2016 Annual Report

OMERS

Strategic

Secure

Strong

Accountable to our members for a secure pension

We are OMERS, the defined benefit pension plan for over 470,000 active, deferred and retired employees from nearly 1,000 municipalities, school boards, libraries, police and fire departments, and other local agencies in communities across Ontario.

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

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

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

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

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

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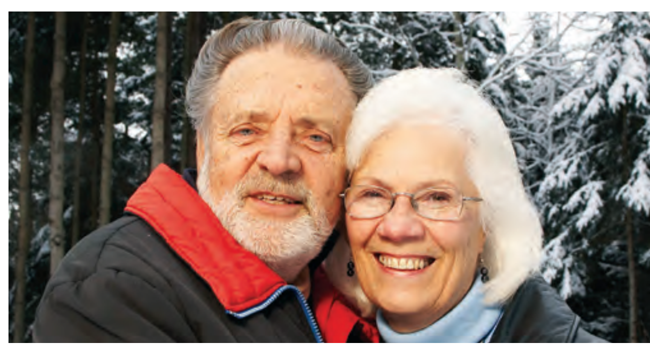


Pictured from left to right: 1) Chirag, Anyue, Jannie, Jieying, Parasar and Jing, employees 2) Sheralyn, employee 3) Akash, employee 4) Craig, member 5) Mike, member and Gerry, retiree 6) Theresa, Lisa, and Kim, employees 7) Jim, retireee and Joan, spouse

Toni
Member

Stephanie
Member

OMERS is **Strategic**: We have a *2020 Strategy: Driving Plan Sustainability* which is our roadmap to achieving our priorities.

OMERS is **Secure**: We are well-positioned to provide defined benefit pensions for our members, now and in the future.

OMERS is **Strong**: We are one of few organizations that have an AAA credit rating from DBRS and an AA+ rating from Standard & Poor's. Our strength is rooted in our highly capable employees who are dedicated to serving our members and employers.

2016 Highlights

93.4%
FUNDED

10.3%
NET RATE OF RETURN

$85.2
BILLION IN NET ASSETS

$3.9
BILLION IN CONTRIBUTIONS

$3.6
BILLION IN BENEFIT PAYMENTS

470,000
MEMBERS

Credit rating of AAA from DBRS and AA+ from Standard & Poor's

Year in Review

"The progress made in 2016 demonstrates what can be achieved with our 2020 Strategy as a clear roadmap, along with a strong team focused on successful execution."

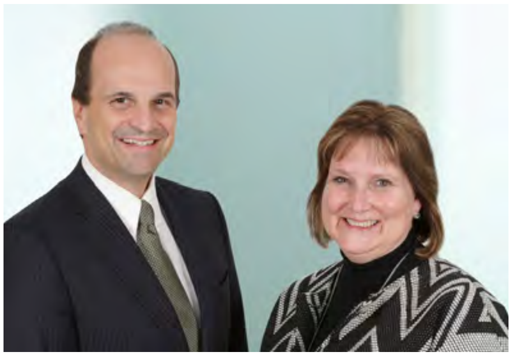
Michael Latimer
President and CEO
OMERS Administration Corporation

"We are engaging directly with sponsors and other stakeholders to address the challenges that may impact the Plan over the long term."

Paul Harrietha
Chief Executive Officer
OMERS Sponsors Corporation

"The joint 2020 Strategy reflects our two Boards taking important steps together for the benefit of our members and employers, while we look further forward to 2030 to prepare for the evolving landscape."

George Cooke
Board Chair
OMERS Administration Corporation



"The retirement security of our members is our priority. Both Boards are committed to long-term Plan sustainability."

Frank Ramagnano and Marianne Love
Board Co-Chairs
OMERS Sponsors Corporation

OMERS is funded through the contributions of members and employers, and through net investment returns.

Member contributions are, on average, 10.7% of their earnings – matched equally by employers. Contribution rates in 2017 will not change.

The funded ratio, a key indicator of the long-term health of the Plan, increased to 93.4% at the end of 2016, up from 91.5% in 2015. The Plan's funded ratio improved in 2016 for the fourth consecutive year. We remain on track to achieve full funding by 2025.

OMERS 2016 net investment return was 10.3%, compared to a net return of 6.7% in 2015, and our 2016 benchmark of 7.9%. All asset classes produced solid returns.

2017 Member Contribution Rates	Normal Retirement Age 65	Normal Retirement Age 60	Average
On earnings up to CPP earnings limit*	9.0%	9.2%	10.7%
On earnings above CPP earnings limit*	14.6%	15.8%	

*The CPP earnings limit for 2017 is $55,300.

Our 2020 Strategy: Driving Plan Sustainability

In 2016, OMERS continued to execute on the 2020 Strategy put in place the year before.

Our Strategy, which sets out a five-year roadmap, is advancing OMERS toward our vision of being a leading model for defined benefit pension plan sustainability.

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

- A maturing Plan as the number of retired members increases relative to contributing members
- A challenging investment environment
- An evolving pension landscape as retirement security remains a priority for governments

Our Goals:

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

Our Strategy is working and contributed to our solid 2016 results. It is based on four pillars:

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

We are proud of the strong progress OMERS made in 2016 to deliver on our 2020 Strategy. This report highlights our progress on each of these pillars over the year.

1 Protecting our funded status

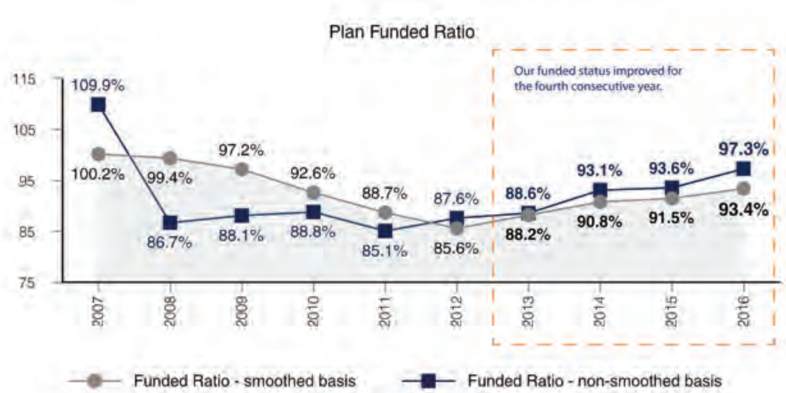
To ensure that we deliver on our pension promise.

KEY HIGHLIGHTS:

In 2016, contribution rates and benefits were unchanged, and they will remain at current levels in 2017. The current average contribution rate by members is 10.7% and is matched equally by employers.

In 2016, the funded ratio increased to 93.4%, up from 91.5% in 2015. The improvement in OMERS funded ratio for the fourth year in a row is due mainly to a combination of increases to contribution rates put in place in 2010, as well as positive investment returns. OMERS 2020 Strategy aims to return the Plan to full funding by 2025 and, today, we remain on course.

To reduce funding risk, OMERS reduced the Plan's real discount rate (net of inflation) from 4.25% to 4.20%, effective December 31, 2016. A lower real discount rate can help absorb the impact of potential funding stress, such as a future financial crisis. In such a situation, OMERS could raise the discount rate to



stabilize the funded status of the Plan, and mitigate the negative impact on benefits and contribution rates.

In 2016, OMERS continued to assess various options for sharing funding risk more equitably in the future, across the broader population of active and retired members. One of those options is the possible introduction of Modified Inflation Indexing, following formal consultation with key stakeholder groups. While this innovative approach to managing funding risk would have no immediate impact on the Plan, including contribution rates or benefit levels, it would give the OMERS Sponsors Corporation Board some flexibility to alter future levels of indexation, if necessary, and subject to normal governance procedures and a two-thirds supporting vote.

INVESTMENT HIGHLIGHTS

PORT OF MELBOURNE

OMERS, as part of a consortium, purchased its first investment in Australia with the acquisition of the Port of Melbourne, which is an important link between Australia and its major trading partners. The Port is Australia's largest container, automotive and general cargo port which recently upgraded its facilities. This investment represents further geographic diversification in OMERS portfolio.

CHICAGO SKYWAY

OMERS, as part of a consortium, invested in the Chicago Skyway toll road, which is a critical link between downtown Chicago and its south-eastern suburbs. This investment was selected for its ability to generate predictable returns and cash flows.

YORKDALE

OMERS retail real estate investments are focused on dominant shopping centres in major markets, which provide a complete shopping, dining and entertainment experience. There is no better example of this than Yorkdale in Toronto. In October 2016, we opened a 300,000 square foot expansion at the shopping centre, with approximately 30 new stores, including Nordstrom. Yorkdale continues to be among the highest sales productivity leaders in the North American retail industry.

CENTENNIAL PLACE IN CALGARY

During 2016, OMERS sold a 50%, non-managing interest in a 4.2 million square foot portfolio of high-quality office assets in Calgary and Toronto. This was one of the largest real estate transactions in Canadian history. This transaction allows us to reinvest in new opportunities, while continuing to drive superior returns at the properties for the benefit of OMERS through our retained ownership and management position.

2

Delivering 7-11% net annual average investment returns

To meet the long-term costs of providing pension benefits.

KEY HIGHLIGHTS:

In 2016, OMERS achieved a net investment return of 10.3%, and a five-year annualized net investment return of 8.5%, consistent with our objectives. We continued to execute on our Strategy of building a diversified portfolio of high-quality investments, which will target net average annual investment returns in the range of 7-11%.

As set out in our 2020 Strategy, a new Asset Mix Study was conducted for the Plan in 2016 with two objectives: 1) maximize our ability to return to full funding by 2025, and 2) minimize the need for unexpected Plan design changes. As a result of the study, OMERS increased target allocations to infrastructure, private equity and real estate, and added explicit allocation to the credit asset class where we see good opportunities.

In 2016, our Capital Markets team continued to invest in equities of companies with strong balance sheets and resilient business models. These investments generate income and produce a consistent capital return with lower volatility than the broad markets. A key to our success has been partnering with best-in-class investors to access credit opportunities on a global basis. Net returns in Capital Markets were 9.5%, compared to 0.7% in 2015.

During 2016, OMERS infrastructure portfolio grew with acquisitions of port, airport, toll road and pipeline assets. Our focus remains on assets with contractually protected, inflation-resilient cash flows, which are an excellent match for pension payments. Net returns on infrastructure were 11.0%, compared to 17.3% the previous year.

In private equity markets, there were high valuations in 2016, and we used this opportunity to sell select assets to crystalize significant capital gains. Overall, Private Equity, including externally managed funds and an innovation-based program, provided a net return of 12.6% in 2016, compared to 10.0% in 2015.

OMERS real estate portfolio continued to be well-leased and diversified across income-producing properties in major global cities, with returns augmented through real estate development. With sell downs of mature assets, we typically retain a position that will generate management-fee income. By selling down our positions we are able to rotate capital to new investments and diversify risk. Our real estate portfolio net return in 2016 was 12.4%, compared to 15.3% the previous year.

OMERS continued to diversify across industries and geographies in 2016, including our first direct investment in Australia where we have built expertise with deep, local knowledge of the market.

3

Continuing to build quality relationships with Members, Employers and Stakeholders

To ensure that we consistently meet their needs.

KEY HIGHLIGHTS:

In 2016, member satisfaction was strong at 92%. When asked to rate how OMERS meets their needs, members have consistently been very satisfied. A high service standard has been maintained, especially in light of the increased number of members transitioning into retirement. This year, more than 9,000 members began receiving their OMERS pension.

We announced a change to the Additional Voluntary Contribution (AVC) program in 2016 with the addition of a new feature of an income option. For "non-locked-in funds," this feature allows members to keep funds in an AVC account after reaching age 71. This is a significant development for members who can now withdraw funds over their lifetime, as long as they meet the minimum withdrawal requirements set out in the *Income Tax Act*.

In anticipation of the thousands of members who are expected to retire in the next five years, OMERS has encouraged members to take advantage of electronic communications for statements and newsletters so that we can all connect effectively and manage Plan costs. More than 44,000 members have signed up to receive electronic statements and newsletters, and we continue to encourage more members to sign up.

We understand members have questions about retirement. More than 125,000 pension estimates were produced through the myOMERS Retirement Income Estimator in 2016. This convenient tool helps members estimate their retirement income and plan for their future.

Client Services answered more than 200,000 phone calls in 2016 and delivered 430 information sessions and 32 webinars – to address member questions clearly and directly.

We also provided convenient access to personal pension information through

$3.6 billion

IN BENEFIT PAYMENTS IN 2016

8 out of 10

NUMBER OF MEMBERS WHO TELL US OMERS OFFERS GOOD VALUE

myOMERS, an online pension management tool. At the end of 2016, approximately 40% of members were signed up for myOMERS.

Based on consultations, the Sponsors Corporation decided to expand a series of structured meetings to ensure targeted and meaningful engagement with OMERS members who are not affiliated with the organizations which currently nominate or appoint directors to the OMERS Boards. In December 2016, OMERS hosted the first of these meetings with representatives of small unions and representatives of organizations of management who are not union members.

OMERS serves almost 1,000 employers who have an important role in the pension plan – partnering with OMERS to administer pension benefits for members and matching member contributions. We recognize that an OMERS pension is an important part of what employers offer their employees.

We established an Employer Advisory Forum in 2016 with a select cross-section of participants. The intent is to address pension administration matters and to exchange ideas related to areas of common interest, such as technology and Plan demographics.

In 2016, OMERS provided 73 employer information sessions and webinars, with 2,333 employer representatives participating.

OMERS Senior Executive Team met directly with employers, as well as sponsors and other stakeholders throughout the year. These meetings provided an opportunity to achieve a deeper understanding of issues of importance, to build stronger relationships, and to further partner in connecting with members and our community.

18,000+

NUMBER OF NEW PLAN MEMBERS

9,000+

MEMBERS WHO RETIRED IN 2016

Sustainable Investing at OMERS

OMERS believes that the consideration of environmental, social and governance (ESG) factors is consistent with its objective to meet long-term payment obligations to members. We believe that companies that incorporate ESG factors into their business practices are more likely to be resilient and create value over the long term.

Our approach to sustainable investing relies on three strategies: integration, engagement and collaboration. We believe these strategies are proactive ways to manage ESG risks over the long term. We evaluate each investment opportunity on whether it will allow us to meet our responsibility to provide our members with secure pensions.

Integration

We consider ESG factors in investment decision-making processes and asset- management practices, on a case-by-case basis, where relevant, as such factors could have a material impact on investment performance.

Engagement

We encourage responsible corporate behaviour through direct engagement with the public and private companies in which we invest. We also engage with companies by exercising voting rights consistent with our proxy voting guidelines.

Collaboration

We collaborate with like-minded investors and international organizations to exchange information and advocate for better transparency and performance on ESG factors.

Building Sustainability Excellence

GRESB

For the fourth year in a row, Oxford Properties, OMERS real estate investment company, has received the top spot in the Global Real Estate Sustainability Benchmark survey (an industry-driven organization committed to assessing the ESG performance of real assets globally) as the North American Regional Sector Leader in the Diversified Office and Retail category. For more than a decade, Oxford has integrated sustainability into the operations of its existing buildings and continues to introduce the latest green building materials and technologies into new developments.

4

Evolving our capabilities and business model

To provide value for pension dollars.

KEY HIGHLIGHTS:

In 2016, OMERS made progress in the development of a new pension administration system. This system will be important to achieving OMERS goal of providing high-quality, value-driven service for members and employers.

We are investing in our information technology capabilities which will provide cost efficiencies in the long run.

In 2016, OMERS focused on initiatives which reflected this commitment, including evolving our procurement and project management processes, seeking out income streams to defray costs, and strengthening our focus on cost awareness.

We expect our Cost Per Member to increase over the near term as we replace our pension administration system, invest in technology, and prepare for a greater number of retirements and a higher volume of pension transactions. Once these near-term investments create efficiencies, we expect our Cost Per Member to reduce to our target of $185 per member, compared to $189 in 2016 and $161 in 2015.

The initiatives introduced in 2016 help ensure OMERS will achieve our cost objectives by 2020, reducing our investment Management Expense Ratio to below 50 basis points. The investment Management Expense Ratio was 61 basis points in 2016, compared to 57 basis points in 2015.

In addition to enhancing systems and processes, we continued to develop our employees, providing further opportunities for advancement within the organization. OMERS works to ensure that different opinions, perspectives and cultural references are respected and leveraged to achieve highly effective organizational performance and business results.

An OMERS pension can be one of our members' most valuable assets. When our members retire, they are provided with regular pension payments that continue for the rest of their lives. OMERS provides:

- a lifetime pension based on earnings and years of service;
- early retirement options, including a bridge benefit paid until age 65;
- inflation protection; and
- disability and survivor benefits.

Looking Ahead

OMERS 2020 Strategy will continue to guide us as we drive towards our vision to make OMERS a leading model for defined benefit pension plan sustainability.

The 2020 Strategy is serving the Plan well, generating positive outcomes in 2016.

Looking ahead, we will continue to monitor the evolving landscape and adjust, as needed, to protect the long-term sustainability of the Plan.

We expect that investment markets will continue to present the challenges of low interest rates, volatility and high competition for private assets for the foreseeable future. We believe that our focus on building a diversified portfolio of high-quality assets will serve OMERS well over the long term.

We will continue to connect with members, employers and stakeholders to ensure that their needs are being addressed and that we are providing excellent service.

We are preparing for a greater number of retirements and higher pension transactions over the coming years, which will put pressure on OMERS costs and service levels. We will continue to encourage the use of automated transactions and electronic communications to manage costs, and also provide faster delivery.

We continue to be optimistic about achieving our objectives as we move closer to meeting our goals. We are confident our Strategy positions OMERS to deliver secure, sustainable and affordable defined benefit pensions for our members, now and in the future.

Management Team

Blair Cowper-Smith
Chief Corporate Affairs Officer

Reena Carter
Executive Vice President and Global Head Assurance and Advisory

Warren Bell
Chief Operating Officer

Michael Latimer
President and CEO

Ana Caçoilo
Senior Vice President Pension Services

Michael Rolland
Chief Investment Officer Private Markets

Rodney Hill
Chief Risk Officer

Jenny Tsouvalis
Senior Vice President & Enterprise Head Investment Reporting, Operations & Applications

Roger Favero
Senior Vice President Information Technology

Rheal Ranger
Executive Vice President Corporate Finance

Anne Soh
Vice President Actuarial Services and Plan Actuary

Upton Jeans
Senior Vice President Financial Services

OMERS Administration Corporation

Lloyd Komori
Senior Vice President
Risk Management

Serena Lefort
Executive Vice President
& Head of Tax

Jonathan Simmons
Chief Financial Officer

Michael Block
Vice President
Strategy

Roberta Hague
Senior Vice President
Communications &
Public Affairs

Blake Hutcheson
Chief Investment Officer
Real Estate and Platform
Investments

Michael Kelly
Executive Vice President
& General Counsel

Michelle Banik
Senior Vice President
People and Culture

Satish Rai
Chief Investment Officer
Capital Markets

OMERS Sponsors Corporation

Chris Vanden Haak
Director Pension Policy
& Communications

Paul Harrietha
Chief Executive Officer
OMERS Sponsors
Corporation

Our Priorities

Member Focus

An OMERS pension is one of our members' most valuable financial assets. We provide opportunities for members to learn more about their OMERS pension and to obtain the information required to make informed decisions about their retirement. This essential support begins when members join the Plan, and it continues throughout their retirement years.

Investment Strategy

OMERS experienced in-house teams directly and actively manage most of the Plan's investments. This allows us to maximize opportunities across OMERS investment platforms and manage investment costs. A key part of our investment strategy is owning and managing some of the highest-quality assets in the world.

Employees and Reputation

OMERS employees are located in Toronto and other major cities across North America, the U.K., Europe and Australia. Our talented employees are known for their dedication, experience, knowledge, skills and expertise.

Governance

We are governed by two corporations: OMERS Sponsors Corporation and OMERS Administration Corporation. The Boards work closely together to help achieve our vision to make OMERS a leading model for defined benefit pension plan sustainability.

Global View

OMERS has a diversified global portfolio invested in a wide range of assets and classes. Our investment experts have a focused lens on the world as they seek global investment opportunities.

Governance

Effective and transparent governance is a key part of the foundation that allows OMERS to fulfill the pension promise to our members. Throughout our history, OMERS has focused on achieving high standards in governance and continued to evolve our governance model and practices in 2016.

The OMERS Act of 2006 created OMERS Sponsors Corporation to give members and employers more direct control over the OMERS Pension Plans. OMERS Sponsors Corporation and its Board provide for strategic oversight and decision-making by sponsors on major policy directions, including benefits and contribution levels. The Act also provides that OMERS Sponsors Corporation determine the composition of the two OMERS Boards, including the nomination and appointment process for Directors.

Under the same Act, OMERS Administration Corporation is responsible for pension administration (including collecting contributions and paying pensions), valuation of the accrued pension obligation and investment of the pension funds. In carrying out these responsibilities, OAC has a fiduciary obligation to plan members.

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

While their distinct roles and responsibilities are spelled out in the OMERS Act, there is the potential for some roles and responsibilities of the two Corporations to intersect. In the past, a Framework Agreement was used to manage these intersections. In 2016, that Framework Agreement was converted to a simplified and more principles-based Memorandum of Understanding, with key areas of cooperation and processes set out to guide actions and behaviour. The new Memorandum of Understanding is effective January 1, 2017.

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

Board Members

OMERS Sponsors Corporation

Marianne Love
Board Co-Chair
Association of Municipalities of Ontario

Frank Ramagnano
Board Co-Chair
Ontario Professional Fire Fighters' Association

Dan Axford
Police Association of Ontario

Paul Bailey
Retiree - Police Pensioners Association of Ontario

Frederick Biro
Ontario Association of Police Services Boards

Barry Brown
Association of Municipalities of Ontario

Diana Clarke
Ontario Public Service Employees Union

Peter Derochie
(from January 2017)
Ontario Catholic School Trustees' Association

Charlie Macaluso
Electricity Distributors Association

Tim Maguire
CUPE Local 416

Mary McConville
Ontario Association of Children's Aid Societies

Wayne McNally
(to December 2016)
Ontario Public School Boards' Association

Brian O'Keefe
(to December 2016)
CUPE Ontario

Joe Pennachetti
City of Toronto

Sandra Sahli
Ontario Secondary School Teachers' Federation

John Weatherup
(from January 2017)
CUPE Ontario

OMERS Administration Corporation

George Cooke
Board Chair

Bill Aziz

Monty Baker

David M. Beatty

Darcie Beggs
(from January 2017)

William (Bill) Butt

Paul Elliott
(from January 2017)

Michael Fenn

Laurie Hutchinson

Cliff Inskip

Charlene Mueller
(from April 2016)

James Phillips

Penny Somerville

Eugene Swimmer

David Tsubouchi

Sheila Vandenberk
(to December 2016)

John Weatherup
(to December 2016)

Commitment to our Communities

OMERS employees embrace a spirit of generosity, helping those in need. We give back to our communities in a number of ways.

- In the U.K., our London-based team supports the Rainbow Trust Children's Charity
- In the U.S., our teams support local initiatives – New York Cares, the Chinatown Community Cultural Center in Washington, and the Children's Hospital in Boston
- In Australia, we supported White Ribbon Day – a day dedicated to ending violence against women and girls
- In 2016, OMERS employees in Canada launched the OMERS Foundation to channel their giving to local charities. The OMERS Foundation is proudly a grassroots initiative – with our employees raising the funds and selecting the charities to which we provide grants

Our employees participated in Volunteer Days in 2016, supporting the Toronto Children's Aid Society, Toronto Region Conservation Authority, Canadian Cancer Society, ABC Life Literacy, Central Eglinton Community Centre, and the Toronto District School Board.

Pictured left to right: Craig, Francine, Kim, James, Stephen, Nima, Uroosa, Liz, Joy.

2016 Management Discussion and Analysis

This Management Discussion and Analysis is the responsibility of the management of OMERS Administration Corporation (OAC) and OMERS Sponsors Corporation (SC) (for the primary plan funded status only).

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

The Management Discussion and Analysis contains Management's analysis of the Plans' financial condition, operational results, and the environment in which they operate. The Audit & Actuarial Committee and Board of Directors of OAC have reviewed and approved the contents of this Management Discussion and Analysis as of February 23, 2017. SC management has also reviewed and approved the Primary Plan Funded Status. This Management Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

In addition to historical information, this section contains forward-looking statements with respect to Management's strategy, objectives, outlook and expectations. Forward-looking statements made in this section represent Management's views at the date of this report, and OAC does not undertake to update or revise any forward-looking statements as a result of new information, future events or otherwise. Many factors affect the Plans' performance, such as changes in market conditions, interest rates, demographics and technological factors. Investment returns and values will fluctuate. Past performance is not a guide to or indicative of future results.

We use certain financial measures that are not based on Generally Accepted Accounting Principles (GAAP), including funding deficit, as key metrics in our financial reporting to enable our readers to better understand the performance of our business. Other non-GAAP financial measures that we use include performance returns by asset group. In 2016, the presentation of asset mix was revised to report exposure on a revised asset class methodology. Comparative figures have been restated. These non-GAAP financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies or pension plans. They should not be viewed as an alternative to measures of financial performance determined in accordance with GAAP. This report is not intended for U.S. persons. Interests in the Plans are not and will not be offered or sold in the U.S., or to or for the account of U.S. persons, as defined by U.S. securities laws.

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Overview of OMERS Pension Plans

About OMERS

Established in 1962, OMERS provides defined pension plan benefits to local government employees, retirees and their survivors throughout Ontario. The OMERS Primary Pension Plan (the Primary Plan or the Plan) is a jointly sponsored, multi-employer pension plan with nearly 1,000 participating employers in 2016 and 2015, and approximately 470,000 Primary Plan members in 2016, compared to approximately 461,000 in 2015. Employers range from large cities to local agencies. Primary Plan members include union and non-union municipal workers; employees of transit systems and electrical utilities; the non-teaching staff of school boards; police, firefighters and paramedics; and employees of children's aid societies.

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

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

OMERS Sponsors Corporation

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

OMERS Administration Corporation

OAC has three main responsibilities:

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

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

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

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

Pension Plans

The OMERS Pension Plans comprise the OMERS Primary Pension Plan, the Retirement Compensation Arrangement (RCA) for the OMERS Primary Pension Plan, and the Supplemental Pension Plan for Police, Firefighters and Paramedics.

OMERS Primary Pension Plan

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

The Primary Plan also provides eligible members with:

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

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

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

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

Net assets of the RCA were $147 million at December 31, 2016, compared to $135 million at December 31, 2015.

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

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The Supplemental Plan is a separately funded, stand-alone, multi-employer pension plan for members who are police, firefighters or paramedics. It provides supplemental pension benefits that top up those available under the Primary Plan. Participation in the Supplemental Plan is effective only upon an agreement between an employee group and its employer. As at December 31, 2016, no such agreement was in place. As a result, the Supplemental Plan currently has no members, assets or liabilities.

Primary Plan Funded Status

In 2016, the funded ratio increased to 93.4%, from 91.5% in 2015. The funded ratio is a key indicator of the long-term financial health of the Plan. With $87.0 billion of pension obligations as at December 31, 2016, compared to $81.9 billion as at December 31, 2015, the Primary Plan ended 2016 with a funding deficit of $5.7 billion compared to a deficit of $7.0 billion at the end of 2015. Net assets on a smoothed basis were $81.2 billion as at December 31, 2016, compared to $74.9 billion the previous year. There were no changes to contribution rates or benefits in 2016 and these will remain at current levels in 2017.

The funded ratio is the relationship of plan assets to pension obligations on a going-concern basis. Plan assets are calculated by smoothing investment returns – above or below the Plan's discount rate – over a five-year period. By smoothing asset values, contribution rates can be set and benefits designed while taking a long-term view of investment performance. The deficit represents the difference between the pension obligations and the smoothed value of assets.

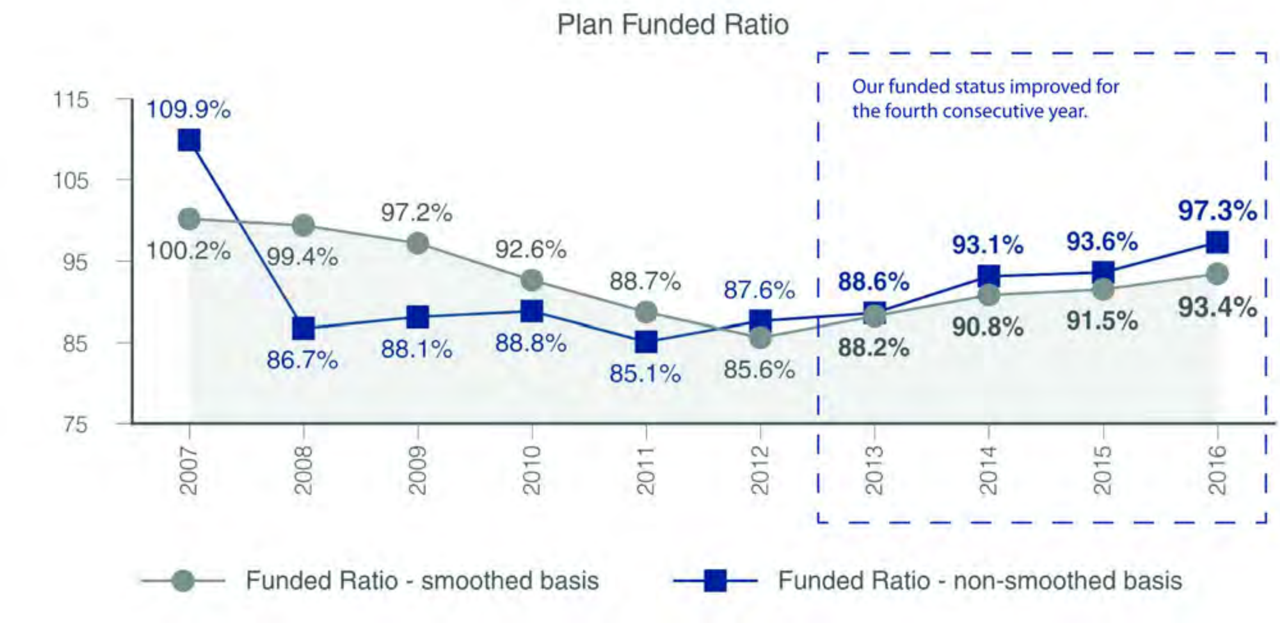
The improvement in funded status during 2016 was the net result of the following factors:

Funded Ratio %			Excess / (Deficit) $ billions
91.5%	**Beginning of year**	$	(7.0)
0.8	Contributions from members and employers to pay down the deficit		0.8
1.7	Recognized investment returns in excess of the discount rate		1.4
(0.7)	Reduction in the discount rate by 5 basis points		(0.6)
0.1	Primary Plan experience and other factors		0.1
n/a	Interest on deficit		(0.4)
93.4%	**End of year**	$	(5.7)

The main factors contributing to the improvement in the Plan's funded status are member and employer contributions, and investment returns. The Plan's net investment return was 10.3%, which exceeded both OMERS operating plan target of 7.9% and discount rate of 6.25%. As at December 31, 2016, OAC reduced the discount rate to 6.20%.

The Plan's funded status, on a smoothed basis, has improved for the fourth year in a row mainly due to changes we put in place in 2010 to the Plan's design and contribution rates, along with positive investment returns. OMERS long-term goal is to return the Primary Plan to full funding, with 100% of the assets required to cover accrued pension obligations. OMERS 2020 Strategy advances our funded status to meet full funding by 2025 and, today, we remain on course.

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



Managing the Plan's Funded Status

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

- contribution rates
- benefit design
- investment returns

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

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

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

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

Funding Management Strategy

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

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

The Plan is currently in the deficit management zone and contribution rates are scheduled to remain at their current levels until the funded status reaches 100% which, in the absence of any unforeseen events, is targeted to occur no later than December 31, 2025. The 2016 combined employer and member contribution rate of 21.3% exceeds the minimum contribution rates of 19.8% under the PBA. In the event the Plan should move further into deficit, the Funding Management Strategy calls for such additional deficit to be funded by a combination of benefit reductions and contribution increases, subject to an overall contribution cap of 22.6%, after which any remaining deficit is to be funded through benefit reductions.

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

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

Discount rate

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

The discount rate at December 31, 2016 is 6.20%, compared to a discount rate of 6.25% at December 31, 2015, reflecting a reduction in the real discount rate from 4.25% to 4.20%. The assumption for future inflation remains unchanged at 2%.

OAC reduced the Plan's real discount rate by five basis points to build a strategic margin in accordance with our 2020 Strategy. This step was taken to reduce the risks of future contribution rate increases and to provide greater stability for future benefit levels so as to mitigate the impacts of potential market volatility, adverse demographic experience and Plan maturity. OMERS builds strategic margins when there is positive Plan experience – when actual results are better than OMERS long-term actuarial assumptions.

Each year, OAC considers the opportunity to apply approximately 50% of positive Plan experience to fund a reduction in the real discount rate through increased strategic margins, while allowing the remaining positive Plan experience to speed up our return to fully funded status. OAC only makes discretionary reductions in the Plan's discount rate in a manner that does not increase contribution rates from current levels, or delay the target date for the Plan to be fully funded by 2025. In the event the Plan were to experience a shock, such as a future financial crisis, OAC expects to release strategic margins to increase the discount rate and stabilize the funded status of the Plan, contribution rates and benefits.

Reducing the real discount rate by five basis points in 2016 increased the pension obligation and deficit by $600 million, and reduced the funded ratio by 0.7%.

OMERS objective is to build 25 basis points of strategic margins by 2020, and up to 50 basis points of strategic margins over the longer term, reducing the Plan's real discount rate towards 4% by 2020 and towards 3.75% over the longer term. As we reduce our real discount rate, the normal cost of the Plan will increase. Each five basis point reduction in the real discount rate, as at December 31, 2016, would increase the 2017 normal cost by 0.17%.

Plan Funding Risk

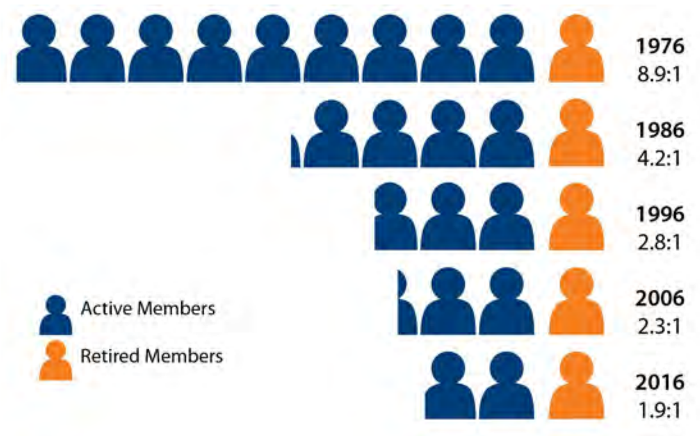
Plan funding risk is the potential that the SC will need to significantly increase contributions or reduce benefits as a result of unfavourable investment performance, adverse Plan experience, or Plan maturity.

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

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

Adverse plan experience includes unexpected changes in life expectancy, salary increases, retirement and termination trends and future membership levels, leading to actuarial losses and requiring a change to actuarial assumptions that negatively impact pension obligations and funding requirements. We monitor our Plan experience against actuarial assumptions annually and conduct a detailed Plan experience study at least once every five years.

Plan maturity is the phenomenon of a declining active membership relative to the retired member population. Since all Plan funding risk is currently borne by active members and employers, this trend means the cost of funding Plan deficits is increasingly concentrated in a relatively smaller group. The ratio of active members to retired members is a common measure of Plan maturity. The Plan is maturing and will continue to do so in the foreseeable future.



Opportunities to Reduce Plan Funding Risk

In 2016, OMERS continued to assess various options for sharing funding risk more equitably in the future, across the broader population of active and retired members. One of those options is the possible introduction of Modified Inflation Indexing, following formal consultation with key stakeholder groups. While this innovative approach to managing funding risk would have no immediate impact on the Plan, including contribution rates or benefit levels, it would give the OMERS Sponsors Corporation Board some flexibility to alter future levels of indexation, if necessary, and subject to normal governance procedures and a two-thirds supporting vote.

Funding Commitment

OMERS is committed to taking a strategic and co-ordinated approach to using the three funding levers so that decisions are fair, balanced and supportive of long-term pension security and sustainability. Contributions and benefits must be balanced to keep pensions secure and sustainable. We must continue to seek investment returns that meet or exceed our long-term targets.

Investment Results

Economic Environment

2016 was characterized by slow global growth and low inflation, with the notable exception of the U.S., which differentiated itself with steadily strengthening real GDP growth and rising inflation.

Financial markets were volatile in 2016, due to numerous economic and political shocks. While it was a year in which markets faced uncertainty – which often causes markets to fall – 2016 often defied forecasts with major political changes resulting in market rallies rather than declines.

Indeed, after a very weak start to the year due to concerns regarding the Chinese outlook, markets were buoyed by expectations of monetary, fiscal and regulatory easing that accompanied Brexit and the U.S. presidential election results. The bond market in particular was strong for the first half of 2016, while equities rose during the second half of the year.

Results

In 2016, the Primary Plan had a return, net of expenses, of 10.3%, compared to a benchmark of 7.9% and OMERS beginning-of-year discount rate of 6.25%. All asset classes delivered strong returns. Public Investments produced net returns of 9.5% and Private Investments produced a net return of 12.0%.

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

Current Year Returns at a Glance

Investment returns for the Primary Plan and RCA for 2016 and 2015 were as follows:

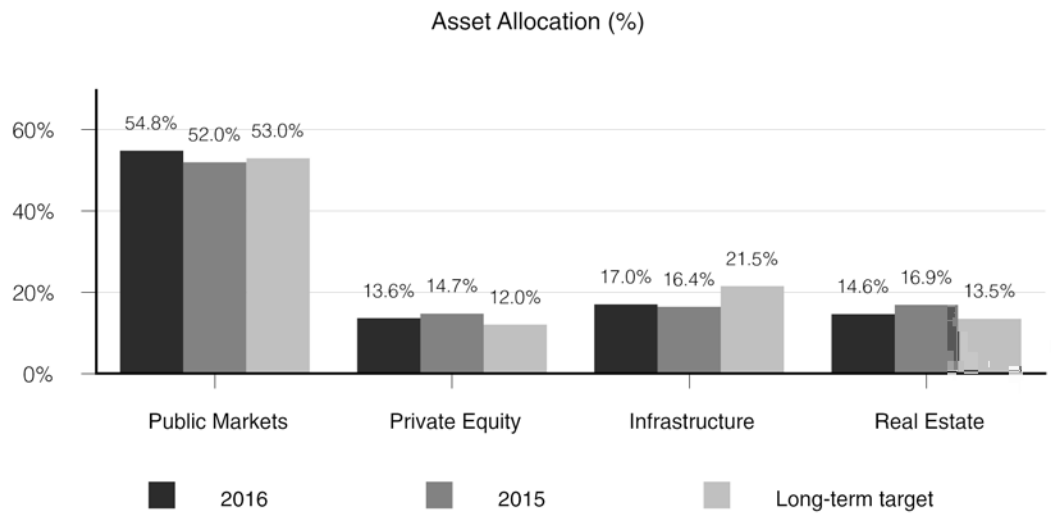
For the years ended December 31	**2016**			2015		
	Net Investment Income $ (millions)	**Net Rate of Return (%)**	**Benchmark (%)**	Net Investment Income $ (millions)	Net Rate of Return (%)	Benchmark (%)
Public Investments	**$ 3,857**	9.5%	6.6%	$ 295	0.7%	7.1%
Private Investments						
Private equity	**1,143**	12.6	11.3%	939	10.0	11.1%
Infrastructure	**1,593**	11.0	10.0%	2,040	17.3	9.4%
Real estate	**1,555**	12.4	8.3%	1,816	15.3	8.1%
Total Private Investments	**$ 4,291**	12.0%	9.3%	$ 4,795	14.5%	9.4%
Total Primary Plan Fund	**$ 8,148**	10.3%	7.9%	$ 5,090	6.7%	7.8%
RCA Investment Fund [1]	**$ 8**	7.8%	8.7%	$ 10	12.5%	12.2%

1) Excludes the RCA refundable tax balances with the Canada Revenue Agency. Including the refundable tax balance net rate of return in 2016 is 4.22% compared to 6.9% in 2015.

Asset Allocation and Exposure

OAC mitigates risk and generates strong, consistent returns in two ways: 1) by diversifying investments across asset type, economic sector and geographic market; and 2) by purchasing quality assets. OAC has a Board-approved asset mix for the Plan (updated in December, 2016), designed to deliver returns over the long term to provide secure and sustainable pensions. Public Investments include fixed income securities in inflation-linked bonds, government bonds and credit, along with public equities, either through the purchase of instruments directly, or through the use of derivatives. OAC also invests in Private Investments through holdings in infrastructure, private equity and real estate, which are selected specifically for their ability to provide more predictable returns and cash flows compared to assets that may be exposed to greater market volatility. Our asset mix, which was applicable for 2016, is reflected in the chart below:

Asset Mix – Exposure



To arrive at the Plan's ultimate exposure by asset class, the asset mix includes derivatives exposure and other items such as amounts payable under return agreements. Net investment asset exposure, based on the holdings as set out in the Consolidated Financial Statements, and after all allocations, is as set out in the table below. The inclusion of derivatives exposure is reflected in each asset class with an offset to economic leverage.

As at December 31	2016				2015			
	Investment Assets	**Investment Liabilities**	**Net Investment Asset Exposure**	**Asset Mix %**	Investment Assets	Investment Liabilities	Net Investment Asset Exposure	Asset Mix %
Public Investments								
Inflation-Linked Bonds	**$ 5,242**		**$ 5,242**	**6.1 %**	$ 6,400		$ 6,400	8.2 %
Government Bonds	**9,657**		**9,657**	**11.2 %**	16,376		16,376	21.0 %
Credit	**15,114**		**15,114**	**17.5 %**	9,025		9,025	11.5 %
Public Equity	**24,038**		**24,038**	**27.8 %**	23,265		23,265	29.8 %
Cash	**15,919**		**15,919**	**18.4 %**	20,545		20,545	26.3 %
Economic leverage	**(22,650)**		**(22,650)**	**(26.2)%**	(35,021)		(35,021)	(44.8)%
Total Public Investments	**$ 47,320**		**$ 47,320**	**54.8 %**	$ 40,590		$ 40,590	52.0 %
Private Investments								
Private Equity	**$ 11,730**		**$ 11,730**	**13.6 %**	$ 11,499		$ 11,499	14.7 %
Infrastructure	**16,462**	**(1,720)**	**14,742**	**17.0 %**	15,085	(2,231)	12,854	16.4 %
Real Estate	**24,827**	**(12,209)**	**12,618**	**14.6 %**	26,393	(13,210)	13,183	16.9 %
Total Private Investments	**$ 53,019**	**$ (13,929)**	**$ 39,090**	**45.2 %**	$ 52,977	$ (15,441)	$ 37,536	48.0 %
Total	**$ 100,339**	**$ (13,929)**	**$ 86,410**	**100.0 %**	$ 93,567	$ (15,441)	$ 78,126	100.0 %

During 2016, OAC shifted the Plan's asset mix, increasing its exposure to credit and reducing its exposure to government bonds. We made this shift as we see good opportunities in credit to earn better current income on a risk adjusted basis, with lower economic leverage.

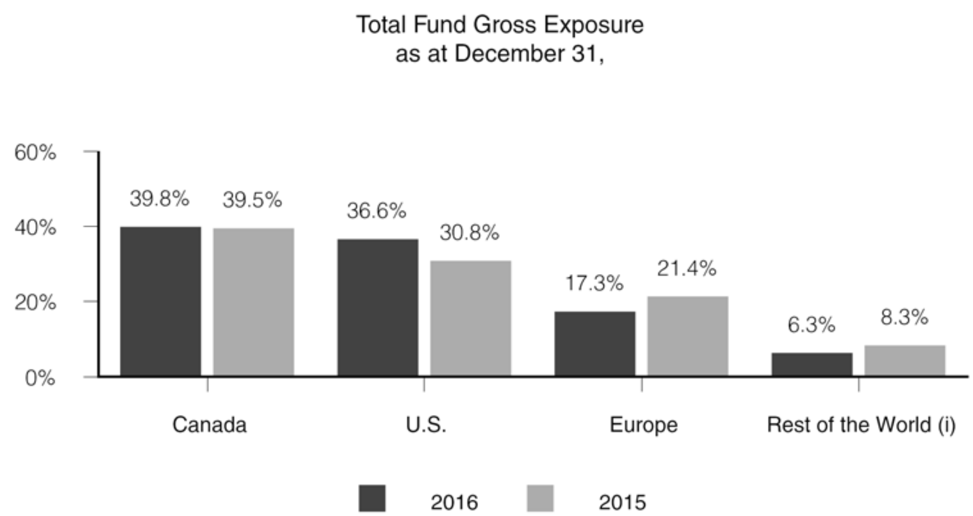
In December 2016, the OAC Board approved a new long-term asset mix for OMERS, which incorporates a higher allocation to infrastructure, private equity and real estate than in the past, together with an explicit allocation to credit. The new asset mix is summarized in the chart below.

	Target
Fixed Income	**46%**
Inflation-Linked Bonds	2%
Government bonds	27%
Credit	17%
Equities	**36%**
Public Equities	22%
Private Equities	14%
Real Assets	**41%**
Infrastructure	23%
Real Estate	18%
Short-term Instruments (net cash and equivalents including economic leverage)	**(23)%**

Country Exposure

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

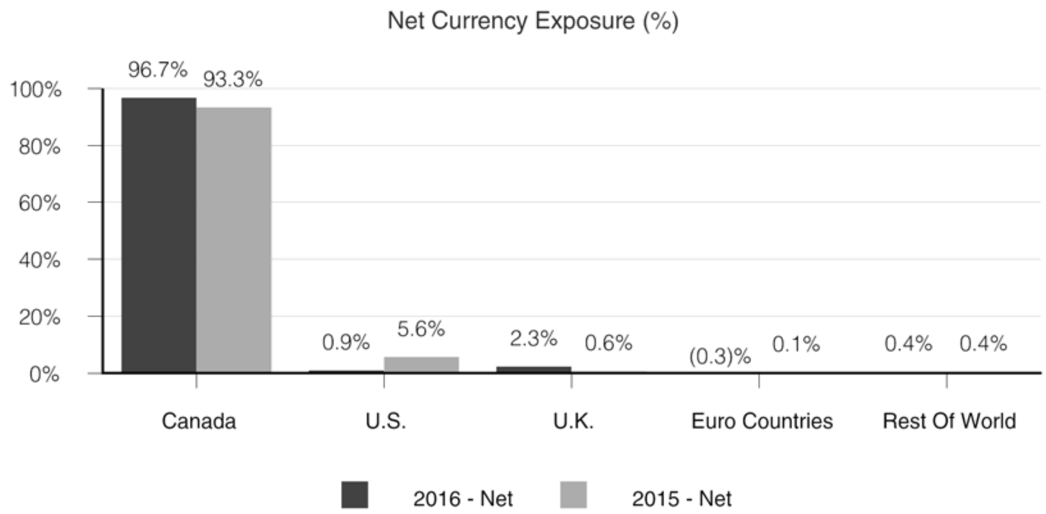
During 2016, OAC increased exposure to the U.S. economy and reduced exposure to Europe.



(i) Included in Rest of the World are commodity contracts. We do not consider commodity-contract risk to be country-specific.

Currency Exposure

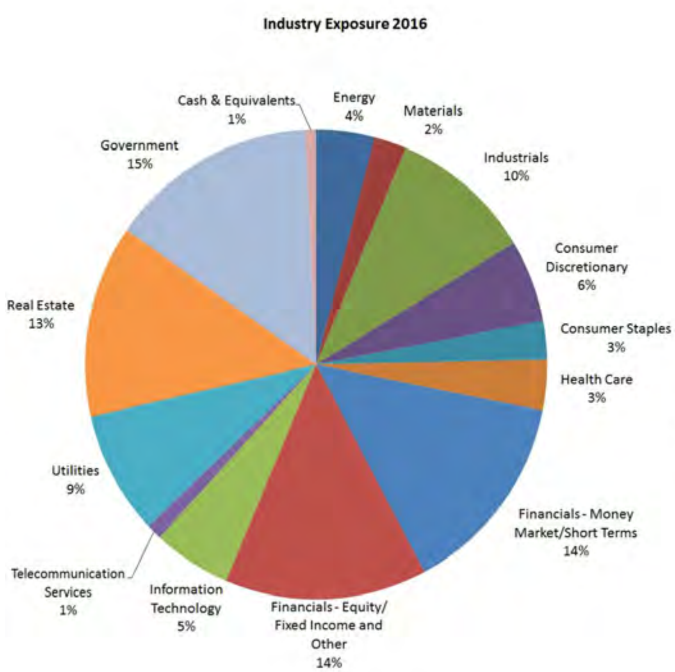
The graph below represents total Fund currency exposure net of hedging. We have a currency management program that hedges our foreign investments back to Canadian dollars and we also take active positions. During 2016, foreign exchange losses of $3.1 billion compared to a gain of $5.5 billion in 2015 were offset by gains on hedging of $2.9 billion in 2016 compared to a loss on hedging of $4.3 billion in 2015.

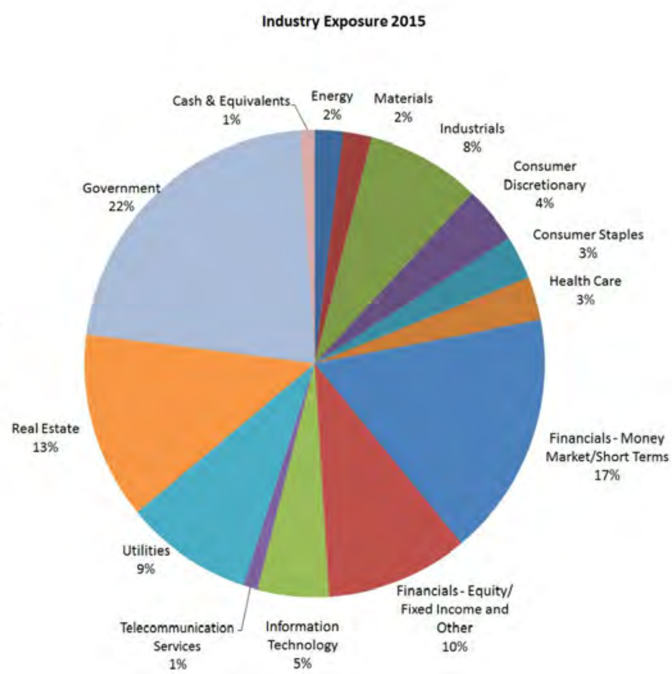


Industry Exposure

The OMERS portfolio remains highly diversified across industries.

The charts below illustrate OMERS investment exposure by industry before economic leverage.





Investment Management and Pension Administration Expenses

Investment management expenses were $427 million in 2016, compared to $351 million in 2015. The increase is mainly attributable to higher performance-related expenses as a result of stronger investment returns. Expenses also reflect the cost of supporting our key priorities, particularly the growth of our public market investment platform as we pursue our long-term asset mix. Investment management expenses were offset by lower performance fees for third party investments.

The investment management expense for the year ended December 31, 2016, which included external manager performance and fund fees recorded in investment income, represent an investment Management Expense Ratio of 61 basis points, compared to 57 basis points for 2015. Over the long term, we are targeting our Management Expense Ratio to be lower than 50 basis points.

Pension administration expenses were $80 million for 2016, compared to $68 million for 2015. This increase was driven by stronger business performance and development costs associated with the replacement of our pension administration systems. Pension administration expenses represent a Cost Per Member of $189 for 2016 compared to $161 for 2015. We expect our Cost Per Member to increase over the near term, as we complete our systems replacement project and deal with anticipated increased volumes of transactions with member retirements. Over the long term we are targeting a Cost Per Member of $185 or better.

Public Investments

Investment Approach

Our approach to investing in public markets consists of investing in fixed income investments in government bonds, Inflation-Linked Bonds and public and private credit, along with public equity investments, managed mostly by the Capital Markets team. The team's approach is focused on generating current income from high-quality assets and generating a consistent capital return with a lower volatility than the broad markets.

We seek out equity investments in companies with strong balance sheets and resilient business models. We also seek to develop strategic partnerships with best-in-class investors to access credit and other opportunities on a global basis. Our objective is to construct a well-diversified portfolio that will deliver long-term returns in the 6 to 9% range.

2016 Performance

The net return was 9.5%, compared to 0.7% for 2015 and our 2016 benchmark of 6.6%, representing net investment income of $3.9 billion in 2016, compared to $0.3 billion in 2015.

These positive returns were driven by investment income of $2.0 billion from fixed income investments and $2.0 billion from public equity investments. This compared to investment income of $1.3 billion in 2015 from fixed income and negative $914 million from public equity investments. Portfolio weightings in 2016 benefited from strong bond markets in the early part of the year and strong public equity markets during the second half.

Capital Allocation

Total investments in fixed income and public equity investments were $49.9 billion compared to $43.6 billion, as at December 31, 2015. The increase in capital was mainly as a result of Public Investments income and foreign currency hedge settlements of $2.6 billion and $1.4 billion of capital inflows from Private Investments.

Private Investments

Infrastructure

Investment Approach

Our approach is to seek strong, stable cash flows through investments in large-scale infrastructure businesses in energy, social infrastructure and transportation - primarily in North America, Europe and Australia. These businesses include regulated services with long-term delivery contracts, which are generally protected with revenue, inflation and other support, such as guarantees that contribute reliable income over the long term.

We take a patient and disciplined approach to infrastructure investing, and execute on the prudent diversification of our portfolio by industry sector, geography, size and stage of development.

2016 Performance

The infrastructure net return was 11.0%, compared to 17.3% for 2015 and our 2016 benchmark of 10.0%. This represents net investment income of $1.6 billion in 2016, compared to $2.0 billion in 2015. The Plan's portfolio generated an operating cash yield of 7.9% in 2016, compared to 10.5% in 2015. The 2016 results reflected the strong performance of core North American and European portfolios.

OMERS saw strong performance from a number of investments, including Bruce Power, SGN and HS1.

Capital Allocation

Total investments in infrastructure increased to $17.5 billion in 2016, up from $16.3 billion in 2015. The increase in total investments was attributable to the progress made with our capital deployment strategy, along with increases in the market value of existing assets within our portfolio.

During 2016, we made our first investment in Australia, with the acquisition of Port of Melbourne, Australia's largest container, automotive and general cargo port. We also invested in the Chicago Skyway toll road, in the company that owns and operates the London City Airport, and Compañía Logística de Hidrocarburos, the leading company for refined oil products transportation and storage in Spain.

Private Equity

Investment Approach

Our core private equity approach is to acquire significant ownership interests in private companies in North America, the U.K. and Europe, with the objective of generating strong capital returns. We take a thoughtful approach to capital deployment and invest in companies with solid business fundamentals, strong management teams and opportunities to grow.

In addition, private equity includes a limited externally managed funds program to gain access to strategic geographies and sectors and an innovation-based program, which invests in high potential startup technology-based firms, along with an energy platform.

2016 Performance

The private equity net rate of return was 12.6%, compared to 10.0% in 2015 and our 2016 benchmark of 11.3%. This represents net investment income of $1.1 billion for 2016, compared to $0.9 billion in 2015. Strong returns above the benchmark were driven by investment performance as well as a number of successful exits.

Capital Allocation

Total investments in private equity decreased to $11.0 billion compared to $11.5 billion, as at December 31, 2015. In 2016, OMERS successfully exited a number of investments, including bakery industry leader Give and Go Prepared Foods Corporation, Marketwired, a news distribution service, and Great Expressions Dental Centers. OMERS also signed definitive agreements to exit leading independent global maritime service provider V. Group, as well as reduce its holding in Caliber Collision Centers.

Real Estate

Investment Approach

Our approach is centered on building a world class global real estate investment and management platform that delivers stable income and capital returns. Our diversified portfolio, which is managed by OMERS real estate company, Oxford Properties Group, includes 60 million square feet of office, retail and industrial properties, along with multi-family and hotel properties, and development projects in key markets globally.

Our strategy focuses on investing in the major global urban centres in Canada, the U.S. and Europe. The platform is very well-diversified across regions, property types and industry groups and we use our competitive advantage in the development sector to access unique investment opportunities.

2016 Performance

The net return on this portfolio was 12.4% compared to 15.3% in 2015 and our 2016 benchmark of 8.3%. This represents net investment income of $1.6 billion in 2016, compared to $1.8 billion in 2015. The performance above benchmark was largely attributable to strong operating performance, realized gains on certain significant dispositions, and a material U.S. deferred tax recovery. European investment activity has been on a selective, opportunistic basis following the Brexit vote.

Capital Allocation

Total investments in real estate, as at December 31, 2016, decreased to $25.6 billion, compared to $27.6 billion, as at December 31, 2015. The decrease was driven by our strategy to bring in core, long-term partners on assets we have developed, and by the careful management of risk.

During 2016, Oxford successfully completed a number of sales transactions, including a 50% interest in the Richmond-Adelaide Centre (Toronto), Centennial Place (Calgary), and Eau Claire Tower (Calgary), and a 100% interest in the Green Park office park (U.K.). These transactions contributed to the strong performance in 2016 and materially reduced the overall portfolio risk.

In 2016, Oxford continued to make significant progress on its 20 active development projects.

The Plan's Investment Return History

While we measure our investment performance annually, OAC emphasizes long-term performance, as pensions are paid over decades. Consistent long-term performance is important. The table below sets out the Plan's historical returns over a one, 5, 10, and 20-year period. The 10-year return was adversely impacted by the financial crisis of 2008.

For the period ending December 31, 2016	1 Year	5 Year	10 Year	20 Year
Net Return	**10.3%**	**8.5%**	**5.6%**	**7.1%**

Investments Outlook

Despite strong equity returns in the second half of 2016, uncertainty continues. Encouraging economic news and interest rate increases in the U.S. are generally positive for OMERS. With prospects for further near-term U.S. interest rate increases, the cycle of low interest rates may be ending, putting pressure on valuations of long-dated fixed income assets, and driving capital flows to equities.

We see continued slow growth and uncertainty ahead in Canada, relating to the impact of potential U.S. policy shifts, although recovering commodity prices should have a positive impact.

Europe remains relatively weak, and uncertainty prevails in the U.K. relating to the Brexit process. Notwithstanding this uncertainty, global investors continue to compete for quality assets, driving private asset prices higher and reducing the level of forward returns.

In the face of these observations, we continue to be thoughtful, disciplined and innovative in our investment approach to provide the returns needed for our members. This includes maintaining our longstanding focus on holding quality assets, and expanding our credit, real estate and infrastructure portfolios. We intend to maintain our overall portfolio defensively to reduce our sensitivity to interest rate changes and are looking to capture potential upside from partial or full sale opportunities from our mature assets. We are also exploring selective opportunities outside our historical areas of concentration in Canada, the U.S. and Europe, and are developing new strategies to further diversify return streams while remaining aligned with the 2020 Strategy.

Pension Services

Member satisfaction was strong at 92% in 2016, up from 90% in 2015. When asked to rate how OMERS meets their needs, members have consistently been satisfied. We are pleased to have maintained a very high service standard, especially in light of the increased number of members transitioning into retirement.

The Additional Voluntary Contribution (AVC) feature changed in 2016 to provide an income option for members so they can keep funds in an AVC account after reaching age 71. This means that, for "non-locked-in funds," members can withdraw funds over their lifetime, provided they meet the minimum withdrawal requirements set out in the ITA.

In 2016, OMERS welcomed over 18,000 new Plan members and 9,000 newly retired members. In addition, we helped 1,600 members consolidate and simplify their pensions in 2016. We also provided 20,300 members with buy-back options so they could consider how these options could increase their OMERS pension.

More questions about retirement are being asked as members anticipate transitioning to this stage in their life. In 2016, more than 125,000 pension estimates were produced by using the myOMERS Retirement Income Estimator, a valuable tool that helps members calculate their retirement income. Client Services answered more than 200,000 phone calls and delivered 430 information sessions and 32 webinars to clearly and directly address member questions. We also made it easier for members to learn about the Plan by launching a digital version of *Member News*.

OMERS is encouraging members to take advantage of electronic communications options for statements and newsletters so that we can all connect effectively and manage Plan costs. While more members are signing up for e-subscription every year, as of the end of 2016, there were still fewer than 45,000 members registered.

OMERS serves almost 1,000 employers, with 12 new employers joining in 2016. We recognize that the OMERS pension is an important part of what employers offer their employees, and we are striving to make the Plan administration more effective to meet employer needs.

Further development work continued in 2016 in support of the new OMERS pension administration system. The new system is designed to replace one that is more than 15 years old and which is nearing the end of its useful life. When launched, the OMERS pension administration system will significantly upgrade our system and processes so that we can more efficiently and effectively support employers, while enhancing our service to members.

In 2016, OMERS provided 73 employer information sessions and webinars, with over 2,300 employer representatives participating.

We established an Employer Advisory Forum which provides an opportunity for employers and OMERS to address pension administration matters and to exchange ideas related to areas of common interest, such as technology and Plan demographics.

OMERS Senior Executive Team held meetings with employers, sponsors and other stakeholders throughout the year. These meetings provide an opportunity to achieve a deeper understanding of issues of importance, to build stronger relationships, and to further partner in connecting with members.

Risk Management

For OAC, managing risk effectively is fundamental to achieving our objectives, and we believe it is underpinned by promoting a strong "tone from the top" and a robust risk culture based on transparency and accountability. We actively engage with key people across the enterprise to identify, assess and manage important risks and emerging issues that could impact the Plans' operations and investment activities.

The primary accountability for managing risk rests with the leaders of each respective business unit or corporate function. On a regular basis, the Risk Management Group provides objective analysis of specific activities and initiatives executed by those responsible for managing key risks to senior management and the OAC Board.

During 2016, we continued to build out the organization's quantitative and qualitative perspectives on key investment and operational risks faced by the Plans.

Top Risks and Emerging Risks

A top risk is one that could have a material impact on the Plans' objectives in the short term, and some of the risks are explained below. An emerging issue is a matter that, while not a top risk at this point, is identified, evaluated and monitored for its potential to become a top risk.

Top Risks

Plan Funding Risk: The most significant risk facing the Plans is plan funding risk – the potential that the SC will need to increase contributions or reduce benefits as a result of unfavourable investment performance, adverse Plan experience, or Plan maturity. The Plans' funding level is impacted by how much and how long pensions will be payable in the future, and by changing economic conditions that influence investment returns. In addressing these factors, we have taken steps to improve the Plans' capacity to pay benefits by assessing the Plans' long-term liquidity profile, increasing the level of diversification within Public Investments, and continuing to focus on diversifying sources of investment returns among less volatile investments. We also approved a revised asset mix for the Primary Plan and built strategic margins into the discount rate that we use to value the pension liability.

Pension Administration: OAC is significantly upgrading its existing legacy pension administration and processing system, which was developed more than 15 years ago. Modernizing the system is critical to continuing to provide efficient, high-quality services to members and employers. This project is complex and, to provide an appropriate level of oversight, we have created a governance structure that includes members of the OAC Board of Directors, executive management, business and technology leaders, and support personnel.

Emerging Risks

We are evaluating and monitoring a number of emerging risks in an effort to understand their potential impact on OMERS. These risks include geopolitical destabilizing trends such as growing economic protectionism and climate change.

Risk Categories

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

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

Investment Risk

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

Operational Risk

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

information technology - the risk that systems infrastructure may not appropriately support business activities;

people - the risk that we may not have the appropriate talent in place to manage and support business activities;

model - erroneous or inappropriate use of various models used to support business decisions;

privacy and information security - the risk of inappropriate access to, or misuse of, identifiable personal information or other business-sensitive information; and

business continuity - the risk of an unplanned business interruption negatively affecting operating activities.

In 2016, we implemented a comprehensive, systematic and transparent operational risk management program across the entire enterprise. This new program identified key risks directly impacting the achievement of the organization's top business objectives. These risks have been prioritized, and detailed mitigation activities for each have been provided by their respective owners.

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

A number of significant elements are captured under the operational risk management program, including legal/regulatory risk, people and technology. Each of these elements (plus others) is evaluated on the basis of its unique risk profiles to identify any areas for improvement.

Pension Risk

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

Known-Unknown Risks

This category captures those disparate risks that may not specifically or readily fall within the three categories noted above, and yet may have significant impact on OMERS achieving its strategic objectives. Known-unknown risks are defined as those risks which are recognizable (e.g., climate change, geopolitical instability and terrorism) and which may, at any time, accelerate or impact investment activities, or the operations of the enterprise, or potentially impact the Plan. We monitor and manage these risks.

Responsibilities of Management, Actuary and Independent Auditors

The consolidated financial statements of OAC have been prepared by OAC Management (Management) and approved by the Board of OAC (OAC Board). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for pension plans.

Management is responsible for designing, implementing and maintaining an adequate system of internal control over financial reporting to enable the preparation and fair presentation of the consolidated financial statements, including amounts based on estimates and judgment. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information. In addition, our internal audit team reviews OAC's systems of internal controls to determine whether these controls are appropriate and operating effectively.

The OAC Board is responsible for approving the annual consolidated financial statements. The Audit & Actuarial Committee, which is comprised of directors who are not officers or employees of OAC, assists the OAC Board in executing this responsibility. The Audit & Actuarial Committee meets regularly with Management, the internal audit team and independent external auditors to review the scope and timing of their respective audits as well as to review any internal control or financial reporting issues and their resolution. The Audit & Actuarial Committee reviews the annual consolidated financial statements and recommends them to the OAC Board for approval.

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

The independent external auditors are also appointed by the OAC Board. Their responsibility is to report to the OAC Board whether in their opinion the consolidated statements of financial position as at December 31, 2016 and 2015 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, 2016 and 2015 present fairly in all material respects the financial position, the changes in net assets available for benefits and changes in pension obligations in accordance with Canadian accounting standards for pension plans. The independent external auditors have full and unrestricted access to Management and the Audit & Actuarial Committee to discuss any findings arising from their audit related to the integrity of financial reporting and the adequacy of internal control systems on which they rely for the purposes of their audit. The auditors' report outlines the scope of their examination and opinion.

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

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

Michael Latimer
President and Chief Executive Officer

Jonathan Simmons
Chief Financial Officer

Toronto, Ontario
February 23, 2017

Actuarial Opinion

We conducted actuarial valuations as at December 31, 2016 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 purpose of the valuations is to fairly present the actuarial funded status of the Primary Plan and the RCA as at December 31, 2016, for inclusion in this Annual Report in accordance with Section 4600 of Part IV of the Chartered Professional Accountants of Canada Handbook.

The results of the actuarial valuation of the Primary Plan disclosed total going concern actuarial liabilities of $87,554 million in respect of benefits accrued for service to December 31, 2016 (comprising $86,959 million with respect to the defined benefit component and $595 million with respect to the AVC component). The actuarial assets at that date were $81,834 million (comprising $81,239 million with respect to the defined benefit component and $595 million with respect to the AVC component), indicating a going concern actuarial deficit of $5,720 million. Ongoing adequacy of the Primary Plan's contribution rates will need to be monitored to ensure that future contributions, together with the Primary Plan assets and future investment earnings thereon, will be sufficient to provide for its future benefits.

The RCA is not fully pre-funded. The actuarial liability in respect of RCA benefits accrued for service to December 31, 2016 (determined using assumptions consistent with those used for the Primary Plan except that the discount rate is determined based on the RCA long-term investment strategy), net of the RCA assets, was $592 million. The funding of the RCA is managed on a modified pay-as-you go basis and monitored to ensure that the fund will have sufficient assets to provide for the projected benefit payments over the 20-year period following each valuation date.

The actuarial valuations of the Primary Plan and the RCA as at December 31, 2016 were conducted using the Projected Benefit Method Prorated on Services, and membership data as at October 30, 2016 and financial information as at December 31, 2016 supplied by the OAC. The October 30, 2016 membership data was adjusted, among other things, for the following:

- actual inflationary increases to pensions in payment and deferred pension payments effective January 1, 2017,
- estimated credited service accruals in 2016, and
- estimated earnings for 2016.

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

- the membership data are sufficient and reliable for the purpose of the valuations;
- the assumptions adopted were set with reference to the Primary Plan's and RCA's funding policies and 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

Philip Morse

Ian Markham
Fellow, Canadian Institute of Actuaries

Philip A. Morse
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 23, 2017

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, 2016 and December 31, 2015 and the consolidated statements of changes in net assets available for benefits and changes in pension obligations for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OMERS Administration Corporation and its subsidiaries as at December 31, 2016 and December 31, 2015 and the changes in net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 23, 2017

Consolidated Statement of Financial Position

As at December 31, (in millions of Canadian dollars)	**2016**	2015
Net Assets available for benefits		
Assets		
Investments (note 3)	**$ 104,065**	$ 99,104
Investment related assets (note 3)	**2,923**	1,062
Contributions receivable		
Employers	**159**	158
Members	**159**	158
Other assets	**216**	169
Total Assets	**107,522**	100,651
Liabilities		
Investment related liabilities (notes 3 and 4)	**19,099**	20,534
Amounts payable under contractual agreements (note 5)	**2,896**	2,719
Other liabilities	**167**	153
Total Liabilities	**22,162**	23,406
Net Assets Available for Benefits	**$ 85,360**	$ 77,245
Accrued Pension Obligation and Deficit		
Primary Plan (note 6)		
Defined benefit component		
Accrued pension obligation	**$ 86,959**	$ 81,924
Deficit		
Funding deficit	**(5,720)**	(6,977)
Actuarial value adjustment to net assets available for benefits	**3,379**	1,718
	(2,341)	(5,259)
Additional Voluntary Contributions component pension obligation	**595**	445
Accrued Pension Obligation and Deficit - Primary Plan	**85,213**	77,110
Retirement Compensation Arrangement (note 7)		
Accrued pension obligation	**739**	679
Deficit	**(592)**	(544)
Accrued Pension Obligation and Deficit - Retirement Compensation Arrangement	**147**	135
Accrued Pension Obligation and Deficit	**$ 85,360**	$ 77,245

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

These financial statements were approved by the Board of Directors on February 23, 2017.

Signed on behalf of the Board of OMERS Administration Corporation

George Cooke,
OAC Board Chair

William Butt,
Chair, Audit & Actuarial Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, (in millions of Canadian dollars)		**2016**		2015
Changes Due to Investment Activities				
Net investment income (note 8)	**$**	**7,856**	$	4,784
Total Changes Due to Investment Activities		**7,856**		4,784
Changes Due to Pension Activities				
Total contributions received (note 10)		**3,965**		3,880
Total benefits paid (note 11)		**(3,626)**		(3,447)
Pension administrative expenses (note 12)		**(80)**		(68)
Total Changes Due to Pension Activities		**259**		365
Total Increase		**8,115**		5,149
Net assets available for benefits, beginning of year		**77,245**		72,096
Net Assets Available for Benefits, End of Year	**$**	**85,360**	$	77,245

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

Statement of Changes in Pension Obligations

For the year ended December 31, (in millions of Canadian dollars)		**2016**		2015
OMERS Primary Pension Plan (note 6)				
Defined Benefit Component				
Accrued pension obligation, beginning of year	**$**	**81,924**	$	76,924
Interest accrued on benefits		**5,102**		4,980
Benefits accrued		**2,997**		2,784
Benefits paid		**(3,599)**		(3,417)
Experience (gains)/losses		**(89)**		323
Changes in actuarial assumptions and methods		**—**		330
Strategic margin		**624**		—
Accrued Pension Obligation, End of Year		**86,959**		81,924
Additional Voluntary Contributions Component				
Additional voluntary contributions obligation, beginning of year		**445**		360
Contributions		**113**		74
Withdrawals		**(12)**		(15)
Attributed net investment income		**49**		26
Additional Voluntary Contributions Obligation, End of Year		**595**		445
Retirement Compensation Arrangement (note 7)				
Accrued pension obligation, beginning of year	**$**	**679**	$	619
Interest accrued on benefits		**21**		20
Benefits accrued		**25**		22
Benefits paid		**(15)**		(15)
Experience (gains)/losses		**28**		42
Changes in actuarial assumptions and methods		**1**		(9)
Accrued Pension Obligation, End of Year	**$**	**739**	$	679

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

Notes to Consolidated Financial Statements

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

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

OMERS Primary Pension Plan

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

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

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

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

annual earnings during the member's highest 60 consecutive months of earnings consistent with a normal retirement pension. Generally, disability pensions continue until normal retirement.

- Income Taxes – The Primary Plan is a Registered Pension Plan as defined in the ITA and is not subject to income taxes for contributions or investment income received. The operations of certain entities holding private equity, infrastructure or real estate investments may be taxable.

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

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

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

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

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

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

Participation in the Supplemental Plan is effective only upon agreement between employee groups and their employer. As at December 31, 2016 and December 31, 2015, no such agreement exists and hence the Supplemental Plan had no assets and no members.

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

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

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

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

Use of Estimates and Judgments

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

Investments

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

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

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

Net Investment Income/(Loss)

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

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

Transaction and Pursuit Costs

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

External Manager Fees

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

Investment Liabilities

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

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

Derivatives and Pending Trades

Derivatives and pending trades includes unrealized gains and losses from derivative contracts and accrued receivables/payables from pending trade transactions.

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

Foreign Currency Translation

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

Accrued Pension Obligation

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

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

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

Actuarial Value of Net Assets and Actuarial Value Adjustment

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

Surplus/Deficit

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

Contributions

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

Benefits

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

Administrative Expenses

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

Future Changes in Accounting Policies

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

IFRS 15 Revenue from Contracts with Customers

The new standard replaces all existing IFRS revenue requirements. The mandatory effective date for the new standard is for years beginning on or after January 1, 2018. Management is currently assessing the impact of adopting these standards on OAC's Consolidated Financial Statements. OAC expects to report more detailed information on IFRS 15, including estimated quantitative financial effects, in its 2017 financial statements.

IFRS 16 Leases

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

NOTE 3

A. Investments

Investments by Fair Value and Cost

Investments and investment related assets and liabilities are as follows:

	2016		2015	
	Fair Value	**Cost**	Fair Value	Cost
Fixed Income Investments				
Cash and short-term deposits (i)	$ **17,352**	$ **17,353**	$ 20,695	$ 20,695
Canadian nominal bonds and debentures	**1,176**	**1,161**	474	475
Non-Canadian nominal bonds and debentures	**5,139**	**5,084**	2,014	1,910
Private debt and mortgages	**3,782**	**3,710**	2,327	2,229
Derivatives - Futures and swaps (v)	**763**	**1**	(8)	—
	28,212	**27,309**	25,502	25,309
Inflation-Linked Bonds	**5,246**	**4,669**	6,446	5,716
Public Equity (ii)				
Canadian public equities	**4,579**	**4,113**	1,084	1,180
Non-Canadian public equities	**12,513**	**10,859**	10,684	9,021
Derivatives - Futures and swaps (v)	**(604)**	**18**	(85)	—
	16,488	**14,990**	11,683	10,201
Private Equity				
Canadian private equities (iii) (iv)	**2,370**	**2,489**	3,337	2,735
Non-Canadian private equities	**8,611**	**5,615**	8,145	6,069
	10,981	**8,104**	11,482	8,804
Infrastructure Investments	**17,544**	**16,169**	16,349	13,634
Real Estate Investments	**25,594**	**21,153**	27,642	23,359
	104,065	**92,394**	99,104	87,023
Investment Related Assets				
Investment receivables	**540**	**963**	382	789
Deferred assets, prepaid and other	**101**	**179**	175	47
Derivatives and pending trades (v)	**2,282**	**7**	505	54
	2,923	**1,149**	1,062	890
Investment Related Liabilities				
Investment liabilities (note 4)	**(16,675)**	**(16,206)**	(19,058)	(18,493)
Derivatives and pending trades (v)	**(2,424)**	**(14)**	(1,476)	(24)
	(19,099)	**(16,220)**	(20,534)	(18,517)
Net Investment Assets	$ **87,889**	$ **77,323**	$ 79,632	$ 69,396

(i) Includes restricted cash of $76 (December 31, 2015 - $148).
(ii) Includes externally managed investments of $2,775 (December 31, 2015 - $3,275).
(iii) Includes resource properties with a total fair value of $325 (December 31, 2015 - $525).
(iv) Includes venture capital investments of $490 (December 31, 2015 - $537).
(v) The fair value of Total Derivative Portfolio and Credit Exposure is $30 (December 31, 2015 - negative $1,091) excluding pending trades of $13 (December 31. 2015 - $27).

Investment Valuation Practices

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

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

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

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

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

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

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

Investment Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

As at December 31,				**2016**
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Income Investments	**$ 1,791**	**$ 22,751**	**$ 3,670**	**$ 28,212**
Inflation-Linked Bonds		**5,246**		**5,246**
Public Equity	**11,826**	**1,968**	**2,694**	**16,488**
Private Equity	**157**	**2**	**10,822**	**10,981**
Infrastructure Investments	**—**	**—**	**17,544**	**17,544**
Real Estate Investments	**—**	**—**	**25,594**	**25,594**
Investment Related Assets	**11**	**2,912**		**2,923**
Investment Related Liabilities	**(314)**	**(12,712)**	**(6,073)**	**(19,099)**
Net Investment Assets	**$ 13,471**	**$ 20,167**	**$ 54,251**	**$ 87,889**

As at December 31,				2015
	Level 1	Level 2	Level 3	Total
Fixed Income Investments	$ 825	$ 22,368	$ 2,309	$ 25,502
Inflation-Linked Bonds		6,446		6,446
Public Equity	7,884	1,915	1,884	11,683
Private Equity	105	2	11,375	11,482
Infrastructure Investments	—	—	16,349	16,349
Real Estate Investments	—	—	27,642	27,642
Investment Related Assets	67	480	515	1,062
Investment Related Liabilities	(1,318)	(9,316)	(9,900)	(20,534)
Net Investment Assets	$ 7,563	$ 21,895	$ 50,174	$ 79,632

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

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

	Fair Value Dec 31, 2015	**Total Gain (Loss) Included in Net Income**	**Transfers In (Out) (i)**	**Contributed Capital**	**Capital Returned (ii)**	**Fair Value Dec 31, 2016**	**Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31,(iii)**
Fixed Income Investments	$ 2,309	**$ (120)**	**$ —**	**$ 2,404**	**$ (923)**	**$ 3,670**	**$ (35)**
Public Equity	1,884	**172**	**(1)**	**881**	**(242)**	**2,694**	**124**
Private Equity	10,891	**690**	**268**	**727**	**(1,754)**	**10,822**	**1,068**
Infrastructure Investments	15,717	**325**	**684**	**3,173**	**(2,355)**	**17,544**	**314**
Real Estate Investments	26,406	**(606)**	**1,236**	**1,334**	**(2,776)**	**25,594**	**327**
Investment related Liabilities	(7,033)	**219**		**1,536**	**(795)**	**(6,073)**	**435**
Total	$ 50,174	**$ 680**	**$ 2,187**	**$ 10,055**	**$ (8,845)**	**$ 54,251**	**$ 2,233**

The following table presents the changes in the fair value measurements in Level 3 of the fair value hierarchy for the year ended December 31, 2015:

	Fair Value Dec 31, 2014	Total Gain (Loss) Included in Net Income	Transfers In (Out) (i)	Contributed Capital	Capital Returned (ii)	Fair Value Dec 31, 2015	Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31, (iii)
Fixed Income Investments	$ 625	$ 222	$ (18)	$ 1,541	$ (61)	$ 2,309	$ 100
Public Equity	1,270	263	(67)	657	(239)	1,884	292
Private Equity	8,452	1,025	(4)	2,053	(635)	10,891	426
Infrastructure Investments	14,007	2,055	(197)	1,506	(1,654)	15,717	956
Real Estate Investments	21,643	2,516	244	4,241	(2,238)	26,406	931
Investment related Liabilities	(5,650)	(900)	(98)	1,523	(1,908)	(7,033)	(532)
Total	$ 40,347	$ 5,181	$ (140)	$ 11,521	$ (6,735)	$ 50,174	$ 2,173

(i) Represents amounts transferred in(out) of Level 3, the net amount for the year ended December 31, 2016 was $2,187 (December 31, 2015 - negative 140). This represents reclassification of debt and private investments that became publicly traded.

(ii) Includes return of realized foreign exchange gains and losses. The unrealized foreign exchange gains and losses are recorded as part of the valuation of such assets.

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

Fair Value Assumptions and Sensitivity

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

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

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

As at December 31, 2016	**Increase/Decrease in Discount Rate (basis points)**		**Decrease/Increase in Net Investment Assets**
Private equity - direct investments	**70**	**$**	**480**
Infrastructure investments	**20**		**325**
Real estate investments	**25**		**500**
Total impact on Net Investment Assets		**$**	**1,305**

As at December 31, 2015	Increase/Decrease in Discount Rate (basis points)		Decrease/Increase in Net Investment Assets
Private equity - direct investments	70	$	537
Infrastructure investments	20		285
Real estate investments	25		550
Total impact on Net Investment Assets		$	1,372

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

Significant Investments

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

	2016								2015		
	Number of Investments		**Fair Value**		**Cost**	Number of Investments		Fair Value		Cost
Public Investments	**4**	**$**	**4,063**	**$**	**3,811**	3	$	2,887	$	2,574
Private Investments	**15**		**18,685**		**13,853**	14		17,273		12,778
	19	**$**	**22,748**	**$**	**17,664**	17	$	20,160	$	15,352

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

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

The effective date of the most recent valuation for the above listed investments was December 31, 2016.

Investment Risk

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

The OAC Board of Directors, through its Investment Committee, determines the acceptable level of investment risk to be taken. The Board of Directors approves the Enterprise Risk Management Policy, a document that articulates how risk is identified, measured, managed, monitored and reported throughout the organization. Within Management, primary accountability for risk remains with the business or function responsible for making operational decisions relative to that risk. This accountability is achieved through a series of sub-delegations by the Board of Directors to the CEO, who further delegates responsibilities to the business leaders, subject to levels of authority. The Chief Risk Officer (CRO) is responsible for implementing the Board-approved risk management mandate, including the development of associated policies and limits, and providing independent enterprise-wide oversight of business activities using the matrix structure that underpins the risk and compliance functions.

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

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

a) Market Risk

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

- Foreign Exchange Rates

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

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

As at December 31,				**2016**				2015
	Fair Value By Currency				Fair Value By Currency			
	Net investment Assets before Hedging/ Trading Activities	**Effect of Hedging/ Trading Activities**	**Net investment Assets after Hedging/ Trading Activities**	**% of Total**	Net investment Assets before Hedging/ Trading Activities	Effect of Hedging/ Trading Activities	Net investment Assets after Hedging/ Trading Activities	% of Total
Canada	**$ 41,890**	**$ 43,125**	**$ 85,015**	**97%**	$ 41,816	$ 32,417	$ 74,233	93%
United States	**32,506**	**(31,739)**	**767**	**1%**	24,348	(19,870)	4,478	6%
United Kingdom	**7,894**	**(5,890)**	**2,004**	**2%**	9,675	(9,162)	513	1%
Euro Countries	**3,202**	**(3,465)**	**(263)**	**—%**	2,014	(1,932)	82	—%
Japan	**17**	**(34)**	**(17)**	**—%**	(47)	(151)	(198)	—%
Other Pacific	**833**	**(758)**	**75**	**—%**	159	(260)	(101)	—%
Emerging Markets	**114**	**168**	**282**	**—%**	221	238	459	—%
Other Europe	**1,433**	**(1,407)**	**26**	**—%**	1,446	(1,280)	166	—%
	$ 87,889	**$ —**	**$ 87,889**	**100%**	$ 79,632	$ —	$ 79,632	100%

- Foreign Currency Sensitivity

After giving effect to the impact of hedging and trading activities and with all other variables and underlying values held constant, a five per cent increase/decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate $171 (December 31, 2015 - $270) decrease/increase in OAC's net assets as shown below:

As at December 31,		**2016**			2015		
Currency	Change in value of Canadian Dollar	**Unrealized gain/loss**			Unrealized gain/loss		
United States	+/- 5%	**-/+**	**$**	**38**	-/+	$	224
United Kingdom	+/- 5%	**-/+**		**100**	-/+		26
Euro Countries	+/- 5%	**-/+**		**13**	-/+		4
Other	+/- 5%	**-/+**		**20**	-/+		16
		-/+	**$**	**171**	-/+	$	270

- Interest Rate Risk

From an investment perspective, primary exposure to interest rates is a function of the capital deployed in fixed income products and investments both in public and private market asset classes. Since the majority of these investments have fixed rates of interest, the exposure is to rising rates over time (i.e. rising interest rates decreases the market value of investments that have a fixed rate of interest). Interest rate risks include exposure to bonds and debentures, private debt and mortgages. The most significant interest bearing investments that have a fixed rate of interest are the shorter-dated nominal bond futures and long-dated inflation linked bonds in the public investments portfolio. The exposure to nominal bonds is $17,667 (December 31, 2015 - $20,290) with net fair value of the derivative positions totaling $812 (December 31, 2015 - $30). In addition to these investments, OAC holds a variety of other interest bearing investments in private portfolios that also have an exposure to rising interest rates. Lastly, OAC also invests in short-term interest rate related securities primarily for the purpose of maintaining its ability to meet liquidity needs. The following tables illustrate how capital is allocated amongst the various types of interest bearing investments based upon the contractual maturity of the securities:

As at December 31,					**2016**
	Term to Maturity				
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	**Average Effective Yield (i)**
Cash and short-term deposits	**$ 17,352**			**$ 17,352**	**0.9%**
Nominal bonds and debentures	**223**	**2,101**	**3,990**	**6,314**	**3.0%**
Inflation-linked bonds (ii)	**—**	**235**	**5,011**	**5,246**	**0.4%**
Mortgages and private debt	**208**	**2,430**	**1,144**	**3,782**	**7.0%**
	$ 17,783	**$ 4,766**	**$ 10,145**	**$ 32,694**	**2.0%**

As at December 31,					2015
	Term to Maturity				
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Average Effective Yield (i)
Cash and short-term deposits	$ 20,695			$ 20,695	0.7%
Nominal bonds and debentures	—	855	1,633	2,488	4.0%
Inflation-linked bonds (ii)	67	10	6,369	6,446	0.5%
Mortgages and private debt	320	1,703	304	2,327	7.9%
	$ 21,082	$ 2,568	$ 8,306	$ 31,956	1.2%

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

- Sensitivity to changes in interest rates

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

After giving effect to derivative contracts (note 3 B), debt liabilities, securities sold short and securities sold under repurchase agreements (note 4), a one per cent increase/decrease in nominal interest rates, with all other variables held constant, would result in an approximate decrease/increase in the value of fixed income investments and an unrealized gain of $10 (December 31, 2015 - loss of $226). Similarly, a one per cent increase/decrease in real interest rates would result in an approximate decrease/increase in the value of inflation linked bonds and an unrealized (loss)/gain of $480 (December 31, 2015 - $654).

- Equities

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

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

- Commodities

OAC has invested in commodity futures. The exposure to commodity derivatives is $2,177 (December 31, 2015 - $3,287) with net fair value totaling negative $ 487 (December 31, 2015 - negative $29) which is included in public equities.

- Price Risk

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

After giving effect to derivative contracts, a 10% increase/decrease in the value of all public equity and private investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss of $6,487 (December 31, 2015 - $6,248).

b) Credit Risk

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

OAC's most significant credit risk exposure arises from its fixed income and inflation-linked bond investments. The OMERS Pension Plans' fixed income and inflation-linked bond investments exposed to credit risk are as follows:

As at December 31,					2016
Credit Quality (i)	**Sovereign Governments**	**Provincial Governments**	**Corporate**	**Total**	**% of Total**
AAA	$7,357	$ —	$32	$7,389	23%
AA+	—	—	14,992	14,992	47%
AA	—	—	340	340	1%
AA-	—	—	93	93	—%
A+	—	557	47	604	2%
A	—	—	170	170	1%
A-	—	—	486	486	2%
BBB+	—	—	975	975	3%
BBB	—	—	866	866	3%
Below BBB	—	—	2,972	2,972	9%
Unrated (ii)	—	—	2,763	2,763	9%
	$ 7,357	$ 557	$ 23,736	$ 31,650	100%

As at December 31,					2015
Credit Quality (i)	Sovereign Governments	Provincial Governments	Corporate	Total	% of Total
AAA	$ 7,821	$ —	$ —	$ 7,821	25%
AA+	—	—	17,593	17,593	56%
AA	—	220	772	992	3%
A	—	343	336	679	2%
A-	—	—	89	89	—%
BBB+	—	—	136	136	1%
BBB	—	—	728	728	2%
Below BBB	—	—	1,823	1,823	6%
Unrated (ii)	—	—	1,303	1,303	5%
	$ 7,821	$ 563	$ 22,780	$ 31,164	100%

(i) Based on average rating of major credit rating agencies.
(ii) Unrated comprises securities that are either privately held, managed externally, or not rated by the rating agencies.

- Securities Lending

  OAC engages in securities lending of its own securities to third parties in order to facilitate collateral transformation and to support its securities borrowing activities. OAC lends securities to third parties and receives cash as collateral, which mitigates the credit risk. As at December 31, 2016 securities with an estimated fair value of $67 (December 31, 2015 -$ 58) were loaned out in exchange for collateral of $69 (December 31, 2015 - $59).

- Right of Netting, Offset and Margin

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

OAC does not offset the financial instruments in its Consolidated Statement of Financial Position, as its rights of offset are conditional. The following table presents the effect of conditional netting and similar arrangements. Similar arrangements include GMRAs, security lending agreements and any related rights to financial collateral.

Information for OAC related to these arrangements as at December 31, 2016:

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

As at December 31,					2015
		Related amounts not set off in the Consolidated Statement of Financial Position			
	Nettable amount of Financial Instruments	Financial Instruments	Financial collateral (received) pledged	Securities sold under agreement to repurchase	Net amount
Financial Assets					
Derivative assets	$ 458	$ (456)			$ 2
Securities lending					—
Total Financial Assets	$ 458	$ (456)	$ —		$ 2
Financial Liabilities					
Derivative liabilities	$ (1,497)	$ 456	$ 824		$ (217)
Securities lending	(1,463)		1,463		—
Repurchase agreements	(1,714)			1,714	—
Total Financial liabilities	$ (4,674)	$ 456	$ 2,287	$ 1,714	$ (217)

c) Liquidity Risk

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

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

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

Another liquidity risk is the ability of OMERS Finance Trust ("OFT") to cover its commercial paper issuance. OFT is authorised to issue a maximum of $3,100 in commercial paper of which $1,617 (December 31, 2015 - $2,700) was drawn as at December 31, 2016. The commercial paper is highly-rated and further supported by an undrawn $2,325 revolving credit facility with a syndicate of well capitalized banks to backstop the commercial paper program.

B. Derivative Financial Instruments

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

Derivative financial instruments are used, when appropriate, to manage the OMERS Pension Plans' asset mix and to assist in managing the exposure to market risk, by increasing or decreasing foreign currency, interest rate and price risk, without directly purchasing or selling the underlying assets or currencies.

Derivative Contracts

Swaps

Swaps are contractual agreements between counterparties to exchange a series of cash flows. The swap agreements entered into by OAC 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.
- Credit Default Swaps - contractual agreements that transfer the credit risk of an underlying financial instrument resulting from a specified credit event, such as default or bankruptcy.

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 – foreign exchange forward contracts are 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 Futures Contracts – agreements to either buy or sell a commodity index at a specified price and date in the future.
- Bond Futures Contracts - agreements to either buy or sell a specified bond or bond index at a specified price and date in the future.
- Currency Futures Contracts - agreements to exchange one currency for another 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, equity 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 are 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.

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

As at December 31,	2016			2015		
		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	**$ 255**	**$ 6**	**$ (19)**	$ 1,679	$ 4	$ (3)
Bond Index swap contracts	**1,584**	**18**	**(2)**	986	1	(22)
Inflation Swaps	**300**	**5**	**—**			
Swaptions written	**469**	**—**	**(5)**	1,570	—	—
Swaptions purchased	**268**	**9**	**—**	1,528	1	—
Bond futures - long positions	**8,467**	**783**	**—**	17,942	34	—
Bond futures - short positions	**455**	**—**	**(34)**	765	—	(21)
Bond options written	**469**	**—**	**(1)**			
Bond options purchased	**469**	**1**				
		822	**(61)**		40	(46)
Equity Contracts						
Equity index futures contracts - long positions	**9,540**	**932**	**—**	13,796	—	—
Equity index futures contracts - short positions	**377**	**—**	**(1,137)**	994	1	(50)
Equity index swap contracts	**1,522**	**77**	**(17)**	517	4	(12)
Equity swap contracts	**160**	**22**	**(22)**	114	2	(1)
Equity options written	**424**		**(3)**			
Equity options purchased	**761**	**31**				
		1,062	**(1,179)**		7	(63)
Commodity Contracts						
Commodity futures contracts - long positions	**2,177**	**243**	**—**	3,111	5	—
Commodity futures contracts - short positions	**—**	**—**	**(730)**	176	—	(34)
		243	**(730)**		5	(34)
Credit Default Contracts						
Credit default swaps purchased	**2,754**	**212**	**—**	3,426	75	—
Credit default swaps written	**14,335**	**—**	**(163)**	14,839	—	(39)
Swaptions written	**134**		**—**	836		(1)
Swaptions purchased	**469**	**2**		887	1	
		214	**(163)**		76	(40)
Foreign Exchange Contracts						
Currency options written	**—**	**—**	**—**	126	—	(1)
Currency options purchased	**—**	**—**	**—**	116	1	—
Currency futures - long positions	**—**	**8**	**—**	9	—	—
Currency futures - short positions	**—**	**—**	**—**	195	—	—
Foreign exchange forward contracts	**56,676**	**2,358**	**(2,544)**	47,204	370	(1,406)
		2,366	**(2,544)**		371	(1,407)
Total		**$ 4,707**	**$ (4,677)**		$ 499	$ (1,590)

(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. The net Total Derivative Portfolio and Credit Exposure is $30 (December 31, 2015 - negative $1,091) excluding pending trades of $13 (December 31. 2015 - $27).

(iii) The fair value of derivative contracts recorded as an asset represents the credit risk replacement cost or the loss to which the OMERS Pension Plans are exposed should counterparties fail to perform under the derivative contracts. The amounts do not take into consideration legal contracts that permit offsetting of positions or any collateral which may be held.

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

As at December 31,				2016				2015
	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	**$ 12,183**	**$ 427**	**$ 129**	**$ 12,739**	$ 25,443	$ 577	$ 173	$ 26,193
Equity Contracts	**12,624**	**160**	**—**	**12,784**	15,307	114	—	15,421
Commodity Contracts	**2,177**			**2,177**	3,287			3,287
Credit Default Contracts	**603**	**16,984**	**104**	**17,691**	335	17,579	351	18,265
Foreign Exchange Contracts	**56,676**			**56,676**	47,650			47,650
	$ 84,263	**$ 17,571**	**$ 233**	**$ 102,067**	$ 92,022	$ 18,270	$ 524	$ 110,816

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

As at December 31,				2016				2015
	Under 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Under 1 Year	1 to 5 Years	Over 5 Years	Total
Interest Rate Contracts	**$ 757**	**$ 4**	**$ —**	**$ 761**	$ (6)	$ 1	$ (1)	$ (6)
Equity Contracts	**(118)**	**1**	**—**	**(117)**	(57)	1	—	(56)
Commodity Contracts	**(487)**			**(487)**	(29)			(29)
Credit Default Contracts	**16**	**35**	**—**	**51**	(1)	38	(1)	36
Foreign Exchange Contracts	**(178)**			**(178)**	(1,036)			(1,036)
	$ (10)	**$ 40**	**$ —**	**$ 30**	$ (1,129)	$ 40	$ (2)	$ (1,091)

NOTE 4

Investment Liabilities

The investment liabilities are as follows:

As at December 31,	2016	2015
Debt (a)	**$ 13,045**	$ 14,361
Securities sold short	**313**	1,285
Securities sold under repurchase agreements	**1,968**	1,715
Payables and other liabilities	**1,349**	1,697
Total	**$ 16,675**	$ 19,058

a) Debt is comprised of the following:

As at December 31,	2016 Fair Value	2016 Cost	2016 Weighted Average Interest Rate	2015 Fair Value	2015 Cost	2015 Weighted Average Interest Rate
Real Estate						
Credit facilities (i)	**$ 1,921**	**$ 1,921**	**1.90%**	$ 1,601	$ 1,597	1.45%
Secured debt (ii)	**6,073**	**5,933**	**2.87%**	7,035	6,830	2.98%
ORC Series 1 debentures (iii)	**610**	**600**	**1.28%**	614	594	1.54%
ORC Series 2 debentures (iv)	**527**	**500**	**2.45%**	529	500	2.49%
ORC Series 3 debentures (v)	**314**	**300**	**1.81%**	317	300	1.91%
ORC Series 4 debentures (vi)	**313**	**300**	**1.91%**	313	300	2.09%
ORC Series 5 debentures (vii)	**256**	**250**	**1.62%**	256	250	1.78%
ORC Series 6 debentures (viii)	**329**	**315**	**2.72%**	330	315	2.70%
ORC Series 7 debentures (ix)	**382**	**375**	**2.58%**	—	—	—%
ORC Series 8 debentures (x)	**225**	**230**	**2.23%**	—	—	—%
Series D debentures (xi)	**210**	**200**	**1.24%**	216	200	1.32%
ORCTT Series A debentures (xii)				172	170	1.06%
	11,160	**10,924**	**2.45%**	11,383	11,056	2.51%
Infrastructure						
Secured debt (xiii)	**268**	**217**	**2.29%**	278	216	1.87%
OMERS Finance Trust						
Commercial paper (xiv)	**1,617**	**1,617**	**0.78%**	2,700	2,700	0.73%
Total	**$ 13,045**	**$ 12,758**	**2.25%**	$ 14,361	$ 13,972	2.17%

(i) Includes operating lines, revolving and non-revolving facilities with various maturities up to 2019 with interest rates ranging from 1.02% to 5.54%.
(ii) Includes mortgages and other secured debt with various terms to maturity up to 2033 with each debt instrument secured by a specific real estate asset.
(iii) OMERS Realty Corporation Series 1 2.498% Debentures issued June 5, 2013, maturing June 5, 2018.
(iv) OMERS Realty Corporation Series 2 3.358% Debentures issued June 5, 2013, maturing June 5, 2023.
(v) OMERS Realty Corporation Series 3 3.203% Debentures issued July 25, 2013, maturing July 24, 2020.
(vi) OMERS Realty Corporation Series 4 2.971% Debentures issued April 2, 2014, maturing April 5, 2021.
(vii) OMERS Realty Corporation Series 5 2.473% Debentures issued November 12, 2014, maturing November 12, 2019.
(viii) OMERS Realty Corporation Series 6 3.328% Debentures issued November 12, 2014, maturing November 12, 2024.
(ix) OMER Realty Corporation Series 7 2.858% Debentures issued February 23, 2016, maturing February 23, 2024.
(x) OMER Realty Corporation Series 8 1.823% Debentures issued November 9, 2016, maturing May 9, 2022.
(xi) OMERS Realty Corporation Series D 4.74% Debentures issued May 8, 2008, maturing June 4, 2018.
(xii) OMERS Realty CTT Holdings Inc. Series A 4.75% Debentures issued May 5, 2009, matured May 5, 2016.
(xiii) Includes secured debt with various terms to maturity up to 2018 with each debt secured by a specific infrastructure asset.
(xiv) OFT Commercial Paper program is authorized up to $3,100. Commercial Paper outstanding has maturities from January 3, 2017 to March 17, 2017 with interest rates ranging from 0.53% to 0.93%. OFT has in place a $2,325 revolving credit facility with a syndicate of banks to backstop the commercial paper program.

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

As at December 31,		**2016**
2017	**$**	**4,384**
2018		**2,276**
2019		**1,119**
2020		**1,207**
2021		**1,107**
Thereafter		**4,594**
	$	**14,687**

As at December 31,		2015
2016	$	3,957
2017		2,463
2018		2,364
2019		1,216
2020		842
Thereafter		4,609
	$	15,451

NOTE 5

Amounts Payable Under Contractual Agreements

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

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

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

Amounts payable under contractual agreements are comprised of the following:

As at December 31,		**2016**		2015
Administered Funds	**$**	**1,233**	$	1,117
OMERS Return Agreements		**1,663**		1,602
Amounts payable under contractual agreements	**$**	**2,896**	$	2,719

NOTE 6

OMERS Primary Pension Plan

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

Statement of Financial Position

As at December 31,	2016	2015
Net Assets Available for Benefits	**$ 85,213**	$ 77,110
Accrued Pension Obligation and Deficit		
Defined benefit component		
Accrued pension obligation	**$ 86,959**	$ 81,924
Deficit		
Funding deficit	**(5,720)**	(6,977)
Actuarial value adjustment of net assets	**3,379**	1,718
	(2,341)	(5,259)
Additional Voluntary Contributions component pension obligation	**595**	445
Total Primary Plan Accrued Pension Obligation and Deficit	**$ 85,213**	$ 77,110

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,	2016	2015
Statement of Changes in Net Assets		
Net investment income	**$ 7,848**	$ 4,774
Contributions	**3,945**	3,858
Benefits	**(3,611)**	(3,432)
Pension administrative expenses	**(79)**	(67)
Total Increase	**8,103**	5,133
Net assets available for benefits, beginning of year	**77,110**	71,977
Net Assets available for benefits, end of year	**$ 85,213**	$ 77,110

Accrued Pension Obligation of the Defined Benefit Component

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

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

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

Actuarial Assumptions	2016	2015
Assumed rate of inflation	**2.00%**	2.00%
Real rate of return assumed on Primary Plan assets	**4.20%**	4.25%
Discount rate	**6.20%**	6.25%

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

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

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

	2016				2015			
	NRA60 (i)		**NRA65 (i)**		NRA60 (i)		NRA65 (i)	
	Before 2019	**After 2018**	**Before 2019**	**After 2018**	Before 2019	After 2018	Before 2019	After 2018
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**1.4%**	**1.8%**	**0.8%**	**1.2%**	1.4%	1.8%	0.8%	1.2%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**3.4%**	**3.8%**	**2.8%**	**3.2%**	3.4%	3.8%	2.8%	3.2%

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

The accrued pension obligation as at December 31, 2016 takes account of known changes in the Primary Plan membership up to October 30, 2016, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2017, and estimated pensionable earnings and credited service accruals in 2016.

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

As of December 31,	2016	2015
Primary Plan fair value of net assets available for benefits	**$ 85,213**	$ 77,110
Less Additional Voluntary Contribution net assets	**595**	445
Defined benefit net assets available for benefits	**84,618**	76,665
Actuarial value adjustment	**(3,379)**	(1,718)
Actuarial value of net assets available for benefits	**81,239**	74,947
Less Defined Benefit accrued pension obligation	**86,959**	81,924
Funding deficit of actuarial value of net assets available for benefits over accrued pension obligation	**(5,720)**	(6,977)
Reversal of actuarial value adjustment	**3,379**	1,718
Deficit of net assets available for benefits over accrued pension obligation	**$ (2,341)**	$ (5,259)

Actuarial Value of Net Assets of the Defined Benefit Component

The actuarial valuation of the Primary Plan was performed by Towers Watson Canada Inc. Under the PBA, an actuarial valuation report prepared by an independent external actuarial firm must be filed with FSCO at least once every three years. The Primary Plan valuation report was last filed for the December 31, 2015 year-end and, if not filed earlier, must be filed for the December 31, 2018 year-end.

The change in the actuarial value adjustment is as follows:

For the year ended December 31,		**2016**		2015
Expected interest on beginning actuarial value adjustment (i)	**$**	**107**	$	115
Current year returns in excess of/(below) the funding rate (i)		**2,403**		71
Prior years' returns above/(below) the funding rate recognized in the year		**(849)**		(239)
Increase/(Decrease) in actuarial value adjustment		**1,661**		(53)
Actuarial value adjustment, beginning of year		**1,718**		1,771
Actuarial Value Adjustment, end of year	**$**	**3,379**	$	1,718

(i) Based on the funding rate in effect during the year, 2016 – 6.25% (2015 – 6.50%).

The present value of unrecognized net investment returns by initial year they were established and the amounts to be recognized from 2017 through 2020, after application of the long-term rate of return assumption, are as follows:

Initial Year Earned		**Actuarial Value Adjustment as at**	Unrecognized Investment Returns to be Recognized in					Actuarial Value Adjustment as at
		Dec. 31, 2016(i)	2017	2018	2019	2020		Dec. 31, 2015(i)
2012	**$**	**—**					$	387
2013		**(82)**	(87)					(155)
2014		**1,003**	533	566				1,415
2015		**55**	19	21	22			71
2016		**2,403**	638	677	720	764		
	$	**3,379**	$ 1,103	$ 1,264	$ 742	$ 764	$	1,718

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

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

50 Basis Point change	**Approximate Effect on Accrued Pension Obligation**			
As at December 31,		**2016**		2015
Real rate of pensionable earnings increases				
Decrease in assumption	**$**	**(1,600)**	$	(1,500)
Increase in assumption		**1,700**		1,600
Real return on Primary Plan assets and discount rate				
Decrease in assumption		**6,600**		6,700
Increase in assumption	**$**	**(5,900)**		(5,900)

NOTE 7

Retirement Compensation Arrangement

As the RCA is not a Registered Pension Plan, a 50 per cent refundable tax is levied by the CRA on all contributions made to the RCA as well as on net investment income received and net 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 pension benefits provided by the RCA are not fully funded but are funded on a modified pay-as-you-go basis in order to minimize the impact of the 50 per cent refundable tax applicable to all retirement compensation arrangements plans under the ITA. Contributions to the RCA are based on the top-tier Primary Plan contribution rates and are paid into the RCA on the excess of contributory earnings over a defined earnings threshold, which was $174,441 for 2016 (2015 – $163,010). The defined earnings threshold is actively managed and monitored in such a way that current and future contributions to the RCA, together with the existing RCA Fund and future investment earnings, are expected to be sufficient to provide for projected benefit payments and expenses over the 20-year period following each annual valuation date. Benefits in excess of the maximum amounts payable from the Primary Plan as allowed by the ITA are paid from the RCA.

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

Statement of Financial Position

As at December 31,	2016	2015
Net Assets Available for Benefits	**$ 147**	$ 135
Accrued Pension Obligation and Deficit		
Accrued pension obligation	**$ 739**	$ 679
Deficit	**(592)**	(544)
Accrued Pension Obligation and Deficit	**$ 147**	$ 135

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,	2016	2015
Net investment income/(loss)	**$ 8**	$ 10
Contributions	**20**	22
Benefits	**(15)**	(15)
Administrative expenses	**(1)**	(1)
Total Increase	**12**	16
Net assets available for benefits, beginning of year	**135**	119
Net Assets available for benefits, end of year	**$ 147**	$ 135

The actuarial assumptions used for the RCA are consistent with those used for the Primary Plan except that the discount rate as at December 31, 2016 is 3.15% (2015 – 3.15%), which reflects the long term asset mix of the RCA including the effect of the 50 per cent refundable tax. A 50 basis point change in the assumed rate (with no change in other assumptions) before reflecting the 50 per cent refundable tax would have the following approximate effect on the accrued pension obligation:

50 Basis Point change	**Approximate Effect on Accrued Pension Obligation**	
As at December 31,	**2016**	2015
Assumed discount rate		
Decrease in assumption	**$ 33**	$ 31
Increase in assumption	**(31)**	(29)

NOTE 8

Net Investment Income/(Loss)

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

For the year ended December 31,	**2016**				
	Investment Income (i) (ii)	**Net Gain/ (Loss) on Investment Assets, Liabilities and Derivatives (iii)**	**Total Investment Income/ (Loss)**	**Investment Management Expenses (note 12)**	**Net Investment Income / (Loss)**
Fixed Income Investments					
Short-term deposits	**$ 142**	**$ 274**	**$ 416**		
Nominal bonds and debentures	**160**	**1,065**	**1,225**		
Private debt and mortgages	**205**	**(24)**	**181**		
	507	**1,315**	**1,822**		
Inflation-Linked Bonds	**97**	**104**	**201**		
Public Equity and commodities					
Canadian public equities	**106**	**840**	**946**		
Non-Canadian public equities	**289**	**756**	**1,045**		
	395	**1,596**	**1,991**		
Total Public Investments	**999**	**3,015**	**4,014**	**(157)**	**3,857**
Private Equity					
Canadian private equities	**(2)**	**233**	**231**		
Non-Canadian private equities	**31**	**1,049**	**1,080**		
	29	**1,282**	**1,311**	**(168)**	**1,143**
Infrastructure Investments	**1,648**	**31**	**1,679**	**(86)**	**1,593**
Real Estate Investments (iv)	**953**	**618**	**1,571**	**(16)**	**1,555**
Total Investment Income	**$ 3,629**	**$ 4,946**	**$ 8,575**	**$ (427)**	**$ 8,148**
Income credited under contractual agreements					**(292)**
Net Investment Income/(Loss)					**$ 7,856**

For the year ended December 31,					2015
	Investment Income (i) (ii)	Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives(iii)	Total Investment Income/ (Loss)	Investment Management Expenses (note 12)	Net Investment Income / (Loss)
Fixed Income Investments					
Short-term deposits	$ 150	$ (78)	$ 72		
Nominal bonds and debentures	43	147	190		
Private debt and mortgages	103	98	201		
	296	167	463		
Inflation-Linked Bonds	202	672	874		
Public Equity and commodities					
Canadian public equities	5	79	84		
Non-Canadian public equities	134	(1,132)	(998)		
	139	(1,053)	(914)		
Total Public Investments	637	(214)	423	(128)	295
Private Equity					
Canadian private equities	61	(695)	(634)		
Non-Canadian private equities	70	1,644	1,714		
	131	949	1,080	(141)	939
Infrastructure Investments	1,372	740	2,112	(72)	2,040
Real Estate Investments (iv)	690	1,136	1,826	(10)	1,816
Total Investment Income	$ 2,830	$ 2,611	$ 5,441	$ (351)	$ 5,090
Income credited under contractual agreements					(306)
Net Investment Income/(Loss)					$ 4,784

(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 $61 (December 31, 2015 –$81).

(ii) Interest on investment related activities includes interest expense on real estate investment liabilities of $332 (December 31, 2015 – $336) and interest on infrastructure investment liabilities of $13 (December 31, 2015 – $15).

(iii) Includes net realized gain of $4,616 (December 31, 2015 – $193) and is net of transaction and pursuit costs of $65 (December 31, 2015 – $118).

(iv) Real estate investment income includes Oxford Properties Group's operating expenses (net of property management income) of $9 (December 31, 2015 – $40). The total audit costs are $3 (December 31, 2015 – $3).

NOTE 9

Investment Returns

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

a. Returns are calculated as the percentage of business unit income to the weighted average fair value of the business unit net assets during the period.

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

c. Income is determined as described in notes 2 and 8.

d. The OMERS Primary Pension Plan return includes all business unit returns.

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

For the year ended December 31,	**2016**	2015
OMERS Primary Pension Plan (i)		
Total Gross Return	**10.87%**	7.25%
Gross Returns applicable to OMERS Return Agreements(i)		
Borealis Infrastructure	**11.48%**	17.88%
Oxford Properties	**12.26%**	15.05%

The above gross returns are before the impact of base and performance fees paid to external fund managers and investment management expenses. The Primary Plan net return after all investment costs for the year ended December 31, 2016 was 10.3% (December 31, 2015 – 6.7%).

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

NOTE 10

Contributions

For the year ended December 31,	**2016**	2015
Current year required contributions (i)		
Employers	**1,845**	1,825
Members	**1,845**	1,825
Transfers from other pension plans	**59**	68
Past service contributions from members (ii)	**93**	76
Past service contributions from employers (ii)	**10**	12
AVC contributions	**113**	74
Total Contributions Received	**$ 3,965**	$ 3,880

(i) Current year service contributions are funded equally by employers and members. For NRA 65 members, the 2016 contribution rate was 9.0% (2015 – 9.0%) of earnings up to $54,900 (2015 – $53,600) and 14.6% (2015 – 14.6%) of earnings above that level. For NRA 60 members, the 2016 contribution rate was 9.2% (2015 – 9.2%) of earnings up to $54,900 (2015 – $53,600) and 15.8% (2015 – 15.8%) of earnings above that level.

(ii) OMERS, with 990 employers, has an appropriate reconciliation process which reconciles contributions for each employer on a member by member basis. This detailed process ensures that contributions are consistent with member information supplied by the employers.

NOTE 11

Benefits

For the year ended December 31,		2016		2015
Retirement benefits	$	**3,013**	$	2,799
Disability benefits		**28**		27
Transfers to other registered plans		**270**		293
Death benefits		**109**		101
Commuted value payments and members' contributions plus interest refunded		**194**		212
AVC benefits		**12**		15
Total Benefits Paid	$	**3,626**	$	3,447

NOTE 12

Pension Administrative and Investment Management Expenses

(a) Pension administrative expenses (i)

For the year ended December 31,		2016		2015
Salaries and benefits	$	**44**	$	40
System development and other purchased services		**15**		11
Premises and equipment		**3**		4
Professional services		**11**		7
Travel and communication		**7**		6
Total Pension Administrative Expenses	$	**80**	$	68

(b) Investment management expenses (i)

For the year ended December 31,		2016		2015
Salaries and benefits (ii)	$	**286**	$	228
System development and other purchased services		**20**		17
Premises and equipment		**27**		16
Professional services (iii)		**36**		37
Travel and communication		**21**		19
Investment management services		**39**		33
Other		**(2)**		1
Total Investment Management Expenses	$	**427**	$	351

(i) Includes allocation of corporate expenses.
(ii) Includes external management and custody fees and is net of private equity management fees earned from portfolio investments of $14.0 (December 31, 2015 – $22.0).
(iii) Total professional services expenses include independent actuarial costs of $0.7 (December 31, 2015 – $0.7) and external audit costs of $1.2 (December 31, 2015 – $1.2).

NOTE 13

Related Party Disclosures

OAC's related parties include 990 employers whose employees are members of the Primary Plan, the SC, key management personnel (defined below) and investments where OAC has a controlling interest. Transactions with related parties include the following:

- OAC through Oxford Properties Group paid property taxes to municipal employers of $150 (December 31, 2015 - $152) and utility payments to utility employers of $31 (December 31, 2015 - $30). The amounts of property taxes paid were based on normal levies by the individual municipal employers and were consistent with those that would be paid by a non-related party. The utility payments made to utility companies which are OAC employer entities were based on normal usage and rates that would be paid by a non-related party.
- OAC through Oxford Properties Group earned rental revenue from investee entities of $7 (December 31, 2015 - $6) and purchased services from investee entities of $nil (December 31, 2015 - $8). The amounts of rental revenue earned and services purchased were based on normal levies by the individual entities and were consistent with those that would be paid by a non-related party.

Key Management Personnel Compensation

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

For the year ended December 31,		**2016**		2015
Salaries, short-term employee benefits & termination benefits	**$**	**14**	$	11
Post-employment benefits		**1**		1
Other long-term benefits		**7**		6
	$	**22**	$	18

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

NOTE 14

Capital

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

OAC's objective is to ensure that the Primary Plan's defined benefit component is fully funded over the long-term through the management of investments, contribution rates and benefits. Investments (note 3), the use of derivatives (note 3 B) and leverage (note 4) are based on asset mix and risk management policies and procedures that are designed to enable the Primary Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Primary Plan's Statement of Investment Policies and Procedures (SIP&P) as approved by the OAC Board. As the Primary Plan's administrator, OAC has adopted a SIP&P for the Primary Plan which sets investment objectives, guidelines and benchmarks used in investing the Primary Plan's assets, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIP&P was originally established in 1989 and is reviewed annually by the OAC Board. The SIP&P effective for the year ending December 31, 2016 was amended on December 10, 2015. The changes included in this amendment are not considered significant.

The SIP&P establishes strategic asset mix ranges and targets. The target strategic asset mix for 2016 is 53% for Public Investments and 47% for Private Investments. The actual asset mix at December 31, 2016 was 55% for Public Investments and 45% for Private Investments which fell within the asset mix ranges at year end.

The Primary Plan's annualized five-year average rate of investment return (net of investment management expenses) as of December 31, 2016 was 8.5% (December 31, 2015 – 6.9%).

On December 15, 2016, the OAC Board approved a revised SIP&P which is effective January 1, 2017. The strategic asset classes and targets are as follows:

	Target
Fixed Income	**46 %**
Inflation-Linked Bonds	2 %
Government bonds	27 %
Credit	17 %
Equities	**36 %**
Public Equities	22 %
Private Equities	14 %
Real Assets	**41 %**
Infrastructure	23 %
Real Estate	18 %
Short term Instruments (net cash and equivalents including economic leverage)	**(23)%**

The RCA investments are based on an asset mix and SIP&P separate from those of the Primary Plan. The RCA SIP&P was originally established in 2007 and is reviewed annually by the OAC Board. The SIP&P effective for the year ending December 31, 2016 was last amended on December10, 2015. The changes included in this amendment are not considered significant.

The Primary Plan's AVC component accrued pension obligation is based on AVC contributions net of withdrawals and administration fee plus net investment rate of return of the defined benefit component of the Primary Plan and as such does not have a surplus/(deficit) position. The Supplemental Plan has no members, net assets or accrued pension obligations. The Supplemental Plan SIP&P was last amended on December 10, 2015. The changes included in this amendment are not considered significant.

NOTE 15

Guarantees, Commitments and Contingencies

As part of normal business operations, OAC enters into commitments and guarantees related to the funding of investments. Future commitments to fund investments include, but may not be limited to, investments in infrastructure, real estate and private equity direct investments and limited partnership agreements. The future commitments are generally payable on demand based on the capital needs of the investment. As at December 31, 2016, these future commitments totalled $15.6 billion (December 31, 2015 – $16.9 billion). These commitments are primarily due to the future commitment by OAC to refurbish a major infrastructure asset to extend its useful lifespan. The maximum amount payable under guarantees and standby letters of credit provided as part of investment transactions was $439 as at December 31, 2016 (December 31, 2015 – $765). Guarantees and commitments are often provided as part of developing or holding an investment and as such often have no fixed expiration date.

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

As at December 31, 2016, OAC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of OAC.

Ten-Year Financial Review

As at December 31, (millions of Canadian dollars)	**2016**	2015	2014	2013	2012	2011	2010 (i)	2009	2008	2007
Net Assets available for benefits										
Public markets	**49,946**	43,631	47,300	41,709	37,472	32,154	34,123	31,336	28,763	43,291
Private equity	**10,981**	11,482	8,767	9,208	7,465	7,753	6,633	5,048	4,162	3,608
Infrastructure	**17,544**	16,349	14,401	13,533	11,572	9,635	9,593	12,195	12,140	8,412
Real estate	**25,594**	27,642	22,253	17,603	15,846	14,516	12,599	11,975	12,037	10,904
	104,065	99,104	92,721	82,053	72,355	64,058	62,948	60,554	57,102	66,215
Other investment assets	**2,923**	1,062	1,017	744	853	707	645	1,173	1,366	1,001
Investment liabilities	**(19,099)**	(20,534)	(19,490)	(16,463)	(11,741)	(9,063)	(9,628)	(13,338)	(14,474)	(15,029)
Net investment assets	**87,889**	79,632	74,248	66,334	61,467	55,702	53,965	48,389	43,994	52,187
Non investment assets/(liabilities)										
Amounts payable under contractual agreements	**(2,896)**	(2,719)	(2,397)	(1,524)	(905)	(828)	(809)	(734)	(672)	(800)
Other assets	**367**	332	245	271	205	209	193	177	155	129
Net Assets Available for Benefits	**85,360**	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477	51,516
Accrued Benefit Obligation and Surplus/(Deficit)										
Primary Plan										
Defined benefit component										
Accrued pension obligation	**86,959**	81,924	76,924	73,004	69,122	64,548	60,035	54,253	50,080	46,830
Funding Surplus/(Deficit)	**(5,720)**	(6,977)	(7,078)	(8,641)	(9,924)	(7,290)	(4,467)	(1,519)	(279)	82
Actuarial value adjustment of net assets available for benefits	**3,379**	1,718	1,771	341	1,321	(2,337)	(2,278)	(4,950)	(6,363)	4,567
	(2,341)	(5,259)	(5,307)	(8,300)	(8,603)	(9,627)	(6,745)	(6,469)	(6,642)	4,649
Additional Voluntary Contributions Component pension obligation	**595**	445	360	276	170					
Accrued Pension Obligation and Deficit - Primary Plan	**85,213**	77,110	71,977	64,980	60,689	54,921	53,290	47,784	43,438	51,479
Retirement Compensation Arrangement										
Accrued pension obligation	**739**	679	619	614	555	504	468	486	285	236
(Deficit)	**(592)**	(544)	(500)	(513)	(477)	(436)	(409)	(438)	(246)	(199)
Accrued Pension Obligation and Deficit - Retirement Compensation Arrangement	**147**	135	119	101	78	68	59	48	39	37
Accrued Pension Obligation and Deficit	**85,360**	77,245	72,096	65,081	60,767	54,989	53,349	47,832	43,477	51,516

For the year ended December 31, (millions of Canadian dollars)	**2016**	2015	2014	2013	2012	2011	2010 (i)	2009	2008	2007
Changes in Net Assets Available for Benefits										
Net assets available for benefits, beginning of the year	**77,245**	72,096	65,081	60,767	55,083	53,349	47,832	43,477	51,516	47,568 (iii)
Changes due to Investment Activities										
Total investment income (ii)	**8,575**	5,441	7,082	4,000	5,544	1,648	5,735	4,623	(7,910)	4,200
Investment management expenses (ii)	**(427)**	(351)	(384)	(266)	(265)	(264)	(268)	(246)	(227)	(201)
	8,148	5,090	6,698	3,734	5,279	1,384	5,467	4,377	(8,137)	3,999
Income credited under contractual agreements	**(292)**	(306)	(222)	(97)	(79)	(21)	(83)	(67)	124	(61)
Net Investment Income/(loss)	**7,856**	4,784	6,476	3,637	5,200	1,363	5,384	4,310	(8,013)	3,938
Changes due to Pension Activities										
Contributions										
Current year required contributions	**3,690**	3,650	3,515	3,434	3,026	2,618	2,227	2,077	1,975	1,840
Other contributions	**275**	230	171	210	184	195	86	66	73	46
Total Contributions Received	**3,965**	3,880	3,686	3,644	3,210	2,813	2,313	2,143	2,048	1,886
Benefits										
Benefits paid	**(3,041)**	(2,826)	(2,616)	(2,437)	(2,256)	(2,047)	(1,890)	(1,781)	(1,656)	(1,554)
Transfers, commuted value and other benefit payments	**(585)**	(621)	(450)	(473)	(414)	(336)	(236)	(269)	(371)	(279)
Total Benefits Paid	**(3,626)**	(3,447)	(3,066)	(2,910)	(2,670)	(2,383)	(2,126)	(2,050)	(2,027)	(1,833)
Pension administrative expenses	**(80)**	(68)	(81)	(57)	(56)	(59)	(54)	(48)	(47)	(43)
Net assets available for benefits, end of year	**85,360**	77,245	72,096	65,081	60,767	55,083	53,349	47,832	43,477	51,516
Net Return										
Primary Plan										
Defined Benefit Component										
Time weighted return on market value	**10.3%**	6.7%	10.0%	6.0%	9.5%	2.6 %	11.4%	10.0%	(15.7)%	8.3%
Benchmark	**7.9%**	7.8%	7.7%	7.5%	7.2%	7.5 %	7.3%	6.8%	8.2 %	7.5%
Additional Voluntary Contribution Component										
Time weighted return on market value	**10.3%**	6.7%	10.0%	6.0%	9.5%					
Retirement Compensation Arrangement Investment Fund (iv)										
Time weighted return on market value	**7.8%**	12.5%	14.5%	28.5%	10.5%	(4.1)%	7.7%	10.3%	(26.8)%	8.3%
Benchmark	**8.7%**	12.2%	14.6%	30.2%	12.2%	(2.4)%	10.1%	16.6%	27.3 %	7.5%

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

Report of the OMERS Administration Corporation Board Human Resources Committee

Members in 2016	
Monty Baker (Chair)	Sheila Vandenberk
Bill Aziz	John Weatherup
David Beatty	George Cooke (ex officio)
David Tsubouchi	

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

In the 2016 fiscal year, the HR Committee's work included:

- oversight of an annual performance assessment process for the CEO;
- making recommendations to the OAC Board on compensation for the CEO;
- reviewing the candidates for CEO and C-Suite executives' succession as part of the succession management process, including discussion of development plans;
- successful advancement of the CEO succession plan;
- reviewing compensation awards for the C-Suite executives;
- reviewing the talent management strategy;
- reviewing compensation plans to ensure appropriate strategic linkages and risk mitigation;
- approving compensation-related disclosure in public documents; and
- continued focus on HR governance matters including annual reviews of HR governance and risk reports, as well as additional compensation reporting.

Independent Compensation Advisor

The HR Committee engages an independent compensation advisor, to provide advice and assistance in executing its responsibilities. As part of good governance practice, the HR Committee reviews its relationship with its independent advisor from time to time. Such a review took place in 2016 and the HR Committee invited proposals from several firms to act as advisor. The HR Committee compared the proposals against a set of criteria, and Hugessen Consulting (Hugessen) was chosen as the new independent advisor. Global Governance Advisors (GGA) and Hugessen acted as the HR Committee's advisor from January 1, 2016 to May 31, 2016 and June 1, 2016 to December 31, 2016, respectively.

The advisor is directly retained and instructed by, and reports directly to, the HR Committee. All work is pre-approved by the HR Committee, and neither GGA nor Hugessen provided any non-Board-approved services to the organization during 2016.

During 2016, the independent advisor's scope of services included the following:

(i) providing independent executive compensation advice pertaining to the CEO and C-Suite executives (i.e., compensation philosophy, comparator groups, competitive pay positioning and pay mix);

(ii) ensuring the HR Committee understood and was comfortable with the current compensation program for the CEO and C-Suite executives;

(iii) providing counsel to the HR Committee on any recommendations made by Management;

(iv) reviewing proposals for new compensation designs; and

(v) assisting with any other items that the HR Committee requested.

The HR Committee has sole authority to approve the amount of the independent compensation advisor's fees. Executive compensation-related fees paid to our advisor in 2016 reflect the services as described above. The following table outlines the fees paid for services provided in 2016 and 2015:

	Executive Compensation - Related Fees		**All Other Fees**	
Advisor	**2016**	2015[(1)]	**2016**	2015
Hugessen Consulting	$146,940	N/A	Nil	N/A
Global Governance Advisors	$137,860	$279,972	Nil	Nil

Note:

(1) 2015 Related Fees have been restated to reflect amounts paid in 2016 for items contained in the 2015 workplan.

HR Committee Composition and Meetings

Members of the HR Committee are appointed by the OAC Board from among the Board's members, and are independent of Management. As a cohesive unit, they have skills, knowledge and experience in investment management, pensions, economics and public policy, executive leadership and strategy, risk management, talent management, and executive compensation. The HR Committee had four regular meetings and two special meetings during 2016 to review key items according to its mandate and annual work plan. At the invitation of the Chair of the HR Committee, members of Management, including the President and CEO and the HR Committee's independent advisor attended the meetings. At the end of each meeting there was an *in camera* session without Management present.

2016 Year in Review

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

In 2016, we continued to invest in our people through:

- Continued focus on succession management processes, identifying and developing leaders for key positions. This ensures that we have the right talent in place to deliver on our strategic priorities and lead OMERS into the future.
- Continued development of a senior leadership pipeline to ensure OMERS is well-positioned with the right leadership talent for the future. Developing this pipeline provides an excellent view of the talent at OMERS as well as highlights key strengths and development areas that are necessary for our future growth.
- Our leadership development programs that help leaders gain a greater understanding of OMERS business and growth strategy, as well as build and strengthen leadership capability and capacity, while demonstrating OMERS Leadership Principles.
- Our OMERS People Plan which articulates how we carry out our talent agenda by creating an organization that is diverse and inclusive, with leaders who recognize contributions, reward with market competitive compensation and benefits, and create development opportunities for our people.
- Ongoing evolution of our compensation philosophy and our pay-for-performance culture which supports our talent strategy to attract, engage and reward top talent.

Compensation Governance and Risk

Our compensation plans are designed to align with business objectives, while ensuring we deliver market-competitive compensation that rewards for performance and differentiates across markets. We keep compensation plan design simple, while ensuring the plans also continue to reflect leading governance principles. We ensure that the consideration of risk is incorporated in our plans, allowing the HR Committee to appropriately reward behaviours consistent with our desired risk culture. Our aim is to achieve a balance between risk and reward, so that employees are aligned with the long-term investment strategy of OMERS.

Furthermore, to ensure compensation and risk outcomes are symmetrical, the Board has the discretion to withhold awards to reflect significant unexpected or unusual events. It also has the ability to claw back any variable compensation awarded in the event of a material misrepresentation of results in the prior three years. To align executive interests with those of Plan members and to motivate the creation of long-term value, a significant portion of total compensation is deferred and aligned with enterprise-wide performance measures over the deferral period.

Business Performance Highlights

In 2016, our performance results indicated that we are on course to reach fully funded status by 2025. Here are some of our performance highlights:

- OMERS 2016 net investment return was 10.3%, compared to a net return of 6.7% in 2015, and our 2016 benchmark of 7.9%;
- Net assets grew $8.1 billion in 2016 to $85.2 billion;
- In 2016, the Plan's funded ratio improved to 93.4%;
- OMERS Member Satisfaction score improved to 92% in the face of increased correspondence, phone calls and pension transactions related to a significant increase in member retirements; and
- Members of OMERS Senior Executive Team met directly with employers, as well as sponsors and other stakeholders throughout the year. These meetings provided an opportunity to achieve a deeper understanding of issues of importance, to build stronger relationships, and to further partner in connecting with members and our community.

Compensation Highlights

After assessing our 2016 performance, the following factors influenced year-end compensation awards:

- An average salary increase of 2% was approved for employees below the executive level;
- Salary increases were not provided to employees in executive positions, other than for promotion or changes in scope or responsibility as we believe that our market benchmarking for executives continues to position them appropriately;
- 2016 business performance factors in our compensation plans were above target, reflecting above-target performance in both public and private asset classes leading to a Total Fund net absolute return of 10.3%; and
- Risk assessments concluded that our business units are managing risks consistent with our desired risk culture resulting in compensation plan risk adjustments of 0% across all plans.

Looking Ahead to 2017 and Beyond

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

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

We review our Total Rewards programs regularly to ensure they remain relevant to our compensation approach. As a result of such a review, in 2017, we will continue to transition our plans to a multiple-year return for calculating variable compensation awards. Shifting to a multiple-year return measure aligns the interest of our executives to our Plan members by focusing them on long-term sustainable growth while still maintaining a focus on annual returns.

Conclusion

We continue to dedicate a significant amount of time to talent management, ensuring that OMERS has the right leaders and people to produce results that deliver long-term value to Plan members. We are confident that our approach to compensation attracts and engages talented leadership through strong governance practices, while achieving the appropriate balance of protecting against incenting excessive risk-taking, and paying for performance. Our HR Committee remains committed to being a leader in compensation governance within the pension industry, and will continue to provide clear and transparent disclosure to Plan members and stakeholders.

Monty Baker
2016 Chair of the Human Resources Committee

Compensation Discussion and Analysis

OMERS Administration Corporation is committed to maintaining 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. This Compensation Discussion and Analysis section highlights OMERS 2016 performance, reviews our executive compensation program in detail, and describes the compensation awards for the Named Executive Officers. The Named Executive Officers include the President and CEO, Chief Financial Officer (CFO) and the three highest-paid members of the C-Suite Executives.

Approach to Compensation

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

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

Compensation Principles

The executive compensation program is based on the following principles:

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

Elements of Executive Compensation

Executive compensation for 2016 consists of the following elements:

- Base salary;
- Variable compensation - comprising annual cash compensation in the form of short-term incentives (STIP) and long-term incentives (LTIP); and
- Benefits and retirement programs.

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

Compensation Element	Description	Compensation Type
Base Salary	Based on market benchmarking and reviewed annually	Fixed
Short-Term Incentives (STIP)	Based on business and individual performance against pre-established objectives.	Variable (At-Risk)
Long-Term Incentives (LTIP)	Based on business and individual performance against pre-established objectives. LTIP awards are deferred and paid at the end of the three-year performance period.	Variable (At-Risk)
Benefits and Retirement Programs	Includes vacation, life and disability insurance, health and dental benefits, and retirement programs.	Fixed

Design of the Executive Compensation Plan

The President and CEO, CFO and other Named Executive Officers, participate in the Executive Compensation Plan. The plan has been designed to support the OMERS 2020 Strategy, compensation principles and continued alignment with the interests of Plan members. There are four key steps in determining annual variable compensation awards under the Executive Compensation Plan:

Step 1	Establish target total compensation
Step 2	Establish balanced scorecards
Step 3	Evaluate performance
Step 4	Determine compensation awards

The first two steps take place at the beginning of the plan year and establish the foundation through setting target compensation and performance objectives. Steps three and four occur at the end of the year when performance is measured against objectives and final awards are determined.

Step 1	Establish target total compensation

Target total compensation is determined at the beginning of the year or upon hire, or with changes in roles or responsibilities. An individual's target total compensation consists of base salary plus risk-adjusted variable compensation, which includes annual cash compensation (STIP) and long-term compensation (LTIP), and benefit and retirement programs.

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

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

For all executives, target total compensation is reviewed annually, as well as at the time of any material change in roles. Our philosophy is to set target total compensation to reflect the median of the competitive market, on average. Targets for an individual executive may be positioned above or below the median to reflect experience, potential, performance, or other factors specific to the executive or role.

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

Step 2	Establish balanced scorecards

At the beginning of the year, a balanced scorecard is established for each participant, made up of his or her key objectives and is used to assess performance at the end of the year. The balanced scorecard includes performance against net absolute returns and other key priorities.

The table below outlines the rationale for the inclusion of each performance measure.

		2016 Weighting			
Performance Measure	**Rationale**	President and CEO	Chief Investment Officer	Chief Financial Officer / Chief Operating Officer	Chief Risk Officer
Investment Returns	The combination of Total Fund and/or Business Unit net absolute returns measures the actual value added to the OMERS Plan and aligns executives with the interests of Plan members.	50%	60%	40%	20%
Key Strategy Execution and Leadership Objectives	This component of the scorecard includes the following measures: 1. Strategic initiatives based on enterprise and business priorities that drive sustainable growth of the OMERS Plan so we can achieve ongoing investment performance. 2. Leadership objectives critical to our success; they focus on initiatives that will drive continued successful performance of the business and our people.	50%	40%	60%	80%

The President and CEO approves the objectives for each member of the C-Suite which are reviewed by the HR Committee. The HR Committee will recommend the annual balanced scorecard for the President and CEO to the OAC Board of Directors for approval.

To ensure appropriate alignment with results, the net absolute return measure for the President and CEO and Corporate executives is based on enterprise-wide performance (Total Fund). C-Suite members who lead an asset class (Chief Investment Officers) are assessed against both Total Fund performance and the specific returns for their business unit. In 2016, Total Fund performance was added to the Chief Investment Officers' scorecards to further enhance the alignment across OMERS in the interests of our Plan members.

Step 3	Evaluate performance

Following the end of the year, financial performance is determined and performance against other key objectives is assessed for the President and CEO and each member of the C-Suite. This combined performance will determine each individual’s balanced scorecard factor within a range of 0% to 200%. The OAC Board of Directors evaluates the performance of the President and CEO relative to his objectives, and the President and CEO evaluates performance for members of the C-Suite. Commentary on 2016 performance for the President and CEO is discussed in the section Compensation of the President and CEO.

Step 4	Determine compensation awards

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

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

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

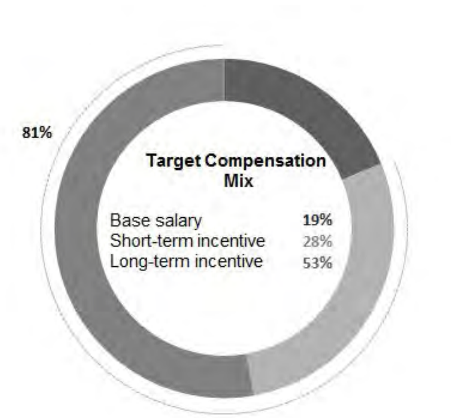
Final awards may range between 0% and 200% of target, based on performance achieved. The HR Committee, with advice from its independent advisor, reviews all variable compensation awards for the C-Suite executives, while the OAC Board of Directors approves the President and CEO's annual awards based on the HR Committee's recommendation. Once a participant's variable compensation awards are determined, 35% is paid in cash (STIP) and 65% is deferred (LTIP).

Target Compensation Mix

Aligned with OMERS pay-for-performance approach, total compensation for all members of the C-Suite is composed primarily of variable compensation tied to investment and individual performance.

The following charts present the target compensation mix for the President and CEO and Named Executive Officer positions (CFO and three highest-paid executives).

President and CEO



Other Named Executive Officers (Average)

Comparator Groups Used to Set Competitive Pay

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

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

Compensation Governance

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

OMERS Program	**Description**
Risk Adjustment	The Executive Compensation Plan incorporates a risk adjustment that gives the HR Committee the ability to modify awards to reflect risk. The risk adjustment reflects how well risk was managed over the performance period and can impact all variable compensation awards within ±15% range. The adjustment is determined annually and approved by the HR Committee.
Board Discretion	The OAC Board may make the decision to withhold awards of any variable compensation including the short-term and long-term incentive payments to reflect significant unexpected or unusual events as defined by OMERS at its sole discretion.
Clawback	All variable compensation awards, whether paid or unpaid, are subject to a clawback in the event of a material misrepresentation or financial restatement of results, within a 36-month look-back period. In the event of a material misrepresentation or financial restatement, the HR Committee will determine the extent of the clawback (i.e., who, on an individual or plan basis, will be impacted and to what extent) based on the specific circumstances.

Alignment to Financial Stability Board Principles for Effective Governance of Compensation

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

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

2016 Performance and Compensation

Under Michael Latimer's leadership, OMERS continues to be a dynamic organization that thinks strategically and embraces innovation.

Our Strategy sets out how we protect our funded status by using a robust approach to funding management, deliver 7-11% average net investment returns, build quality relationships with all stakeholders and evolve our business model and capabilities in order to deliver value for pension dollars.

In 2016, Pension Services continued to achieve strong client services results by providing good value to members through the continued expansion of online services such as myOMERS, frequent webcasts, and face-to-face meetings to ensure that members have high-quality service that is accessible, flexible, and tailored to their needs. We also continue to make progress on the redevelopment of our pension services systems which will simplify processes and enhance reporting capabilities.

Long-term sustainable growth is critical to meeting the pension promise as OMERS must produce investment returns that exceed the actuarially assumed rate of return within an acceptable risk tolerance. For compensation purposes, our asset classes are measured against net absolute returns. At the beginning of the year, the OAC Board approved target returns for the asset classes in which OMERS invests. This year, OMERS had a return, net of expenses, of 10.3%, compared to our funding discount rate of 6.25% and 2016 benchmark of 7.9%. The benefits of our diversified asset classes were evident.

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

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

Based on 2016 results, the HR Committee believes that the compensation awarded to the Named Executive Officers appropriately reflects overall performance during the year.

Compensation of the President and CEO

This section examines the compensation provided in 2016 to the President and CEO.

MICHAEL LATIMER

President and CEO

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

Performance in 2016

A balanced scorecard was established for Mr. Latimer based on performance achieved against the Total Fund net absolute return (50%) and key strategy execution, and leadership objectives (50%). The OAC Board assessed Mr. Latimer's 2016 performance against the following key individual objectives:

- Effectively engage and lead the Senior Executive Team in the achievement of 2016 Strategy milestones while actively evolving OMERS culture towards the desired state;
- Complete the asset-liability study and employ strategic discount rate margins as approved by the Administration Corporation and Sponsors Corporation Boards;
- Prepare Senior Executive Team to engage with employers and stakeholders more actively;
- Actively oversees the implementation of the new OMERS pension administration system;
- Evolve leadership development programs to support OMERS strategy and target culture; continue to deepen leadership capability creating future succession potential across all levels of leadership including the CEO; and

- Effectively manage OMERS Cost Per Member, and OMERS Management Expense Ratio as approved by the Administration Corporation Board; evolve the OMERS business model by focusing on key processes to improve efficiency and effectiveness of operations, consolidating duplicate functions across the enterprise where possible.

Total Compensation Awards

When determining compensation awards, the HR Committee aims to ensure there is a strong link between compensation and performance achieved. In determining Mr. Latimer's annual variable compensation awards for 2016, the OAC Board assessed his performance against specific objectives that were agreed upon by the OAC Board at the beginning of the year. Given the 2016 Total Fund results and his individual performance, the OAC Board approved the variable compensation performance factor of 185% which resulted in actual awards shown below.

Compensation Element	Target	Award
2016 Salary	$565,000	$565,000
2016 Short-Term Incentive	$856,187	$1,583,947
2016 Long-Term Incentive	$1,590,063	$2,941,616
Total	$3,011,250	$5,090,563

Summary Compensation Table

The table below represents disclosure of the compensation paid to or earned by each Named Executive Officer during the three most recently completed financial years.

We continue to review our compensation disclosure on an annual basis to ensure greater clarity and transparency. To that end, we have elected to enhance our disclosure around LTIP. For 2016 and going forward, amounts in this column represent LTIP awards, incorporating individual and business performance for the 2016 year. The 2015 and 2014 LTIP represents the target values set at the beginning of the year without the annual performance adjustment.

			Non-Equity Incentive Compensation ($)				
Name and Principal Position	Year	Salary ($)	Short-Term Incentive Plan (STIP)	Long-Term Incentive Plan (LTIP)(1)(2)	Pension Value ($)	All Other Compensation ($)	Total ($)
Michael Latimer President and CEO	**2016**	**$ 565,000**	**$ 1,583,947**	**$ 2,941,616**	**$ 53,033**	**$ 58,681**	**$ 5,202,277**
	2015	$ 565,000	$ 1,044,750	$ 1,590,063	$ 134,848	$ 58,863	$ 3,393,524
	2014	$ 558,825	$ 1,534,003	$ 1,590,063	$ 128,381	$ 40,816	$ 3,852,088
Jonathan Simmons Chief Financial Officer	**2016**	**$ 450,000**	**$ 605,000**	**$ 1,010,000**	**$ 53,033**	**$ 2,605**	**$ 2,120,638**
	2015	$ 450,000	$ 402,500	$ 552,500	$ 98,529	$ 2,970	$ 1,506,499
	2014	$ 450,000	$ 750,000	$ 300,000	$ 96,096	$ 2,217	$ 1,598,313
Blake Hutcheson Chief Investment Officer, Real Estate and Platform Investments	**2016**	**$ 500,000**	**$ 1,197,677**	**$ 2,077,323**	**$ 53,033**	**$ 53,755**	**$ 3,881,788**
	2015	$ 500,000	$ 1,025,500	$ 1,121,250	$ 51,776	$ 53,937	$ 2,752,463
	2014	$ 515,000	$ 939,750	$ 1,021,313	$ 45,750	$ 54,575	$ 2,576,388
Michael Rolland Chief Investment Officer, Private Markets	**2016**	**$ 500,000**	**$ 1,099,449**	**$ 1,885,551**	**$ 53,033**	**$ 19,218**	**$ 3,557,251**
	2015	$ 500,000	$ 1,001,000	$ 1,121,250	$ 51,776	$ 19,194	$ 2,693,220
	2014	$ 470,500	$ 1,025,325	$ 1,039,155	n/a	$ 40,501	$ 2,575,481
Satish Rai Chief Investment Officer, Capital Markets	**2016**	**$ 500,000**	**$ 1,000,000**	**$ 1,850,000**	**$ 53,033**	**$ 1,302**	**$ 3,404,335**
	2015	$ 500,000	$ 681,878	$ 1,266,344	$ 49,860	$ 1,485	$ 2,499,567
	2014	-	-	-	-	-	-

Notes:

(1) 2016 amounts shown represent the LTIP awards reflecting business and individual performance for the calendar year.

(2) 2014 and 2015 amounts shown represent the LTIP targets as granted on January 1st of each year. 2014 and 2015 LTIP awards for Mr. Latimer were $2,848,862 and $1,940,250 respectively. For more details on LTIP targets and awards for the Named Executive Officers, refer to the Incentive Plan Awards Table.

Incentive Plan Awards

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

Forecasted payments were determined using a Total Fund performance factor over the three-year performance period of 107% and 106% for 2016 and 2015 respectively. The payment amount for 2014 is based on the actual three-year performance period factor of 109%.

Name	Year	Target Value ($)	Award Value ($)	Vesting Date	Forecasted Payment ($)
Michael Latimer President and CEO	2016	$ 1,590,063	$ 2,941,616	December 31, 2018	$ 3,147,529
	2015	$ 1,590,063	$ 1,940,250	December 31, 2017	$ 2,056,665
	2014	**$ 1,590,063**	**$ 2,848,862**	**December 31, 2016**	**$ 3,105,260**
Jonathan Simmons Chief Financial Officer	2016	$ 552,500	$ 1,010,000	December 31, 2018	$ 1,080,700
	2015	$ 552,500	$ 747,500	December 31, 2017	$ 792,350
	2014	**$ 300,000**	**$ 500,000**	**December 31, 2016**	**$ 545,000**
Blake Hutcheson Chief Investment Officer, Real Estate and Platform Investments	2016	$ 1,121,250	$ 2,077,323	December 31, 2018	$ 2,222,736
	2015	$ 1,121,250	$ 1,904,500	December 31, 2017	$ 2,018,770
	2014	**$ 1,021,313**	**$ 1,745,250**	**December 31, 2016**	**$ 1,902,323**
Michael Rolland Chief Investment Officer, Private Markets	2016	$ 1,121,250	$ 1,885,551	December 31, 2018	$ 2,017,540
	2015	$ 1,121,250	$ 1,859,000	December 31, 2017	$ 1,970,540
	2014	**$ 1,039,155**	**$ 1,904,175**	**December 31, 2016**	**$ 2,075,551**
Satish Rai Chief Investment Officer, Capital Markets	2016	$ 975,000	$ 1,850,000	December 31, 2018	$ 1,979,500
	2015	$ 1,266,344	$ 1,266,344	December 31, 2017	$ 1,342,325
	-	-	-	**-**	-

The 2014 long-term incentive awards matured at the end of 2016 and were paid out, leaving the 2015 and 2016 long-term incentive awards outstanding. All long-term incentive (LTIP) awards vest and mature on December 31 of the third year of the plan.

Pension Plan Benefits

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

Pension Formula	2% of "best five" earnings multiplied by years of credited service (maximum of 35 years) less 0.675% of "best five" earnings capped at the five-year average YMPE (Year's Maximum Pensionable Earnings, as set by the Canada Pension Plan).
"Best five" Earnings	The highest average of five consecutive years of pensionable earnings. Pensionable earnings are capped, as follows: • Cap on incentive pay: Post-2010 earnings are capped at 150% of contributory earnings calculated before incentive pay. • 7X YMPE Cap: Total contributory earnings are limited to seven times the YMPE (applies to all earnings if the member enrolled on/after January 1, 2014 and to post-2015 earnings if the member enrolled before January 1, 2014.
Normal Retirement Age	65
Early Retirement	Plan members are eligible to retire early when they reach age 55. Each member's unreduced date is the earliest of the date the member attains his or her 90 Factor (age and qualifying service), attains 30 years of qualifying service or turns age 65. If a member retires before their unreduced date, there is a 5% reduction factor per year short of their unreduced date.
Form of Pension	The pension is paid monthly for the life of the member with 66 $^{2/3}$% of the member's pension amount continuing to a surviving spouse after the member's death.

Defined Benefit Pension Plan

The table below represents disclosure of estimated pension information for the Named Executive Officers as at December 31, 2016.

Name	Number of Years of Credited Service (#)	Annual Benefits Payable ($) At Age 65, Assuming Years of Service up to December 31, 2016	Annual Benefits Payable ($) At Age 65, Assuming Years of Service Projected up to Age 65	Opening Present Value of Defined Benefit Obligation ($)	Compensatory Change ($)	Non-Compensatory Change ($)	Closing Present Value of Defined Benefit Obligation ($)
Michael Latimer President and CEO	11.8	$ 297,866	$ 297,866	$ 3,437,261	$ 213,497	$ 292,363	$ 3,943,121
Jonathan Simmons(1) Chief Financial Officer	5.5	$ 41,490	$ 239,614	$ 182,898	$ 5,097	$ 68,228	$ 256,223
Blake Hutcheson Chief Investment Officer, Real Estate and Platform Investments	2.0	$ 14,482	$ 81,657	$ 69,669	$ 18,328	$ 59,121	$ 147,118
Michael Rolland Chief Investment Officer, Private Markets	2.0	$ 14,479	$ 55,426	$ 77,823	$ 25,657	$ 59,509	$ 162,989
Satish Rai Chief Investment Officer, Capital Markets	2.0	$ 14,396	$ 96,089	$ 65,004	$ 13,842	$ 58,986	$ 137,832

Note:
(1) In 2014, Mr. Simmons purchased an additional 2.5 years of credited service.

Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the 2016 Executive Compensation Plan, which are summarized in the following table.

	Short-Term Incentive Plan	**Long-Term Incentive Plan**
Resignation	Forfeited	Forfeited
Retirement *(as defined by the compensation plan)*	Entitled to a partial award, pro-rated to reflect the period of active employment	Outstanding awards will continue to mature in normal course
Termination without Cause	Entitled to a partial award, pro-rated to reflect the period of active employment	Entitled to a partial award, pro-rated to reflect the period of active employment
Termination with Cause	Forfeited	Forfeited

Conclusion

All OMERS employees are committed to delivering appropriate 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 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.

Board Remuneration and Attendance

OMERS Administration Corporation Board Remuneration

2016		Annual Retainer
Chair	$	150,000
Committee Chair	$	67,500
All Other Directors	$	60,000

Effective January 1, 2014, new compensation rates came into effect for OMERS Administration Corporation Board members. Under the OMERS Act, OMERS Sponsors Corporation has the legislative authority to determine OMERS Administration Corporation Board remuneration. To implement recommendations of the Dean Report relative to improving the skills and collective capacity of OMERS Administration Corporation Board, OMERS Sponsors Corporation engaged an independent consultant to determine peer practices on Board remuneration. As a result of this extensive research, OMERS Sponsors Corporation reviewed its bylaw and changed compensation rates for OMERS Administration Corporation Board members. The changes reflect OMERS Sponsors Corporation's assessment of a competitive compensation arrangement, while recognizing the public interest component of service on OMERS Administration Corporation Board.

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

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

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

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

The tables on pages 101 and 102 provide information about remuneration, expenses and attendance.

Board Membership Update

Darcie Beggs left OMERS Administration Corporation Board on March 31, 2016, and was replaced by Charlene Mueller, effective April 1, 2016. John Weatherup and Sheila Vandenberk left OMERS Administration Corporation Board on December 31, 2016, and were replaced by Darcie Beggs, who returned to OMERS Administration Corporation Board, effective January 1, 2017, and Paul Elliott was appointed to the OMERS Administration Board, effective January 1, 2017.

OMERS Administration Corporation Board Remuneration and Expenses

	2016		2015	
	Remuneration	**Expenses (i)**	Remuneration	Expenses (i)
Cooke, George (Chair)	**$ 152,000**	**$ 5,386**	$ 152,000	$ 5,972
Aziz, Bill (ii)	**69,500**	**6,899**	69,500	222
Baker, Monty (ii)	**69,500**	**5,121**	69,500	2,847
Beatty, David	**62,000**	**9,104**	62,000	2,507
Beggs, Darcie (iii)	**15,500**	**3,572**	62,750	11,609
Butt, Bill (ii)	**69,500**	**2,614**	69,500	1,664
Fenn, Michael (ii)	**69,500**	**2,511**	69,500	6,444
Hutchinson, Laurie	**60,000**	**5,363**	60,000	9,195
Inskip, Cliff	**62,000**	**16,998**	62,000	11,262
Phillips, James (ii)	**69,500**	**18,338**	69,500	18,272
Mueller, Charlene (iii)	**46,500**	**15,420**	—	—
Somerville, Penny	**62,000**	**5,686**	54,939	868
Swimmer, Eugene (ii)	**70,000**	**24,043**	63,500	21,231
Tsubouchi, David	**68,000**	**8,722**	63,500	20,382
Vandenberk, Sheila	**68,000**	**1,868**	62,750	4,827
Weatherup, John	**62,000**	**1,394**	62,000	2,471
Faber, Richard (iv)	**—**	**—**	—	269
Sabo, John (iv)	**—**	**—**	—	153
Other Expenses (v)	**—**	**62,142**	—	75,367
Total	**$ 1,075,500**	**$ 195,179**	$ 1,052,939	$ 195,565

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

(ii) Committee Chairs

Bill Aziz - Investment Committee	Michael Fenn - Technology Committee
Bill Butt – Audit & Actuarial Committee	James Phillips - Governance Committee
Monty Baker – Human Recourse Committee	Eugene Swimmer - Appeals Committee

(iii) C. Mueller was appointed to OAC Board effective April 1, 2016; D. Beggs resigned from OAC Board on March 31, 2016.

(iv) R. Faber and J. Sabo reached maximum term limit on the Board on December 31, 2014.

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

2016 Board/Committee Meetings

Director (i)	OAC Board Meetings (8)		Audit & Actuarial Committee (6)	Governance Committee (6)	Human Resources Committee (6)	Investment Committee (20)	Appeals Committee (1)	Technology Committee (4)	Overall Attendance: Committees (Total)		Overall Attendance: All Meetings		Overall Attendance: Scheduled Meetings (ii)	
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended	Attended/ Eligible	%	Attended/ Eligible	%	Attended/ Eligible	%
Aziz, Bill	6	75			2	16			18/26	69	24/34	71	10/15	67
Baker, Monty	7	88	6		6			4	16/16	100	23/24	96	20/20	100
Beatty, David	7	88			5	19			24/26	92	31/34	91	15/15	100
Beggs, Darcie (iii)	1	100		1				1	2/2	100	3/3	100	3/3	100
Butt, Bill	7	88	6			19			25/26	96	32/34	94	16/17	94
Cooke, George (Chair) (iv)	8	100	6	6	5	18		1	36/40	90	44/48	92	26/27	96
Fenn, Michael	7	88		6				4	10/10	100	17/18	94	14/14	100
Hutchinson, Laurie	8	100	6					4	10/10	100	18/18	100	16/16	100
Inskip, Cliff	8	100	6			20			26/26	100	34/34	100	17/17	100
Phillips, James (v)	8	100	4	6				1	11/11	100	19/19	100	11/11	100
Mueller, Charlene (vi)	7	100	2					0	2/3	67	9/10	90	7/8	88
Somerville, Penny	8	100		6		19			25/26	96	33/34	97	15/15	100
Swimmer, Eugene	8	100	6			19	1		26/27	96	34/35	97	18/18	100
Tsubouchi, David	8	100		6	6		1		13/13	100	21/21	100	15/15	100
Vandenberk, Sheila	8	100	5		6		1		12/13	92	20/21	95	16/17	94
Weatherup, John	7	88			6	13			19/26	73	26/34	76	14/15	93
Overall Attendance		**95%**	**98%**	**100%**	**82%**	**92%**	**100%**	**88%**		**92%**		**93%**		**96%**

(i) OAC Directors also attended other discretionary meetings such as the Spring and Fall Information Meetings, Joint Education Sessions with the SC, New Board and Committee Member Orientation Sessions and in-house education sessions.
(ii) Scheduled meetings are regularly scheduled Board and Committee meetings which exclude special meetings and meetings called on short notice.
(iii) Resigned from OAC Board on March 31, 2016.
(iv) Ex officio member of the Audit & Actuarial, Governance, Human Resources and Investment Committees. Ex officio member of the Technology Committee from August 2016.
(v) Resigned from Audit & Actuarial Committee in October 2016. Appointed to Technology Committee in October 2016.
(vi) Appointed to OAC Board in April 2016. Appointed to Audit & Actuarial and Technology Committees in October 2016.

OMERS Sponsors Corporation Board Member Remuneration and Attendance

Remuneration

2016 compensation is as follows:

2016		Annual Retainer
Co-Chairs	$	75,000
Committee Chair	$	40,800
All Other Directors	$	35,800

No other compensation is provided to OMERS Sponsors Corporation Directors.

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

OMERS Sponsors Corporation Board compensation was reviewed in detail in 2016, with the assistance of an independent advisor, resulting in an increase in compensation effective January 1, 2017, of between $2,700 and $5,000, depending upon the above categories.

The table on page 105 provides information about remuneration.

Reimbursement of Expenses

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

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

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

The table on page 105 provides information about expenses.

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

Board and Committee Meeting Attendance

In 2016, Directors attended anywhere from 16 to 37 meetings, with the median being 29. Details about the number of meetings and Director attendance can be seen on page 106.

Other Events and Meetings

In 2016, Directors also attended up to four other business events and meetings, including in-house education sessions, committee meetings of which they were not members, and other business meetings, as necessary. Numerous caucus group (member and employer) and individual Director meetings with their sponsor organizations are not tracked, but may occur monthly for some members of the OMERS Sponsors Corporation Board.

Director Orientation and Education

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

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

In 2016, six OMERS Sponsors Corporation Board Members attended up to four industry-related conferences and seminars, lasting from one to four days. (Directors are not compensated for related travel time).

Board Membership Update

In 2016, we thanked Brian O'Keefe and Wayne McNally for the important contributions they made during their terms of service on the OMERS Sponsors Corporation Board. We also welcomed new members Peter Derochie and John Weatherup, who both joined us in January 2017. Peter and John were appointed by the Ontario Catholic School Trustees' Association and CUPE Ontario, respectively. Dan Axford, Paul Bailey, Fred Biro and Tim Maguire were all reappointed.

Senior Management Update

In 2016, Deb Preston retired from the position of CEO. Following a robust recruitment process, the Board appointed Paul Harrietha as CEO effective January 1, 2017.

OMERS Sponsors Corporation Board Remuneration and Expenses

	2016		2015	
	Remuneration [i]	**Expenses [ii]**	Remuneration [i]	Expenses [ii]
Marianne Love (Co-Chair)	**$ 75,000**	**$ 18,928**	$ 75,000	$ 25,613
Frank Ramagnano (Co-Chair) [iii]	**75,000**	**6,651**	40,800	5,611
Brian O'Keefe [iii],[iv]	**40,800**	**3,014**	75,000	2,670
Dan Axford [v]	**35,800**	**14,028**	8,950	9,964
Paul Bailey [iv]	**40,800**	**25,469**	38,300	10,997
Fred Biro [iv]	**40,800**	**5,138**	35,800	15,928
Barry Brown	**35,800**	**5,016**	35,800	13,916
Diana Clarke	**35,800**	**11,645**	35,800	22,185
John Fleming [vi]	**—**	**—**	40,800	2,871
Charlie Macaluso	**35,800**	**1,075**	35,800	1,191
Tim Maguire	**35,800**	**2,242**	35,800	13,277
Mary McConville	**35,800**	**7,665**	35,800	15,204
Wayne McNally [iv]	**40,800**	**3,044**	40,800	3,960
Bruce Miller [v]	**—**	**—**	29,350	14,147
Joe Pennachetti [vi]	**35,800**	**1,593**	—	—
Sandra Sahli	**35,800**	**17,206**	35,800	25,164
Other Expenses [vii]	**32,814**	**15,122**	32,051	14,482
Total	**$ 632,414**	**$ 137,836**	$ 631,651	$ 197,180

(i) Remuneration is in accordance with By-law #6.
(ii) Includes reimbursement for normal out-of-pocket business expenses including education, meeting and communication expenses incurred in conducting SC business. These expenses are reviewed by the Audit Committee on a quarterly basis.
(iii) Frank Ramagnano assumed the Co-Chair from Brian O'Keefe on January 1, 2016.
(iv) Committee Chairs
Paul Bailey - HRCC – Human Resources and Compensation Committee (from October 1, 2015)
Brian O'Keefe – CGC – Corporate Governance Committee (from January 1, 2016)
Wayne McNally – Audit Committee (to December 31, 2016)
Fred Biro – PDC – Plan Design Committee (from January 1, 2016)
(v) Bruce Miller - term ended September 30, 2015; Dan Axford - term commenced October 1, 2015.
(vi) John Fleming - term ended December 31, 2015; Joe Pennachetti - term commenced January 1, 2016.
(vii) Other expenses include Board benefits CPP & EHT not allocated by individual.

2016 Board/Committee Meetings

Member	SC Board Meetings[i] (12)		Audit Committee (3)	CGC Meetings (8)	HRCC Meetings (4)	PDC Meetings (6)	Committees (Total)		Overall Attendance		Other Events and Meetings [ii]	All Events and Meetings	Education Days [iv]
	Attended	%	Attended	Attended	Attended	Attended	Attended/ Eligible	%	Attended/ Eligible	%			
Marianne Love (Co-Chair) [iii]	12	100%	3	7	4	6	20/21	95%	32/33	97%	2	34	10
Frank Ramagnano (Co-Chair) [iii]	12	100%	3	8	4	6	21/21	100%	33/33	100%	4	37	
Dan Axford	12	100%	3		4	6	13/13	100%	25/25	100%	4	29	7
Paul Bailey	12	100%	3		4	6	13/13	100%	25/25	100%	3	28	7
Fred Biro	12	100%			4	6	10/10	100%	22/22	100%	3	25	
Barry Brown	8	67%	3	5		5	13/13	100%	21/29	72%	2	23	
Diana Clarke	11	92%		5		6	11/14	79%	22/26	85%	2	24	7
Charlie Macaluso	10	83%				6	6/6	100%	16/18	89%	0	16	
Tim Maguire	10	83%			2	5	7/10	70%	17/22	77%	3	20	
Mary McConville	11	92%		6	3	5	14/18	78%	25/30	83%	4	29	5
Wayne McNally	12	100%	3			4	7/9	78%	19/21	90%	2	21	
Brian O'Keefe	12	100%		8		6	14/14	100%	26/26	100%	4	30	
Joe Pennachetti	9	75%		8	4	5	17/18	94%	26/30	87%	3	29	
Sandra Sahli	12	100%		8		6	14/14	100%	26/26	100%	4	30	2
Overall Attendance		**92%**	**100%**	**86%**	**91%**	**86%**		**92%**		**91%**			

(i) Board meetings consisted of 10 regularly scheduled meetings and 2 strategic planning session/days, all of which SC Board Members were expected to attend.

(ii) Members attended up to 4 additional 'Other' meetings and events, such as the Spring Information Meeting, joint education sessions with the OAC, new board and committee member orientation, in-house education sessions, ad hoc meetings of special committees and attendance at committee meetings of which they are not members. Many Members also attended educational programs or pension/governance conferences ranging from 2-5 days, exclusive of travel time (see page 120 for more detail).

(iii) In addition to chairing the SC Board meetings, Co-Chairs are ex-officio members of all committees; not all of their other obligations are tracked for attendance purposes.

(iv) Education days refers to the actual number of days Members spent at education programs or pension-related conferences, does not include travel time or education provide during SC board meetings or other inhouse meetings.

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, 2016 and the statements of operations and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of OMERS Sponsors Corporation as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Norton McMullen LLP

NORTON MCMULLEN LLP Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario, Canada
February 15, 2017

Statement of Financial Position

As at December 31,		**2016**		2015
Assets				
Current				
Cash	**$**	**78,425**	$	12,821
OAC receivable		**65,618**		152,057
Prepaid expenses and other assets		**45**		3,327
	$	**144,088**	$	168,205
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**143,065**	$	167,182
	$	**143,065**	$	167,182
Net Assets				
Excess/(Deficit) of revenues over expenses from operations				
Balance at beginning of year	**$**	**1,023**	$	—
Current year		**—**		1,023
Balance at end of year	**$**	**1,023**	$	1,023
	$	**144,088**	$	168,205

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

Signed on behalf of the Board of OMERS Sponsors Corporation

Marianne Love
Co-Chair

Frank Ramagnano
Co-Chair

Peter Derochie
Chair, Audit Committee

Statement of Operations

For the year ended December 31,		2016		2015
Revenues				
OAC expense reimbursement	$	**2,004,875**	$	2,079,871
Interest Income		—		23
	$	**2,004,875**	$	2,079,894
Expenses				
Contract and administrative salaries including payroll taxes and benefits	$	**811,171**	$	987,797
Legal		**53,364**		74,360
Audit		**8,475**		9,020
Actuarial		**6,992**		7,933
Professional advisors		**199,592**		6,395
Other administrative		**72,465**		81,348
Insurance		**82,566**		84,186
Board remuneration including payroll taxes and benefits (note 3)		**632,414**		631,651
Board expenses (note 3)		**137,836**		197,181
	$	**2,004,875**	$	2,079,871
Excess/(Deficit) of Revenues Over Expenses Before Grant Repayment		—		23
Grant repayment		—		(1,000)
Excess/(Deficit) of Revenues Over Expenses from Operations	$	—	$	1,023

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,		2016		2015
Cash was provided by (used in):				
Operating Activities				
Excess/(Deficit) of revenues over expenses	**$**	**—**	$	1,023
Changes in non-cash working capital accounts				
OAC receivable		**86,439**		34,229
Prepaid expenses and other assets		**3,282**		11,111
Accounts payable and accrued liabilities		**(24,117)**		(28,091)
Grant funds payable		**—**		(1,380,736)
Decrease in cash	**$**	**65,604**	$	(1,362,464)
Cash - Beginning of Year		**12,821**		1,375,285
Cash - End of Year	**$**	**78,425**	$	12,821

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

Notes to Financial Statements

December 31, 2016

Nature of Operations

OMERS Sponsors Corporation (SC) is a corporation without share capital under the *Ontario Municipal Employees Retirement System Act, 2006* (OMERS Act). The SC is the sponsor of the OMERS Pension Plans (OMERS Pension Plans) as defined in the OMERS Act. The OMERS Pension Plans are administered by OMERS Administration Corporation (OAC) and include the OMERS Primary Pension Plan (Primary Plan) and the Retirement Compensation Arrangement (RCA) associated with the Plan and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (Supplemental Plan). The SC is responsible for making decisions about the design of the Plan, the RCA, and the Supplemental Plan, amendments to those plans, setting contribution rates, and the filing of the actuarial valuation as required under the *Pension Benefits Act* (Ontario) (PBA).

The SC is not subject to income taxes.

NOTE 1

Significant Accounting Policies

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

(a) Revenue Recognition

OAC expense reimbursement is recorded as revenue after the expenses are incurred in accordance with the joint SC/OAC protocol. 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 ASNPO which requires management to make estimates and assumptions that affect the reported values of assets and liabilities, income and expenses, and related disclosures. Such estimates include the OAC receivable, and accounts payable and accrued liabilities. Actual results could differ from these estimates.

(c) Cash

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

(d) Financial Instruments

Measure of Financial Instruments

The SC initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost.

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

The SC has no financial assets measured at their fair value and has not elected to carry any financial assets or liabilities at fair value.

Impairment

Financial assets measured at amortized cost are tested for impairment when events or circumstances indicate possible impairment. Write-downs, if any, are recognized in excess (deficit) of revenues over expenses and may be subsequently reversed to the extent that the net effect after the reversal is the same as if there had been no write-down. There are no impairment indicators in the current year.

NOTE 2

Bank Operating Facility

The SC maintains an unsecured, uncommitted overdraft facility (Demand Operating Overdraft Facility) with a major bank in the amount of $1,000,000; advances would bear interest at the Prime Rate per annum. Access to the overdraft facility was not required in 2016.

NOTE 3

Board Remuneration and Expenses

Board remuneration and expenses are recorded in accordance with the SC By-law No. 6.

NOTE 4

Financial Instruments

The SC is exposed to various risks through its financial instruments. The following provides a summary of the SC's exposure to risk at December 31, 2016:

a) Credit Risk

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

b) Liquidity Risk

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

c) Market Risk

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