FOCUS:

OUR
commitment to
YOU

OMERS

2012 Annual Report

OMERS

Our commitment to you.

Our performance is built on professional expertise and experience in client services and investments, innovative corporate strategies, sound global relationships, and strong governance.

Our strategy is not simply about targets; it's about building a sustainable business model whose foundation is value creation and whose goal is delivering on the pension promise.

Our clients – members, employers and other stakeholders – count on us to navigate a world of disruptive change to provide a secure pension plan. They entrust us with their contributions so that they can focus on serving citizens, saving lives, caring for the elderly – shouldering the important work that gets done every day across Ontario's communities.

Our people, some of whom are featured in this report, are passionate about delivering on the pension promise and making a difference in the communities in which they live and work.

Fifty Years of OMERS

Half a century ago, we made a promise to provide the people who support Ontario's communities with a secure retirement. Before OMERS, many municipal employers across the province did not participate in a pension plan to support their employees' retirement. By bringing municipalities and local boards together, OMERS brought strength in numbers through a strong and stable pooled investment fund with more secure benefits.

Since then, OMERS has grown into one of Canada's largest pension plans with more than $60 billion in net assets and 429,000 members. Today, OMERS is an active, diversified investor and engine of economic growth in Ontario and Canada.

OMERS

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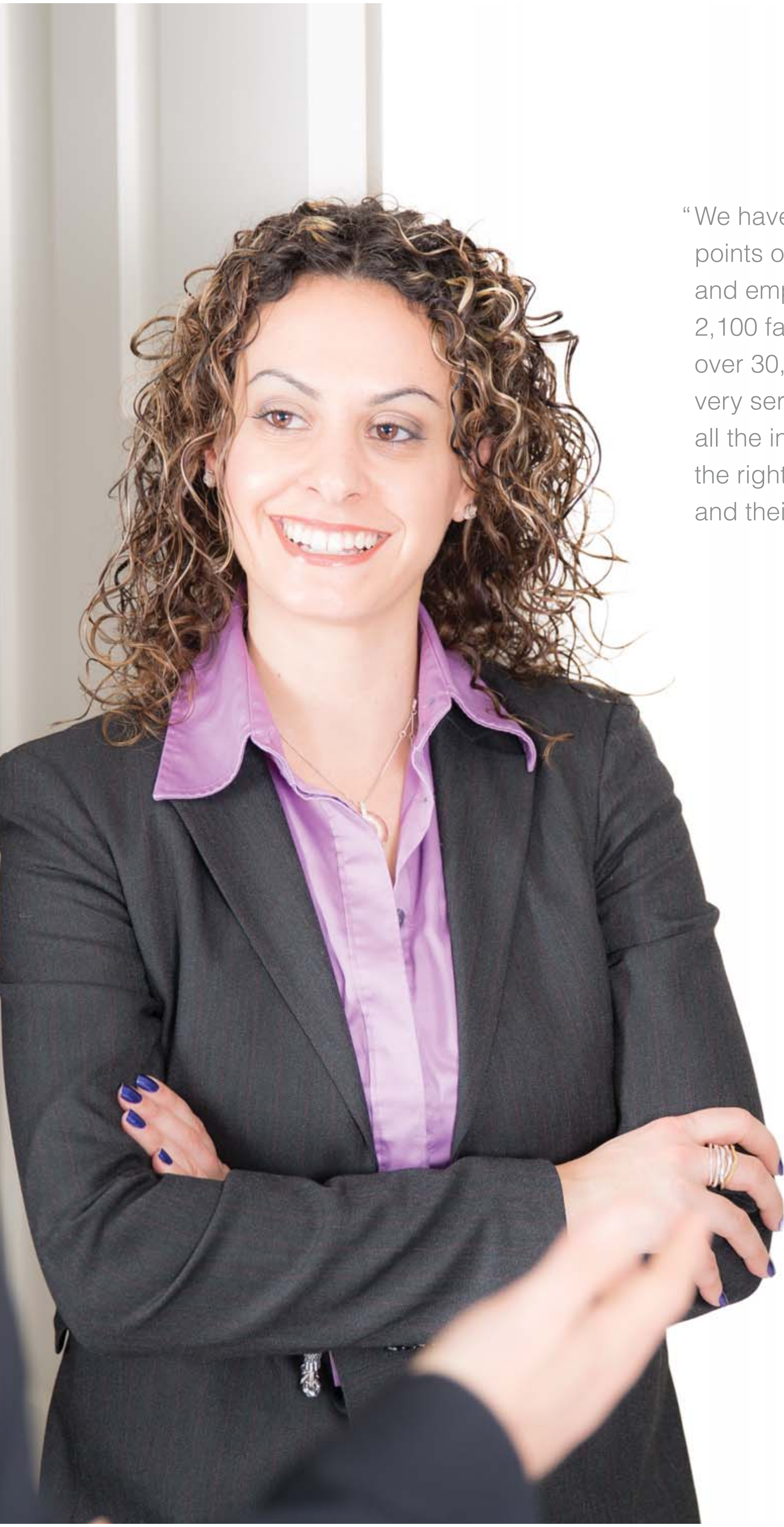


"We have more than one million points of contact with Plan members and employers every year, including 2,100 face-to-face meetings reaching over 30,000 clients. We take our job very seriously to make sure they have all the information they need to make the right decisions for themselves and their families."

Fotini Eliopoulos

Specialist, Education and Training
OMERS Administration Corporation

"OMERS members want to know their pensions are secure over the long term. Our performance in 2012 is another indication that our investment strategy is working and will continue to support OMERS efforts to return the Plan to a fully funded position well within the projected timeframe."

Rick Miller

Chair
OMERS Administration Corporation

OMERS Administration Corporation

OMERS Administration Corporation Board has 14 Members and is the administrator of the OMERS Pension Plans.

The OAC Board is responsible for:

- appointing and overseeing the OAC management team
- establishing investment and funding policies, asset allocation and investment management of OMERS Pension Plans' assets
- overseeing pension services, administration and Plan valuation
- appointing the OAC auditors and the actuary for the OMERS Pension Plans.

Message from the OAC Board Chair

Our Commitment To You.

For the OMERS Administration Corporation (OAC) Board, the theme of our 2012 Annual Report says it all. As Board Chair, I know I speak for all of my Board colleagues in saying we are passionately committed to the well-being of our OMERS Primary Pension Plan (the Primary Plan or the Plan) – to continuous improvements in its administration, to its investment strategy and to keeping the pension promise to Plan members.

In early 2012, I identified certain key priorities for our Board. These priorities included our continued role in returning the Plan to surplus, maintaining continued excellence in service to our members, active engagement in the OMERS Governance Review 2012 (the Review) with our colleagues on the Sponsors Corporation (SC), and ensuring a smooth transition as terms for OAC Board members are completed. The close of 2012 brought some changes to the membership of the OAC Board, and I would like to express the Board's thanks to Bill Aziz and Leslie Thompson, two of our colleagues whose work contributed greatly to our ability to deliver on these priorities over the past year and whose tenure came to an end in December 2012. At the same time, we welcome new Board members Michael Fenn and David Beatty.

As the OAC Board Chair, I have the opportunity, as do my colleagues, to discuss OMERS business with a wide range of members and stakeholders and to gain insight into the issues that interest them. Since the 2008 global economic downturn, we have heard from Plan members that they want some assurance that their pensions are secure, and both Boards have been focused on dealing with Plan funding and our respective roles in returning the Plan to a fully funded position.

Over time, pension plans like OMERS cycle through periods of actuarial surplus and deficit. In fact, in 1997 when I first joined the Board, OMERS was in the midst of a large actuarial surplus, and we moved through periods of deficit and surplus for the following 10 years. More recently, in 2009, following the 2008 global economic downturn, our actuaries projected that OMERS actuarial deficit would continue to grow and that measures were required immediately to gradually eliminate the deficit to protect members well into the future. As a result, the SC took steps to reduce the deficit through a combination of contribution increases and a benefit reduction. At that time the deficit was projected to grow to more than $10 billion at the end of 2012, when it would start to level off, then begin to decline gradually to zero over approximately 10 to 15 years. By generating solid investment returns in the 7 per cent – 11 per cent range on average over time, the OAC can help return the Plan to surplus earlier than originally projected. In fact, as a result of our 2012 return of 10 per cent, combined with the returns for the three years following the global downturn in 2008, our average investment return over the past four years was about 8.9 per cent. The projected actuarial deficit is now at less than $10 billion, lower than was projected in 2009. This speaks very well of our investment strategy, and it is our objective to continue this trend to generate steady returns above the actuarial requirement in the years ahead which would eliminate the deficit sooner than originally projected.

Another priority for our Board over the past year was the OMERS Governance Review 2012. The need for the Review was established in 2006 when the Province created a new, independent governance model for OMERS. The OAC and SC saw the Review as an opportunity to begin to evaluate internal processes in preparation for the Review. Many of the areas discussed by the Reviewer in his final Report released early in 2013 had already been identified by the two Boards as areas for improvement, and we are well positioned to address the Report's recommendations over the coming year. We look forward to providing information on progress in this regard in 2013.

An important responsibility for the OAC Board is oversight of our organization's rolling five-year Strategic Plan. A key requirement for OMERS to compete with other large capital pools for assets across the globe is our vision to grow OMERS pool of investment capital through long-term relationships with like-minded international investment partners, providing investment services and products to other pension plans, and offering optional retirement savings opportunities to OMERS members. One such offering is our Additional Voluntary Contributions (AVCs) program, launched in 2011. In my conversations with OMERS members since the launch, I have heard time and time again that members want the right to receive an income stream from the AVC component of the Plan rather than being forced to withdraw or transfer their AVC funds after age 71. This is not currently possible under Ontario law. I have urged all Plan members, whether over the age of 71 or younger, to contact their MPP and request their support to have this issue rectified during the review of the Regulations for Bill 120 – *Securing Pension Benefits Now and for the Future Act, 2010*.

In closing, it has truly been a privilege to serve as the OAC Board Chair in 2012, and I look forward to 2013 as we continue to make progress on the issues and initiatives that are important to our members and stakeholders, and to doing our best to keep the pension promise to Plan members.

Thank you.

Rick Miller

"Our central goal as SC Co-Chairs is to ensure that our decisions around design and funding support the health and long-term viability of the OMERS Pension Plans. We work together with the OAC to ensure OMERS is positioned for strength and stability in today's turbulent times and well into the future."

Brian O'Keefe

Co-Chair

OMERS Sponsors Corporation

"It's vital we consider broad and diverse viewpoints including those from current, retired and future members as well as the organizations that employ them."

Marianne Love

Co-Chair

OMERS Sponsors Corporation

OMERS Sponsors Corporation

OMERS Sponsors Corporation is the Plan sponsor of the OMERS Pension Plans and consists of 14 Members: seven Plan member representatives and seven employer representatives.

The SC is responsible for:

- determining Plan design for benefits to be provided by the OMERS 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 OAC Board Members.

Message from the SC Co-Chairs

At OMERS Sponsors Corporation (SC) we have two main objectives. The first is to ensure that the governance of OMERS supports the health and long-term sustainability of the Pension Plans and meets the needs of stakeholders. The second is to ensure that the Plans are affordable, sustainable and appropriately funded to fulfill the pension promise. We must consider broad and diverse viewpoints from current, retired and future members as well as the organizations that employ them.

Governance

We firmly believe that good governance is fundamental to ensuring the long-term success of OMERS and the Pension Plans. We participated in the governance review required under the *Ontario Municipal Employees Retirement System Review Act, 2006* (the OMERS Review Act) and began our own review of the composition and appointment process for the Boards. We solicited and received input from stakeholders, which reinforced the importance of the oversight and governance of OMERS.

In May 2012, the Minister of Municipal Affairs and Housing announced that Mr. Tony Dean was appointed as the Reviewer under the OMERS Review Act. Mr. Dean further reinforced the importance of good governance. His Report was released on January 25, 2013. In 2013 we will address the Report's recommendations and input from stakeholders and use these to enhance the governance and oversight of OMERS.

Our commitment to good governance is also reflected in SC Board members' participation in education programs, industry conferences and internal training covering a variety of topics including governance, risk and growth. We thank the SC for its continuous commitment to self-improvement, an endeavour that benefits the entire SC Board.

This year, the SC reappointed three OAC Board members whose terms were set to expire and appointed two new OAC Board members to replace outgoing members. In addition the SC extended the seat of one OAC Board member by one year.

The SC saw four of its Board members reappointed, the term of one SC Board member extended for an additional year, and one new SC Board member, Mary McConville, appointed to replace an outgoing member, Joe Aitchison. In a separate but related exercise, the SC, with Sponsor approval, extended the terms of three SC Board members from December 31, 2013 to December 31, 2014 in order to better distribute term expiry dates over the three-year cycle.

On behalf of the SC, we would like to thank Joe Aitchison for his significant contribution to the work of the SC Board since the SC's inception, and we welcome Mary McConville from the Ontario Association of Children's Aid Societies (OACAS).

Funding

At the end of 2012, OMERS had an actuarial deficit of $9.9 billion in the Primary Plan, and it is projected that the Plan will continue in a deficit position for some time to come. In fact, as projected in 2010, the reported funding deficit has grown with the full impact of the losses incurred in 2008 reflected in the funding deficit at the end of 2012.

In 2010, we established a strategy to address the funding deficit which involved temporary benefit changes and contribution rate increases. We implemented the last phase of this strategy effective January 1, 2013, increasing contributions to ensure the Fund receives an additional 0.9 per cent in contributions (per side) and changing benefits for members who terminate before being eligible for early retirement. We also established principles to guide the way contribution rates are allocated in the future.

Although our funding position has changed, our multi-year plan is on course. Raising contribution rates or changing benefits are decisions not taken lightly and it is too early to tell if further action will be required. Given the Primary Plan's funded position and the persistent headwinds facing the Plans, we will remain vigilant in assessing and responding to those pressures.

Working Together – SC and OAC

For the first time we had a Strategic Planning Session, in September 2012, where the two Boards met and discussed various strategic issues facing OMERS. It was an invaluable exercise to help the Boards work collaboratively on strategic initiatives, a common vision for the future and to ensure our governance meets the needs of stakeholders. The Boards of the SC and OAC meet regularly, in their entirety as well as through the Joint Council, to discuss issues of relevance to both organizations, stakeholders and Plan members. Within our respective mandates, the two organizations are able to work collaboratively to ensure our focus remains on the Plans.

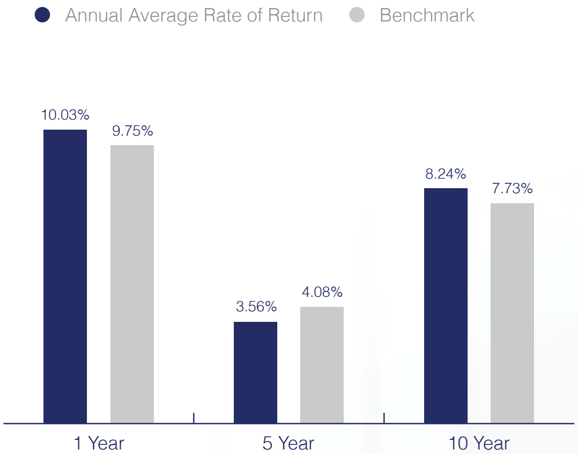
In Closing…

Our strategy continues to support the long-term viability of the Plans and good governance and, as always, the SC will continue to work in partnership with the OAC to bring the Plans back to a fully funded position and to enhance governance under the bicameral governance model.

Marianne Love & Brian O'Keefe

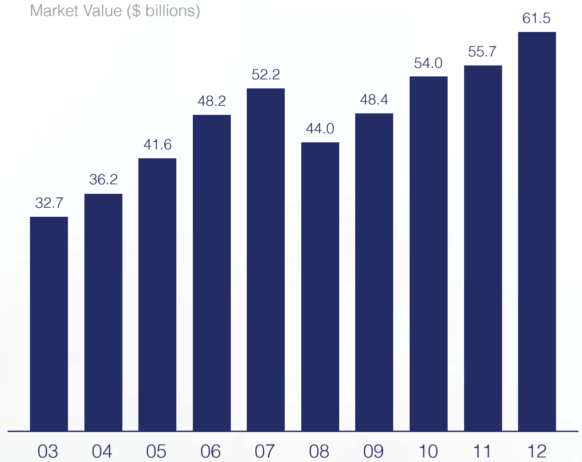
Rate of Return and Benchmark (%)

For the period ending December 31, 2012



Net Investment Asset Growth

As at December 31,
Market Value ($ billions)



Global Reach

"One of the great things about Oxford and OMERS is that we are encouraged to apply our international experience to our roles as we expand our global presence. Our people, our quality assets and our customer service are the foundation of our strong reputation."

Maud Chaudhary

Director, Real Estate Management
Oxford Properties Group

Capital Acquisition & Management

"Borealis is an infrastructure investing pioneer, which has grown into an entity that sources, transacts and manages a diversified portfolio of large-scale infrastructure assets. We have $18 billion in assets under management and provide stable and strong cash flows to pay pensions."

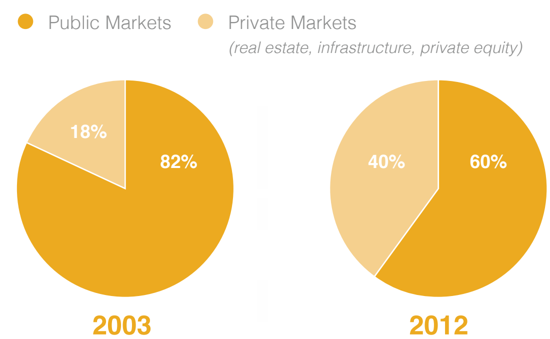
Annesley Wallace

Vice-President

Borealis Infrastructure

Asset Mix

As at December 31,



2012 Highlights

Borealis

- Signed an agreement to purchase Midland Cogeneration Venture
- Sold its interest in Enwave Energy Corporation
- Completed restarts of Bruce Power Units 1 and 2

Oxford

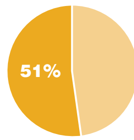
- Completed 28 asset transactions and 18 refinancings
- Development projects all on time, on budget and leasing as per forecast
- Continued leadership in sustainability, customer service and operations

OMERS Strategic Investments

- Launched the Global Strategic Investment Alliance (GSIA) with the Pension Fund Association and a Mitsubishi Corporation-led consortium, both of Japan, joining OMERS to pursue high-quality, large-scale infrastructure investments

Members have put their trust in OMERS, with accumulated contributions and investment earnings of **$170 million in Additional Voluntary Contributions (AVCs)** since we launched the program in 2011

Nearly **1** in **20** employed Ontarians is an OMERS member



About 51% of the Fund, over $31 billion, is invested in Canada

Over 25,000 Canadians are employed at OMERS and the companies in which it has significant ownership share

Client Focus

"Over the years, OMERS has grown into a global, diversified investor and engine of economic growth and employment in Ontario and Canada. This all comes from our commitment to provide the men and women who have served or continue to serve Ontario's communities with a secure retirement."

Michael Robinson

Manager, Client Services
OMERS Administration Corporation

190,000 calls handled by Client Services.

Client satisfaction continues to be high at **89% satisfied or very satisfied.**

94% of calls are answered within 100 seconds

and resolved at first point of contact.

"Everything we do is about helping our members succeed – putting them at the centre. The ongoing modernization of our pension services system is critical because it will help us deliver better service as well as innovative offerings – like our Additional Voluntary Contributions or AVCs – which can help members maximize their retirement income."

Adam Nasser

Director, Pension Operations
OMERS Administration Corporation

2012 Highlights

OMERS Sponsors Corporation (SC)

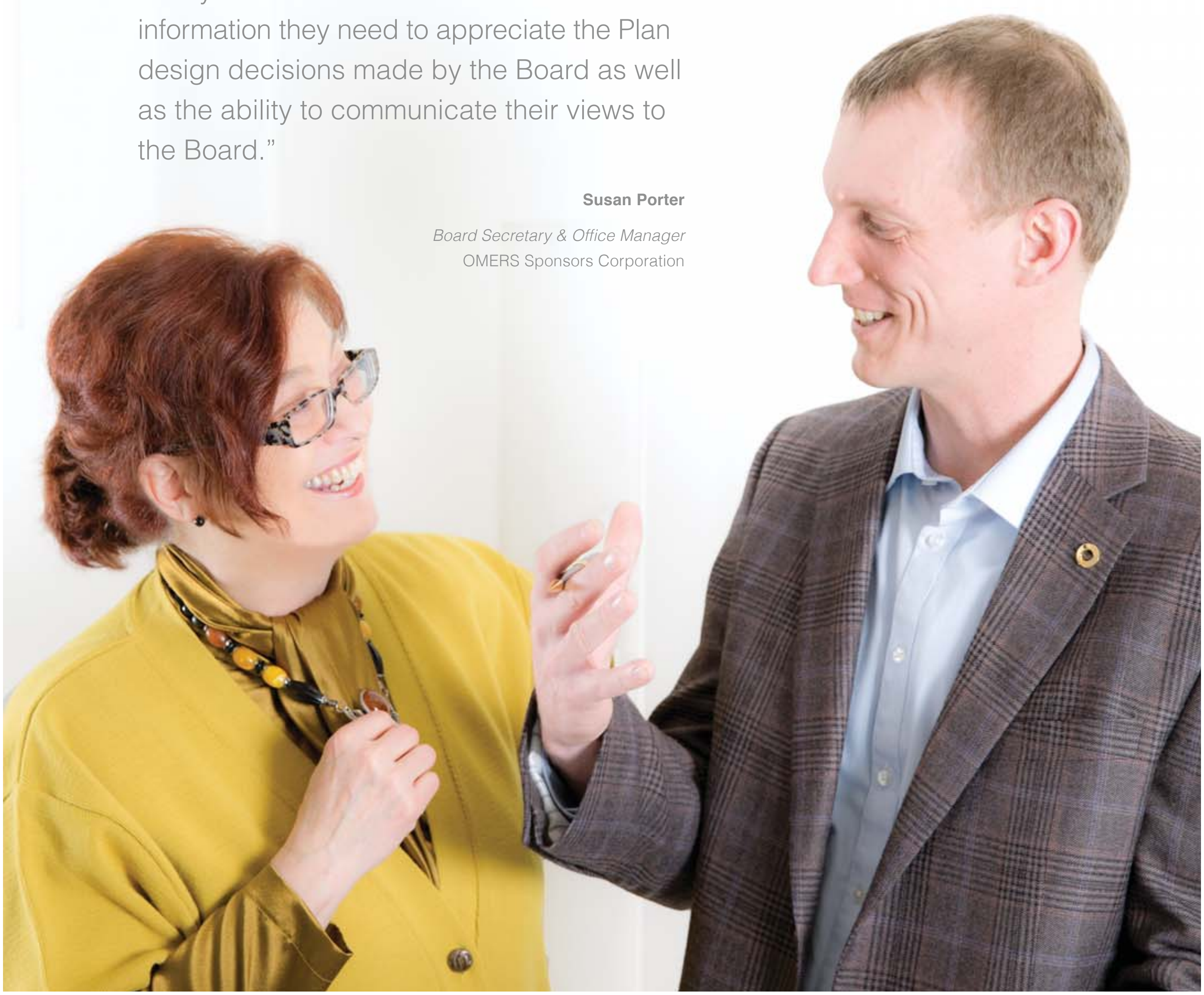
- Joint OAC and SC sessions demonstrated collaborative approach to strategic planning
- Participated in the governance review required by the OMERS Review Act
- Initiated our own review of composition and the appointment process of the Boards
- Implemented final phase of strategy to address the funding deficit and established principles to guide allocation of future contribution rates
- Participated in pension reform discussions to ensure OMERS is well represented

Plan Design

"Our focus is on the future and the long-term stability of the OMERS Pension Plans. This is why we ensure our stakeholders have the information they need to appreciate the Plan design decisions made by the Board as well as the ability to communicate their views to the Board."

Susan Porter

Board Secretary & Office Manager
OMERS Sponsors Corporation



OMERS Ventures invested over $110 million in:

- Desire2Learn
- LeadSift — Turn Social Feeds into Local Leads
- hootsuite
- sweet tooth
- hopper
- Extreme Startups
- 360incentives.com
- VisionCritical
- wattpad
- wave accounting
- BuildDirect

Innovation

"OMERS gives me the opportunity to be at the forefront of identifying and supporting great entrepreneurs, growing companies and new technologies that we believe have the potential to become global leaders in their fields."

Bram Sugarman

Senior Associate
OMERS Ventures

A key strategic priority is for OMERS to directly own and actively manage our investments. We ended the year with **88%** of the portfolio now managed in-house, up from **70%** at the end of 2008.

Our long-term goal

95% portfolio managed internally.

2012 Highlights

OMERS Private Equity

- Acquired Golfsmith International, a U.S.-based specialty golf retailer. Golfsmith has been combined with Golf Town, our Canadian market leading golf retailer, creating the largest golf specialty retail business in the world
- Direct investment in Lifeways, a leading provider of supported living services for adults with learning disabilities in the U.K.

Direct Drive

"We are strongly committed to directly owning and managing our investments. Doing so creates the best long-term value opportunity which goes into paying pensions for OMERS Plan members."

Chantal Thibault

Managing Director and General Counsel, Legal
OMERS Private Equity

Named one of Lexpert's Rising Stars: Leading Lawyers Under 40

2013 Best Employers in the GTA TORONTO STAR By Aon Hewitt

BEST EMPLOYERS IN CANADA 2012

CANADA'S PASSION CAPITALISTS | SUSTAINABILITY INTENSITY COURAGE CULTURE CREED 2012 WINNER

Great People

"At OMERS, I get challenging work in a fast-paced and rewarding environment where our core values and important mission makes my work meaningful. The financial, investment and global expertise in our capital markets group is incredibly strong – we have a deep bench of talent that allows us to better negotiate today's complex economic environment."

Helen Rattee

Principal
OMERS Capital Markets

"Everyone at OMERS is committed to ensuring the Plan's governance remains strong and healthy. At the end of the day, successful governance affects performance and is a reflection of how much we care about delivering on our mission."

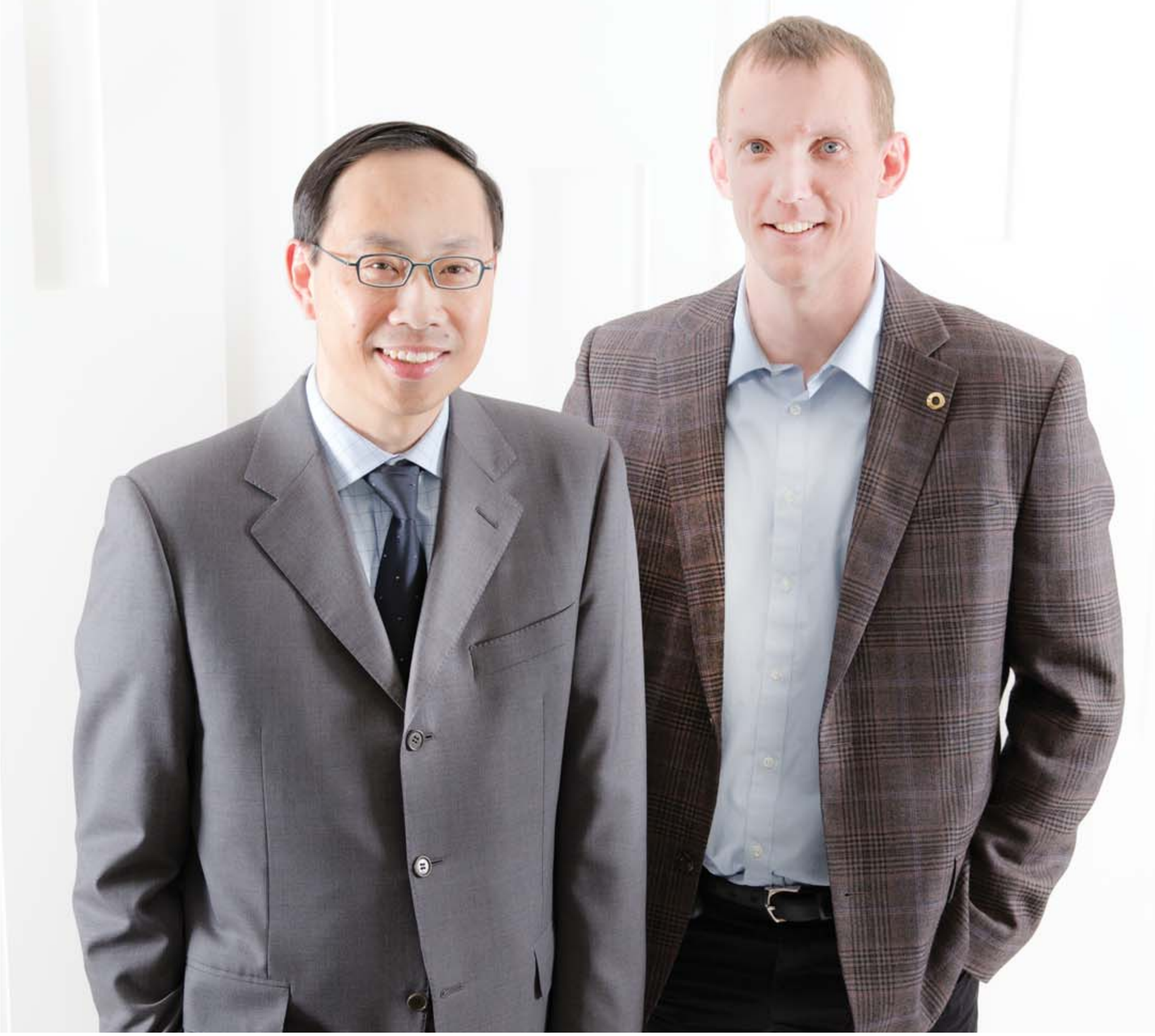
Amen Tam

Director, Audit Services
Capital Markets, Pension Services, Corporate
OMERS Administration Corporation

"Addressing the recommendations of the OMERS Review is a priority that has far-reaching implications for every member who relies on us to provide for their financial future. Good governance is collaborative by nature and it should extend deeply into the organization to be effective. That's how we approach it."

Chris Vanden Haak

Director, Pension Policy and Communications
OMERS Sponsors Corporation



Strong Governance

When it was proclaimed in 2006, the *Ontario Municipal Employees Retirement System Act, 2006* (the OMERS Act) established a new, independent governance model for OMERS. A process for reviewing the new model in 2012 was defined in the companion *Ontario Municipal Employees Retirement System Review Act, 2006* (the OMERS Review Act). As defined in this Act, the Review was to focus on the actual governance and administration of OMERS since the OMERS Act was proclaimed. It was to address and evaluate matters that include:

a) the efficiency and effectiveness of decision-making by the SC;

b) the governance model's effectiveness in ensuring OMERS overall fairness and financial stability;

c) the governance model's effectiveness and fairness for employers, members and former members of the Plan; and

d) the governance model's effectiveness and fairness in ensuring the accountability of OMERS.

On May 15, 2012 Mr. Tony Dean was appointed by the Minister of Municipal Affairs and Housing to undertake the Review on the Province's behalf. In an open letter published on that day Mr. Dean indicated his intent "to make every effort to ensure that anyone who wants to participate and contribute will have the opportunity to do so." Mr. Dean received several submissions and consulted with a wide range of groups and individuals over the summer and fall of 2012.

On January 25, 2013 the Ontario Government officially released Mr. Dean's Report. The Co-Chairs of the SC Board of Directors and the Chair of the OAC Board of Directors immediately responded to the release of Mr. Dean's report with a letter thanking him and his staff for their work and for their tireless effort to balance the interests of all OMERS members, sponsors and other stakeholders. The letter from the Co-Chairs and Chair stated that "We agree with Mr. Dean's observation that OMERS has been a success story, both in Canada and internationally, and we welcome his suggestions to enhance OMERS governance to ensure its continued strength. The OAC and SC are fully committed to working together to address the various recommendations contained in Mr. Dean's Report."

As noted in the Report, the OAC and SC have already collaboratively addressed some of the issues raised by Mr. Dean. OMERS representatives have made clear the belief across the organization that addressing these recommendations will lead to an even stronger OMERS, and all involved look forward to continuing to work together to achieve that objective.

OMERS will ensure that its stakeholders are kept apprised of progress as the process to address the Report moves forward. As milestones are reached information will be widely distributed through several channels including OMERS Spring and Fall Information Meetings, newsletters, omers.com and omerssc.com.

OMERS
Administration Corporation

2012 Annual Report

OMERS Administration Corporation

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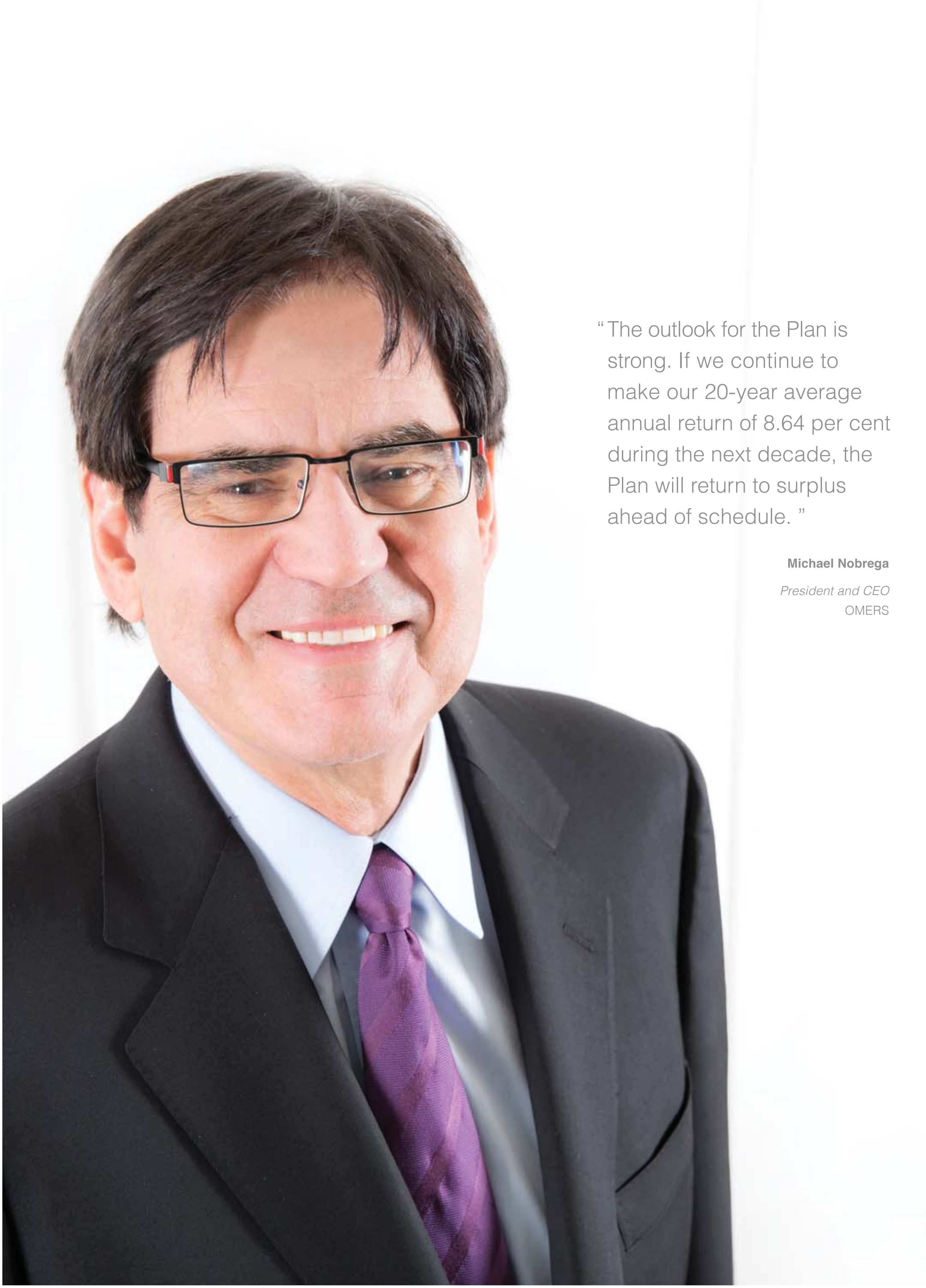


"The outlook for the Plan is strong. If we continue to make our 20-year average annual return of 8.64 per cent during the next decade, the Plan will return to surplus ahead of schedule."

Michael Nobrega

President and CEO
OMERS

Message from the President and CEO

The OMERS Primary Pension Plan (the Primary Plan or the Plan) ended 2012 in a strong financial position with a solid asset base, prudent debt financing with a Triple A credit rating, the capacity to generate growing investment cash flows and more than ample liquidity to withstand market shocks under stressed financial conditions. Investment performance in 2012 further fortified the Plan's financial foundations with a 10.03 per cent total fund return, which exceeded the actuarial annual requirement of 6.5 per cent necessary to keep the Primary Plan fully funded over the long term. Investment performance contributed $5.2 billion in net investment income, resulting in OMERS ending 2012 with $60.8 billion in net assets.

The net assets will underpin the retirement income of 429,000 plan members for decades to come, despite the fact that liabilities will progressively grow as the baby boom generation retires over the next 15 years. The present value of the defined benefit accrued pension obligation was $69.1 billion at the end of 2012, leaving a funding deficit of $9.9 billion as at December 31, 2012.

The outlook for the Plan is strong. If we continue to make our 20-year average annual return of 8.64 per cent during the next decade (and we are working to do much better than that), the Plan will return to surplus ahead of schedule. Further, strong cash flows generated from contributions from employers and members, coupled with cash flows from dividends, interest payments and income distributions, are expected to exceed benefit payments for at least 20 years.

The bedrock of the Pension Plan is OMERS fortress balance sheet that rests on four core investment platforms. Three platforms – Oxford Properties Group, Borealis Infrastructure and OMERS Private Equity – along with OMERS Strategic Investments, invest in private markets and collectively these Investment Entities generated a return of 13.79 per cent in 2012, confirming yet again the prescience of the OMERS Board in 2003 when it approved a long-term shift of capital into private market assets to produce strong and more stable returns. Oxford, which manages $9.1 billion of the Plan's net investment assets in commercial real estate, and Borealis, managing $9.8 billion of the Plan's net investment assets in infrastructure, are large cash generating machines with embedded economic resilience even in adverse market conditions. The third private market platform, OMERS Private Equity, which manages $6.0 billion of the Plan's net investment assets, has built a large directly owned and actively managed portfolio of private companies and is in the process of replacing its reliance on expensive external fund managers.

The fourth core investment platform invests in public markets and produced a 7.50 per cent return in 2012. With $35.0 billion of the Plan's net investment assets, OMERS Capital Markets continued to evolve its investing strategies to mitigate the impact of volatile stock markets buffeted by the persistent European sovereign debt crisis, difficulties in the U.S. economic recovery, slower growth in China and depressed commodity prices in Canada.

The inherent strengths of the balance sheet make OMERS an attractive counterparty and investment ally for other institutions. In 2012, we managed $7 billion of third-party assets and we expect this to increase in the future. Two major international institutions have signed on as partners in the Global Strategic Investment Alliance (GSIA) to invest in large-scale infrastructure assets alongside OMERS and in 2012 Borealis acquired a major infrastructure asset which is expected to become the first GSIA investment in 2013. Also, Canadian pension funds can now invest in OMERS platforms through investment contracts and we secured our first client, who will invest in the Borealis infrastructure portfolio starting in 2013. As well, the Additional Voluntary Contributions program continues to attract plan members and has stimulated member interest in buying past service to top up pension benefits. These capital raise programs are gaining traction and will enable the Plan to participate in large investments that we would not otherwise purchase on our own for risk and capital availability reasons.

Another priority for OMERS is membership growth. Our Pension Services Group is exploring options for growth through new relationships with municipal employers that may not have access to the economies of scale available through OMERS.

In 2003, OMERS adopted its current strategic plan including an investment strategy designed to provide balance between public and private market assets and to generate long-term, stable cash flows while maintaining liquidity under stressed financial conditions. The strategy has evolved to incorporate a "direct drive" ownership model providing OMERS with greater control of its investments at a lower cost. Enterprise-wide programs have also been developed to promote employee engagement and participation in the execution of the strategy.

The strategy is achieving results on all fronts and, in 2012, OMERS marked the fifth consecutive year as one of AON Hewitt's Best Employers in Canada and the third year as Pension Fund of the Year: Canada (World Finance Magazine). We are confident that the current strategic plan is the right one for OMERS and that the initiatives embedded in the strategy will continue to contribute to the long-term financial sustainability of the Plan.

Michael Nobrega

Michael Nobrega

Governance: OMERS Administration Corporation

Under the *Ontario Municipal Employees Retirement System Act, 2006*, which was proclaimed into law in June 2006, OMERS Administration Corporation is responsible for pension administration, valuation of the accrued pension obligation and investment of the pension funds.

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 50-year history, OMERS has continuously sought to achieve high standards in governance, as evidenced by its Governance Vision and Mission.

Governance Vision

The OMERS Administration Corporation Board of Directors 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 Members and Beneficiaries.

Key Board Responsibilities

The OAC Board has many important responsibilities, as outlined in the OAC Board Mandate which can be found on our website. The key responsibility of the OAC Board is to set the overall course of OAC, including its investment direction and objectives, and to ensure that the pension services for which it is responsible are executed effectively and efficiently. It also actively oversees financial reporting and actuarial matters such as the annual valuation of the liabilities of the OMERS Pension Plans. The OAC Board approves the strategic planning process followed by OAC as well as the Strategic Plan prepared by the management team. The OAC Board also delegates to Management responsibility for day-to-day business activities including a number of other important functions such as compliance, internal controls and talent management. With respect to these delegations, the role of the OAC Board is to monitor Management and to ensure that its activities remain consistent with the longer term vision, objectives and directional framework set by the OAC Board.

Other key specific responsibilities of the OAC Board include identifying and appointing the Chief Executive Officer (CEO) of OAC as well as assessing the performance of the CEO. Compensation of Management is also set by the OAC Board.

OAC Board Governance

Many policies and practices are in place to support OAC's commitment to leading governance practices and Board performance including:

- Governance Manual that is available on our website;
- comprehensive OAC Board development program that includes external director certification and an internal orientation in OAC Board operations and governance;
- external auditor independence policy;
- detailed Code of Conduct covering areas such as conflict of interest, fiduciary duties and privacy and confidentiality;
- personal and insider trading policy which requires OAC Board members, senior management and applicable employees to pre-clear their personal trading;
- requirement that members of the Audit Committee meet the standard of financial literacy; and
- transparency and accountability processes including regular meetings with Plan members and other stakeholders, as well as timely and accurate print and electronic communication of developments. Summaries of OAC Board and committee decisions are published on the OMERS website.

We expect that in 2013 the OAC Board will be spending considerable time dealing with implementation of the recommendations contained in the 2012 Reviewer's Report.

Further details on OAC's governance practices can be found in the OAC Governance Manual that is available on www.omers.com.

OAC Board Membership

In 2009 OMERS Sponsors Corporation (SC) enacted SC By-law No.13 which names specific sponsor organizations that have the right to nominate individuals to be considered by the SC for appointment to the OAC Board. According to SC By-law No. 13, the OAC Board is comprised of 14 members who are proposed by the following organizations:

- Association of Municipalities of Ontario (2 members);
- Canadian Union of Public Employees (Ontario) (2 members);
- City of Toronto (1 member);
- Electricity Distributors Association (1 member);
- Ontario Association of Children's Aid Societies (1 member);
- Ontario Association of Police Services Boards (1 member);
- Ontario Professional Fire Fighters Association (1 member);
- Ontario Public Service Employees Union (1 member);
- Ontario Secondary School Teachers' Federation (1 member);
- Police Association of Ontario (1 member);
- Retiree groups (1 member); and
- School boards (1 member) (rotation between public and Catholic associations).

OAC Board Appointments

The OAC Board appoints the CEO, who is not a member of the OAC Board, as well as the OAC's independent auditor and external actuary responsible for Plan valuation and related matters. The OAC Board has its own independent external counsel to provide legal advice to the OAC Board when conflict matters arise.

OAC Board Practice

The OAC Board has regular in camera meetings without Management present. The Board also conducts regular evaluations of its performance at the end of meetings as well as annually. It regularly reviews the critical competencies the Board needs to oversee the affairs of OAC and serve the interests of Plan members.

OAC Board Remuneration and Expenses

The remuneration paid to OAC Board members is determined by SC By-law No. 6. For 2012, the SC's by-law provides for the Chair to receive total compensation of $70,000 per annum while the Chairs of committees receive an annual retainer of $17,800 per annum and other members receive an annual retainer of $12,800. In addition, all OAC Board members, with the exception of the OAC Board Chair, receive a meeting fee of $750 to a maximum of 24 meetings per year.

Hearings of the Appeals Sub-Committee, which meets when required to deal with appeals filed by Plan members, are not subject to, or counted in, calculating the 24 meeting per year limit.

The table on page 8 includes remuneration paid to OAC Board members for OAC Board and committee meetings as well as other eligible expenses in 2012, with comparable numbers for 2011.

OAC Board Committees

In 2012, the OAC Board had four standing committees which assisted the OAC Board in discharging its responsibilities.

As part of its regular review of processes to enhance OAC Board operations, the Board determined that, commencing in July 2012, the activities of the Investment Committee, which was a committee of the whole OAC Board, would be merged with the OAC Board, and investment matters are now considered as part of the regular meetings of the OAC Board.

The OAC Board also uses sub-committees from time to time to deal with special situations.

Governance Committee

The Governance Committee annually reviews the mandates of the OAC Board and its committees. It has oversight of the OAC Board Orientation and Education programs. It is also responsible for implementing periodic internal assessments of the OAC Board's performance. It recommends changes to OAC governance where required to address effectiveness issues; assesses the competency requirements of the OAC Board; and recommends the skills and experience needed for the OAC Board. The Committee is also responsible for reviewing relevant policies relating to governance, including an OAC external communications policy.

Audit Committee

The Audit Committee assists the OAC Board in fulfilling its oversight responsibilities for the:

- integrity of the financial reporting process and financial statements;
- system of internal controls and the review of the disclosure of financial information;
- system of risk management and fraud risk management;
- internal audit process;
- external audit of the financial statements;
- organizational processes for monitoring compliance with laws and regulations and the Code of Conduct; and
- Ethics Hotline (whistle-blower process) and special investigations.

Human Resources Committee (HRC)

The purpose of the Human Resources Committee (formerly the Leadership Resources and Compensation Committee) is to assist the OAC Board in meeting its fiduciary oversight and related obligations by:

- attracting, retaining and motivating excellent leaders at the senior executive level who are committed to the OAC Mission Statement and Core Values;
- overseeing a robust succession planning process for the position of CEO; and
- overseeing senior executive performance, compensation and compensation policies.

Member Services Committee (MSC)

The Member Services Committee assists the OAC Board in meeting its fiduciary oversight and related obligations in relation to Plan funding and pension administration policies and strategies, and in discharging its related monitoring, compliance and risk mitigation responsibilities. The Committee ensures oversight of management activities in key areas of pension services and administration which includes approving pension innovation and strategic matters, overseeing the work of the external actuary and recommending the annual actuarial valuation, including assumptions and methods, to the OAC Board and reviewing OAC communication strategies, material administration projects and changes to pension legislation/regulations. The Committee also acts as the final internal appeals body for determinations by the President governing benefit entitlements under the OMERS Pension Plans.

Appeals Sub-Committee

The Appeals Sub-Committee serves as an appeals tribunal for Plan members who are appealing decisions of the President and CEO (or his delegates) regarding their pension benefit entitlements. The Appeals Sub-Committee hears evidence and renders decisions in these appeals. It retains independent external counsel to assist it in its deliberations. Starting in 2013, the Appeals Sub-Committee will be replaced by an Appeals Panel of the Member Services Committee.

OAC Joint Council Sub-Committee (JCSC)

This sub-committee, comprised of four members of the OAC Board, has been mandated by the OAC Board to participate as the OAC Board's representation on the AC/SC Joint Council. The AC/SC Joint Council was formed following the execution of the Framework Agreement with the SC in 2009 as a venue in which to address matters of importance to either party with respect to oversight and governance of the OMERS Pension Plans, including the Framework Agreement.

OAC Board Attendance

OAC Board and Committee meeting attendance in 2012 is as detailed on page 9.

OAC Board Remuneration and Expenses

For the year ended December 31,	2012 Remuneration	2012 Expenses (i)	2011 Remuneration	2011 Expenses (i)
Rick Miller (2012 Chair)	**$ 70,000**	**$ 73,118**	$ 35,800	$ 42,125
Bill Aziz	**35,800**	**19,663**	30,800	13,352
Monty Baker	**30,800**	**23,926**	-	-
Fred Biro	**32,300**	**19,916**	6,200	1,146
David Carrington	**37,300**	**2,894**	33,800	3,788
Richard Faber	**35,800**	**32,147**	35,800	24,496
Laurie Nancekivell	**30,800**	**26,172**	31,550	7,594
David O'Brien	**35,800**	**12,503**	35,800	17,389
James Phillips	**35,800**	**22,469**	30,800	8,293
John Sabo (2011 Chair)	**30,800**	**22,216**	70,000	39,076
Eugene Swimmer	**30,800**	**26,248**	36,550	17,787
Leslie Thompson	**35,800**	**24,472**	31,550	3,923
Sheila Vandenberk	**37,300**	**22,982**	30,800	20,914
John Weatherup	**30,800**	**8,891**	30,800	5,389
Former Board Members	**-**	**1,000**	63,400	35,750
Other Expenses (ii)	**-**	**146,425**	-	149,871
Total	**$ 509,900**	**$ 485,042**	$ 503,650	$ 390,893

(i) Includes reimbursement for normal out-of-pocket business expenses including education, meeting and communication expenses incurred on behalf of OAC. Board expenses incurred by Directors are reported to the Audit Committee annually.

(ii) Other expenses include Board group meeting expenses not allocated by individual.

2012 Board/Committee Meetings

Director (i)	OAC Board Meetings		Audit Committee	Investment Committee	Governance Committee	Human Resources Committee	Member Services Committee	Joint Council Meetings	Committees (Total)		Overall Attendance	
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended	Attended	%	Attended	%
Bill Aziz	23/23	100%		(Chair) 5/6		4/4		7/7	16/17	94%	39/40	98%
Monty Baker	19/23	83%	4/4	6/6			6/6		16/16	100%	35/39	90%
Fred Biro	23/23	100%		6/6	7/7		6/6		19/19	100%	42/42	100%
David Carrington	23/23	100%	3/4	6/6					9/10	90%	32/33	97%
Richard Faber (ii)	23/23	100%		6/6		4/4		(Chair) 7/7	17/17	100%	40/40	100%
Rick Miller (ii) (iii)	23/23	100%	3/4	5/6	7/7	4/4	6/6	7/7	32/34	94%	55/57	96%
Laurie Nancekivell	22/23	96%		5/6	6/7		6/6		17/19	89%	39/42	93%
David O'Brien	18/23	78%		4/6		(Chair) 3/4		5/7	12/17	71%	30/40	75%
James Phillips	23/23	100%	(Chair) 4/4	6/6		4/4			14/14	100%	37/37	100%
John Sabo	22/23	96%	4/4	6/6					10/10	100%	32/33	97%
Eugene Swimmer	23/23	100%	4/4	6/6			6/6		16/16	100%	39/39	100%
Leslie Thompson	22/23	96%		6/6	(Chair) 7/7				13/13	100%	35/36	97%
Sheila Vandenberk	21/23	91%		6/6	6/7		(Chair) 6/6		18/19	95%	39/42	93%
John Weatherup	21/23	91%		5/6	5/7	3/4			13/17	76%	34/40	85%
Overall Attendance		**95%**	**92%**	**93%**	**90%**	**92%**	**100%**	**93%**		**93%**		**94%**

(i) OAC Directors also attended other discretionary meetings such as the Spring and Fall Information Meetings, Joint Education Sessions with the SC, New Board and Committee Member Orientation Sessions, site visits to several of our Portfolio Companies, in-house education sessions and updates from the Board Chair on meetings held with the 2012 Reviewer and SC Co-Chairs.

(ii) Attended a series of six meetings regarding the OMERS Governance Review 2012 and the Reviewer's recommendations to the Minister of Municipal Affairs and Housing.

(iii) Ex officio member for Audit, Governance, HRC and MSC.

Proxy Voting

We own shares in numerous publicly traded companies around the world. Share ownership carries with it important rights and responsibilities, including the right to vote shares at company meetings.

The proxy vote is an important asset of a pension fund. We exercise our ownership rights by voting proxies diligently in a manner intended to maximize the long-term value of our investments.

We believe that well managed companies with strong governance practices will generally contribute positively to long-term investment returns. Conversely, poorly managed companies with poor governance practices are more likely to increase the risk of not achieving positive long-term investment returns.

Our proxy voting guidelines contain general statements about how OMERS is likely to vote on a particular issue. These are not completely rigid positions, and we may consider extenuating circumstances that might call for a different vote than a specific guideline suggests. This may include taking into account different regulatory or corporate governance regimes and customary practices in different jurisdictions.

Our proxy voting guidelines, and our voting record for the Canadian and U.S. markets, can be found on our website.

Proxy Voting Guidelines

OMERS understands the different roles and responsibilities of shareholders, directors and management in the corporate governance system. Accordingly, when OMERS exercises its voting rights, it does not seek to manage the companies in which it owns shares. OMERS considers its vote an important tool by which it can express its views and influence management and the board of directors over the way in which the corporation is being managed and overseen.

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

Board of Directors
Good corporate governance practices should be followed to encourage effective and independent boards.

Executive and Director Compensation
Executive compensation should be reasonable, performance-based and structured in a manner that aligns management with the long-term interests of shareholders.

Takeover Protection
Shareholder rights plans should permit the board and management to respond to takeover offers in a manner that enhances long-term shareholder value.

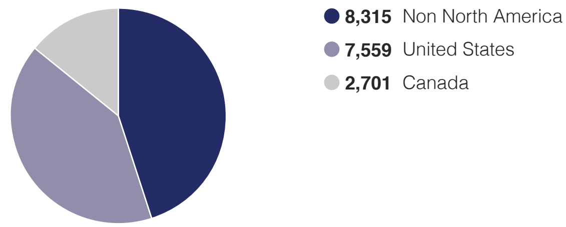
Shareholder Rights
Share structures should support the basic principle linking voting to equity ownership on the basis of "one share, one vote".

Environmental, Social and Governance
High ethical and environmental standards and respect for their employees, human rights and the communities in which they do business contribute to long-term financial performance.

Proxy Votes

During 2012, we voted on a total of 18,575 items covering 1,669 shareholder meetings globally. In Canada, we voted on 2,701 items in 258 shareholder meetings. Outside of Canada, we voted on 7,559 items in the U.S. and 8,315 items outside of North America at 1,411 shareholder meetings.

Proxy Items Voted



Senior Management Team

Corporate Management Team

Michael Nobrega
President and Chief Executive Officer

Warren Bell
Executive Vice President
and Chief Human Resources Officer

Jennifer Brown
Executive Vice President
and Chief Pension Officer

G. Blair Cowper-Smith
Executive Vice President,
Corporate Affairs and Chief Legal Officer

Patrick Crowley
Executive Vice President
and Chief Financial Officer

Rodney Hill
Executive Vice President
and Chief Auditor

Michael Latimer
Executive Vice President
and Chief Investment Officer

Investment Management Team

Jacques Demers
President and CEO
OMERS Strategic Investments

James Donegan
President and CEO
OMERS Capital Markets

Blake Hutcheson
President and CEO
Oxford Properties Group

Paul G. Renaud
President and CEO
OMERS Private Equity

Michael Rolland
President and CEO
Borealis Infrastructure

Board of Directors

Rick Miller
Chair

Bill Aziz

Monty Baker

Frederick Biro

David Carrington

Richard Faber

Laurie Nancekivell

David O'Brien

James Phillips

John Sabo

Eugene Swimmer

Leslie Thompson

Sheila Vandenberk

John Weatherup

2012 Management's Discussion and Analysis

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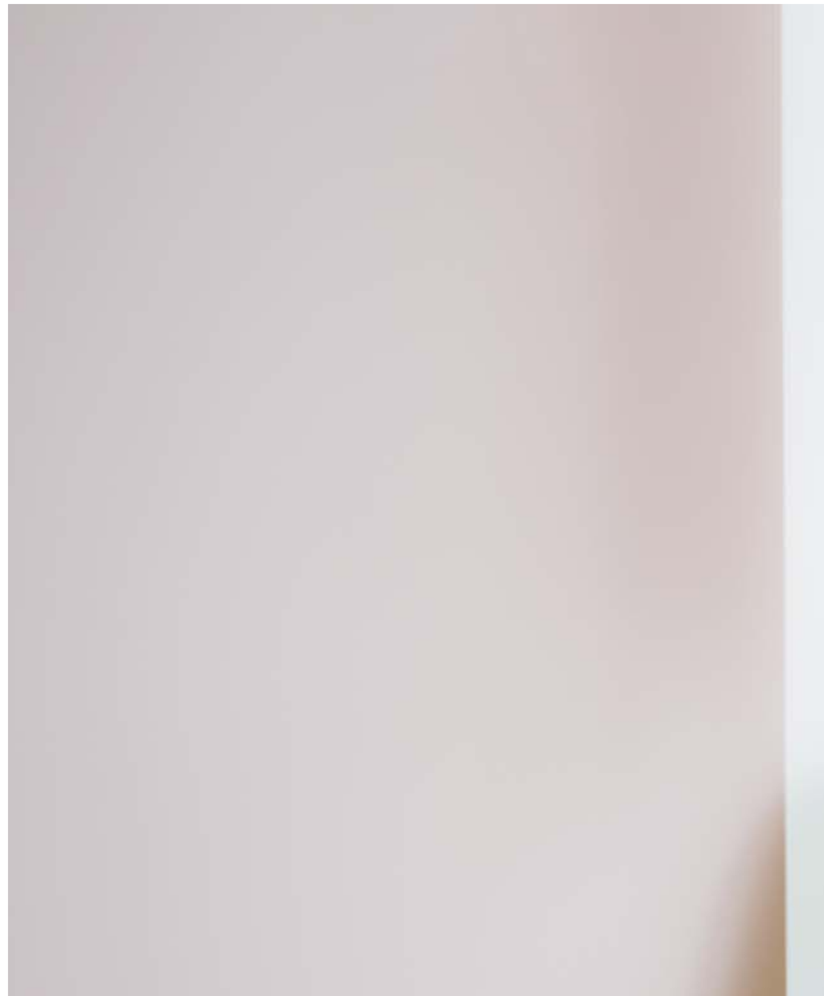


OMERS Administration Corporation (OAC) is the administrator of the OMERS pension plans (the OMERS Pension Plans or the Plans) as defined in the Ontario Municipal Employees Retirement System Act, 2006 (the OMERS Act). The OMERS Pension Plans include OMERS Primary Pension Plan (the Primary Plan or the Plan), the Retirement Compensation Arrangement (the RCA) associated with the Plan and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the Supplemental Plan). Additional Voluntary Contributions (AVCs) are offered to Plan members as part of the Primary Plan. OAC is responsible for administrating the OMERS Pension Plans and investing the funds of the Plan, the RCA and the Supplemental Plan (collectively, the Fund or the Funds). The Funds are managed by the following entities: OMERS Capital Markets (public markets investments, mortgages and private debt), OMERS Private Equity (private equity), Borealis Infrastructure (infrastructure), Oxford Properties Group (real estate) and OMERS Strategic Investments (strategic investments from any asset class) (collectively the Investment Entities). This management discussion and analysis is the responsibility of the management of OAC (Management) and contains Management's analysis of the Plans' financial condition, operational results and the environment in which they operate as of February 21, 2013. This section should be read in conjunction with the OAC Consolidated Financial Statements. The Audit Committee and Board of Directors of OAC (the Board) have reviewed and approved the contents of this Management Discussion and Analysis.

In addition to historical information, this section contains forward-looking statements with respect to Management's strategy, objectives, outlook and expectations. Forward-looking statements can be identified by use of words such as "believe", "expect", "may", "could", "intend", "continue" or "estimate" or variations of such words and phrases or statements that certain actions, events or results "may" "could", "would", "might" or "will" be taken or achieved. By their very nature, such 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 OAC does not undertake to update or revise any forward-looking statements as a result of new information, future events, or otherwise.

Vision and Strategy

We have one clear and overriding goal – to keep the pension promise to our current and future retirees.

We work as a team in pursuit of outstanding performance that will enable us to meet this objective including:

- generating sufficient returns over the long term through the investment of the Funds; and
- providing excellent pension administration services to our members and employers, the most important of which is to pay monthly pensions to retirees.

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 over the long term and if we set the industry standard for service to Plan members and employers.

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.

Perform
Provide first-in-class investment management.

We recognize the importance of earning superior risk-adjusted returns in the long term. This means superior returns while being conscious of the actions we are taking to keep pensions secure.

Grow
Attract 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 leading to improved returns and allowing us to improve our services for the benefit of all members.

Enterprise-Wide Strategic Plan

The OAC 2012-2016 Enterprise-Wide Strategic Plan is the joint product of the Board and Management of OAC. It has evolved as a shared vision from a consultative strategic planning process.

The Strategic Plan reflects research and industry-leading initiatives developed by Management. It is influenced by open and transparent conversations between Board members and Management that occur at least six times per year when detailed update reports are formally presented to the Board. The focus on strategy is a matter of routine during ongoing liaison between the Board Chair and the OAC CEO.

It is our practice for the Board and Management to engage in a high level of collaboration, consistent with leading governance practices. In February 2012, Board members identified the broad issues that would guide the 2012 strategic planning discussions, including OMERS funding position, global macroeconomic trends and their implications for OMERS investment strategy and the impact and opportunities of potential pension reform in Canada.

In April 2012, the Board devoted a significant amount of time to discussing a draft of the Strategic Plan and approved the final version in June 2012.

The Strategic Plan is a living document. While the main pillars of our Strategic Plan have been consistent for the last five years, new and revised initiatives and issues arise each year while other initiatives are removed from the plan based on research and due diligence. In addition, events beyond our control at home and abroad influence the content and tone of our strategy. Throughout the year, the Board receives informational updates and is called upon for approval of specific initiatives, allowing Management to implement them.

The six pillars of OAC's Strategic Plan include:

1. Asset Mix Policy

Our asset allocation policy is based on our belief that over the long term an asset mix with greater exposure to private market investments positions the Plan to generate strong, predictable returns and consistent cash flows with reduced risk to meet its funding requirements. This Board-approved asset mix policy sets targets and ranges of public and private markets investments. Our investment strategy over the long term is to move to and maintain our asset mix exposure to public market investments, such as public equities and interest bearing investments, at approximately 53 per cent of the Plan's net investment assets with the remaining 47 per cent representing exposure to private market investments, such as private equity, infrastructure and real estate.

At the end of 2012, the Plan's public markets investments represented 59.9 per cent of net investment assets and private markets investments represented 40.1 per cent of net investment assets. The investment in private markets is down from 42.4 per cent at December 31, 2011 due to rising share prices in the public markets, the sale of certain private market investments and strong cash yields from private market investments. With significant private market investment opportunities developing, our goal is to achieve the long-term target of 47 per cent for private market investments by 2016.

2. Direct Drive Active Asset Management

We are making significant progress in actively managing an increasing proportion of OMERS investments internally to enhance returns and reduce investment costs. The principal drivers are increased direct drive active management of foreign publicly traded equities and private equity investments. Our long-term goal is to have 95 per cent of total fund assets directly managed. Achievement of this goal is expected to result in net savings of over $173 million over the period of 2008-2013. Of this, savings amounting to $129 million have already been realized to the end of 2012. As at December 31, 2012, total fund assets managed internally were 88.3 per cent as compared with 83.8 per cent at the end of 2011. This increase is attributable to ongoing implementation efforts of both OMERS Capital Markets and OMERS Private Equity.

Enterprise-Wide Strategic Plan

3. Access to Domestic Capital

OMERS Investment Management (OIM) was established in 2009 with the principal objective of raising domestic capital from other pension plans and other eligible clients. Accessing domestic capital to build a larger capital base will enable OMERS to continue to pursue attractive investments for the benefits of OMERS Plan members. OIM has built significant awareness of OMERS investment capabilities in Canada, particularly in its private market strategies. During 2012, OIM significantly expanded its marketing efforts and as a result at December 31, 2012 was in advanced discussions with parties interested in gaining exposure in their funds to the performance of the annual investment return of the OMERS Primary Plan or the return of a specific Investment Entity. Early in 2013, the first OIM transaction was completed with another Canadian pension fund to provide the rate of return on OMERS infrastructure assets managed by Borealis Infrastructure.

In November 2012, the Ontario Ministry of Finance issued a report entitled "Facilitating Pooled Asset Management for Ontario's Public-Sector Institutions" (the Morneau Report). The Morneau Report identifies an opportunity for smaller public sector funds to benefit from the implementation of a pooled asset management framework through (i) reduced duplication and costs, (ii) broader access to additional asset classes, (iii) enhanced risk management practices and (iv) more diversified portfolios. The proposed framework would permit institutions to retain fiduciary responsibility and control over asset allocation decisions, create and offer a "family of unitized pooled funds", operate at arm's length from the Ontario government and facilitate exceptional fund governance and risk management. OIM provides an excellent platform to seize this opportunity and our directed marketing efforts are expected to help build a larger capital base for OMERS.

The Additional Voluntary Contributions initiative which was successfully launched on January 1, 2011 continues to gain momentum. At its second anniversary, AVCs had accumulated $170 million. AVCs are further discussed on page 37 of this Annual Report.

We are continuing our efforts to pursue traditional and associated employers to either join OMERS or, if they have existing plans, to consolidate their plans with OMERS. Bill 236 (the *Pension Benefits Amendment Act, 2010)* facilitates such asset transfers. Regulations to support Bill 236, expected to be released in early 2013, should help us move this initiative forward.

4. Access to Foreign Capital

OMERS Strategic Investments (OSI) is leading our initiative to access foreign capital. OSI has formed the Global Strategic Investment Alliance (GSIA) to enable OMERS to leverage its capital alongside new sources of co-investment capital from like-minded, long-term institutional investors in North America, Europe, Asia-Pacific and the Middle East. The GSIA enhances OMERS ability to secure preferred large-scale private market investments, mainly in North America and Western Europe, while leveraging OMERS investment management expertise. In April 2012, the GSIA was launched with participation from the Pension Fund Association and a consortium led by Mitsubishi Corporation, both of Japan, and OMERS. During 2013, OAC expects to complete the first GSIA investment and to expand the size of the GSIA with additional members.

During 2012, a new entity, Rosewater Global Limited (Rosewater), was established to act as the Alliance Administrator for the GSIA. Rosewater is responsible for ensuring the effective and efficient administration of the GSIA for all members.

5. Strategic Investment Opportunities

The OMERS Worldwide brand has been established through OSI as a unifying global brand to assist the Investment Entities in sourcing global investments. We are continuing the process of creating a global investment footprint by (i) establishing a network of offices in major financial centres, (ii) building awareness of the intellectual capital of the entire enterprise under the OMERS Worldwide brand via a proactive media strategy and (iii) creating awareness about our GSIA initiative by participating in leading business conferences and building relationships with business and government leaders.

OMERS Ventures was launched in 2011 with a mandate of making venture capital investments, throughout a company's financial lifecycle from seed investments to investments in later stages. In 2012, OMERS Ventures invested a total of over $110 million in a number of leading technology firms in Canada, with the goal of enhancing these firms' ability to become global companies and hence generating significant returns for OMERS.

6. Barriers to Growth

OAC continues to work with provincial and federal governments as well as others in the Canadian pension industry with respect to removing restrictive rules that act as barriers to OMERS growth. Over the last few years OAC has been successful in having a number of the restrictive rules amended.

Other barriers to growth remain, specifically the regulatory block to the employees of OMERS Investment Entities joining the Plan. While Bill 135 amended the OMERS Act to allow OMERS Investment Entities participation in the Plan, this provision will only be proclaimed following changes to the Federal Income Tax Regulation 8514, the timing of which is uncertain. We believe this initiative enhances the alignment of our investment teams with the overall objectives of the Plan.

Following the Canadian Minister of Finance announcement in 2011 that the Federal Government intends to move forward with Pooled Registered Pension Plans (PRPPs), the Government of Ontario announced in its March 2012 Budget that it will work with other provinces and the Federal Government on developing a PRPP model. OAC continues to monitor the development of PRPPs at the provincial level to ensure that OMERS is not disadvantaged or deprived of the opportunity to be an eligible provider of PRPPs.

OAC Summary

Review of 2012 Results

Investment Objective

Our investment objective is to meet the pension promise and add surplus wealth. To fulfill the pension promise to our current and future retirees, we must produce net investment returns that generate 6.5 per cent (4.25 per cent real return plus 2.25 per cent inflation rate) or more on the asset classes in which we invest within an acceptable risk tolerance.

Management Approach

Define an asset mix strategy and investment strategy to meet the Plan's investment objectives.

2012 Performance

Total Plan gross return of 10.03 per cent (net return: 9.50 per cent) compared to a gross return of 9.75 per cent for the benchmark and within our strategic target return of 7 to 11 per cent.

RCA Investment Fund return of 11.84 per cent compared to 12.21 per cent for the benchmark.

2012 Economic Overview

Equity markets were defined by a number of events in 2012 that significantly affected investors' appetite for risk. 2012 promised to be a year full of unknown political and economic outcomes. Investors were faced with an uncertain result in the U.S. election, a sovereign European debt crisis that was beginning to spread beyond Greece and a slowing U.S. and global economy.

Overall in 2012, the economic data out of the U.S. was not overly encouraging with an unemployment rate that remained stubbornly high throughout the year and GDP growth that signaled a slowdown in the economy. On the political front, market participants were faced with uncertainty leading up to the presidential election after which they turned their attention to the "fiscal cliff"– consequences from the reversal of tax reductions and implementation of spending cuts that would activate on January 1, 2013 without U.S. Government action.

China's annual growth rate fell for seven straight quarters through the third quarter of 2012 which prompted China's central bank to cut interest rates several times during 2012.

The global investment climate was fragile at best. The year began with investors bracing for another year of potential market volatility similar to 2011, but unprecedented action taken by central banks worldwide in 2012 resulted in a year that rewarded those investors who remained invested in equities. Major global equity markets posted impressive gains in 2012 primarily as a result of continued central bank easing, with the S&P 500 index, the DAX index (Germany), the CAC index (France), and the TOPIX index (Japan) all providing double digit returns while the S&P/TSX index closed 2012 up four per cent. The smaller increase in the TSX was driven primarily by the financial sector, offset in part by negative returns in the resource sectors.

With interest rates continuing at or near historical lows, fixed income indices posted much lower returns than the past few years. OMERS continued its overweight fixed income strategy to preserve capital in light of continuing global uncertainty and to maintain adequate liquidity to meet the funding requirements for private market investments.

OAC Summary

Investment Performance Overview

Through our Investment Entities, we invest in several asset classes – public markets, private equity, infrastructure and real estate – both in Canada and around the world.

Investment Entity	Primary Asset Class
OMERS Capital Markets	Public markets, including interest bearing securities, commercial mortgages, real return bonds and public equities
OMERS Private Equity	Private equity through both direct and indirect (funds) investments
Borealis Infrastructure	Infrastructure through direct investments
Oxford Properties Group	Real estate direct investments
OMERS Strategic Investments	Direct strategic assets of any asset class that are considered outside the mandates of the other Investment Entities but are still considered to be in the best interest of the Fund

Our Investment Entities are described more fully beginning on page 41 of this Annual Report.

Investment returns for the Plan and RCA for 2012 and 2011 based on investment income before external manager fund and performance fees and investment management expenses were as follows:

Returns and Benchmarks	2012		2011	
For the year ended December 31,	Rate of Return	Benchmark	Rate of Return	Benchmark
OMERS Capital Markets	**7.50%**	**8.74%**	-0.22%	1.26%
OMERS Private Equity	**19.17%**	**22.09%**	7.23%	-5.58%
Borealis Infrastructure	**12.68%**	**8.60%**	8.79%	8.00%
Oxford Properties Group	**16.91%**	**7.15%**	8.40%	6.83%
OMERS Strategic Investments	**-10.13%**	**8.70%**	7.24%	6.90%
Total Private Markets	**13.79%**	**11.38%**	8.20%	4.50%
Total Primary Plan Fund (i)	**10.03%**	**9.75%**	3.17%	2.52%
RCA Investment Fund (ii)	**11.84%**	**12.21%**	-2.42%	-2.43%

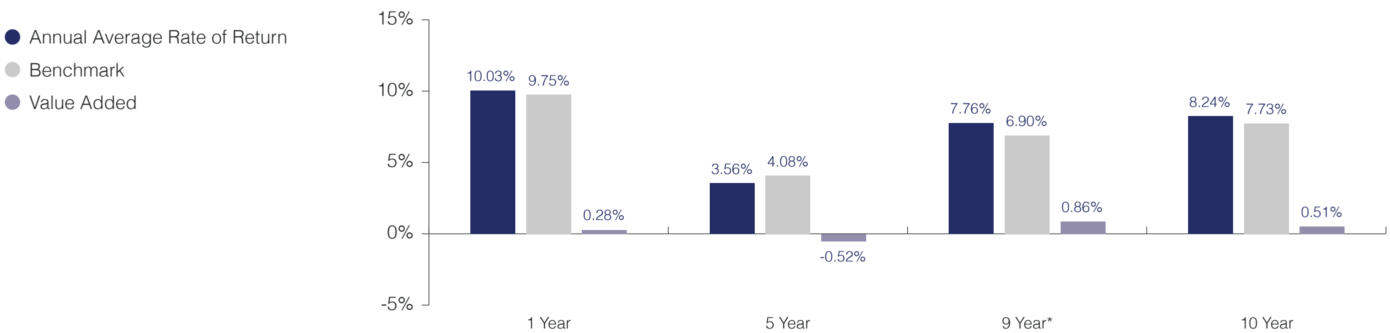
(i) Investment Entity returns reflect the results of the Plan's currency hedging related activities with external counterparties. Prior to 2012, currency hedging for private market Investment Entities was based on internal transactions. For all years, total Plan returns include the results of the Plan's currency hedging activities.

(ii) Excludes the RCA refundable tax balance with the Canada Revenue Agency. Including the refundable tax balance, the RCA rate of return was 5.47 per cent (2011: -1.25 per cent).

The Primary Plan achieved a 10.03 per cent total investment return in 2012, exceeding the benchmark of 9.75 per cent by 28 basis points while the RCA Investment Fund earned 11.84 per cent compared with the benchmark of 12.21 per cent. While the OMERS Capital Markets gross return of 7.50 per cent was 124 basis points lower than the benchmark, total private markets returns of 13.79 per cent exceeded the benchmark by 241 basis points, demonstrating the effectiveness of the asset mix and direct drive management components of the Strategic Plan. In 2003, we adopted an asset mix policy of allocating a greater portion of our asset mix to private markets investments. Since that time, the Plan has earned over $30 billion in total investment income and an average annual investment return of 7.76 per cent. Our returns over this nine-year period exceeded the benchmark returns, adding $3.3 billion in value to the Fund. The rate of return, benchmark and the value added by our investment professionals over the last one, five, nine and ten-year periods are shown in the table below:

Rate of Return and Benchmark Returns (%)

For the period ended December 31, 2012



* Period since adoption of asset mix policy in 2003. Over the nine-year period, private market investments have increased from 18.4 per cent of the Fund in 2004 to 40.1 per cent at the end of 2012.

OAC Summary

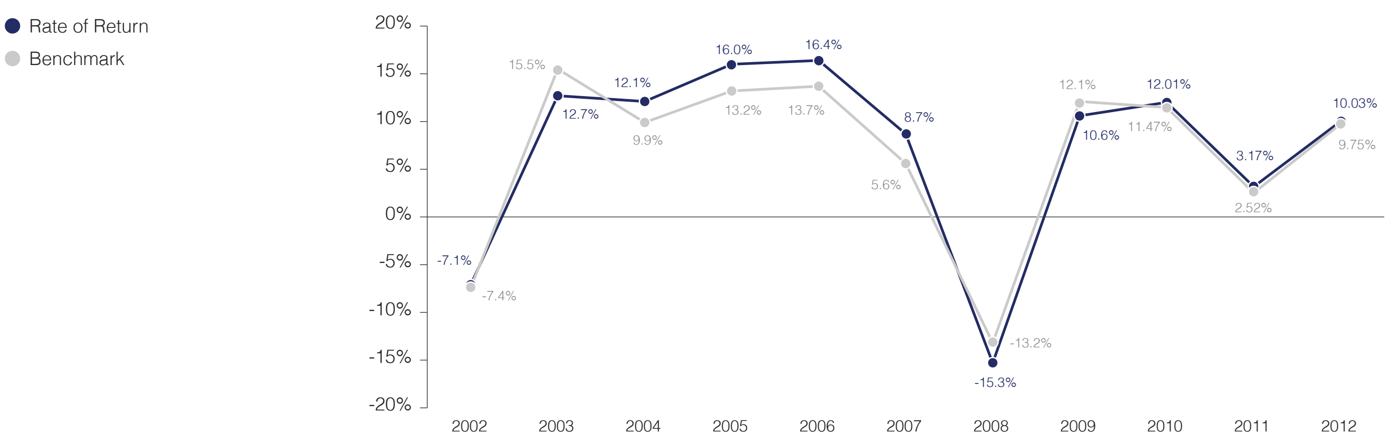
Benchmark Returns

We measure the performance of each of OMERS Capital Markets asset classes and OMERS Private Equity against market benchmarks set by the Board that reflect the results of markets in which we invest; for Borealis Infrastructure, Oxford Properties and OMERS Strategic Investments, performance is measured against an absolute return benchmark set at the beginning of each year by the Board. We develop a benchmark for total investment activities by aggregating and weighting the individual benchmarks for each entity. Our benchmarks are reviewed and approved by the OAC Board. Our goal is to earn returns that equal or 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. The benchmarks used are as follows:

Entity	Benchmark
OMERS Capital Markets	
Fixed income	Blended DEX 30 day Treasury Bill Index / DEX Universe Bond Index
Real return bonds	DEX Real Return Bond Index
Canadian public equities	Blended S&P/TSX Composite Index / S&P TSX 60 Index
International equities	Blended MSCI All World excluding Canada and U.S. / MSCI All Cap U.S. Index
OMERS Private Equity	Aggregate of Global Russell indices adjusted for geographic and sector exposures plus an illiquidity and leverage premium; mezzanine debt based on an absolute return benchmark.
Borealis Infrastructure, Oxford Properties Group and OMERS Strategic Investments	Absolute return set at the beginning of each year based on operating plans approved by the Board.
Total Fund (i)	Weighted Average blend of Investment Entity benchmarks
RCA Investment Fund	Weighted Average blend for the RCA Investment Fund is 5 per cent DEX 30-Day T-Bill + 23.75 per cent S&P/TSX 60 Composite + 23.75 per cent MSCI EAFE (Mid/Large Cap) + 47.50 per cent MSCI USA All Cap

(i) The Total Fund return is measured against a Canadian dollar denominated composite benchmark produced by aggregating returns from each of the policy entity benchmarks, using the Fund's asset mix policy weight.

Annual Rate of Return and Benchmark (%)
For the year ended December 31,



Net Assets of the Plans

OAC net assets at December 31, 2012 were $60,767 million which includes net investment assets of $61,467 million, net pension-related assets of $205 million less the amount due to administered funds of $905 million.

Net Assets
(millions)

As at December 31,	2012	2011
Net investment assets	$ 61,467	$ 55,702
Net pension related assets (i)	205	209
Due to administered funds	(905)	(828)
	$ 60,767	$ 55,083

(i) Net pension related assets include contributions receivable, other assets and other liabilities.

Net assets increased by $5,684 million, or 10.3 per cent, compared with an increase of $1,734 million, or 3.3 per cent in 2011. The increase in 2012 was driven primarily by investment returns from all investment categories and the excess of contributions over benefits payments and pension administration expenses.

Changes Net Assets
(millions)

For the year ended December 31,	2012	2011
Net assets, beginning of year	$ 55,083	$ 53,349
Changes due to investment activities	5,200	1,363
Changes due to pension activities	484	371
Net Assets, End of Year	$ 60,767	$ 55,083

OAC Summary

Assets under Management

Attracting and managing third-party capital enables us to mitigate risk by diversifying OMERS invested capital over a greater number of large-scale assets, with potentially a greater percentage of governance and economic control over the investments. Assets under management (AUM) were $88.1 billion at December 31, 2012, compared to $78.2 billion at December 31, 2011 and have grown by over 37 per cent since December 31, 2008, at the height of the financial crisis when AUM were $64 billion.

(billions) For the year ended December 31,	2012	2011
Net Assets	$ 60.8	$ 55.1
Add back:		
Consolidated debt	8.5	7.2
Debt in controlled investments	8.0	7.6
Third-Party Capital (i)	7.4	6.4
Other liabilities	3.4	1.9
Total Assets Under Management	$ 88.1	$ 78.2

(i) Represents third parties' gross share of equity where OMERS has governance and economic control and holds more than 50 per cent of such assets through its invested capital and funds administered on behalf of other pension plans.

Investment Management and Pension Administration Expenses

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

Investment management expenses increased slightly from $264 million in 2011 to $265 million in 2012. Investment management expenses, including external manager performance fees recorded in investment income, represent an investment management expense ratio of 53 basis points for the year ended December 31, 2012 compared to 58 basis points for 2011. Investment management expenses are impacted by increased salaries and benefits offset by the favorable resolution of a property tax issue in Oxford Properties and lower external fund manager base and performance fees. Pension administration and corporate support expenses were $56 million for the year, compared with $59 million for the previous year, a decrease of 5 per cent. The decrease in pension administration and corporate support expenses resulted from OAC's continued efforts to achieve efficiencies across all corporate areas.

Debt

OAC has maintained an "AAA" credit rating from two leading credit rating agencies. This has enabled us, where appropriate, to obtain debt financing at preferred rates to support our investment strategy. Recourse debt includes $999 million of debentures and $2,401 million of commercial paper. The debentures and commercial paper are guaranteed by OAC, supported by OAC's "AAA" credit rating. Other OAC debt is secured by specific investments. OAC's total debt has increased to $8,461 million in 2012 compared to $7,239 million in 2011. Increased borrowing was incurred to finance the acquisition of certain real estate assets by Oxford Properties Group.

Plan Asset Mix

As discussed in the investment strategy section, one of our investment strategies is to maintain a long-term asset allocation weighted 53 per cent to public market investments and 47 per cent to private market investments. At the end of 2012, private market investments comprised 40.1 per cent of our asset mix compared with 42.4 per cent at the end of 2011. As illustrated in the table on page 27, the market value of our net investment assets with exposure to private equity, infrastructure and real estate grew to $24,679 million, an increase of $1,088 million or 4.6 per cent over 2011 whereas the market value of our assets with exposure to public markets has grown by $4,677 million, an increase of 14.6 per cent. The increase in our exposure to public market assets has resulted from public markets investment returns, the generation of cash flows from the operations of private market investments as well as the temporary redeployment of proceeds from the sale of certain private market investments to public market assets.

Our investment professionals constantly manage our asset mix exposure, monitoring our long-term targets in each asset class so that the Plan is positioned for future growth, in accordance with the OAC Board approved allocation of the Plan net investment asset exposure between the public and private markets. Within these two market classifications our investment professionals manage the asset mix allocation to the individual asset classes, which is reported regularly to the Board. The actual asset mix as at December 31, 2012, compared to the long-term asset mix target is as follows:

Asset Mix - Actual vs. Target As at December 31,	Actual **2012**	 2011	Long-Term Public/Private Market Allocation
Public Markets			
Interest bearing [i]	**22.7%**	28.6%	
Real return bonds	**7.6%**	3.9%	
Canadian public equities	**8.2%**	6.8%	
Non-Canadian public equities	**21.4%**	18.3%	
	59.9%	57.6%	53.0%
Private Markets			
Private equity	**12.1%**	13.9%	
Infrastructure	**14.8%**	15.3%	
Real estate	**13.2%**	13.2%	
	40.1%	42.4%	47.0%

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

OAC Summary

Asset Class Allocation

In determining the Plans' 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, derivative exposure and other items, including transactions and balances between Investment Entities, are allocated to arrive at the Plans' 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 (millions) As at December 31,			**2012**			2011
	Holdings	Exposure	Asset Mix %	Holdings	Exposure	Asset Mix %
Public Markets						
Interest bearing (i)	**$ 19,725**	**$ 13,942**	**22.7%**	$ 17,988	$ 15,926	28.6%
Real return bonds	**4,128**	**4,649**	**7.6%**	1,743	2,199	3.9%
Total interest bearing	**23,853**	**18,591**	**30.3%**	19,731	18,125	32.5%
Canadian public equities	**1,823**	**5,036**	**8.2%**	2,177	3,787	6.8%
Non-Canadian public equities	**11,796**	**13,161**	**21.4%**	10,246	10,199	18.3%
	37,472	**36,788**	**59.9%**	32,154	32,111	57.6%
Private Markets						
Private equity	**7,465**	**7,459**	**12.1%**	7,753	7,764	13.9%
Infrastructure	**11,572**	**9,091**	**14.8%**	9,635	8,490	15.3%
Real estate	**15,846**	**8,129**	**13.2%**	14,516	7,337	13.2%
	34,883	**24,679**	**40.1%**	31,904	23,591	42.4%
Investment related assets	**853**	**-**	**-**	707	-	-
Investment related liabilities (ii)	**(11,741)**	**-**	**-**	(9,063)	-	-
Net investment assets	**$ 61,467**	**$ 61,467**	**100.0%**	$ 55,702	$ 55,702	100.0%

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

(ii) Includes OAC debt, amounts payable under the securities lending program, securities sold under repurchase agreements, accounts payable and other liabilities.

Internal Controls Review

OAC maintains systems of internal controls that are designed to ensure the integrity and fairness of the data presented in the Consolidated Financial Statements and elsewhere in this Annual Report, that transactions are duly authorized and that assets are adequately safeguarded. Consistent with our commitment to strong corporate governance and accountability, we complete an annual internal review of internal controls over financial reporting and disclosure controls using a framework derived from the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This review is conducted under the oversight of the Audit Committee on a basis consistent with the requirements for public companies in Canada while taking into account the unique characteristics of a pension plan. The operating effectiveness of key controls is tested by OAC Audit Services. OAC management has reported to the Audit Committee that, based on our 2012 review, we found no significant deficiencies or material weaknesses with our internal controls over financial reporting and disclosure controls.

OMERS Pension Plans

Our focus is on the future and the long-term stability of the OMERS Pension Plans.

OMERS Primary Pension Plan

The 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 workers at the school boards.

The Plan is a jointly sponsored 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 428,947 members as at December 31, 2012 which is an increase of 2.4 per cent over 2011. The Plan also has 968 participating employers which is an increase of 21 employers over 2011.

The Additional Voluntary Contributions (AVCs) component of the Plan, a voluntary retirement savings arrangement exclusively available to the members of the Plan, continues to gain momentum. Since its launch in 2011, AVCs have grown to $170 million by the end of 2012. Over 7,200 members of the Plan have thus far made voluntary contributions and many more members are expected to transfer lump-sum amounts from their registered retirement saving accounts, registered plans and deferred profit-sharing plans and to make ongoing contributions to the AVCs to earn the net investment return of the Plan.

OMERS Pension Plans

The Plan's defined benefit component pension payments are integrated with the Canada Pension Plan as the benefit formula includes a "bridge" benefit if the member retires before age 65. Including this bridge benefit, the benefits paid under the Plan are calculated by multiplying two per cent of the member's annual average earnings for the highest paid 60 consecutive months (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 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.

The Plan also provides members with:

- full inflation protection up to 6 per cent per year with any inflation amount above that carried forward to subsequent years;
- early retirement options;
- 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 968 employers across Ontario.

Retirement Compensation Arrangement

In addition to the Plan for all members, the RCA provides pension benefits for members whose pension 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 pension plan, a 50 per cent refundable tax is levied by the Canada Revenue Agency (CRA) on all contributions made to the RCA as well as on investment income received and realized investment gains. The refundable tax is held by the CRA and earns no investment income for the RCA. The refundable tax is refunded on the basis of one dollar for every two dollars of realized losses or benefits paid out. The RCA is consolidated in OAC's financial statements and is accounted for separately from the Plan. OAC invests the RCA assets, excluding the refundable tax and a small cash balance, in public equities separate from the Plan. Net assets of the RCA were $78 million at December 31, 2012 and $68 million at December 31, 2011. The RCA financial statements are set out in note 8 to the Consolidated Financial Statements on page 112 of this Annual Report.

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the Supplemental Plan) became effective on July 1, 2008, pursuant to the requirements of the OMERS Act. The Supplemental Plan is a separately funded stand-alone multi-employer pension plan that provides supplemental pension benefits that "top up" those available under the Plan for members who are employed in the police and fire sectors which, as defined in the OMERS Act, includes paramedics.

The Supplemental Plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and members and by the investment earnings of the Supplemental Plan assets. Participation in the Supplemental Plan is effective only upon agreement between employee groups and their employer. As at December 31, 2012 and 2011, the Supplemental Plan had no assets and no members.

Plan Funding Status

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. This present value of earned benefits is a "target" used to evaluate whether the assets set aside in the Fund are on track to meet the pension promise in the future, based on a number of estimates and assumptions about the future. On December 31, 2012, the estimated accrued pension obligation for all members (including survivors) of the defined benefit component of the Plan was $69,122 million, compared with $64,548 million a year earlier. The increase of $4,574 million was primarily due to interest accrued on the pension benefit obligation, new benefits accrued during the year and the net impact of actual economic and Plan demographic factors being less favorable than what was assumed for 2012, partially offset by benefits paid in 2012. For the AVC component of the Plan, the accrued pension obligation is equal to the AVC net assets.

The Plan reports a surplus/deficit position both for accounting purposes and for the actuarial funding of the Plan. For accounting purposes, the surplus/deficit position is based on the fair value of net assets compared to the accrued pension obligation. In arriving at the actuarial funding surplus/deficit, net investment returns 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 smoothing adjustment is based on the difference between the current year's actual net return and the long-term return expectation (expected inflation of 2.25 per cent plus 4.25 per cent, equivalent to 6.50 per cent in 2012) which is deferred and recognized over five years, adjusted for the recognition 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.

The market value of the Plan's defined benefit component net assets as at December 31, 2012 was $60,519 million compared with the smoothed actuarial value of $59,198 million. The resulting actuarial smoothing adjustment account represents unrecognized net gains of $1,321 million as at December 31, 2012 which will be recognized in the actuarial value of net assets over the next four years. After application of the required actuarial rate of return, which is essentially the interest on the unrecognized losses from prior years (as discussed in note 7 of the Consolidated Financial Statements on page 109 of this Annual Report) and before recognizing any future year's investment income above or below the long-term actuarial rate of return, the impact of the unrecognized net losses on the Plan's surplus/deficit position by year of recognition will be as follows:

(millions) For the year ended December 31,	Net gains/(losses)
2013	$ 793
2014	$ 438
2015	$ (156)
2016	$ 412

OMERS Pension Plans

Based on the fair market value of the Plan's net assets, the deficit as at December 31, 2012 was $8,603 million compared with a deficit of $9,627 million at December 31, 2011, a decrease of $1,024 million. The decrease in the market value of the deficit is primarily attributable to returns earned by the Plan being higher than the long-term return expectation of 6.5 per cent.

Based on the smoothed actuarial value of the Plan's net assets, the funding deficit was $9,924 million as at December 31, 2012 (2011: $7,290 million). The funding deficit caused by the 2008 global financial crisis has peaked in 2012 as all losses from 2008 have now been recognized in actuarial assets. The Plan deficit is expected to continue to decline as long as the Plan's net investment returns exceed the long-term funding requirement of 6.5 per cent.

Deficit Based on Fair Value vs. Actuarial Value of Net Assets
(millions)

As at December 31,	2012	2011
Fair value of net assets of the Plan, excluding AVCs	**$ 60,519**	$ 54,921
Accrued pension benefit obligation	**69,122**	64,548
Plan deficit based on fair value of net assets	**(8,603)**	(9,627)
Actuarial value adjustment	**(1,321)**	2,337
Plan deficit based on actuarial value of net assets	**$ (9,924)**	$ (7,290)

Current Year Change in Funding Deficit

The funded ratio (actuarial value of net assets divided by accrued pension benefit obligation) at December 31, 2012 is 85.6 per cent compared with 88.7 per cent a year earlier. The ratio of the market value of net assets at December 31, 2012 is 87.6 per cent compared with 85.1 per cent a year earlier, an increase of approximately 3 per cent primarily due to the Plan earning a net return higher than the required long-term rate of return of 6.5 per cent for the year.

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.

The Sponsors Corporation is responsible for Plan design changes and setting the Plan's contribution rates as well as determining when an actuarial valuation of the Plan should be filed, subject to the requirements under regulations. 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 and solvency deficits. The Plan's December 31, 2011 actuarial valuation was filed with the Ontario pension regulator in 2012 and the next required filing of the actuarial valuation report will be December 31, 2014, although the SC has the discretion to file earlier.

For current service, employer contributions equal member contributions under the Plan.

During 2010, the SC approved temporary increases to the contribution rates to fund the actuarial deficit under the Plan; these increases averaged 1.0 per cent for 2011, 1.0 per cent for 2012 and 0.9 per cent for 2013 for both members and employers. The resulting contribution rates for members with normal retirement age (NRA) 60 and 65 for 2011, 2012 and 2013 are shown in the table below.

	2013	2012	2011
NRA 65			
Up to YMPE (i)	**9.0%**	8.3%	7.4%
Above YMPE (i)	**14.6%**	12.8%	10.7%
NRA 60			
Up to YMPE (i)	**9.3%**	9.4%	8.9%
Above YMPE (i)	**15.9%**	13.9%	14.1%

(i) YMPE is the Year's Maximum Pensionable Earnings as set by the Canada Revenue Agency. For the years above, YMPE was as follows: 2013 – $51,100; 2012 – $50,100; 2011 – $48,300.

Although the Plan's defined benefit component has a funding deficit of $9,924 million at the end of 2012 (2011: $7,290 million), net cash inflow from contributions less benefit payments and pension administrative expenses for 2012, and excluding cash income from investments, was $415 million (2011: $269 million) and is expected to remain strong for the next several years as a result of the temporary contribution rate increases discussed above. With our expected investment returns combined with post-2012 benefit changes, we expect the Plan will return to surplus within 10 to 15 years.

Actuarial Assumptions

In calculating the funded position and the ongoing normal actuarial cost to ultimately provide benefits 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 and include 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, 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 and normal actuarial cost as at December 31, 2012, which were approved by the Board, are summarized below.

- Inflation Rate

  The Plan has used an inflation rate assumption of 2.25 per cent per annum for future years in the calculation of future indexing adjustments, as a component of the nominal discount rate for estimating liabilities and the anticipated salary increases, consistent with 2011. Any variation in the actual inflation rate from this assumption will result in experience gains (lower accrued pension obligation due to lower inflation than assumed) or losses (higher accrued pension obligation due to higher inflation than assumed) to the Plan.

OMERS Pension Plans

- Discount Rate

  The Plan's annual nominal rate of return and discount rate for future years is assumed to be 6.50 per cent, the same as 2011. This is based on the 2.25 per cent assumed inflation and a real investment return assumption, based on the Plan's asset mix of 4.25 per cent, consistent with 2011. A decrease/increase of 50 basis points in the real discount rate, with no change in other assumptions, would result in an approximate increase/decrease of $5,200 million in the total accrued pension obligation of the Plan.

  The real investment return assumption used in 2012 is unchanged from that used in 2011. 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, based on the current asset mix. In comparison to some other public sector plans, the Plan has a higher ratio of active members to retired members and our asset mix has a higher proportion of non-interest bearing investments. This results in a relatively lower interest bearing 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 real salary increase (increase in excess of inflation) for the December 31, 2012 valuation is as illustrated below and is unchanged from 2011:

	NRA 60		NRA 65	
	Up to 2014	After 2014	Up to 2014	After 2014
Average annual real salary increase	1.4%	1.9%	1.1%	1.6%

Retirement Compensation Arrangement

The RCA is funded using a modified pay-as-you-go approach, where inflows from contributions, investment income and the reimbursement of the refundable tax from CRA are used to pay the current benefits to members. The excess of current contributions and investment income over current benefit payments are accumulated for future years' benefit payments. As a consequence of this modified pay-as-you-go funding policy, the RCA's assets will remain small relative to its liability. A relatively small increase in the number of terminations and retirements at higher income levels can increase actual benefit payments from, and decrease actual contributions to, the RCA; however, our actuary estimates that if contributions to the RCA continue as projected, the annual cash inflow will be sufficient to cover benefit payments and the RCA's assets will continue to grow for the near term. Effective January 1, 2012, the funding of the RCA is managed and monitored to ensure that the current RCA net assets, together with future contributions and earnings, will be sufficient to provide for the projected benefit payments over the 20-year period following each valuation date. The RCA accrued benefit obligation is also sensitive to changes in assumptions and experience gains and losses.

Current Year Change in RCA Deficit

The accrued pension obligation for the RCA increased from $504 million in 2011 to $555 million at the end of 2012. The change was due to new benefits earned in the year, interest on the accrued pension obligation, experience gains/losses, partially offset by the monthly benefit and lump sum payments made in the year. The RCA had an estimated funding deficit of $477 million at December 31, 2012 compared with a deficit of $436 million last year as shown below.

Change in RCA Deficit
(millions)

For the year ended December 31,		2012		2011
Deficit, beginning of year	$	(436)	$	(409)
Increase in net assets		10		9
Increase in accrued pension benefit obligation		(51)		(36)
Deficit, end of year	$	(477)	$	(436)

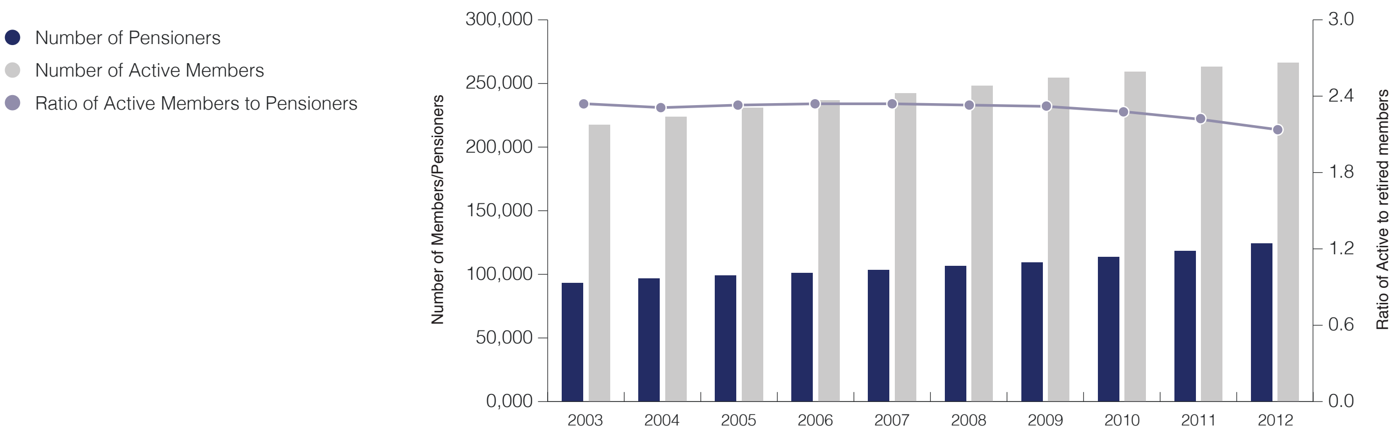
Pension Benefits and Contributions

In 2012, the Plan ended the year with over 124,000 retired members and survivors receiving pension benefits. Benefits paid from the Plan defined benefit component in 2012 were $2,654 million, an increase of $279 million over 2011. The increase reflected new retirements, the adjustment of benefits for inflation and higher pension values for new retirees compared with those already receiving benefits, as well as an increase in death benefits and commuted value payments. Benefits paid from the AVC component were $4 million (2011: $1 million) and benefits paid from the RCA in 2012 were $12 million, an increase of $5 million from 2011.

Contributions to the Plan's defined benefit component in 2012 were $3,124 million compared with $2,702 million in 2011. The increase is attributable to an average increase in contribution rates of 1 per cent in 2012, an increase in active members of 1.3 per cent and increased members' salaries. Contributions to the Plan's AVC component were $67 million in 2012, compared to $93 million in 2011. Contributions to the RCA in 2012 were $19 million, an increase of $1 million over 2011.

The chart below compares the growth in the number of pensioners versus active members over the past 10 years. The ratio of active members to pensioners was 2.15 at December 31, 2012, compared with 2.22 at December 31, 2011.

Growth in Number of Pensioners and Active Members



OMERS Pension Plans

OMERS Pension Services

Mandate – Provide Excellent Service to Members and Employers

OMERS Pension Services is the primary communications link with our members and employers. Through our focus on customer satisfaction, we ensure rapid response times and excellent service that we continually strive to enhance and improve.

A flexible, expert team gives us the capacity to develop new pension services and features, to drive broader membership growth opportunities and to be on the forefront of pension reform.

Our growth and service initiatives support OMERS strategic objective to raise domestic capital. Ultimately this benefits all Plan members, employers and retirees. A larger discretionary capital base enables OMERS to enter into large-scale investments that can generate stable long-term returns while keeping our portfolio properly diversified. Such investments in turn will help us to meet the growing demands of changing demographics, an aging membership and the resulting pressure on liabilities.

Three strategies are at the core of our mandate as a professional service organization:

- enhancing internal capabilities;
- responding to external drivers; and
- supporting effective plan governance.

Enhancing Internal Capabilities

To meet the needs of our membership, we continue to build our internal capabilities – by enhancing our internal structure, systems and processes and by fostering a culture of leadership and collaboration.

In 2012, we continued the work we started in 2011 to redevelop our pension services systems. This multi-year development project, which is expected to be completed by the end of 2014, is one of the key components in our ability to meet the changing pension business landscape, manage increasing Plan complexity and migrate successfully to a client-centric service model. The new system will also provide a future platform to take advantage of growth opportunities when they arise, for example, expanding our client base through the consolidation of other plans.

OMERS Pension Services continued to make improvements to its organizational structure. The corporate communications and government and stakeholder relations functions were integrated into Pension Services to align and integrate efforts. This move supported the changing nature of a communications model from informing to engaging and was designed to meet the needs of an increasingly diverse, involved, informed and focused audience.

Both our people and our systems will be positioned to support OMERS strategic initiatives, to address deficit funding management programs and to influence, and adapt to, pension reform over the next several years.

We are building the tools to meet our changing and challenging business needs. In addition to the systems development noted above, we will continue to foster the leadership skills of our management team through core skills development and clear lines of accountability.

Responding to External Drivers

Changing demographics, pension reform in Canada and Ontario, and the public debate on retirement security are just a few of the factors that affect our business and influence the pension environment in which we operate. By responding quickly and strategically to external drivers, we can be instrumental in influencing the pension landscape in Ontario to better meet the needs of our members.

Our membership is diverse and its growing and changing needs influence and drive our business:

- We now serve 968 employers and a total of 428,947 members – a 2.4 per cent increase over 2011 (see chart A on page 38);
- As shown on chart C on page 38 our members belong to a wide variety of unions and associations;
- The number of active members 45 years of age and older has increased from 48 per cent of total active members in 2003 to 58 per cent in 2012. This shift in demographics (as illustrated in chart B on page 38) increases the demand for retirement planning services provided by OMERS. Members nearing retirement become more interested in pension estimates and pre-retirement planning information sessions. In 2012, we received requests for over 89,500 retirement and termination estimates, representing a 10 per cent increase over last year, and we delivered over 400 member information sessions; and
- The number of individuals receiving an OMERS pension continues to grow with over 7,700 new pensioners in 2012, compared to over 5,600 just five years earlier in 2007. Pensioners now represent 29 per cent of our total membership.

Our performance in 2012 against a demanding and growing number of transactions confirms our commitment to meeting the challenge of continuing to provide great service, while keeping the pension promise. In 2012:

- We met or exceeded our targets for our key service standards by processing all key business activities within an average of three business days;
- We answered 94 per cent of incoming calls to Client Services within 100 seconds exceeding the target of 80 per cent in a year that saw OMERS Client Services handle 189,900 incoming and outgoing calls;
- OMERS collected a total of $3,143 million in contributions from members and employers, and we paid retirement and disability pension payments totaling $2,256 million to our retirees and survivors, compared with $2,047 million in 2011. In addition, where individuals transferred to other registered pension plans, received death benefits or chose to leave the Plan and forego their guaranteed monthly pension benefit, payments of $410 million were made in 2012 (2011: $335 million);
- The average annual pension for a newly retired member in 2012 was approximately $27,600 compared to approximately $24,700 in 2008, an increase of about 12 per cent over the past 5 years (see chart D on page 39). The average annual amount of pension for all retired members and survivors in 2012 was approximately $18,600 (2011: $17,700);
- We managed over 19,900 retirement, termination, disability, and pre-retirement death benefits claims, an increase of more than 10 per cent over 2011, approximately 82 per cent of which were initiated through the employer e-access channel or myOMERS; and
- We continued our practice of meeting and communicating with employers and members through a total of 2,100 onsite visits to provide technical support.

Not only do we serve many individual members on a timely basis, but the results of our 2012 independent survey of our members showed an average satisfaction rate of 89 per cent for the overall level of service (see chart E on page 39). This is up slightly from 2011 and the ninth straight year that our satisfaction rate exceeded 85 per cent.

Communication is a critical element of our service. We are moving from a passive “inform” model to a more active “engagement” model to better achieve OMERS objectives and to meet the evolving needs of our stakeholders. Directly linked to this initiative is a program to collect member contact information to support our evolution to a wider range of electronic communications.

OMERS Pension Plans

Our website and the secure member and employer sites, myOMERS and e-access, continue to be popular:

- OMERS had approximately 811,000 website visits in 2012;
- At year-end 2012, 76,000 members had registered for myOMERS. myOMERS gives members secure access to their pension information, the option to receive e-statements, as well as the ability to complete their own pension estimates using the myOMERS Retirement Income Estimator tool and to sign up for Additional Voluntary Contributions (AVCs); and
- Employer e-access enables employers to complete the annual reconciliation and reporting process efficiently, resulting in 99 per cent of all 2011 annual pension statements being issued to members by June 30, 2012.

OMERS Pension Services continues to develop and support new services and voluntary options for Plan members such as AVCs and "buy-backs" for members with employment service not originally covered in the OMERS Plan.

- AVCs enable members to invest their personal registered retirement savings in the OMERS Fund. Funds in an AVC account earn the net investment returns generated by OMERS diverse global portfolio and are in addition to the defined benefit pension provided by the OMERS Plan. By the end of 2012, over 7,200 OMERS members contributed to an AVC account resulting in a total accumulation of funds (including investment earnings) of $170 million; and
- In 2012, we processed 4,300 transactions for members buying back employment service (buy-backs), more than double the number processed in 2011.

We also continue to offer our knowledge and expertise to support government policy discussions related to improved retirement solutions for Canadians. With the heightened public interest in pensions today, our focus has evolved from simply administering the OMERS Pension Plans to responding to and influencing pension reform. Public sector defined benefit pension plans are increasingly coming under scrutiny and at times criticism by various interest groups, the news media, government representatives and segments of the public. We have taken a more active public position in the defense of the defined benefit pension plan model and the significant, long-term positive impact such plans have not only for the Plan members but for the economy and society as a whole.

Supporting Effective Plan Governance

An effectively governed pension plan helps to ensure that we will grow, innovate and deliver on our pension promise to members. In 2012, Pension Services supported the Member Services Committee in its first year of operation, working on activities such as Plan funding, growth initiatives and oversight of the project to redevelop our pension services systems.

In 2012, Pension Services continued to provide OMERS Sponsors Corporation (SC) with information and analysis and to implement SC decisions in the following areas:

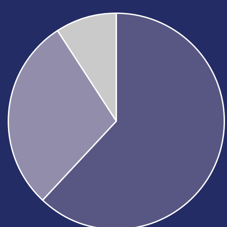
- the increase in contribution rates for members and employers effective the first full pay in 2013;
- a new method for allocating contribution rates;
- changes to the AVC program to provide more flexible contribution options; and
- the introduction of a new cap on contributory earnings used in the determination of pension benefits.

Going forward, we will maintain our focus on OMERS core objective – providing pensions to current and retired employees of more than 900 municipalities, school boards, libraries, police and fire departments and other agencies across Ontario.

Chart A

Member Profile

As at December 31, 2012



62%	Active	266,414
29%	Retired/Survivor	124,031
9%	Deferred	38,502
	Total	**428,947**

Chart B

Active Members by Age

As at December 31, 2012

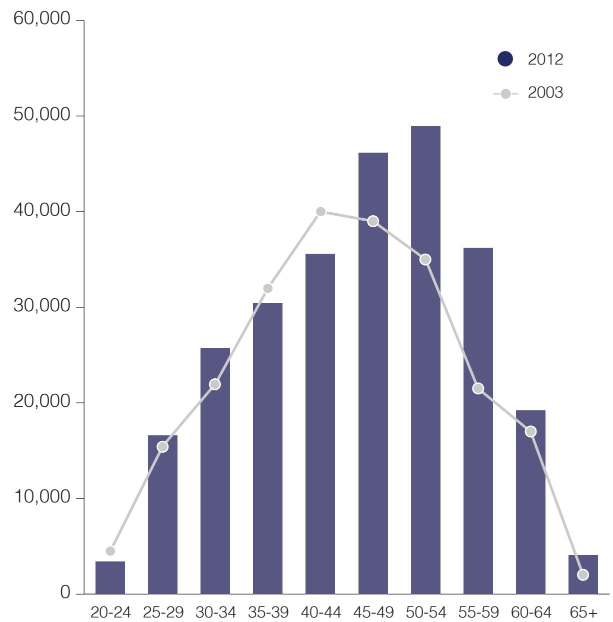
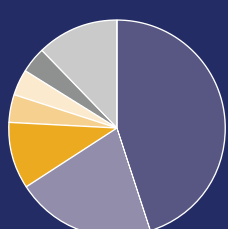


Chart C

Active Member Affiliation

As at December 31, 2012



- **45%** Canadian Union of Public Employees
- **21%** Management/non-union
- **10%** Police Associations
- **4%** Ontario Professional Fire Fighter Association
- **4%** Ontario Secondary School Teachers' Federation
- **4%** Ontario Public Service Employees Union
- **12%** Other

OMERS Pension Plans

Chart D

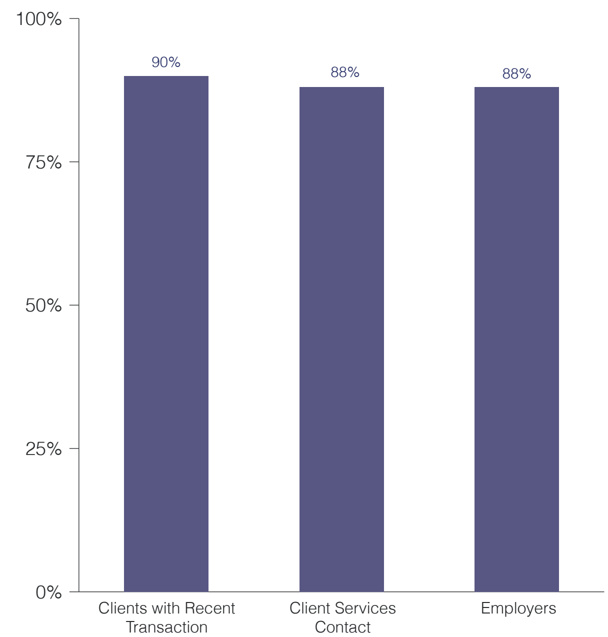
Average Annual Pension for New Retired Members 2008 - 2012

As at December 31,

Chart E

Satisfaction Surveys*

For the year ended December 31, 2012



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

The Funds

The Funds had net investment assets of $61,467 million at December 31, 2012. To meet the pension promise to 429,000 members of the Plan, we must earn a 6.5 per cent annual net return over the long term (or 4.25 per cent real rate of return when anticipated inflation is excluded). This expected return assumption is set by an independent actuary retained by the Board and is based on the asset mix policy set by the Board.

The long-term asset mix policy is to invest 53 per cent in public markets and 47 per cent in private markets. At the end of 2012, 59.9 per cent was invested with exposure to public markets and 40.1 per cent with exposure to private markets. Public market assets are predominantly publicly traded equities and interest bearing securities. Private market investments are private equity assets, income-producing infrastructure and real estate assets.

The investment target and asset mix policy are reviewed formally at least once a year by the Board with input on future liability changes, economic assumptions and investment expectations from actuarial, financial and economic specialists. The goal is to ensure that the value of invested assets, accumulated through investment income and net contributions from employers and Plan members, matches or exceeds the present value of accrued pension obligations over multiple decades through many positive and negative cycles.

The Board has delegated responsibility for achieving the target return and achieving the Board-approved public/private market asset mix to Management. Management has developed a Board-approved rolling five-year enterprise-wide strategic plan that, among other things, is committed to creating surplus wealth for the Plan above the long-term investment target. The Board is updated on the progress of the initiatives of the strategic plan at each board meeting with a thorough and extended review conducted at an annual strategic planning session.

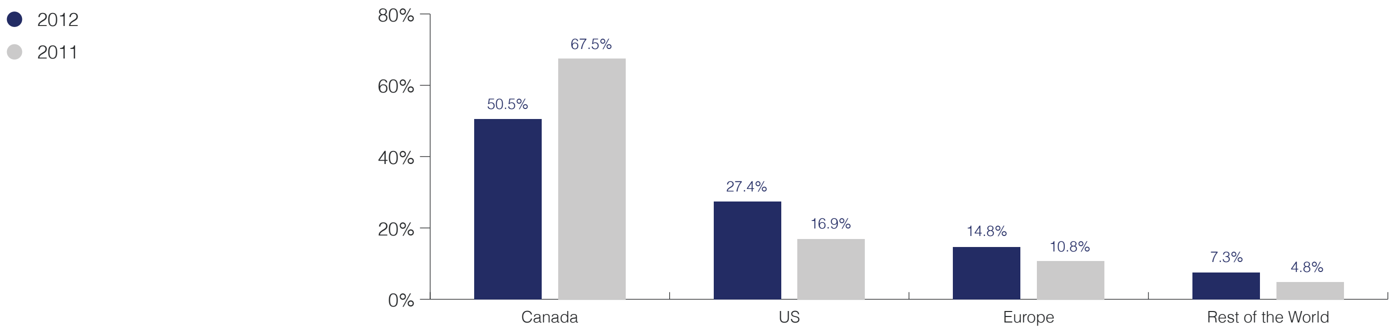
Investment Strategy

Two cornerstones of the investment strategy are to invest directly in the ownership of public and private market assets and to manage actively these ownership interests to mitigate risks and optimize long-term returns.

The Board believes that active asset management produces superior risk-adjusted returns compared with passive fund investing. This involves originating investments through proprietary research; purchasing assets at prices that should result in long-term value appreciation and strong predictable cash flows; developing relationships with like-minded business and investment partners for private market investments; structuring ownership interests in private assets in innovative and regulatory-compliant ways; financing these investments with non-recourse loans or utilizing our treasury competencies to finance investments with recourse loans backed by OAC's "AAA" credit rating; and managing all investments to mitigate risk and maximize returns.

Mitigating risk and maximizing returns require Management to pay attention to diversifying investments by asset class, economic sector and geographic market. About 50.5 per cent (2011: 67.5 per cent) of the OMERS investment exposure is currently in Canada.

Total Fund Country Exposure



As depicted in the chart above, the Plan's exposure to the U.S. and other countries has significantly increased.

The value of listed market capital in Canada represents less than three per cent of global market capitalization. While Canada continues to offer exceptional long-term investment opportunities, prudence and related risk management practices make it necessary to diversify investments to global economies with different growth profiles. This is readily accomplished in the case of public market investments due to their liquidity and ease of trading in organized markets. In the past three years, we have increased our internal capabilities in global equity research and direct, active and worldwide trading.

The challenge of diversification is different and potentially more complex in the case of private investments. Relationships with investors, business owners and governments are critical to understanding markets and finding suitable investments. Typically, investments in private markets require a large single infusion of capital, are not easily traded and must be held for several years. Research confirms that size matters in earning superior risk-adjusted returns due to economies of scale, securing the necessary concentration of expertise at the operating level and achieving governance efficiencies.

Large-scale private market investments require as much as $500 million for private equity and $3 billion to $10 billion for commercial real estate portfolios and infrastructure assets. The Fund does not generally make investments of this size on its own for risk management reasons. Consequently, a strategic objective is to augment the Fund's capital with third-party capital. OAC has built an expert team which now has a multi-decade history of leading or co-leading investor consortia. Our teams in each of the private market entities also possess the negotiating skills to complete due diligence and acquire influential equity positions in assets and companies on behalf of the Fund and its investment partners.

The OMERS Investment Organization

OAC today has a deep investment management organization comprised of professional teams dedicated to managing defined asset classes and subclasses led by OMERS Chief Investment Officer (CIO). The CIO is responsible for the investment strategy and operational leadership of OMERS Investment Entities. OMERS Capital Markets manages all public market investments and Oxford Properties Group, OMERS Private Equity and Borealis Infrastructure manage private market investments. These organizations are discussed in greater detail on pages 42 - 59 of this Annual Report.

In addition, three corporate investment-related entities support the activities of the Investment Entities – OMERS Strategic Investments, OMERS Investment Management Inc. and OMERS Finance Trust.

OMERS Strategic Investments

OMERS Strategic Investments, founded in 2008, leads certain corporate strategic initiatives and builds strategic investment platforms to position OMERS as a leading global pension-based investment enterprise. Its mandate is discussed on page 60 of this Annual Report.

OMERS Investment Management

OMERS Investment Management was established in 2009 following legislative authority granted to the OAC to provide investment management services and products through an authorized subsidiary. Eligible clients include Canadian public and private sector pension plans, governments and their agencies, colleges, universities and their endowments, and Canadian registered charities. OMERS Investment Management offers investment arrangements that provide eligible clients with access to all or parts of the annual investment return of the OMERS Primary Plan.

OMERS Finance Trust

OMERS Finance Trust was established in 2010 to issue debt in the capital markets under the OMERS brand and to provide an alternative source of funding to other Investment Entities within the OMERS group. In doing so, it follows prudent leverage practices and carries the OMERS brand when it raises debt in the capital markets. Debt securities currently issued by OMERS Finance Trust have an OMERS guarantee and are rated "AAA" by two credit rating agencies.

OMERS Capital Markets

OMERS Capital Markets (OCM) manages OMERS public markets investment portfolio of bonds and other interest-bearing assets, publicly traded equities in Canadian and global financial markets as well as currency positions.

OMERS Capital Markets

Returns and Benchmarks
For the year ended December 31,

● Rate of Return
● Benchmark

7.50%
The overall OMERS Capital Markets investments return in 2012 was 7.50%. The return is below the benchmark of 8.74%.

Performance of public market assets

A summary of public market performance returns for 2012 is discussed below:

Returns and Benchmarks For the year ended December 31,	2012 Rate of Return	 Benchmark	2011 Rate of Return	 Benchmark
Interest bearing investments	**3.51%**	**3.47%**	9.13%	9.22%
Real Return Bonds [i]	**N/A**	**N/A**	17.84%	18.35%
Canadian public equities	**8.26%**	**7.76%**	-11.29%	-8.71%
Non-Canadian public equities	**11.62%**	**15.71%**	-4.96%	-4.23%
Multi-Strategy Program	**12.51%**	**N/A**	N/A	N/A

(i) During 2012, the real return bonds holdings were transferred into the multi-strategy program.

OMERS public market investments portfolio generated a net investment gain of $2,253 million in 2012 compared with a net investment loss of $296 million a year earlier. The 2012 return of 7.50 per cent exceeded the 2011 return of negative 0.22 per cent as equity markets rebounded. The return is below the benchmark return of 8.74 per cent due to the relative under performance in Non-Canadian public equities and changes to portfolio asset allocations related to new investment strategies that began in the middle of the year. This was partly offset by better than benchmark performance in interest bearing investments and Canadian equities and strong returns generated by the multi-strategy program.

Interest bearing investments generated a return of 3.51 per cent in 2012, which outperformed the benchmark return of 3.47 per cent. In the same period, Canadian public equities generated a return of 8.26 per cent, which outperformed the benchmark return of 7.76 per cent. The rise in the Canadian equity market was driven primarily by the financial sector, which was partially offset by negative returns in the resource sectors.

Non-Canadian public equities generated a return of 11.62 per cent, which underperformed the benchmark return of 15.71 per cent primarily due to regional allocation decisions. During 2012, economic weakening in global markets led OCM to underweight its exposure in the U.S., the U.K. and developed Pacific regions as part of our defensive strategy.

OCM allocated assets to a multi-strategy program in 2012. The program invests in multiple asset classes, including interest bearing investments, real return bonds and equities (Canadian and Non-Canadian). These exposures are obtained by employing various investment strategies, including direct holdings, investment funds, long-short investment strategies and derivative instruments. The program's investment objective is to earn absolute returns, meaning the program is not managed against a benchmark. In 2012, the multi-strategy program generated a return of 12.51 per cent. The performance of the multi-strategy program is tracked separately from the performance generated by interest bearing investments, Canadian public equities and Non-Canadian public equities held outside of the program. During 2012, real return bonds were allocated to the multi-strategy program and their performance was not tracked separately.

Public markets asset holdings and exposure

At December 31, 2012, OCM's net investment assets were $35,024 million compared with $30,357 million at the end of 2011. This increase in public market assets was due to (i) an increase in public market asset valuations, (ii) funds from the ongoing operations of private market investments and proceeds from the sale of existing private market investments exceeding new investments, and (iii) the net inflow from pension contributions exceeding benefit payments.

Interest Bearing Investments

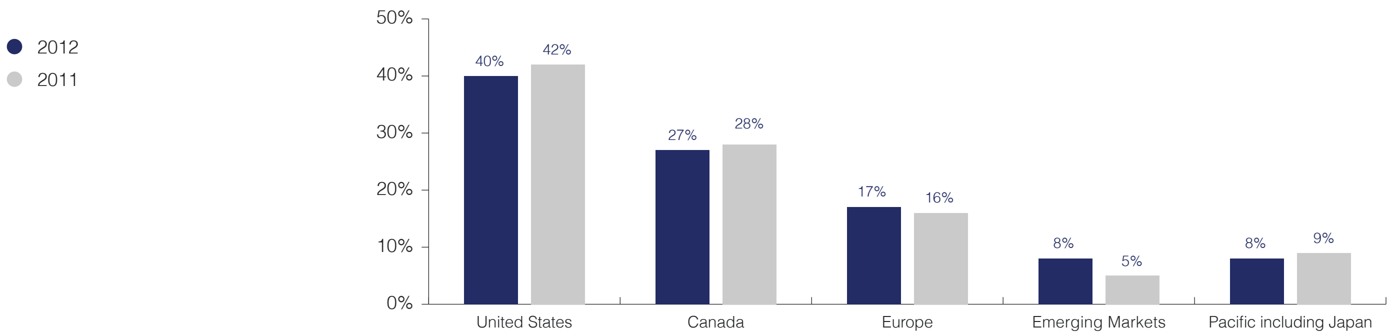
Interest bearing investment holdings include federal and provincial government bonds, corporate bonds, mortgages, private debt, and cash and short-term cash equivalent securities. The total value of interest bearing investments, including those of other OAC Investment Entities, had a fair value of $23,853 million at December 31, 2012 (2011: $19,731 million), of which $19,725 million was comprised of cash and short-term deposits, nominal bonds, mortgages and private debt (2011: $17,988 million) and $4,128 million in real return bonds (2011: $1,743 million). These assets include $933 million (2011: $845 million) of collateral received from securities lending activities and $842 million of assets sold under repurchase agreements. In 2012, OAC entered into repurchase agreements whereby assets were sold in exchange for access to short-term liquidity to fund private market investments, as well as to increase the efficiency of short-term cash management. Certain interest bearing investments were used to obtain synthetic exposure to other public market asset classes through the use of derivatives. At December 31, 2012, our exposure to interest bearing investments (including real return bonds) totaled $18,591 million compared with $18,125 million at December 31, 2011.

OMERS Capital Markets

Public Equities

At December 31, 2012, our total exposure to public equities by geography is illustrated in the following graph:

Public Equities Exposure by Geography



At December 31, 2012, our top 10 public equity holdings included:

- Apple Computer Inc
- Microsoft Corp
- Google Inc. Class A
- Royal Bank of Canada
- ENI SPA
- Danone
- Talisman Energy Inc.
- Santos Ltd.
- Astrazeneca Plc
- Wells Fargo Company

Canadian Public Equities

While our holdings in Canadian public equities declined from $2,177 million in 2011 to $1,823 million in 2012, our exposure to Canadian public equities increased to $5,036 million at December 31, 2012 (2011: $3,787 million) through the use of derivatives which are a cost-effective means of investing in volatile public markets.

Non-Canadian Public Equities

At December 31, 2012, our non-Canadian public equity holdings totaled $11,796 million (2011: $10,246 million), with exposure increasing to $13,161 million (2011: $10,199 million) through the use of derivatives which are a cost-effective means of investing in volatile public markets.

As discussed on page 18 of this Annual Report, our long-term investment strategy is to increase direct active management of our investments. Active management of our non-Canadian public equity portfolio has been a focus of our strategy in the past few years while at the same time we continue to leverage the expertise offered by external managers in global markets. Over the past four years OMERS Capital Markets has been building its team of investment professionals and its investment information systems to increase its capability to internally manage a larger portion of our non-Canadian equities. This gives us greater control over our non-Canadian investments and is expected to substantially reduce the costs of managing these investments. While we are continuing with this strategy, in 2012 tactical decisions were made to place funds with certain external managers as part of our strategy to mitigate volatility in non-Canadian equities. Since the program started four years ago, we have repatriated a net amount of $5.7 billion from external managers.

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. The objective of their use is to provide a cost-efficient means to improve returns by mitigating uncompensated risks and to add flexibility in asset mix management. Notional values of various categories of derivatives held include:

(millions) As at December 31,	2012	2011
Interest rate contracts	$ 8,136	$ 3,382
Equity contracts	6,814	7,302
Commodity contracts	1,044	286
Foreign exchange contracts	24,285	19,038
	$ 40,279	$ 30,008

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. Types of interest rate derivative contracts used include interest rate swaps, bond index swap contracts, bond futures contracts and bond options. At the end of 2012, interest rate derivatives with a notional value of $8,136 million were outstanding compared to a notional value of $3,382 million at December 31, 2011. The increased exposure to interest rate derivatives was primarily driven by investments made within the multi-strategy program.

Equity Derivatives

We use equity 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 index futures and equity index swap contracts and complements the Canadian equities portfolio and global equity portfolios managed both internally and externally. At December 31, 2012, we had public equity derivative exposure of $6,814 million (2011: $7,302 million), representing the notional value of derivatives as follows:

- $2,965 million in derivatives that provide exposure to the S&P/TSX Composite and the S&P/TSX 60 index; and
- $3,849 million in derivatives that provide exposure to major equity indices throughout the world.

Commodity Derivatives

We use commodity derivatives to enhance investment yields through exposure to commodities which we believe will increase/decrease in value based on our economic analysis. Largely as a result of investments made within our multi-strategy program, the notional value of commodity derivatives increased to $1,044 million at December 31, 2012 from $286 million at December 31, 2011.

OMERS Capital Markets

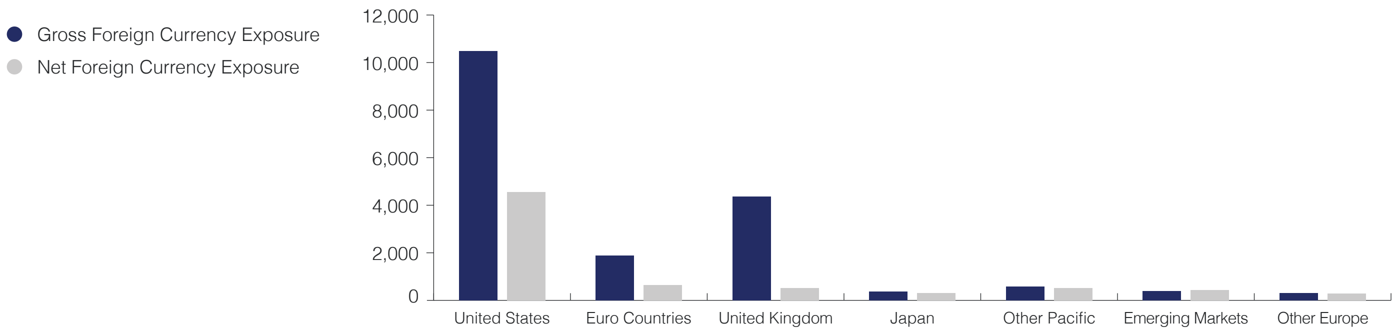
Foreign Exchange Derivatives

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, 2012, $18,389 million (2011: $18,702 million) or 30 per cent (2011: 34 per cent) of our net investment assets were exposed to foreign exchange risk before hedging. We generally hedge a portion of our exposure to public market investments denominated in 12 major currencies, reducing their volatility relative to the Canadian dollar; however, the hedge percentage can vary depending on the outlook for the strength of individual currencies. In addition, for non-Canadian private market investments foreign currency exposure we hedge up to 100 per cent.

Since it was implemented in 2001, our currency hedging program and other currency activities have produced a net gain of $1,976 million offsetting the currency losses experienced on our foreign currency assets. This is largely a result of the appreciation of the Canadian dollar against most major currencies over this period.

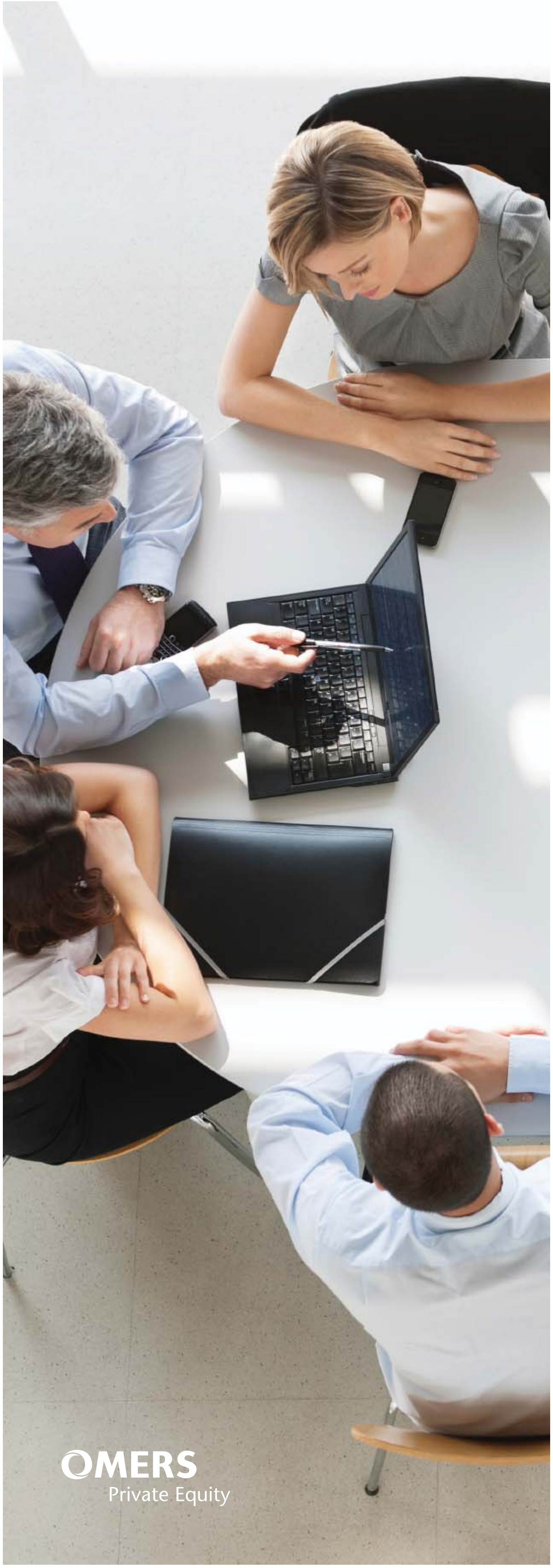
Our net foreign currency exposure after accounting for our foreign currency management and trading programs at December 31, 2012 was $7,235 million (2011: $7,985 million). Our gross and net foreign currency exposure is allocated as shown in the chart below:

Gross and Net Foreign Currency Exposure
As at December 31, 2012
(millions Cdn Dollar Equivalent)



Credit Risk

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, 2012, the credit risk exposure from derivative contracts was 0.3 per cent of net investment assets or $213 million.



OMERS Private Equity

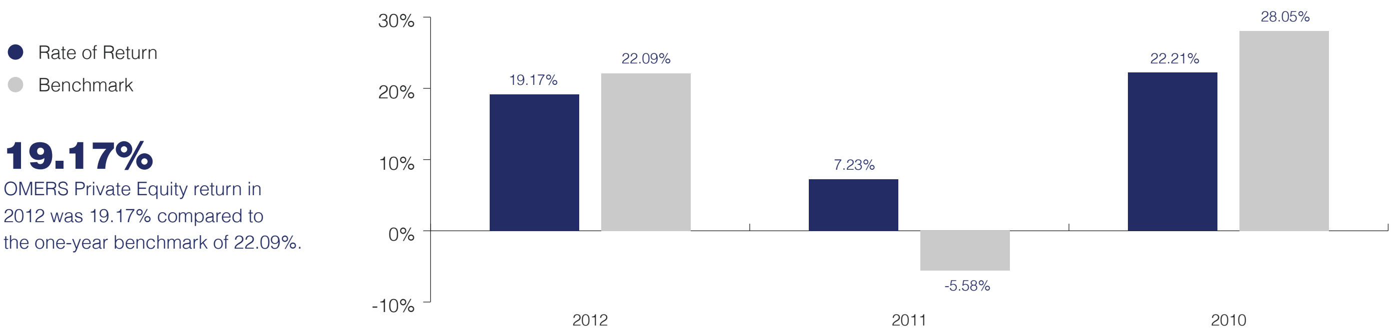
OMERS Private Equity (OPE) manages private equity investments through direct investments in private companies and through third-party funds.

OMERS Private Equity's investment strategy focuses on acquiring the majority control of a company with an enterprise value between $200 million to $1.5 billion. We will consider other ownership structures, including joint control and/or having significant influence with trusted, like-minded partners as long as we have the governance rights commensurate with our investment. Our investment approach is premised on a long-term, active partnership with talented management teams. Our investment mandate is flexible to capitalize on the prevailing market conditions and financial markets and to invest in a broad range of industries in various geographical markets. We firmly believe in direct financial alignment of interest amongst ourselves, the management team of our investments and our investment partners. Our strategic shift towards direct investing that began in 2008 is on track and we continue to explore opportunities to reduce our exposure to fund investments.

OMERS Private Equity

Returns and Benchmarks

For the year ended December 31,



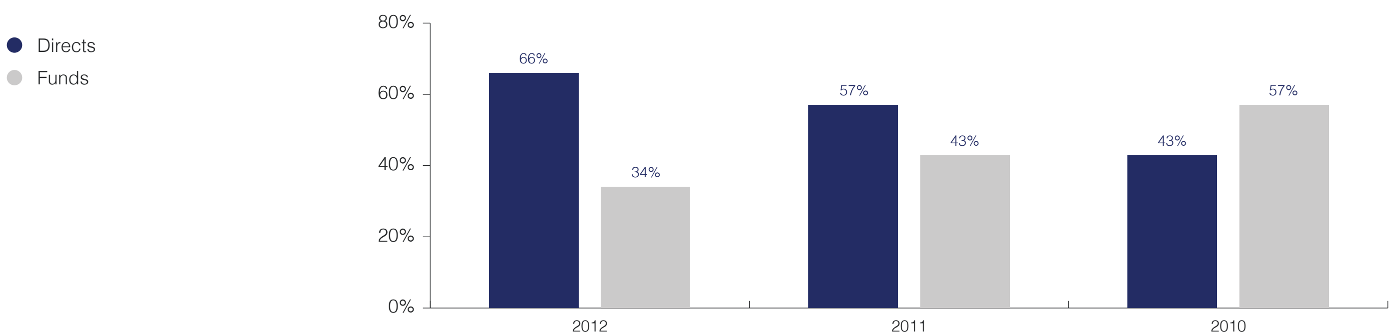
19.17%

OMERS Private Equity return in 2012 was 19.17% compared to the one-year benchmark of 22.09%.

The chart below illustrates the consistent progress made by OMERS Private Equity's shift towards a directly held and actively managed portfolio over the last three years.

Direct vs. Fund Investments

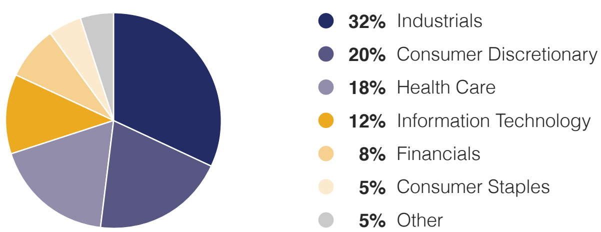
As at December 31,



Our geographical focus is currently Canada, the United States and Europe, with a particular emphasis on the United Kingdom. Our direct investing can take a variety of forms, including private market transactions, secondary transactions from private equity funds and corporate carve-outs. The objective remains to have a well diversified investment portfolio, both by industry and by geography.

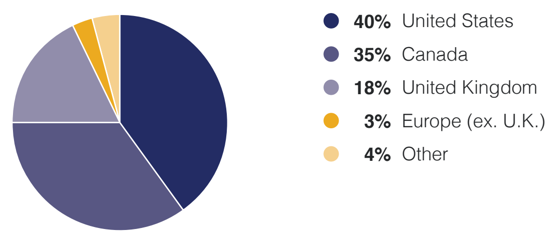
Total Assets by Sector

As at December 31, 2012



Total Assets by Geography

As at December 31, 2012

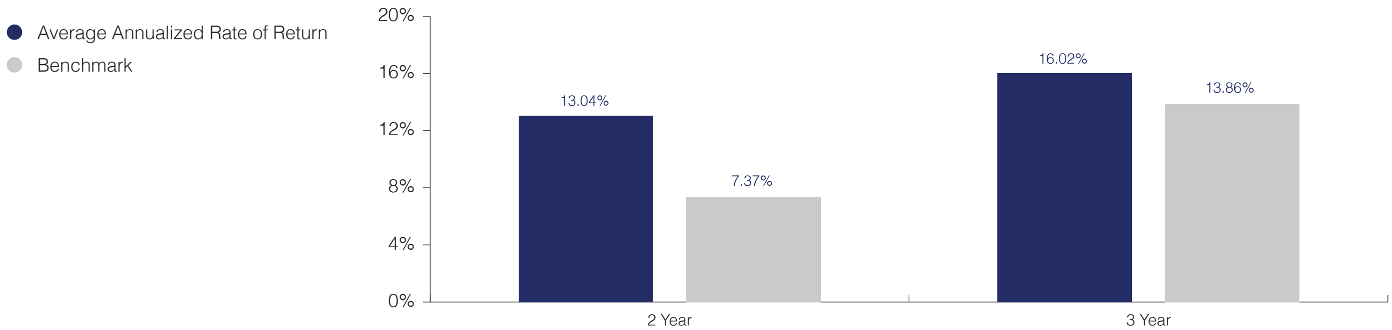


In evaluating investment opportunities, the key criteria that we consider are – the current market position and the market outlook for the company's products and services; the quality and depth of the company's management team and their willingness to invest along with us; an assessment of the company's strategy for growth; and our expected return based on the purchase price to acquire the business. After acquisition of an investment, our role is to work closely with the management team and bring the necessary resources to bear so that the business can achieve sustainable, profitable growth.

OMERS Private Equity generated net investment income of $962 million in 2012, more than double the net income of $354 million earned in 2011. This translates to an exceptional return of 19.17 per cent compared with the return of 7.23 per cent in 2011. The return reflects the benefit of OMERS Private Equity's shift in investment strategy to focus on direct investments where the returns have significantly exceeded those of private equity fund investments. Current year's strong performance is attributable to the solid growth in revenue and income across our portfolio of companies. Our benchmark is an aggregate weighted average of Global Russell indices adjusted for geographic and sector exposure plus a 350 basis point illiquidity and leverage premium. The benchmark is much higher than global public market indices because of the illiquidity premium and investment focus in the strong performing sectors and provides a better performance comparison on a longer term basis. While our current year return of 19.17 per cent is below the benchmark of 22.09 per cent, our average annualized return on a 2 and 3 year basis exceeds the benchmark as follows:

Average Annualized Rate of Return vs. Benchmarks

For the period ended December 31, 2012



During 2012, OMERS Private Equity's net investment assets decreased marginally from $6,333 million in 2011 to $5,993 million in 2012. This decline reflects a record $1,701 million in capital returned from private equity investments through the sale of (i) our investment in Cari-All, (ii) a number of private equity funds and (iii) over half of our investment in Constellation Software partially offset by new and follow-on investments, capital calls from private equity fund investments and a net increase in asset valuations.

New and follow-on investments in 2012 include:

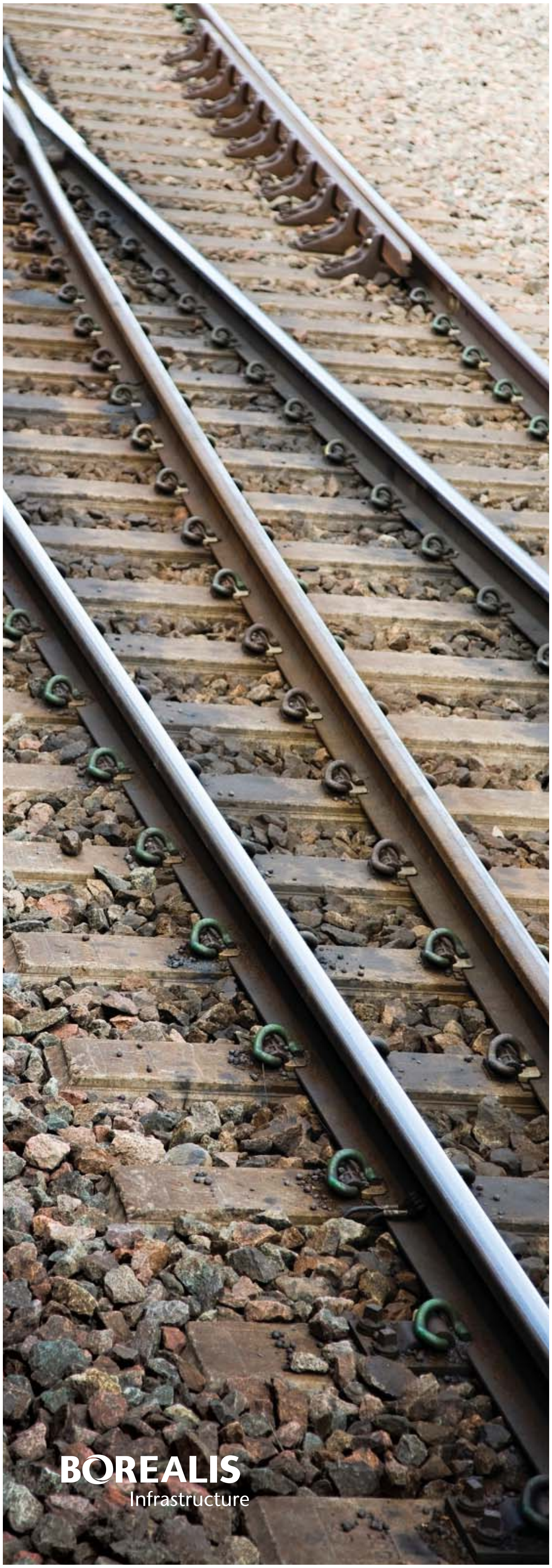
- a direct investment in Lifeways, a leading provider of supported living services for adults with learning disabilities in the U.K. market; and
- the acquisition of Golfsmith International, a U.S.-based specialty golf retailer. Golfsmith has been combined with Golf Town, our Canadian market leading golf retailer, creating the largest golf specialty retail business in the world.

Although the private equity market is expected to remain sound in 2013, the economies of Canada, the U.S. and the U.K. are expected to experience limited growth. We will work closely with the management of our direct investments in achieving their strategic and financial goals and expect to further expand our portfolio with new investments.

OMERS Private Equity

OMERS Private Equity's significant direct investments include:

- Accelerated Rehabilitation Centers – a leading provider of traditional and specialty outpatient physical rehabilitation services in the U.S. Midwest;
- Affinia Group Inc. – 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;
- CBI Health Group – a leading provider of outpatient rehabilitation and community health care services in Canada;
- Cengage Learning – delivers highly customized learning solutions for colleges, universities, instructors, students, libraries, government agencies, corporations and professionals around the world;
- Constellation Software Inc. – 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;
- Give and Go Prepared Foods Corp. – a Toronto-based wholesale bakery producing Two-Bite Brownies™, Cinnamon Crunchies™, butter tarts and Bite Coffee™Cakes. Give and Go products are sold throughout Canada and in the U.S;
- Golfsmith International – the world's largest golf specialty retailer of golf merchandise from leading manufacturers together with teaching academies, golf simulators and pro shop services. Stores located in Canada operate under the brand name of Golf Town and all stores in the U.S. operate under the brand name of Golfsmith;
- Great Expressions Dental – a leading dental practice management company with offices in seven states across the midwest, south and northeast U.S.;
- Haymarket Financial LLP – an independent finance company providing focused lending products to corporate clients and investment management services to institutional clients;
- Husky International Ltd. – Ontario-based global supplier of highly engineered system solutions and related aftermarket services and components for the plastics injection moulding equipment industry;
- Lifeways – U.K.'s market leading provider of supported living services for adults with learning disabilities;
- Logibec – a market leader in North America specializing in information systems for the health and social services sector;
- Marketwire – 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;
- Maxxam Analytics – the largest privately owned analytical laboratory in Canada providing analytical testing services to government and major companies in the environment, food, oil and gas, health, forensics and genetic markets;
- Nelson Education – Canada's leading education publisher, from kindergarten to university and college levels, Nelson offers customized educational solutions for core disciplines such as mathematics, science and language arts;
- Nordco – a leading designer and manufacturer of critical products and services for the maintenance of railroad infrastructure, serving North American railroads, public transit systems, contractors and equipment leasing companies;
- Public Mobile – a new entrant within Canada's wireless voice and data services market serving customers in Ontario and Quebec;
- V.Group Limited – a global market leader in outsourced ship management and a leading player in crew provision and related marine services.; and
- United States Infrastructure Corporation (USIC) – a leading provider of outsourced sub-surface utility locating services in the U.S.



Borealis Infrastructure

Borealis Infrastructure (Borealis) manages infrastructure investments for OAC and ranks as one of the world's largest infrastructure investors. Borealis has a proven track record in identifying, investing and managing infrastructure investments around the globe, consistently providing steady investment returns and outperforming its benchmark.

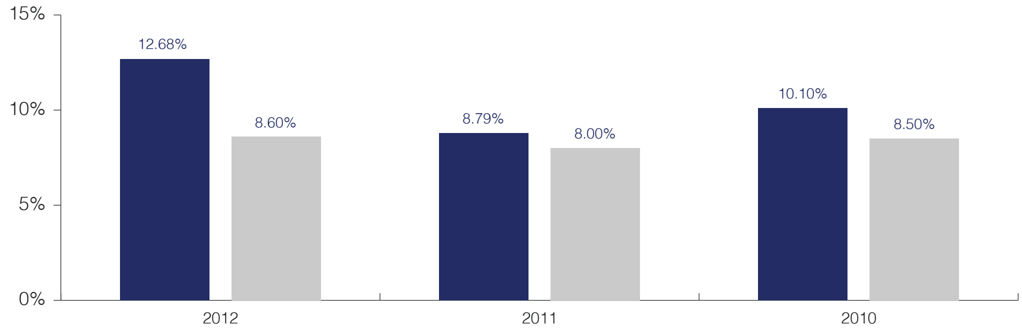
Infrastructure investing generally involves direct investments in inflation-sensitive assets that are critical to the long-term success of a modern industrial economy. Some infrastructure investments are subject to regulatory establishment of rates, service delivery levels or both. Individual investments generally require large up-front or near-term capital commitments and typically generate strong inflation-linked cash returns – a very good fit in meeting our long-term pension obligations.

Borealis Infrastructure

Returns and Benchmarks
For the year ended December 31,

● Rate of Return
● Benchmark

12.68%
The overall Borealis Infrastructure return in 2012 was 12.68% compared with a benchmark of 8.60%.

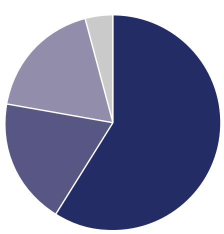


Borealis employs a direct drive active management strategy in originating and managing infrastructure assets that generally exhibit strong underlying, inelastic demand with predictable, stable cash flows supported by regulation or long-term contracts with low-risk counterparties. We actively manage our investments through majority or significant minority positions and bring to investee companies the experience gained through managing a large infrastructure asset portfolio as well as the relationships developed with governments, lenders, other investors and members of the business community. Borealis also plays an active role in ensuring that each of its investments has the right management team in place with meaningful incentives that promote alignment with shareholders. In instances where we do not hold a majority interest in an investment, we partner with like-minded investors with aligned interests such as other pension, corporate and government investors as well as strong operating partners that can bring operational expertise to the investment, both in evaluating its potential and in managing and improving its performance.

Borealis investments are located in Canada, the United Kingdom and the United States. Given the breadth of opportunities and low political and regulatory risk that exists in its current markets, Borealis expects that infrastructure assets located in North America and Western Europe will remain the focus of its efforts for the near term; however, we continue to look opportunistically at infrastructure assets in other jurisdictions or geographies which exhibit stable and strong political and regulatory environments.

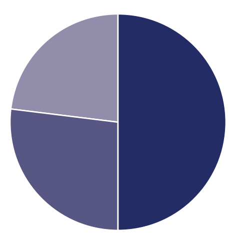
Borealis' investments can be grouped into four primary sectors and three main geographic regions as illustrated below:

Total Assets by Sector
As at December 31, 2012



● **59%** Energy
● **19%** Government Regulated Services
● **18%** Transportation
● **4%** Institutional Facilities & Other

Total Assets by Geography
As at December 31, 2012



● **50%** Canada
● **27%** United Kingdom
● **23%** United States

The energy sector includes investments in regulated utilities, power generation, power and gas, transmission and distribution and oil pipelines. We adhere to a patient and disciplined investment approach and continue to prudently diversify our portfolio by industry sector, geography, size and stage of development while pursuing higher probability, lower execution risk opportunities.

Borealis' investments generated net investment income of $986 million in 2012, compared with $674 million a year earlier. The 2012 gross rate of return before investment management expenses was 12.68 per cent, compared with 8.60 per cent for the benchmark and 8.79 per cent in 2011. In addition, Borealis' investments generated a cash yield of 7.2 per cent (8.4 per cent based on operating assets) in 2012 compared to 5.6 per cent (7.4 per cent based on operating assets) in 2011. In 2012 refurbishment of Bruce Power's Units 1 and 2 was completed with both units achieving commercial operations in October 2012. The strong, stable returns and consistent cash flow generated by Borealis' investments over the past several years illustrates that OAC's allocation of a significant portion of its investment portfolio to infrastructure investments continues to be a successful strategic initiative.

During 2012, Borealis' net investments increased to $9,820 million from $8,997 million in 2011. The increase in net assets primarily represents investment value appreciation, new acquisitions and other follow-on capital contributions into existing investments. Continuing its strategy of investing in large-scale infrastructure assets that generate stable and consistent returns, Borealis acquired a 100 per cent interest in Midland Cogeneration Venture (MCV). MCV, a Michigan based 1,633 megawatt cogeneration plant, is the largest gas fired power facility in the U.S. Its revenue is primarily derived from the sale of capacity and energy under long-term power purchase agreements with investment grade counterparties. MCV represents a high-quality energy asset generating long-term stable, high cash-yielding returns. In addition, Borealis acquired a 49 per cent interest in a portfolio of U.S.-based wind farms. The geographically diversified portfolio is comprised of four wind farms located in Illinois, Minnesota, Oregon and Texas totaling 599 megawatts, all of which are operational with long-term power purchase agreements. This investment marks a significant commitment by Borealis in the renewable clean energy sector. Furthermore, Teranet, one of Borealis' existing investments, has entered into an agreement in principle with the Province of Manitoba for a long-term license to operate the province's property registry system under an exclusive 30-year license. Under the terms of the agreement, Teranet will invest capital in systems development to transform the existing property searches and registrations in the Province of Manitoba into a more reliable and efficient platform. The completion of the transaction is subject to the satisfaction of certain conditions and is expected to close in the first half of 2013. Finally, LifeLabs, another of Borealis' existing investments, announced that it has entered into an agreement to acquire 100% of the assets of BC Biomedical Laboratories Ltd., a medical diagnostic testing business in British Columbia (BC). Subject to the receipt of regulatory approval which is expected in the first quarter of 2013, this acquisition will increase LifeLabs' share of the BC laboratory services market.

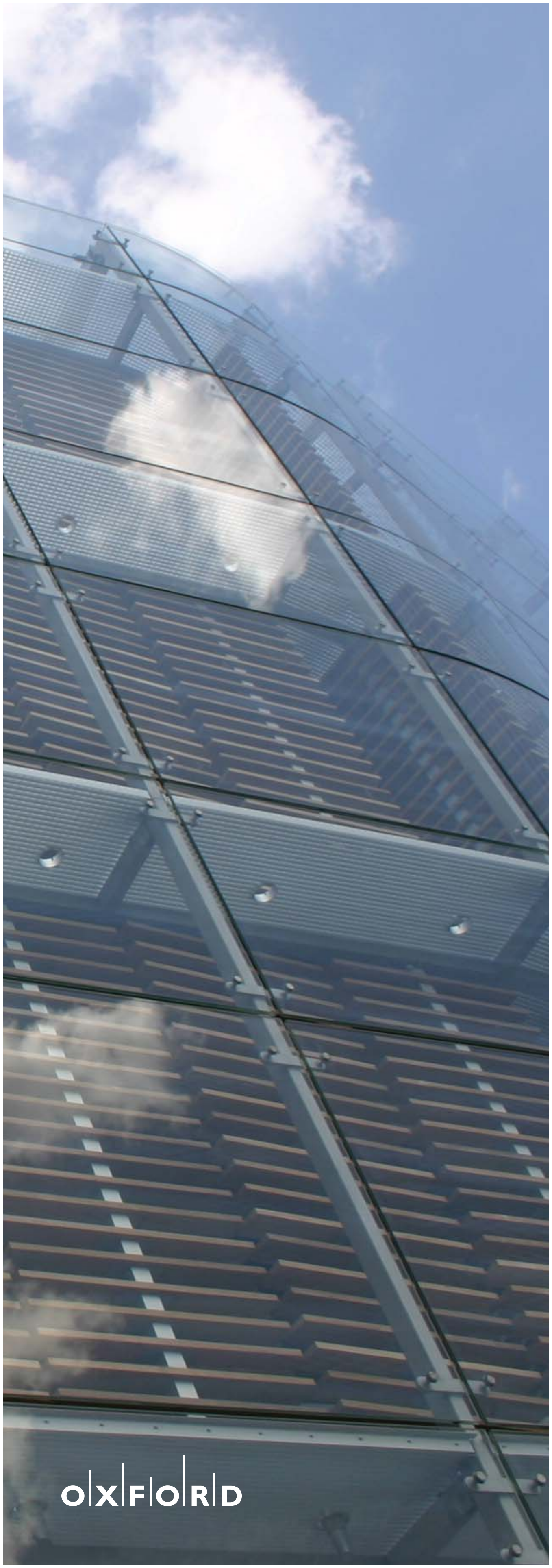
Borealis Infrastructure

While Borealis prides itself on being a "buy and hold" investor, it did sell two of its infrastructure assets in 2012. These sales were strategic in nature and involved the sale of Enwave Energy Corporation (Enwave) and Express Pipeline System (Express). Borealis completed the disposition of its 57 per cent interest in Enwave for $223 million in October 2012. The City of Toronto sold its 43 per cent interest in Enwave as part of the same transaction. The City is a related party to OAC as the City is an employer in the Plan; therefore, the transaction was deemed to be a "Special Transaction" under the OMERS Special Transactions Review Policy (available on www.omers.com) and for that reason, the disposition was subject to the approval of the OAC Board, though it otherwise would have been within Management's delegated authority.

In addition, Borealis has entered into an agreement to sell its 33 per cent interest in Express for gross proceeds of approximately USD $430 million. The transaction is subject to standard consents and regulatory approvals and is expected to close by the second quarter of 2013.

Significant investments held by Borealis include interests in:

- Associated British Ports – the largest port owner and operator in the United Kingdom with 21 ports handling approximately 25 per cent of all seaborne trade into and out of the United Kingdom;
- Bruce Power – the world's largest nuclear power generation facility, (6,300 megawatts) supplying 25 per cent of Ontario's electricity needs;
- Detroit River Tunnel – a railway tunnel that operates as one of the largest trade corridors in the world;
- HS1 Limited – the United Kingdom's only high-speed rail line, connecting St. Pancras International Station in central London to the Channel Tunnel;
- LifeLabs – Canada's largest provider of laboratory services which provides more than 50 million diagnostic tests to more than 10 million patients through nearly 20,000 physicians each year;
- Oncor – a leading electricity transmission and distribution company in Texas;
- Scotia Gas Networks – the Scotland and South of England gas distribution networks, comprising 73,000 km of gas lines serving 5.6 million customers; and
- Teranet – the operator of Ontario's Electronic Land Registry System under an exclusive agreement with the Ontario government until 2067.



Oxford Properties Group

Oxford Properties Group (Oxford) is one of North America's largest commercial real estate investment, development and management organizations. Oxford oversees and manages approximately $22 billion (2011: approximately $19 billion) of real estate for itself and on behalf of its co-owners and investment partners as at December 31, 2012.

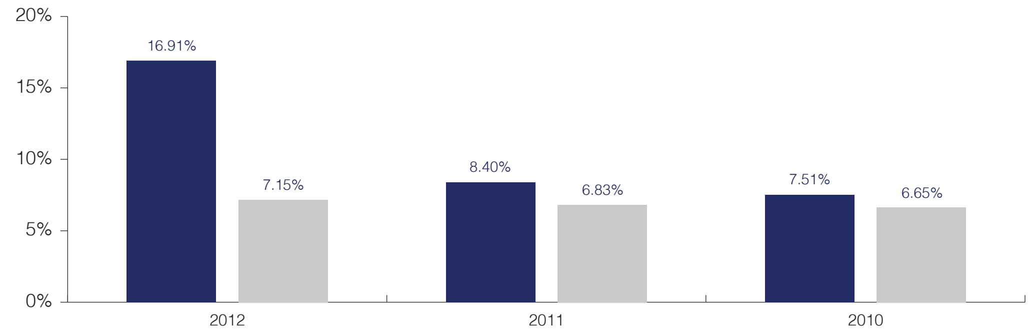
Oxford's focus is to build a global platform for real estate investment, providing superior risk-adjusted returns and secure, sustainable and growing cash flows for the Plan. Oxford's strategy focuses on the ownership, development and active management of significant assets diversified by property type, geographic market, partner relationship and risk-reward profile. A diversified real estate portfolio of this nature generates predictable cash flows, facilitating our ability to meet both current and future pension benefit obligations. Furthermore, actively managed real estate generally appreciates in capital value over time which helps to offset the inflation exposure of our pension liabilities.

Oxford Properties Group

Returns and Benchmarks
For the year ended December 31,

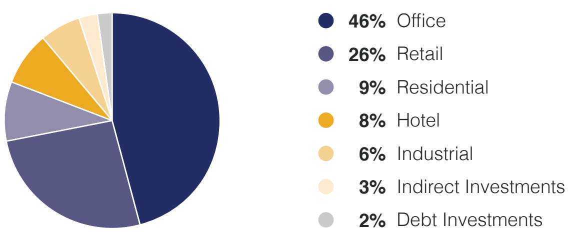
● Rate of Return
● Benchmark

16.91%
The overall Oxford Properties Group return in 2012 was 16.91% compared to a benchmark of 7.15%.

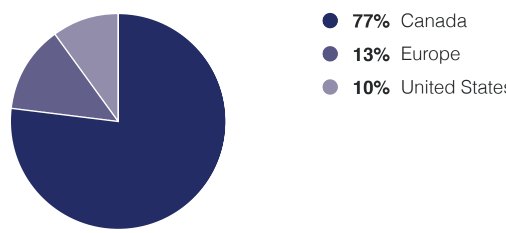


At December 31, 2012, Oxford's direct real estate portfolio consisted of 135 assets, located primarily in Canada, the U.S., the U.K. and Germany, with a total leasable area of 47.6 million square feet, 3,515 hotel rooms and 21,088 residential units.

Total Assets by Sector
As at December 31, 2012



Total Assets by Geography
As at December 31, 2012



Oxford's office portfolio, with the exception of four assets located in the U.K. and one in the U.S., is diversified geographically in Canada across six major markets: Toronto, Vancouver, Calgary, Edmonton, Ottawa and Montreal. The largest concentration is in the Greater Toronto Area representing approximately 38 per cent of the market value of the office portfolio. The most significant office properties are:

- Richmond-Adelaide Complex and Metro Centre and a 50 per cent interest in each of the Royal Bank Plaza and TD Canada Trust Tower in Toronto;
- Centennial Place and a 50 per cent interest in Bow Valley Square in Calgary;
- Watermark Place and a 50 per cent interest in MidCity Place in London, U.K; and
- Green Park Business Park in Reading, U.K.

The retail portfolio is comprised of 17 properties, primarily super regional and regional shopping centres, totaling 16.3 million square feet. The properties are located across Canada and the United States but are predominantly located in the Greater Toronto Area. The most significant properties include:

- a 50 per cent ownership interest in Yorkdale Shopping Centre, Square One Shopping Centre, Scarborough Town Centre and Hillcrest Mall in the Greater Toronto Area;
- Upper Canada Mall in Newmarket;
- Southcentre Mall in Calgary;
- Kingsway Garden Mall in Edmonton; and
- 5th Avenue high street retail at 52nd Street in Manhattan, New York City.

The hotel portfolio includes major Canadian landmark resort properties located in Banff, Lake Louise and Jasper, Alberta; Whistler, British Columbia; and Montebello, Quebec and two urban centre hotels in Vancouver, British Columbia and Toronto, Ontario.

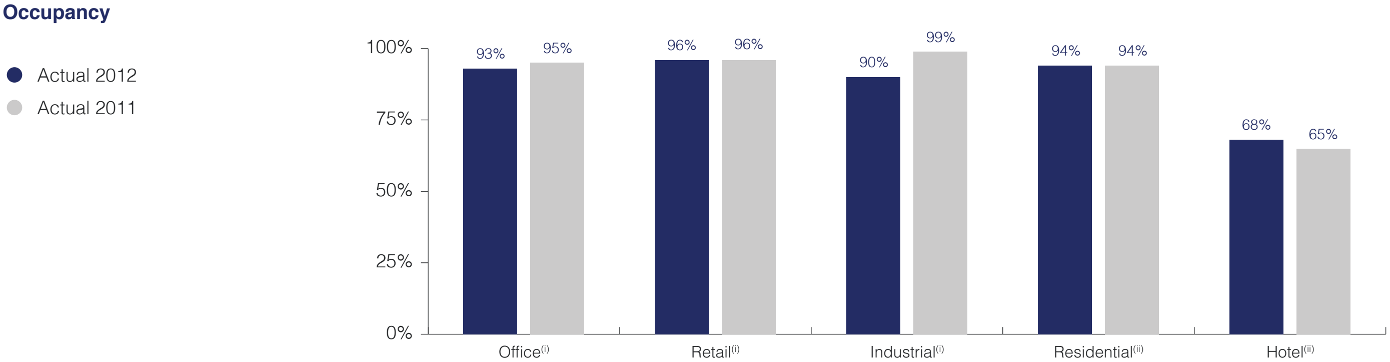
Oxford's multi-family residential portfolio consists of 22 properties located in Ontario, Quebec, Nova Scotia, and the southern U.S. and a portfolio of 10,704 residential units located in Germany. The industrial use assets include 29 properties in the Greater Toronto Area, Vancouver, Calgary and Edmonton markets.

In addition, Oxford's real estate portfolio includes properties held for/under development which form the basis of its active development program which currently includes the development of two office towers in Toronto and Vancouver, an office tower in London, U.K. and industrial properties in Edmonton and Calgary. Oxford is also continuing the co-development of Hudson Yards, a mixed use office, retail and residential project in Manhattan, New York City. During 2012, Oxford acquired an interest in two development sites with the future potential to co-develop a 620,000 square foot office complex in Washington D.C., U.S. and a 500,000 square foot office project in London, U.K.

Oxford's net investment income increased from $610 million in 2011 to $1,279 million in 2012. Net investment income is primarily comprised of net operating income, income from debt investments, unrealized gains and losses resulting from changes in the market value of the real estate assets and liabilities, and realized gains and losses.

Oxford's net operating income increased by $160 million in 2012 to $637 million primarily due to the net impact of acquisitions and dispositions, a significant lease surrender payment negotiated at Green Park Business Park in Reading, U.K. and increased average occupancy levels in the hotel portfolio. Across the rest of the portfolio occupancy levels remained strong even though occupancy in office portfolio was impacted by the lease surrender noted above and in the industrial portfolio by newly built facilities in the lease up phase.

Occupancy



(i) As at December 31

(ii) Based on average occupancy for the year

Oxford Properties Group

Net gains in real estate assets in 2012 were $625 million (2011: $119 million) representing net realized and unrealized gains of $593 million (2011: $171 million) on real estate investments and an unrealized gain of $32 million (2011: $52 million loss) on debt obligations.

Oxford also holds debt instruments related to high quality real estate assets that yield a strong risk-adjusted return. The debt investments portfolio contributed $24 million of net investment income in 2012 (2011: $25 million).

The overall real estate return increased to 16.91 per cent in 2012, compared to a benchmark return of 7.15 per cent and an 8.40 per cent return in 2011. The 2012 return exceeded the benchmark primarily due to the market values for real estate properties in Canada being much higher than anticipated a year ago.

Oxford's total owned real estate assets were valued at $16,182 million (including debt investments of $336 million) at December 31, 2012, compared to $14,679 million (including debt investments of $163 million) as at December 31, 2011, representing an increase of $1,503 million. This increase is mainly due to the market value appreciation of the real estate portfolio and net investment activity during the year. Major acquisitions during 2012 included:

- a 25 per cent interest in Les Promenades de L'Outaouais, a retail shopping centre in Gatineau;
- LaCite Apartments, a multi-residential complex in Montreal;
- NorthPort, an industrial business park in Edmonton;
- St Martin's Court, an office building in London, U.K.;
- a 36.5 per cent interest in Olympic Tower, a mixed use office and retail property in New York; and
- three U.S. debt investments associated with real estate assets in Manhattan and Boston.

Oxford continues to pursue a global investment strategy in targeted international markets to diversify its portfolio and enhance returns. In 2012, Oxford increased its international diversification to 23 per cent of its portfolio from 21 per cent in 2011 as a result of several strategic acquisitions in the U.K. and U.S. as noted above.

Oxford also holds and manages a portfolio of indirect real estate investments (primarily real estate funds and other real estate related investments) that were valued at $490 million as at December 31, 2012, an increase of $45 million from December 31, 2011.

Oxford's real estate portfolio is partially funded by $6,848 million in mortgages, debentures and commercial paper as at December 31, 2012, compared to $6,160 million as at December 31, 2011. The net increase in debt of $688 million in 2012 is primarily due to new borrowings related to acquisitions and development projects.

OMERS Strategic Investments

OMERS Strategic Investments (OSI) is a multi-purpose strategic platform which has a broad mandate to lead certain corporate strategic initiatives and to build strategic investment assets, which will position OMERS as a leading global pension-based investment enterprise.

OSI has the following overarching objectives:

- to lead specific corporate initiatives identified in the OAC Strategic Plan. This includes OMERS global capital formation initiatives where OSI is leading the development and implementation of co-investment alliances and establishing and promoting OMERS global footprint which includes building strategic relationships with like-minded global institutional investors; and
- to build and manage a portfolio of strategic global investments that do not fit into the mandates of the other Investment Entities.

A key part of OSI's mandate is to build and manage long-term strategic relationships with like-minded global institutional investors. In executing this mandate OSI has formed the Global Strategic Investment Alliance (GSIA) to enable OAC to leverage its capital alongside new sources of co-investment capital. The GSIA enhances OMERS ability to secure preferred large-scale private market investments while leveraging OMERS investment management expertise. Relationships have been initiated with many organizations around the world and in 2012 the GSIA was launched with OAC committing USD$5 billion and two members from Japan, the Pension Fund Association and a consortium led by Mitsubishi Corporation, each committing USD$1.25 billion, for a total commitment of USD$7.5 billion.

OSI is continuing to drive to expand the GSIA in 2013 with the goal of adding new members to the alliance.

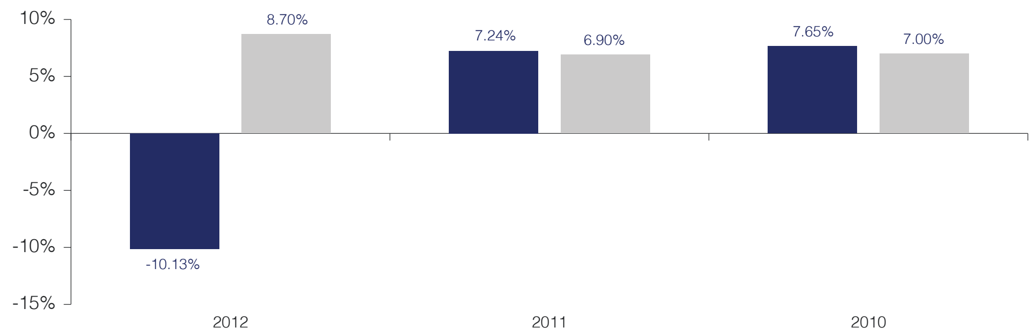
OSI is also establishing OAC's global footprint through promoting and leveraging the intellectual capital of the entire enterprise under the OMERS Worldwide brand and ensuring that OAC has a presence in and knowledge of global markets through business relationships and a network of OMERS Worldwide offices.

OMERS Strategic Investments

Returns and Benchmarks
For the year ended December 31,

- Rate of Return
- Benchmark

-10.13%
The overall OMERS Strategic Investments return in 2012 was negative 10.13% compared to a benchmark of 8.70%.



OSI is building the capacity to generate attractive investment opportunities and build global business relationships for the benefit of all OMERS Investment Entities. It also has the mandate to manage a portfolio of investments which do not fit under the mandates of the other OMERS Investment Entities.
OSI's current investments are in the following areas:

- The resource sector which is a major driver of Canada's long-term economic prosperity. Resource investments represent $1 billion in net investment assets and include:

  OMERS Energy/OMERS Energy Services – a Calgary-based oil and natural gas acquisition, exploration, development and production company with oil and gas wells throughout western Canada; and

  CEDA International – a leading industrial, mechanical and electrical services company which is well established in the Alberta Oil Sands.

- The technology sector which is a major driver in the new world economy. Investments in this space include:

  OMERS Ventures – OSI launched OMERS Ventures in 2011 to invest in the technology, media and telecommunications sectors. OMERS Ventures invests throughout the lifecycle of a company, from seed investments to investments in later stages. During 2012, OMERS Ventures invested in a number of leading companies based in Canada and deployed over $110 million of capital; and

  MMM Group – a Canadian-based international engineering company that provides engineering, project management, environmental and advisory services in Canada and in more than 40 countries on five continents. MMM Group is recognized as an industry leader in the provision of quality, cost-effective and technically excellent, multidisciplinary solutions for a diverse range of assignments.

- New markets and products which represent significant investment opportunities for OAC and the opportunity to form new business relationships. These opportunities include investing in new markets where OAC has not invested directly in the past, primarily in Latin America, South America and Asia, in a cost-effective manner. The principal investments in this space are concession agreements to manage airports in emerging countries.

  ADC & HAS Airports – OSI has formed a partnership with HAS Development Corporation, an affiliate of the Houston Airport System, and Airport Development Corporation that focuses on the operation and, where required, the development of airports in growing and important emerging markets. This partnership brings together the operational, technical and financial expertise of the Houston Airport System, Airport Development Corporation and OSI. Through this partnership, OAC is able to invest and conduct operations in countries where OAC does not have an investment presence, thus opening the door to future investments by OSI and the other Investment Entities in such markets.

In 2012, OSI generated a net investment loss of $201 million for a gross investment return of negative 10.13 per cent compared with the benchmark of 8.70 per cent and net investment income of $121 million in 2011. OSI, which represents less than 2.5 per cent of OAC's net investment assets, has its principal assets in Alberta's oil and gas sector. The loss in 2012 was driven by the year-end valuation of these assets which was negatively impacted as oil and natural gas prices fell to their lowest levels in five years. OMERS Energy represents OSI's largest investment in Alberta's oil and gas sector and while the impact of decreasing oil and gas prices has negatively impacted OMERS Energy's performance over the short term, the annualized return for OMERS Energy from 2004 to 2012 is 8.54 per cent (2011: 13.07 per cent).

During 2012, OSI's net investment assets decreased from $1,644 million at December 31, 2011 to $1,516 million at December 31, 2012. The decrease primarily reflects the mark-to-market writedown in value of oil and natural gas investments due to changes in market prices of those commodities.

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 and is consistent with our risk tolerance. OMERS seeks to ensure that the value of the net assets of the Funds is sufficient to pay all pensions promised to members of the OMERS Pension Plans.

For a given contribution rate, our ability to meet this objective is affected by two factors:

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

Risk management is an essential part of our corporate and investment strategy as it can mitigate the negative impact of the above factors on the investment portfolio and the accrued pension obligation. Risk management is supported by our system of internal controls, programs such as enterprise risk management and investment risk management and our corporate policies including our Code of Conduct, Statement of Investment Authorities and Statements of Investment Policies and Procedures. We continually strive to improve our enterprise-wide approach which involves our Board, Management and employees within all areas of OAC and our Investment Entities. All employees are required to adhere to policies, procedures and standards that a prudent person would reasonably exercise when managing the assets of others.

Enterprise Risk Management

OAC manages risk within the Board-approved risk appetite to provide reasonable assurance regarding the achievement of the strategic objectives. Enterprise risk management (ERM) is a process applied throughout OMERS enterprise to identify potential risks that may either hinder the sustainable achievement of enterprise objectives or result in the failure to identify and maximize opportunities.

OMERS main strategic objective is to administer and fully fund the Primary Plan and as such the risk of not meeting this objective is a primary focus of the OAC ERM Program.

Risk Management

The ERM process embeds risk management into all activities as an integral part of our business and is guided by the following key principles:

Philosophy

The enterprise will take on a level of risk in line with its appetite for risk. We believe that a proactive and systematic approach to managing risk benefits the enterprise through enhanced investment performance and an enhanced brand/reputation. As such our approach is to manage and control risk rather than avoid or eliminate it. We also believe that strong ERM practices allow for more informed risk-taking and decision-making.

Culture

OAC fosters a corporate culture which accepts informed risk-taking as fundamental to its business provided that risk identification, mitigation and monitoring processes are established.

Education

OAC promotes training and risk awareness among OAC Board members and employees. In addition, as part of our decision-making processes we promote documenting the consideration of relevant risks and their potential impact to achieving our objectives.

Learning

OAC promotes the review of past risk events to learn from past experience.

Standards

A common approach to risk management is in place to promote consistency and the application of leading practices in managing, monitoring and reporting of risk.

Risk ownership

Responsibility for the design of the risk management framework lies with the Enterprise Senior Leadership Team (ESLT). To support this responsibility, accountability is assigned for managing, monitoring and reporting of specific risks.

Independent assurance

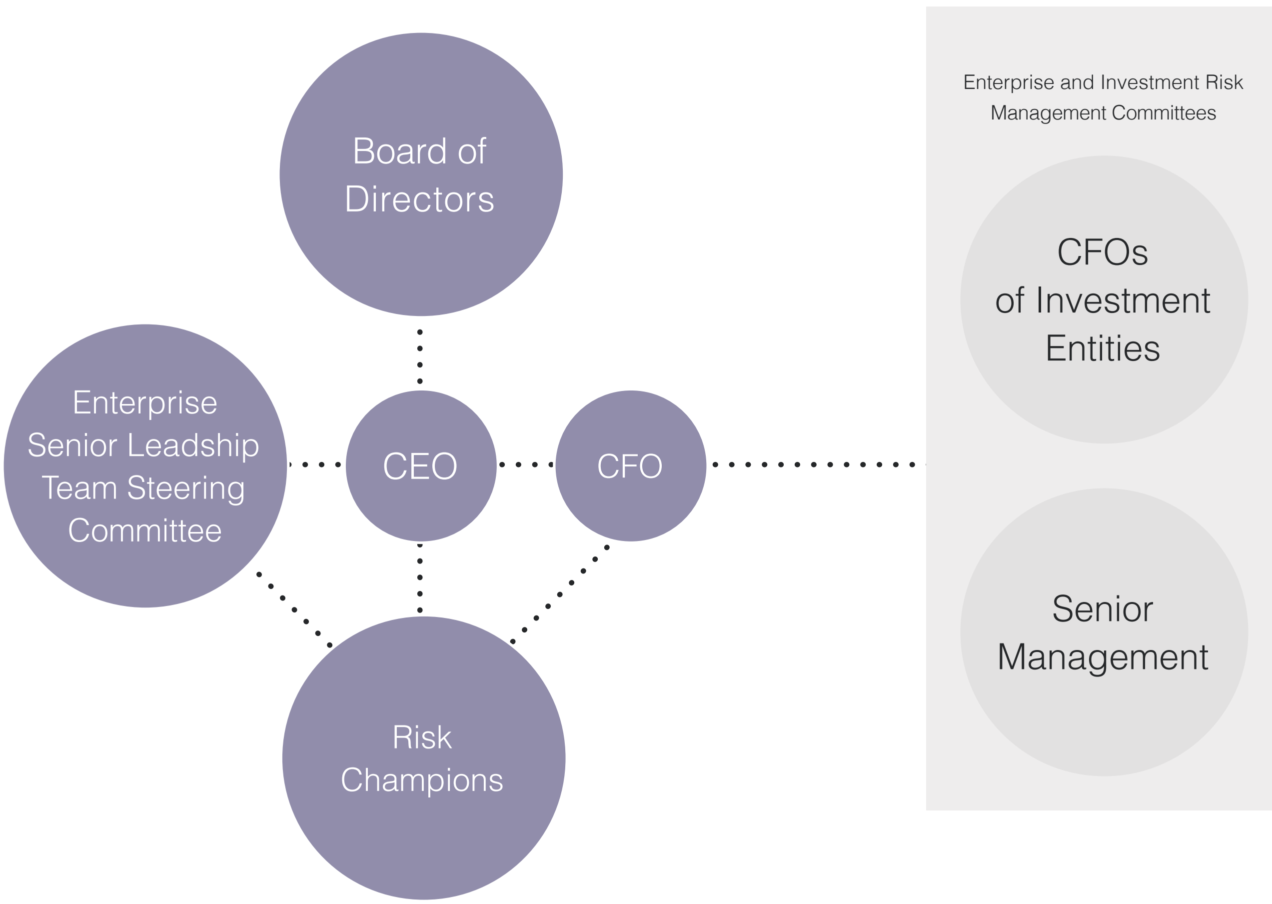
The enterprise will obtain periodic independent assurance that systems of risk management and internal control are operating efficiently and effectively.

Integration

OAC promotes the integration of risk management into all areas of our business including pension administration, investment operations and decision-making, strategic and operational planning, financial reporting and the design of compensation plans.

The ERM program enhances our overall governance framework and our ability 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 OMERS business operations. Our customized ERM program is a top-down/bottom-up methodology based on the COSO Enterprise Risk Management Integrated Framework. As illustrated in the chart on page 64, the program is led by the ESLT Steering Committee chaired by the CEO. Each risk has been assigned to an executive Risk Champion, who is responsible for understanding all aspects of the risk and for actively liaising with OMERS subject matter experts. There are two cross-functional and cross-enterprise risk committees, comprised of all Investment Entity Chief Financial Officers (CFOs) and corporate Senior Management, who are responsible for documenting and communicating risk management activities throughout OMERS.

OAC Enterprise Risk Management Program Organization



The primary oversight responsibility for risk management rests with the Board. The Board receives annual and quarterly risk assessment updates on the status of key risks and mitigating action plans as well as the identification of any new or emerging risks.

When assessing risks, committees focus on the key risks to the Strategic Plan. These key risks are mapped against their Board-approved Risk Appetite Statement and action plans to monitor or manage the risks are developed by the Risk Champions. In addition to the ongoing risk assessments, key projects and strategic initiatives are also subject to a rigorous assessment of risks and mitigating controls to determine gaps and action plans.

Risks Affecting the OMERS Pension Plans

The Enterprise Risk Management program has identified four categories of risks that could potentially have an adverse effect on the OMERS Pension Plans:

- investment risks (market, credit and liquidity risk) that are an inherent part of investing in capital and private markets;
- an array of operational (i.e. employee engagement, employee conduct, internal control, client service, etc.) risks that we face as an operating business;
- strategic risks inherent in the execution of our long-term plan including funding risk (i.e. funding, strategy and planning, climate change, etc.); and
- legal and compliance risks (i.e. fiduciary, contractual, etc.) that we deal with in the management and administration of the OMERS Pension Plans under the laws of Canada as well as laws and regulations of the various countries where we invest.

Risk Management

Investment Risk

OAC manages investment risk though its Investment Risk Management Framework, which is comprised of five steps:

- identify investment risk inherent in assets both in absolute terms and relative to the objectives and strategies of each portfolio;
- measure/assess investment risk consistently and objectively;
- manage investment risk on an ongoing basis with the objective that returns should be commensurate with the risks taken;
- report and monitor investment risk on a regular basis; and
- review the effectiveness of the Investment Risk Management Framework to continuously improve OAC's ability to manage its investment risks.

The Plan invests in a combination of equities, infrastructure, real estate and a broad range of interest bearing instruments in various currencies. The long-term expected return from such an investment portfolio is used to set the funding target of the Plan. This investment strategy diversifies the investment portfolio and assists in maintaining stable and cost-effective contribution rates. The future values of OMERS investment assets and liabilities are not known with certainty and change over time. Investment risk (i.e. market, credit and liquidity risk) reflects the possibility that the value of the Funds' investments will deviate from the actuarially assumed long-term rate of return as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market.

The assumption of investment risk is necessary to meet the Plans' benefit obligations at a reasonable cost. The goal of investment risk management is not to eliminate risk but to find a balance between expected returns and the risks required to generate those returns. Further, it is generally accepted that expected investment returns (positive or negative) increase with the amount of risk taken. The higher the risk involved in an investment, the higher the expected return (or potential loss) from that investment. Investment risk is neither good nor bad – a certain amount is needed to generate investment returns required to maintain stable and cost-effective contribution rates. The OAC Board defines the amount of investment risk to be taken by the Funds through (a) policies, (b) delegations and (c) the long-term strategic asset mix.

a) Policies:

The OAC Board, through the Statement of Investment Beliefs and the Statements of Investment Policies and Procedures, provides direction for the investment management and administration of the OMERS Funds.

b) Delegations:

The OAC Board annually delegates certain investment approval authority to the CEO. The Statement of Investment Authorities policy defines delegated authorities including borrowing, follow-on investments and material changes to those decisions. Within the delegated authorities from the OAC Board, the CEO may sub-delegate limits to senior management of OAC or the Investment Entities.

c) Long-term strategic asset mix:

OMERS undertakes an asset/liability study for the Primary Plan every three years to assess OMERS current strategic asset mix targets and funded status in light of OMERS strategic objectives, forward looking economic conditions and anticipated Plan design changes. During the study, several alternative asset mixes are assessed against the liability structure of the pension plan. The results of the study are used to identify the strategic asset mix which is most likely to:

- provide the investment return required to meet the pension promise; and
- generate additional surplus wealth;

while striking an acceptable balance between risk and return.

The OAC Board completed its last asset/liability study in October 2012 which confirmed the strategic decision to continue moving towards a 53 per cent public markets and 47 per cent private markets asset mix.

OAC utilizes analytical and reporting tools including enterprise-wide and Investment Entity specific policies; asset/liability studies and actuarial valuations; risk measurement and reporting; and due diligence and internal "direct drive" asset management processes to manage investment risk at the enterprise and Investment Entity (public market and non-public market) levels.

OAC ensures that OMERS Pension Plans' investments are well diversified across assets, industry sectors and geographic regions in order to have different segments of the investment portfolio exposed to different investment risks. This reduces the overall volatility of returns and insulates the investment portfolio from the negative impact of adverse returns in any one asset class, industry or region.

Market, credit and liquidity risks are discussed in our Consolidated Financial Statements on pages 97 - 101 of this Annual Report.

Risk Management

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, and management of information technology. These controls are independently reviewed through internal audits and the annual review of our internal controls over financial reporting and disclosure controls discussed on page 27 of this Annual Report.

People Risk

A key component of operational risk is people risk. Our human resources practices are designed to mitigate people risk including the risk of loss of key personnel. As OMERS implements its direct drive strategy and repatriates assets from external fund managers, continuing to manage people risk remains a focused priority for the Board and Management.

Strategic Risk

Strategic risk is the risk of not achieving our long-term strategic goals and objectives. The 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 Board for decisions relating to the day-to-day management of the OMERS Pension Plans and the Funds including funding policy, investment strategies and investments pursued, investment management styles and operating results. To manage this risk, we have established a governance framework, a business strategy development process and performance measures.

Funding Risk

The OMERS Pension Plans' funding is a significant strategic risk. Inappropriate policies or decisions related to asset allocation or actuarial methodologies and valuation processes can impact the funding of the OMERS Pension Plans. Our ability to pay pensions is not only subject to investment risks but is also subject to the risks associated with the assumptions used in the valuation of the Plan's accrued pension obligation. The major assumptions that go into the valuation of the accrued pension obligation include long-term economic conditions (e.g., inflation, the real return on investments and the rate of member future salary increases) and membership demographics (e.g., mortality, disability, termination and early retirement rates and marital status). The risk arises in two ways: (i) actual market conditions and member demographics differing significantly from the assumptions used in the valuation of the accrued pension obligation; and (ii) unforeseen changes in major assumptions.

To manage these risks, the Board appoints an independent actuary to value the accrued pension obligation annually based on economic and demographic assumptions recommended by the independent actuary, reviewed by Management and approved by the Board. The validity of all assumptions is monitored each year against actual experience and the assumptions may be 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 OAC's ability to achieve its objectives. The Board and Management, with the assistance of the Legal Division (including the Compliance Office) and independent expert advisors, monitor situations affecting regulatory compliance that could result in regulatory action. We have 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 Personal and Insider Trading Policy for directors and employees, we strive to ensure that values and behavioral expectations are well understood and integrated throughout the organization so as to minimize these risks.

Critical Accounting Policies

OAC financial statements are prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 4600 – Pension Plans (CICA Section 4600). For accounting policies that do not relate to the Plans' investment portfolios or pension obligations, OAC complies on a consistent basis with the requirements of International Financial Reporting Standards. The recognition, measurement and disclosure contained in the 2012 year-end Consolidated Financial Statements are in compliance with the requirements of CICA Section 4600 or the relevant International Financial Reporting Standards.

Consistent with CICA Section 4600, investment assets are presented on a non-consolidated basis even when the investment is in an entity over which OAC has effective control. Earnings of such entities are recognized as interest is earned, dividends are declared or as real estate rental revenue is earned. OAC total investment income includes valuation adjustments required to adjust the carrying of investments to their fair value.

Consistent with CICA Section 4600 and International Financial Reporting Standards, certain of our 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 investments and the valuation of our accrued pension obligation.

Our policy is to record all investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assessment of fair value involves considering many factors for each type of investment held by the Funds. Fair value is based on 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 a private market investment acquired within the current fiscal year, a non-operating investment or an investment in a start-up business may be supported by the acquisition valuation where this is considered the best estimate of fair value based upon events since acquisition. For private equity funds, the fair value is generally based on the valuation provided by the fund's general partner subject to information available to OAC's investment management. 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 valuations for significant private market investments through review 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 for private market direct investments and through annual audited financial statements for fund investments.

Actuarial assumptions used in determining the accrued pension obligation reflect Management's estimates of future economic factors such as the Plans' nominal rate of return and discount rate, rate of pensionable earnings increase and inflation, and non-economic factors such as mortality, withdrawal and retirement rates of Plan and RCA members. This process is supported by our independent actuary. The Plan and RCA 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 starting on page 86 of this Annual Report.

Compensation Discussion and Analysis

OMERS is committed to maintaining full transparency with our stakeholders on all facets of our executive compensation program. As part of this commitment, our goal is to provide information that is clear, relevant and appropriate.

Report of the Human Resources Committee

Members in 2012	
David O'Brien (Chair)	James Phillips
Bill Aziz	John Weatherup
Richard Faber	Rick Miller (ex-officio)

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

In the 2012 fiscal year, the HRC's work included:

- oversight of an annual performance assessment process for the CEO;
- making recommendations to the OAC Board on compensation for the CEO;
- reviewing the candidates for CEO and Enterprise Senior Leadership Team (ESLT) succession as part of the succession management process including discussion of development plans;
- recommending to the OAC Board on the recruitment of and the proposed compensation for the ESLT;
- approving the compensation strategy, policy structure and framework for short-term and long-term compensation plans for the ESLT;
- approving performance-based measures for compensation plans pertaining to the ESLT;
- reviewing compensation and benefits plans to ensure appropriate strategic linkages and risk mitigation; and
- approving compensation-related disclosure in public documents such as the OAC Annual Report.

Independent Compensation Advisor

To assist in executing its responsibilities, the HRC engages an independent compensation advisor, Global Governance Advisors (GGA), to provide advice. GGA is directly retained and instructed by and reports directly to the HRC. All work is pre-approved by the HRC and GGA did not provide any non-Board approved services to the organization during 2012.

During 2012, GGA's scope of services included the following: (i) providing independent executive compensation advice pertaining to the ESLT (i.e. compensation philosophy, performance management, comparator groups, competitive pay positioning and pay mix); (ii) ensuring the Committee understood and were comfortable with the current compensation program for the ESLT; (iii) assisting and counselling the Committee on any recommendations made by Management; (iv) conducting education sessions that provided the Board with an overview of emerging trends and best practices; (v) assisting in any succession management initiatives; and (vi) assisting with any other items that the HRC requested.

The HRC has sole authority to approve the amount of the independent compensation advisor's fees. The following table outlines the fees paid for services provided in the last two fiscal years:

Advisor	Executive Compensation - Related Fees		All Other Fees	
	2012	2011	**2012**	2011
Global Governance Advisors	**$291,600**	$138,500	**Nil**	Nil

Committee Composition & Meetings

Members of the HRC are appointed by the OAC Board from amongst the Board's members and are independent of Management. As a cohesive unit they have skills, knowledge and experience in investment management, pensions, economics & public policy, executive leadership & strategy, risk management and talent management. The HRC met four times during 2012 in order to review key items according to its mandate and annual work plan. At the invitation of the Chair of the HRC, members of Management, including the CEO, and the Committee's independent advisor, GGA, attended the meetings. At the end of each meeting there is an *in camera* session without Management present.

2012 Year in Review

Our total compensation philosophy is an important element of our strategy to attract, retain and engage high performing talent; however, this is only part of our overall approach to investing in our people. The potential growth of OMERS over the next five years will require focused leadership and employee development to ensure we have the talented teams in place to deliver on the pension promise.

Growing and Developing Talent

Our robust talent strategy is supported by performance-based incentives. We strongly believe in acquiring top talent, while we continuously develop and promote internal talent at all levels. Over the past two years, the Committee has worked closely with Management to develop a comprehensive succession management process designed to ensure OMERS is well positioned with the right leadership talent for the future. We have a robust process that involves all senior leaders enterprise-wide to identify, assess and develop succession candidates for executive roles across OMERS. We are confident that we have a good snapshot of the talent at OMERS and are in a position to develop our future leaders and manage the people risks related to talent for the future.

In 2011, Management established a formal strategy for developing our people and deepening OMERS leadership capabilities with the development of enterprise-wide Leadership Principles and the implementation of the Emerging Leaders Program. The program has been designed to accelerate the development of our emerging leaders by helping them gain a greater understanding of the OMERS business, the growth strategy and building and strengthening their leadership capability. OMERS has also partnered with the Ivey Leadership Institute on the design and delivery of our second leadership development program for all leaders across the enterprise, called Investing in Leaders I, so that we have a full leadership pipeline to meet our future strategic and operational objectives.

Approach to Compensation

The continued evolution of our compensation approach supports our talent strategy to attract, engage, reward and retain top talent. Our compensation plans are designed to align with business objectives while ensuring we deliver market competitive compensation that rewards for performance and differentiates across markets. The next generation of risk-adjusted compensation plans means we keep plan design simple, while ensuring the plans are reflective of the best governance principles. To maintain a clear focus on enterprise-wide performance, all long-term incentive plans incorporate enterprise-wide performance measures to ensure we are all pulling in the same direction each and every day.

2012 Performance and Compensation

When determining compensation, the HRC considers a number of quantitative and qualitative performance measures that were selected due to their alignment with OMERS five-year enterprise-wide strategic plan. This year, investment performance results exceeded expectations on many fronts and our investment performance was at the upper end of our expected average range. We continued to make substantial progress against our five-year enterprise-wide strategic plan, which included achievements in increasing the proportion of OMERS investments that we actively managed internally, continued support of our Additional Voluntary Contributions program from our Plan members, securing additional foreign capital through the launch of the Global Strategic Investment Alliance and influencing regulatory reform for the future. The committee believes that the compensation awarded to the Named Executive Officers appropriately reflects overall performance during the year.

Preparing for 2013

Given the current market conditions, salary increases were not granted to employees in executive positions. An enterprise-wide salary increase budget of 2.8 per cent was approved for 2013 for employees below the executive level.

In 2013, we will continue to dedicate a significant amount of time to the topic of talent and ensuring that OMERS has the right leaders and the right people who will produce the results that deliver value to our Plan members. We are confident that our approach to compensation, which includes strong governance practices, achieves the appropriate balance between effectively paying for performance and ensuring compensation programs do not incent excessive risk-taking and also attracts and retains talented leadership. The HRC remains committed to being a leader in compensation governance among pension funds and will continue to provide clear and transparent disclosure to our Plan members and stakeholders.

David O'Brien
2012 Chair of the Human Resources Committee

This Compensation Discussion and Analysis section highlights OMERS 2012 performance, reviews our executive compensation program in detail and describes the compensation awards for the Named Executive Officers. The Named Executive Officers include the OAC Chief Executive Officer, OAC Chief Financial Officer (CFO) and the three highest paid members of the ESLT.

Approach to Compensation

OMERS is committed to a pay-for-performance approach to compensation for all employees, including the senior leaders. This philosophy supports the execution of the five-year enterprise-wide strategic plan and the commitment to ensure the sustainability of the Plan's funding by delivering realistic risk-adjusted returns over the long term.

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

Compensation Principles

The objective of the compensation strategy is to attract, engage and retain high performing people to focus on the long-term viability of the Pension Plan and delivery of the pension promise. To achieve this objective, the executive compensation program is based on the following principles:

1. Align with the interests of Plan members

   Align employee interest with the interests of the Plan members through effective compensation plan design.

2. Align with OMERS strategy

   Focus employee efforts on critical performance targets and reward for superior performance in achieving results.

3. Pay for Performance

   Promote a pay-for-performance culture and reward employees for superior performance and adjust compensation when performance falls below targets.

4. Effective Risk Management

   Ensure compensation plan design does not create an incentive for excessive risk-taking and review each compensation plan regularly to ensure that it is operating as intended.

5. Pay Competitively

   Reward employees in a manner consistent with competitive market practice to improve the organization's ability to attract, engage and retain high performing talent. For total compensation, target level performance is benchmarked to the median in the marketplace and superior level performance is benchmarked to the 75th percentile in the marketplace.

6. Good Corporate Governance

   Strive to be a leader on governance and continually review and incorporate appropriate compensation practices that align with evolving best practices. The total compensation philosophy is approved annually by the HRC and is an integral component of the total compensation strategy.

Elements of the Executive Compensation Plan

Executive compensation for 2012 consists of six main elements: base salary, short-term incentives, long-term incentives, benefits, perquisite cash allowances and pensions. These elements provide a total compensation package designed to attract highly qualified individuals, provide strong incentive to align efforts with OMERS objectives and motivate to deliver performance that creates sustainable results for OMERS members.

Compensation Element	Plan Description
Fixed Compensation	
Base Salary	The compensation philosophy aims to pay competitive base salaries as defined by the comparator group. Salaries are reviewed annually at the beginning of each year and any increases are generally granted when an executive assumes greater responsibilities, deepens knowledge and expertise, or when there is a significant change in the compensation levels of comparable roles in the comparator group. The HRC considers and approves base salaries of the ESLT, while the OAC Board approves the CEO's base salary based on the HRC's recommendation.
Benefits, Perquisites and Pension Programs	Employees in Canada participate in benefits that include vacation, life and disability insurance, health and dental benefits, our employee assistance program, and pension plan. Members of the ESLT also receive a perquisite cash allowance, which is regularly reviewed by the HRC.
Performance Based / At Risk Compensation	
Short-term Incentive Plan	Short-term Incentive Plans (STIP) are designed to attract, engage and retain high-performing executives by providing competitive, performance-based compensation targets. The STIP has been designed to align compensation with key performance and strategic objectives and individual performance. The HRC reviews targets for the ESLT each year as well as upon hire, promotion or when there are significant changes in responsibilities. At the beginning of each year, the HRC approves the key areas of focus, performance measures, weightings and targets against which performance will be evaluated. The corporate performance component is based on a scorecard comprised of: (i) investment performance, (ii) pension services performance, and (iii) objectives aligned with OMERS five-year enterprise-wide strategic plan. There is also an individual component that assesses and rewards leadership performance demonstrated by the executives in the achievement of their key performance objectives and how well they have met their overall job performance expectations. STIP awards are determined as follows for the CEO and corporate senior executives: **STIP Award** Short-term Incentive Plan Target x [Performance on Strategic Planning and Execution + Investment Performance + Pension Services Performance + Individual Performance] Investment Entity leaders have a similar STIP based on performance of their specific business.
Long-term Incentive Plan	The Long-Term Incentive Plan (LTIP) is designed to encourage and reward executives for the achievement of superior and sustained investment performance and align the interests of executives with those of Plan members. The LTIP rewards performance over multiple years to incent the achievement of consistent longer term outcomes. The awards mature on December 31 of the third year following the award date. LTIP awards are determined as follows for the CEO and corporate senior executives: **LTIP Award** Long-term Incentive Plan Target x [**Investment Performance** Total Public Markets Performance + Total Private Markets Performance] x OMERS Total Fund Absolute Return Multiplier Investment Entity leaders have a similar LTIP based on performance of their specific business.
Long-term Performance Plan	The Long-term Performance Plan (LTPP) was implemented in 2010 to align executives with the five-year strategic plan and to provide motivation to grow OMERS assets, including third-party assets. Under the LTPP, performance units may be awarded to the President and CEO and to other key members of the ESLT based on performance or market-related considerations. LTPP is based on the value-add generated from growth in new assets under management. The value fluctuates in accordance with the Fund's absolute performance as well as the size of the Fund over the three-year period. Once fully vested, the performance unit value will be determined and paid out in cash. LTPP awards are determined as follows: **LTPP Award** Long-term Performance Plan Target x [Third-party Committed Capital Raised + Management Fees for Third-party Committed Capital Raised]

Comparator Groups Used to Set Competitive Pay

OMERS has identified comparator groups for its various businesses in setting competitive compensation to closely reflect the marketplace. The comparator groups are reviewed on a regular basis and approved by the HRC. Typical considerations include other organizations that compete for similar talent, industry-specific organizations or organizations with similar objectives. Within these comparator groups, OMERS reviews compensation levels of comparable positions and assesses relative performance and size of the comparator groups. Annually, the compensation comparator groups are used to benchmark compensation for all employees enterprise-wide. The following chart captures the general parameters used to develop the annual comparator groups:

Geographic Location: Canada	Sample Organizations
Corporate functions	• General industry organizations with revenues greater than $1 billion
Pensions services	• Pension funds
Investment teams	• Investment management organizations, including pension funds, asset management firms and banks
Oxford Properties	• Real Estate organizations • Investment management organizations, including pension funds, asset management firms and banks

Outside of Canada, local market data is gathered on the same basis to set compensation levels.

Alignment to Financial Stability Board Principles – For Effective Governance of Compensation

The HRC has taken steps to further strengthen our approach to compensation, including incorporating the Financial Stability Board Principles for Sound Compensation Practices and the associated Implementation Standards. These principles and standards, established in 2009, are intended to ensure effective governance of compensation, alignment of compensation with prudent risk-taking, effective supervisory oversight and stakeholder engagement in compensation. The following paragraphs discuss how OMERS approach to compensation is aligned with these principles and standards.

The HRC is composed entirely of independent directors and meets on a regular basis to discuss various compensation and human resources matters. They are responsible for approving compensation plans and policies for the ESLT, including base salary and incentive compensation. The HRC has a formal and comprehensive process for approving the design of compensation plans across the organization. On an annual basis, the HRC approves the performance measures, weightings and targets at the beginning of the year. At the end of the year, the results are evaluated to determine actual payouts.

Executives have a competitive mix of base salary, variable and deferred compensation. The mix varies by position and level within the organization, with a higher weighting of variable and at risk compensation at higher executive levels. All STIP and LTIP award payouts are dependent on performance results based on pre-determined HRC approved measures and the level of risk taken in achieving results versus OMERS risk framework. Executives receive a meaningful portion of their compensation in LTIP awards, subject to performance and vesting requirements. All compensation plans reviewed or designed after 2010 include a comprehensive review of risk measures to determine the impact on compensation awards. The HRC uses both quantitative measures and judgment in determining risk adjustments. The risk adjustments account for all types of risk which include, but are not limited to, asset allocation and concentration risk, active risk, regulatory breaches, operational risk and people risk.

OMERS continues to ensure effective governance of compensation and alignment of compensation with prudent risk-taking. The HRC remains committed to being a leader in compensation governance among Canadian pension funds and will continue to strive for improvements in disclosure to our Plan members and stakeholders.

2012 Performance and Executive Compensation

Incentive compensation for the CEO and corporate senior executives is based on performance against pre-determined investment performance results, pension services performance and performance against OMERS five-year enterprise-wide strategic plan. This section highlights the performance during the year and how it translates into the compensation awarded to the Named Executive Officers.

2012 Corporate Performance

Under Michael Nobrega's leadership, OMERS continues to evolve as a strategic leader with innovative programs and services in the pension industry and investment community.

OMERS performed strongly against the five-year strategic plan objectives by continuing to implement the long-term asset mix policy and the initiatives to gain access to domestic and foreign capital, as well as identifying strategic investment opportunities and removing barriers to OMERS growth. These strategic initiatives are discussed in the MD&A section of this Annual Report.

Pension Services met or exceeded all targets to ensure our Plan members and employers receive excellent service by continuing to enhance our internal capabilities, focusing on excellent execution and supporting effective plan governance. We successfully completed phase one of the redevelopment of our internal technology systems to accommodate increased Plan complexity and position ourselves to support OMERS strategic initiatives. The successful launch of the Additional Voluntary Contributions (AVC) program in 2011 continues to gain momentum among Plan members.

Investment performance is critical to fulfill the pension promise to our current and future retirees as OMERS must produce investment returns that exceed the actuarially assumed rate of return, within an acceptable risk tolerance. At the start of every year the OAC Board approves benchmarks for the asset classes in which OMERS invests. OMERS achieved excellent investment results for 2012 with a 10.03 per cent total Fund return. For our asset classes that are benchmarked based on projected absolute returns, Borealis Infrastructure and Oxford Properties exceeded expected performance levels; however, OMERS Strategic Investments returns were below the benchmark. While OMERS Capital Markets and OMERS Private Equity returns were below the benchmarks, returns were within or exceeded our absolute performance expectations. Results for each entity are further discussed in the MD&A section of this Annual Report.

Compensation Decisions

When determining compensation, the HRC ensures there is a strong link between executive compensation and actual performance achieved. Given the 2012 performance results, the HRC approved the STIP performance factor of 162.3 per cent for the CEO, which resulted in actual STIP awards reported in the charts below. For the 2010 LTIP award that matured on December 31, 2012, the three-year pre-determined performance measures resulted in a LTIP performance factor of 90.7 per cent, which recognized the investment returns over the three-year period. The 2010 LTPP award measured performance against the growth in third-party assets over the three-year period. The resulting payment was 55.6 per cent of target, as the first close of the GSIA initiative occurred in 2012. The HRC believes that the compensation awarded to the Named Executive Officers closely reflects the actual performance of OMERS and continues to emphasize executive retention as well as supporting the OMERS pay-for-performance philosophy.

Summary Compensation Table

The table below represents disclosure of salary, short-term incentives, long-term incentives, employer portion of pension contributions, and other compensation paid to or earned by each Named Executive Officer during the three most recently completed financial years. To align with disclosure rules set out by the Canadian Securities Administrators (CSA) the compensation reported in each respective year represents what was awarded to each Named Executive Officer for their contribution and performance. It is important to note that all numbers below have been restated to conform to this methodology as prescribed by the CSA.

			Non-Equity Incentive Compensation ($)					
Name and Principal Position	Year	Salary ($)	Short -Term Incentive Plan	Long-Term Incentive Plan (i)	Long-Term Performance Plan (i)	Pension Value ($) (ii)	All Other Compensation ($)	Total Compensation ($)
Michael Nobrega President & CEO	**2012**	**$515,000**	**$1,044,806**	**$1,287,500**	**$386,250**	**$158,175**	**$95,697**	**$3,487,428**
	2011	$515,000	$777,263	$1,287,500	$386,250	$145,715	$95,652	$3,207,380
	2010	$515,000	$1,179,496	$1,287,500	$386,250	$276,707	$90,573	$3,735,526
Patrick Crowley Chief Financial Officer	**2012**	**$438,000**	**$613,200**	**$547,500**	**n/a**	**$102,454**	**$28,693**	**$1,729,847**
	2011	$438,000	$600,000	$547,500	n/a	$95,261	$29,462	$1,710,223
	2010	$438,000	$613,200	$547,500	n/a	$152,824	$31,531	$1,783,055
Michael Latimer Executive Vice President & Chief Investment Officer	**2012**	**$500,000**	**$1,100,000**	**$1,250,000**	**n/a**	**$149,124**	**$105,422**	**$3,104,546**
	2011	$500,000	$1,000,000	$1,250,000	n/a	$112,009	$105,186	$2,967,195
	2010	$500,000	$1,100,000	$1,250,000	n/a	$214,257	$122,638	$3,186,895
Blake Hutcheson (iii) President & CEO, Oxford Properties Group	**2012**	**$475,000**	**$950,000**	**$1,025,000**	**n/a**	**$42,750**	**$98,085**	**$2,590,835**
	2011	$475,000	$950,000	$1,025,000	n/a	$42,750	$98,066	$2,590,816
	2010	$435,417	$755,105	$1,025,000	n/a	$39,188	$66,868	$2,321,578
Michael Rolland President & CEO, Borealis Infrastructure	**2012**	**$438,000**	**$830,000**	**$1,095,000**	**n/a**	**n/a**	**$71,531**	**$2,434,531**
	2011	$438,000	$812,769	$1,095,000	n/a	n/a	$71,066	$2,416,835
	2010	$438,000	$841,377	$1,095,000	n/a	n/a	$67,537	$2,441,914

(i) The amounts shown represent the value of awards as of the grant date in each calendar year.

(ii) Represents the employer contributions to the Plan and employer contributions to third-party providers of defined contribution pension plans.

(iii) In addition to the compensation reported above, Mr. Hutcheson was awarded a one-time payment of $475,000 in 2010, 2011 and 2012 to replace income that would be forfeited or foregone as a result of his change of employers.

Incentive Plan Awards

Long-term Incentive awards are granted at the start of the fiscal year and paid out at the end of the vesting period. The following table presents the outstanding long-term incentive awards and most recent payments for each Named Executive Officer.

Name	Year	Type of Award	Award Target Value ($)	Award Maximum Value ($)	Actual Value at Payout ($)
Michael Nobrega President & CEO	**2012**	**LTPP**	**$386,250**	**n/a**	
	2012	**LTIP**	**$1,287,500**	**$2,575,000**	
	2011	LTPP	$386,250	n/a	
	2011	LTIP	$1,287,500	$2,575,000	
	2010	LTPP	$386,250	n/a	$214,583
	2010	LTIP	$1,287,500	$2,575,000	$1,168,265
Patrick Crowley Chief Financial Officer	**2012**	**LTIP**	**$547,500**	**$1,095,000**	
	2011	LTIP	$547,500	$1,095,000	
	2010	LTIP	$547,500	$1,095,000	$496,796
Michael Latimer Executive Vice President & Chief Investment Officer	**2012**	**LTIP**	**$1,250,000**	**$2,500,000**	
	2011	LTIP	$1,250,000	$2,500,000	
	2010	LTIP	$1,250,000	$2,500,000	$1,134,238
Blake Hutcheson President & CEO, Oxford Properties Group	**2012**	**LTIP**	**$1,025,000**	**$1,691,000**	
	2011	LTIP	$1,025,000	$1,691,000	
	2010	LTIP	$1,025,000	$1,691,000	$1,655,375
Michael Rolland President & CEO, Borealis Infrastructure	**2012**	**LTIP**	**$1,095,000**	**$2,190,000**	
	2011	LTIP	$1,095,000	$2,190,000	
	2010	LTIP	$1,095,000	$2,190,000	$2,142,915

The 2010 LTIP awards matured at the end of 2012 and were paid out, leaving the 2011 and 2012 LTIP awards outstanding. All LTIP awards vest and mature on December 31st of the third year of the plan.

Defined Benefit Pension Plan

The table below represents disclosure of estimated pension information for the Named Executive Officers as at December 31, 2012.

Name	Number of Years Credited Service (#)	Annual Benefits Payable ($) At Year End	Annual Benefits Payable ($) At Age 65	Opening Present Value of Defined Benefit Obligation ($)	Compensatory Change ($)	Non-Compensatory Change ($)	Closing Present Value of Defined Benefit Obligation ($)
Michael Nobrega President & CEO	5.808	$272,795	n/a	$3,040,327	$290,969	$311,085	$3,642,381
Patrick Crowley (i) Chief Financial Officer	11.660	$147,760	$215,959	$1,397,583	$232,891	$236,506	$1,866,980
Michael Latimer Executive Vice President & Chief Investment Officer	7.843	$172,731	$256,920	$1,831,229	$294,032	$231,480	$2,356,741

(i) Mr. Crowley purchased additional years of credited service in 2010 of 3.833 years and 1.750 years in 2012.

Defined Contribution Pension Plan

The table below shows the pension information for the Named Executive Officer participating in the organization's defined contribution pension arrangement as at December 31, 2012.

Name	Name of the Arrangement	Accumulated Value at Start of Year ($)	Compensatory ($)	Accumulated Value at Year End ($)
Blake Hutcheson President & CEO, Oxford Properties Group	DC Plan	$49,246	$28,179	$77,425
	DC SERP	$38,276	$21,764	$60,040
	Total	$87,522	$49,943	$137,465

Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the various incentive plans, which are summarized in the following table.

	Short-term Incentive Plan	Long-term Incentive Plan	Long-term Performance Plan
Resignation	Forfeited	Forfeited	Forfeited
Retirement	Entitled to a partial award, pro-rated to reflect the period of active employment	Entitled to a partial award, pro-rated to reflect the period of active employment	Entitled to a full award which will mature in normal course
Termination without Cause	Entitled to a partial award, pro-rated to reflect the period of active employment	Entitled to a partial award, pro-rated to reflect the period of active employment	Entitled to a partial award, pro-rated to reflect the period of active employment
Termination with Cause	Forfeited	Forfeited	Forfeited

Conclusion

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

Responsibilities of Management, Actuary and Independent Auditors

The OMERS Administration Corporation (OAC) is the administrator of the OMERS pension plans (the OMERS Pension Plans) as defined in the *Ontario Municipal Employees Retirement System Act, 2006* (the OMERS Act). The OMERS Pension Plans include OMERS Primary Pension Plan (the Primary Plan or the Plan), which includes the Defined Benefit and the Additional Voluntary Contribution (AVC) components, and the Retirement Compensation Arrangement (the RCA) associated with the Plan and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the Supplemental Plan). OAC is responsible for managing the funds of the Plan, the RCA and the Supplemental Plan (collectively, the Funds). As at December 31, 2012, membership in the Supplemental Plan was nil.

The consolidated financial statements of OAC have been prepared by Management and approved by the Board of the OAC (the OAC 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 controls 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 division 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, Corporate Audit Services reviews OAC's systems of internal controls to determine whether these controls are appropriate and operating effectively.

The OAC 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 OAC, assists the OAC 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 OAC Board for approval.

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

The independent auditors are also appointed by the OAC Board. Their responsibility is to report to the OAC Board whether in their opinion the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of changes in net assets available for benefits and the statements of changes in pension obligations for the years ended December 31, 2012 and 2011 present fairly in all material respects the financial position, the changes in net assets available for benefits and changes in pension obligations in accordance with Canadian accounting standards for pension plans. The independent 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 auditors' report outlines the scope of their examination and opinion.

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

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

Michael Nobrega
President and Chief Executive Officer

Patrick G. Crowley
Executive Vice President and Chief Financial Officer

Toronto, Canada
February 21, 2013

Actuarial Opinion

We conducted actuarial valuations as at December 31, 2012 of the OMERS Primary Pension Plan (the Primary Plan) and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (the RCA) administered by OMERS Administration Corporation (the OAC). The Primary Plan consists of a defined benefit component and an additional voluntary contribution (AVC) component. The purpose of the valuations is to fairly present the actuarial funded status of the Primary Plan and the RCA as at December 31, 2012, for inclusion in this Annual Report in accordance with Section 4600 of the Canadian Institute of Chartered Accountants Handbook Part IV.

The results of the actuarial valuation of the Primary Plan disclosed total going concern actuarial liabilities of $69,292 million in respect of benefits accrued for service to December 31, 2012 (comprising $69,122 million with respect to the defined benefit component and $170 million with respect to the AVC component). The actuarial assets at that date were $59,368 million (comprising $59,198 million with respect to the defined benefit component and $170 million with respect to the AVC component), indicating a going concern actuarial deficit of $9,924 million. Ongoing adequacy of the Primary Plan's contribution rates will need to be monitored to ensure that future contributions, together with the Primary Plan assets and future investment earnings thereon, will be sufficient to provide for its future benefits.

The RCA provides for pension benefits in excess of the maximum pension benefits under the Primary Plan. The RCA is not fully pre-funded. The actuarial liability in respect of RCA benefits accrued for service to December 31, 2012 (determined using assumptions consistent with those used for the Primary Plan except that the discount rate is adjusted to approximate the effect of the 50 per cent refundable tax under the RCA), net of the RCA assets, was $477 million. Contributions, based on the top-tier Primary Plan contribution rates, are payable to the RCA on the excess of earnings over a defined earnings threshold. The funding of the RCA is managed on a modified pay-as-you go basis and monitored to ensure that the fund will have sufficient assets to provide for the projected benefit payments over the 20-year period following each valuation date.

The actuarial valuations of the Primary Plan and the RCA as at December 31, 2012 were conducted using the Unit Credit Actuarial Cost Method with projection of earnings and membership data as at December 1, 2012 and financial information as at December 31, 2012 supplied by the OAC. The December 1, 2012 membership data was adjusted, among other things, for the following:

- actual inflationary increases to pensions in payment and deferred pension payments effective January 1, 2013,
- estimated credited service accruals in 2012, and
- estimated earnings for 2012.

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

- the membership data are sufficient and reliable for the purpose of the valuations;
- the assumptions adopted were set with reference to the Primary Plan's funding policy and with allowance for refundable taxes under the RCA and are appropriate for the purpose of the valuations; and
- the methods employed in the valuations are appropriate for the purpose of the valuations.

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

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

Respectfully submitted
Towers Watson Canada Inc.

Ian Markham

Ian Markham
Fellow, Canadian Institute of Actuaries

Philip Morse

Philip A. Morse
Fellow, Canadian Institute of Actuaries

Toronto, Canada
February 21, 2013

Independent Auditors' Report

To the Board of OMERS Administration Corporation

We have audited the accompanying consolidated financial statements of OMERS Administration Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of changes in net assets available for benefits and changes in pension obligations for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OMERS Administration Corporation as at December 31, 2012 and 2011 and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
February 21, 2013

Consolidated Financial Statements

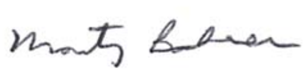
Consolidated Statement of Financial Position

(millions) As at December 31,	2012	2011
Net Assets Available For Benefits		
Assets		
Investments (note 3)	$ 72,355	$ 64,058
Other investment assets (notes 3 and 5)	366	332
Amounts due from pending trades (note 3)	487	375
Contributions receivable		
Employers	121	114
Members	121	114
Other assets	79	65
Total Assets	73,529	65,058
Liabilities		
Investment liabilities (notes 3 and 6)	11,249	8,802
Due to administered funds	905	828
Amounts payable from pending trades (note 3)	492	261
Other liabilities	116	84
Total Liabilities	12,762	9,975
Net Assets Available for Benefits	$ 60,767	$ 55,083
Accrued Pension Obligation And Deficit		
Primary Plan (note 7)		
Defined benefit component		
Accrued pension obligation	$ 69,122	$ 64,548
Deficit		
Funding deficit	(9,924)	(7,290)
Actuarial value adjustment of net assets	1,321	(2,337)
	(8,603)	(9,627)
	60,519	54,921
Additional Voluntary Contributions component pension obligation	170	94
	60,689	55,015
Retirement Compensation Arrangement (note 8)		
Accrued pension obligation	555	504
Deficit	(477)	(436)
	78	68
Accrued Pension Obligation and Deficit	$ 60,767	$ 55,083

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

Signed on behalf of the Board of OMERS Administration Corporation:

Rick Miller
OAC Chair



Monty Baker
Chair, Audit Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

(millions) For the year ended December 31,	2012	2011
Changes Due to Investment Activities (note 9)		
Investment income	$ 2,352	$ 2,103
Changes in fair values of investment assets and		
liabilities and derivatives	3,192	(455)
Investment management expenses (note 13 (b))	(265)	(264)
Income allocated to administered funds	(79)	(21)
	5,200	1,363
Changes Due to Pension Activities		
Contributions (note 11)		
Employers	1,523	1,317
Members	1,580	1,362
Transfers in	40	41
Additional Voluntary Contributions	67	93
	3,210	2,813
Benefits (note 12)		
Payments	(2,485)	(2,193)
Transfers out	(185)	(190)
	(2,670)	(2,383)
Pension administrative expenses (note 13 (a))	(56)	(59)
	484	371
Total Increase	5,684	1,734
Net assets available for benefits, beginning of year	55,083	53,349
Net Assets Available for Benefits, End of Year	$ 60,767	$ 55,083

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

Statement of Changes in Pension Obligations

(millions) For the year ended December 31,	2012	2011
OMERS Primary Pension Plan (note 7)		
Defined Benefit Component		
Accrued pension obligation, beginning of year	**$ 64,548**	$ 60,035
Interest accrued on benefits	**4,193**	3,904
Benefits accrued	**2,561**	2,434
Benefits paid (note 12)	**(2,654)**	(2,375)
Experience losses	**474**	560
Changes in actuarial assumptions and methods	**-**	(10)
Accrued pension obligation, end of year	**69,122**	64,548
Additional Voluntary Contributions Component		
Additional Voluntary Contributions obligation, beginning of year	**94**	-
Contributions (note 11)	**67**	93
Withdrawals (note 12)	**(4)**	(1)
Attributed net investment income	**13**	2
Additional Voluntary Contributions obligation, end of year	**170**	94
Accrued Pension Obligation, End of Year	**$ 69,292**	$ 64,642

(millions) For the year ended December 31,	2012	2011
Retirement Compensation Arrangement (note 8)		
Accrued pension obligation, beginning of year	**$ 504**	$ 468
Interest accrued on benefits	**16**	15
Benefits accrued	**24**	24
Benefits paid (note 12)	**(12)**	(7)
Experience losses	**34**	4
Change in RCA provisions	**(11)**	-
Accrued Pension Obligation, End of Year	**$ 555**	$ 504

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

NOTE 1

Notes to Consolidated Financial Statements

Year ended December 31, 2012

Description of Plans Administered by OMERS Administration Corporation

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

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

The accrued pension obligations of any of the OMERS Pension Plans cannot be funded by the assets of either of the other two OMERS Pension Plans. As at December 31, 2012, there were no members in the Supplemental Plan.

OMERS Primary Pension Plan

The Plan is a multi-employer jointly sponsored pension plan, created in 1962 by an Act of the Ontario Legislature, whose members are mainly employees of Ontario municipalities, local boards, public utilities and non-teaching school board staff. The 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 Plan consists of both the defined benefit component and the Additional Voluntary Contributions (AVCs) component.

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

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

a) Funding – The defined benefit component of the Primary Plan is funded by equal contributions from participating employers and members and by the investment earnings of the Plan assets. Contribution rates for the defined benefit component are set by the SC and are determined in accordance with the OMERS Act, the ITA and the PBA.

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 two per cent of the annual average earnings during the member's highest 60 consecutive months of earnings. The Plan benefits are integrated with the Canada Pension Plan at age 65.

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

d) Withdrawals and Transfers from the Plan – Subject to locking in provisions, a member that has terminated employment prior to eligibility to retire has the option to withdraw or transfer a lump sum equivalent value of 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 annual average earnings during the member's highest 60 consecutive months of 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.

NOTE 1

Description of Plans Administered by OMERS Administration Corporation (continued)

The Plan also contains a component enabling members to make Additional Voluntary Contributions on which the member receives the net investment return of the defined benefit component of the Plan. For the AVC component of the Plan the only liability of OAC is the members' contributions plus/minus the net investment income or loss of the Plan.

Funds in an AVC account can be fully withdrawn when members retire or leave their OMERS employer (subject to any locking-in requirements); however, while a member is active, withdrawals are limited to a maximum of 20 per cent of the previous year-end balance, subject to a minimum of $500. As well, withdrawals are permitted only from March 1 to April 30 of each year.

Retirement Compensation Arrangement

The RCA is an arrangement that provides pension benefits for individuals with earnings exceeding the amount that generates the maximum pension allowed by the ITA. It is a separate trust arrangement and is not governed by the PBA and is not a registered plan under the ITA. The RCA is governed by the OMERS Act and is funded by equal contributions from participating employers and members and by the investment earnings of the RCA fund. Contributions are determined to ensure that the RCA fund has sufficient amounts to pay projected benefits for 20 years from the actuarial valuation date. The RCA net assets available for benefits are invested and accounted for separately from the Plan and the Supplemental Plan, and the accrued pension obligation of the RCA is valued separately from the Plan and Supplemental Plan accrued pension obligations.

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The Supplemental Plan became effective on July 1, 2008, pursuant to the requirements of the OMERS Act. The Supplemental Plan is a separately funded, jointly sponsored, multi-employer pension plan that provides supplemental pension benefits that "top up" those available under the Plan for members of the Plan who are employed in the police and fire sectors which, as defined in the OMERS Act, includes paramedics. The Supplemental Plan is governed by the OMERS Act and the benefit provisions and other terms of the Supplemental Plan are set out in the plan text. The Supplemental Plan is registered with FSCO and with CRA under Registration #1175892.

The Supplemental Plan is a contributory defined benefit pension plan funded by equal contributions from participating employers and members and by the investment earnings of the Supplemental Plan assets. Contribution rates are set by the SC. Participation in the Supplemental Plan is effective only upon agreement between an employee group and an employer. As at December 31, 2012 and 2011, the Supplemental Plan had no assets and no members.

Neither the Plan nor the RCA is permitted to pay costs for the Supplemental Plan. As such, until March 31, 2018, unless the Supplemental Plan has sufficient funds based on the administrative portion of contributions, any administrative costs of the Supplemental Plan are funded through a start up grant from the Province of Ontario.

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

These financial statements include the financial position, changes in net assets available for benefits and changes in pension obligations of OAC and the OMERS Pension Plans. Investments are managed by the following entities: OMERS Capital Markets (which is primarily responsible for investing in publicly traded interest bearing and equity investments as well as commercial mortgages and private debt investments); OMERS Private Equity (which manages private equity investments); Borealis Infrastructure (which manages infrastructure investments); Oxford Properties Group (which manages real estate assets); and OMERS Strategic Investments (which manages strategic investments across all asset classes) (collectively the Investment Entities). In accordance with CICA 4600, the consolidated financial statements present the assets and liabilities of the Investment Entities on a consolidated basis and the fair value of investments on a non-consolidated basis even where OAC has effective control over the operations of that investment.

Inter-company transactions and balances between OAC and the Investment Entities of OAC are eliminated in arriving at the consolidated financial statements.

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

Use of Estimates

The preparation of consolidated financial statements requires Management to make estimates and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued pension obligations and related disclosures. Actual results could differ from these estimates. Significant estimates included in the consolidated financial statements relate to the valuation of investments and the determination of the accrued pension obligation.

NOTE 2

Summary of Significant Accounting Policies (continued)

Investments

The Funds' investments consist of the following major asset classes: public markets (which include public equities and interest bearing investments such as treasury bills, bonds, mortgages and private debt), private equity, infrastructure and real estate.

In 2011, the CICA introduced International Financial Reporting Standard 13 – Fair Value Measurement. This standard defines fair value and sets out a framework for measuring fair value. It is effective for annual periods beginning on or after January 1, 2013; however, early adoption is permitted. OAC has chosen to early adopt the requirements of IFRS 13 for the period beginning January 1, 2011.

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

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

Fair value may be determined by reference to a market index, publicly observable market data or through the use of valuation techniques and models which utilize assumptions based on information that is not publicly observable. Where a public market price in an active market is not available for an investment asset or liability, a suitable method of valuation is used annually by OAC Management (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. In these cases the fair value may differ significantly when varying assumptions are used. Accredited independent external valuation experts 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 fifteen 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 recognized during the year and is reflected in net investment income/loss in the Consolidated Statement of Changes in Net Assets Available for Benefits.

Investment Income/Loss

Investment income/loss includes accrued interest, dividends and real estate rental income. Gains and losses that have been realized on the disposal of investments and the unrealized appreciation/depreciation required to adjust investments to their fair value are added to investment income to arrive at total investment income.

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

NOTE 2

Summary of Significant Accounting Policies (continued)

Transaction and Pursuit Costs

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

External Manager Fees

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

Investment Liabilities

Investment liabilities include commercial paper, debentures, mortgages and other debt obligations incurred by OAC to acquire an investment, primarily in the real estate and infrastructure asset classes. Investment liabilities also include the Funds' liability to return cash collateral received in securities lending transactions as well as the amounts payable in respect of securities sold under agreements to repurchase (Repo Agreements). The fair value of investment liabilities is estimated using discounted cash flows based on current market yields, except for items that are short-term in nature for which cost plus accrued interest approximates fair value.

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

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, OAC 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. OAC is authorized under the terms of the various agreements to recover expenses for administering such funds.

The amount due to administered funds is credited with income based upon their proportionate interest in the Plan's net investment income and the balance reflects the Plan's obligation to return funds to the administered funds.

NOTE 2

Summary of Significant Accounting Policies (continued)

Accrued Pension Benefits and Accrued Pension Obligation

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

The AVC pension obligation represents OAC's liability to repay AVC contributions including a pro-rata share of investment income or losses.

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

Actuarial Value of Net Assets and Actuarial Value Adjustment

The actuarial value of net assets for the Plan is used in assessing the funding position of the Plan, including the determination of contribution rates. The actuarial value adjustment to the fair value of net assets is the amount of net investment returns above or below the actuarial long-term rate of return assumption that are being smoothed and recognized over a five-year period. The fair value of net assets is adjusted by the unrecognized actuarial value adjustment to arrive at the actuarial value of net assets.

Surplus/Deficit

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

Contributions

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

Benefits

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

Administrative Expenses

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

Approval of the Financial Statements

These financial statements were approved by the Board of Directors on February 21, 2013.

NOTE 3

Investments

Investments by Fair Value and Cost

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

(millions) As at December 31,		2012		2011
	Fair Value	**Cost**	Fair Value	Cost
Public Market Investments				
Interest Bearing Investments				
Cash and short-term deposits (i)	**$ 7,973**	**$ 7,973**	$ 6,120	$ 6,120
Bonds and debentures (ii)	**10,112**	**9,677**	10,173	9,522
Real return bonds	**4,128**	**3,707**	1,743	1,266
Mortgages and private debt (iii) (iv)	**1,640**	**1,577**	1,695	1,583
	23,853	**22,934**	19,731	18,491
Public Equity (iv)				
Canadian public equities	**1,823**	**1,737**	2,177	2,153
Non-Canadian public equities	**11,796**	**10,902**	10,246	9,750
	13,619	**12,639**	12,423	11,903
Total Public Market Investments	**37,472**	**35,573**	32,154	30,394
Private Equity (v)				
Canadian private equities (vi) (vii)	**3,718**	**3,453**	3,827	3,295
Non-Canadian private equities	**3,747**	**3,767**	3,926	4,114
Total Private Equity Investments	**7,465**	**7,220**	7,753	7,409
Infrastructure Investments (v)	**11,572**	**10,305**	9,635	8,807
Real Estate Investments	**15,846**	**13,595**	14,516	13,014
Total Investments	**72,355**	**66,693**	64,058	59,624
Investment Related Assets				
Other investment assets (note 5)	**366**	**494**	332	501
Amounts due from pending trades	**487**	**277**	375	64
	853	**771**	707	565
Investment Related Liabilities				
Investment liabilities (note 6)	**(11,249)**	**(10,984)**	(8,802)	(8,560)
Amounts payable from pending trades	**(492)**	**(196)**	(261)	(73)
	(11,741)	**(11,180)**	(9,063)	(8,633)
Net Investment Assets	**$ 61,467**	**$ 56,284**	$ 55,702	$ 51,556

(i) Includes restricted cash of $92 million (2011: $86 million), treasury bills of $442 million (2011: $400 million) and term deposits of $162 million (2011: $187 million).

(ii) Includes non-Canadian bonds and debentures with a fair value of $905 million (2011: $289 million).

(iii) Includes mortgages with a fair value of $1,390 million (2011: $1,235 million).

(iv) Includes externally managed investments of $4,638 million (2011: $5,482 million).

(v) Investment assets are net of long-term debt incurred in entities where OAC has effective control as presented in note 6 (a).

(vi) Includes resource properties with a total fair value of $495 million (2011: $660 million).

(vii) Includes venture capital of $117 million (2011: $5 million).

NOTE 3

Investments (continued)

The Funds' net investment assets by Investment Entity responsible for managing the Funds' investments are as follows:

(millions) As at December 31, 2012	OMERS Capital Markets	OMERS Private Equity	Borealis Infrastructure	Oxford Properties Group	OMERS Strategic Investments	Total
Investment assets	**$ 37,136**	**$ 6,016**	**$ 11,501**	**$ 16,182**	**$ 1,520**	**$ 72,355**
Allocation of cash and other	**(291)**	**-**	**70**	**210**	**11**	**-**
Investment related assets	**575**	**6**	**34**	**236**	**2**	**853**
Investment related liabilities	**(2,396)**	**(29)**	**(1,785)**	**(7,514)**	**(17)**	**(11,741)**
Net Investment Assets	**$ 35,024**	**$ 5,993**	**$ 9,820**	**$ 9,114**	**$ 1,516**	**$ 61,467**

(millions) As at December 31, 2011	OMERS Capital Markets	OMERS Private Equity	Borealis Infrastructure	Oxford Properties Group	OMERS Strategic Investments	Total
Investment assets	$ 31,990	$ 6,230	$ 9,515	$ 14,679	$ 1,644	$ 64,058
Allocation of cash and other	(1,004)	94	674	223	13	-
Investment related assets	474	9	11	210	3	707
Investment related liabilities	(1,103)	-	(1,203)	(6,741)	(16)	(9,063)
Net Investment Assets	$ 30,357	$ 6,333	$ 8,997	$ 8,371	$ 1,644	$ 55,702

NOTE 3

Investments (continued)

Investment Valuation Practices

Fair values are based on quoted prices in an active market or, where such pricing is not available, fair value is estimated using observable market inputs such as interest rates, quoted prices of comparable securities or unobservable inputs such as Management assumptions.

Fair values are determined as follows:

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

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

c) Private market investments include investments in private equity, infrastructure and real estate assets, held either directly or as a limited partner, which generally do not have a publicly available market price. 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. While not exact, valuation procedures are able to provide estimates or identify likely ranges that a reasonable counterparty would pay for such assets.

   The Funds' private market investments are valued as follows:

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

d) Fair value of derivatives, including swap, futures, option and forward contracts, are determined using quoted market prices, where available, or discounted cash flows using current market yields, where quoted market prices are not available.

Investment Fair Value Hierarchy

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

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

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

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

NOTE 3

Investments (continued)

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

(millions) As at December 31, 2012	Level 1	Level 2	Level 3	Total
Public Market Investments				
Interest Bearing Investments				
Cash and short-term deposits	$ 567	$ 7,406	$ -	$ 7,973
Bonds and debentures	-	10,112	-	10,112
Real return bonds	-	4,128	-	4,128
Mortgages and private debt	-	-	1,640	1,640
	567	21,646	1,640	23,853
Public equity	9,816	88	59	9,963
Public fund investments	-	2,856	800	3,656
Total Public Market Investments	10,383	24,590	2,499	37,472
Private Equity Investments				
Direct investments	42	273	5,170	5,485
Fund investments	-	-	1,980	1,980
Total Private Equity Investments	42	273	7,150	7,465
Infrastructure Investments	-	-	11,572	11,572
Real Estate Investments	-	-	15,846	15,846
Total Investments	10,425	24,863	37,067	72,355
Investment Related Assets				
Other investment assets	-	96	270	366
Amounts due from pending trades [(i)]	347	131	9	487
	347	227	279	853
Investment Related Liabilities				
Debt	-	(3,434)	(5,027)	(8,461)
Payables under securities lending program	-	(933)	-	(933)
Securities sold under repurchase agreements	-	(842)	-	(842)
Other payables and liabilities	(255)	(12)	(746)	(1,013)
Amounts payable from pending trades [(i)]	(227)	(127)	(138)	(492)
	(482)	(5,348)	(5,911)	(11,741)
Net Investment Assets	$ 10,290	$ 19,742	$ 31,435	$ 61,467

(i) Includes fair value of derivatives.

NOTE 3

Investments (continued)

(millions) As at December 31, 2011	Level 1	Level 2	Level 3	Total
Public Market Investments				
Interest Bearing Investments				
Cash and short-term deposits	$ 296	$ 5,094	$ 730	$ 6,120
Bonds and debentures	-	10,173	-	10,173
Real return bonds	-	1,743	-	1,743
Mortgages and private debt	-	-	1,695	1,695
	296	17,010	2,425	19,731
Public equity	9,400	-	135	9,535
Public fund investments	-	2,608	280	2,888
Total Public Market Investments	9,696	19,618	2,840	32,154
Private Equity Investments				
Direct investments	31	484	4,541	5,056
Fund investments	-	-	2,697	2,697
Total Private Equity Investments	31	484	7,238	7,753
Infrastructure Investments	-	-	9,635	9,635
Real Estate Investments	-	-	14,516	14,516
Total Investments	9,727	20,102	34,229	64,058
Investment Related Assets				
Other investment assets	-	99	233	332
Amounts due from pending trades [(i)]	54	321	-	375
	54	420	233	707
Investment Related Liabilities				
Debt	-	(3,441)	(3,798)	(7,239)
Payables under securities lending program	-	(845)	-	(845)
Other payables and liabilities	(50)	(10)	(658)	(718)
Amounts payable from pending trades [(i)]	(54)	(143)	(64)	(261)
	(104)	(4,439)	(4,520)	(9,063)
Net Investment Assets	$ 9,677	$ 16,083	$ 29,942	$ 55,702

(i) Includes fair value of derivatives.

NOTE 3

Investments (continued)

The Level 3 classification includes all assets and liabilities related to investments valued based on non-observable market data. Where the investment asset is being valued as an entity, the Level 3 category includes the fair value of that entity. In addition, where the investment asset is hedged against foreign currency gains and losses, the impact of the hedging activity is included in the valuation.

The following table presents the changes in the fair value measurements in Level 3 of the fair value hierarchy:

(millions)	Fair Value Dec 31, 2011	**Total Gain/ (Loss) Included in Net Income**	**Transfers In (Out) (i)**	**Contributed Capital**	**Capital Returned (ii)**	**Fair Value Dec 31, 2012**	**Unrealized Gains/ Losses Attributable to Investments Held at Dec 31, 2012 (iii)**
Mortgages and private debt	$ 1,695	**$ 12**	**$ -**	**$ 172**	**$ (239)**	**$ 1,640**	**$ 16**
Public equity investments	135	**13**	**(88)**	**20**	**(21)**	**59**	**12**
Public fund investments	280	**35**	**-**	**765**	**(280)**	**800**	**9**
Private equity-direct investments	4,537	**466**	**46**	**754**	**(675)**	**5,128**	**231**
Private equity-fund investments	2,791	**132**	**-**	**203**	**(1,142)**	**1,984**	**(54)**
Infrastructure investments	9,405	**993**	**(46)**	**1,717**	**(1,400)**	**10,669**	**468**
Real estate investments	13,715	**479**	**-**	**1,395**	**(661)**	**14,928**	**500**
Real estate fund investments	445	**23**	**-**	**55**	**(33)**	**490**	**23**
Debt	(3,061)	**(130)**	**-**	**267**	**(1,339)**	**(4,263)**	**(2)**
Total	$ 29,942	**$ 2,023**	**$ (88)**	**$ 5,348**	**$ (5,790)**	**$ 31,435**	**$ 1,203**

(millions)	Fair Value Dec 31, 2010	Total Gain/ (Loss) Included in Net Income	Transfers In (Out) (i)	Contributed Capital	Capital Returned (ii)	Fair Value Dec 31, 2011	Unrealized Gains/ Losses Attributable to Investments Held at Dec 31, 2011(iii)
Mortgages and private debt	$ 1,882	$ (25)	$ -	$ 104	$ (266)	$ 1,695	$ (25)
Public equity investments	96	18	-	56	(35)	135	35
Public fund investments	290	9	-	-	(19)	280	9
Private equity-direct investments	3,143	220	61	1,418	(305)	4,537	164
Private equity-fund investments	3,258	144	-	342	(953)	2,791	(61)
Infrastructure investments	9,293	682	(61)	550	(1,059)	9,405	288
Real estate investments	11,877	251	-	1,724	(137)	13,715	251
Real estate fund investments	418	(46)	-	85	(12)	445	(46)
Debt	(2,154)	(147)	-	157	(917)	(3,061)	(43)
Total	$ 28,103	$ 1,106	$ -	$ 4,436	$ (3,703)	$ 29,942	$ 572

(i) Represents amounts transferred between assets classes, the net amount $(88) million represents a private investment that became publically traded in 2012.

(ii) Includes return of realized hedging gains. Prior to 2012 the cumulative realized and unrealized gains and losses from hedging private markets foreign currency denominated holdings were recorded as part of the valuation of such assets. Effective 2012, only the unrealized hedging gains and losses are recorded as part of the valuation of such assets.

(iii) Amount represents unrealized market value adjustments recorded during the year which are included in the valuation of assets held at year end only.

NOTE 3

Investments (continued)

Fair Value Assumptions and Sensitivity

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

The discount rate is composed of two elements, a risk-free rate, which is the return that would be expected from a secure, virtually risk-free investment, such as a high quality government bond, plus a risk premium that compensates for the relative level of risk associated with a particular investment. The selected discount rates are chosen to be consistent with the risk inherent in the stream of cash flows to which they are applied.

	Discount Rate Methodologies	**Discount Rate Ranges as at December 31, 2012**
Mortgage and Private Debt investments	A base rate derived from a risk-free rate yield curve plus credit spread.	1.7% to 5.1%
Private equity – direct investments	Implied values from similar publicly traded entities or sales of similar entities or risk-free rate adjusted for the risk inherent in projected future cash flows.	8.6% to 20.6%
Infrastructure investments	Risk-free rate adjusted for the risk inherent in projected future cash flows.	8.7% to 16.7%
Real estate investments	Risk-free rate adjusted for the risk inherent in projected future cash flows and recent sales of similar properties.	6.1% to 10.3%

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

As at December 31, 2012	Increase/(Decrease) in Discount Rate (basis points)	(Decrease)/Increase in Net Investment Assets (millions)
Private equity - direct investments	**70**	**$ 339**
Infrastructure investments	**20**	**180**
Real estate investments	**25**	**325**
Total Impact on Net Investment Assets		**$ 844**

As at December 31, 2011	Increase/(Decrease) in Discount Rate (basis points)	(Decrease)/Increase in Net Investment Assets (millions)
Private equity - direct investments	60	$ 230
Infrastructure investments	20	180
Real estate investments	25	300
Total Impact on Net Investment Assets		$ 710

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

NOTE 3

Investments (continued)

Significant Investments

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

(millions) As at December 31,	2012 Number of Investments	2012 Fair Value	2012 Cost	2011 Number of Investments	2011 Fair Value	2011 Cost
Public market investments	**1**	**$ 702**	**$ 680**	3	$ 1,707	$ 1,662
Private market investments	**13**	**13,408**	**11,898**	14	12,011	11,158
	14	**$ 14,110**	**$ 12,578**	17	$ 13,718	$ 12,820

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 include an investment in a Provincial Government interest bearing security.

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 Teranet, Oncor, Associated British Ports, Midland Cogeneration Venture, Scotia Gas Networks, HS1, LifeLabs and CEDA; and real estate ownership interests in Yorkdale Shopping Centre located in Ontario, the Richmond Adelaide Complex located in Ontario, Centennial Place located in Alberta and Green Park Business Park located in Reading, England.

The effective date of the most recent valuation for the above listed investments was December 31, 2012.

Investment Risk

OAC is exposed to a variety of investment risks as a result of its investment activities. Formal policies and procedures govern the management of investment risk (market, credit and liquidity risk) across the organization. The objective of investment risk management is to minimize unanticipated losses, to optimize the reward-risk trade-off for the Funds and to enhance the ability of the Plans to meet their respective obligations.

Investment Entity and asset managers are responsible for understanding the extent of investment risk in the various strategies and assets that they manage. Furthermore, they must ensure that the returns from those strategies and assets are commensurate with the risks involved. Investment risk is managed through various policies including policies which establish a target asset mix between public market and private market investments. Within public market investments, policies establish targets between interest bearing and public equity investments and within private markets investments, policies establish targets among private equity, infrastructure and real estate investments to ensure diversification across and within asset classes. OAC utilizes analytical and reporting tools to manage investment risk and achieve its desired level of risk at the enterprise, public market and private market levels. In addition, derivative financial instruments are used, where appropriate, to assist in the management of these risks (note 4).

a) 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 foreign currency risk, interest rate risk and price risk. Significant volatility in interest rates, equity values and the value of the Canadian dollar against the currencies in which our investments are held can impact the value of OAC investments and the funded status of the OMERS Pension Plans.

OAC uses various investment strategies such as diversification, hedging and the use of derivative instruments to mitigate the various forms of market risk. In addition, investment exposure in various assets and markets are monitored daily.

NOTE 3

Investments (continued)

- Foreign Currency Risk

Investments denominated in currencies other than the Canadian dollar expose the Funds 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. OAC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign exchange forward contracts. OAC also may make active investments in foreign currencies with the objective of adding value. The net exposure to foreign currencies represents 12 per cent (2011: 15 per cent) of net investment assets at December 31, 2012.

OAC's total currency exposure before the impact of currency hedging and trading activities, the impact of hedging and trading activities and the net currency exposure are as follows:

(millions Canadian dollar equivalent) As at December 31,				**2012** Fair Value By Currency				2011 Fair Value By Currency
	Total Exposure (i)	Hedging/ Trading Activities	Net Exposure	% of Total	Total Exposure (i)	Hedging/ Trading Activities	Net Exposure	% of Total
Canada	**$ 43,078**	**$ 11,154**	**$ 54,232**	**88%**	$ 37,000	$ 10,717	$ 47,717	85%
United States	**10,489**	**(5,927)**	**4,562**	**7%**	10,846	(5,341)	5,505	10%
Euro Countries	**1,887**	**(1,250)**	**637**	**1%**	1,606	(1,398)	208	0%
United Kingdom	**4,368**	**(3,861)**	**507**	**1%**	3,454	(2,822)	632	1%
Japan	**364**	**(52)**	**312**	**1%**	726	(402)	324	1%
Other Pacific	**574**	**(64)**	**510**	**1%**	936	(377)	559	1%
Emerging Markets	**392**	**29**	**421**	**1%**	538	(155)	383	1%
Other Europe	**315**	**(29)**	**286**	**0%**	596	(222)	374	1%
	$ 61,467	**$ -**	**$ 61,467**	**100%**	$ 55,702	$ -	$ 55,702	100%

(i) Currency exposure before the impact of currency hedging and trading activities.

Foreign Currency Sensitivity

After giving effect to the impact of hedging and trading activities and with all other variables and underlying values held constant, a ten per cent increase/decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate decrease/increase in the Funds' net assets available for benefits and an unrealized (loss)/gain as noted below:

(millions Canadian dollar equivalent) As at December 31,		**2012**		2011	
Currency	Change in value of Canadian Dollar	Unrealized gain/loss		Unrealized gain/loss	
United States	**+/- 10%**	**-/+**	**$ 456**	-/+	$ 551
Euro Countries	**+/- 10%**	**-/+**	**64**	-/+	21
United Kingdom	**+/- 10%**	**-/+**	**51**	-/+	63
Other	**+/- 10%**	**-/+**	**153**	-/+	164
		-/+	**$ 724**	-/+	$ 799

NOTE 3

Investments (continued)

- Interest Rate Risk

Interest rate risk refers to the effect on the fair value of the Funds' assets and liabilities due to fluctuations in interest rates. Due to the discount rate methodology employed to determine the accrued pension obligation, the accrued pension obligation is not materially impacted by short-term fluctuations in interest rates. The impact to the Fund's assets from a change in interest rates will be mitigated as the impact on the valuation of investment assets is generally opposite from the impact on investment liabilities. The interest bearing investment portfolio has guidelines on concentration and duration which are also designed to mitigate the risk of changes in interest rates.

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

(millions)

As at December 31,	2012					2011	
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Average Effective Yield (i)	Total	Average Effective Yield (i)
Cash and short-term deposits	$ 7,973	$ -	$ -	$ 7,973	1.12%	$ 6,120	1.07%
Bonds and debentures	609	4,025	5,478	10,112	2.37%	10,173	1.76%
Real return bonds (ii)	26	50	4,052	4,128	-0.06%	1,743	0.26%
Mortgages and private debt	205	545	890	1,640	3.20%	1,695	3.22%
	$ 8,813	$ 4,620	$ 10,420	$ 23,853	1.59%	$ 19,731	1.54%

(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 derivative contracts (note 4), OAC debt liabilities and amounts payable under OAC securities lending programs and securities sold under repurchase agreements (note 6), a one per cent increase/decrease in nominal interest rates, with all other variables held constant, would result in an approximate decrease/increase in the value of net interest bearing investments and an unrealized (loss)/gain of $443 million (2011: $579 million). Similarly, a one per cent increase/decrease in real interest rates would result in an approximate decrease/increase in the value of real return bonds and an unrealized (loss)/gain of $668 million (2011: $326 million).

- Price Risk

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

After giving effect to derivative contracts, a ten per cent increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/(loss) as noted below:

(millions)

As at December 31,		2012		2011	
	Change in market prices	Unrealized gain/loss		Unrealized gain/loss	
Canadian public equities	+/- 10%	+/-	$ 504	+/-	$ 379
Non-Canadian public equities	+/- 10%	+/-	1,316	+/-	1,020
Private Market Investments	+/- 10%	+/-	2,468	+/-	2,359
		+/-	$ 4,288	+/-	$ 3,758

NOTE 3

Investments (continued)

b) Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to honour its financial obligations with OAC, including its inability or unwillingness to pay borrowed principal, interest or rent 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. OAC has put in place investment policies and procedures that have established investment criteria designed to manage credit risk by setting limits to credit exposure from individual corporate entities and by requiring collateral where appropriate. The credit quality of financial assets is generally assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Credit risk associated with derivative financial instruments is discussed in note 4.

OAC's most significant credit risk exposure arises from its interest bearing investments. The Funds' interest bearing investments exposed to credit risk are as follows:

(millions) As at December 31,		**2012**		2011	
	Credit Quality (i)	Interest Bearing Investments	% of Total	Interest Bearing Investments	% of Total
Federal governments (ii)	**AAA**	**$ 8,279**	**35%**	$ 6,233	32%
Provincial governments	**A to AAA**	**3,310**	**14%**	3,323	17%
Municipal	**AAA**	**22**	**0%**	22	0%
Corporate					
Investment grade					
	AAA- to AAA	**278**	**1%**	301	2%
	AA- to AA+	**7,267**	**31%**	5,680	29%
	A- to A+	**1,283**	**5%**	1,128	6%
	BBB- to BBB+	**1,428**	**6%**	1,461	7%
Non-investment grade		**527**	**2%**	461	2%
Securities lending cash collateral		**933**	**4%**	845	4%
Cash on deposit		**526**	**2%**	277	1%
		$ 23,853	**100%**	$ 19,731	100%

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

(ii) Includes Canadian and U.S. federal governments.

NOTE 3

Investments (continued)

- Securities Lending Program

  OAC participates in a securities lending program where it lends securities that it owns to third parties for a fee. For securities lent, the Fund receives a fee and the borrower provides cash or readily marketable securities of higher value as collateral which mitigates the credit risk associated with the program. As at December 31, 2012, securities with an estimated fair value of $2,154 million (2011: $2,101 million) were loaned out, while collateral held had an estimated fair value of $2,234 million (2011: $2,182 million) of which $933 million (2011: $845 million) was cash collateral invested in short-term interest bearing investments.

c) Liquidity Risk

Liquidity risk describes the Fund's ability to manage financial liability related cash requirements in a timely and cost-effective manner. OAC has developed forward looking liquidity risk models which are used on a periodic basis to assess the impact of tactical and strategic initiatives on Fund liquidity.

OAC's primary future liabilities include the accrued pension obligation of the Plan (note 7) and the RCA (note 8) and debt financing investments (note 6). The contractual undiscounted principal and interest repayments and term to maturity of the investment liabilities are disclosed in note 6.

In the normal course of business, OAC enters into contracts that give rise to commitments for future payments which may also impact our liquidity (note 16).

The cash requirements to meet these liabilities are managed using net investment income from public and private investments (note 9), contributions made by both members and employers (note 11), net of administrative expenses (note 13), and through investing in assets which may be efficiently converted to cash in both normal and stressed market conditions.

Another part of liquidity risk is OAC's ability to cover its commercial paper issuance. OAC is authorized to issue up to $3,100 million in commercial paper to help finance future investment opportunities. OAC holds at least 1.5 times the authorized size of the commercial paper program in high quality liquid assets.

NOTE 4

Derivative Financial Instruments

Derivative financial instruments are financial contracts, the value of which is derived from changes in underlying assets or indices. Derivative 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 Funds' asset mix and to assist in managing the exposure to market risk by increasing or decreasing foreign currency, interest rate and price risk, without directly purchasing or selling the underlying assets or currencies. In certain circumstances, derivatives are also used to increase returns or to replicate investments synthetically.

Derivative Contracts

Swaps

Swaps are contractual agreements between counterparties to exchange a series of cash flows. The swap agreements entered into by the Funds are as follows:

- Interest Rate Swaps – contractual agreements to exchange fixed and/or floating interest payments based on notional amounts.
- Equity Swaps – contractual agreements to exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or group of equity securities.
- Bond Swaps – contractual agreements to exchange the return on a bond or a bond index for the return based on a fixed or floating interest rate.
- Commodity Swaps – contractual agreements to exchange the return on a commodity index for the return based on a fixed or floating interest rate.

Forwards and Futures

Forwards and futures are contractual agreements between counterparties to either buy or sell a specified amount of a currency, commodity or interest bearing financial instrument or index at a specific price and date in the future. The forward contracts entered into by OAC are as follows:

- Bond Forward Contracts – contractual agreements to buy or sell bonds or a bond index at a specified price and date in the future.
- Foreign Exchange Forward Contracts – contractual agreements to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining. The futures contracts that OAC enters into are as follows:

- Equity Index Futures Contracts – agreements to either buy or sell a specified equity index at a specified price and date in the future.
- Commodity/Bond Futures Contracts – agreements to either buy or sell a commodity/bond index at a specified price and date in the future.

Options

Options are contractual agreements that convey to the purchaser the right but not the obligation to either buy or sell a specified amount of a currency, commodity or interest bearing financial instrument or index at a fixed future date or at any time within a fixed future period. The seller receives a premium from the purchaser for this right. Options may be transacted on a regulated exchange or in the over-the-counter market.

- Swaptions – contractual agreements that convey to the purchaser the right but not the obligation to enter into or cancel a swap agreement at a fixed future date or at any time within a fixed future period. The seller receives a premium from the purchaser for this right.

NOTE 4

Derivative Financial Instruments (continued)

Market Risk

Derivative instruments are subject to market risk. Market risk arises from potential adverse changes in the value of derivative instruments as a result of changes in the underlying market variables. These underlying market variables may include the absolute and relative levels of interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities. Market risks, including derivative investments, are discussed in note 3.

Credit Risk

The Funds are exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. The credit risk associated with derivatives is normally a small amount relative to the notional amount of the derivative instrument. In order to mitigate this risk, the Funds:

- deal only with highly rated counterparties, normally major financial institutions with minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and
- arrange 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.

NOTE 4

Derivative Financial Instruments (continued)

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

(millions) As at December 31,			2012			2011
			Fair Value (ii)			Fair Value (ii)
	Notional Value (i)	Assets (iii)	Liabilities	Notional Value (i)	Assets (iii)	Liabilities
Interest Rate Contracts						
Interest rate swap contracts	**$ 1,935**	**$ 19**	**$ (42)**	$ 2,332	$ 11	$ (66)
Swaption written	**126**	**-**	**(1)**	-	-	-
Swaption purchased	**294**	**1**	**-**	-	-	-
Bond index swap contracts	**806**	**6**	**(1)**	904	10	(2)
Bond futures	**2,983**	**-**	**(7)**	80	1	-
Bond options written	**996**	**-**	**-**	-	-	-
Bond options purchased	**996**	**1**	**-**	66	1	-
	8,136	**27**	**(51)**	3,382	23	(68)
Equity Contracts						
Equity index futures contracts	**5,519**	**70**	**(27)**	5,167	20	(13)
Equity index swap contracts	**1,295**	**23**	**(1)**	663	10	(3)
Equity options written	**-**	**-**	**-**	941	-	(18)
Equity options purchased	**-**	**-**	**-**	531	22	-
	6,814	**93**	**(28)**	7,302	52	(34)
Commodity Contracts						
Commodity futures contracts	**945**	**4**	**-**	48	1	-
Commodity swap contracts	**96**	**-**	**-**	190	-	-
Commodity options written	**-**	**-**	**-**	25	-	-
Commodity options purchased	**3**	**-**	**-**	23	-	-
	1,044	**4**	**-**	286	1	-
Foreign Exchange						
Currency futures	**513**	**-**	**-**	-	-	-
Currency options written	**76**	**-**	**-**	-	-	-
Currency options purchased	**52**	**-**	**-**	-	-	-
Foreign exchange forward contracts	**23,644**	**89**	**(220)**	19,038	267	(109)
	24,285	**89**	**(220)**	19,038	267	(109)
Total	**$ 40,279**	**$ 213**	**$ (299)**	$ 30,008	$ 343	$ (211)

(i) Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the consolidated financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore, do not necessarily indicate the Plan's exposure to credit or market risks.

(ii) Fair value represents unrealized gains or losses from derivative contracts which are recorded in the consolidated statement of financial position based on the fair value of the derivative contract. Fair value represents the cost of replacing all outstanding contracts under current market conditions. Contracts with a positive fair value are recorded as 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 contracts recorded as an asset represents the credit risk replacement cost or the loss to which the Funds are exposed should counterparties fail to perform under the derivative contracts. The amounts do not take into consideration legal contracts that permit offsetting of positions or any collateral which may be held.

NOTE 4

Derivative Financial Instruments (continued)

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

(millions) As at December 31,				2012				2011
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Interest rate Contracts	**$ 6,422**	**$ 1,527**	**$ 187**	**$ 8,136**	$ 1,493	$ 1,852	$ 37	$ 3,382
Equity contracts	**6,814**	**-**	**-**	**6,814**	7,302	-	-	7,302
Commodity contracts	**1,044**	**-**	**-**	**1,044**	286	-	-	286
Foreign Exchange contracts	**24,285**	**-**	**-**	**24,285**	19,038	-	-	19,038
	$ 38,565	**$ 1,527**	**$ 187**	**$ 40,279**	$ 28,119	$ 1,852	$ 37	$ 30,008

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

(millions) As at December 31,				2012				2011
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Interest rate contracts	**$ 4**	**$ (32)**	**$ 4**	**$ (24)**	$ 11	$ (58)	$ 2	$ (45)
Equity contracts	**65**	**-**	**-**	**65**	18	-	-	18
Commodity contracts	**4**	**-**	**-**	**4**	1	-	-	1
Foreign Exchange contracts	**(131)**	**-**	**-**	**(131)**	158	-	-	158
	$ (58)	**$ (32)**	**$ 4**	**$ (86)**	$ 188	$ (58)	$ 2	$ 132

NOTE 5

Other Investment Assets

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

(millions) As at December 31,	2012	2011
Investment receivables	**$ 220**	$ 197
Deferred assets, prepaid and other	**146**	135
Other investment assets	**$ 366**	$ 332

NOTE 6

Investment Liabilities

The liabilities incurred by OAC in investment related activities are as follows:

(millions) As at December 31,		2012		2011
Debt (a)	$	**8,461**	$	7,239
Payable under securities lending program (b)		**933**		845
Securities sold under repurchase agreements (c)		**842**		-
Payables and other liabilities		**1,013**		718
Total	**$**	**11,249**	$	8,802

a) Debt is comprised of the following:

(millions) As at December 31,					2012					2011
		Fair Value		Cost	Weighted Average Interest Rate		Fair Value		Cost	Weighted Average Interest Rate
Oxford Properties Group										
Secured debt (i)	**$**	**4,298**	**$**	**4,189**	**3.18%**	$	3,175	$	3,092	3.81%
Series A debentures (ii)		**-**		**-**	**-**		520		500	1.49%
Series C debentures (iii)		**404**		**400**	**1.42%**		414		400	1.56%
Series D debentures (iv)		**224**		**200**	**2.37%**		226		200	2.51%
ORCH debentures (v)		**185**		**170**	**2.06%**		188		170	2.15%
ORCH Two debentures (vi)		**186**		**180**	**1.63%**		190		180	1.65%
		5,297		**5,139**	**2.92%**		4,713		4,542	3.14%
Borealis Infrastructure										
Secured debt (vii)		**763**		**759**	**2.13%**		738		735	2.50%
OMERS Finance Trust (viii)										
Oxford Properties Group										
commercial paper		**1,551**		**1,551**			1,447		1,447	
Borealis Infrastructure										
commercial paper		**849**		**849**			341		341	
Other		**1**		**1**			-		-	
		2,401		**2,401**	**1.12%**		1,788		1,788	1.10%
Total (ix)	**$**	**8,461**	**$**	**8,299**	**2.34%**	$	7,239	$	7,065	2.57%

(i) Includes mortgages and other secured debt with various terms to maturity up to 2027 with each debt instrument secured by a specific real estate asset.
(ii) OMERS Realty Corporation Series A 5.48% Debentures issued December 4, 2002, matured December 31, 2012.
(iii) OMERS Realty Corporation Series C 4.09% Debentures issued May 8, 2008, maturing June 4, 2013.
(iv) OMERS Realty Corporation Series D 4.74% Debentures issued May 8, 2008, maturing June 4, 2018.
(v) OMERS Realty CTT Holdings Inc. Series A 4.75% Debentures issued May 5, 2009, maturing May 5, 2016.
(vi) OMERS Realty CTT Holdings Two Inc. Series A 4.05% Debentures issued May 5, 2009, maturing May 5, 2014.
(vii) Includes secured debt with various terms to maturity up to 2015 with each debt secured by a specific infrastructure asset.
(viii) OMERS Finance Trust's Commercial Paper program is authorized up to $3,100 million. Commercial Paper outstanding has maturities from January 2, 2013 to March 22, 2013.
(ix) Scheduled undiscounted principal and interest repayments for the five years subsequent to December 31, 2012 and thereafter are as follows:

NOTE 6

Investment Liabilities (continued)

(millions)	
2013	**$ 4,342**
2014	**578**
2015	**803**
2016	**1,099**
2017	**753**
Thereafter	**1,473**
	$ 9,048

Investment assets where OAC has effective control are presented in the Statement of Financial Position on a non-consolidated basis at fair value. These investments typically incur third-party debt, which is non-recourse to OAC. The cost of debt incurred in such investments is as follows:

(millions) As at December 31,	**2012**	2011
Borealis Infrastructure	**$ 6,409**	$ 5,998
OMERS Private Equity	**1,464**	1,381
OMERS Strategic Investments	**165**	181
Total	**$ 8,038**	$ 7,560

b) As part of the securities lending program, OAC receives cash collateral that it invests in short-term interest bearing investments. The Plan is obligated to return the cash collateral upon termination of the arrangement. The securities lending agreements may be terminated at any time and as such the collateral is repayable on demand.

c) OAC sells securities under agreement to repurchase (Repo Agreements) to access liquidity by selling securities and receiving cash. At the time of the sale, OAC agrees to repurchase from the counterparty securities equivalent to those that were sold at a specified time and at an agreed repurchase price. OAC retains economic exposure to changes in the value of the sold securities as well as any income from the sold securities. Repo Agreements are executed under master repurchase agreements and with counterparties with a credit rating of at least “AA low” or equivalent. Terms are in place to provide OAC the ability to immediately unwind a demand Repo Agreement and to negotiate the early termination of a term Repo Agreement.

NOTE 7

OMERS Primary Pension Plan

A summary of the financial statements of the Primary Plan is as follows:

Statement of Financial Position

(millions) As at December 31,	2012	2011
Net Assets Available for Benefits		
Investments	$ 72,318	$ 64,026
Other investment assets	366	332
Amounts due from pending trades	487	375
Contributions receivable	241	227
Other assets	38	29
Investment liabilities	(11,249)	(8,802)
Due to administered funds	(905)	(828)
Amounts payable from pending trades	(492)	(261)
Other liabilites	(115)	(83)
Net Assets Available for Benefits	$ 60,689	$ 55,015
Accrued Pension Obligation and Deficit		
Defined benefit component		
Accrued pension obligation	$ 69,122	$ 64,548
Deficit		
Funding deficit	(9,924)	(7,290)
Actuarial value adjustment of net assets	1,321	(2,337)
	(8,603)	(9,627)
Additional Voluntary Contributions Component		
Pension obligation	170	94
Total Primary Plan Accrued Pension Obligation and Deficit	$ 60,689	$ 55,015

NOTE 7

OMERS Primary Pension Plan (continued)

Statement of Changes in Net Assets Available for Benefits

(millions) For the year ended December 31,	2012	2011
Statement of Changes in Net Assets		
Net investment income	**$ 5,196**	$ 1,364
Contributions	**3,191**	2,795
Benefits	**(2,658)**	(2,376)
Pension administrative expenses	**(55)**	(58)
Total Increase	**5,674**	1,725
Net assets available for benefits, beginning of year	**55,015**	53,290
Net Assets Available for Benefits, End of Year	**$ 60,689**	$ 55,015

Actuarial Value of Net Assets of the Defined Benefit Component

The actuarial valuation of the Plan was performed by Towers Watson Canada Inc. Under the PBA an independent actuarial valuation must be filed with FSCO at least once every three years. The Plan valuation was last filed for the December 31, 2011 year-end and, if not filed earlier, must be filed for the December 31, 2014 year-end.

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, 6.50 per cent for 2012 (2011: 6.50 per cent) are recognized over 5 years to smooth fluctuations in the market value of net assets. For 2012, $1,280 million was credited to the actuarial valuation adjustment because the investment return was in excess of the long-term rate of return assumption. This compares with 2011 when $1,686 million was debited to the actuarial valuation adjustment because the investment return was below the long-term rate of return assumption.

As a result, at December 31, 2012, the Plan has $1,321 million in the actuarial valuation adjustment reserve representing the net unrecognized returns in excess of the long-term rate of return assumption (2011: $2,337 million net unrecognized returns below the long-term rate of return assumption). The present value of unrecognized net investment returns by initial year they were established and the amounts to be recognized from 2013 through 2016, after application of the long-term return assumption, are as follows:

(millions) Initial Year Earned	Actuarial Valuation Adjustment as at Dec. 31, 2012 (i)	Unrecognized Investment Returns to be Recognized in 2013	2014	2015	2016	Actuarial Valuation Adjustment as at Dec. 31, 2011
2008	**$ -**	$ -	$ -	$ -	$ -	$ (2,773)
2009	**359**	382		-	-	673
2010	**1,030**	548	584		-	1,449
2011	**(1,348)**	(478)	(509)	(543)	-	(1,686)
2012	**1,280**	341	363	387	412	-
Total	**$ 1,321**	$ 793	$ 438	$ (156)	$ 412	$ (2,337)

(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 smoothing period.

NOTE 7

OMERS Primary Pension Plan (continued)

The change in the actuarial adjustment is as follows:

(millions) For the year ended December 31,	2012	2011
Expected interest on beginning actuarial valuation adjustment (i)	$ (152)	$ (148)
Current year returns in excess of/(below) the funding rate (i)	1,280	(1,686)
Prior years' returns below the funding rate recognized in the year	2,530	1,775
Increase/(Decrease)	3,658	(59)
Actuarial valuation adjustment, beginning of year	(2,337)	(2,278)
Actuarial Valuation Adjustment, End of Year	$ 1,321	$ (2,337)

(i) Based on the funding rate in effect during the year, 2012 – 6.50.per cent (2011: 6.50 per cent).

Accrued Pension Obligations of the Defined Benefit Component

The actuarial present value of the accrued pension obligation is an estimate of the value of pension 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 OAC for determining the Plan's minimum funding requirements as set out under the PBA. As the experience of the Plan unfolds, and as underlying conditions change over time, the actual value of accrued benefits payable in the future could be materially different than the actuarial present value.

The projected benefit method 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:

	2012	2011
Assumed rate of inflation	2.25%	2.25%
Real rate of return assumed on Plan assets	4.25%	4.25%
Discount rate (rate of inflation plus real rate of return)	6.50%	6.50%

The assumed increases in the real rate of pensionable earnings (i.e. increase in excess of the assumed inflation rate) are dependent on the attained age of the members. These rates of increase were updated in 2009 to reflect recent experience of the Plan and current expectations for future years.

	2012				2011			
	NRA 60 (i)		NRA 65 (i)		NRA 60 (i)		NRA 65 (i)	
	Until 2014	After 2014	Until 2014	After 2014	Until 2014	After 2014	Until 2014	After 2014
Assumed real rate of pensionable earnings increases (weighted average of a table of age related increases)	1.40%	1.90%	1.10%	1.60%	1.40%	1.90%	1.10%	1.60%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	3.65%	4.15%	3.35%	3.85%	3.65%	4.15%	3.35%	3.85%

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

NOTE 7

OMERS Primary Pension Plan (continued)

In addition, demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Plan and on the expectations for future trends. During 2010, the early retirement assumption was updated to reflect the Plan's recent retirement experience and to account for an anticipated future trend towards older retirement ages. The OAC external actuary has provided their opinion that assumptions adopted are appropriate for valuing the Plan's accrued pension obligation.

The accrued pension obligation as at December 31, 2012 takes account of known changes in the Plan membership up to December 1, 2012, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2013, and estimated pensionable earnings and credited service accruals in 2012.

The deficit of the Plan's actuarial value of net assets available for benefits over accrued pension obligation is as follows:

(millions) For the year ended December 31,		2012		2011
Primary Plan fair value of net assets available for benefits	**$**	**60,689**	$	55,015
Less Additional Voluntary Contribution net assets		**170**		94
Defined benefit net assets available for benefits		**60,519**		54,921
Actuarial value adjustment		**(1,321)**		2,337
Actuarial value of net assets available for benefits		**59,198**		57,258
Defined benefit accrued pension obligation		**69,122**		64,548
Funding deficit of actuarial value of net assets available for benefits over accrued pension obligation		**(9,924)**		(7,290)
Reversal of actuarial value adjustment		**1,321**		(2,337)
Deficit of Net Assets Available for Benefits Over Accrued Pension Obligation	**$**	**(8,603)**	$	(9,627)

As the Plan provides 100 per cent inflation protection, the accrued pension 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 used in the discounting of these future benefits. A 50 basis point change in the following assumptions (with no change in other assumptions) would have the following approximate effects on the accrued pension obligation:

50 Basis Point Decrease/Increase	Approximate Effect on Accrued Pension Obligation
Real rate of pensionable earnings increases	-/+ $1,500 million
Real return on plan assets and discount rate	+/- $5,200 million

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 ITA with respect to service after 1991. Under the OMERS Act, OAC is the administrator of the RCA. As the RCA is not a registered pension plan, a 50 per cent refundable tax is levied by the Canada Revenue Agency (CRA) on all contributions made to the RCA as well as on investment income received and realized investment gains. The refundable tax is held by the CRA and earns no investment income for the RCA; it is refunded on the basis of one dollar for every two dollars of realized losses or benefits paid out. The remaining assets of the RCA are managed separately from those of the Plan and are primarily invested in the public markets.

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 all RCA plans under the ITA. Contributions to the RCA are based on the top-tier Plan contribution rates and are currently payable to the RCA on the excess of contributory earnings over a defined earnings threshold, which was $149,242 for 2012 (2011: $143,912). For purposes of determining benefit entitlements and contributions effective January 1, 2012, the defined earnings threshold is actively managed and monitored in such a way that future contributions to the RCA, together with the existing RCA Fund and future investment earnings, are expected to be sufficient to provide for projected benefit payments over the 20-year period following each annual valuation date. Benefits in excess of the maximum amounts payable from the Plan as allowed by the ITA are paid from the RCA.

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

Statement of Financial Position

(millions) As at December 31,	**2012**	2011
Net Assets Available for Benefits		
Net investment assets	**$ 37**	$ 32
Other assets	**41**	36
Contributions receivable	**1**	1
Other liabilities	**(1)**	(1)
Net Assets Available for Benefits	**$ 78**	$ 68
Accrued Pension Obligation and Deficit		
Accrued pension obligation	**$ 555**	$ 504
Deficit	**(477)**	(436)
Accrued Pension Obligation and Deficit	**$ 78**	$ 68

Statement of Changes in Net Assets Available for Benefits

(millions) For the year ended December 31,	**2012**	2011
Statement of Changes in Net Assets		
Net investment income/(loss)	**$ 4**	$ (1)
Contributions	**19**	18
Benefits	**(12)**	(7)
Administrative expenses	**(1)**	(1)
Total Increase	**10**	9
Net assets available for benefits, beginning of year	**68**	59
Net Assets Available for Benefits, End of Year	**$ 78**	$ 68

NOTE 8

Retirement Compensation Arrangement (continued)

The actuarial assumptions used for the RCA are consistent with those used for the Plan except that the discount rate as at December 31, 2012 is 3.25 per cent (2011: 3.25 per cent), which approximates the effect of the 50 per cent refundable tax applicable to the RCA. A 50 basis point decrease/increase in the assumed rate (with no change in other assumptions) before reflecting the 50 per cent refundable tax would have a +/- $25 million (2011: +/- $25 million) impact on the accrued pension obligation.

Determination of the value of the RCA accrued pension obligation is made on the basis of an actuarial valuation. The deficit of net assets over accrued pension obligation as at December 31 is as follows:

(millions) As at December 31,	2012	2011
Fair value of net assets at end of year	$ 78	$ 68
Accrued pension obligation at end of year	555	504
Deficit of Actuarial Value of Net Assets Over Accrued Pension Obligation	**$ (477)**	$ (436)

NOTE 9

Net Investment Income/(Loss)

The Funds' investments consist of the following major asset classes: public markets (which includes public equities and interest bearing investments such as treasury bills, bonds, mortgages and private debt), private equity, infrastructure and real estate.

The Funds' investment income/(loss) by asset classes is as follows:

(millions) For the year ended December 31,					2012
	Investment Income (i) (ii)	Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives (iii)	Total Investment Income/(Loss)	Investment Management Expenses (note 13 (b))	Net Investment Income/(Loss)
Public Market Investments					
Interest Bearing Investments					
Short-term deposits	$ 52	$ (5)	$ 47		
Bonds and debentures	375	148	523		
Mortgages and private debt	119	(30)	89		
	546	113	659		
Real return bonds	36	(14)	22		
Public Equity					
Canadian public equities	47	(31)	16		
Non-Canadian public equities	263	1,424	1,687		
	310	1,393	1,703		
Total Public Market Investments	892	1,492	2,384	(107)	2,277
Private Equity					
Canadian private equities	182	94	276		
Non-Canadian private equities	63	489	552		
Total Private Equity Investments	245	583	828	(90)	738
Infrastructure Investments	578	492	1,070	(61)	1,009
Real Estate Investments (iv)	637	625	1,262	(7)	1,255
	$ 2,352	$ 3,192	$ 5,544	$ (265)	5,279
(Income)/loss credited to administered funds					(79)
Net Investment Income/(Loss)					$ 5,200

NOTE 9

Net Investment Income/(Loss) (continued)

(millions)
For the year ended December 31, 2011

		Investment Income (i) (ii)		Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives (iii)		Total Investment Income/(Loss)		Investment Management Expenses (note 13 (b))		Net Investment Income/(Loss)
Public Market Investments										
Interest Bearing Investments										
Short-term deposits	$	45	$	29	$	74				
Bonds and debentures		339		582		921				
Mortgages and private debt		109		(21)		88				
		493		590		1,083				
Real return bonds		38		232		270				
Public Equity										
Canadian public equities		110		(1,230)		(1,120)				
Non-Canadian public equities		228		(581)		(353)				
		338		(1,811)		(1,473)				
Total Public Market Investments		869		(989)		(120)		(111)		(231)
Private Equity										
Canadian private equities		236		112		348				
Non-Canadian private equities		70		109		179				
Total Private Equity Investments		306		221		527		(89)		438
Infrastructure Investments		451		273		724		(53)		671
Real Estate Investments (iv)		477		119		596		(11)		585
	$	2,103	$	(376)	$	1,727	$	(264)		1,463
Gain/(loss) from currency hedging activities										(79)
(Income)/loss credited to administered funds										(21)
Net Investment Income/(Loss)									$	1,363

(i) Investment income includes interest, dividends and real estate operating income accrued or received net of interest expense on liabilities incurred in investment related activities. Investment income is net of external manager performance and pooled fund fees of $34 million (2011: $51 million).

(ii) Interest on investment related activities includes interest on real estate investment liabilities of $234 million (2011: $204 million), interest on infrastructure investment liabilities of $49 million (2011: $48 million).

(iii) Includes net realized gain of $2,155 million (2011: $698 million) and is net of transaction costs of $109 million (2011: $121 million).

(iv) Real estate investment income includes Oxford Properties Group's operating expenses (net of property management income) of $33 million (2011: $9 million) which includes audit costs of $3.1 million (2011: $3.3 million).

NOTE 9

Net Investment Income/(Loss) (continued)

The Funds' net investment income/(loss) by Investment Entity is as follows:

(millions) As at December 31, 2012	OMERS Capital Markets	OMERS Private Equity	Borealis Infrastructure	Oxford Properties Group	OMERS Strategic Investments	Total
Public market investments	**$ 2,253**	**$ -**	**$ -**	**$ 24**	**$ -**	**$ 2,277**
Private equity investments	**-**	**962**	**-**	**-**	**(224)**	**738**
Infrastructure investments	**-**	**-**	**986**	**-**	**23**	**1,009**
Real estate investments	**-**	**-**	**-**	**1,255**	**-**	**1,255**
Net Investment Income/(Loss) (i)	**$ 2,253**	**$ 962**	**$ 986**	**$ 1,279**	**$ (201)**	**$ 5,279**

(millions) As at December 31, 2011	OMERS Capital Markets	OMERS Private Equity	Borealis Infrastructure	Oxford Properties Group	OMERS Strategic Investments	Total
Public market investments	$ (296)	$ -	$ -	$ 25	$ 40	$ (231)
Private equity investments	-	354	-	-	84	438
Infrastructure investments	-	-	674	-	(3)	671
Real estate investments	-	-	-	585	-	585
Net Investment Income/(Loss) (i)	$ (296)	$ 354	$ 674	$ 610	$ 121	$ 1,463

(i) Before income/(loss) credited to administered funds.

NOTE 10

Investment Returns

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

a) Investment Entity returns are calculated as the percentage of Investment Entity income to the weighted average fair value of the Investment Entity net assets during the period.

b) Fair value is determined as described in notes 2, 3 and 4.

c) Income is determined as described in notes 2 and 9.

d) The Total Fund return includes all Investment Entity returns.

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

For the year ended December 31,	2012	2011
OMERS Primary Pension Plan Gross Returns by Entity (i)		
OMERS Capital Markets	**7.50%**	-0.22%
OMERS Private Equity	**19.17%**	7.23%
Borealis Infrastructure	**12.68%**	8.79%
Oxford Properties	**16.91%**	8.40%
OMERS Strategic Investments	**-10.13%**	7.24%
Total OMERS Primary Pension Plan	**10.03%**	3.17%
Retirement Compensation Arrangement Gross Returns		
RCA Investment Fund (ii)	**11.84%**	-2.42%

The above gross returns are before the impact of base and performance fees paid to external fund managers and administrative expenses. The Plan net return after all investment costs for the year ended December 31, 2012 was 9.50 per cent (2011: 2.59 per cent).

(i) Effective January 1, 2012, Investment Entity returns reflect the results of the Plan's currency hedging related activities with external counterparties. Prior to 2012, currency hedging for private market Investment Entities was based on internal transactions. For all years, total Plan returns include the results of the Plan's currency hedging activities.

(ii) Excludes the RCA refundable tax balance with CRA. Including the refundable tax balance, the RCA December 31, 2012 rate of return was 5.47 per cent (2011: negative 1.25 per cent).

NOTE 11

Contributions

(millions) For the year ended December 31,		2012		2011
Current service required contributions (i)	$	3,026	$	2,618
Transfers from other pension plans		40		41
Past service contributions from members (ii)		67		53
Past service contributions from employers (ii)		10		8
AVC contributions		67		93
	$	3,210	$	2,813

(i) Current service contributions are funded equally by employers and members. For NRA 65 members, the 2012 contribution rate was 8.3 per cent (2011: 7.4 per cent) of earnings up to $50,100 (2011: $48,300) and 12.8 per cent (2011: 10.7 per cent) of earnings above that level. For NRA 60 members, the 2012 contribution rate was 9.4 per cent (2011: 8.9 per cent) of earnings up to $50,100 (2011: $48,300) and 13.9 per cent (2011: 14.1 per cent) of earnings above that level.

(ii) Past service contributions include amounts for leaves of absence, conversion of normal retirement age and contract adjustments.

Contributions by plan are as follows:

(millions) For the year ended December 31,		2012		2011
Primary Plan (note 7)				
Defined benefit component	$	3,124	$	2,702
AVC component		67		93
		3,191		2,795
RCA (note 8)		19		18
	$	3,210	$	2,813

NOTE 12

Benefits

(millions) For the year ended December 31,	2012	2011
Retirement benefits	$ 2,229	$ 2,021
Disability benefits	27	26
Transfers to other registered plans	185	190
Death Benefits	79	66
Commuted value payments and members' contributions plus interest refunded	146	79
AVC benefits	4	1
	$ 2,670	$ 2,383

Benefits by plan are as follows:

(millions) For the year ended December 31,	2012	2011
Primary Plan (note 7)		
Defined benefit component	$ 2,654	$ 2,375
AVC component	4	1
	2,658	2,376
RCA (note 8)	12	7
	$ 2,670	$ 2,383

NOTE 13

Pension Administrative And Investment Management Expenses

a. Pension administrative expenses (i)

(millions) For the year ended December 31,	2012	2011
Salaries and benefits	$ 36	$ 35
System development and other purchased services	7	5
Premises and equipment	4	4
Professional services (ii)	5	10
Travel and communication	4	5
	$ 56	$ 59

b. Investment management expenses (i)

(millions) For the year ended December 31,	2012	2011
Salaries and benefits	$ 172	$ 147
System development and other purchased services	15	14
Premises and equipment	5	11
Professional services (ii)	20	22
Travel and communication	14	12
Investment management services (iii)	39	58
	$ 265	$ 264

(i) Includes allocation of corporate expenses.

(ii) Total professional services expenses include independent actuarial costs of $1.0 million (2011: $1.1 million) and external audit costs of $1.0 million (2011: $0.9 million).

(iii) Includes external management and custody fees and is net of private equity management fees earned from portfolio investments of $14 million (2011: $18 million).

NOTE 14

Related Party Disclosures

OAC manages its real estate, infrastructure and private equity businesses through OAC Investment Entities as discussed in note 1 and holds investments through a network of investment structures or subsidiary companies established in compliance with the OMERS Act, the PBA, the ITA and other statutory, regulatory and tax legislation governing OAC.

OAC's related parties include 968 employers whose employees are members of the Plan, the SC, members of the OAC Board, key management personnel (defined below) and investments where OAC has a controlling interest. Transactions with related parties include the following:

- OAC, in the normal course of business, purchased bonds at the prevailing market prices that were issued by a municipal employer. The fair market value of the bonds outstanding at December 31, 2012 was $22 million (2011: $22 million).
- OAC through its Oxford Properties Group paid property taxes to municipal employers of $226 million (2011: $231 million) and utility payments to our investee entities of $17 million (2011: $16 million) for the year end ended December 31, 2012. The amounts of property taxes paid were based on normal levies by the individual municipal employers and were consistent with those that would be paid by a non-related party. The utility payments made to utility companies which are OAC investee entities were based on normal usage and rates that would be paid by a non-related party.

Key Management Personnel Compensation

Key management personnel consist of members of the OAC's Board of Directors and the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief Pension Officer and the chief executive officers of OMERS Capital Markets, Oxford Properties Group, Borealis Infrastructure and OMERS Private Equity. The aggregate key management personnel compensation is shown below:

(millions) For the year ended December 31,	**2012**	2011
Salaries and short-term employee benefits	**$ 16**	$ 14
Post-employment benefits	**1**	1
Other long-term benefits	**6**	6
	$ 23	$ 21

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

NOTE 15

Capital

OAC defines its capital as the funded status (surplus/(deficit)) of each of the OMERS Pension Plans, as determined annually based on the fair value of the net assets of the OMERS Pension Plans, the actuarial value adjustment of the Plan net assets and the going concern actuarial valuation prepared by OAC's independent actuary. The funded status of the Plan is discussed in note 7 and the funded status of the RCA is discussed in note 8.

OAC's objective is to ensure that the Plan defined benefit component is fully funded over the long term through the management of investments, contribution rates and benefits. Investments (note 3), the use of derivatives (note 4) and leverage (note 6) are based on asset mix and risk management policies and procedures that are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Plan's Statement of Investment Policies and Procedures as approved by the OAC Board. As the Plan's administrator OAC has adopted a Statement of Investment Policies and Procedures (the SIP&P) for the Plan which sets investment objectives, guidelines and benchmarks used in investing the Plan's assets, permitted categories of investments, asset mix diversification and rate of return expectations. The Plan's SIP&P was last amended on December 14, 2012.

The Plan AVC component accrued pension obligation is based on net contributions plus net investment income and as such does not have a surplus/(deficit) position. The Supplemental Plan has no members, net assets or accrued pension obligations. The Supplemental Plan SIP&P was last amended on December 14, 2012.

The RCA is funded on a modified pay-as-you-go basis in order to minimize the impact of the 50 per cent refundable tax applicable to all RCA plans. The RCA investments are based on an asset mix and Statement of Investment Policies and Procedures separate from those of the Plan. The RCA SIP&P was last amended on December 14, 2012.

The funded status of each plan and the related cash flows are also impacted by the level of contributions (note 11) and benefits (note 12). The SC is responsible for setting contribution rates above the minimum required to fund the plan, subject to compliance with legislation, and determining benefits for the OMERS Pension Plans.

The Plan and Supplemental Plan are subject to FSCO regulations which require the Plan to file an actuarial valuation report for a funding valuation at least once every three years. At that time, the Plan must take measures to eliminate any going concern funding deficits over a period not to exceed 15 years.

Where the funded status of the Plan is filed with a surplus position greater than ten per cent of the accrued pension obligation, the ITA requires contributions be reduced with the amount of the reduction increasing as the percentage surplus increases. Once the filed surplus reaches twenty-five per cent of the accrued pension obligation, regular contributions must be eliminated. The SC is responsible for determining the contributions above the level required to fully fund the Plan and for determining when an actuarial valuation of the Plan and Supplemental Plan should be filed, subject to the requirements under the regulations. There are no similar filing requirements for the RCA as the RCA is not a registered pension plan.

NOTE 16

Guarantees, Commitments and Contingencies

As part of normal business operations, OAC enters into commitments and guarantees related to the funding of investments. Future commitments to fund investments include, but may not be limited to, investments in infrastructure, real estate and private equity direct investments and limited partnership agreements. The future commitments are generally payable on demand based on the capital needs of the investment. As at December 31, 2012, these future commitments totaled $3.9 billion (2011: $4.2 billion). The maximum amount payable under guarantees and standby letters of credit provided as part of investment transactions was $955 million as at December 31, 2012 (2011: $740 million). Guarantees and commitments are often provided as part of developing or holding an investment and as such often have no fixed expiration date.

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

As at December 31, 2012, OAC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of OAC.

Ten-Year Financial Review

($ millions)	**2012**	2011	2010[ii]	2009	2008	2007	2006	2005	2004	2003
Net Assets Available for Benefits as at December 31,										
Public markets	**37,472**	32,154	34,123	31,336	28,763	43,291	43,533	39,338	30,283	30,168
Private equity	**7,465**	7,753	6,633	5,048	4,162	3,608	2,951	2,391	1,460	914
Infrastructure	**11,572**	9,635	9,593	12,195	12,140	8,412	5,585	3,719	2,314	1,426
Real estate	**15,846**	14,516	12,599	11,975	12,037	10,904	8,541	6,180	6,898	6,920
	72,355	64,058	62,948	60,554	57,102	66,215	60,610	51,628	40,955	39,428
Other investment assets	**853**	707	645	1,173	1,366	1,001	699	765	494	578
Investment liabilities	**(11,741)**	(9,063)	(9,628)	(13,338)	(14,474)	(15,029)	(13,088)	(10,772)	(5,267)	(7,297)
Net investment assets	**61,467**	55,702	53,965	48,389	43,994	52,187	48,221	41,621	36,182	32,709
Non investment assets/(liabilities)										
Due to administered funds	**(905)**	(828)	(809)	(734)	(672)	(800)	(741)	(639)	(553)	(496)
Other assets/(liabilities)	**205**	209	193	177	155	129	125	83	26	(120)
Net Assets Available for Benefits	**60,767**	55,083	53,349	47,832	43,477	51,516	47,605	41,065	35,655	32,093
Accrued Benefit Obligation and Surplus/(Deficit) as at December 31,										
OMERS Primary Pension Plan Defined Benefit Component										
Accrued pension obligation	**69,122**	64,548	60,035	54,253	50,080	46,830	44,167	41,123	37,774	35,466
Funding surplus/(deficit)	**(9,924)**	(7,290)	(4,467)	(1,519)	(279)	82	(2,382)	(2,784)	(963)	509
Actuarial value adjustment of net assets	**1,321**	(2,337)	(2,278)	(4,950)	(6,363)	4,567	5,791	2,707	(1,168)	(3,888)
	(8,603)	(9,627)	(6,745)	(6,469)	(6,642)	4,649	3,409	(77)	(2,131)	(3,379)
	60,519	54,921	53,290	47,784	43,438	51,479	47,576	41,046	35,643	32,087
Additional Voluntary Contributions Component										
Pension obligation	**170**	94	-	-	-	-	-	-	-	-
Net assets available for benefits	**60,689**	55,015	53,290	47,784	43,438	51,479	47,576	41,046	35,643	32,087
RCA										
Accrued pension obligation	**555**	504	468	486	285	236	172	157	149	69
(Deficit)	**(477)**	(436)	(409)	(438)	(246)	(199)	(143)	(138)	(137)	(63)
Net assets available for benefits	**78**	68	59	48	39	37	29	19	12	6
Total Accrued Pension Obligation and Deficit	**60,767**	55,083	53,349	47,832	43,477	51,516	47,605	41,065	35,655	32,093

($ millions)	**2012**	2011	2010 (ii)	2009	2008	2007	2006	2005	2004	2003
Changes in Net Assets Available for Benefits for the year ended December 31,										
Net assets, beginning of the year	**55,083**	53,349	47,832	43,477	51,516	47,568 (iii)	41,065	35,655	32,093	29,505
Changes Due to Investment Activities										
Total investment income (i)	**5,544**	1,648	5,735	4,623	(7,910)	4,200	6,803	5,767	3,907	3,751
Investment management expenses (i)	**(265)**	(264)	(268)	(246)	(227)	(201)	(169)	(160)	(147)	(158)
	5,279	1,384	5,467	4,377	(8,137)	3,999	6,634	5,607	3,760	3,593
(Income)/Loss credited to administered funds	**(79)**	(21)	(83)	(67)	124	(61)	(104)	(92)	(66)	(51)
Net investment income/(loss)	**5,200**	1,363	5,384	4,310	(8,013)	3,938	6,530	5,515	3,694	3,542
Changes Due to Pension Activities										
Contributions										
Current Service	**3,026**	2,618	2,227	2,077	1,975	1,840	1,739	1,498	1,363	404
Other contributions	**184**	195	86	66	73	46	53	36	46	42
	3,210	2,813	2,313	2,143	2,048	1,886	1,792	1,534	1,409	446
Benefits										
Pensions paid	**(2,256)**	(2,047)	(1,890)	(1,781)	(1,656)	(1,554)	(1,492)	(1,410)	(1,353)	(1,246)
Commuted value and other payments	**(414)**	(336)	(236)	(269)	(371)	(279)	(252)	(193)	(145)	(110)
	(2,670)	(2,383)	(2,126)	(2,050)	(2,027)	(1,833)	(1,744)	(1,603)	(1,498)	(1,356)
Pension administrative expenses	**(56)**	(59)	(54)	(48)	(47)	(43)	(38)	(36)	(43)	(44)
Net assets available for benefits, end of year	**60,767**	55,083	53,349	47,832	43,477	51,516	47,605	41,065	35,655	32,093
Total Annual Rate of Return for year ended December 31,										
OMERS Primary Pension Plan Defined Benefit Component										
Time weighted return on market value	**10.03%**	3.17%	12.01%	10.6%	-15.3%	8.7%	16.4%	16.0%	12.1%	12.7%
Benchmark	**9.75%**	2.52%	11.47%	12.1%	-13.2%	5.6%	13.7%	13.2%	9.9%	15.5%
Additional Voluntary Contributions Component										
Time weighted net return on market value	**9.50%**	2.59%	-	-	-	-	-	-	-	-
RCA Investment Fund (iv)										
Time weighted return on market value	**11.84%**	-2.42%	7.99%	11.3%	-26.1%	8.7%	16.4%	16.0%	12.1%	12.7%
Benchmark	**12.21%**	-2.43%	10.09%	16.6%	-27.3%	5.6%	13.7%	13.2%	9.9%	15.5%

(i) In preparing financial statements in 2012, OAC has reclassified pursuit costs from investment management expenses to total investment income. 2011 amounts were adjusted to reflect this reclassification.

(ii) Starting with 2010, amounts are presented in accordance with CICA Handbook Section 4600-Pension Plans and IFRS.

(iii) 2007 beginning of the year net assets were decreased by $37 million to reflect a change in accounting policy for transaction costs.

(iv) Excludes the RCA refundable tax balance with the Canada Revenue Agency.

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.

Accrued Pension Obligation
The actuarial present value of future pension benefits earned to date.

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 recognizing changes in net assets above or below the long-term funding objective over five years.

Actuarial Valuation Report
A report issued by the OAC's actuary on the funded status of the OMERS Pension Plans. The actuarial valuation is based on a set of demographic and economic assumptions approved by the OAC Board.

Additional Voluntary Contributions (AVCs)
A retirement savings opportunity for members of the OMERS Primary Pension Plan, effective January 1, 2011. AVCs will enable members and retirees (to age 70) to take advantage of OMERS investment returns by making additional contributions. Such contributions can include ongoing withdrawals from a bank account (for active members) as well as lump sum transfers from other registered retirement vehicles (for active, retired and deferred members).

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 (e.g., the S&P/TSX Composite Index) or for the OAC's infrastructure and real estate investments a predetermined absolute return based on operating plans approved by the OAC 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 employees 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 payment made in lieu of 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 (e.g., Blended DEX 30 day Treasury Bill Index and DEX Universe).

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

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 OAC Consolidated Financial Statements.

Direct Drive Active Management
Direct drive active management is where we have involvement in ongoing decisions within the businesses we invest in with respect to strategy, major investment decisions, annual financial target setting and the monitoring of performance against these targets, risk management and governance oversight.

Discount Rate
A discount rate is the interest rate used to compute the present value of anticipated future benefit payments.

Enterprise-wide
This refers to OAC, including OMERS Pension Group, OMERS Capital Markets, Borealis Infrastructure, OMERS Private Equity, Oxford Properties Group, OMERS Strategic Investments and corporate functions.

International Financial Reporting Standards (IFRS)
IFRS are a set of principles-based accounting standards developed by the International Accounting Standards Board that are becoming the global standard for the preparation of public company financial statements.

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 to ensure that they are sufficient to fund current benefits. This variation of the funding method is used by OAC 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.

OAC Board
The Board of Directors of the OMERS Administration Corporation.

OMERS Governance Review 2012
The OMERS Review Act required that OMERS governance model, established by the OMERS Act be reviewed by Ontario's Ministry of Municipal Affairs and Housing by 2012.

OMERS Pension Plans or Plans
Collectively, the OMERS Primary Pension Plan, the associated Retirement Compensation Arrangement and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics.

OMERS Primary Pension Plan or the Plan
The primary registered pension plan administered by OAC under the OMERS Act. This includes the defined benefit component and the AVC component.

Passive Management
Investing in a manner that replicates the performance of a market index (eg. 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 Pension Plans, 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 shareholders express their views on proposed corporate actions by submitting their vote at a company's annual meeting.

Public Market Investments
Investments in interest bearing (i.e., bonds, debentures and treasury bills) and equity securities (i.e., stocks, trust units, warrants and mutual fund units) traded on recognized public exchanges.

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 inflation.

Retirement Compensation Arrangement or RCA
The plan for those of the OMERS Pension Plan members with earnings exceeding the amount that generates the maximum pension allowed by the *Income Tax Act.*

SC
The OMERS Sponsors Corporation.

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
The OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics is 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.

OMERS
Sponsors Corporation

2012 Annual Report

OMERS Sponsors Corporation

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"The joint SC and OAC Board sessions demonstrated the kind of open and transparent dialogue that will drive greater understanding of shared challenges and opportunities as we move forward."

Deb Preston

Chief Executive Officer
OMERS Sponsors Corporation

Message from the CEO

2012 represented a year of engagement and progress for the OMERS Sponsors Corporation (SC) and OMERS. The sixth full year of operation by the SC witnessed continued evolution of a framework for growth and a collaborative approach to strategic planning. The joint SC and OMERS Administration Corporation (OAC) Board sessions demonstrated the kind of open and transparent dialogue that will drive greater understanding of shared challenges and opportunities as we move forward. There is no question the discussions between the two Boards clearly highlighted a greater recognition of the importance of good governance for all stakeholders. We look forward to building on that progress as a new year unfolds.

This was also the year of the OMERS Governance Review 2012 (the Review). This represents a welcome opportunity for an external perspective on the current state of governance at OMERS, its evolution since 2006 and thoughts on where it should and could be over the longer term. There is a recognition that OMERS governance can be enhanced and a willingness and desire by all parties to see that happen. This process will continue into 2013 now that the report from the Review is available.

Throughout 2012, the SC continued its focus on ensuring the health and long-term viability of the OMERS Primary Pension Plan (the Primary Plan or the Plan). As noted by the Co-Chairs, a key priority in 2012 was monitoring the financial status of the Plan, the funding outlook, and implementing the last phase of the three-year initiative to manage the funding of the Plan. We expect market conditions will continue to be turbulent and challenging, requiring regular and ongoing monitoring of the Plan's funded position and to make appropriate interventions if required.

As in 2012, we will work with the OAC to implement the strategic plan which will help return the Plan to a fully funded position. Our mutual goal is to deliver affordable, sustainable plans for members and employers – with the best governance and communication.

Over the year, pensions and pension reform remained in the headlines as the federal and provincial governments continue to discuss how best to expand pension coverage to more Canadians while balancing cost with benefit adequacy. We saw this in the initiatives to reduce pension costs which were first communicated in the spring Ontario Budget announcement. Some of these initiatives have already had an impact on jointly sponsored pension plans. The impact of other initiatives will not be known until the government considers its response to the report on the review of public sector pension plan investment consolidation.

We are also seeing a renewed interest in an expansion of the Canada Pension Plan. Defined benefit pension plans like the Canada Pension Plan and OMERS are an effective tool for pooling risk across members, and across time. They allow economies of scale and retirement stability that individuals cannot readily access on their own. While the 2008 financial crisis and current market turmoil present challenges for defined benefit pension plans like OMERS, these challenges are much more difficult for individuals to bear on their own, especially those who are close to retirement and cannot wait for a recovery.

This is an important time for pension plans such as OMERS and, together with the OAC, we will continue to monitor and participate in pension reform discussions to ensure that OMERS is well represented. OMERS, and many of its counterparts, stand as examples of the effectiveness of the defined benefit pension model. We are fully committed to ensuring that this continues well into the future and will work with our colleagues at the OAC to implement the strategic plan with that goal in mind.

I want to welcome Chris Vanden Haak in the role of Director, Pension Policy and Communications. Chris is responsible for advising the SC on pension industry trends and for monitoring and analyzing developments in applicable legislation. With his many years of actuarial experience in the pension consulting industry advising plan sponsors on a broad spectrum of issues, Chris brings a unique and important perspective to the SC as it faces the economic and political challenges of today and, more importantly, as it prepares for tomorrow.

I would like to thank SC staff for the tremendous work they do, as well as the Co-Chairs and Board Members for their ongoing support. I am very pleased to be part of the SC leadership team and look forward to working with the SC and the OAC to meet the challenges of these turbulent times.

Deb Preston

Deb Preston

Year in Review

As always, we remain committed to the good governance of your pension plans and ensuring their health, viability and sustainability long into the future.

Good Governance and Funding Strategy

Our funding strategy continues to meet the funding challenges presented by volatile markets and the difficult economic environment.

As expected, our funding deficit now fully reflects the significant 2008 market losses. The current deficit is largely due to those losses, but also reflects losses due to actuarial assumption changes and an aging, active population.

As of December 31, 2012, OMERS net assets available for benefits were $60.8 billion, of which $60.5 billion related to the Plan defined benefit component resulting in a current funding deficit on a smoothed basis of $9.9 billion. Based on the year-end actuarial value of net assets, the Plan is approximately 86 per cent funded – that is, it has $86 in assets for every $100 of long-term pension obligations.

Our multi-year, phased approach to address the deficit included increasing contributions by an average of 2.9 per cent for both employers and members over three years, with the last increase effective January 1, 2013. The strategy also included benefit changes for some members effective January 1, 2013.

The SC conducted an independent actuarial review of contribution rate allocations to determine how contributions would be allocated in the future. Through this process, the SC reached agreement on the allocation of the 2013 contribution rates reflecting the last increase under the funding strategy, as well as agreement on how contributions would be allocated in the future. Under the adopted approach, members whose Normal Retirement Age is age 60 (NRA 60) would pay the cost of their unique benefit provisions and any cost difference due to the difference in assumed future salary increases. Additional cost differences associated with experience and demographics are partially pooled and split between the two NRA groups.

Based on the strategy approved in 2010, starting in 2013, there are changes to the calculation of benefits members receive if they terminate employment before they are eligible for an early retirement pension – before age 55 (for NRA 65) and before age 50 (for NRA 60). The changes will only impact service entitlements accrued after 2012. These Plan members will not receive pre-retirement inflation protection, nor will they receive subsidized early retirement. These changes will reduce the Plan's long-term liabilities.

There will be no change in the benefit entitlements of current retirees, member survivors or active members who stay in the Plan until their early retirement date.

In 2012, the SC made changes to the definition of contributory earnings which limits earnings for pension purposes to seven times the CPP earnings limit. Had the limit been in place for 2012 it would have been roughly $350,000. The change will have effect from January 1, 2014 for members enrolling in OMERS on or after that date. The change will have effect from January 1, 2016 for members enrolling prior to January 1, 2014. The new earnings limit will be in addition to the limit under which the amount of incentive pay included in contributory earnings is limited to 50 per cent of base pay which became effective January 1, 2011.

The SC also decided to file the December 31, 2011 Primary Plan and OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the Supplemental Plan) valuations with the regulators and so the next required filing will be for the December 31, 2014 year-end.

In 2012, the SC invested significant educational time and effort on the broad issues of risk and growth and engaged external advisors in that effort to gain additional perspectives. The related discussions on risk and the potential impact of growth will enable the SC to fully consider the notions of sustainability and affordability when making decisions on benefit design and contribution rate levels – decisions not taken lightly.

The SC established a Statement of Plan Design Objectives and Strategy (SPDOS) which sets out the funding approach for the Retirement Compensation Arrangement (RCA), including the establishment of the Allocation Threshold, which was approved in 2011.

As discussed earlier in the reports by the Co-Chairs and CEO, strategic planning and the governance review were also significant areas of focus in 2012.

Summary

The Plan's funding deficit fully reflects the impact of the 2008 market losses. With our 2010 strategy of contribution and benefit changes fully implemented, and the OAC investment strategy, we expect that the Plan will return to a fully funded position in the next 10 to 15 years.

We remain vigilant in monitoring the funded status of the OMERS Pension Plans as we continue to face the impact of a slow global economy. While we remain optimistic that the Plan will recover, as it has done in the past, we will be ready to respond should further interventions be required.

As always, we remain committed to the good governance of your pension plans and ensuring their health, viability and sustainability long into the future.

Governance: OMERS Sponsors Corporation

"The best interests of the Sponsors Corporation include governance and decision-making practices which support the health and long-term viability of the jointly sponsored OMERS Pension Plans, and give due consideration to the interests of the stakeholders and other relevant circumstances."

The *Ontario Municipal Employees Retirement System Act, 2006* (the OMERS Act) created the SC to fulfill the role of plan sponsor, giving employers and employees more direct control over the pension plan. The SC has committed itself to upholding OMERS long history of exemplary corporate governance through maintaining high standards of integrity, education, transparency and communication in carrying out its responsibilities.

Governance

The SC strives to achieve best practice standards in corporate governance. To achieve this goal, the SC has developed policies and practices with input and advice from third-party advisors who are expert and experienced in the field. The governance structure includes:

- Corporate by-laws and policies that support the commitment to a best practice standard.
- An education program for members which includes learning opportunities in the areas of governance, pension administration, benefits strategies and pension plan trustee development, as well as mandatory orientation to the OMERS Pension Plans.
- A process for reviewing SC governance policies and processes to ensure the ongoing efficiency and effectiveness of its practices.
- Transparency and accountability to OMERS Plan participants through regular meetings with plan participants and stakeholders, together with timely print and electronic communication carried out in conjunction with the OAC, as well as regular web site updates and posting of by-laws, by-law amendments and information for submitting proposals for plan design changes.

In 2011, the SC also developed and published the "SC Governance, Mandates and Responsibilities". This document consolidates and articulates the SC governance structure, as well as the mandates and responsibilities of the Board, Committees, individual Board Members, Co-Chairs, Committee Chairs and the Chief Executive Officer.

Key Board Responsibilities

The SC's key responsibilities include:

- making decisions about the design of the OMERS Pension Plans, including benefits to be provided and contributions to be made;
- deciding whether to establish a reserve;
- deciding whether to file a valuation more frequently than is required under the *Pension Benefits Act*;
- establishing composition, remuneration and expense reimbursement policies for the Boards of the SC and the OAC;
- appointing members to the OAC Board;
- appointing the SC independent auditor, legal and actuarial advisors and the CEO; and
- approving the Corporation's budget and audited financial statements.

The SC members owe a fiduciary duty to the Corporation and must act in the best interests of the SC.

The SC believes that:

"The best interests of the Sponsors Corporation include governance and decision-making practices which support the health and long-term viability of the jointly sponsored OMERS Pension Plans and give due consideration to the interests of the stakeholders and other relevant circumstances."

Board Membership

The composition of the Board was established under legislation and confirmed by SC By-Law #4 and is based on a balanced formula reflecting plan membership.

The SC has a representative Board with seven Plan member representatives and seven employer representatives. Members are appointed by their Sponsoring Organizations (as outlined in By-Law #4) for a three-year term. Terms are staggered to ensure ongoing continuity and effectiveness of the Board.

Employer Representatives

- Association of Municipalities of Ontario (AMO) (2 members)
- City of Toronto (1 member)
- School Boards, rotating between Public and Catholic Boards (1 member)
- Ontario Association of Police Services Boards (1 member)
- Ontario Association of Children's Aid Societies (1 member)
- Electricity Distributors Association (Ontario) (1 member)

Plan Member Representatives

- Canadian Union of Public Employees (CUPE Ontario) (1 member)
- Canadian Union of Public Employees rotating between Locals 79 and 416 (1 member)
- Police Association of Ontario (1 member)
- Ontario Professional Fire Fighters Association (1 member)
- Ontario Secondary School Teachers' Federation (1 member)
- Ontario Public Service Employees Union (1 member)
- Retiree Group – 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 (1 member)

The Board is headed by two Co-Chairs, one appointed by the Plan member representatives and the other appointed by employer representatives. There are 18 total votes on the SC. The number of votes is equally split between employer and Plan member representatives and is further proportionately distributed using a weighted voting system.

A review of SC composition was last undertaken in 2009 to ensure the SC continued to provide appropriate representation of the participants in the OMERS Pension Plans. In accordance with its by-laws, the SC began the process of conducting a review of Board composition and representation in 2012 which included an invitation for stakeholders to provide input.

As required under the OMERS Review Act, a review of OMERS governance was conducted in 2012 by Mr. Tony Dean. His report was delivered in early 2013. The report will enable the SC to complete its review of Board composition and appointments in 2013.

Compensation and Expenses for SC Members

Compensation

SC members are compensated through a combination of an annual retainer and meeting fees covering attendance at Board and committee meetings and at other meetings or events such as the SC's annual planning session and the spring and fall information sessions for stakeholders.

A member's compensation may be paid directly to the Member or to the organization with which they are affiliated.

SC member compensation was reviewed in 2011, resulting in no changes to the June, 2009 structure, as follows:

	Annual Retainer	Meeting Fee*
Sponsors Corporation Co-Chairs	$70,000	$0
Committee Chair	$17,800	$750
All other members	$12,800	$750

* maximum number of compensable meetings is 24

Board compensation is slated for a detailed review in 2013.

Reimbursement of Expenses

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

SC members are also reimbursed for travel, tuition and other expenses incurred in attending pension and governance conferences, or other educational programs, which are approved or mandated by the SC under By-Law #6.

Board Committees

The SC has four standing committees to assist the Board in discharging its responsibilities. In addition, the SC and OAC have established a Joint Council to address matters of importance to both Boards.

Plan Design Information Committee (PDIC)

The Plan Design Information Committee assists with responsibilities relating to design of the OMERS Pension Plans including:

- coordinating and facilitating the process of gathering and considering information; and
- arranging for the referral of questions to OAC management and legal, actuarial and other professionals engaged by the SC.

Human Resources and Compensation Committee (HRCC)

The Human Resources and Compensation Committee's responsibilities relate to:

- staff levels and succession planning;
- training, education and orientation programs for members of the SC;
- compensation structure, including benefits, of employees of the SC;
- expense reimbursement policies in respect of employees of the SC;
- compensation and expense reimbursement policies in respect of SC members and members of the OAC Board; and
- a performance evaluation process for the Chief Executive Officer.

Corporate Governance Committee (CGC)

The Members of the SC are assisted by the Corporate Governance Committee with regard to:

- developing appropriate corporate governance practices, guidelines and benchmarks for the SC; and
- developing by-laws for the SC.

Audit Committee

The Audit Committee assists the members in fulfilling their responsibilities of oversight and supervision of:

- the quality and integrity of the financial statements of the SC;
- the compliance by the SC with legal and regulatory requirements in respect of financial disclosure and reporting;
- the adequacy of the internal accounting controls and procedures of the SC; and
- the qualifications, independence and performance of the independent auditor of the SC.

OAC/SC Joint Council

The Joint Council is comprised of an equal number of members from the SC and OAC Boards and is intended to discuss and address matters of importance to either Board with respect to the oversight and governance of the OMERS Pension Plans.

Meeting Attendance

There were 12 regular meetings of the Board and two days of strategic planning with the OAC Board; 22 meetings of standing committees and 7 Joint Council meetings. Overall attendance was 97 per cent, compared to 96 per cent in 2011.

Other Events/Meetings

In 2012, SC members also attended anywhere from 9 to 32 other business events and meetings, including: half-day Member Information sessions in the Spring and Fall, in-house education programs on risk and growth, meetings with government representatives, committee meetings of which they are not members, telephone updates on issues of importance to the SC Board and other business meetings as necessary. Numerous caucus (employer and employee) group and individual SC members' meetings with their sponsor organizations are not tracked but may occur monthly for some SC members.

Educational Programs/Conferences

SC members participate in various educational programs and industry conferences which are either approved or mandated by the SC, particularly for new SC members. In 2012, 10 SC members attended from one to three industry-related conferences and seminars within North America, lasting from one to five days.

In addition, one SC member (Bruce Miller) attended a four-day Board Governance program provided by Queen's University.

SC Board Remuneration and Expenses

For the year ended December 31,	2012 Remuneration (i)	2012 Expenses (ii)	2011 Remuneration (i)	2011 Expenses (ii)
Marianne Love (Co-Chair)	**$ 70,000**	**$ 16,475**	$ 70,000	$ 21,530
Brian O'Keefe (Co-Chair)	**70,000**	**6,596**	70,000	10,098
Wm. (Joe) Aitchison (iii)	**35,800**	**10,722**	35,800	7,222
Paul Bailey	**30,800**	**11,739**	30,800	9,625
Diana Clarke (iv)	**30,800**	**7,298**	24,167	4,755
Mark Ferguson	**30,800**	**817**	30,800	2,342
John Fleming	**30,800**	**6,553**	35,800	7,077
Jack Jones (iii)	**35,800**	**22,967**	30,800	23,527
Charlie Macaluso	**30,800**	**3,155**	30,050	2,328
Wayne McNally (iii)	**33,550**	**2,851**	30,050	8,202
Bruce Miller (iii) (v)	**36,050**	**26,076**	35,550	19,562
Garth Pierce	**29,300**	**11,160**	33,550	9,854
Frank Ramagnano	**30,800**	**11,857**	30,800	13,373
Bruce Stewart	**30,050**	**7,172**	30,800	3,858
Former Board Members	**-**	**-**	3,633	-
Other Expenses (vi)	**-**	**44,862**	-	43,599
Total	**$ 525,350**	**$ 190,300**	$ 522,600	$ 186,952

(i) Remuneration is in accordance with By-Law #6. Members receive a base retainer plus a per meeting attendance fee to prescribed maximum levels.

(ii) Includes reimbursement of reasonable and necessary expenses incurred in connection with carrying out the business of the SC or in attending pension and goverance conferences or other educational programs, including meals, travel and communications expenses; travel time is not compensated.

(iii) Committee Chairs
Wm. (Joe) Aitchison - CGC - Corporate Governance Committee
Jack Jones - PDIC - Plan Design Information Committee
Wayne McNally - Audit Committee
Bruce Miller - HRCC - Human Resources and Compensation Committee

(iv) Term commenced March 1, 2011

(v) Remuneration for this Member was adjusted in 2012 to correct for an underpayment in 2011.

(vi) Other Expenses include Board meeting expenses not allocated to individuals.

2012 Board/Committee Meetings

Member	SC Board Meetings (i)		Audit Committee	CGC Meetings	HRCC Meetings	PDIC Meetings	Joint Council Meetings	Committees (Total)		Overall Attendance		Other (iv) Events/Meeting
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended	%	Attended	%	
Marianne Love (Co-Chair) (ii)	14/14	100%	1/1	7/7	4/4	7/7	7/7	26/26	100%	40/40	100%	31
Brian O'Keefe (Co-Chair) (ii)	14/14	100%	1/1	7/7	3/4	6/7	7/7	24/26	92%	38/40	95%	32
Wm. (Joe) Aitchison	14/14	100%		7/7	4/4			11/11	100%	25/25	100%	18
Paul Bailey (iii)	14/14	100%	4/4		4/4			8/8	100%	22/22	100%	19
Diana Clarke	14/14	100%		5/7				5/7	71%	19/21	90%	14
Mark Ferguson	13/14	93%				7/7		7/7	100%	20/21	95%	9
John Fleming(iii)	14/14	100%				7/7	7/7	14/14	100%	28/28	100%	23
Jack Jones	14/14	100%		7/7		7/7		14/14	100%	28/28	100%	16
Charlie Macaluso	13/14	93%		6/7		6/7		12/14	86%	25/28	89%	10
Wayne McNally(iii)	13/14	93%	4/4		4/4			8/8	100%	21/22	95%	10
Bruce Miller	14/14	100%	4/4		4/4			8/8	100%	22/22	100%	20
Garth Pierce	14/14	100%	4/4					4/4	100%	18/18	100%	13
Frank Ramagnano(iii)	14/14	100%				7/7	7/7	14/14	100%	28/28	100%	22
Bruce Stewart(iii)	14/14	100%				6/7		6/7	86%	20/21	95%	15
Overall Attendance		**98%**	**100%**	**93%**	**96%**	**95%**	**100%**		**96%**		**97%**	

(i) Board meetings consisted of 12 regularly scheduled meetings of the full SC and two days of strategic planning with the OAC Board.

(ii) Until September, the Co-Chairs were ex-officio members of all committees except Audit, which they had previously attended only by invitation.

(iii) Non-committee members are welcome to attend with permission of the committee chair and are not eligible for a compensable meeting fee unless specifically requested to attend by the committee chair; CGC - Paul Bailey and Wayne McNally attended 1; Frank Framagnano and Bruce Stewart attended 2; John Fleming attended 3; these are recorded under 'Other Events/Meetings'.

(iv) Members also attended from 9 - 32 Other Events such as: the Spring and Fall Information meetings, in-house education sessions, telephone updates from the Co-Chairs on issues of importance to the SC Board and other business meetings as required, some of which may be compensable. Many Members also attended pension and governance conferences and/or recognized education programs. Co-Chairs Marianne Love and Brian O'Keefe attended an additional 8 meetings regarding the OMERS Governance Review 2012 and the Reviewer's recommendations to the Minister of Municipal Affairs and Housing.

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

Wm. (Joe) Aitchison
Employer Representative
for Ontario Association of
Children's Aid Societies

Paul Bailey
Plan Member Representative
for Retiree Group

Diana Clarke
Plan Member Representative
for Ontario Public Service
Employees Union

Mark Ferguson
Plan Member Representative
for CUPE Local 416

John Fleming
Employer Representative
for the City of Toronto

Jack Jones
Plan Member Representative
for Ontario Secondary School
Teachers' Federation

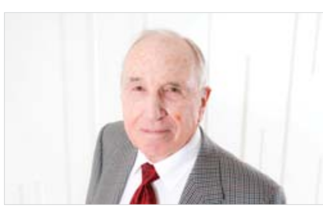
Charlie Macaluso
Employer Representative
for Electricity Distributors Association

Wayne McNally
Employer Representative
for Ontario Catholic School Trustees'
Association

Bruce Miller
Plan Member Representative
for Police Association of Ontario

Garth Pierce
Employer Representative
for Ontario Association of
Police Services Boards

Frank Ramagnano
Plan Member Representative
for Ontario Professional
Fire Fighters Assocaition



Bruce Stewart
Employer Representative
for Association of Municipalities
of Ontario

Independent Auditors' Report

To the Board of OMERS Sponsors Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of OMERS Sponsors Corporation, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations and cash flows for the years ended December 31, 2012 and December 31, 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of OMERS Sponsors Corporation as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Norton McMullen & Co. LLP

Chartered Accountants, Licensed Public Accountants

Markham, Ontario, Canada
February 20, 2013

Financial Statements

Statement of Financial Position

As at,	December 31, 2012	December 31, 2011	Opening Balance January 1, 2011
Assets			
Current			
Cash and cash equivalents (note 4)	$ 1,981,356	$ 1,979,324	$ 1,866,949
OAC receivable	636,496	594,738	808,490
Prepaid expenses and other assets	9,918	6,272	7,899
	$ 2,627,770	$ 2,580,334	$ 2,683,338
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 171,357	$ 137,336	$ 249,885
Net Assets			
Excess/(deficit) of revenues over expenses from operations			
Balance at beginning of year	2,442,998	2,433,453	2,437,851
Current year	13,415	9,545	(4,398)
Balance at end of year	2,456,413	2,442,998	2,433,453
	$ 2,627,770	$ 2,580,334	$ 2,683,338

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

Signed on behalf of the Board of OMERS Sponsors Corporation:

Marianne Love
Co-Chair

Brian O'Keefe
Co-Chair

Wayne McNally
Chair, Audit Committee

Statement of Operations

For the year ended December 31,	2012	2011
Revenues		
OAC expense reimbursement	$ 1,978,920	$ 1,941,961
Interest income	14,949	16,042
	1,993,869	1,958,003
Expenses		
Contract and administrative salaries, including payroll taxes and benefits	696,470	688,702
Legal	194,285	181,333
Audit	6,215	5,605
Actuarial	75,261	68,679
Professional advisors and other administrative expenses (note 5)	191,530	203,512
Insurance	77,638	77,638
Board remuneration including payroll taxes and benefits (note 6)	548,755	536,037
Board expenses (note 6)	190,300	186,952
	1,980,454	1,948,458
Excess Of Revenues Over Expenses from Operations	$ 13,415	$ 9,545

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,	2012	2011
Cash And Cash Equivalents Were Provided By (Used In):		
Operating Activities		
Excess of revenues over expenses	$ 13,415	$ 9,545
Changes in non-cash working capital accounts		
OAC receivable	(41,758)	213,752
Prepaid expenses and other assets	(3,646)	1,627
Accounts payable and accrued liabilities	34,021	(112,549)
Increase In Cash	2,032	112,375
Cash And Cash Equivalents (note 4) - Beginning Of Year	1,979,324	1,866,949
Cash And Cash Equivalents (note 4) - End Of Year	$ 1,981,356	$ 1,979,324

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

Notes to Financial Statements

Year ended December 31, 2012

NOTE 1

Nature of Operations

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

The SC is not subject to income taxes.

NOTE 2

Change in Basis of Accounting

The Company has elected to adopt the Canadian accounting standards for not-for-profit organizations as outlined in Part III of the CICA Accounting Handbook, hereafter referred to as (ASNPO). These financial statements are the first financial statements for which the Company has applied ASNPO.

The financial statements for the year ended December 31, 2012 were prepared in accordance with ASNPO including the provisions set out in Section 1500, which addresses matters related to first-time adoption of this basis of accounting.

The adoption of this new financial reporting framework had no impact on the previously reported financial position as at January 1, 2011 and December 31, 2011 or to previously reported excess (deficit) of revenue over expenses from operations or net assets for the year ended December 31, 2011. Consequently, a reconciliation of previously reported net assets to excess (deficit) of revenue over expenses from operations as reported using ASNPO was not required.

NOTE 3

Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian ASNPO and include the following significant accounting policies:

a) Government Grant Revenue Recognition and Net Assets

In previous years the SC received grants for operations from the Ministry of Municipal Affairs and Housing of the Ontario Government (the Ministry). These amounts receivable were recognized as income once the amount to be received could be reasonably estimated and collection was reasonably assured. The initial funding agreement with the Ministry, which was put in place during 2007, stated that any part of the grant funds that have not been used or accounted for by the SC at the time the agreement was to expire, on March 31, 2009, would belong to the Ministry.

In July 2008, following the establishment of, and agreement to, a joint SC/OAC protocol for SC expenditure reimbursement from the OAC and an Ontario Superior Court of Justice decision that confirmed that the OAC may lawfully reimburse the SC in accordance with the categories outlined in the protocol, the Ministry agreed to amend their initial agreement with the SC. The amended agreement authorizes the SC to use the remaining provincial funding for a period of up to five years (to March 31, 2014), to pay for the SC costs that, under the protocol, cannot be reimbursed from the OAC. OAC expense reimbursement is recorded as revenue after the expenses are incurred in accordance with the joint SC/OAC protocol. Net assets consist of government grant funds received, net of expenditures not reimbursed by the OAC, plus interest earned. Interest income for operations is recognized as income in the year earned.

b) Use of Estimates
The preparation of financial statements is in conformity with Canadian accounting standards for not-for-profit organizations which require management to make estimates and assumptions that affect the reported values of assets and liabilities, income and expenses, and related disclosures. Such estimates include the OAC receivable and accounts payable and accrued liabilities. Actual results could differ from these estimates.

c) Cash Equivalents
Cash equivalents are treasury bills which have been issued for terms not exceeding 365 days that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

NOTE 4

Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	December 31, 2012	December 31, 2011	Opening Balance January 1, 2011
Cash on hand and balances with banks	**$ 498,130**	$ 569,355	$ 467,880
Short-term investments	**1,483,226**	1,409,969	1,399,069
	$ 1,981,356	$ 1,979,324	$ 1,866,949

NOTE 5

Professional Advisors and Other Administrative Expenses

Professional advisors and other administrative expenses consist primarily of various professional advisors for information technology and governance issues, training and other administrative expenses.

NOTE 6

Board Remuneration and Expenses

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

NOTE 7

Financial Instruments

Fair Value of Financial Instruments

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

Credit Risk

The SC's cash is held at a major financial institution and cash equivalents are all Ontario treasury bills. The OAC receivable is due from an organization with an "AAA" rating and therefore there is virtually no credit risk.

NOTE 8

Contingent Liability

As described in note 3(a), the SC could be required to repay funding received in 2007 from the Ministry, which has not been used, after March 31, 2014. An estimate cannot be made but this amount would not exceed $2,500,000.

OMERS
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