processing, management of information technology and through appropriate human resources, systems and practices.

Strategic Risk

Strategic risk is the risk of not achieving our long-term strategic goals and objectives. The AC Board and the CEO manage the achievement of our strategic goals by overseeing our policies, and the planning and achievement of our long-term goals. The CEO is accountable to the AC Board for decisions relating to the day-to-day management of the Plan and the Fund including funding policy, investment strategies, investments pursued, investment management styles and operating results. To manage this risk, we have established a governance framework, business strategy process and performance measures.

The Plan's funding is a significant strategic risk.

- **Funding Risk**

  Funding risk is the risk of inappropriate policies or decisions related to asset allocation, or actuarial methodologies and valuation processes. Our ability to pay pensions is not only subject to investment risks (discussed in previous section) but is also subject to the risks associated with the assumptions used in the valuation of the Plan's actuarial liabilities. There are two sources of this risk: (1) the risk that actual market conditions differ significantly from the assumptions used in the valuation of the liabilities and (2) unforeseen changes in the major assumptions. The major assumptions that go into the valuation of the actuarial liability include long-term economic conditions (i.e. inflation, the real return on investments, and the rate of member salary increases) and the demographics of the membership (i.e. mortality rates, disability rates, the rates for terminations, early retirement and marital status).

  To manage these risks, the AC Board appoints an independent actuary to value the actuarial liability annually based on economic and demographic assumptions as recommended by the actuary, reviewed by management and approved by the AC Board. The validity of all assumptions is monitored each year against actual experience and adjusted as appropriate.

Legal and Compliance Risk

Legal and compliance risks arise from changes in or non-compliance with legal and/or regulatory requirements and/or other ethical standards which can undermine the AC's ability to achieve its objectives. The AC Board and management, with the assistance of the Legal Division (including the Compliance Branch) and independent expert advisors, monitor situations affecting regulatory compliance that could result in regulatory action. The AC has established processes to keep abreast of applicable regulatory developments and to advocate for changes where they are in the best interest of plan members.

Through our governance framework and established policies and procedures, including our Code of Conduct and Conflict of Interest policies for directors and employees, we strive to ensure that values and behavioural expectations are well understood and integrated throughout the organization so as to minimize these risks.

Critical Accounting Policies

We have established procedures to ensure that our accounting policies are in accordance with Canadian generally accepted accounting principles ("GAAP"), are applied consistently and that our processes for changing accounting policies are systematic and well controlled.

Consistent with Canadian GAAP, certain of the AC's accounting policies require subjective or complex judgments and estimates relating to matters that are inherently uncertain. The use of different judgments and estimates could result in materially different amounts being recorded under different conditions or by using different assumptions. As a result, actual results could materially differ from our estimates and assumptions applied in the Consolidated Financial Statements. Significant estimates included in the Consolidated Financial Statements relate to the valuation of certain investments and the determination of our actuarial liabilities.

Our policy is to record all investments at fair value; however, the determination of fair value involves considering many factors for each type of investment held by the Fund. Fair value is determined with reference to quoted market prices, where available, and excludes transaction costs which are expensed as incurred. For private market investments where quoted market prices are not available, fair value is generally based on internal or external valuations using generally accepted valuation methods. The fair value of private market investments acquired within the current fiscal year may be held at cost, depending upon events since acquisition. For private equity funds the fair value is generally provided by the fund's general partner. As a result fair values for private market investments are based on estimates which are inherently uncertain. Our policy is to obtain independent support of these valuations by accredited independent appraisers at least once every three years, or whenever the valuation changes by more than 15 per cent from the prior year.

Actuarial assumptions used in determining actuarial liabilities reflect management's best estimates of future economic factors such as the discount rate, rate of pensionable earnings increase and inflation, and non-economic factors such as mortality, withdrawal and retirement rates of Plan members. This process is supported by our independent actuary. The Plan's actual experience could differ from these estimates. Differences are recognized as experience gains or losses in future years.

A summary of our significant accounting policies is presented in Note 2 to the Consolidated Financial Statements.

Senior Management Team

OMERS Management Team

Michael Nobrega
President &
Chief Executive Officer

Patrick Crowley
Chief Financial Officer

John Macdonald
Chief Operating Officer

Jennifer Brown
Senior Vice President,
Pension Division

Gord Brandt
Senior Vice President,
Human Resources

James Roks
Vice President,
Associate General Counsel,
Legal Division

Investment Professionals

James Donegan
Senior Vice President,
OMERS Capital Markets
(Public Investments)

Paul G. Renaud
President &
Chief Executive Officer,
OMERS Capital Partners
(Private Equity)

Michael Rolland
President &
Chief Executive Officer,
Borealis Infrastructure
(Infrastructure)

Michael Latimer
President &
Chief Executive Officer,
Oxford Properties Group
(Real Estate)

OMERS Capital Markets

OMERS Capital Partners

BOREALIS

OXFORD

AC Governance

Under the new *Ontario Municipal Employees Retirement System Act, 2006* which was proclaimed into law in June 2006, the Ontario Municipal Employees Retirement Board became the OMERS Administration Corporation, responsible for pension administration, valuation of the actuarial liability and investment of the pension funds. The initial appointments of the 14 members of the AC Board were made by the Ontario Government as set out in the legislation. After a transition period provided in the OMERS Act, subsequent appointments will be as set out in SC by-laws.

Corporate and Board Governance

Effective and transparent pension plan governance is the foundation that allows OMERS to fulfill its pension promise to its members. Throughout its 45 year history, OMERS has continuously sought to achieve the highest standards in governance, as evidenced by the AC's Governance Vision and Mission.

- Governance Vision

  The AC Board will be publicly recognized as an industry leader in corporate and pension governance.

- Governance Mission

  The purpose of governance is to ensure effective board and management decision-making through the use of processes and controls to ensure the Plan is administered in the best interests of the Members and Beneficiaries.

AC Governance Reform Project

The AC continually looks for opportunities to improve its governance practices and procedures and in 2007 launched a governance reform project to:

- define board and committee mandates;
- define roles and responsibilities between the AC Board and management;
- define required board competencies;
- improve processes to effectively monitor management performance; and
- provide a means of benchmarking and assessing the overall governance process.

Board Governance

The AC has many existing policies and practices in place that support its commitment to best governance practices, including:

- corporate by-laws and a Board Member Handbook;
- a board education program that includes mandatory corporate director certification from The Directors College, operated in conjunction with The Conference Board of Canada, the DeGroote School of Business and McMaster University, as well as mandatory orientation in board operations and governance;
- strict auditor independence guidelines that separate the audit and non-audit functions. The AC's external auditor is prohibited from providing non-audit consulting services except under predefined situations as approved by the Audit Committee and AC Board;
- a Code of Conduct, covering areas such as conflict of interest, fiduciary duty, workplace harassment, discrimination, privacy and confidentiality, that applies to AC Board members and employees who are required to affirm their compliance each year;
- an "ethics hotline" supported by a "whistle-blowing" policy;
- a conflict of interest policy regarding investments. Board members, senior management and appropriate investment and accounting staff must pre-clear their securities trades, disclose holdings and sign an annual certificate of compliance;
- a requirement that members of the Audit Committee meet the standard of financial literacy; and

- transparency and accountability to plan participants through regular meetings with plan participants and stakeholders as well as timely and accurate print and electronic communication. The AC regularly publishes summaries of Board proceedings on the OMERS website.

Board Membership

Currently, the AC Board comprises seven employer and seven plan member representatives as follows:

Employer Representatives

- Association of Municipalities of Ontario – two members
- City of Toronto – one member
- School Boards (rotates between Public and Catholic Boards) – one member
- Ontario Association of Police Services Boards – one member
- Other employers (rotates among representatives of other employers) – two members

Plan Member Representatives

- Canadian Union of Public Employees (Ontario) – two members
- Police Association of Ontario – one member
- Association of Municipal Managers, Clerks and Treasurers of Ontario – one member
- Ontario Professional Fire Fighters Association – one member
- Other contributing members (rotates among other unions and associations) – one member
- Members receiving or entitled to a pension (rotates among organizations representing these members) – one member

Board Independence

The AC Board appoints the CEO, who is not a member of the Board, and reviews his/her performance regularly throughout the year. Day-to-day management of the AC is delegated to the CEO. The AC Board also appoints the external auditor, master custodian and actuary and has access to independent legal advice. The AC Board has regular in camera meetings without management present.

AC Board Remuneration

In 2007, the AC Board members received per diem payments determined and authorized by directives of the Government of Ontario Management Board Secretariat. Effective January 1, 2008 the remuneration paid to AC Board members will be determined by the SC.

AC Board members received per diem fees for AC Board and committee meetings, other eligible meetings and preparation time. The AC Board Chair received a $247 per diem for each meeting day and preparation time; the AC Board Vice Chair received a $225 per diem for each meeting day and preparation time; and all other AC Board members received a $192 per diem for each meeting day and preparation time. Preparation time includes 2.5 days per month for the AC Board Chair, the Vice Chair and each Committee Chair, and 2 days per month for all other AC Board members. Fees were generally paid to the AC Board member; however, in some cases fees were paid to the employer.

The table on page 46 includes remuneration paid to the AC Board members for AC Board and committee meetings as well as preparation time in 2007 with comparable numbers for 2006.

	2007			2006		
	Remuneration	**Other[1]**	**Total**	Remuneration	Other[1]	Total
David Kingston (Chair)	**$ 23,588**	**$ 26,923**	**$ 50,511**	$ 22,230	$ 19,884	$ 42,114
John Sabo (Vice Chair)	**20,813**	**6,525**	**27,338**	17,621	4,802	22,423
Frederick Biro[3]	**10,560**	**1,056**	**11,616**	15,168	2,784	17,952
David Carrington	**14,016**	**1,248**	**15,264**	13,728	1,344	15,072
Edward DeSousa[2]	**13,248**	**768**	**14,016**	6,528	1,152	7,680
Richard Faber	**14,976**	**11,424**	**26,400**	17,376	12,960	30,336
John Goodwin[3]	**960**	**–**	**960**	–	–	–
Marianne Love[2]	**–**	**–**	**–**	10,350	4,612	14,962
Rick Miller	**13,824**	**8,256**	**22,080**	14,976	12,864	27,840
Ann Mulvale	**17,472**	**5,856**	**23,328**	17,280	3,552	20,832
David O'Brien[2]	**9,120**	**288**	**9,408**	4,896	1,152	6,048
Michael Power	**14,112**	**5,472**	**19,584**	12,672	4,704	17,376
Peter Routliff	**14,112**	**864**	**14,976**	17,568	1,920	19,488
Gerard Sequeira[2], [4]	**11,136**	**864**	**12,000**	4,800	960	5,760
John Weatherup	**12,576**	**1,824**	**14,400**	12,192	1,056	13,248
Cameron Weldon[4]	**14,496**	**1,920**	**16,416**	12,960	3,936	16,896
Other[5]	**–**	**(7,930)**	**(7,930)**	–	(480)	(480)
Total Board Remuneration	**$ 205,009**	**$ 65,358**	**$ 270,367**	$ 200,345	$ 77,202	$ 277,547

(1) Other includes per diem remuneration for mandatory education, eligible advisory meetings and travel.
(2) Part year in 2006.
(3) Part year in 2007.
(4) Remuneration for these AC Board members is paid directly to their employer.
(5) Reimbursement of AC Board members time spent on the Supplemental Plan issue.

Directors also received reimbursement for normal out-of-pocket business expenses incurred on behalf of the AC. Board expenses by director are reported to the Audit Committee annually.

AC Board Attendance

Board and committee meeting attendance in 2007 was 88 per cent as compared with 89 per cent in 2006.

Board Committees

In 2007, the AC Board had five standing committees which assisted the Board in discharging its responsibilities by reviewing and making recommendations consistent with their mandates.

Investment Committee (Committee of the Whole)

- Reviewed asset mix policy; reviewed investment policy including the Statement of Investment Policies and Procedures; reviewed and approved major investment decisions.

Pension Committee

- Reviewed plan service quality and standards, pension communications, plan administration policy and AC Board-mandated administrative decisions. As a result of the establishment of the SC, the AC Board decided to eliminate the Pension Committee effective January 1, 2008.

Audit Committee

- Monitored the integrity of the AC's financial reporting processes and system of internal control regarding financial reporting and accounting compliance; reviewed financial statements; identified and monitored management of principal risks that impact financial reporting; monitored the enterprise risk management program and assessed the independence and performance of the AC's external auditors and internal audit department.

Human Resources and Compensation Committee

- Reviewed human resources strategy, executive compensation and performance, succession planning for the CEO and Senior Executive Management team, and non-executive compensation and incentive plans.

Governance Committee

- Reviewed the mandate of the AC Board and its committees; evaluated AC Board orientation and education programs; reviewed the composition of committees and qualifications for AC Board members and policies relating to AC Directors, and reviewed all policies relating to ethical business conduct and external communications.

AC Board and Committee Attendance

Board/Committee (Number of Meetings in 2007)

	Board (22)			Investment (15)			Pension (8)			Governance (8)			Audit (4)			HR (11)			Total (68)		
Board Member	Attended	Total	%	Attended	Total	%	Attended	Total	%	Attended	Total	%	Attended	Total	%	Attended	Total	%	Attended	Total	%
Frederick Biro[(1)]	19	20	95%	8	12	67%	–	–	–	4	7	57%	3	3	100%	–	–	–	34	42	81%
David Carrington	21	22	95%	15	15	100%	8	8	100%	–	–	–	–	–	–	11	11	100%	55	56	98%
Edward DeSousa	19	22	86%	14	15	93%	–	–	–	8	8	100%	–	–	–	10	11	91%	51	56	91%
Richard Faber	20	22	91%	14	15	93%	7	8	88%	7	8	88%	–	–	–	–	–	–	48	53	91%
John Goodwin[(2)]	1	2	50%	1	2	50%	–	–	–	–	–	–	–	–	–	–	–	–	2	4	50%
David Kingston[(3)]	22	22	100%	13	15	87%	7	8	88%	8	8	100%	4	4	100%	11	11	100%	65	68	96%
Rick Miller	21	22	95%	15	15	100%	8	8	100%	8	8	100%	–	–	–	–	–	–	52	53	98%
Ann Mulvale	22	22	100%	14	15	93%	–	–	–	–	–	–	4	4	100%	11	11	100%	51	52	98%
David O'Brien[(4)]	16	22	73%	9	15	60%	–	–	–	6	8	75%	–	4	–	–	–	–	31	49	63%
Michael Power	18	22	82%	10	15	67%	5	8	63%	8	8	100%	–	–	–	–	–	–	41	53	77%
Peter Routliff	20	22	91%	12	15	80%	–	–	–	–	–	–	2	4	50%	10	11	91%	44	52	85%
John Sabo[(3)]	22	22	100%	12	15	80%	7	8	88%	7	8	88%	4	4	100%	11	11	100%	63	68	93%
Gerard Sequeira	15	22	68%	8	15	53%	–	–	–	–	–	–	3	4	75%	11	11	100%	37	52	71%
John Weatherup	21	22	95%	13	15	87%	8	8	100%	–	–	–	–	–	–	11	11	100%	53	56	95%
Cameron Weldon	21	22	95%	14	15	93%	8	8	100%	–	–	–	4	4	100%	–	–	–	47	49	96%
Overall Attendance			90%			82%			91%			89%			77%			98%			88%

(1) Resigned October 31, 2007.
(2) Appointed November 15, 2007.
(3) Ex officio member for Pension, Governance, Audit, and Human Resources & Compensation Committees.
(4) Attendance impacted by conflicting employer board meeting obligations mandated by the director's employer prior to his becoming an AC Board member.

Board of Directors

David Kingston,
Chair of the Board
Retired Police Officer

Frederick Biro
Executive Director
Regional Municipality of
Peel Police Services Board
(Retired from Board
October 31, 2007)

David Carrington
Energy Advisor
Toronto Hydro Electric
System Ltd.

Edward DeSousa
Director of Finance
& Treasurer
Town of Halton Hills

Richard Faber
Retired Member

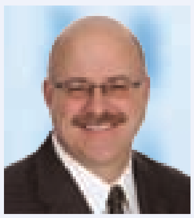
John Goodwin
Retired Partner
Osler, Hoskin & Harcourt
(appointed effective
November 15, 2007)

Rick Miller
Fire Fighter
Windsor Fire Department

Ann Mulvale
Former Mayor
Town of Oakville

David O'Brien
President &
Chief Executive Officer
Toronto Hydro Corporation

Michael Power
Mayor
Municipality of Greenstone



Peter Routliff
International Representative
International Brotherhood
of Electrical Workers
(IBEW)

John Sabo
Associate Director –
Leading Services &
Treasurer of the Board
York Catholic District
School Board
(Incoming Chair)

Gerard Sequeira
Director, Finance
& Administration
Municipal Property
Assessment Corporation
(MPAC)

John Weatherup
President
CUPE 4400

Cameron Weldon
Treasurer
City of Toronto

Proxy Voting

We strive to be a leader in terms of our internal governance practices. We expect the same of the companies we invest in.

The Fund beneficially owns shares valued at nearly $22 billion in more than 1,600 publicly traded companies around the world. We believe that companies that have strong corporate governance are generally more capable of creating value for shareholders. We prefer to invest in companies governed by directors who understand that the best interests of the shareholders are met by effectively managed corporations where management has a well thought out strategy for expanding the business, running it efficiently and achieving long-term profitability.

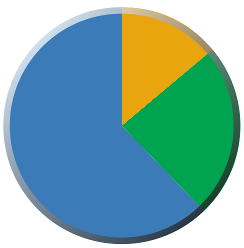
The most important tool we have for influencing policy among investee companies is exercising our ownership rights through our proxy votes. We vote proxies diligently in accordance with specific guidelines that we believe will optimize the long-term value of our investments. Our Proxy Voting Guidelines set out our policy on corporate governance matters and indicate how we will likely vote on individual issues. We consider the quality of a company's overall governance in deciding whether to vote for or against specific proposals. Votes are cast against those proposals we feel would dilute shareholder value.

We are also a member of the Canadian Coalition for Good Governance whose purpose is to represent Canadian institutional shareholders through the promotion of best corporate governance practices and to align the interests of boards and management with those of the shareholder.

The Proxy Voting Guidelines and our voting record on major proposals for Canadian companies can be found on our website, www.omers.com.

PROXY VOTES CAST

Canada	2,262
United States	3,895
Non-North American	9,823



Our key proxy voting principles

Our proxy voting guidelines are based on a number of key principles, including:

- proper sharing of the rewards of the enterprise between stakeholders is essential to long-term prosperity and the generation of long-term value.
- stakeholders involved in the corporate governance process accept their respective roles with a sense of fairness.
- a corporation that does not respond to public concerns or reasonable shareholder requests will eventually suffer in terms of its economic and capital market performance.
- ownership rights should not be subordinated. Minority shareholders should not be treated differently from controlling shareholders.
- the proxy vote is an important asset of a pension fund. Fiduciaries are obligated to exercise their ownership rights by voting proxies diligently in order to optimize the long term value of their investments.
- effective management of the risks associated with social, environmental and ethical matters can lead to long-term financial benefits for the companies concerned and shareholders have a right to know about the activities of their companies.
- all fiduciary votes at board and shareholders' meetings should be confidential, and tallied by an independent auditor as appropriate; and
- prompt disclosure of the results of votes at annual meetings is an important governance practice.

Proxy votes in 2007

During 2007, we voted a total of 15,980 ballots covering 1,571 shareholder meetings globally. In Canada, we cast 2,262 ballots in 280 shareholder meetings. Outside of Canada, we cast 3,895 ballots in the U.S. and 9,823 ballots outside of North America at 1,291 shareholder meetings.

Responsibilities of Management, the Actuary and External Auditors

OMERS Administration Corporation (the "AC") is the administrator of the primary pension plan as defined in the *Ontario Municipal Employees Retirement System Act, 2006* (the "OMERS Primary Pension Plan" or the "Plan") and the Retirement Compensation Arrangement ("RCA") associated with the Plan. The AC is responsible for investing the funds of the Plan and the RCA (the "Fund"). The consolidated financial statements of OMERS Administration Corporation have been prepared by management of the AC, and approved by the Board of the AC (the "AC Board"). Management is responsible for the contents of the consolidated financial statements and the financial information contained within the Annual Report.

Management maintains systems of internal control and supporting procedures that are designed to ensure the integrity and fairness of the data presented, that transactions are duly authorized and that assets are adequately safeguarded. These controls include clear divisions of responsibilities, accountability for performance, timely communication of policies and procedures throughout the organization and high standards in the hiring and training of employees. In addition, Internal Audit, which reports directly to the Audit Committee of the AC Board, reviews the AC's systems of internal control to determine whether these controls are appropriate and operating effectively.

The AC Board is responsible for approving the annual consolidated financial statements. The Audit Committee, which is comprised of directors who are not officers or employees of the AC, assists the AC Board in executing this responsibility. The Audit Committee meets regularly with management and the internal and 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 Committee reviews the annual consolidated financial statements and recommends them to the AC Board for approval.

The actuary is appointed by the AC Board. It is the actuary's responsibility to carry out annual valuations of the actuarial liabilities of the Plan and RCA in accordance with accepted actuarial practice and to report thereon to the AC Board. The Audit Committee assists the AC Board in executing this responsibility. The results of the actuary's valuation are set out in the Actuarial Opinion. In performing the valuation, the actuary values the benefits provided under the Plan and RCA 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 the AC and its active, inactive and retired members.

The external auditors are also appointed by the AC Board. Their responsibility is to report to the AC Board whether the consolidated financial statements present fairly, in all material respects, the net assets; actuarial liabilities and surplus/(deficit) of actuarial value of net assets over actuarial liabilities of the AC; and the changes in its net assets for the financial year, in accordance with Canadian generally accepted accounting principles. The external auditors have full and unrestricted access to management and the Audit 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 external auditors use the work of the actuary as part of their audit of the actuarial liabilities disclosed in the notes to the consolidated financial statements, in respect of which the actuary has provided the Actuarial Opinion. The auditors' report outlines the scope of their examination and their 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 the Annual Report, fairly present in all material respects the net assets, changes in net assets and surplus/(deficit) of actuarial value of net assets over actuarial liabilities of the AC as of the date and for the periods presented in this Annual Report.

Michael Nobrega
President and Chief Executive Officer

Patrick G. Crowley
Chief Financial Officer

Toronto, Ontario
February 21, 2008

Actuarial Opinion

As at December 31, 2007

The most recent actuarial valuation of the registered pension plan benefits of the primary pension plan (the "OMERS Primary Pension Plan" or the "Plan") administered by OMERS Administration Corporation was conducted as at December 31, 2007 using the Unit Credit Actuarial Cost Method, with projection of earnings. The purpose of the valuation was to fairly present the funded status of the Plan as at December 31, 2007, for inclusion in this Annual Report in accordance with Section 4100 of the Canadian Institute of Chartered Accountants Handbook.

The results of the actuarial valuation of the Plan disclosed total going concern actuarial liabilities of $46,830 million in respect of benefits accrued for service to December 31, 2007. The actuarial assets at that date were $46,912 million indicating a going concern actuarial surplus of $82 million. Ongoing adequacy of the current contribution rates will need to be monitored to ensure that future contributions, together with the Plan assets and future investment earnings thereon, will be sufficient to provide for all future benefits.

Full earnings pension benefits are benefits provided, using a Retirement Compensation Arrangement ("RCA"), in excess of the maximum pension benefits under the Plan and are not fully pre-funded. The actuarial liability in respect of the full earnings pension benefits accrued for service to December 31, 2007 (determined using assumptions consistent with those used for the Plan except that the discount rate is adjusted to approximate the effect of the 50% refundable tax under the RCA), net of the RCA assets, was $199 million. Contributions, based on the top-tier Plan contribution rates, are payable to the RCA on the excess of earnings over the maximum contributory earnings recognized under the Plan. It is expected that if contributions to the RCA continue, the annual cash inflow will be more than sufficient to cover the annual benefit payments for the short to medium term.

The actuarial valuation of Plan and the RCA as at December 31, 2007 was conducted using membership data as at December 31, 2006 and financial information as at December 31, 2007 supplied by OMERS Administration Corporation. The December 31, 2006 membership was adjusted for the following:

- membership movements to December 1, 2007,
- actual inflationary increases to pensions in payment and deferred pension payments effective January 1, 2008, and
- the estimated increase in earnings for 2007.

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

- the data are sufficient and reliable for the purpose of the valuation;
- the assumptions adopted are, in aggregate, appropriate for the purpose of the valuation; and
- the methods employed in the valuation are appropriate for the purpose of the valuation.

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

The valuation was prepared and our opinions are given in accordance with accepted actuarial practice.

Respectfully submitted

WATSON WYATT CANADA ULC

Ian Markham
Fellow, Canadian Institute of Actuaries

Andrew K. Fung, F.S.A.
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 21, 2008

Auditors' Report

To the Board of OMERS Administration Corporation

We have audited the consolidated statement of net assets and the consolidated statement of application of net assets to actuarial liabilities and surplus/(deficit) of OMERS Administration Corporation as at December 31, 2007 and the consolidated statement of changes in net assets for the year then ended. These consolidated financial statements are the responsibility of OMERS Administration Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these consolidated financial statements present fairly in all material respects, the net assets and surplus/(deficit) of actuarial value of net assets over actuarial liabilities of OMERS Administration Corporation as at December 31, 2007 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants,
Licensed Public Accountants

Toronto, Ontario
February 21, 2008

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF NET ASSETS

(MILLIONS) AS AT DECEMBER 31,	2007	2006
Assets		
Investments (NOTE 3)	$ 66,215	$ 60,610
Amounts due from pending trades	347	138
Other assets (NOTE 5)	825	724
Total Assets	67,387	61,472
Liabilities		
Investment liabilities (NOTE 6)	14,580	12,725
Due to administered funds	800	741
Amounts payable from pending trades	449	363
Other liabilities	42	38
Total Liabilities	15,871	13,867
Net Assets	$ 51,516	$ 47,605

Guarantees, commitments and contingencies are discussed in note 15.
The accompanying notes to the consolidated financial statements are an integral part of these financial statements.

Signed on Behalf of the Board of OMERS Administration Corporation

Chair

Chair of Audit Committee

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(MILLIONS)
FOR THE YEAR ENDED DECEMBER 31,

	2007	2006
Changes Due to Investment Activities		
Net investment income (NOTE 9)	$ 3,938	$ 6,530
Changes Due to Pension Activities		
Contributions (NOTE 11)	1,886	1,792
Benefits (NOTE 12)	(1,833)	(1,744)
Pension administrative expenses (NOTE 13(a))	(43)	(38)
	10	10
Total Increase	3,948	6,540
Net assets, beginning of year	47,605	41,065
Change in accounting policy for transaction costs (NOTE 2)	(37)	–
Net assets, beginning of year restated	47,568	41,065
Net Assets, End of Year	$ 51,516	$ 47,605

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

CONSOLIDATED STATEMENT OF APPLICATION OF NET ASSETS TO ACTUARIAL LIABILITIES AND SURPLUS/(DEFICIT)

(MILLIONS)
AS AT DECEMBER 31,

	2007	2006
OMERS Primary Pension Plan (NOTE 7)		
Actuarial liabilities	$ 46,830	$ 44,167
Actuarial value adjustment of net assets	4,567	5,791
Surplus/(Deficit)	82	(2,382)
Net Assets in OMERS Primary Pension Plan	51,479	47,576
Retirement Compensation Arrangement (NOTE 8)		
Actuarial liabilities	236	172
Deficit	(199)	(143)
Net Assets in Retirement Compensation Arrangement	37	29
Net Assets	$ 51,516	$ 47,605

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

Notes to Consolidated Financial Statements

Year ended December 31, 2007

Note 1

DESCRIPTION OF PLANS ADMINISTERED BY OMERS ADMINISTRATION CORPORATION

The OMERS Administration Corporation (the "AC") is a corporation without share capital under the *Ontario Municipal Employees Retirement System Act, 2006* (the "OMERS Act"). The AC is the administrator of the primary pension plan as defined in the OMERS Act (the "OMERS Primary Pension Plan" or the "Plan") and the Retirement Compensation Arrangement ("RCA") associated with the Plan. The AC is responsible for investing the funds of the Plan and the RCA (the "Fund"), as defined in the OMERS Act, in accordance with the *Pension Benefits Act* (Ontario) (the "PBA"), the *Income Tax Act* (Canada) (the "Income Tax Act"), and the OMERS Act. Under the OMERS Act, the OMERS Sponsors Corporation (the "SC") is the sponsor of the Plan and the RCA. The Ontario Municipal Employees Retirement System ("OMERS") represents the combined retirement system comprised of the SC, the AC, the Plan and the RCA.

OMERS Primary Pension Plan

The OMERS Primary Pension Plan is a multi-employer 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. Effective June 30, 2006, the Plan is governed by the OMERS Act and the benefit provisions and other terms of the Plan are set out in the Plan text.

The OMERS Primary Pension Plan is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency. The Plan is registered under Registration #0345983.

a) **Funding** – The Plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and members and by the investment earnings of the Plan assets. Contribution rates are set by the SC. The required contributions are identified through the actuarial valuation, and are determined in accordance with the OMERS Act, the *Income Tax Act* and the PBA, according to the actuarial needs of the Plan.

b) **Pensions** – The normal retirement age ("NRA") is 65 years for all Plan members, except police officers and firefighters, who generally have a normal retirement age of 60 years. The normal retirement pension is calculated using a member's years of credited service and the average annual earnings during the member's highest sixty consecutive months of earnings. The Plan benefits are integrated with the Canada Pension Plan.

c) **Death Benefits** – Death benefits are available to a surviving spouse, eligible dependent children or designated beneficiary upon the death of a member or in some cases, a retired member. Depending upon eligibility requirements, the benefits may be paid in the form of a survivor pension, lump sum payment or both.

d) **Withdrawals and Transfers from the Plan** – Subject to lock-in provisions, a member that has terminated employment prior to eligibility to retire has the option to withdraw or transfer his/her benefits from the Plan to another retirement savings vehicle.

e) **Escalation of Pensions** – Pension benefits are increased for inflation through an annual adjustment equal to 100 per cent of the increase in the average Consumer Price Index (CPI) from the prior year. This 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, any excess is carried forward to future years.

f) **Disability Pensions** – A disability pension is available at any age to a member who becomes totally disabled as defined by the Plan. The pension is calculated using a member's years of credited service and the average annual earnings during the member's highest sixty months of consecutive earnings consistent with a standard pension. Disability pensions continue until normal retirement or until the member is able to return to work.

g) **Income Taxes** – The Plan is a Registered Pension Plan as defined in the *Income Tax Act* and as such 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.

Retirement Compensation Arrangement

The RCA was established to provide pension benefits based on full earnings for those members with earnings exceeding the amount that generates the maximum pension allowed by the *Income Tax Act*. The determination of the value of these benefits is made on the basis of a periodic actuarial valuation. The RCA net assets available for benefits are accounted for separately from the Plan and the accrued liabilities of the RCA are valued separately from the Plan actuarial valuation.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements are prepared on a going concern basis in accordance with Canadian generally accepted accounting principles and present the information of the AC as a separate financial reporting entity independent of the employers and Plan members.

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

Consolidation

With the exception of private equity investments with a defined exit strategy, the consolidated financial statements include the financial assets, liabilities and operating results for all investment entities where the AC has effective control for accounting purposes, and for variable interest entities where the AC is the primary beneficiary. For investment entities where the AC has joint ownership and control for accounting purposes, a proportionate share of the fair value of assets, liabilities and operating results is included in the consolidated financial statements. Entities over which the AC has significant influence are accounted for using the equity basis of accounting, stated at fair value.

For private equity investments with a defined exit strategy, the fair value of the investments is stated net of all assets and liabilities of the investment company.

Inter-company transactions and balances are eliminated in arriving at the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported values of assets and liabilities, income and expenses, actuarial liabilities and related disclosures. Actual results could differ from these estimates. Significant estimates included in the consolidated financial statements relate to the valuation of private market investments and the determination of the actuarial liabilities.

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 represents estimates of the consideration that would be agreed upon between arm's-length, knowledgeable, willing parties who are under no compulsion to act. It is best evidenced by a quoted closing market price, if one exists. The calculation of fair value is based on market conditions at a specific point in time and may not be reflective of future fair values.

Where a public market price is not available for an investment asset or liability, a suitable method of valuation is used annually by management to determine fair value. Valuation techniques used include the use of discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models, as appropriate. Accredited external appraisers are required to perform a review of management's valuations to determine the reasonableness of the valuations for each significant private market investment at least once every three years or in any year where the valuation changes by more than 15 per cent from the prior year.

The difference between the value of an asset or liability 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 original acquisition. Unrealized appreciation/depreciation in the fair value of investments is the change in fair value adjusted for cash flows during the year and is reflected in net investment income/loss in the consolidated statement of changes in net assets.

Fair values of investments are determined as follows:

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

(ii) Bonds and debentures, real return bonds and public equities are valued at year-end quoted market prices, where available. For these instruments and for 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.

(iii) Private market investments include investments in private equity, infrastructure and real estate assets either held directly or as a limited partner. For private market investments, the completion of a purchase or sale of an identical or similar investment is often the most objective determination of fair value. Other third party events are also considered in the valuation. While not exact, appraisal or valuation procedures are able to provide estimates or identify likely ranges that a reasonable counterparty would pay for such assets. The Fund's private market investments are valued as follows:

- The fair value of investments that have reasonably predictable future revenue streams or that derive their value based on property or commodity values is equal to the appraised amount;
- The fair value of non-operating and/or start-up directly held private investments is equal to cost, unless there is a specific and objectively verifiable reason to change the value, which must be supported by an appraisal;
- The fair value of private market investments acquired within the current fiscal year may be held at cost, depending upon events since acquisition;
- The fair value of a private fund investment where the AC'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) Derivatives, including swap, futures, option and forward contracts, are recorded at fair value with unrealized gains and losses included in net investment income. Fair values are determined using quoted market prices, where available, or discounted cash flows using current market yields, where quoted market prices are not available.

During the year the AC changed its accounting policy for the treatment of transaction costs in accordance with Canadian Institute of Chartered Accountants ("CICA") guidance. Previously, transaction costs were capitalized and included in the cost of the assets. The assets were subsequently subjected to valuation processes as discussed above. This resulted in transaction costs being included in unrealized gains/losses in the period the investment was first valued. Transaction costs are now expensed when incurred. In accordance with CICA guidance this change in accounting policy has been applied retrospectively without restatement of prior periods. The impact of the change has been recognized as a restatement of opening net assets.

Investment Income/Loss

Investment income/loss includes interest, dividends, operating income/loss from consolidated and equity accounted investment entities recorded on the accrual basis, gains and losses that have been realized on the disposal of investments, as well as the unrealized appreciation and depreciation in the fair value of investments.

Where the AC is able to exercise significant influence over the operations of a private market investment, net income is recognized using the equity method and the investment is adjusted to its fair value. For private investments where the AC is not able to exercise control or significant influence, income is recognized, as dividends or distributions are declared and the investment is adjusted to its fair value.

Investment Liabilities

Investment liabilities include debentures, mortgages and other debt obligations, primarily related to investments in real estate, infrastructure and private equity. Investment liabilities also include the Fund's liability to return cash collateral received in securities lending transactions. 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, which are carried at their cost amount.

Amounts Due/Payable from Pending Trades

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. For derivative contracts, unrealized gains and losses are included in amounts due/payable from pending trades.

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 investments. Once a foreign currency denominated investment is sold, the realized foreign exchange gain or loss based on the settlement is recognized in realized gains/losses.

Due to Administered Funds

Under contractual agreements and with the approval of the Government of Ontario, the AC invests funds on behalf of The Board of Trustees of Ryerson University, the Minister of Energy for the Province of Ontario (The Ontario Hydro Guarantee Fund) and the Transit Windsor Fund. The AC is authorized under the terms of the various agreements to recover its expenses for administering such funds.

The amount due to administered funds is credited with income based upon their proportionate interest in the Fund's investment income and the balance reflects the administered funds' proportionate interest in the fair value of the Fund's investments.

Accrued Pension Benefits

The value of accrued pension benefits of the Plan is based on a projected accrued benefits method (pro-rated on service) actuarial valuation prepared by an independent firm of actuaries. This obligation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the AC for the purpose of establishing the long-term funding requirements of the Plan. The actuarial valuation included in the consolidated financial statements is consistent with the valuation for funding purposes.

The valuation methodology used in the estimation of the accrued pension benefits of the RCA is developed on a basis consistent with the Plan.

Actuarial Value of Net Assets and Actuarial Value Adjustment

The actuarial value of net assets for the Plan has been determined by smoothing returns above or below the actuarial long-term rate of return assumption over a five-year period. The fair value of net assets is adjusted by the unamortized actuarial value adjustment to arrive at the actuarial value of net assets.

Contributions

Contributions from employers and members due to the Plan and the RCA 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 contract adjustments and transfers from other pension plans are recorded when the purchase amount is received.

Benefits

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

Note 3

INVESTMENTS

Investments, before allocating the effect of derivative contracts and investment related assets and liabilities are as follows:

	2007		2006	
(MILLIONS)	Fair Value	Cost	Fair Value	Cost
Public Market Investments				
Interest Bearing Investments				
Cash and short-term deposits(i)	$ 11,374	$ 11,374	$ 11,352	$ 11,352
Bonds and debentures(ii)	6,661	6,527	6,446	6,281
Real return bonds	2,039	1,786	1,969	1,685
Mortgages and private debt(iii)	1,433	1,396	1,324	1,265
	21,507	21,083	21,091	20,583
Public Equity				
Canadian public equities	10,017	6,925	9,518	6,127
Non-Canadian public equities	11,767	10,818	12,924	9,978
	21,784	17,743	22,442	16,105
Total Public Market Investments	43,291	38,826	43,533	36,688
Private Equity(iv)				
Canadian private equities(v)	1,143	1,052	1,360	1,133
Non-Canadian private equities	2,465	2,526	1,591	1,645
	3,608	3,578	2,951	2,778
Infrastructure Investments(v)	8,412	7,783	5,585	5,110
Real Estate Investments	10,904	9,212	8,541	7,597
Total Investments	66,215	59,399	60,610	52,173
Investment Related Assets				
Amounts due from pending trades	347	160	138	59
Other investment assets (NOTE 5)	654	651	561	561
	1,001	811	699	620
Investment Related Liabilities				
Investment liabilities (NOTE 6)	(14,580)	(14,386)	(12,725)	(12,536)
Amounts payable from pending trades	(449)	(251)	(363)	(66)
	(15,029)	(14,637)	(13,088)	(12,602)
Net Investment Assets	$ 52,187	$ 45,573	$ 48,221	$ 40,191

(i) Includes restricted cash of $55 million (2006 – $119 million).
(ii) Includes non-Canadian bonds and debentures with a fair value of $229 million (2006 – $142 million).
(iii) Includes mortgages with a fair value of $814 million (2006 – $919 million).
(iv) Investment assets are net of the fair value of long-term debt of $319 million.
(v) Includes resource properties with a total fair value of $396 million (2006 – $217 million).

The AC participates in a securities lending program where it lends securities that it owns to third parties. For securities lent, the Fund receives a fee and holds cash or securities of higher value as collateral. As at December 31, 2007, securities with an estimated fair value of $7,284 million (2006 – $8,061 million) were loaned out, while collateral held had an estimated fair value of $7,502 million (2006 – $8,313 million) of which $6,626 million (2006 – $7,153 million) was cash collateral invested in short-term interest bearing investments.

At December 31, the Fund held the following investments, each having a fair value or cost exceeding one per cent of the fair value or cost of net investment assets:

	2007			2006		
(MILLIONS)	Number of Investments	Fair Value	Cost	Number of Investments	Fair Value	Cost
Public market investments	2	$ 1,102	$ 1,094	5	$ 2,427	$ 1,768
Private market investments	8	7,550	6,847	7	5,447	4,697
	10	$ 8,652	$ 7,941	12	$ 7,874	$ 6,465

Public market 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 includes two interest bearing securities issued by the Government of Canada.

Private market investments having a cost or fair value exceeding one per cent of the cost or fair value of net investment assets include a limited partnership interest in Bruce Power; ownership interests in the William Osler Health Care Centre, Associated British Ports, Scotia Gas Networks and LifeLabs; and real estate ownership interests in Yorkdale Shopping Centre located in Ontario, the Fairmont Banff Springs hotel located in Alberta, and the Richmond Adelaide Complex located in Ontario.

The Fund's net investment assets by major asset class are as follows:

	Public Markets					
(MILLIONS) AS AT DECEMBER 31, 2007	Interest Bearing	Public Equity	Private Equity	Infra-structure	Real Estate	Total
Investment assets	$ 21,507	$ 21,784	$ 3,608	$ 8,412	$ 10,904	$ 66,215
Allocation of cash and other	(4,037)	3,116	242	325	354	–
Investment related assets	90	370	17	412	112	1,001
Investment related liabilities	(6,810)	(265)	(17)	(3,984)	(3,953)	(15,029)
Net investment assets	$ 10,750	$ 25,005	$ 3,850	$ 5,165	$ 7,417	$ 52,187

	Public Markets					
(MILLIONS) AS AT DECEMBER 31, 2006	Interest Bearing	Public Equity	Private Equity	Infra-structure	Real Estate	Total
Investment assets	$ 21,091	$ 22,442	$ 2,951	$ 5,585	$ 8,541	$ 60,610
Allocation of cash and other	(4,119)	3,803	(29)	107	238	–
Investment related assets	78	165	98	258	100	699
Investment related liabilities	(7,161)	(371)	(136)	(2,115)	(3,305)	(13,088)
Net investment assets	$ 9,889	$ 26,039	$ 2,884	$ 3,835	$ 5,574	$ 48,221

Investment Risk Management

Investments are exposed primarily to market and credit risk. Market risk includes exposure to changes in interest rates, foreign currencies, equity and commodity values. The AC has formal policies and procedures that govern the extent of market and credit risk exposure. For example, the Statement of Investment Policies and Procedures establishes a target asset mix among interest bearing, public equity, private equity, infrastructure and real estate investments to ensure diversification across asset classes. The AC's policies also require diversification of investments within asset classes, and limits the exposure to individual investments and counterparties. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks (note 4).

Foreign Currency Risk

Investments denominated in currencies other than the Canadian dollar expose the Fund to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. The AC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign exchange forward contracts. The AC makes active investments in foreign currencies with the objective of adding value. The Fund's total currency exposure, the impact of hedging and trading activities and its net currency exposure as at December 31 are as follows:

	2007 Fair Value By Currency				2006 Fair Value By Currency			
(MILLIONS CDN DOLLAR EQUIVALENT)	Total Exposure	Hedging	Trading	Net Exposure	Total Exposure	Hedging	Trading	Net Exposure
Canada	$ 32,729	$ 12,382	$ (98)	$ 45,013	$ 29,426	$ 11,020	$ (80)	$ 40,366
United States	8,994	(5,971)	(194)	2,829	9,034	(5,204)	(589)	3,241
Euro Countries	3,667	(2,397)	(7)	1,263	2,924	(1,706)	(97)	1,121
United Kingdom	2,783	(2,126)	(20)	637	2,765	(2,308)	22	479
Japan	1,182	(649)	325	858	1,360	(728)	620	1,252
Other Pacific	1,039	(515)	–	524	1,033	(462)	5	576
Emerging Markets	940	(215)	(6)	719	855	(76)	71	850
Other Europe	853	(509)	–	344	824	(536)	48	336
	$ 52,187	$ –	$ –	$ 52,187	$ 48,221	$ –	$ –	$ 48,221

Interest Rate Risk

Interest rate risk refers to the effect on the market value of the Fund's assets and liabilities due to fluctuations in interest rates. Due to the inflation indexing of benefit entitlements and the relatively long-term nature of pension benefits (notes 7 and 8), liabilities are influenced by inflation and long-term rates of return while asset values are mostly affected by changes in equity markets and interest rates. The interest bearing investment portfolio has guidelines on concentration, duration and distribution which are designed to mitigate the risk of interest rate volatility.

The term to maturity classifications of interest bearing investments, based upon the contractual maturity of the securities, are as follows:

(MILLIONS)	2007 Term to Maturity Within 1 Year	1 to 5 Years	Over 5 Years	Total	Average Effective Yield(i)	2006 Total	Average Effective Yield(i)
Cash and short-term deposits	$ 11,374	$ –	$ –	$ 11,374	4.74%	$ 11,352	4.28%
Bonds and debentures	88	2,754	3,819	6,661	4.28%	6,446	4.28%
Real return bonds(ii)	–	–	2,039	2,039	1.98%	1,969	1.81%
Mortgages and private debt	413	439	581	1,433	5.50%	1,324	5.34%
	$ 11,875	$ 3,193	$ 6,439	$ 21,507	4.39%	$ 21,091	4.12%

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

After giving effect to the derivative contracts and investment related assets and liabilities, a one per cent increase/decrease in nominal interest rates would result in an approximate decrease/increase in the value of interest bearing investments of 7.9 per cent (2006 – 8.1 per cent). Similarly, a one per cent increase/decrease in real interest rates would result in an approximate decrease/increase in the value of the real-return bonds of 20.3 per cent (2006 – 21.7 per cent).

Bonds and debentures primarily consist of Government of Canada and Provincial Government debt. Corporate debt of $582 million (2006 – $1,035 million) makes up 6.7 per cent (2006 – 12.3 per cent) of the fair market value of bonds and debentures (including real return bonds).

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. To mitigate the impact of market risk, the Fund invests in a diversified portfolio of assets, based on AC Board approved policies, and utilizes derivative financial instruments.

Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the AC including its inability or unwillingness to pay borrowed principal, interest or rent when they come due. The AC has established investment criteria designed to manage credit risk by setting limits to credit exposure from individual corporate entities. Credit risk arising from derivative financial instruments is discussed in note 4.

Note 4

DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments are used, when appropriate, to manage the Fund's asset mix and to assist in the management of exposure to financial risks, including interest rate, foreign exchange and market risks, without directly purchasing or selling the underlying assets or currencies. In certain circumstances, derivatives are also used to increase returns or to replicate investments synthetically.

Types of contracts currently entered into by the Fund include:

Interest Rate Swaps

Interest rate swaps involve contractual agreements between two counterparties to exchange fixed and floating interest payments based on notional amounts.

Bond and Equity Swaps

Bond and equity swaps involve contractual agreements between two counterparties to exchange a series of cash flows based on changes in value of bond or equity instruments or an index.

Bond and Equity Options

Bond and equity options are contractual agreements where the seller (writer) gives the right but not the obligation to a counterparty to buy (call option) or sell (put option) a specified quantity of a financial instrument on or before a specified future date at a predetermined price. The financial instruments may include bonds, a bond index, equities or an equity index. The seller receives a premium from the counterparty for this right. Options may be traded through an exchange or in the over-the-counter market.

Bond Forward Contracts

Bond forward contracts are contractual agreements to buy or sell bonds or a bond index at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Equity Index Futures Contracts

Futures contracts are agreements to either buy or sell specified equity indices at a specified price and date in the future. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash settlement of changes in fair value.

Foreign Exchange Forward Contracts

Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Foreign exchange forward contracts are used to provide exposure to currencies other than the Canadian dollar, to hedge currency exposure and for active trading.

The Fund is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. In order to mitigate this risk, the Fund:

- deals only with highly rated counterparties, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency;
- arranges credit risk mitigation in the form of periodic prepayments of the fair value of contracts.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed to perform under the contracts, and if the right of offset proved to be non-enforceable. 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.

The following summarizes the Fund's derivative portfolio and related credit exposure:

	2007			2006		
		Fair Value(ii)			Fair Value(ii)	
(MILLIONS)	Notional Value(i)	Assets(iii)	Liabilities	Notional Value(i)	Assets(iii)	Liabilities
Interest Rate Contracts						
Interest rate swap contracts	$ 1,562	$ 22	$ (23)	$ 404	$ 16	$ (3)
Bond index swap contracts	417	5	–	421	–	(3)
Bond options purchased(iv)	–	–	–	99	1	–
	1,979	27	(23)	924	17	(6)
Equity Contracts						
Equity index futures contracts	3,680	2	(18)	3,852	–	(10)
Equity index swap contracts	793	4	(12)	609	28	–
Equity options written(v)	88	–	(2)	25	–	(1)
	4,561	6	(32)	4,486	28	(11)
Foreign Exchange						
Forward Contracts	14,347	155	(146)	11,977	35	(281)
Total	$ 20,887	$ 188	$ (201)	$ 17,387	$ 80	$ (298)

(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.
(ii) Fair value represents unrealized gains or losses from derivative contracts which are recorded in the consolidated statement of net assets 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 part of amounts due from pending trades. Contracts with a negative fair value are recorded as part of amounts payable from pending trades.
(iii) The fair value of derivative assets represent the credit risk replacement cost or the loss to which the Fund is 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.
(iv) The premium paid on bond options purchased is $nil (2006 – $1 million).
(v) The premium received on equity options written is $4 million (2006 – $1 million).

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

(MILLIONS)	2007 Interest Rate Contracts	2007 Equity Contracts	2007 Foreign Exchange Contracts	2007 Total	2006 Interest Rate Contracts	2006 Equity Contracts	2006 Foreign Exchange Contracts	2006 Total
Under 1 year	$ 706	$ 4,561	$ 14,347	$ 19,614	$ 573	$ 4,486	$ 11,977	$ 17,036
1 to 5 years	59	–	–	59	284	–	–	284
Over 5 years	1,214	–	–	1,214	67	–	–	67
	$ 1,979	$ 4,561	$ 14,347	$ 20,887	$ 924	$ 4,486	$ 11,977	$ 17,387

Note 5

OTHER ASSETS

Other assets are comprised of operational accounts receivable, accrued income and other assets related to private equity, infrastructure and real estate, and contributions and other non-investment receivables.

(MILLIONS)	2007	2006
Investment receivables	$ 553	$ 456
Deferred assets, prepaids and other	101	105
Other investment assets	654	561
Contributions receivable[i]	145	146
Other non-investment assets	26	17
	$ 825	$ 724

(i) Contributions receivable represent equal amounts due from employers and members.

Note 6

INVESTMENT LIABILITIES

(MILLIONS)	2007	2006
Long-term debt (a)	$ 6,883	$ 4,591
Payable under securities lending program (b)	6,626	7,153
Deferred revenue	116	106
Payables	955	875
	$ 14,580	$ 12,725

(a) Long-term debt is comprised of the following:

(MILLIONS)	2007 Fair Value	2007 Cost	2007 Weighted Average Interest Rate	2006 Fair Value	2006 Cost	2006 Weighted Average Interest Rate
Real estate						
Secured debt(i)	$ 1,292	$ 1,298	6.19%	$ 734	$ 700	5.46%
Series A debentures(ii)	521	500	4.50%	531	500	4.28%
Series B debentures(iii)	501	500	4.29%	502	500	4.30%
Commercial paper(iv)	1,142	1,142	4.72%	1,138	1,138	4.31%
Unsecured debt	1	1	7.53%	1	1	6.43%
	3,457	3,441	5.18%	2,906	2,839	4.59%
Infrastructure						
Secured debt(v)	3,426	3,323	5.56%	1,626	1,496	5.42%
Unsecured debt	–	–	–	18	18	4.50%
	3,426	3,323	5.56%	1,644	1,514	5.41%
Private equity						
Secured debt	–	–	–	41	41	5.27%
Total(vi)	$ 6,883	$ 6,764	5.37%	$ 4,591	$ 4,394	4.89%

(i) Includes mortgages and other secured debt with various terms to maturity up to 2027 with each debt instrument secured by a specific asset.
(ii) OMERS Realty Corporation Series A 5.48% Debentures issued November 27, 2002, maturing December 31, 2012.
(iii) OMERS Realty Corporation Series B 4.69% Debentures issued April 25, 2003, maturing June 2, 2008.
(iv) OMERS Realty Corporation Commercial Paper with maturities as at December 31, 2007 up to February 4, 2008.
(v) Includes mortgages and other secured debt with various terms to maturity up to 2032 with each debt secured by a specific infrastructure asset.
(vi) Scheduled principal repayments for the five years subsequent to December 31, 2007 and thereafter are as follows:

(MILLIONS)	
2008	$ 1,990
2009	328
2010	313
2011	132
2012	865
Thereafter	3,136
	$ 6,764

(b) As part of the securities lending program, the Fund receives cash collateral that it invests in short-term interest bearing investments. The Fund is obligated to return the cash collateral upon termination of the arrangement.

Note 7

OMERS PRIMARY PENSION PLAN

A summary of the financial statements for the Plan as at and for the year ended December 31 is as follows:

(MILLIONS)	2007	2006
Statement of Net Assets		
Net investment assets[(i)]	$ 51,369	$ 47,466
Other assets	151	148
Other liabilities	(41)	(38)
Net Assets	$ 51,479	$ 47,576
Statement of Changes in Net Assets		
Net investment income	$ 3,936	$ 6,528
Contributions	1,875	1,780
Benefits	(1,828)	(1,740)
Pension administrative expenses	(43)	(38)
Total Increase	3,940	6,530
Net assets, beginning of year	47,576	41,046
Change in accounting policy for transaction costs	(37)	–
Net assets, beginning of the year restated	47,539	41,046
Net Assets, End of Year	$ 51,479	$ 47,576

(i) Excludes amounts due to administered funds.

Actuarial Value of Net Assets of the Plan

The actuarial value of net assets of the Plan is established such that investment returns above or below the long-term return assumption in effect for the year, 6.75 per cent for 2007 (2006 – 7.00 per cent) are deferred and amortized over five years to adjust the market value of net assets. For 2007, $550 million (2006 – $2,924 million) of investment income was credited to the actuarial valuation adjustment because the investment return was in excess of the long-term rate of return assumption.

As a result, at December 31, 2007, the Plan has $4,567 million in net investment gains (2006 – $5,791 million) in an actuarial valuation adjustment reserve which is the present value of the amount of previous year's excess net investment returns to be recognized from 2008 through 2011 as follows:

(MILLIONS) INITIAL YEAR	Actuarial Valuation Adjustment as at Dec. 31, 2007[(i)]	Unrecognized Investment Returns to be Recognized in 2008	2009	2010	2011	Actuarial Valuation Adjustment as at Dec. 31, 2006
2003	$ –	$ –	$ –	$ –	$ –	$ 354
2004	336	358	–	–	–	629
2005	1,340	715	762	–	–	1,884
2006	2,341	832	888	947	–	2,924
2007	550	147	156	167	178	–
	$ 4,567	$ 2,052	$ 1,806	$ 1,114	$ 178	$ 5,791

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

The change in the actuarial valuation adjustment for the year ended December 31 is as follows:

(MILLIONS)	2007	2006
Expected interest on beginning actuarial valuation adjustment(i)	$ 390	$ 190
Current year returns in excess of the funding rate(i)	550	2,924
Prior years' returns (above)/below the funding rate recognized in the year	(2,164)	(30)
Increase/(Decrease)	(1,224)	3,084
Actuarial valuation adjustment, beginning of year	5,791	2,707
Actuarial Valuation Adjustment, End of Year	$ 4,567	$ 5,791

(i) Based on the funding rate in effect during the year, 2007 – 6.75 per cent (2006 – 7.00 per cent).

Accrued Pension Benefits of the Plan

The actuarial present value of accrued benefits is an estimate of the value of pension and other benefit obligations of the 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 the AC for setting the minimum funding requirements as set out under the PBA. As the experience of the Plan unfolds, and as underlying conditions change over time, the actuarial present value of accrued benefits identified in the future could be materially different than anticipated.

The projected accrued benefit method (pro-rated on service) 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 Plan as at December 31:

	2007	2006
Assumed rate of inflation	2.50%	2.50%
Assumed rate of pensionable earnings increases (Estimate based on inflation plus an age-related increase)	4.00%	4.00%
Assumed actuarial rate of return on plan assets and discount rate		
– Nominal rate of return	6.75%	6.75%
– Real rate of return	4.25%	4.25%

In addition, demographic assumptions are used to project the future benefits 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 Plan and on the expectations for future trends.

The accrued benefit obligation as at December 31, 2007, which follows, takes account of known changes in the Plan membership up to December 1, 2007, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2008, and estimated pensionable earnings increases and credited service accruals in 2007.

(MILLIONS)	2007	2006
Fair value of net assets of the Plan at end of year	$ 51,479	$ 47,576
Actuarial value adjustment	(4,567)	(5,791)
Actuarial value of net assets at end of year	46,912	41,785
Accrued benefit obligation at beginning of year	44,167	41,123
Interest accrued on benefits	3,041	2,934
Benefits accrued	1,799	1,660
Benefits paid (NOTE 12)	(1,828)	(1,740)
Experience losses/(gains) and changes in actuarial assumptions and methods	(349)	190
Accrued benefit obligation at end of year	46,830	44,167
Surplus/(Deficit) of actuarial value of net assets over actuarial liabilities	$ 82	$ (2,382)

As a pension plan which provides 100 per cent inflation protection, the Plan's accrued benefit obligation is particularly sensitive to changes in the assumed real rate of pensionable earnings increases, which impacts future benefits and the assumed real rate of return on plan assets, which is also used in the discounting of these future benefits. A 50 basis point change in the real rates for a particular assumption (with no change in other assumptions) would have the following approximate effects on the accrued benefit obligation:

50 BASIS POINT DECREASE/INCREASE	Effect on Accrued Benefit Obligation
Rate of pensionable earnings increases	-/+2.5%
Real return on plan assets and discount rate	+/-8.0%

Solvency Valuation

The actuarial value of net assets and the actuarial present value of accrued pension benefits are presented on a going concern basis. In accordance with the PBA, a solvency (hypothetical wind-up) valuation must be performed on the Plan, even though the risk of it being wound up, in management's view, is remote. This special valuation assumes a liquidation scenario. As permitted by the PBA, the solvency valuation uses the fair value of assets and a liability discount rate based on long-term nominal bond yields at the valuation date. Under this method, no allowance is made for future salary increments.

The actuarial present value of accrued pension benefits for the Plan under the solvency valuation ("solvency liabilities") was estimated to be $45,183 million as at December 31, 2007 (2006 – $42,443 million). This amount excludes the value of future cost of living increases, as permitted under the PBA. As at December 31, 2007, the fair value of net assets of the Plan, allowing for a provision for expenses on wind-up, was $51,418 million (2006 – $47,515 million). Since the solvency assets exceed the solvency liabilities, the Plan does not have a solvency deficiency.

Note 8

RETIREMENT COMPENSATION ARRANGEMENT

The Retirement Compensation Arrangement provides pension benefits for those members with earnings exceeding the amount that generates the maximum pension allowed by the *Income Tax Act* with respect to service after 1991. Under the OMERS Act, the AC is the administrator and funding agent of the RCA. The accounting for the RCA is separate from the Plan.

The full earnings 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 RCA plans. Contributions are based on the top-tier Plan contribution rates and are payable to the RCA on the excess of earnings over the maximum contributory earnings allowed under the Plan, which was $125,860 for 2007 (2006 – $119,764). Benefits in excess of the maximum allowed by the *Income Tax Act* will be paid from the RCA.

A summary of the financial statements for the RCA as at and for year ended December 31 is as follows:

(MILLIONS)	2007	2006
Statement of Net Assets		
Net investment assets	$ 18	$ 14
Other assets	20	15
Other liabilities	(1)	–
Net Assets	$ 37	$ 29
Statement of Changes in Net Assets		
Net investment income	$ 2	$ 2
Contributions	11	12
Benefits	(5)	(4)
Total Increase	8	10
Net assets, beginning of year	29	19
Net Assets, End of Year	$ 37	$ 29

The actuarial assumptions used for the RCA are consistent with those used for the Plan except that the discount rate as at December 31, 2007 is 3.375 per cent (2006 – 3.375 per cent), which is 50 per cent of the Plan's discount rate in order to approximate the effect of the 50 per cent refundable tax under the RCA.

Determination of the value of the RCA accrued benefit obligation is made on the basis of a periodic actuarial valuation. The deficit of net assets over actuarial liabilities is as follows for December 31:

(MILLIONS)	2007	2006
Fair value of net assets at end of year	$ 37	$ 29
Accrued benefit obligation at beginning of year	172	157
Interest accrued on benefits	6	6
Benefits accrued	7	6
Benefits paid (NOTE 12)	(5)	(4)
Experience losses/(gains) and changes in actuarial assumptions and methods	56	7
Accrued benefit obligation at end of year	236	172
Deficit of actuarial value of net assets over actuarial liabilities	$ (199)	$ (143)

Note 9

NET INVESTMENT INCOME

The Fund's investments consist of the following major asset classes: public markets (which includes public equities and interest bearing investments such as mortgages and private debt); private equity; infrastructure and real estate.

Income from assets backing derivative financial instruments is reported in the particular investment category by major asset class. Realized and unrealized income from derivative financial instruments is $1,222 million (2006 – $198 million).

The Fund's investment income for each major asset class is as follows:

2007 (MILLIONS)	Investment Income[i]	Net Gain/(Loss) on Investments and Derivatives[ii]	Total Investment Income	Investment Management Expenses (note 13(b)), [iii]	Net Investment Income
Public Markets[iv]	$ 1,192	$ 622	$ 1,814	$ (101)	$ 1,713
Private Equity[iv]	35	473	508	(56)	452
Infrastructure	396	237	633	(38)	595
Real Estate[v]	372	873	1,245	(6)	1,239
	$ 1,995	$ 2,205	$ 4,200	$ (201)	3,999
Income credited to administered funds					(61)
Net Investment Income					$ 3,938

2006 (MILLIONS)	Investment Income[i]	Net Gain/(Loss) on Investments and Derivatives[ii]	Total Investment Income	Investment Management Expenses (note 13(b)), [iii]	Net Investment Income
Public Markets[iv]	$ 1,099	$ 3,855	$ 4,954	$ (84)	$ 4,870
Private Equity[iv]	92	317	409	(49)	360
Infrastructure	379	40	419	(31)	388
Real Estate[v]	350	671	1,021	(5)	1,016
	$ 1,920	$ 4,883	$ 6,803	$ (169)	6,634
Income credited to administered funds					(104)
Net Investment Income					$ 6,530

(i) Net of total interest on real estate investment liabilities of $157 million (2006 – $126 million) and interest on infrastructure investment liabilities of $145 million (2006 – $55 million).
(ii) Includes net realized gain of $3,584 million (2006 – $2,336 million).
(iii) Investment management expenses relate to corporate activity.

(iv) Total investment income for public markets and private equity is as follows:

(MILLIONS)	2007 Investment Income	2007 Net Gain/(Loss) on Investments and Derivatives	2007 Total Investment Income	2006 Investment Income	2006 Net Gain/(Loss) on Investments and Derivatives	2006 Total Investment Income
Public Markets						
Interest Bearing Investments						
Short-term deposits	$ 212	$ –	$ 212	$ 187	$ –	$ 187
Bonds and debentures	301	7	308	293	(42)	251
Mortgages and private debt	83	(23)	60	92	(16)	76
	596	(16)	580	572	(58)	514
Real return bonds	58	(25)	33	53	(102)	(49)
	654	(41)	613	625	(160)	465
Public Equity						
Canadian equities	171	1,019	1,190	175	1,835	2,010
Non-Canadian equities	367	(356)	11	299	2,180	2,479
	538	663	1,201	474	4,015	4,489
	$ 1,192	$ 622	$ 1,814	$ 1,099	$ 3,855	$ 4,954
Private Equity						
Canadian private equities	$ 12	$ 51	$ 63	$ 80	$ 96	$ 176
Non-Canadian private equities	23	422	445	12	221	233
	$ 35	$ 473	$ 508	$ 92	$ 317	$ 409

(v) Total investment income for real estate is as follows:

(MILLIONS)	2007	2006
Revenue	$ 1,370	$ 1,064
Property operating and other expenses(i)	(841)	(588)
Operating income	529	476
Interest expense	(157)	(126)
	372	350
Net Gain/(Loss)		
Properties and other investments	822	645
Debt	51	26
	873	671
	$ 1,245	$ 1,021

(i) Includes audit costs of $1.8 million (2006 – $1.4 million) and legal costs of $4.0 million (2006 – $4.0 million).

Note 10

INVESTMENT RETURNS

Investment returns have been calculated in accordance with methods set forth by the CFA Institute and the Pension Investment Association of Canada and are reflective of the Fund's asset class exposure.

	2007	2006
Interest Bearing(i)	**4.7%**	4.7%
Real Return Bonds	**1.6%**	–2.9%
Canadian Public Equities	**12.8%**	21.3%
Non-Canadian Public Equities(ii)	**0.5%**	20.0%
Private Equity(ii)	**18.6%**	17.7%
Infrastructure(ii)	**12.4%**	14.0%
Real Estate(ii)	**22.9%**	26.2%
Total Fund	**8.7%**	16.4%

(i) Interest bearing investments include short-term deposits, bonds and debentures, mortgages and private debt.
(ii) Returns for non-Canadian public equities, private equity, infrastructure and real estate include the results of the Fund's currency hedging related to the respective asset classes.

Note 11

CONTRIBUTIONS

(MILLIONS)	2007	2006
Employer and member contributions(i)	**$ 1,840**	$ 1,739
Transfers from other pension plans	**21**	28
Other contributions(ii)	**25**	25
	$ 1,886	$ 1,792

(i) Employer and member contributions are funded equally by employers and members. For NRA 65 members, the contribution rate is 6.5 per cent (2006 – 6.5 per cent) of earnings up to $43,700 (2006 – $42,100) and 9.6 per cent (2006 – 9.6 per cent) for earnings above that level. For NRA 60 members, the contribution rate is 7.9 per cent (2006 – 7.9 per cent) of earnings up to $43,700 (2006 – $42,100) and 10.7 per cent (2006 – 10.7 per cent) for earnings above that level.
(ii) Other contributions include amounts for leaves of absence, conversion of normal retirement age and contract adjustments.

For the year ended December 31, 2007, contributions to the Plan were $1,875 million (2006 – $1,780 million) and to the RCA were $11 million (2006 – $12 million).

Note 12

BENEFITS

(MILLIONS)	2007	2006
Members' pensions	**$ 1,554**	$ 1,492
Commuted value payments and members' contributions plus interest refunded	**233**	212
Transfers to other pension plans	**46**	40
	$ 1,833	$ 1,744

For the year ended December 31, 2007, total benefit payments from the Plan were $1,828 million (2006 – $1,740 million) and from the RCA were $5 million (2006 – $4 million).

Note 13

PENSION ADMINISTRATIVE AND INVESTMENT MANAGEMENT EXPENSES

(a) Pension administrative expenses(i)

(MILLIONS)	2007	2006
Salaries and benefits	$ 27	$ 23
System development and other purchased services	7	8
Premises and equipment	3	2
Professional services(ii)	3	2
Travel and communication	3	3
	$ 43	$ 38

(b) Investment management expenses(i)

(MILLIONS) 2007	Public Market	Private Equity	Infra-structure	Real Estate	Total
Salaries and benefits	$ 30	$ 6	$ 30	$ 3	$ 69
System development and other purchased services	7	–	1	1	9
Premises and equipment	3	1	3	–	7
Professional services(ii)	4	3	1	–	8
Travel and communication	4	2	2	–	8
Investment operating and manager expenses	53	44	1	2	100
	$ 101	$ 56	$ 38	$ 6	$ 201

(MILLIONS) 2006	Public Market	Private Equity	Infra-structure	Real Estate	Total
Salaries and benefits	$ 19	$ 8	$ 23	$ 1	$ 51
System development and other purchased services	7	2	–	1	10
Premises and equipment	2	–	2	–	4
Professional services(ii)	1	3	3	1	8
Travel and communication	4	2	1	–	7
Investment operating and manager expenses	51	34	2	2	89
	$ 84	$ 49	$ 31	$ 5	$ 169

(i) Includes allocation of corporate expenses.
(ii) Total professional services expenses include actuarial costs of $0.6 million (2006 – $0.6 million), audit costs of $0.7 million (2006 – $0.7 million) and legal costs of $7.0 million (2006 – $5.5 million).

Note 14

EXECUTIVE COMPENSATION

The compensation amounts for 2007 and 2006 are included under salaries and benefits in note 13. The table below represents disclosure of base earnings, annual incentive plan, long-term incentive plan and other compensation earned in 2005, 2006 and 2007 by the individuals holding the position of President and Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three other most highly compensated executives in 2007. This disclosure is consistent with the guidelines of the Ontario Securities Commission for public companies.

Name and Principal Position	Year	Base Earnings	Annual Incentive Plan(i)	Long-Term Incentive Plan(ii)	Other(iii)	Taxable Benefits(iv)	Total
Michael Nobrega(v)	2007	$ 448,077	$ 885,425	$ 1,900,796	$ 68,462	$ 49,081	$ 3,351,841
President and CEO	2006	400,000	796,000	1,861,532	39,231	53,171	3,149,934
	2005	400,000	752,000	–	39,231	52,364	1,243,595
Paul G. Haggis(vi)	2007	$ 188,654	$ 738,537	$ 1,289,452	$ 1,823,066	$ 9,552	$ 4,049,261
President and CEO	2006	450,000	524,637	133,123	–	16,581	1,124,341
	2005	425,000	374,999	133,123	–	16,528	949,650
Patrick G. Crowley(vii)	2007	$ 400,000	$ 400,000	$ –	$ 10,740	$ 2,574	$ 813,314
Chief Financial Officer	2006	30,769	–	–	826	109	31,704
R. Michael Latimer	2007	$ 600,000	$ 600,000	$ 2,017,149	$ 30,000	$ 36,650	$ 3,283,799
President and CEO	2006	600,000	600,000	1,980,402	30,000	22,967	3,233,369
OPGI Management GP Inc.	2005	600,000	600,000	–	30,000	22,367	1,252,367
(Real Estate)							
Paul G. Renaud(viii)	2007	$ 393,077	$ 766,500	$ 440,083	$ 5,000	$ 40,992	$ 1,645,652
President and CEO	2006	383,230	566,138	318,547	–	23,737	1,291,652
OMERS Capital Partners Inc.	2005	360,000	346,500	105,547	–	19,927	831,974
(Private Equity)							
Michael Rolland(ix)	2007	$ 336,154	$ 598,229	$ 1,050,394	$ 28,385	$ 25,630	$ 2,038,792
President and CEO							
Borealis Capital Corporation							
(Infrastructure)							

(i) The annual incentive plan is based on a combination of achieving corporate and individual performance objectives, such as investment performance targets and pension service standards. The annual incentive plan amount relates to the year it was earned.
(ii) The long-term incentive plan is awarded based on meeting pension and/or investment return objectives over a multi-year performance period.
(iii) Includes hiring, retirement, car and other allowances.
(iv) Includes group retirement savings plan contributions, insurance and other benefits.
(v) Assumed the role of President and CEO of the AC on March 12, 2007. Prior to this appointment, Mr. Nobrega held the position of President and CEO of Borealis Capital Corporation (Infrastructure). The 2007 amounts reflect compensation from both positions.
(vi) Stepped down as President and CEO of the AC on March 9, 2007; however, Mr. Haggis continued to be employed by the AC over a transition period until May 31, 2007. Other compensation for 2007 includes a retiring allowance of $1.8 million.
(vii) Joined the AC on December 4, 2006.
(viii) Assumed the role of President and CEO of OMERS Capital Partners Inc. (Private Equity) on May 25, 2006. Prior to this appointment, Mr. Renaud held the position of Senior Vice President and CFO of the AC. The 2006 amounts reflect compensation from both positions.
(ix) Assumed the role of President and CEO of Borealis Capital Corporation (Infrastructure) on March 12, 2007. Prior to this appointment, Mr. Rolland held the position of Senior Vice President of Borealis Capital Corporation (Infrastructure). The 2007 amounts reflect compensation from both positions.

The following table represents disclosure of the present value of pension benefits and years of credited service for those individuals whose remuneration is disclosed on page 75 and who are active members of the Plan and the RCA at December 31, 2007.

Name and Principal Position	2007 Change in Pension Value	2007 Present Value of Total Pension	Number of Years of Credited Service
Michael Nobrega President and CEO	$ 452,743	$ 452,743	0.8
Paul G. Haggis President and CEO	$ 194,664	$ 869,855	3.7
Patrick G. Crowley Chief Financial Officer	$ 175,411	$ 181,804	1.1

Note 15

GUARANTEES, COMMITMENTS AND CONTINGENCIES

As part of normal business operations, the AC 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 limited partnership agreements. As at December 31, 2007, these future commitments totaled $5.8 billion (2006 – $5.2 billion). The maximum amount payable under guarantees and standby letters of credit provided as part of investment transactions was $381 million as at December 31, 2007 (2006 – $346 million).

The AC, in the normal course of business, indemnifies its and its subsidiaries' and affiliates' directors, officers, employees and certain others in connection with proceedings against them. In addition, the AC may in certain circumstances in the course of investment activities, agree to indemnify a counterparty. Under the terms of such arrangements, the AC and/or its subsidiaries and affiliates 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 the AC from making a reasonable estimate of the maximum amount that would be required to pay all such indemnifications.

As at December 31, 2007, the AC was involved in litigation and claims which arise in the normal course of business. 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 the AC.

Ten-Year Financial Review

($ MILLIONS)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Net Assets as at December 31										
Public markets	**43,291**	43,533	39,338	30,283	30,168	23,823	27,755	30,941	30,303	28,026
Private equity	**3,608**	2,951	2,391	1,460	914	1,021	1,031	1,128	849	508
Infrastructure	**8,412**	5,585	3,719	2,314	1,426	349	279	–	–	–
Real estate	**10,904**	8,541	6,180	6,898	6,920	7,747	8,181	4,707	4,126	3,995
	66,215	60,610	51,628	40,955	39,428	32,940	37,246	36,776	35,278	32,529
Other investment assets	**1,001**	699	765	494	578	733	652	637	493	297
Investment liabilities	**(15,029)**	(13,088)	(10,772)	(5,267)	(7,297)	(3,540)	(3,977)	(860)	(280)	(916)
Net investment assets	**52,187**	48,221	41,621	36,182	32,709	30,133	33,921	36,553	35,491	31,910
Non investment assets/(liabilities)										
Due to administered funds	**(800)**	(741)	(639)	(553)	(496)	(440)	(487)	(528)	(502)	(437)
Other assets/(liabilities)	**129**	125	83	26	(120)	(188)	(191)	(150)	(59)	(93)
Net assets	**51,516**	47,605	41,065	35,655	32,093	29,505	33,243	35,875	34,930	31,380
Changes in Net Assets for the period ended December 31										
Net assets, beginning of the year	**47,605**	41,065	35,655	32,093	29,505	33,243	35,875	34,930	31,380	29,108
Change in accounting policy for transaction costs	**(37)**	–	–	–	–	–	–	–	–	–
Net assets, beginning of year restated	**47,568**	41,065	35,655	32,093	29,505	33,243	35,875	34,930	31,380	29,108
Changes due to Investment Activities										
Total investment income	**4,200**	6,803	5,767	3,907	3,751	(2,358)	(1,362)	2,114	4,711	2,949
Investment management expenses	**(201)**	(169)	(160)	(147)	(158)	(103)	(69)	(62)	(52)	(50)
	3,999	6,634	5,607	3,760	3,593	(2,461)	(1,431)	2,052	4,659	2,899
Income credited to administered funds	**(61)**	(104)	(92)	(66)	(51)	28	4	(47)	(85)	(52)
Net investment income	**3,938**	6,530	5,515	3,694	3,542	(2,433)	(1,427)	2,005	4,574	2,847
Changes due to Pension Activities										
Contributions										
Employer and member	**1,840**	1,739	1,498	1,363	404	–	–	–	–	364
Other contributions	**46**	53	36	46	42	47	36	30	27	8
	1,886	1,792	1,534	1,409	446	47	36	30	27	372
Benefit payments to members										
Pensions paid	**(1,554)**	(1,492)	(1,410)	(1,353)	(1,246)	(1,153)	(1,034)	(916)	(817)	(761)
Commuted value and other payments	**(279)**	(252)	(193)	(145)	(110)	(149)	(159)	(129)	(188)	(159)
	(1,833)	(1,744)	(1,603)	(1,498)	(1,356)	(1,302)	(1,193)	(1,045)	(1,005)	(920)
Pension administrative expenses	**(43)**	(38)	(36)	(43)	(44)	(50)	(48)	(45)	(46)	(27)
Net assets, end of year	**51,516**	47,605	41,065	35,655	32,093	29,505	33,243	35,875	34,930	31,380
Actuarial Surplus/(Deficit) – Plan as at December 31										
Net assets	**51,479**	47,576	41,046	35,643	32,087	29,500	33,236	35,867	34,921	31,372
Actuarial value adjustment of net assets	**(4,567)**	(5,791)	(2,707)	1,168	3,888	6,048	2,239	(1,913)	(3,957)	(3,135)
Actuarial assets	**46,912**	41,785	38,339	36,811	35,975	35,548	35,475	33,954	30,964	28,237
Actuarial liabilities	**(46,830)**	(44,167)	(41,123)	(37,774)	(35,466)	(33,034)	(30,955)	(28,104)	(25,462)	(22,283)
Surplus/(Deficit)	**82**	(2,382)	(2,784)	(963)	509	2,514	4,520	5,850	5,502	5,954
Actuarial Deficit – RCA as at December 31										
Net assets	**37**	29	19	12	6	5	7	8	9	8
Actuarial liabilities	**(236)**	(172)	(157)	(149)	(69)	(63)	(71)	(54)	(42)	(41)
(Deficit)	**(199)**	(143)	(138)	(137)	(63)	(58)	(64)	(46)	(33)	(33)
Total Annual Rate of Return for period ended December 31										
Time-weighted return on market value	**8.7%**	16.4%	16.0%	12.1%	12.7%	–7.1%	–3.4%	6.2%	15.2%	10.1%
Benchmark	**5.6%**	13.7%	13.2%	9.9%	15.5%	–7.4%	–4.2%	4.1%	14.7%	10.7%
Funding requirement (including inflation)	**6.6%**	5.9%	6.4%	6.4%	6.3%	8.1%	5.0%	7.5%	6.8%	5.3%

We're very pleased to be part of this joint report for 2007.

This is our first report to OMERS members, employers and sponsors. In recognition of the integrated governance structure at OMERS and of the unified approach we bring to our responsibilities, we are presenting our first Annual Report in conjunction with that of OMERS Administration Corporation (AC).

As a result of Bill 206, a new and independent governance model has been established at OMERS. The legislation changes the plan sponsor, with the Provincial government being replaced by the OMERS Sponsors Corporation (SC). This gives employers, employees and retirees control over the pension plan. OMERS has a long history of serving its members well. As the newest member of the team, we are keenly aware of our responsibilities in extending this track record.

While the Annual Report is a requirement of our legislation, we also view it as a means of demonstrating our accountability to you, and as one of the most important ways we have to communicate what the SC is doing to represent your interests in the OMERS Primary Pension Plan (the Plan) and the Retirement Compensation Arrangement (the RCA) associated with the Plan (together, the OMERS Plans).

Fulfilling Our Mandate

Our mandate is to represent OMERS sponsors in the oversight of the OMERS Plans. In practical terms, this means that every decision or initiative we make reflects the interests of OMERS members, employers and retirees. In doing so, we work closely with the AC, fulfilling our respective mandates to govern and administer the OMERS Plans in an effective and efficient manner.

The major focus of OMERS Sponsors Corporation in 2007 was to complete the transition from the interim structure established in the OMERS Act to a permanent structure as set out in our by-laws and policies. The AC Board and management worked effectively with us during the past year to make this transition a successful one.

Governance of course is a key issue for us and for our members. OMERS has a history of leadership among Canadian pension plans in this area, and our clear objective at the SC is to ensure that this philosophy of continuous improvement is maintained by both the SC and AC boards. While we continue to work to develop and implement an effective initial governance structure, and made great strides in this regard during 2007, we are looking beyond the transition in establishing structures and processes, including working with the AC on establishing a series of joint protocols related to the governance of OMERS, that will allow the SC and AC to focus effectively on their respective areas of responsibility.

We face a number of challenges in 2008

Pension regulations require that we file our December 31, 2007 Plan valuation report by September 30, 2008. This report will allow us to assess the potential impact of our funded status on contribution rates and plan design decisions.

In 2008, we will start receiving proposals directly from OMERS constituents regarding specific changes to the Plan. One of our focuses will be to ensure that we effectively communicate the various mechanisms for receiving this input to all members, employers and sponsors. By July 1, 2008, the development of the Supplemental Plan for members of the police sector, firefighters and paramedics will be complete and the SC will assume responsibility for it.

Finally, there are several major requirements associated with the SC's ongoing operations, including finalizing permanent funding arrangements, and resolving a number of governance issues, such as the composition of the AC Board in anticipation of the end of its transition period in the summer of 2009. The 14-member AC Board of Directors was initially appointed by the Ontario government at the time of the new OMERS Act. Following the completion of the transition period, SC by-laws will establish the process to be followed for appointing AC directors.

Our commitment to your future

The SC is proud to be part of OMERS team. We made considerable progress in 2007 and we are pleased to have been able to continue to contribute to OMERS exceptional performance in all areas of its mandate, and to creating and implementing the new governance structure for the OMERS Plans.

There is considerable work still to be accomplished in 2008 and beyond, and we look forward to continuing to serve our members, retirees, employers and sponsors in the future.

Sincerely,

Marianne Love
Co-Chair
Employer Group

Brian O'Keefe
Co-Chair
Employee Group

Year in Review

What We Do

- The SC was established by the OMERS Act as a key component of OMERS, with responsibility for the design of the OMERS Plans.
- We are responsible for setting contribution rates and establishing any stabilization reserves.
- We determine the timing of when to file the plan valuation (at least every three years), we set the terms and conditions for participation in the OMERS Plans, and we can enter into agreements with other pension plans to manage them.
- We determine the compensation paid to members of the Boards of the SC and AC and are responsible for establishing the composition and the method of choosing the members of the Boards of the SC, and after June 29, 2009, of the AC.
- We work closely with the AC to carry out these and many other functions. Both the SC and AC have distinct oversight responsibilities for the OMERS Plans.

Who We Serve

- The SC represents the interests of the sponsors of the OMERS Plans in carrying out its duties.
- The members of the corporation have a responsibility to act honestly, in good faith, with prudence and without conflict of interest in carrying out the SC's mandate.

Who We Are

- There are 14 members of the SC, appointed directly by the sponsors. Seven are appointed by employer sponsors and seven are appointed from among employee sponsors, as set out in the SC's by-laws. The composition of the SC is detailed on pages 82 and 84.
- The Members have a broad range of experience and competencies that fairly reflect the needs and interests of members, retirees, and employers.

2007 – A Year of Transition

- 2007 was the first full year for the SC, with activity primarily focused on starting up operations and developing the governance structure that the SC requires to fulfil its responsibilities to the OMERS Plans.
- In 2007, the SC completed the transition from an interim state as set out in the OMERS Act, to a permanent structure as set out in the various by-laws of the corporation.
- In completing this transition, the SC worked extensively with the AC and with other outside advisors.
- The SC established governance and other structures required to carry out its mandate, made key decisions regarding the design of the OMERS Plans, and worked to establish permanent funding for its operations.

Setting up the Team

- The protocols for appointing members of the SC directly by the sponsors were established in the corporate by-laws.
- The interim appointments of members of the SC made by the Ontario government were replaced by permanent appointments made directly by the sponsors.
- The SC established working groups to address by-laws, governance, compensation, composition and other matters.
- The terms of reference for the two Advisory Committees on Benefits for public safety occupations and for other OMERS members, were established and nominations from sponsors have been accepted.

Carrying out the SC's Work

- The SC met monthly throughout the year. A record of meeting attendance can be found in the Declaration for Individual SC Members found on page 83.
- The SC held a strategic planning retreat with an expert facilitator in the fall of 2007 to consider its governance requirements and other matters related to its work during transition.
- The SC, through by-laws and resolutions, established protocols for receiving proposals for specified changes from sponsors, employers and members, and for making decisions regarding these proposals.
- The SC established guidelines for communications with plan members, employers and sponsors.

Making Plan Design Decisions

- Based on the recommendation of the AC, the SC decided not to file the December 31, 2006 OMERS Plan Valuation. This resulted in stable contribution rates for 2008.
- Working with the AC, the SC considered six plan design changes:
  1. Changing the inflation protection methodology to align with the methodology employed by the Canada Pension Plan.
  2. Clarification of transfer provision related to commuted values to ensure consistency and fairness in the way transfers are administered.
  3. Revoking the authority of the OMERS AC Board to change contribution rates and making the plan compliant with the OMERS Act.
  4. Deemed termination of employment to allow members with a shortened life expectancy the option to receive a lump sum payment of their OMERS benefit.
  5. Incentive payments and a cap on pensionable earnings over a certain percentage of base pay.
  6. Providing normal retirement age of 60 for paramedics.
- Plan changes in items 1 through 4 were approved. Items 5 and 6 were not approved in 2007.

Establishing Permanent Funding

- The SC negotiated a transfer funding agreement with the Ontario government to provide $2.5 million over 33 months to fund initial startup and operating expenses.
- The SC needs a permanent funding base in order to continue its operations. It has two sources of funding, as set out in the OMERS Act:
  - Reimbursement of costs from the OMERS Plans, along with the provision of technical and administrative support by the AC.
  - Levying SC fees directly from active members and employers for items which cannot be funded from the OMERS Plans.
- The SC and AC have established a Joint Protocol on Sponsors Corporation Costs and Reimbursement, setting out a number of categories of costs which can be paid from the OMERS Plans. These categories include SC meeting expenses, audit fees and preparation of the annual report.
- The SC and AC have initiated an application to the Superior Court of Ontario to confirm the Joint Protocol. Members, employers, and sponsors were notified of this application in the fall of 2007. The application will be heard in January 2008.
- The SC has been developing a mechanism, through the AC, for levying SC fees. This mechanism should be in place in the first quarter of 2008.

Working as a Team with the OMERS Administration Corporation

- The AC, along with OMERS management, has provided the SC technical and administrative support to help it carry out its duties and responsibilities to the members, employers and sponsors.
- The SC and AC co-hosted the regional general meeting in Timmins, Ontario in May of 2007 and co-hosted a spring and fall meeting of stakeholders at OMERS corporate head office in Toronto.
- The SC and AC held a joint session in the fall of 2007 to consider actuarial matters related to their respective mandates.
- The SC Co-Chairs met monthly with the AC Chair and Vice Chair and OMERS management to address various matters.
- The SC and AC are located at One University Avenue in Toronto.

SC Governance

While the SC as an entity is new, our role is not. As a result of Bill 206, the SC has become the plan sponsor, giving employers and employees control over the pension plan. OMERS has a long history of exemplary corporate governance and the SC has committed itself to continuing those high standards of integrity, education, transparency and communication in carrying out its responsibilities.

Governance

The SC strives for best practices standards in corporate governance. To achieve this goal, we have developed policies and practices, in conjunction with third party advisors who are expert and experienced in the field. Our governance structure includes:

- Corporate by-laws and policies that support this commitment to a best practice standard.
- A continuing education program for members that requires director certification, and includes certificates in pension administration, benefits strategies and trustee development, as well as mandatory orientation to the OMERS Plans.
- Transparency and accountability to OMERS plan participants through regular meetings with plan participants and stakeholders as well as timely and accurate print and electronic communication carried out in conjunction with the AC.

Board Membership

By-Law #4 sets out the composition and method of appointing SC Members. It was passed on April 30, 2007, and its provisions will be reviewed prior to January 31, 2009, and regularly thereafter, to ensure that the composition of the SC is representative of the participants in the OMERS Plans.

The SC is comprised of seven employer representatives and seven plan member representatives as follows:

Employer Representatives

- Association of Municipalities of Ontario – two members
- City of Toronto – one member
- School Boards, rotating between public and Catholic Boards – one member
- Ontario Association of Police Services Boards – one member
- Ontario Association of Children's Aid Societies – one member
- Electricity Distributors Association (Ontario) – one member

Plan Member Representatives

- Canadian Union of Public Employees (Ontario) – one member
- Canadian Union of Public Employees rotating between Locals 79 and 416 – one member
- Police Association of Ontario – one member
- Ontario Professional Fire Fighters Association – one member
- Ontario Secondary School Teachers' Federation – one member
- Ontario Public Service Employees Union – one member
- Retirees – appointed from among the Municipal Retirees Organization Ontario, the Police Pensioners Association of Ontario, the Police Retirees of Ontario and the Retired Professional Fire Fighters of Ontario – one member

There are 18 total votes on the SC. Employer Representatives and Employee Representatives as a group, have nine votes each. Individual SC members have one vote each with the following exceptions – the representatives from AMO have two votes each, and the representative from CUPE Ontario has three votes.

Compensation and Expenses for SC Members

Compensation

SC Members are compensated through an annual retainer which covers attendance at both Corporation and committee meetings. There are no per diem payments for meeting attendance. The retainer may be paid directly to the member or to the organization with which they are affiliated.

The SC annual retainer is:

Co-Chairs	$30,000
Committee Chairs	$18,000
All other Members	$15,000

Reimbursement of Expenses

SC Members are entitled to reimbursement of reasonable and necessary expenses incurred in connection with carrying out the business of the Corporation, subject to the necessary approvals under By-Law #6.

Education Expenses

SC Members are reimbursed for travel, tuition and other expenses incurred in attending conferences, or other educational programs, which are approved or mandated by the SC under By-Law #6. Aggregate education expenses in 2006 were nil and in 2007 were $21,536.

Meeting Attendance

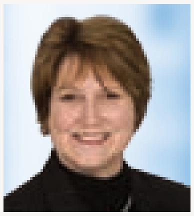
There were 4 regular meetings of the Board in 2006 and 16 meetings in 2007.

Declaration for Individual Sponsors Corporation Members

	2007			2006		
	Meeting Attendance	Remuneration ($)	Expenses[1] ($)	Meeting Attendance	Remuneration ($)	Expenses[1] ($)
Marianne Love, Co-Chair	**16**	**30,000**	**10,271**	4	15,000	1,683
Brian O'Keefe, Co-Chair	**16**	**30,000**	**2,339**	4	15,000	300
Joseph Aitchison	**15**	**15,000**	**7,307**	4	7,500	1,803
Brian Cain	**16**	**15,000**	**5,491**	4	7,500	797
Ann Dembinski	**14**	**15,000**	**707**	4	7,500	0
Louise Eason [2]	**9**	**7,500**	**0**	4	7,500	260
John Fleming [3]	**6**	**7,500**	**1,044**	n/a	n/a	n/a
Jack Jones	**15**	**15,000**	**0**	4	7,500	0
Fred LeBlanc	**14**	**15,000**	**5,012**	4	7,500	1,264
Charlie Macaluso	**14**	**15,000**	**1,558**	3	7,500	921
Bruce Miller	**16**	**15,000**	**7,299**	4	7,500	1,329
Glen Mills	**14**	**15,000**	**10,758**	4	7,500	2,279
Marnie Niemi	**14**	**n/a**	**693**	4	n/a	0
Garth Pierce	**16**	**15,000**	**5,850**	4	7,500	1,326
Bruce Stewart	**16**	**15,000**	**4,002**	3	7,500	1,289
Total		**225,000**	**62,331**		112,500	13,251

(1) Expenses relate to individual expenses incurred for board meetings, working group and stakeholder meetings and to administrative work on behalf of the SC, but do not include general and education expenses.
(2) Term ended June 30, 2007.
(3) Term commenced July 1, 2007.

Sponsors Corporation Members



Marianne Love, Co-Chair

Employer Representative for Association of Municipalities of Ontario

Brian O'Keefe, Co-Chair

Plan Member Representative for CUPE Ontario

Joe Aitchison

Employer Representative for Ontario Association of Children's Aid Societies

Brian Cain

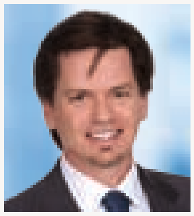
Employer Representative for Ontario Public School Boards' Association

Ann Dembinski

Plan Member Representative for CUPE Locals 79 and 416

John Fleming

Employer Representative for the City of Toronto



Jack Jones

Plan Member Representative for Ontario Secondary School Teachers' Federation

Fred LeBlanc

Plan Member Representative for Ontario Professional Fire Fighters Association

Charlie Macaluso

Employer Representative for Electricity Distributors Association

Bruce Miller

Plan Member Representative for Police Association of Ontario

Glen Mills

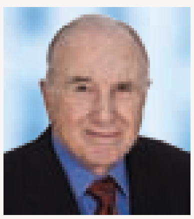
Plan Member Representative for Retirees

Marnie Niemi

Plan Member Representative for Ontario Public Service Employees Union

Garth Pierce

Employer Representative for Ontario Association of Police Services Boards



Bruce Stewart

Employer Representative for Association of Municipalities of Ontario

Auditors' Report

To the Board of OMERS Sponsors Corporation

We have audited the statement of financial position as at December 31, 2007 and the statement of operations and of cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Langlois Hauck Zettner & Co. LLP

Chartered Accountants,
Licensed Public Accountants
North York, Ontario

February 6, 2008

Financial Statements

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31,	2007	2006
Assets		
Cash	$ 853,280	$ –
Government Grant Receivable	–	500,000
Total Assets	$ 853,280	$ 500,000
Liabilities		
Accounts Payable and Accrued Liabilities	$ 114,950	$ 144,837
Total Liabilities	114,950	144,837
Net Assets		
Excess of Revenue Over Expenses From Operations		
Balance at Beginning of Year	355,163	–
Current Year	383,167	355,163
Balance at End of Year	738,330	355,163
Total Liabilities and Net Assets	$ 853,280	$ 500,000

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

Brian O'Keefe

Brian Cain

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31,	2007	2006
Revenues		
Government Grant Revenue	$1,250,000	$ 500,000
Interest Income	23,220	–
Total Revenue	1,273,220	500,000
Expenses		
Contract Staff	54,690	–
Legal	303,189	13,136
Audit	2,625	2,625
Other Administrative	11,272	–
Professional Consulting (NOTE 3)	183,267	–
Payroll Taxes	6,650	3,325
Board Remuneration (NOTE 4)	225,000	112,500
Board Expenses	103,360	13,251
Total Expenses	890,053	144,837
Excess of Revenues Over Expenses from Operations	$ 383,167	$ 355,163

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,	2007	2006
Cash Flows Provided by the Following Activities		
Operating		
Excess of Revenues over Expenses	$ 383,167	$ 355,163
Changes in Non-cash Working Capital Accounts		
Government Grant Receivable	500,000	(500,000)
Accounts Payable and Accrued Liabilities	(29,887)	144,837
Increase in Cash	853,280	–
Cash at Beginning of Year	–	–
Cash at End of Year	$ 853,280	$ –
Supplemental Disclosures of Cash Flows From Operating Activities		
Interest Received	$ 23,220	$ –

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

Notes to Financial Statements

Year ended December 31, 2007

Note 1

DESCRIPTION OF PLANS SPONSORED BY OMERS SPONSORS CORPORATION

The OMERS Sponsors Corporation (the "SC") is a corporation without share capital under the *Ontario Municipal Employees Retirement System Act, 2006* (the "OMERS Act") as at June 30, 2006. The SC is the sponsor of the OMERS Pension Plans as defined in the OMERS Act which are administered by OMERS Administration Corporation (the "AC") and include the OMERS Primary Pension Plan (the "Plan") and the Retirement Compensation Arrangement (the "RCA"). The Ontario Municipal Employees Retirement System ("OMERS") represents the combined retirement system comprised of the SC, the AC, the Plan, and the RCA.

The SC is responsible for making decisions about the design of the Plan and the RCA, amendments to those plans, setting contribution rates, and the filing of the actuarial valuation as required under the *Pension Benefits Act*.

Note 2

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared on a going concern basis in accordance with Canadian generally accepted accounting principles and present the information of the SC as a separate financial reporting entity independent of the employers, plan members and the AC.

Revenue Recognition

Government grants for operations are received or receivable from the Ministry of Municipal Affairs and Housing of the Ontario Government (the Ministry) and are recognized as income in the year if the amount to be received can be reasonably estimated and collection is reasonably assured. The agreement with the Ministry states that any part of the grant funds that have not been used or accounted for by the SC at the time the agreement expires on March 31, 2009 shall belong to the Ministry. Interest income for operations is recognized as income in the year received.

Income Taxes

The corporation is not subject to Corporate Income Tax.

Use of Estimates

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

Note 3

PROFESSIONAL CONSULTING

Professional consulting expenses consist primarily of a Board compensation review, insurance review, professional recruitment expenses, and governance advice.

Note 4

BOARD REMUNERATION AND EXPENSES

Board remuneration and board expenses are in accordance with SC By-Law #6 established by the SC Board.

Note 5

CONTINGENCIES AND RELATED PARTY TRANSACTIONS

During 2007 the SC and the AC jointly took an issue before the Ontario Superior Court of Justice (the Court) for a ruling as to the nature of support and expenditures that can be provided or reimbursed by the AC to the SC. Subsequent to December 31, 2007 the Court ruled on the type of expenses which are eligible for reimbursement to the SC from the AC. The amount of support and expenditure reimbursement will be determined following the AC and the SC agreement on the amount of expenses eligible or, failing agreement, a determination of the Court on the issue.

Note 6

FINANCIAL INSTRUMENTS

Financial instruments of the corporation consist of cash, amounts receivable, and accounts payable and accrued liabilities. The carrying values of the above items approximate their fair value due to their short-term nature.

Note 7

COMPARATIVE FIGURES

The comparative figures relate to the start-up period June 30, 2006 to December 31, 2006.

Glossary

Absolute Return Strategies – Strategies expected to generate positive returns regardless of the movements of the financial markets due to their low correlation to broad financial markets. Absolute return strategies may be used with the objective of increasing the overall investment portfolio risk-adjusted return while contributing to the stability of the overall investment portfolio returns.

AC – OMERS Administration Corporation.

AC Board – The Board of Directors of the AC.

Active Management – Attempts to add value through asset mix decisions and the buying and selling of undervalued or overvalued securities. The objective is to outperform a passive market benchmark.

Actuarial Smoothing – A common practice accepted in the actuarial profession and by pension regulators to reduce the effect of short-term market fluctuations on pension plan funding by deferring and amortizing changes in net assets above or below the long-term funding objective over five years.

Actuarial Valuation Report – A report issued by the AC's actuary on the funded status of the Plan and the RCA. An actuarial valuation is based on a set of assumptions, as approved by the AC Board, that include demographic and economic assumptions.

Autonomy – Self-governing.

Basis Point – One basis point equals 1/100th of one percentage point.

Benchmark – A benchmark is a standard or point of reference against which performance of an investment is measured. It is generally a passive external index (i.e. the S&P/TSX Composite Index) or a predetermined absolute return based on operating plans approved by the AC Board.

Benefit Accrual – The accumulation of pension benefits based on a formula using years of credited service, pensionable earnings and an accrual rate. This is expressed in the form of an annual benefit to begin payment at normal retirement age.

Bridge Benefit – A temporary benefit provided to members who retire prior to age 65. The bridge benefit supplements the pension income until age 65. The bridging benefit is not necessarily related to the size of the prospective government benefits.

Commercial Paper – Short-term unsecured debt instruments issued by companies typically to meet short-term financing needs.

Commuted value – The lump sum needed today to replace a member's future pension amount based on the member's service and earnings to date. The commuted value fluctuates with changes in factors such as the member's age, current inflation and interest rates.

Currency Hedging – A technique used to offset the risks associated with the changing value of currency.

Custom Benchmark – A benchmark calculated based on the weighted average allocation to two or more underlying benchmarks (i.e. 50 per cent Scotia Capital 31 Day Treasury Bill Index + 50 per cent Scotia Capital Universe).

Debentures – Bonds that are not secured by the assets of a firm.

Debt Financing – The long-term borrowing of money by government or a business, usually in exchange for debt securities or a note, in order to obtain working capital or to retire other indebtedness.

Defined Benefit Plan – In a defined benefit plan members' benefits are determined by a formula usually based on years of service times earnings, rather than by the investment returns made on their pension contributions.

Derivative / Derivative Financial Instrument – A financial contract that derives its value from changes in underlying assets or indices. Derivative transactions can be conducted on public exchanges or in the over the counter market using investment dealers. Derivative contracts include forwards, futures, swaps and options and are discussed in more detail in note 4 of the AC Consolidated Financial Statements.

Discount Rate – A discount rate is the interest rate used to compute the present value of anticipated future cash flows.

Enterprise-wide – This refers to the AC, including Pension Administration, OMERS Capital Markets, Borealis Infrastructure, OMERS Capital Partners, Oxford Properties Group and corporate functions.

Infrastructure – Infrastructure investing involves direct investments in inflation-sensitive assets that are critical to the long-term success of a modern industrial economy. Some infrastructure investments are subject to regulatory establishment of rates, service delivery levels or both.

Modified Pay-As-You-Go Funding Policy – Promised retirement benefits are not fully pre-funded, instead contributions are paid into the RCA to fund benefits. This variation of the funding method is used by OMERS for the RCA, in order to minimize the 50 per cent refundable tax applicable to RCA plans.

Nominal Bonds – Bonds that pay interest and principal without contractual adjustments for inflation.

OMERS – The Ontario Municipal Employees Retirement System represents the combined retirement system comprised of the SC, the AC, the Plan and RCA.

OMERS Pension Plans or OMERS Plans – Collectively, the OMERS Primary Pension Plan and the RCA.

OMERS Primary Pension Plan or the Plan – The primary registered pension plan administered by the AC under the OMERS Act.

Passive Investments – Investing in a manner that replicates the performance of a market index (i.e. S&P/TSX Composite Index).

Plan Sponsor – The organization or body, which has the final authority to create a pension plan and/or make revisions to an existing pension plan. Usually the plan sponsor is an employer, but it can also be a union, an association, the government, or a mixture. For the OMERS Primary Pension Plan and the RCA, the Sponsors Corporation is made up of employer and member representatives and acts as the sponsor.

Private Equity – Private equity is the ownership of equity or equity-like securities in companies that do not generally trade publicly.

Proxy Voting – Proxy voting is the process by which a shareholder expresses their views, on proposed corporate actions, by submitting their vote at a company's annual meeting.

Public Markets – Public market investments are investments in securities (i.e. equities, trust units, warrants, mutual fund units, bonds, etc.) listed on recognized public exchanges.

RCA – The Retirement Compensation Arrangement for the OMERS Primary Pension Plan.

Real Rate of Return – Nominal return adjusted to exclude the impact of inflation.

Real Return Bonds – Interest bearing marketable bonds that pay a semi-annual coupon rate calculated based upon the sum of the principal amount and an inflation compensation component that adjusts for changes in the inflation.

SC – OMERS Sponsors Corporation.

SC Board – The Board of the SC.

Secured Debt – Debt backed or secured by collateral to reduce the risk associated with lending for creditors given that if the debtor defaults the creditor may seize the collateral as repayment of the debt.

Supplemental Plan – A stand-alone registered pension plan which offers benefits not available in the OMERS Primary Pension Plan and which is not funded from the OMERS Primary Pension Plan.

Unsecured Debt – Debt which is not backed or secured by collateral property.

Sponsors Corporation

One University Avenue
Suite 700
Toronto, Ontario M5J 2P1

Tel: (416) 814 6565
Toll-free: 1 800 387 0813 ext. 6565
Email: board@omersSC.com

www.omerssc.com

Administration Corporation

One University Avenue
Suite 700
Toronto, Ontario M5J 2P1

Tel: (416) 369 2400
Toll-free: 1 800 387 0813
Email: client@omers.com

www.omers.com

Disponible en français
ISSN 1488-0660