OMERS

Annual Report
2020

We Are OMERS

A jointly sponsored, defined benefit pension plan, with 1,000 participating employers ranging from large cities to local agencies and over half a million active, deferred and retired members.

Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario. Contributions to the Plan are funded equally by members and employers.

OMERS teams work in Toronto, London, New York, Amsterdam, Luxembourg, Singapore, Sydney and other major cities across North America and Europe – serving members and employers and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure and real estate.

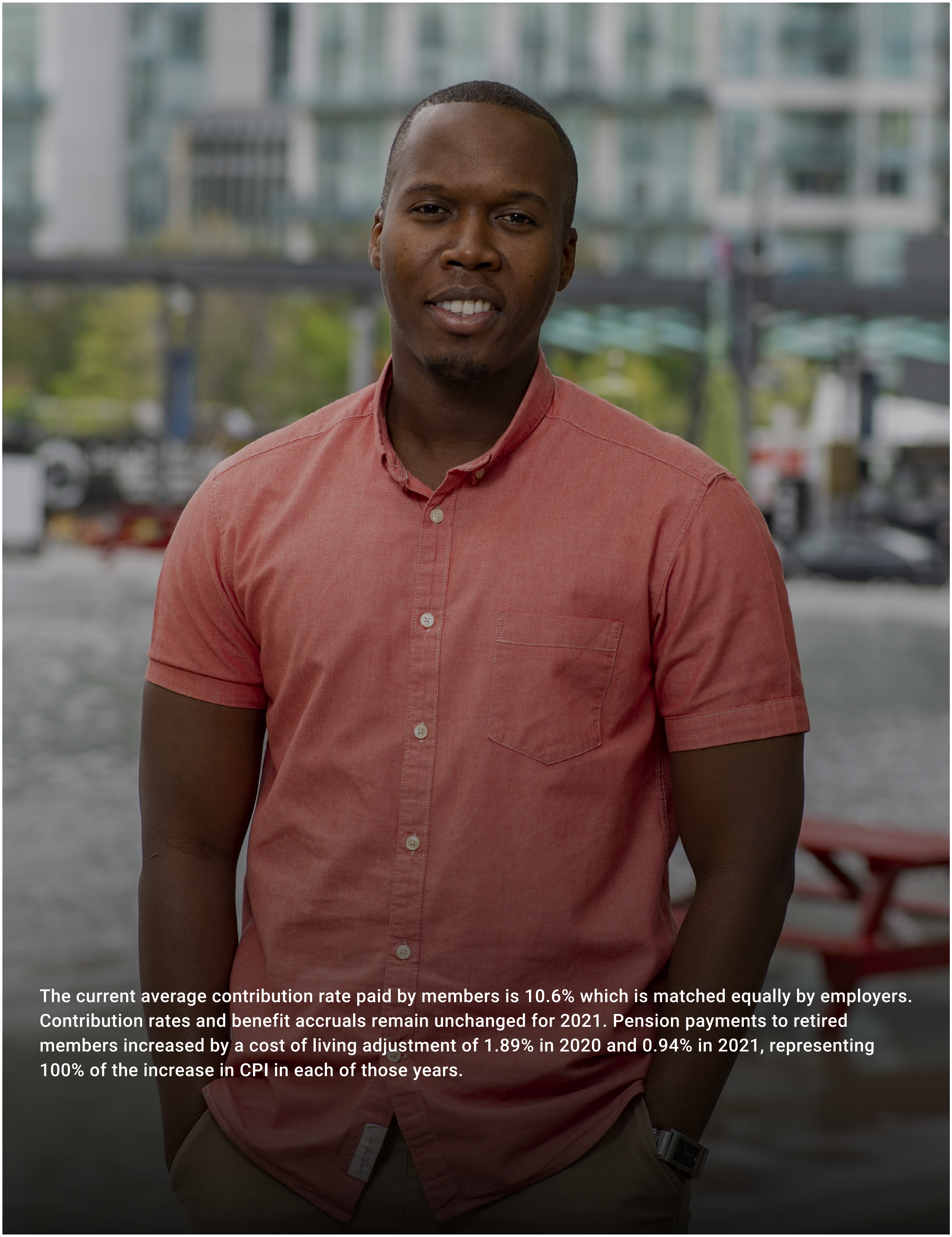
The benefits OMERS provides are funded equally from active members' and their employers' contributions, combined with investment income. We estimate that, on average, active members today will have approximately 70% of their lifetime benefits funded by investment returns.

OMERS actively seeks out opportunities to engage with decision-makers to advocate for the advantages of the jointly sponsored, defined benefit pension model.

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, which has no assets, liabilities or members. When we refer to the "OMERS Plan" or the "Plan" in our communications, it is the OMERS Primary Pension Plan that we are typically referring to, unless otherwise specified. When we refer to the "OMERS Act", it is to the OMERS Act, 2006, as amended.

Contents

This Annual Report is addressed to our members, employers, sponsors, unions, associations, and the many others who are interested in OMERS 2020 performance, and in our progress in making OMERS a sustainable, affordable and meaningful defined benefit Plan.



The current average contribution rate paid by members is 10.6% which is matched equally by employers. Contribution rates and benefit accruals remain unchanged for 2021. Pension payments to retired members increased by a cost of living adjustment of 1.89% in 2020 and 0.94% in 2021, representing 100% of the increase in CPI in each of those years.

OMERS 2025 Strategy

OMERS has set five key areas of focus for the next few years. These priorities comprise our 2025 Strategy, which is a multi-year plan whose progress is reported annually. Our five priorities are centered on making OMERS a sustainable, affordable and meaningful defined benefit plan:

Financial Resiliency

- **Funding** – ensuring the Plan's financial health. We will continue to manage its funded status and its discount rate, among other inputs.
- **Investments** – maintaining a diverse and high-quality investment portfolio. Our priorities include diversifying globally and continuing to incorporate environmental, social and governance (ESG) factors into our investment decisions.
- **Plan design** – evolving the OMERS Plan. We aim to ensure its continued sustainability and to meet stakeholders' needs through exploring Plan design modernization, simplification and membership growth.

Institutional Resiliency

- **Engagement** – improving stakeholder trust and understanding. We are focused on enhancing stakeholder engagement, government relations and service delivery to our members.
- **Operations** – advancing our capabilities. We know that talent depth, data and technology, and cost management are important to executing our strategy.

We prioritize these while managing challenges across the pension landscape, including plan maturity; adverse demographic changes; the changing nature of work and workforces; and decreasing investment return expectations. These challenges are described fully in the Primary Plan Funded Status in the MD&A.

We adopt governance and risk management practices to assist in achieving this strategy (refer to the Update on Governance section of this Annual Report, and the Risk Management section of the MD&A), with a fundamental focus on funding risk – that is, the risk that OMERS will need to increase contributions or reduce benefits. Our funding management statement, discount rate methodology and investment decisions help manage funding risk and address plan sustainability.

The progress we made against our 2025 Strategy in 2020 is presented throughout this Annual Report.

Highlights for Our Members

01

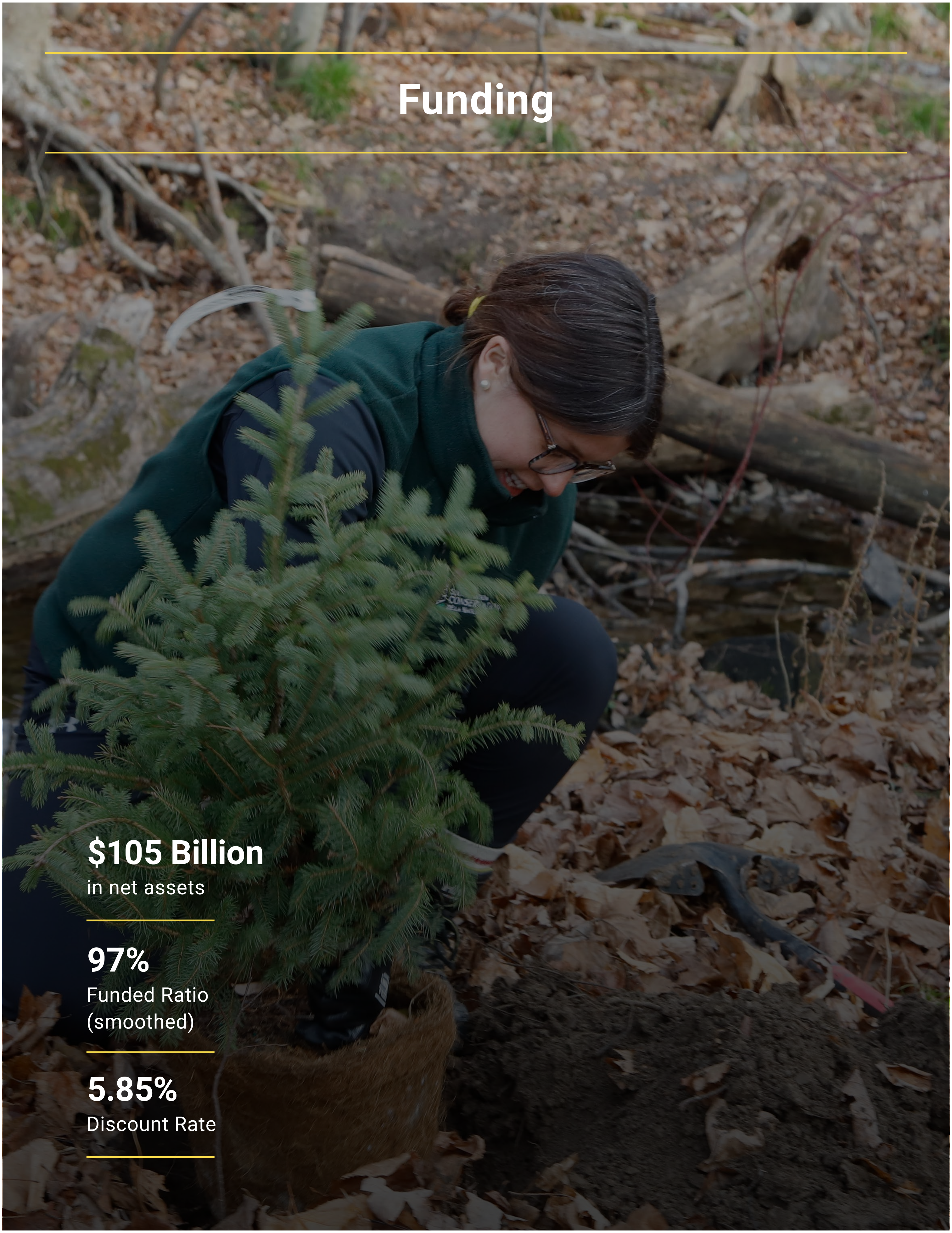
This past year was challenging –
for our members, our employers and sponsors, and for OMERS.
Acknowledging this, we use these first few pages to report on the five pillars of our strategy: our funded status, investment results, plan design, member engagement activities and operations.

Events in 2020 were dominated by the COVID-19 virus and its varied impacts – across the globe, and here in Ontario – in our communities, and in our daily lives. We know that many of our members served on the front lines and provided essential services in the midst of the pandemic. Many continue to do so. Thank you.

We also know that OMERS employers faced new and unpredictable needs in their communities while managing uncertain budgets and making difficult decisions about their workforces. This year was a test of leadership for even the most seasoned teams. Again, thank you.

As part of our response to the pandemic, OMERS adopted immediate, temporary amendments to the Plan to provide members and employers with additional flexibility, including extending timelines for members to purchase leave periods and the opportunity to purchase periods of temporary layoffs and reduced pay.

Funding

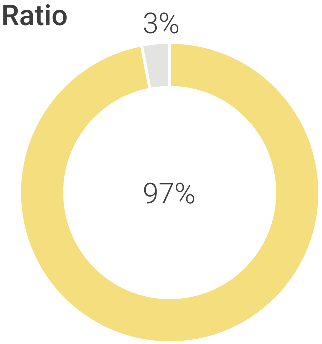


$105 Billion
in net assets

97%
Funded Ratio
(smoothed)

5.85%
Discount Rate

Funded Ratio



At year-end, our funded status, calculated on a smoothed basis, remains at 97%, which is unchanged from last year. On a fair value basis (i.e., without smoothing), our funded ratio was 93% down from 101% in 2019. This decrease is driven by our negative investment return in 2020, discussed on the following pages.

OMERS funded status on a smoothed basis remains at 97% with a lower discount rate of 5.85%.

We measured our funded status using a slightly lower real discount rate than last year, having decreased it by a further 5 bps to 3.85% (excluding inflation). Progressively lowering our discount rate in this manner is a key component of our strategy. Since 2015, we have reduced the real discount rate by 40 bps and we intend to keep lowering it, as a lower discount rate can help make the Plan more resilient to the funding risks we see on the horizon. We are doing this incrementally so that we balance our long-term financial health with benefit and contribution rate stability.

Pension Terminology

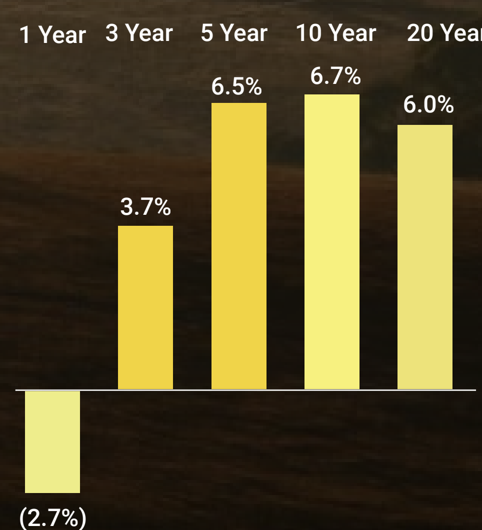
- The "**funded ratio**" is the ratio of net investment assets to long-term pension obligations. It is an indicator of the long-term financial health of the Plan. It can be calculated on a "smoothed" or "fair value" basis:
  - **"Smoothed"** evens out the variations in annual returns over a five-year period. In this way, contribution rates and benefits are set using a more stable, long-term view of investment performance.
  - "**Fair value**" uses year-end values of OMERS assets, without any adjustments. Because our investment returns vary each year, this calculation results in a funded ratio that will also vary year over year. In some years the variation will be significant.
- The "**discount rate**" is the interest rate used to estimate the dollar value of OMERS long-term pension obligations. It includes two components: a "real" rate before inflation and net of a margin for risk and an inflation estimate. Setting the discount rate is key to managing the Plan and addressing risk. Lowering it increases the dollar value of our pension obligations and therefore decreases our funded ratio but can help make the Plan more resilient against future adverse experience.

Investments

Net Return (%)

OMERS Asset Class	2020 net return	2019 net return
Bonds	1.1%	3.6%
Credit	(4.3%)	8.0%
Public Equity	1.5%	20.3%
Private Equity	(8.4%)	4.6%
Infrastructure	8.6%	8.7%
Real Estate[1]	(11.4%)	8.3%
Total OMERS	**(2.7%)**	**11.9%**

OMERS Historical Net Returns



[1] Oxford Properties earned a net return of -6.8%.

The difference between this return and the real estate return presented here relates to how certain assets are categorized. Refer to page 43 of this Annual Report for additional details.

Like our members and employers, OMERS operated in an unprecedented, turbulent environment. The pandemic's serious and far-reaching health concerns created, among its many impacts, economic and financial instability across industries and geographies. In short, the year was a difficult one for OMERS as an investor and, as a result, our net investment return was a loss of 2.7%, which fell short of our absolute return benchmark for the year of 6.9%.

We want to say, up front and sincerely, that we are not pleased with this year's result.

Three main factors explain this performance gap relative to our benchmark:

1. Widespread lockdowns severely affected the business- and consumer-facing investments in our portfolio, including our investments in retail properties and in the transportation and entertainment sectors. These lockdowns significantly impacted our returns in real estate and private equity and explain more than half of the overall performance gap.
2. OMERS portfolio of high-quality public equities includes significant allocations to dividend-paying financial services and energy businesses. These sectors lost value in 2020, and did not fully recover during the market rally in the latter part of 2020. The impact of sector allocation in our public equities contributed another 20% to the overall performance gap.
3. We saw significant market stress in March and April. At that time, we took a number of actions proactively to enhance and protect the Plan's liquidity from the possibility of further adverse market events — including reducing our foreign currency hedging positions to mitigate against the risk of significant cash outflows, had the Canadian dollar continued to weaken. These prudential actions achieved their objectives, though they resulted in currency losses, as the Canadian dollar appreciated after we reduced our hedges. This foreign exchange movement particularly impacted our credit assets, which had negative returns despite no material borrower defaults. This activity contributed about 20% to the overall performance gap relative to our benchmark.

In addition to these three factors, long-term bond yields fell steeply in March and April, leading to strong returns for those assets. OMERS prioritizes short-dated, higher-yielding credit investments, with only a small allocation to long-term bonds, whose fair values can be volatile and whose low (or even negative) cash yield is not enough to meet our long-term investing hurdle rate. Likewise, heavy weightings in technology-enabled growth stocks delivered strong returns for market indices during 2020. OMERS has not meaningfully invested in these "new economy" stocks, which generally do not pay stable dividends. Accordingly, our 2020 returns did not materially benefit from these types of gains.

OMERS investment portfolio is diversified by asset class and geography and, despite our aggregate loss for the year, many of our individual investments generated strong returns in 2020. For instance, our infrastructure investments in utility and regulated assets increased in value and generated predictable cash yields.

As a direct result of our loss in 2020, variable compensation awards for the Plan's investment performance were decreased significantly and in some cases eliminated. This reduced our management expense ratio by 29 bps to 38 bps, relative to 2019.

You can read a more detailed review of the factors that contributed to our 2020 result in the Management's Discussion & Analysis section of this Annual Report.

As we reflect on this year's investment performance, we believe that the core elements of our investment strategy remain valid, while also acknowledging that our results and the changing environment compel some adjustments. For example:

- We are evolving our approach to investing in public equities to complement the high quality, dividend-paying names in the portfolio with more new economy stocks.
- We continue to believe that using our ample liquidity to allocate a significant proportion of our asset mix to high-quality private investments in infrastructure, private equity and real estate is appropriate: these asset classes, in aggregate, tend to generate high and more stable returns over the long term, having earned a combined average annual return near 10% over the past decade.
- We continue to deploy new capital in real estate towards sectors that are in high demand, including industrial spaces, multi-family residential buildings and laboratories. We took actions to reduce our exposure to the hotel sector in late 2019, and going forward we plan to reduce our relative exposure to the retail sector.

In 2020 we deployed an additional $6 billion into resilient businesses with promising futures. These include fibre-to-the-home (in support of growing demand for internet use), cold storage warehousing (to meet increasing needs for refrigerated food and other goods) and power distribution (to serve the needs of growing populations and the trend towards electrification, as society transitions to low-carbon energy sources).

- We are increasing our focus on private equity investments in the technology and software space, and reducing the size of our new investments to better manage the risks associated with concentration in large assets.
- We are shifting capital towards businesses with lower carbon intensity, including renewable power, where we are pleased to see opportunities for profitable investing. For more on our approach to Sustainable Investing, see the Spotlight Story on page 14.
- We continue to favour short-duration credit investments because of their lower volatility and higher cash yield, relative to long-term government bonds, which we believe will continue to be unattractive with persistently low interest rates.
- We are continuing to focus on geographic diversification by deploying assets globally. Specifically, we're growing our assets in the Asia-Pacific region where demographics and economic growth are attractive; today, 10% of the Plan's assets are invested there. As we deploy globally, we are reducing the extent to which we hedge foreign currencies. Doing so will free more collateral for long-term investing.
- We will continue to use leverage prudently to enhance our investment returns and to take advantage of low interest rates. In 2020 we raised $4 billion of long-term debt, which we deployed across our global investments.

The negative performance in 2020 decreased our long-term historical investment returns from 8.2% on a ten-year basis in 2019 to 6.7% in 2020. This level of performance exceeds our year-end 2020 discount rate of 5.85% but is less than the 7% average annual return expectations set by our Board. We believe that our portfolio and the investment strategies that shape it are positioned to capture the returns that we expect to become available once the pandemic abates and economic activity recovers. In the meantime, we believe that emphasis on maintaining liquidity and our approach to asset diversification and quality remains appropriate.

We have also made significant changes to our leadership team. Blake Hutcheson became CEO of OMERS Administration Corporation in 2020 and we now have new leaders for our Capital Markets, Private Equity and Infrastructure businesses, who are profiled below. We also have a new head of Total Portfolio Management, a new Chief Operating Officer and a new Chief Human Resources Officer.

Capital Markets: Ralph Berg

Previously OMERS Global Head of Infrastructure, Ralph becomes OMERS new Global Head of Capital Markets on April 1, 2021. Ralph has served with OMERS since 2013, and by 2015 he was leading the Infrastructure team, overseeing and managing a portfolio of high-quality assets across five continents and steadily generating significant investment returns. Ralph also has extensive previous banking experience with Deutsche Bank and Credit Suisse.

Ralph brings a strong investment track record, a proven ability to build and motivate teams, and a global mindset to this new role.

Infrastructure: Annesley Wallace

Previously OMERS Chief Pension Officer, Annesley succeeds Ralph to become OMERS new Global Head of Infrastructure. Annesley originally joined OMERS Infrastructure in 2012, and by 2016 was responsible for establishing and leading asset management strategies for its North American portfolio of investments. Annesley serves on the boards of Infrastructure Ontario, Bruce Power and the Toronto Region Board of Trade. In 2018, Annesley joined the Pensions team and became OMERS Chief Pension Officer in early 2020. In that role she has been responsible for leading a team that provides all front-line services to our members and employers.

Private Equity: Michael Graham

Mike was appointed the new Global Head of OMERS Private Equity in April 2020 after serving as Private Equity's Head of North America since 2013. He joined OMERS Private Equity in 2003 and in 2009 he led the opening of the New York City office and our U.S. private equity investing strategy.

Mike is a dedicated leader and a highly accomplished investor who is deeply committed to serving our members and advancing inclusion and diversity at the organization. He is on the boards of Kenan Advantage Group, EPIQ, Premise Health and Inmar Intelligence, as well as the non-profit organization New York Cares.

Blake also has expanded OMERS leadership team, resulting in a more inclusive group that represents virtually every aspect of our enterprise, with more depth, diversity, experience, global perspective and cross-enterprise reach. Collectively, this refreshed team represents multiple countries and backgrounds, with an approximate male/female split of 60/40.

You can read the biographies of each team member at omers.com/leadership.

The environmental, social and governance (ESG) lens: a key factor in delivering pension value

"At OMERS, we strive to be a leader in sustainable investing. Our Sustainable Investing Committee is a group of engaged employees from across the organization that drives accountability, consistency and learning. The Committee's role is to ensure that ESG principles are an integrated part of everyday investing at OMERS."

Michael Kelly,
Chief Legal and Corporate Affairs Officer and Chair of the Sustainable Investing Committee

Investors around the globe are sharpening their focus on sustainable investing. At OMERS, sustainability is engrained in our culture, and an integral part of how we invest. A consideration of ESG factors is one of many lenses we use to assess risk and value.

In 2020, we made progress across a number of initiatives. Among them was OMERS first comprehensive total portfolio carbon footprint study, which looked at our holdings through the lens of climate change.

"We found that while OMERS carbon footprint is relatively low, the accelerating impacts of climate change mean that we must continue to evolve our investment strategy, which for us, includes setting a target to reduce the carbon intensity of the portfolio by 20% over the next five years."

Katharine Preston,
VP of Sustainable Investing

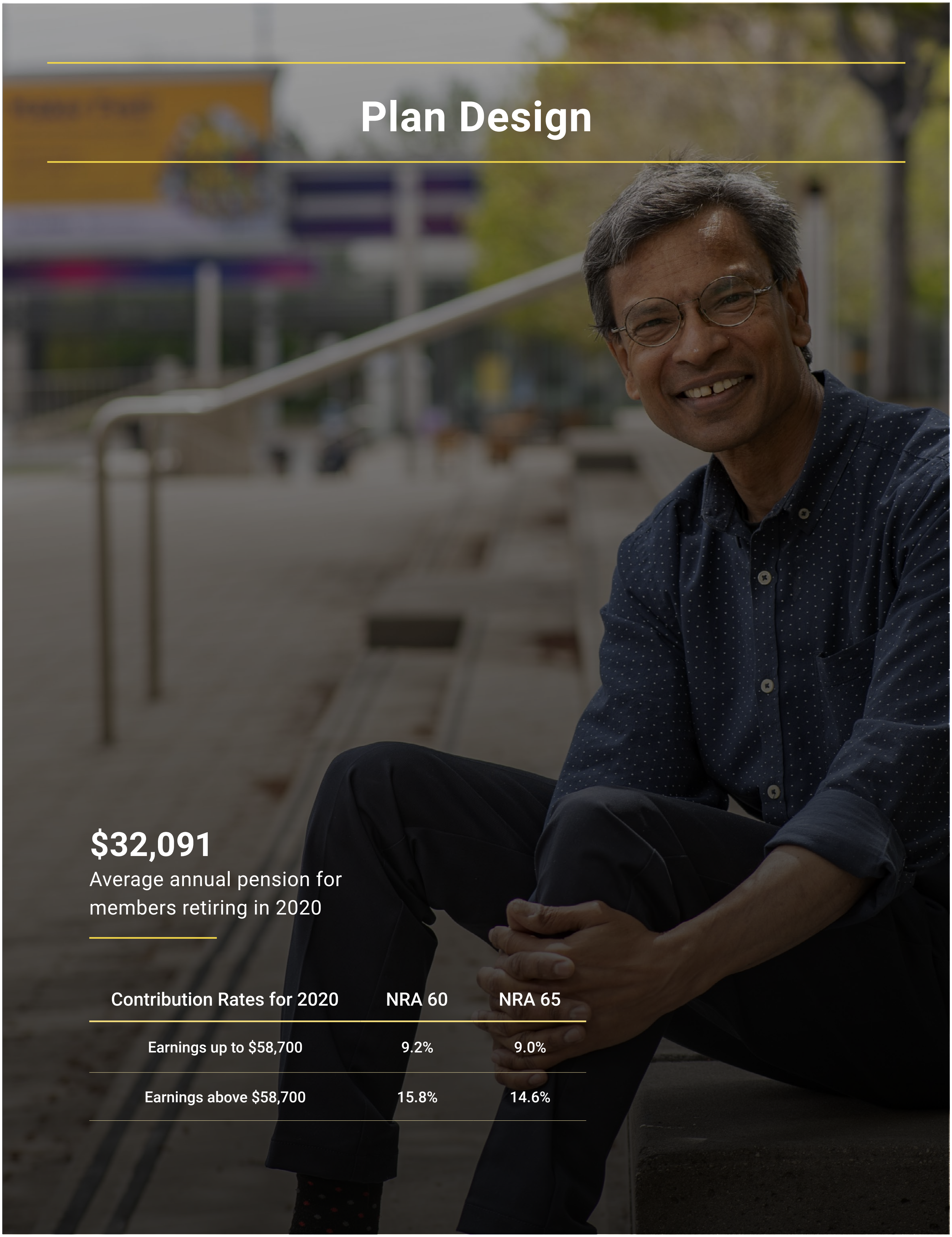
In November, OMERS AC CEO Blake Hutcheson collaborated with Canada's leading pension plan investment managers to prioritize sustainable growth. Eight CEOs made a joint public statement calling for companies and investors to provide consistent and complete ESG information to strengthen investment decision-making and to deliver long-term, sustainable value creation.

Increasingly, our members express interest in understanding how OMERS is investing their retirement savings and want to know that matters such as climate change are factored into investment strategies.

They understand that integrating ESG factors into our investment approach is not a trade-off for strong returns, but rather a key part of delivering value for future generations.

"The world is evolving. Today, more than ever, we recognize that the highest quality assets are responsible, sustainable businesses and services that are built for the future, with sound ESG practices," says Katharine. "These assets are an important part of our strategy, because they enable us to deliver on our commitment to members over the long term, while helping create a brighter future for everyone."

20% reduction in carbon intensity by 2025



Plan Design

$32,091

Average annual pension for members retiring in 2020

Contribution Rates for 2020	NRA 60	NRA 65
Earnings up to $58,700	9.2%	9.0%
Earnings above $58,700	15.8%	14.6%

Continuing our work on plan design from prior years, and to increase fairness and equity amongst employers' workforce populations,

OMERS approved in June "non-full-time expansion."

This change allows all non-full-time employees to elect to join the Plan at any time, and will be effective January 1, 2023.

Additionally, OMERS made a second major change to plan design:

In June, OMERS approved shared risk indexing, which makes available the option to reduce future inflation increases on benefits earned after December 31, 2022, based on the SC Board's annual assessment of the Plan's financial health.

This change adds a significant lever to our funding toolbox: it allows all members to participate in addressing the Plan's long-term financial health, if necessary, rather than placing that responsibility solely on active members through contribution increases or benefit decreases. This lever will become more impactful over time, as the proportion of our members who are subject to shared risk indexing grows. This change assists us in addressing the risks to sustainability that OMERS faces. Many other Canadian pension plans have had similar provisions in place for over a decade.

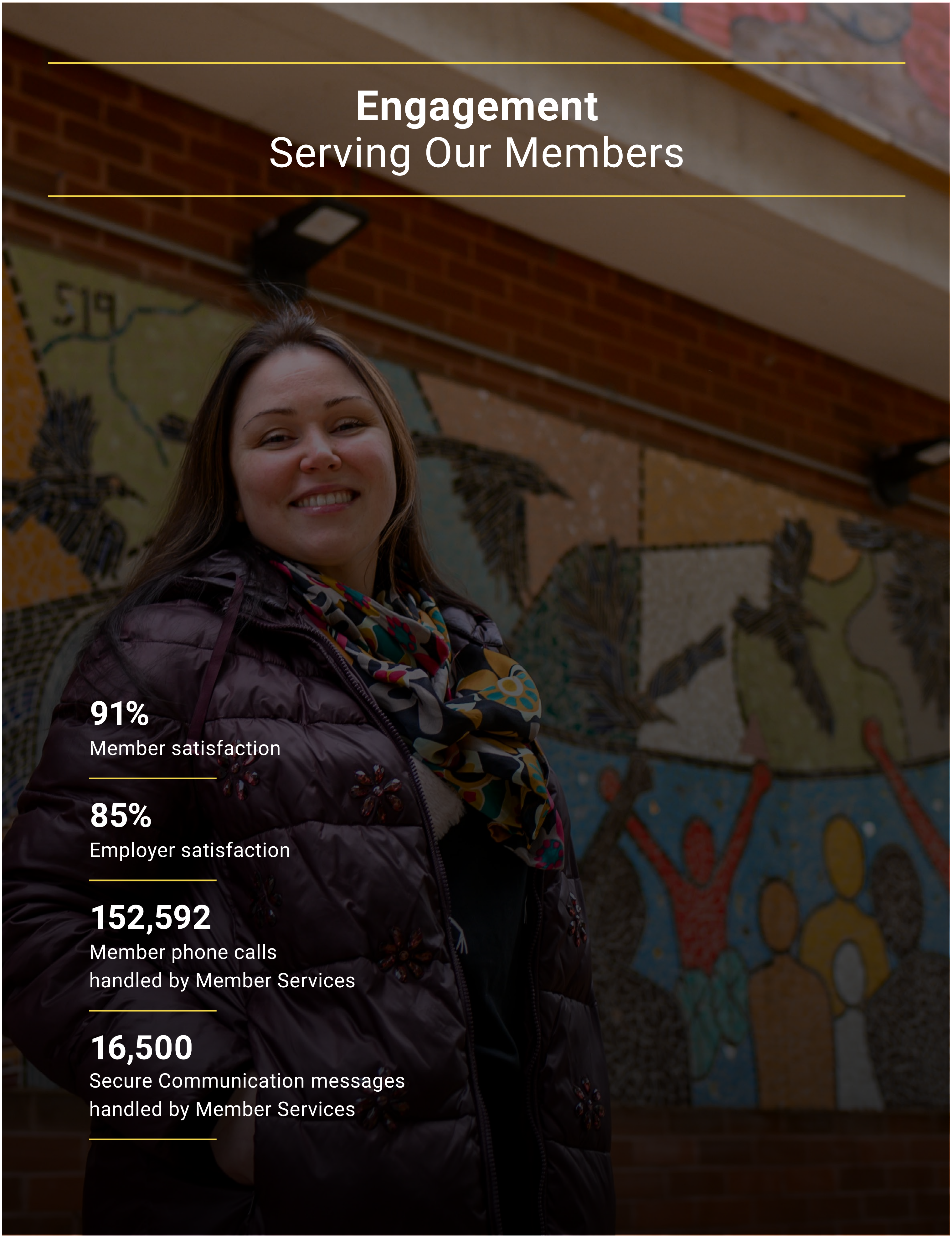
The risks facing OMERS are not new:

- There is a prospect of lower, long-term future investment returns due to changes in the global economic environment.
- OMERS is a maturing plan, with an increasing number of retirees relative to active members.
- Work continues to change, with automation increasing and movements away from traditional full-time employment.
- Life expectancy continues to increase, meaning that OMERS must be able to pay pensions longer.

Given these risks, OMERS sustainability has been and remains an area of focus. The investment loss in 2020 amplifies the need to continue addressing this concern. Because of COVID-19, there is still significant uncertainty about workforces and the investment environment. We will therefore take stock of options to strengthen and protect plan sustainability. In the meantime, contribution rates and benefit levels will remain unchanged.

Two Plan amendments, previously approved in 2019, became effective as of January 1, 2021:

1. eliminating the 35-year cap for credited service for members with less than 35 years of credited service prior to January 1, 2021; and
2. allowing an employer the option to provide normal retirement age 60 (NRA 60) benefits to all or a class of paramedics. For unionized employees, NRA 60 benefits are subject to negotiation between employers and unions.



Engagement
Serving Our Members

91%
Member satisfaction

85%
Employer satisfaction

152,592
Member phone calls handled by Member Services

16,500
Secure Communication messages handled by Member Services

OMERS responded to the immediate impacts of the pandemic by transitioning our interactions with members and employers to an entirely virtual format, without affecting our service levels. When conditions allowed, we refocused our efforts, continuing to advance on a number of key initiatives.

We evolved the plan member experience in 2020 by:

Expanding our digital relationship with members by increasing the number of members receiving emails and paperless communication by more than 20%. We also added secure messaging as an option for members to contact us and connected with members on more than 16,500 occasions through this method;

Continuing to respond to members' comments and ideas by improving processes and communications; and

Adding a new retirement planner to myOMERS, for members to generate a picture of their finances in retirement.

For OMERS employers, we launched a new e-access portal and hosted our Employer Education Week. These efforts align with our goal to be a member-first, service-oriented platform.

OMERS used a new method for measuring employer satisfaction for the 2020 year. This new method encourages all employers to regularly share feedback on our services, and gives us more meaningful quantitative and qualitative insights on areas to improve. Leveraging these insights, we recently launched a digital Employer Stewardship report for all employers. We have also launched functionality in the new e-access portal, which will be finalized later this year.

The expanded leadership team, referenced on page 13, includes Celine Chiovitti, OMERS Senior Vice President of Pension and Corporate Services.

Pensions: Celine Chiovitti

Celine was appointed Senior Vice President of Pension and Corporate Services in 2020. She joined OMERS in 2013 and now leads a group responsible for the delivery of industry-leading services and intelligent pension administration to support OMERS members and employers. Celine is a proven leader and innovator, with a track record of identifying and unlocking new ideas and processes that anticipate and meet the evolving needs of our diverse members. Before joining OMERS, Celine spent her career in public service, including at the City of Toronto.

Celine is a Certified Employee Specialist, Fellowship Status and sits on the Benefits & Pensions Monitor Editorial Advisory Board.

We're listening: using member feedback to drive the pension experience

OMERS serves more than half a million members and improving their experience with OMERS is an important task – one that requires continuous listening and attention. Our annual report from 50 years ago identified that responding to the evolving needs of members is important.

Jordan Ostapchuk, a Vice President in our Pension business, heads a team at OMERS dedicated to unlocking and delivering "new ideas and innovative processes that add tangible value to our members." Generating these ideas has become more effective with the creation of the CoCreate community, a fast-growing group of members who have volunteered for interviews, workshops and sessions to help make the Plan experience better for everyone.

> The word "retired" is old. It should be changed to "renewal": to give fresh life and strength. I believe that's what retirement offers.
>
> **Gail,**
> OMERS member, former Hamilton Wentworth District School Board employee. Joined OMERS in 1978.

"Many successful companies around the world have a nuanced understanding of what matters to the people they serve. By measuring what these people care about, organizations can drive effective improvements. OMERS is no different," he says. "We've spent thousands of hours with our members this year – we hear what they are telling us." With people living longer and the nature of work and retirement changing, having meaningful discussions with members from different locations, cultural backgrounds, age groups and income levels provides valuable insights that will continue to shape our service offering across OMERS.

In 2020, OMERS leveraged insights from members to enhance their experience with us, generating more targeted improvements that included the annual pension statements, retirement planner and income estimator tools.

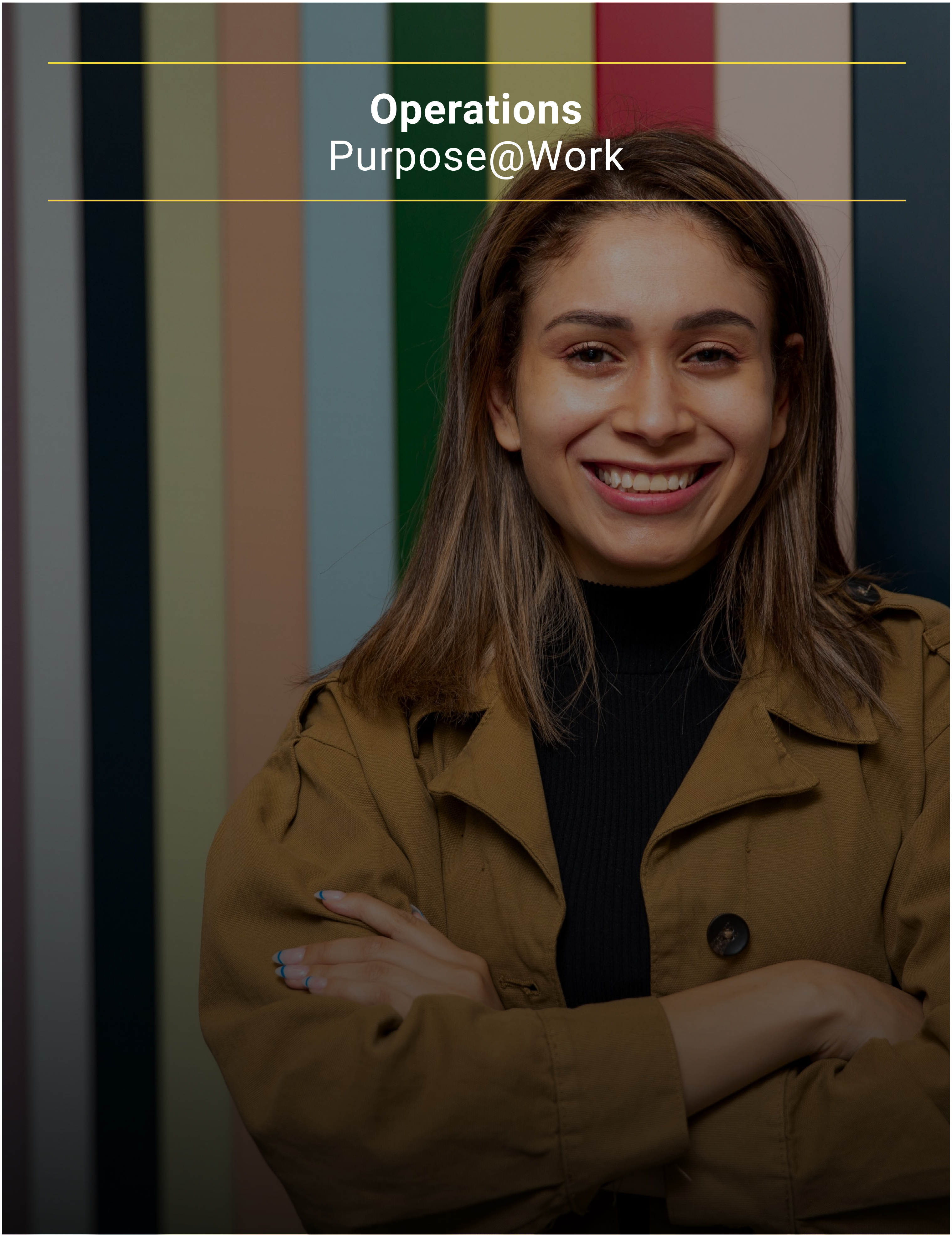
The CoCreate community has also highlighted that members' expectations of OMERS are higher than their expectations for financial institutions. The team sees these higher standards as an opportunity to better understand and deliver.

"Our member interactions not only need to provide pensions effectively and efficiently, they also can help our members make sense of an important part of their future," says Jordan.

As expectations, perceptions and trends continue to change, OMERS will continue to evolve. "We have that focus every day," says Jordan. "We are thinking about the creative ways we can meet our members' current and future needs. That's exciting and meaningful for us, and we thank those members who provide us the input that shapes the OMERS experience."

OMERS
Working together for your retirement

In our 1968 annual report, OMERS set out that to be successful, "we must be financially sound, provide efficient and helpful service to members, be aware of the constant demand for change and improvement and be responsive to the needs of members." The work of the Innovation team is one way that we plan for the future.



Operations
Purpose@Work

To better serve our members and employers through investment management and pension administration excellence, we aspire to be an industry-leading employer known for our exceptional workplace environment. Even as we spent most of the year working physically apart from each other, we advanced our talent agenda by:

1. Developing an enterprise-wide inclusion & diversity strategy and governance model and starting our education efforts focused on conscious inclusion. In 2020, we delivered education sessions on this topic to our entire leadership team and to more than 2,000 colleagues;
2. Launching "Purpose@Work," an initiative that brings together our global employee teams to intentionally and collectively encourage positive change and further our commitment to creating strong, healthy communities and social value — both internally and externally; and
3. Establishing new employee resource groups — Indigenous Peoples Alliance and People with Disabilities — to complement our four existing groups: Women@OMERS, the Multicultural Alliance, Pride@OMERS and Briefcase Parents.

Purpose@Work

Finally, from March onwards, our teams across the globe mobilized to enact our business continuity plans, which included a full transition to working remotely, while maintaining our technology infrastructure and financial controls.

Spotlight Story

Empowering people to be and bring their best: Inclusion & Diversity at work

When Nancy Nazer began as Chief Human Resources Officer in April 2020, it did not take long for her to discover what makes OMERS different: "The magic of OMERS is its people. I have never before seen this level of passion at all levels of an organization to be actively involved in making the workplace the best it can be."

She credits this passion to a commitment across OMERS to create an environment where Inclusion and Diversity (I&D) is a priority. The year 2020 was a game changer in terms of progressing inclusion conversations and initiatives across the enterprise. OMERS is committed to the belief that we thrive only when every single one of us is empowered to deliver our best.

Chantal Thibault, Managing Director, Legal for OMERS Private Equity, points out that this commitment starts at the top, from CEO Blake Hutcheson, and echoes through the halls of OMERS offices globally. As Chair for Private Equity's I&D committee, Chantal saw firsthand the steps OMERS took after the social and racial injustices that made headlines around the world. "Blake hosted listening forums, where we were able to hear the challenges, realities and truths lived by the members of our community, and to discuss how their experiences and needs would go on to inform our evolving I&D strategy."

Judine Allen is a Financial Planning & Analysis Manager with OMERS, and a Special Advisor for the OMERS Black Community as part of the Multicultural Alliance Employee Resource Group. She believes the success of these forums was that they led to concrete outcomes. "I feel deeply that my opinion counts and that my experiences and ideas matter to this organization. It may be strange to say but, at OMERS, I feel comfortable in my own skin. I don't have to try to fit in."

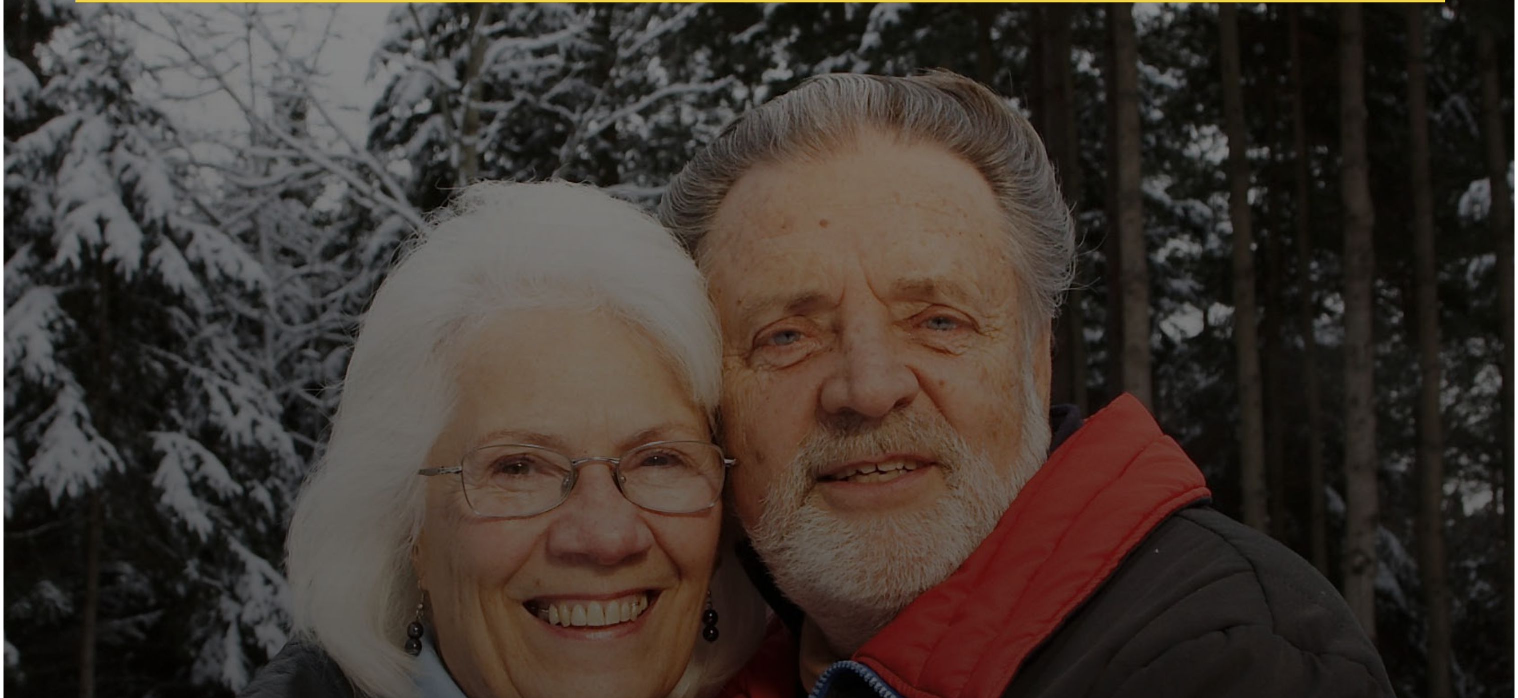
In 2020, OMERS launched our I&D strategy, including OMERS-wide conscious inclusion education and new governance structure. But we know that we have more work to do. Advancing I&D is crucial to unlocking the full potential of our teams.

As Nancy says, "The bottom line is that supporting and promoting I&D is good for the bottom line, because it is the best thing to do for the people who work here, for the members whom we serve and for the communities we call home."

As Community Chair of the Multicultural Alliance – one of OMERS Employee Resource Groups designed to reflect and celebrate the diverse communities and cultures represented throughout the organization – Jeremiah Ing says that at OMERS, employees can bring their whole selves to work.

"I feel inspired in my day-to-day role – I'm part of an organization that is developing awareness and education programs to help foster an inclusive workplace where our diverse team members can contribute creative solutions that ultimately drive outcomes for our members."

Conclusion



It is our purpose and our privilege to serve our members, employers and sponsors. Our commitment to provide sustainable, affordable and meaningful defined benefit pensions remains unwavering.

In our 58-year history, OMERS has not before experienced a year like 2020, marked by a pandemic with such wide-reaching social and economic consequences. Unfortunately, our 2020 investment return reflects this year's difficulties, and fell short of our benchmark. However, we believe the fundamentals of our long-term strategy remain sound, and we will continue to advance that strategy. Our key areas of focus in 2021 and 2022 are to improve our investment performance and to assess, in a measured and equitable way, the path forward for ensuring that OMERS is sustainable, affordable and meaningful for decades to come.

To all our members, employers and sponsors – however you serve and support our communities across Ontario – again we say: thank you.

OMERS members, employers and stakeholders are an important part of our community and we want to keep you informed.

Please join us at the OMERS Annual Meeting taking place via webcast on Tuesday, April 6, 9:00 a.m. – 10:30 a.m.

For more information and to register for the Annual Meeting, please click here.

Update on Governance

02

OMERS is governed by two corporations: OMERS Sponsors Corporation (SC) and OMERS Administration Corporation (AC). Each has a separate and distinct mandate, described on our website at omers.com/omers-governance.

The two corporations and their Boards work together, closely and collaboratively, to meet a singular goal: to make OMERS a sustainable, affordable and meaningful defined benefit pension plan. The Boards have each adopted the OMERS 2025 Strategy to ensure operational alignment and a joint risk management process to promote a common understanding of, and approach to, managing relevant risks.

This bicameral structure enables broad input into decision-making. This is important in light of the large number of OMERS stakeholders; the complexity of the Plan; and the need for focused expertise in key areas including Plan design, member and employer services and investments.

We believe that effective and transparent governance is fundamental to achieving our respective mandates. We are continually reviewing our governance model and practices to ensure that we achieve high governance standards.

The transition by both Boards to virtual meetings in 2020 worked seamlessly, as did the conversion of our annual meeting to a virtual format.

Joint Board Activities

OMERS two Boards met jointly on five occasions in 2020. Our sessions focused on COVID-19's impact on members, employers and investments, and reviewing our 2025 Strategy to ensure that it continues to reflect the appropriate priorities in light of the pandemic. We also discussed Plan sustainability issues and OMERS risk model and risk appetite, and reviewed the Plan's 2020 investment performance, among other topics. We agreed that our strategy remains relevant and appropriate, although we will need to reevaluate the pace of progress on certain underlying initiatives, as we better discern "the new normal."

Our respective Risk Oversight Committees, which had been established as non-permanent working committees to oversee the evolution of OMERS risk management framework and the development of risk appetite statements, completed their mandated work in 2020. With the completion of this work, each Risk Oversight Committee was rolled into its respective Governance Committee for ongoing oversight. The Plan's risk profile remains high, and addressing the Plan's risks will continue to be our joint focus.

Finally, our Joint Council, which is comprised of representatives from each Board, continued to be an effective forum to discuss governance and oversight matters of mutual importance to both Boards. Our Joint Council met biweekly for most of 2020, working closely together to create a critical communication link between the Boards during these unprecedented times.

OMERS Sponsors Corporation

The SC Board comprises 14 members, half of whom are appointed by employer groups and half of whom are appointed by unions and associations, representing members. Biographies and photographs of each SC Board member can be found at omers.com/omers-governance.

The SC Board continued to be focused on the sustainability of the Plan and made certain changes as described below. Additional 2020 priorities included reviewing OMERS governance and board effectiveness, considering and voting on plan design changes, and articulating the SC's risk appetite, each of which are discussed in turn.

Michael Rolland, CEO of the Sponsors Corporation, introduced a new Executive Leadership Team at the end of 2020. Given the departure of key staff, it was time to refresh the Senior Leadership Team, including the addition of new expertise and depth with respect to governance, strategy development and stakeholder relations. Executive Director of Strategy, Stakeholder Relations and Communication, Pierre Côté; Executive Director, Operations and General Counsel, Audrey Mak; and Executive Director Plan Funding and Risk, Manuel Monteiro, all started their duties on January 1, 2021. You can read the biographies of each team member at omers.com/leadership.

Risk

Evaluating the risks to the Plan is a core component of SC's governance. Based on work completed by the SC's Risk Oversight Committee in 2020, the SC Board approved a risk framework, and with it, risk appetite statements for the Primary Plan and for the Retirement Compensation Arrangement, and a subsidiary risk appetite statement for pension risk. The risk framework and risk appetite statements were also approved by the AC Board.

Separately, the SC Board approved risk appetite statements for its own operational risk and governance risk.

Plan Design Changes

During the first half of the year, the SC Board and Management team engaged with sponsors and stakeholders on five potential plan changes, which the SC Board approved in June 2020. Three changes were in immediate response to the impact of COVID-19 on members' employment and provide relief to members whose employment was disrupted by COVID-19. A further two changes relate to non-full-time expansion and shared risk indexing.

- Non-full-time expansion increases the Plan's fairness and equity by expanding eligibility to all non-full-time members when they join a participating employer.
- Shared risk indexing improves the long-term sustainability of the Plan, as it provides the ability to reduce the indexation of pensions over time. This change, which some other Canadian pension plans have already implemented, adds a potential lever to address future funding shortfalls, if required; will only be used if the Plan is in a deficit position; and only after the SC Board votes to approve its use.

Additional details on these plan design changes are available at omers.com.

OMERS Composition and Board Effectiveness Reviews

The SC is accountable for establishing the appointment protocols and compensation levels for both the SC and AC Boards. This includes formal protocols related to the nomination, appointment and reappointment of Directors for both the AC and SC Boards. The intent is to promote the selection and evaluation of qualified candidates to provide effective oversight based on, among other things, their considerable experience, proven competencies, sector knowledge and commitment to the DB pension model.

The SC completed the first phase of its Board Effectiveness Review in 2019 and continued with its second phase this year. The scope for this second phase included reviewing our practice of weighted voting (i.e., that some directors carry multiple votes); matters requiring two-thirds majorities; and the practice of referring to external arbitration certain disputed matters, including those relating to Plan changes under consideration and those relating to appointing members to the AC Board.

Through this review, the SC Board decided to maintain its current practices regarding weighted voting and two-thirds majority voting. It also decided to consider arbitration of plan change disputes in a broader review of the plan change process taking place in 2021. Finally, regarding arbitration around the appointment of AC Board members, the SC Board decided to remove this provision for appointments made after January 1, 2022.

The Board also completed its Board Composition Review, the purpose of which was to consider the composition of the SC and AC Boards. As a result of this review, the SC Board concluded that no changes to the composition of either Board was required at this time. The SC Board has, however, identified the need to conduct a comprehensive affiliation data study to ensure that it has the right information to make composition decisions in the future. We expect this study to be completed by 2022.

Finally, the SC Board agreed to extend the term limits for AC and SC directors from nine to 12 years, consistent with peers and leading practices.

Board Position Changes

Effective January 1, 2021, Frank Ramagnano assumed the role of SC Board Chair, and Barry Brown assumed the role of Vice-Chair. The SC Board has moved from a co-chair model to a chair and vice-chair model, consistent with the conclusions of the Board Effectiveness Review conducted last year.

The SC also appointed new chairs for each of its committees, effective January 1, 2021:

- Plan Design Committee: Pete Derochie
- Corporate Governance Committee: Dan Axford
- Human Resources and Compensation Committee: Mary McConville
- Audit Committee: Joe Pennachetti

Orientation and Education

The SC had no new Directors join the Board in 2020. Generally, Directors new to the SC Board 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 progress.

In 2020, because of pandemic-related closures and travel restrictions, participation in external conferences and education sessions was significantly lower.

Set out in the table is the remuneration for Directors of the SC Board for 2020 and effective January 1, 2021. No other remuneration is provided to SC Directors. For existing SC Directors, compensation may be paid to the director or to the organization with which they are affiliated.

	2020 Annual Retainer	Effective January 1, 2021
Co-Chairs	$85,000	n/a
Chair	n/a	$95,000
Vice-chair	n/a	$75,000
Committee chair	$49,000	$49,000
All other directors	$42,000	$42,000

Generally, SC Board Directors are reimbursed for reasonable and necessary expenses incurred in connection with carrying out the business of the SC. These reimbursements relate primarily to travel and accommodation expenses incurred in connection with attendance at SC Board, Committee or similar meetings. Directors are also reimbursed for mode of travel, tuition and other expenses incurred while attending relevant conferences – or other professional and educational programs – within Canada and the continental U.S. However, travel time is not compensated.

All SC Directors also receive an annual technology allowance to compensate them for the expenses incurred related to acquisition, maintenance and licensing of technology related to their Board duties, as well as covering incidental expenses. This is a taxable benefit.

Expenses may vary by year and by director for a variety of reasons, including the availability and location of programs, number of scheduled and ad hoc meetings attended and the location of the director's primary residence. Expenses in 2020 reflect the reduced level of travel as all meetings after February 25 were conducted virtually.

Attendance

SC Board member attendance at Board and committee meetings is summarized in the "Reference" section of this Annual Report.

OMERS Administration Corporation

The AC Board comprises 14 members nominated by sponsor organizations and appointed by the SC Board, plus an independent Chair also appointed by the SC Board in a joint process with the AC Board. Biographies and photographs of each AC Board member can be found at omers.com/omers-governance.

CEO Succession

Blake Hutcheson assumed the role of CEO in 2020, succeeding Michael Latimer, consistent with the AC Board's announcement in December 2019 following a multi-year, Board-led succession process. For a summary of Michael's and Blake's accomplishments and careers, please refer to OMERS 2019 Annual Report.

Board Activities

The COVID-19 pandemic and OMERS response thereto created heightened governance activity in 2020. Early in the pandemic the AC Board and/or its Committees met frequently to review management activities and provide oversight in many areas, including investments, pension services and human resources. They focused on key issues such as liquidity, investment risk, remote work and return-to-office principles. The AC Board and each of its Committees also reviewed their mandates to determine what additional oversight and monitoring was required.

The Board continued its regular series on innovation with external speakers presenting at each Board meeting and augmented this approach with a special session in its fall strategy meeting on post-pandemic themes expected to create lasting global impacts with meaningful political, economic and societal consequences. It also completed, with collaboration and input from the SC, a review and revision of the AC Board Competency Framework and related skills matrix, and these changes were provided to the SC for use in its ongoing appointments to the AC Board.

The Board also continued its oversight of OMERS approach to sustainable investing and the integration of environmental, social and governance (ESG) factors, receiving an in-depth expert presentation on climate change and the transition to a lower-carbon economy and approving a carbon intensity reduction goal following the completion of OMERS first portfolio carbon footprinting exercise.

In light of the social upheaval experienced in 2020 and the focus on systemic societal inequalities, OMERS accelerated its work on inclusion and diversity, and management spent considerable time with the AC Board on these issues.

In addition to its work on inclusion and diversity and return-to-office principles, the AC Board oversaw the implementation of a new human resources information system, a new compensation framework for 2021 and beyond and the integration of new senior leadership in the human resources management team.

As noted previously, following the fulfillment of its mandate to oversee the evolution of OMERS risk management framework and the development of risk appetite statements, the Risk Oversight Committee was amalgamated into the Governance Committee. This expanded Governance & Risk Committee now has oversight over data and technology, pension services and communications, in addition to governance and risk.

Orientation and Education

Ms. Debbie Fischer and Mr. Rajiv Silgardo joined the AC Board effective January 1, 2020. Directors new to the AC Board participate in an extensive orientation process, which includes a comprehensive discussion of the history and mandate of the corporation, OMERS business and planning process, its strategy and current programs.

Directors also participate in various educational programs and industry conferences, which are either approved or mandated by the organization. Where possible, in-house programs are developed with external experts to educate the AC Board on matters relevant to its duties and mandate.

In order to maintain their respective certified director designations, Directors are also required to meet certain educational requirements to stay current on key issues and to continue their professional development.

Remuneration

Set out in the table below are the retainers for Directors of the AC Board for 2020. Retainers are paid directly to Directors, and AC Directors are provided no other remuneration.

	2020 and 2021 Annual Retainer
Chair	$185,000
Committee chair	$90,000
All other directors	$75,000

AC Board directors are reimbursed for reasonable and necessary expenses incurred in connection with carrying out the business of AC. These reimbursements relate primarily to travel and accommodation expenses for attending AC Board, committee or other similar meetings. AC Directors receive an annual technology allowance to compensate them for the expenses incurred related to acquisition, maintenance and licensing of technology related to their Board duties, as well as covering incidental expenses. This is a taxable benefit.

Travel time is not compensated.

Expenses may vary by year and by director for a variety of reasons, including the availability and location of programs, number of scheduled and ad hoc meetings attended and the location of the Director's primary residence. Expenses in 2020 reflect the reduced level of travel as all meetings since March 16, 2020 were conducted virtually.

Compensation for Members of the Appeals Committee

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

Attendance

AC Board member attendance at Board and committee meetings is summarized in the "Reference" section of this Annual Report.

Management's Discussion & Analysis

Confederation Bridge

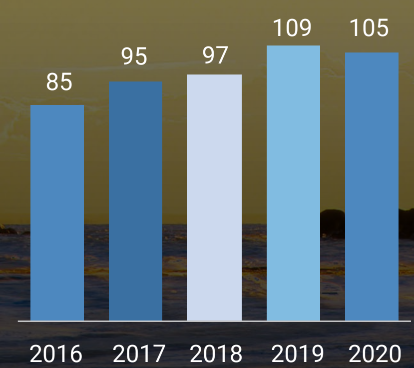
03

This Management's Discussion and Analysis ("MD&A") is the responsibility of the Management of OMERS Administration Corporation (AC) and OMERS Sponsors Corporation (SC). It contains Management's analysis of the OMERS Pension Plans' financial condition, operational results, and the environment in which the Plans operate, and should be read in conjunction with the Consolidated Financial Statements. The AC Board of Directors has reviewed and approved the contents of this MD&A, as at February 24, 2021. The SC Board of Directors has reviewed and approved those sections that are relevant to SC's mandate, as at February 23, 2021.

In addition to historical information, this MD&A contains forward-looking statements with regard 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 Management 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, technological factors and the ongoing health and other effects of the COVID-19 pandemic. 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 investment results by asset exposures. 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. For certain non-GAAP financial measures, there are no directly comparable amounts under GAAP. We have included reconciliations of certain financial measures from GAAP to non-GAAP financial measures in this MD&A.

Net Assets ($ billions)

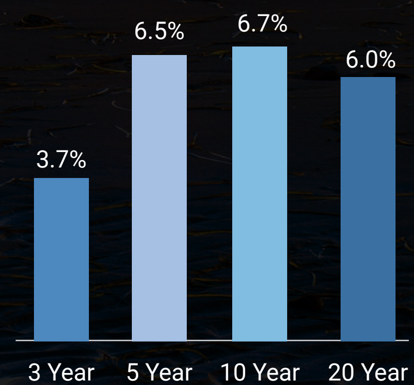


Funded Ratio (smoothed) **97%**
2019: 97%

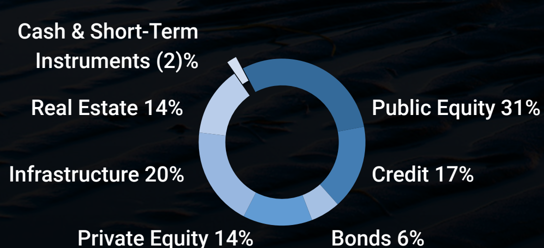
Discount Rate **5.85%**
2019: 5.90%

Net Return **(2.7)%**
Benchmark: 6.9%
2019: 11.9%

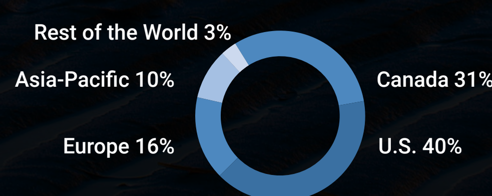
Historical Net Returns



2020 Asset Mix

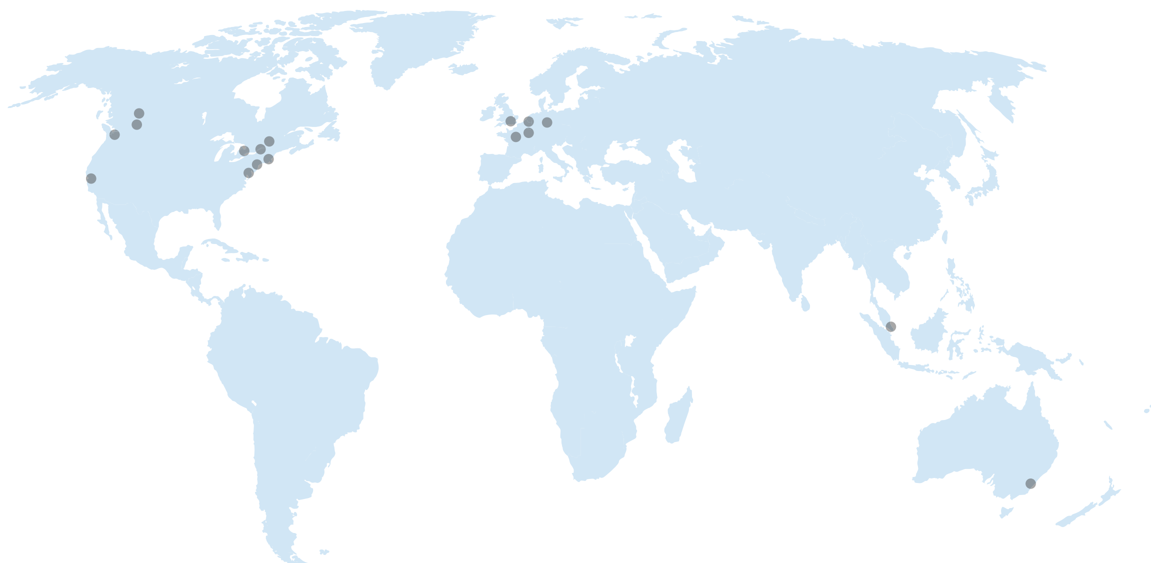


2020 Assets by Geography



Overview of OMERS

Founded in 1962, OMERS is a jointly sponsored, defined benefit pension plan, with 1,000 participating employers ranging from large cities to local agencies, and over half a million active, deferred and retired members. Our members include union and non-union employees of municipalities, school boards, local boards, transit systems, electrical utilities, emergency services and children's aid societies across Ontario. Contributions to the Plan are funded equally by members and employers.



OMERS teams work in Toronto, London, New York, Amsterdam, Luxembourg, Singapore, Sydney and other major cities across North America and Europe – serving members and employers, and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure and real estate.

Overview of the OMERS Pension Plans

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

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, 2006 (OMERS Act), the Pension Benefits Act (Ontario) (PBA), the Income Tax Act (Canada) (ITA) and other applicable legislation. It is registered with the Financial Services Regulatory Authority of Ontario (FSRA) and the Canada Revenue Agency (CRA) under Registration #0345983.

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

1. **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. The AC determines the regulatory minimum and maximum funding requirements in accordance with the PBA and the ITA. The SC sets actual contribution rates and benefits.
2. **Pensions** – The Primary Plan is designed to provide lifetime defined benefit pensions. These pensions are calculated as a percentage of the member's annual earnings averaged over the highest 60 consecutive months, multiplied by years of credited service.
3. **Normal Retirement Age** – The normal retirement age (NRA) is 65 years for all Primary Plan members, except for police officers and firefighters, who generally have a normal retirement age of 60 years. Effective January 1, 2021, an OMERS employer can elect to provide NRA 60 benefits to all or a class of paramedics. For unionized employees, access to NRA 60 benefits is subject to negotiation between employers and unions.
4. **Death Benefits** – The benefits are payable upon the death of a member to a surviving spouse, eligible dependent children, a designated beneficiary, or the member's estate. Depending upon eligibility requirements, the benefits may be paid in the form of a survivor pension, lump sum payment or both.
5. **Escalation of Pensions** – Inflation protection increases pensions each year, based on the increase in the Canadian Consumer Price Index (CPI), as follows:
   - Benefits earned on or before December 31, 2022 receive full inflation protection, up to a maximum increase of 6%. Any excess is carried forward so it can be used in later years when the CPI increase is less than 6%.
   - Benefits earned on or after January 1, 2023 are subject to shared risk indexing, meaning that the level of inflation protection will depend on the SC's annual assessment of the financial health of the OMERS Plan.
6. **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.
7. **Income Taxes** – The Primary Plan is a Registered Pension Plan as defined in the ITA and is not subject to income taxes for contributions received or investment income earned. The operations of certain entities holding private equity, infrastructure, private credit or real estate investments may be taxable.

AVC Component

The AVC component of the Primary Plan permits members to make additional voluntary contributions on which the member earns the net investment return of the Primary Plan. The liability of the Primary Plan, with respect to the AVC component, is equal to members' AVC contributions, plus (if positive) or minus (if negative) the net investment rate of return earned by the defined benefit component of the Primary Plan over the period of time that the AVC contributions had been invested. Funds invested in AVCs earned the Primary Plan's return of (2.7)% in 2020. In 2019, funds invested in AVCs earned the Primary Plan's return of 11.9%.

Retirement Compensation Arrangement (RCA) 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. It is funded on a modified pay-as-you-go basis by equal contributions from participating employers and active members and by the investment earnings of the RCA fund.

Current and future contributions are determined annually 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 FSRA and with the CRA under Registration #1175892.

Until March 31, 2024, 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, 2020 and December 31, 2019, no such agreement existed and hence the Supplemental Plan had no assets, no liabilities and no members.

Primary Plan Funded Status

The Plan's funded status is an indicator of its long-term financial health. During 2020, the Plan's funded ratio remained unchanged at 97%, while its funding deficit decreased from $3.4 billion to $3.2 billion. However, unrecognized investment returns decreased from a cumulative gain of $4.9 billion to a cumulative loss of $4.4 billion. The Plan's funding risk profile deteriorated in 2020 and remains high.

The following table summarizes the Plan's financial condition at December 31, 2020 and 2019:

$ billions unless otherwise indicated	**December 31, 2020**	December 31, 2019
Funding deficit[1]	(3.2)	(3.4)
Funded ratio[2]	97%	97%
Nominal discount rate	5.85%	5.90%
Net assets on a smoothed basis	108.6	103.0
Net assets on a fair value basis	104.2	108.0
Pension obligations	111.8	106.4
Unrecognized investment returns[3]	(4.4)	4.9

[1] The difference between the net assets on a smoothed basis and the pension obligation
[2] Net assets on a smoothed basis divided by the pension obligations
[3] The difference between the net assets on a fair value basis and the net assets on a smoothed basis

The funded ratio and funding deficit are calculated by comparing pension obligations on a going-concern basis to the smoothed value of assets. Under this approach, investment gains (i.e., returns above the Plan's discount rate) or losses (i.e., returns below the discount rate) are smoothed into the value of assets over a five-year period. In doing so, contribution rates can be set, and benefits designed, without putting undue emphasis on short-term investment performance and volatility. The difference between the fair value and the smoothed value of assets is known as unrecognized net investment gains or losses; these unrecognized amounts will be gradually recognized in the smoothed value of assets, the funded ratio and the funding deficit over the next four years.

The funded ratio was stable in 2020 due to the net effects of the following factors:

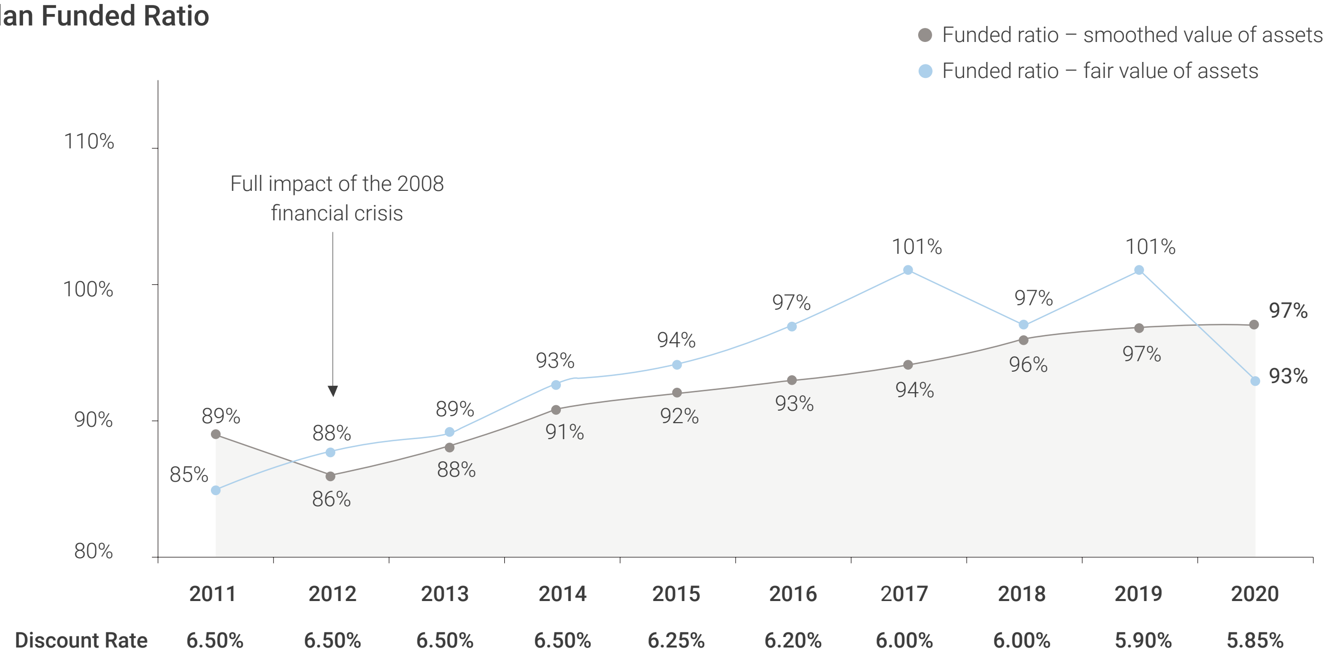
	Funded Ratio %	**Deficit $ billions**
Beginning of year	97	(3.4)
Interest on deficit	n/a	(0.2)
Contributions from members and employers to pay down the deficit	1	0.6
Recognized investment returns above the discount rate	-	0.3
Plan experience and other factors	-	0.3
Reduction in the discount rate by 5 basis points	(1)	(0.8)
End of year	97	(3.2)

Although the funded ratio and funding deficit were relatively stable when comparing 2020 to 2019, both metrics deteriorated when measured on a fair value basis, principally because the Plan's one-year investment return was lower than the year-end discount rate. This resulted in a decrease in the funded ratio calculated on a fair value basis from 101% as at December 31, 2019 to 93% as at December 31, 2020, and a change from a surplus of $1.5 billion calculated on a fair value basis as at December 31, 2019, to a deficit of $7.6 billion as at December 31, 2020.

	December 31, 2020		December 31, 2019	
	Funded Ratio %	**Surplus/(Deficit) $ billions**	Funded Ratio %	Surplus/(Deficit) $ billions
Smoothed basis	97	(3.2)	97	(3.4)
Unrecognized investment gains/losses	(4)	(4.4)	4	4.9
Fair value basis	93	(7.6)	101	1.5

The following chart tracks the funded status of the Plan over the past 10 years on a fair value and smoothed value of assets basis.

Plan Funded Ratio



The funded ratios in the chart above were determined using a progressively lower discount rate starting in 2015. We reduced the inflation component of our discount rate from 2.25% to 2% in 2015 and since then we have reduced the real discount rate by 40 basis points. We intend to keep lowering the real discount rate over time, as a lower discount rate can help make the Plan more resilient to the funding risks we see on the horizon. We are doing this incrementally so that we balance our long-term financial health with benefit and contribution rate stability. Nonetheless, for long-term strategic and risk management purposes, Management values the Plan's pension obligations, measures its financial health and assesses its funding risk using both the current discount rate and a lower target discount rate.

As at December 31, 2020, the Plan's current blended contribution rate of 21.3% of contributory earnings exceeded the minimum funding contribution rate required by law of 20.3%. The normal cost of benefits accruing in 2021 is 18% of contributory earnings.

The table below presents the impact of a five-basis-point reduction in the real discount rate on the following metrics:

	December 31, 2020	December 31, 2019
Pension obligation	+$0.8 billion	+$0.8 billion
Normal cost as a percentage of contributory earnings	+0.2%	+0.2%
Minimum funding requirement	+0.6%	+0.7%

Plan Changes

There were no changes to contribution rates or benefits in 2020. Contribution rates and benefits will remain unchanged in 2021. Pension payments will increase 0.94%, representing 100% of the increase in CPI, consistent with the Plan's text.

As further described in the Highlights section of this Annual Report, the SC approved several changes to plan design in 2020. These changes are intended to increase equity and fairness and to increase flexibility in managing the challenges facing the Plan as described below.

Challenges Facing the Plan

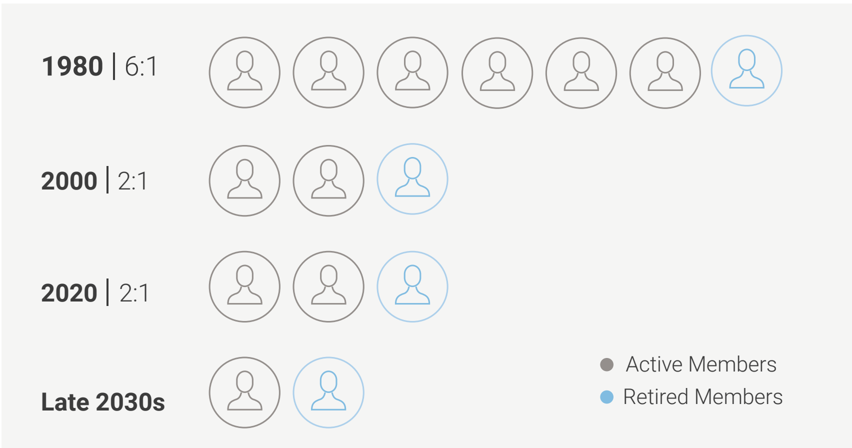
Steps taken by OMERS in recent years to lower the discount rate and change the way that risk is shared between generations of plan members through shared risk indexing help to manage risks that could impair our objective of providing sustainable, affordable and meaningful benefits. However, OMERS funding risk profile deteriorated in 2020 and remains high. The principal factors impacting our funding risk profile are described below.

Increasing Plan Maturity

The OMERS Plan is maturing naturally: its active membership base is declining relative to its retired member population. This maturity could be accelerated by a variety of unexpected circumstances, including increasing longevity, a decline in the growth rate of active membership and shifting retirement patterns.

Previously all plan risk was borne by active members and employers, so plan maturity meant that the cost of funding the Plan was increasingly concentrated in a relatively smaller group of active members. This reduced OMERS capacity to bear risk. The introduction of shared risk indexing improves this capacity: in the future, members receiving benefit payments earned after December 31, 2022 will begin to share in plan risk, as the inflation increases on those benefits will depend on the SC's assessment of the Plan's long-term financial health.

Further, as the ratio of active to retired members continues to decline, annual pension payments will increasingly exceed annual pension contributions; in 2020, these totaled $5.0 billion and $4.3 billion respectively. This increases the Plan's reliance on investment income to pay pensions, making the Plan more vulnerable to economic downturns.



The ratio of active members to retired members is a common measure of plan maturity. Our ratio today is less than 2:1. It is expected to reach less than 1:1 in the late 2030s.

Lower, Uncertain and Volatile Investment Return Expectations

The long-term impacts of COVID-19 on the global economy and on future investing opportunities are uncertain. Global growth could be slow and erratic; many experts forecast that interest rates will remain low for a longer period than previously anticipated; and future long-term investment returns may very well be lower than those achieved in the past 10 years. Should our investment returns underperform our long-term return expectations, as they did in 2020, the Plan could require increased contributions, decreased benefits or both to fund the resulting deficit.

To manage this risk, OMERS regularly monitors the suitability of our investment strategies and periodically conducts asset-liability studies to inform the selection of our asset mix. The last detailed asset-liability study was conducted in 2019.

Adverse Demographic Experience

Demographic experience includes unexpected changes in life expectancy (from increased longevity), salary increases, and member retirement and termination trends. If adverse demographic experience leads to actuarial losses, which result in a change to actuarial assumptions, we would be required to increase the valuation of our pension obligations and, therefore, our funding requirements.

Life expectancy, in particular, has steadily increased over time. This means that retirees collect pensions for longer periods, which increases our pension obligations.

We monitor our demographic experience against actuarial assumptions annually and conduct a detailed experience study at least once every five years, with the most recent study completed in 2018.

Workforce Changes and Trends

Increased automation and movements away from traditional full-time employment are causing changes in workforces. Further, the impact of the pandemic on long-term workforce trends remains uncertain at this time. We plan to conduct a membership study to better understand these shifts and their impact on managing the Plan.

RCA Funding

The RCA is funded on a modified pay-as-you-go basis and unlike the Primary Plan, is not meant to be prefunded given the tax implications of funding non-registered pension plans. It targets a level of funding that ensures that the existing RCA fund, plus projected contributions and projected investment earnings are, in aggregate, sufficient to pay for benefits and expenses for a period of 20 years following the valuation date.

Because the RCA's partial funding model is based on contributions more than investment returns, it is resilient to lower than expected investment returns.

The RCA's primary risk is that contributions collected will be insufficient to meet its 20-year funding target. This risk is compounded by the fact that the level of RCA contributions is dependent on Primary Plan contribution rates and the number of RCA active members.

The RCA is also subject to increasing plan maturity and its associated risks.

OMERS continually monitors these risks. In 2020, we conducted an interim demographic experience study for the RCA, and as a result, we refined the actuarial assumptions used for the RCA's valuation and funding model at December 31, 2020. These assumptions are set out in Note 7 of the financial statements.

At December 31, 2020, the RCA's net assets totaled $175 million (2019 - $162 million) and its accrued pension obligations were $1,152 million (2019 - $928 million).

Investment Results

Net Return

2020: **(2.7)%**

Benchmark: 6.9%
2019: 11.9%
5-year average: 6.5%

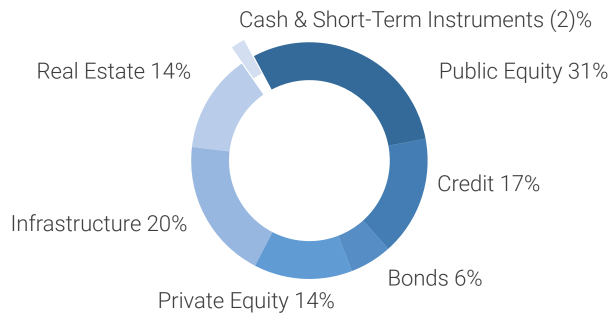
Net Investment Income

$(3.0) billion
2019: $11.4 billion

Net Assets

$107.3 billion
2019: $110.8 billion

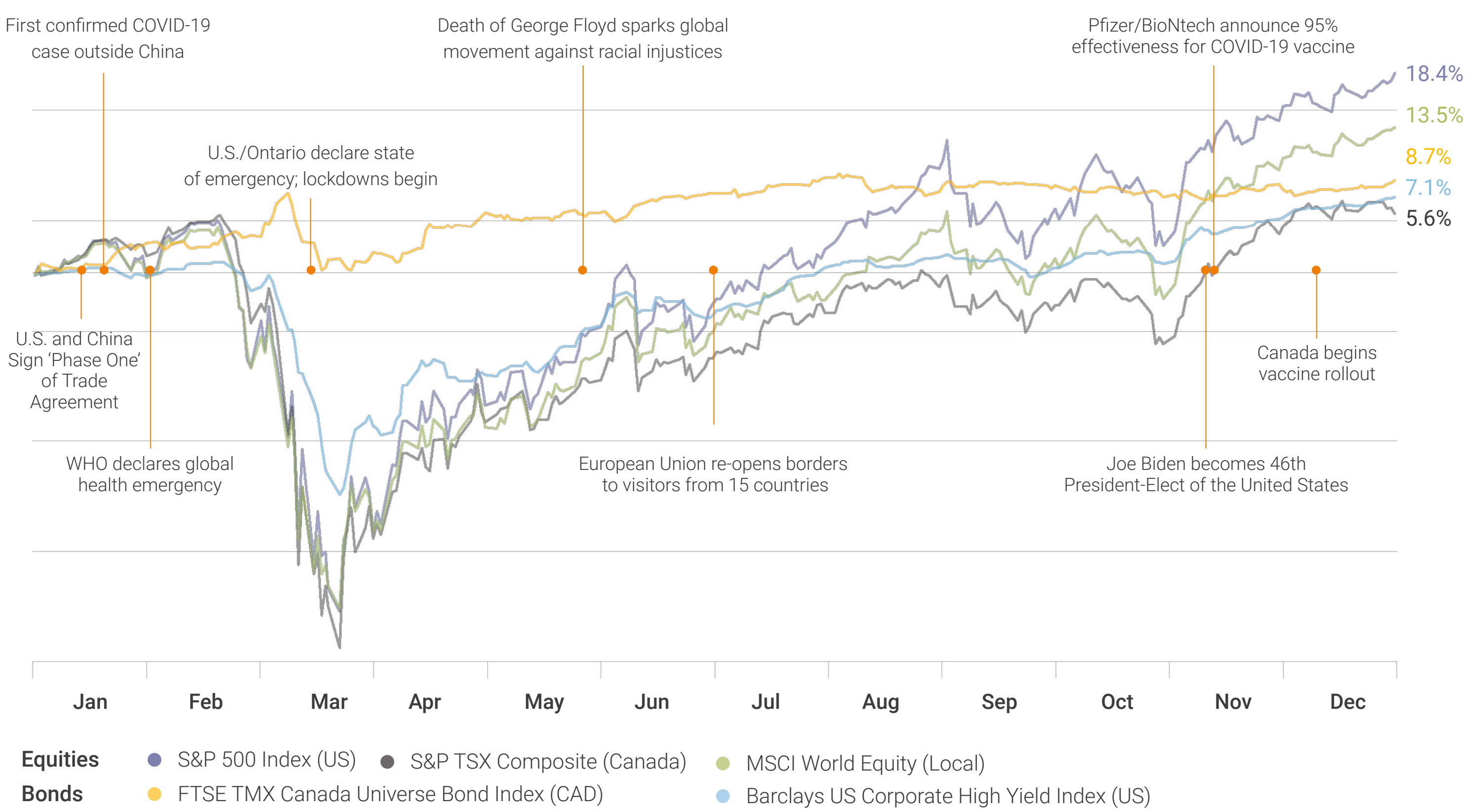
2020 Asset Mix



Economic Environment

The economic environment in 2020 was dominated by the unprecedented and extremely rapid spread of the COVID-19 virus that shuttered economies and disrupted global markets. Lockdowns were quickly enacted around the world and many businesses were forced to temporarily shut down and furlough workers. Financial markets were also heavily impacted by the effects of the global pandemic.

The following chart outlines the significant social, geopolitical and COVID-19 events, and the financial markets indices performance in 2020.



Results

In 2020, the Primary Plan's loss, net of expenses, was 2.7%, or $3.0 billion. This compares to an absolute benchmark, approved by the AC Board in December 2019, of 6.9% or $7.4 billion, and a return of 11.9%, or $11.4 billion in the prior year.

The primary factors explaining this year's negative outcome relative to our benchmark are presented in the Highlights on page 11. Public Investments and our private equity and real estate asset classes significantly underperformed against their benchmarks and prior year performance in 2020. The infrastructure asset class performed strongly in 2020, exceeding its benchmark and continuing to deliver returns similar to 2019.

Investment returns for the Primary Plan and RCA for 2020 and 2019 are included in the table below.

For the years ended December 31,	2020			2019		
	Net Investment Income $ millions	Net Rate of Return %	Benchmark %	Net Investment Income $ millions	Net Rate of Return %	Benchmark %
Bonds	66	1.1		287	3.6	
Credit[1]	(782)	(4.3)		1,331	8.0	
Public Equity[2]	(578)	1.5		5,837	20.3	
Cash and Short-Term Instruments	(457)	n/a		199	n/a	
Total Public Investments	(1,751)	(3.1)	5.5	7,654	16.4	6.0
Private Equity	(1,085)	(8.4)	9.0	637	4.6	11.0
Infrastructure	1,743	8.6	7.8	1,708	8.7	7.9
Real Estate[3]	(1,919)	(11.4)	7.5	1,439	8.3	7.9
Total Primary Plan Fund	(3,012)	(2.7)	6.9	11,438	11.9	7.5
RCA Investment Fund[4]	11	11.6	12.6	17	20.9	21.5

[1] Credit includes private credit investments. These assets have observable public market comparables and are reported with public investments.

[2] Public equities generated a dollar loss with a positive percentage return. This anomaly is the result of standard industry computation methods, which calculate an annual return by averaging each day's return, with each day weighted equally. In this method, one day's significant dollar loss will have a significant impact on cumulative income for the year, but may not result in a negative percentage return if there are enough days with positive returns to offset. This method neutralizes the impact of capital inflows and outflows.

[3] In this MD&A we present our investments and performance by asset class. As such, Oxford Properties' real estate credit business and public equity investment in HKSE-listed ESR Logistics is presented under 'credit' and 'public equity' respectively, and not in 'real estate'. Including the performance of its credit business and investment in ESR Logistics, the Oxford Properties 2020 net loss is -6.8%

[4] Excludes the RCA refundable tax balances with the Canada Revenue Agency. The RCA net rate of return including the refundable tax balance in 2020 is 6.4%, compared to 11.1% in 2019.

Historically, OMERS has hedged a large proportion of our exposure to foreign currency, as a means of protecting our investments from the impact of foreign exchange volatility. During 2020, we saw significant market stress in March and April. At that time, we took a number of actions proactively to enhance and protect the Plan's liquidity from the possibility of further adverse market events — including reducing our foreign currency hedging positions to mitigate against the risk of significant cash outflows, had the Canadian dollar continued to weaken. These prudential actions achieved their objectives, though they resulted in currency losses, as the Canadian dollar appreciated after we reduced our hedges. This activity contributed approximately $2.2 billion to the overall loss this year. These losses predominantly affected the returns of our public investments, and particularly our credit investments; we estimate that our total public investments would have been 3.4% higher without these losses, and specifically our credit investments would have been 6.0% higher. Our foreign investments in the other asset classes remained almost fully hedged throughout the year and were not primarily impacted by the activities described above.

The Plan's Investment Return History

While we measure our investment performance annually, OMERS emphasizes long-term performance as pensions are paid over decades. Consistent long-term performance is important. The adjacent table sets out the Plan's historical returns over relevant multi-year periods.

Net return for the period ending December 31, 2020				
1-Year	3-Year	5-Year	10-Year	20-Year
(2.7)%	3.7%	6.5%	6.7%	6.0%

The negative performance in 2020 had a significant adverse impact on OMERS long-term, historical investment returns, which decreased from 8.2% on a ten-year basis in 2019 to 6.7% in 2020. This level of performance exceeds our year-end 2020 discount rate of 5.85% but is less than the 7% average annual return expectations set out in our Board-approved Statement of Investment Policies and Procedures. We believe that our portfolio and the investment strategies that shape it (summarized in the Highlights section of this Annual Report), are positioned to capture the returns that we expect will become available once the pandemic abates and economic activity recovers. In the meantime, we believe that emphasis on maintaining liquidity and asset diversification and quality remains appropriate.

Asset Allocation and Exposure

Our Board-approved target asset mix is designed to mitigate long-term risk and deliver long-term returns to meet pension obligations: we diversify our assets across asset type, economic sector and geography. Our long-term asset mix is summarized in the chart below.

	2025 Strategy
Fixed Income	**30%**
Bonds	10%
Credit	20%
Equities	**45%**
Public Equities	30%
Private Equities	15%
Real Assets	**45%**
Infrastructure	22.5%
Real Estate	22.5%
Short-Term Instruments (net cash and equivalents and including economic leverage)	**(20)%**
Total	**100%**

Our Asset Classes

Fixed income investments include bonds, both inflation-linked and government, and credit.

Equity investments include public and private equities, either through the purchase of instruments directly, or through the use of derivatives.

Real assets include infrastructure and real estate.

Our net investment asset exposure at December 31, 2020 totaled $107.3 billion (2019 - $110.8 billion), as set out in the table below. Net investment asset exposure at the end of 2020 includes administered funds of $1.5 billion (2019 - $1.6 billion) and non-investment-related balances of $0.2 billion (2019 - $(0.1) billion).

As at December 31,	2020		2019	
	Net Investment Asset Exposure $ millions	Asset Mix %	Net Investment Asset Exposure $ millions	Asset Mix %
Fixed Income				
Bonds	**6,203**	**5.8**	6,211	5.5
Credit	**18,432**	**17.2**	18,310	16.5
	24,635		24,521	
Equities				
Public Equity	**33,193**	**30.9**	31,992	28.9
Private Equity	**14,780**	**13.8**	15,702	14.2
	47,973		47,694	
Real Assets				
Infrastructure	**22,083**	**20.6**	21,348	19.3
Real Estate	**15,047**	**14.0**	17,493	15.8
	37,130		38,841	
Short-Term Instruments				
Cash	**18,320**	**17.1**	12,413	11.2
Economic Leverage	**(20,808)**	**(19.4)**	(12,661)	(11.4)
	(2,488)		(248)	
Total	**107,250**	**100.0**	110,808	100.0

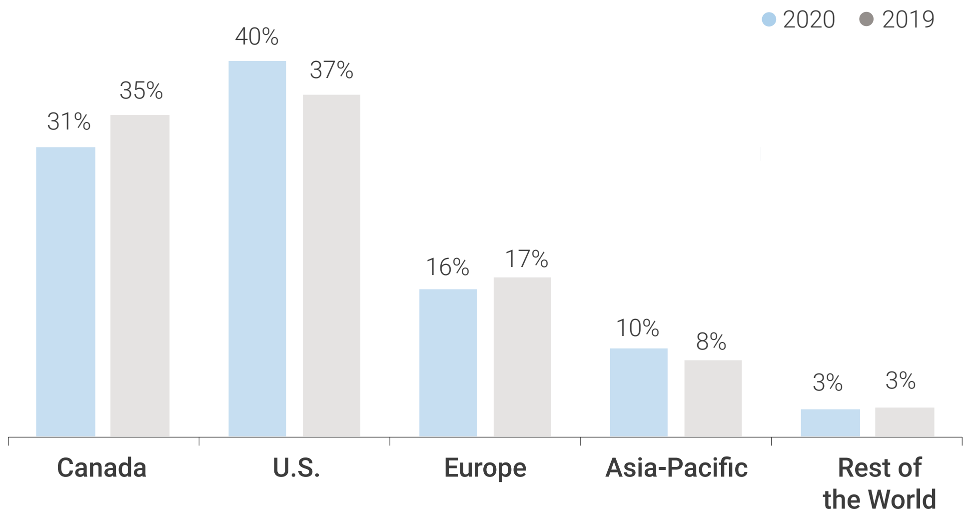
Our asset mix includes physical exposures plus derivative exposures. We include derivative exposures within each asset class and present an offset to "economic leverage," which is the difference between the exposure to an asset class and the fair value of the derivative in that asset class.

Our net investment asset exposure of $107.3 billion at the end of 2020 has decreased $3.5 billion from $110.8 billion at the end of 2019, primarily due to 2020's net investment loss.

Geographic Exposure

The chart below presents the Plan's asset exposure by geography. While Canada continues to offer strong long-term investment opportunities, prudence and related risk-management practices make it appropriate to diversify investments across global markets with different growth profiles. This includes increasing our exposure to the Asia-Pacific region, particularly in Australia, China and India.

Total Fund Exposure[1] as at December 31



[1]Exposures are presented net of financial leverage and before economic leverage.

Currency Exposure

During 2020, foreign exchange gains of $0.8 billion were offset by hedging losses of $3.1 billion, which includes the loss from the appreciation of the Canadian dollar after certain hedges were unwound, as discussed above. Had our foreign exchange exposures been completely unhedged for the full year, we estimate that our 2020 net return would have increased by 2.7%, to approximately 0.0%, ignoring any potential impact from differences in capital availability and deployment.

In 2019, foreign exchange losses of $3.3 billion were offset by hedging gains of $3.1 billion. Had our foreign exchange exposures been completely unhedged for the full year, we estimate that our 2019 net return would have decreased by 3.1% to 8.8% compared to the actual net return of 11.9%. Further, we estimate that our cumulative net return over the past five-year period would have been 0.4% lower had we not hedged our foreign currency exposures. In both cases, these estimates ignore any potential impact from differences in capital availability and deployment.

In February 2021, OMERS adopted changes to our risk appetite and long-term strategic hedge ratio ranges; as a result of these changes, we expect lower hedge ratios for major currencies over time, to a lower bound of 0%.

At December 31, 2020, 71% of our asset exposures were either denominated in, or hedged to, Canadian dollars, compared to 92% at the end of 2019.

Our exposures to currencies, net of any hedging effects, are summarized in the table below:

	2020		2019	
	$ millions	**% of portfolio**	$ millions	% of portfolio
Canadian Dollar	76,154	71	101,496	92
United States Dollar	17,954	17	1,252	1
British Pound Sterling	4,328	4	1,345	1
Euro	197	0	564	1
Australian Dollar	1,114	1	426	0
Other	7,503	7	5,725	5
Total	**107,250**	**100**	**110,808**	**100**

Industry Exposure

OMERS portfolio is diversified across industries. The table below depicts OMERS investment exposure by industry at December 31, 2020 and 2019, net of financial leverage and gross of economic leverage.

As at December 31,	**2020**	2019
Real Estate	**14%**	17%
Financials	**13%**	19%
Utilities	**11%**	10%
Industrials	**11%**	10%
Cash & Equivalents	**10%**	10%
Government	**9%**	6%
Health Care	**8%**	8%
Information Technology	**6%**	7%
Consumer Discretionary	**5%**	3%
Energy	**4%**	5%
Communication Services	**4%**	3%
Consumer Staples	**3%**	2%
Materials	**2%**	2%
Total	**100%**	**100%**

Liquidity and Capital Resources

We manage our liquidity and capital requirements using a diverse set of funding sources, including income generated from investments, the issuance of commercial paper and term debt by OMERS Finance Trust (OFT), maintaining a portfolio of highly marketable securities, the use of derivatives and contributions from our plan members. Our principal liquidity needs include meeting our pension obligations, funding investment acquisitions, meeting collateral demands related to our use of derivatives, and funding investment management and pension administration expenses.

OFT is an independent entity which issues debt unconditionally and irrevocably guaranteed by AC. OFT also extends loans to entities in which AC has a majority economic interest.

As at December 31, 2020, OMERS had $19.5 billion in cash and short-term deposits (2019 - $14.2 billion), $16.5 billion in marketable securities (2019 - $21.5 billion) and $4.1 billion (2019 - $3.8 billion) in undrawn credit facilities held by OFT: a $3.8 billion three-year revolving credit facility, which backstops our commercial paper program; and a €250 million revolving credit facility available for general corporate purposes. OFT entered into the latter facility in 2020 with a group of major financial institutions; this facility matures in May 2022 and is similarly guaranteed by AC.

Also during the year, OFT issued three medium term notes:

Amount (local currency)	Term	Maturity	Coupon
USD $1.0 billion	3 years	2023	1.125%
EUR €1.0 billion	5 years	2025	0.450%
CAD $1.25 billion	7 years	2027	1.550%

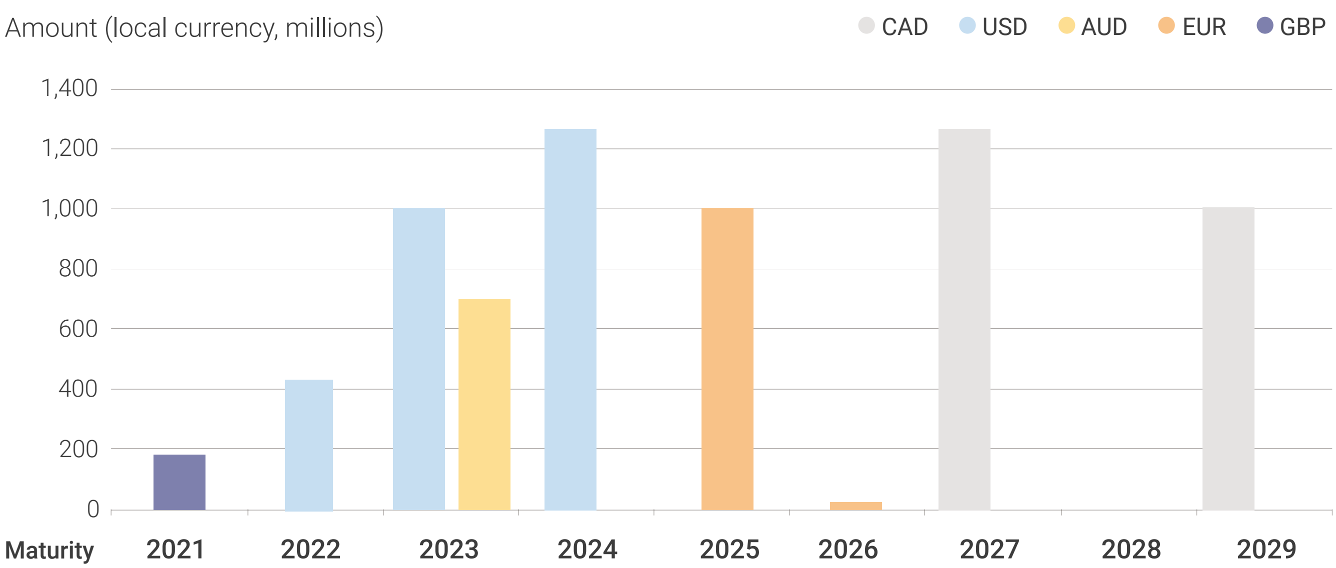
As at December 31, 2020, OFT had $7.0 billion (2019 - $2.7 billion) of outstanding term notes and $2.6 billion (2019 - $3.5 billion) of outstanding commercial paper. OFT can raise additional liquidity through the issuance of debt guaranteed by AC, subject to leverage limits and board approval, including commercial paper and term-debt.

In addition to OFT's guaranteed debt, AC also unconditionally and irrevocably guarantees $1.6 billion (2019 - $0.9 billion) of debt for assets within our infrastructure and real estate businesses. This debt is generally used to fund development projects, credit investments and acquisitions.

Our debt maturity profile is outlined below:

Outstanding Debt Obligations

Debt obligations excluding commercial paper



As at December 31, 2020, the weighted average interest rate on outstanding term-debt was 1.26% (2019 - 2.15%).

We evaluate our 30-day liquidity requirements daily by monitoring a standard liquidity coverage ratio. This evaluation includes stress testing that simulates major market events. On a monthly basis, we evaluate OMERS ability to fund expected cash demands under both normal and stressed conditions using available liquidity sources over a 12-month horizon.

We expect to have sufficient cash on hand to meet liquidity obligations even in the event of a significant market disruption.

OMERS is rated by four credit rating agencies.

Agency	Rating
Fitch Ratings	AAA
DBRS	AAA
S&P Global	AA+
Moody's	Aa1

Investment Management and Pension Administration Expenses

Internal investment management expenses were $276 million in 2020, compared to $581 million in 2019. The reduction of $305 million is mainly driven by lower management compensation due to the OMERS total Plan and business unit returns being lower than their benchmarks for 2020. We also incurred lower expenses for office operating costs, meals and travel due to the pandemic.

In addition to internal investment management expenses, we incurred expenses for external manager performance and pooled fund fees of $106 million in 2020, compared to $111 million in 2019.

These costs aggregate to a management expense ratio of 38 basis points in 2020, compared to 67 basis points in 2019.

In 2020, our pension administration expenses were $94 million, compared to $190 million in 2019. Last year's pension administration expenses included a charge of $92 million relating to systems development.

We have a system of controls designed to ensure that costs are managed prudently, including an annual Board-approved budget for investment management and pension administration expenses, supplemented by quarterly reporting on incurred and forecasted expenses.

Sustainable Investing

As a long-term investor, we focus on identifying and addressing changes that we see or anticipate in the world around us that may affect the value or risk of our investments. This includes frequent review and analysis of rapidly shifting environmental, social and governance (ESG) factors.

We believe that well-run organizations with sound ESG practices will perform better, particularly over the long term. This belief is formalized in our Statement of Investment Policies and Procedures and described in our Sustainable Investing Policy, which applies to all asset classes across OMERS investment portfolio. Central to this policy is our commitment to becoming a leader in sustainable investing.

Our Approach

Sustainable investing at OMERS is grounded in four overarching principles – integration, engagement, collaboration and adaptation. Investment teams in each asset class are responsible for implementing these principles, and their approaches are discussed in the Asset Class Investment Performance section of this MD&A. Sustainability is engrained in our culture and is an integral part of how we invest. A consideration of ESG factors is one of many lenses we use to assess risk and value.

The AC Board approves the OMERS Sustainable Investing Policy on an annual basis, setting our strategic approach, and our senior management is responsible for overseeing its execution. Board members receive regular reporting on our sustainable investing practices, which in 2020, included an in-depth education session on climate change.

Our Sustainable Investing Committee includes representation from across our enterprise and provides a forum to discuss sustainable investing issues, share best practices and advance OMERS knowledge and expertise in these areas.

Integration

ESG factors are integrated into our investment analyses and asset management practices alongside other investment considerations. Our investment approval processes require specific discussion of material ESG risks and opportunities. These factors include climate change, labour practices and human capital, inclusion and diversity, business conduct and board structure, among others.

We believe that as a large institutional investor, we can influence sustainable business practices among our investee companies. We therefore believe that engagement is more impactful than exclusion or divestment. However, we believe there are instances where excluding an industry is appropriate. Based on our criteria, we exclude investments in entities engaged in the manufacturing of the following products:

- Civilian firearms
- Anti-personnel landmines
- Cluster munitions
- Tobacco

Engagement

Our investment teams actively promote sustainable business practices and long-term perspectives through direct engagement with management and boards of directors.

- As investors in publicly traded equities we always exercise our proxy voting rights according to our Proxy Voting Guidelines, which we review and update regularly.
- When investing in private assets we typically acquire governance rights, including board seats. We exert our board-level influence to encourage the investee company to maintain and build on sustainable business practices.

Through this active governance, OMERS influences material ESG performance in our investees' strategies and operations.

Collaboration

We collaborate with like-minded organizations to exchange information and to advocate for better transparency and performance on relevant standards, practices and regulations. We partner with international organizations and like-minded investors to promote collaboration and knowledge-sharing on ESG matters, including:

In 2020:

- OMERS AC CEO Blake Hutcheson joined the CEOs of other large Canadian pension plans in issuing a statement calling for companies to provide consistent and complete ESG information to enable better investment decision-making and capital allocation.
- We continued to formally support the alignment of ESG-related disclosures with standards published by the Sustainable Accounting Standards Board (SASB) and the framework of the Task Force on Climate-related Financial Disclosures (TCFD).
- We advocated to the International Financial Reporting Standards (IFRS) Foundation in support of the creation of a Sustainability Standards Board.
- We worked with our partners in the Investor Leadership Network (ILN) on a report that provides practical tools to support investors in understanding climate-related disclosures of companies and how their decarbonization scenarios align with the Paris Agreement and a pathway to limiting global warming to 1.5°C.

To read the CEO statement, visit omers.com/news.

Adaptation

We recognize that the sustainable investing landscape is rapidly evolving and therefore we are continually assessing and enhancing our capabilities and practices. We remain committed to being transparent and ensuring that our approach remains relevant and effective over time.

For more detail on our sustainable investing activities, including current information on our portfolio, visit omers.com/sustainable-investing.

Climate-Related Disclosures

We endorse the TCFD because we believe that climate change presents both long-term risk and opportunities for the Plan's financial returns. Our TCFD-aligned disclosures follow.

Governance

The AC Board, senior management and our Sustainable Investing Committee all have active governance roles in our approach to climate change. The AC Board approves our strategy and policies in this area, senior management adopts guidelines focusing on our specific approaches to ESG and climate change and the Sustainable Investing Committee brings together representatives from across the enterprise for more in-depth discussion and analysis. In 2020, the Board approved the disclosure of our carbon footprint as well as our portfolio carbon intensity reduction goal described below. To increase its understanding of their responsibilities with respect to this matter, the Board also received in-depth expert advice on the potential investment impacts of climate change.

Strategy

Climate change presents both physical and transition risks to OMERS investment portfolio. Physical risks include the risk of loss due to extreme weather events or longer-term shifts in climate patterns. Transition risks include changes in government policy, regulation, consumer preferences and technology, which may increase the costs of certain assets (e.g., carbon pricing) or their marketability (e.g., stranded assets). These changes may impact the value of our investments.

Attractive investment opportunities continue to arise as renewable, low-carbon and next generation energy projects continue to increase. New technologies – even new industries – could evolve as the world transitions and adapts.

Our approach to climate change is aligned with the four pillars of our Sustainable Investing Framework: **Integration, Engagement, Collaboration and Adaptation.**

One tool we can use to understand how our portfolio is positioned against various future climate states is scenario analysis. This year, we worked with our partners in the ILN on a report that provides practical tools to support investors in understanding climate-related disclosures of companies and how their decarbonization scenarios align with the Paris Agreement commitment to limit the global average temperature rise to 1.5°C. This provides us with strategic insight to aid our analysis of climate impacts on both a sectoral and company-specific basis.

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD is a global standard to promote the enhancement of climate-related disclosures by corporations and other entities. Its framework recommends disclosing details about an organization's governance, strategy, risk management and metrics and targets related to climate change.

Leeward Energy

Risk Management

OMERS has a formal risk framework that governs our approach to identifying and managing risks, including those related to ESG and climate change. We have established a Climate Risk Working Group, comprised of risk professionals from each investment team and representatives from our Sustainable Investing Committee. The mandate of this group includes developing a framework to evaluate climate risk across the portfolio, including our total portfolio carbon footprint.

Where climate change impacts are considered material to a proposed investment, our teams analyze potential impacts to value or to risk—whether positive or negative. They involve internal or external experts as necessary. Each of our asset classes has developed assessment procedures, tailored to their investing approaches and strategies.

We use our influence to address climate change risks specifically through our engagement and proxy voting activities.

Metrics & Targets

In 2020, we continued to evaluate measures to help us understand the implications of climate change to OMERS portfolio. We are disclosing the results of our first total portfolio carbon footprinting exercise based on the recommendations of the TCFD. These carbon footprinting metrics are computed based on assets held as of December 31, 2019 and the most recent emissions data available.

Our methodology:

- Is in line with the TCFD recommendations for Asset Owners and the Greenhouse Gas (GHG) Protocol;
- Includes scope 1 and scope 2 emissions;
- Uses the 'ownership approach,' which sets our proportionate ownership of an asset's carbon footprint equal to OMERS proportionate share of the asset's enterprise value; and
- Used GHG emissions data provided by third-party service provider, S&P Trucost Limited ("Trucost"), an affiliate of S&P Global Market Intelligence, and in some cases this came directly from our portfolio assets. Where emissions were not available, estimates were provided by Trucost based on their Environmentally Extended Input-Output (EEIO) methodology.

This approach allowed us to cover $80 billion of $109 billion of OMERS net assets. Carbon accounting is not relevant for cash and certain securities, including foreign exchange hedging contracts, and these amounts have been excluded. We have also excluded securities not covered by Trucost. Certain security types that were not significant in the OMERS portfolio and where data was not visible were also excluded. For more details on the scope of the analysis and further details on our methodology, check out omers.com/climate-change.

We recognize there are limitations to this approach; it is backward-looking and does not encompass all climate-related risks and opportunities each company faces. Portfolio carbon accounting within the financial industry continues to evolve and iterate to address concerns related to completeness and timeliness of measurement. OMERS participates in those initiatives focused on developing more advanced approaches.

The TCFD recommends that asset owners report on their Weighted Average Carbon Intensity (WACI) as well as consider other metrics. We are reporting on overall carbon footprint and WACI.

Our 2019 carbon footprint metrics are:

58 tCO_2e/$M invested

Carbon Footprint

tonnes of carbon dioxide equivalent (tCO_2e)

199 tCO_2e/$M revenue

Weighted Average Carbon Intensity (WACI)

(weighted by the asset's value / portfolio value)

We engaged PricewaterhouseCoopers LLP, an independent third party, to conduct a limited assurance engagement on our 2019 carbon footprint metrics. Their assurance report is included in the Reference section of this Annual Report on page 135.

Through this initiative, we have gained valuable insight into, and are able to focus on, areas of carbon intensity in our portfolio. It has also allowed us to establish a carbon reduction goal and provided a benchmark for our own progress.

OMERS has

a dedicated and growing allocation to clean energy, which totaled **$3.3 billion** at the end of 2019.

set a goal to decrease the carbon intensity of our portfolio by **20%** by 2025 (based on the WACI metric) using 2019 as the baseline.

Asset Class Investment Performance

Public Investments

Net Return

2020: **(3.1)%**

Benchmark: 5.5%
2019: 16.4%
5-year average: 5.6%

Net Investment Income

$(1.8) billion

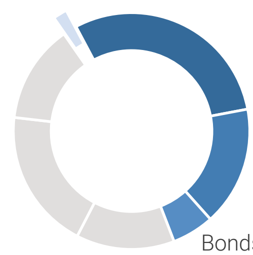
2019: $7.7billion

Net Assets

$55.3 billion

2019: $56.3 billion

Asset Mix Exposure



The Plan's cash balance is included in public investments. This balance fluctuates based on public investment activity, as well as changes in collateral received or pledged, and deployment and divestiture activity in our private investment asset classes. For additional information on our Liquidity and Capital Resources, refer to the Investment Results section in this MD&A.

Investment Approach

Our approach to investing in public investments, which include fixed income and public equities, is to focus on high-quality investments that can generate sustainable income and growth, which we believe results in more consistent returns and lower volatility over a multi-year period. We seek investments in companies with strong balance sheets and resilient business models. We partner with leading businesses, operators and best-in-class investors to access investment opportunities around the world. Our objective is to construct a well-diversified portfolio across geographies, sectors, strategies and income streams, that will deliver long-term, consistent and absolute returns to fund pension liabilities.

2020 Performance

Our public investments generated a net loss of 3.1% in 2020, compared to a net return of 16.4% for 2019 and a benchmark of 5.5%. This represents a net investment loss of $1.8 billion, compared to a net investment gain of $7.7 billion in 2019.

- **Public equities,** which represented 30.9% of OMERS portfolio as at December 31, 2020, compared to 28.9% of the portfolio as at December 31, 2019, gained 1.5% in 2020, compared to 20.3% in 2019. In 2020, our public equity holdings, which include a significant allocation to financials and energy sectors, performed less well than broad public equity indices. The main public indices have large weightings in technology-enabled growth stocks that delivered better returns during the pandemic.

- **Credit investments,** which represented 17.2% of OMERS portfolio as at December 31, 2020, compared to 16.5% of the portfolio as at December 31, 2019, generated a net loss of 4.3% in 2020, compared to a gain of 8.0% in 2019. Our credit portfolio did not experience any significant creditor defaults or payment deferrals in 2020.
- **Bonds** represented 5.8% of OMERS portfolio as at December 31, 2020, compared to 5.5% of the portfolio as at December 31, 2019, and generated net gains of 1.1% in 2020, compared to a gain of 3.6% in 2019. Our portfolio, which had an average duration of four years as at December 31, 2020, did not significantly benefit from the steep drop in long-term bond yields in 2020.

Capital Allocation

Public investments decreased to $55.3 billion from $56.3 billion at the end of 2019 primarily due to losses. In 2020 we also shifted a portion of our public equities to derivative exposure resulting in higher cash. Our overall exposure to public equities increased by $1.2 billion year-over-year, and there were no significant changes to our exposures to bond and credit assets.

Sustainable Investing Activities

Understanding and evaluating the ESG risks and opportunities that our investee companies face are key components of our investment process. Our actions support, and are consistent with, OMERS Sustainable Investing Policy.

- We encourage responsible corporate behaviour and accountability by speaking directly to management teams and boards of directors, where appropriate, to understand how they are managing ESG risks and opportunities.
- We assess climate-related shareholder proposals on a case-by-case basis. We generally support proposals that request enhanced disclosure of information on the impact of climate change on a company's operations, as well as associated policies and procedures to address risks and/or opportunities. In 2020 we supported climate-related shareholder proposals that sought the adoption of targets and/or the disclosure of plans to reduce greenhouse gas emissions in line with the Paris Agreement.
- We cast proxy votes in accordance with our established Proxy Voting Guidelines. We regularly review these guidelines and update them to reflect current issues. We retain flexibility to consider specific circumstances on any matter, so that we can exercise our votes in OMERS best interests. In 2020 we voted on 10,710 proposals, at 1,192 shareholder meetings globally.
- We have made a commitment to the 30% Club, which encourages boards to meet a 30% threshold for female representation, or alternatively to have sufficient policies and targets in place to increase the number of women at both the board and the executive management level. In 2020 we voted against 111 directors based on our gender diversity voting guideline.

Private Equity

Net Return

2020: **(8.4)%**

Benchmark: 9.0%
2019: 4.6%
5-year average: 6.3%

Net Investment Income

$(1.1) billion

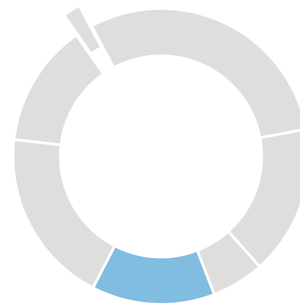
2019: $0.6 billion

Net Assets

$14.8 billion

2019: $15.7 billion

Asset Mix Exposure



Investment Approach

Our approach to investing in private equity is to acquire interests in private companies throughout various phases of the investment lifecycle, including venture, growth and buyout capital across four primary verticals: Business Services, Healthcare, Industrials and Software & Technology - primarily headquartered in North America and Europe.

We invest in companies with solid business fundamentals, strong management teams and opportunities to grow both organically and through acquisitions. Our objective is to generate strong capital returns while appropriately managing risk.

2020 Performance

The private equity asset class net return in 2020 was a loss of 8.4%, compared to a gain of 4.6% in 2019 and our 2020 benchmark of 9.0%. This represents a net loss of $1.1 billion in 2020, compared to net income of $0.6 billion in 2019.

Our private equity return was adversely impacted by the pandemic. The effect of widespread lockdowns impacted businesses across our portfolio, particularly those that are consumer-facing, and slowed down deal activity earlier in the year, causing us to defer exits and acquisitions. Significant measures were taken to support our businesses and mitigate the impact of the pandemic, including optimizing cost structures and working capital and shoring up liquidity. Vue Entertainment, a cinema operator in Europe, was the most significantly impacted investment in the portfolio. Other investments across our four verticals have shown resilience throughout the pandemic or are recovering, operating closer to pre-COVID levels and resuming acquisition activity.

Capital Allocation

Total investments in private equity decreased to $14.8 billion at the end of 2020, compared to $15.7 billion as at December 31, 2019. This decrease was primarily driven by the disposition of National Veterinary Associates (a global owner-operator of veterinary and pet care services organizations) and the net loss of $1.1 billion in 2020 discussed above. These movements were offset by the acquisition of TurnPoint Services (a residential HVAC, plumbing services and electrical services provider in the U.S.).

Sustainable Investing Activities

Our ESG assessment framework is a key step in our diligence process for new investment opportunities. The framework supports and is consistent with the OMERS Sustainable Investing Policy. This robust questionnaire allows us to assess the performance of each target investment against key ESG factors and provides early insights into opportunities where we, as active investors, can support management teams in improving ESG performance. On all new investments, the insights from our ESG diligence are integrated into our value creation plans and help shape the priorities for each business.

New in 2020 was our Private Equity ESG Scorecard, developed to enable a consistent annual evaluation of our portfolio of investments. The Scorecard prioritizes a sub-set of critical ESG factors that both align with OMERS ESG priorities and ultimately enhance the value of each investment. In 2021, insights from these assessments will be integrated into the board agenda and value creation plan for each investment.

While we have been developing our ESG Scorecard, we have continued to work with our portfolio company management teams to advance their ESG agendas. Through our formal board roles and our regular interactions with each business, we have focused on critical ESG factors ranging from cyber security and privacy to carbon footprint, as well as inclusion and diversity. A number of our investments demonstrated their ESG commitment by supporting communities and providing relief programs through the COVID-19 pandemic.

Environmental Resources Management (ERM)

Infrastructure

Net Return

2020: **8.6%**

Benchmark: 7.8%
2019: 8.7%
5-year average: 10.2%

Net Investment Income

$1.7 billion

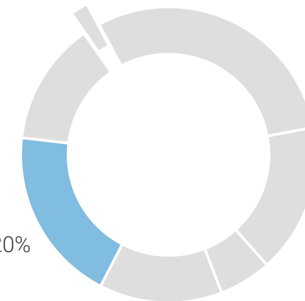
2019: $1.7billion

Net Assets

$22.1 billion

2019: $21.3 billion

Asset Mix Exposure



Investment Approach

Our approach to investing in infrastructure is to seek reliable income and strong cash flows over the long term through investments in large-scale infrastructure services or businesses in energy, including clean power, social infrastructure, transportation and digital infrastructure – primarily in North America, Europe and the Asia-Pacific region.

The infrastructure services or businesses we invest in generally have high barriers to entry and are often highly regulated and supported by long-term arrangements that provide an effective way to manage risk.

We take a patient and disciplined approach to infrastructure investing and we execute on the prudent diversification of our portfolio. We actively manage the absolute and relative exposures, such as the industrial sector, technology, demographics and geography, through dynamic asset and portfolio management.

2020 Performance

The infrastructure asset class net return was 8.6%, compared to 8.7% for 2019 and our 2020 benchmark of 7.8%. This represents net investment income of $1.7 billion in 2020, compared to $1.7 billion in 2019 and an operating cash yield of 4.4% in 2020, compared to 7.1% in 2019.

Our investments in regulatory assets, including power generation and utility distribution, were largely unaffected by the global pandemic and performed strongly as valuations were supported by investor demand for infrastructure assets in these sectors of our portfolio. Our transportation assets were negatively impacted by travel restrictions and stay-at-home orders. Our 2020 return also reflects gains from sales completed or signed during the year.

Capital Allocation

Infrastructure investments increased to $22.1 billion in 2020, up from $21.3 billion in 2019. This increase was primarily attributable to the progress made with our capital deployment strategy. During 2020, we invested in two digital infrastructure assets: Deutsche Glasfaser and inexio (a fibre network operator in Germany) and Covage (a fibre wholesale operator in France). We also continued to invest in regulatory assets through our purchase of a stake in TransGrid (an electricity transmission network in Australia).

We completed the dispositions of our interest in Detroit River Tunnel Partnership (operator of the Detroit River Rail Tunnel), Maple TopCo Limited (a smart-metering business in the U.K.), DoProcess LP (an operating subsidiary of Teranet Inc. focused on real estate conveyance in Canada) and a number of smaller legacy investments throughout the portfolio.

Sustainable Investing Activities

When considering a potential investment, we employ the OMERS Infrastructure ESG assessment framework to review relevant ESG factors. The framework supports and is consistent with the OMERS Sustainable Investing Policy. Where analysis indicates a material ESG risk exists, further investigations are conducted, including using external consultants and subject matter experts where appropriate. The conclusions of the analysis are considered by the relevant investment committees as part of the investment approval process. During 2020 we enhanced our approach to how we evaluate ESG practices adopted by portfolio companies to increase our focus on inclusion & diversity, the impact of climate change and the role portfolio companies play in creating social value.

Post-acquisition, OMERS Infrastructure enhances ESG practices across our portfolio as part of the role we take in the active management of our investments in companies. This role includes having regular direct contact with executive teams, participation on boards and related committees and using our governance rights that are commensurate with our equity positions but include negative control rights. In addition, we appoint independent directors to boards, who bring specialized skills and relevant experience where necessary.

We are proud of the various ESG accomplishments across our portfolio in 2020, and particularly the way our portfolio companies helped their communities navigate COVID-19-related challenges.

Bruce Power

Real Estate

Net Return

2020: **(11.4)%**

Benchmark: 7.5%
2019: 8.3%
5-year average: 5.5%

Net Investment Income

$(1.9) billion

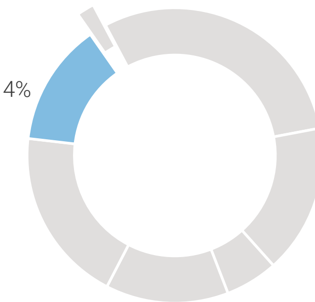
2019: $1.4 billion

Net Assets

$15.0 billion

2019: $17.5 billion

Asset Mix Exposure



Investment Approach

Our approach to investing in real estate is through Oxford Properties Group (Oxford). Oxford is a leading global real estate investment, asset management, development and operations platform. Our approach to investing in real estate is centered on building, buying and growing a network of defined real estate businesses with world-class management teams to meet our capital priorities and deliver sustainable income and capital returns.

Oxford is a disciplined and thematic global real estate investor in high-quality assets in real estate sectors and markets where it can outperform and deliver superior long-term returns. Oxford invests in a diversified portfolio of office, industrial, retail, multi-residential, life sciences, hotel properties, alternative assets, and real estate credits in gateway and growth markets in Canada, the U.S., Europe and Asia-Pacific. Our real estate portfolio consists of 100 million square feet of office, retail and industrial space; 12,200 multi-residential units and 3,000 hotel rooms. Oxford leverages its global experience, scale and network to add value to its investments.

2020 Performance

The real estate asset class net return in 2020 was a loss of 11.4%, compared to a gain of 8.3% in 2019, and our 2020 benchmark of 7.5%. This represents net investment loss of $1.9 billion in 2020, compared to investment income of $1.4 billion in 2019.

Performance in 2020 was impacted by operating weakness and asset valuation decreases primarily in our retail and office portfolios as a direct result of COVID-19, partially offset by strong performance in our industrial businesses. Over the course of 2020, our office, hotel and retail assets experienced closures as part of the global lockdowns. In the wake of these events, Oxford worked closely with our tenants and partners to operationalize government relief initiatives and implement pandemic protocols to ensure the safety of our people, our tenants and our assets.

In this MD&A we present our investments and performance by asset class. As such, Oxford Properties' real estate credit business and public equity investment in HKSE-listed ESR Logistics is presented under 'credit' and 'public equity' respectively, and not in 'real estate'. Including the performance of its credit business and investment in ESR Logistics, the Oxford Properties 2020 net loss is -6.8%.

Capital Allocation

Total investment in real estate decreased to $15.0 billion as at December 31, 2020, compared to $17.5 billion as at December 31, 2019, primarily as a result of the unrealized mark-to-market losses on the portfolio.

In 2020, Oxford continued to execute on its strategy to re-balance the portfolio, increasing exposure to the Asia-Pacific region and the industrial and life sciences sectors. This was done through a number of key acquisitions, including the 15% interest in ESR in Asia-Pacific and a 5% interest in U.S.-based Lineage Logistics (a global cold storage business). Also aligned with our strategy, Oxford successfully executed several office sales transactions across North America, the U.K. and Australia, and finalized the sale of a 75% non-managing interest in its Western Canada resort hotel portfolio.

Oxford also continued to make significant progress on more than 30 active development projects. Notably, Oxford submitted a rezoning application to redevelop Canada Square, the 9.2 acre midtown Toronto site, with a 3 million square foot mixed-use masterplan project, and completed the redevelopment of 388 George Street in Sydney, transforming the 1970s office building into a state-of-the-art mixed-use commercial tower.

Sustainable Investing Activities

We take a leadership approach to sustainability that creates value for our business while doing what's right for our customers and communities. Our ESG practices play an important role as Oxford is committed to creating economic and social value and connecting people to exceptional places.

Oxford's sustainability program is driven by a set of guiding principles based on what matters most to our local stakeholders: Climate & Energy, Well-being, Materials & Resources and Communities.

Here are a few highlights of our sustainability activities:

- We have 23% less carbon emissions on a per square foot basis than in 2015 as we get closer to achieving our goal of 30% by 2025;
- Our rooftop solar footprint now totals 213,000 square feet, working towards our target of 1 million square feet by 2024;
- More than 90% of our buildings have achieved an industry-leading green building certification for their region and asset class; and
- Our sustainability performance was ranked in the top 7% of more than 1,200 funds by the industry-leading Global Real Estate Sustainability Benchmark (GRESB), Global ESG Benchmark for Real Assets.

Learn more about our sustainability efforts in our 2020 sustainability report sustainable.oxfordproperties.com/2020/index.html.

Risk Management

OMERS activities expose us to a broad range of investment and non-investment risks, and therefore our ability to manage these risks is an important capability. Our risk management process, through our "risk appetite statement," defines our risk profile both quantitatively and qualitatively. Management and the Boards of Directors rely on this risk management process to manage the Plan's financial health.

We use a risk framework to manage five key risk categories: Pension, Investment, Operational, Governance and Emerging.

We measure our risk within these categories relative to our risk appetite statement. Doing so assists us in evaluating the Plan's overall risk profile.

> We define risk management as the identification, measurement, mitigation or acceptance of risk.

Risk Governance and Framework

OMERS governance plays a fundamental role in supporting risk management and supports the processes and culture that allow for high-quality decision-making. Our risk culture encompasses the shared values, beliefs and attitudes that shape decision-making and behaviours. OMERS believes that fostering a culture that encourages candour and debate is critical to ensure prudent decision-making. Policies and frameworks articulate our expectations and behaviors for risk-conscious decision-making and include our *Code of Conduct and Ethics*.

The AC and SC Boards have approved OMERS risk frameworks. The risk frameworks describe overall risk management governance and detail the structure for categorizing risks to which the two organizations are exposed. The Boards delegate the day-to-day management of risk to Management. The Chief Risk Officer is responsible for our Risk Management function, which provides independent and objective analysis and risk reporting to both the Executive Leadership Team and to OMERS Boards of Directors. This approach produces a unified risk assessment across both the AC and SC, enabling consistent frameworks to better understand and assess the broad range of risks OMERS faces while also considering opportunities across the two organizations.

The Boards of Directors also approve OMERS risk appetite, which we express through a number of quantitative and qualitative statements that describe the desired level of risk the organization is willing to accept to achieve OMERS strategy and objectives. The Primary Plan risk appetite statement addresses plan risk – also known as funding risk – which is the risk that OMERS is not able to deliver sustainable, affordable and meaningful pensions, which could ultimately result in the need to increase contributions or reduce benefits. Funding risk is inherent in the interaction of five primary risk categories, namely Pension, Investment, Operational, Governance and Emerging risk. "Subsidiary" risk appetite statements address Pension, Investment, Operational and Governance risk at a more granular level.

The risk appetite statements:

- help define the desired level of risk within the Primary Plan and each of the respective risk categories;
- determine the nature, types and degree of risk that OMERS is willing to assume through the articulation of qualitative statements and risk tolerances;

- establish metrics that allow OMERS to quantitatively assess its risk positioning relative to its desired risk appetite, as articulated by the qualitative statements and risk tolerances; and
- provide the Boards and their Committees with the necessary information and transparency required to effectively discharge their risk oversight responsibilities and make key strategic decisions.

We manage our various risks following the "three lines of accountability" approach to ensure clear roles and accountabilities.

1st Line of Accountability **"Risk Owner"**	Refers to groups that perform OMERS primary business activities to fulfil OMERS business objectives. These groups are responsible for identifying and managing risk as part of their accountability for achieving objectives. These include, for example, pension administration and investments.
2nd Line of Accountability **"Risk Partner"**	Refers to groups that provide the policies and frameworks to enable risk and compliance to be managed in the first line and provide risk oversight of those who own the primary business activities. These include, for example, compliance and risk management.
3rd Line of Accountability **Independent Assurance Provider**	Refers to internal audit. This group is an independent, objective assurance and consulting function whose responsibility is to assess OMERS internal controls and to provide recommendations to strengthen controls or improve operating efficiency. Our internal audit function reports directly to the Audit & Actuarial Committee of the AC Board.

Provided in the following pages is a brief overview of each subsidiary risk category, its major components and how we manage specific risks.

Pension Risks

Pension Risk is the risk of significant changes in Plan liabilities and normal cost, or the risk of plan design being inconsistent with design objectives. There are three key elements of Pension risk:

1. the risk of experiencing significant, unexpected changes in OMERS pension liabilities and normal cost due to changes in demographic experience or assumptions;
2. the risk of failing to deliver appropriate value or perceived value to members and employers; and
3. the risk of inequitable sharing of risks across generations and/or across categories of members.

To evaluate and address these risks, we regularly review our assumption-setting philosophy, our assumptions and our methods in accordance with our Funding Policy. We also measure and assess value and equity of the plan design and the actual value that members receive; to help address this risk, in 2020 we adopted "non-full-time expansion", which increases the Plan's equity by allowing all non-full-time employees to elect to join the Plan at any time, effective January 1, 2023, as discussed on page 16 of this Annual Report. Finally, we assess the trade-off that must be made between inter-generational equity and contribution and benefit stability. To help manage this trade-off, in 2020 we adopted "shared risk indexing", which allows both active and retired members to participate in addressing the Plan's long-term financial health, effective January 1, 2023, as discussed on page 16 of this Annual Report. We continually enhance tools, practices and resources to deliver insights and analysis which help inform strategic decisions.

Investment Risks

Investment Risk is the risk that investments will underperform our required return targets. There are four key elements of Investment Risk:

1. risk of permanent loss of capital. To address this risk, we evaluate and assess market risk, credit risk, counterparty risk, foreign exchange risk and valuation risk, typically using quantitative measures. These risks, and our risk management practices, are discussed in further detail in the Consolidated Financial Statements. In 2020, we iterated our value-at-risk models to begin incorporating a multi-time horizon view;
2. risk of an inappropriate risk-and-return trade-off. We consider this risk in our assessment of the ability of the strategic long-term asset mix to achieve OMERS required returns;
3. liquidity risk, the risk of encountering difficulty meeting financial obligations as they come due. We consider both short-term and longer-term liquidity requirements and use liquidity management tools to promote active planning. In 2020, OMERS continued to adapt processes to enable a more holistic Plan-wide view of liquidity risk. We are updating our liquidity risk framework, formalizing our liquidity contingency plan and refining our approach to stress testing; and
4. risk that we are unable to execute our investment strategies, which we analyze qualitatively.

OMERS regularly evaluates and updates its risk appetite to ensure that it remains relevant given OMERS objectives and the environment in which it operates.

Operational Risks

Operational Risk is the risk of loss or other adverse impacts arising from operational failures, such as failure in people, processes, systems and technology infrastructure. The Operational Risk management program has a range of tools and processes that guide how OMERS identifies, evaluates and tracks mitigation activities on an ongoing basis, including regular internal reporting on specific metrics for each area of risk. Examples of important Operational Risks include:

1. process risk, including our ability to efficiently and effectively manage the day-to-day business operations for pension administration and member and employer interactions, including in times of crisis. In 2020, we enacted our business continuity plans successfully by transitioning to work-from-home protocols enterprise-wide, with no impairment to member services, technology infrastructure or financial controls;
2. people risk, including our ability to attract, retain and engage talent to achieve our strategy. This include our ability to achieve a diverse and inclusive workforce and environment. In 2020, we launched a new People Strategy and an Inclusion & Diversity Strategy, both of which address people risk;
3. information technology risk, including our ability to support business activities now and in the future, and our ability to protect our members, our employees, and our investment information from external threats and cyber incidents;
4. legal and compliance risk, and our ability to be compliant with laws and regulations, globally;
5. vendor governance risk, and our ability to manage vendors and mitigate potential exposures to OMERS; and
6. change management risk, including our ability to manage significant project and change initiatives effectively to achieve value.

Governance Risks

Governance Risk is the risk of adverse effects due to OMERS quality of decision-making resulting from its governance structure, processes and culture. In addition to its risk management activities outlined above, both OMERS Boards also conduct an annual assessment of governance risks, including an assessment of board structure, competencies and effectiveness to execute their duties.

Emerging Risks

Emerging Risks are defined as risks that are new, evolving or already known, but which lack specificity and/or are difficult to quantify, and individually or in combination, have the potential to gradually or suddenly impact OMERS ability to achieve its objectives.

Our framework defines six key Emerging Risk dimensions: Economic, Environmental, Geopolitical, Government and Regulatory, Societal and Technological. These dimensions support the identification and classification of emerging trends that are most relevant to OMERS and provide a more structured approach to categorizing trends. Any emerging risk we identify may or may not fall within the other four categories of risk noted above.

> As our context evolves – because of the pandemic and otherwise – OMERS will continue to identify, measure and manage those risks that impact the Plan's long-term financial health and our strategy.

IndInfravit

Reconciliation of Non-GAAP Measures

Reconciliation of Net Investment Assets

The classification and measurement of certain investment assets and investment liabilities in this MD&A differ from the amounts reported in our Consolidated Financial Statements in accordance with GAAP. The following table sets out the reconciliation of Net Investment Assets and Net Investment Liabilities in Note 3 in the Consolidated Financial Statements, to the Net Investment Asset exposure in this MD&A.

		Reclassifications									
Consolidated Financial Statements		Derivative Exposures[1]	Private Credit Funds[2]	Preferred Shares[3]	Corporate Bonds[4]	Public Equity Funds[5]	Recourse Debt[6]	OMERS Return Agreement[7]	Other		MD&A
$millions as at December 31, 2020											
Fixed Income											**Fixed Income**
Inflation- Linked Bonds	**2,514**								(2,514)		
Nominal bonds and Debentures	**4,180**	2,420			(2,524)				2,127	**6,203**	Bonds
Private debt and mortgages	**10,059**	(35)	5,351	1,609	2,524		(1,220)		144	**18,432**	Credit
Equities											**Equities**
Public Equity	**15,586**	18,423		(1,609)		517			276	**33,193**	Public Equity
Private Equity	**20,811**		(5,351)			(517)			(163)	**14,780**	Private Equity
Real Assets											**Real Assets**
Infrastructure	**28,678**						(5,488)	(1,231)	124	**22,083**	Infrastructure
Real Estate	**18,316**						(3,240)	(590)	561	**15,047**	Real Estate
Short-Term Instruments											**Short-Term Instruments**
Cash and Short-Term deposits	**19,467**						(1,273)	(63)	189	**18,320**	Cash
		(20,808)								**(20,808)**	Economic Leverage
Investment Related Assets & Liabilities	**(10,996)**						11,221		(225)	**—**	
Total Net Investment Assets	**108,615**	—	—	—	—	—	—	**(1,884)**	**519**	**107,250**	**Total Net Investment Assets**

[1] Derivatives are measured at their fair value in the Consolidated Financial Statements. In this MD&A, to arrive at the Plan's ultimate exposure by asset class, derivatives are measured at their exposure value. The effect of derivatives exposure is reflected in each asset class, with an offset to economic leverage. Economic leverage is the difference between the exposure to an asset class and the fair value of the derivatives in the asset class.

[2] Private credit funds are classified as private equity in the Consolidated Financial Statements, and are classified as credit in this MD&A.

[3] Preferred shares are classified as public equity in the Consolidated Financial Statements, and are classified as credit in this MD&A.

[4] Corporate bonds are classified as nominal bonds and debentures in the Consolidated Financial Statements, and are classified as credit in this MD&A.

[5] Private funds that are invested in public equities are classified as private equity in the Consolidated Financial Statements, and are classified as public equity in this MD&A.

[6] Recourse debt is classified as investment liabilities in the Consolidated Financial Statements, and is classified in the respective asset classes which the debt is financing in this MD&A.

[7] OMERS has entered into agreements that provide eligible clients with access to the performance of its real estate and infrastructure businesses. The real estate and infrastructure assets are gross of the related liabilities on the Consolidated Financial Statements, and net of the related liabilities in this MD&A.

Reconciliation of Net Investment Income

The following table sets out the reconciliation of Net Investment Income for each asset class and in total, as reported in Note 8 in the Consolidated Financial Statements, to the Net Investment Income in this MD&A.

		Reclassifications									
Consolidated Financial Statements		Derivative Exposures[1]	Private Credit Funds[2]	Preferred Shares[3]	Corporate Bonds[4]	Public Equity Funds[5]	Recourse Debt[6]	Contractual Agreements[7]	Other Items		**MD&A**
In $ millions as at December 31, 2020											
Fixed Income											**Fixed Income**
Inflation-linked bonds	**(156)**	(114)							270	**—**	
Nominal bonds and debentures	**(1,130)**	1,243			27			(1)	(73)	**66**	Bonds
Private debt and mortgages	**185**	(1,203)	84	52	(66)			11	155	**(782)**	Credit
Equities											**Equities**
Public Equity	**(620)**	212		(52)		(80)		8	(46)	**(578)**	Public Equity
Private Equity	**(927)**	19	(84)			80	18	15	(206)	**(1,085)**	Private Equity
Real Assets											**Real Assets**
Infrastructure	**1,856**						26	(133)	(6)	**1,743**	Infrastructure
Real Estate	**(1,989)**						(9)	69	10	**(1,919)**	Real Estate
Cash and short-term deposits	**(195)**	(157)			39		(35)	6	(115)	**(457)**	Cash and Short-Term Instruments
Total Investment Income	**(2,976)**	**—**	**—**	**—**	**—**	**—**	**—**	**(25)**	**(11)**	**(3,012)**	**Total Primary Plan**
Income credited under contractual agreements	**(25)**							25	11	**11**	**RCA Investment Fund**
Net Investment Income (Loss)	**(3,001)**	—	—	—	—	—	—	—	—		

[1] Loss from derivatives for fixed income assets is classified as nominal bonds and debentures in the Consolidated Financial Statements, and is classified based on the asset exposure in this MD&A.

[2] Income from private credit funds are classified as private equity in the Consolidated Financial Statements, and are classified as credit in this MD&A.

[3] Income from preferred shares is classified as public equity in the Consolidated Financial Statements, and is classified as credit in this MD&A.

[4] Losses from corporate bonds is classified as nominal bonds and debentures in the Consolidated Financial Statements, and is classified as credit in this MD&A.

[5] Loss from private funds that are invested in public equities is classified as private equity in the Consolidated Financial Statements, and is classified as public equity in this MD&A.

[6] Interest income related to recourse debt is classified as short-term deposits in the Consolidated Financial Statements, and is classified in the respective asset classes which the debt is financing in this MD&A.

[7] OMERS has entered into contractual agreements to invest funds on behalf of the Board of Trustees of Ryerson University and the Transit Windsor Fund. OMERS has also entered into agreements that provide eligible clients with access to the performance of its real estate and infrastructure businesses. The investment income related to these contracts is reported gross in Total Investment Income in the Consolidated Financial Statements, and net in this MD&A.

Financial Statements
OMERS Administration Corporation

Responsibilities of Management, Actuary and Independent Auditors

The consolidated financial statements of AC have been prepared by AC Management (Management) and approved by the Board of AC (AC 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 adequate systems of internal controls 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 AC's systems of internal controls over financial reporting and disclosure to determine whether these controls are appropriate and operating effectively.

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

The external actuary is appointed by the AC 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 AC Board. 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 AC and its active, deferred and retired members.

The independent external auditors are also appointed by the AC Board. Their responsibility is to report to the AC Board whether in their opinion the consolidated statements of financial position as at December 31, 2020 and 2019 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, 2020 and 2019 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 auditor's 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 AC as of the date and for the periods presented in this Annual Report.

E.M. Blake Hutcheson
Chief Executive Officer

Jonathan Simmons, FCPA, FCA
Chief Financial Officer

Toronto, Ontario
February 24, 2021

ACTUARIAL OPINION

We conducted actuarial valuations as at December 31, 2020 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 (AC). The purpose of the valuations is to fairly present the actuarial funded status of the Primary Plan and the RCA as at December 31, 2020, for inclusion in this Annual Report in accordance with Section 4600 of Part IV of the Chartered Professional Accountants of Canada (CPA Canada) Handbook.

The results of the actuarial valuation of the Primary Plan disclosed total going concern actuarial liabilities of $113,055 million in respect of benefits accrued for service to December 31, 2020 (comprising $111,820 million with respect to the defined benefit component and $1,235 million with respect to the AVC component). The actuarial value of net assets at that date were $109,844 million (comprising $108,609 million with respect to the defined benefit component and $1,235 million with respect to the AVC component), indicating a going concern actuarial deficit of $3,211 million.

The actuarial liability in respect of RCA benefits accrued for service to December 31, 2020, net of the RCA assets, was $977 million. The RCA is not fully pre-funded. 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, 2020 were conducted using the Projected Benefit Method Prorated on Services, and membership data as at October 31, 2020 and financial information as at December 31, 2020 supplied by the AC.

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 are appropriate for the purpose of the valuations;
- the methods employed in the valuations are appropriate for the purpose of the valuations; and
- the valuations have been completed in accordance with our understanding of the requirements of the CPA Canada Handbook Section 4600.

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.

Philip Morse

Philip A. Morse
Fellow, Canadian Institute of Actuaries

Janis Cooper
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 24, 2021

Independent auditor's report

To the Board of OMERS Administration Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of OMERS Administration Corporation and its subsidiaries (together, AC) as at December 31, 2020 and 2019 and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

What we have audited
AC's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of changes in net assets available for benefits for the years then ended;
- the consolidated statements of changes in pension obligations for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of AC in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing AC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate AC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing AC's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 AC’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on AC’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause AC to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within AC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 24, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, (in millions of Canadian dollars)		**2020**		2019
Net Assets Available for Benefits				
Assets				
Investments (note 3)	**$**	**119,611**	$	119,107
Investment-related assets (note 3)		**2,189**		1,749
Contributions receivable				
From employers		**174**		166
From members		**174**		166
Other assets		**352**		658
Total Assets		**122,500**		121,846
Liabilities				
Investment-related liabilities (notes 3 and 4)		**13,185**		8,616
Amounts payable under contractual agreements (note 5)		**3,401**		3,485
Other liabilities		**339**		365
Total Liabilities		**16,925**		12,466
Net Assets Available for Benefits	**$**	**105,575**	$	109,380
Accrued Pension Obligation and Surplus (Deficit)				
Primary Plan (note 6)				
Defined benefit component				
Accrued pension obligation	**$**	**111,820**	$	106,443
Surplus (Deficit)				
Funding (deficit) surplus		**(3,211)**		(3,397)
Actuarial value adjustment to net assets available for benefits		**(4,444)**		4,928
		(7,655)		1,531
Additional Voluntary Contributions component pension obligation		**1,235**		1,244
Accrued Pension Obligation and Surplus (Deficit) of the Primary Plan		**105,400**		109,218
Retirement Compensation Arrangement (note 7)				
Accrued pension obligation		**1,152**		928
(Deficit) Surplus		**(977)**		(766)
Accrued Pension Obligation and Surplus (Deficit) of the Retirement Compensation Arrangement		**175**		162
Accrued Pension Obligation and Surplus (Deficit)	**$**	**105,575**	$	109,380

The accompanying notes are an integral part of these consolidated financial statements.
These financial statements were approved by the Board of Directors on February 24, 2021.
Signed on behalf of the Board of OMERS Administration Corporation

George Cooke
AC Board Chair

Laurie L. Hutchinson
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)		**2020**		2019
Changes Due to Investment Activities				
Net investment (loss) income (note 8)	**$**	**(3,001)**	$	11,455
Total Changes Due to Investment Activities		**(3,001)**		11,455
Changes Due to Pension Activities				
Contributions received (note 10)		**4,415**		4,349
Assumption of City of Toronto Pension Plans		**—**		973
Benefits paid (note 11)		**(5,125)**		(4,646)
Pension administrative expenses (note 12)		**(94)**		(190)
Total Changes Due to Pension Activities		**(804)**		486
Total (Decrease) Increase		**(3,805)**		11,941
Net Assets Available for Benefits, Beginning of Year		**109,380**		97,439
Net Assets Available for Benefits, End of Year	**$**	**105,575**	$	109,380

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

CONSOLIDATED STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the year ended December 31, (in millions of Canadian dollars)	2020	2019
OMERS Primary Pension Plan (note 6)		
Defined Benefit Component		
Accrued pension obligation, beginning of year	**$ 106,443**	$ 99,058
Interest accrued on benefits	**6,239**	5,917
Benefits accrued	**3,642**	3,491
Benefits paid	**(5,046)**	(4,589)
Assumption of City of Toronto Pension Plans	**—**	847
Experience (gains) losses	**(401)**	195
Changes in actuarial assumptions and methods	**139**	—
Reduction of the discount rate	**804**	1,524
Accrued Pension Obligation, End of Year	**111,820**	106,443
Additional Voluntary Contributions Component		
Additional Voluntary Contributions obligation, beginning of year	**1,244**	1,023
Contributions	**78**	127
Withdrawals	**(53)**	(34)
Attributed net investment (loss) income	**(34)**	128
Additional Voluntary Contributions Obligation, End of Year	**1,235**	1,244
Retirement Compensation Arrangement (note 7)		
Accrued pension obligation, beginning of year	**$ 928**	$ 851
Interest accrued on benefits	**29**	27
Benefits accrued	**27**	26
Benefits paid	**(26)**	(23)
Experience (gains) losses	**(22)**	47
Changes in actuarial assumptions and methods	**216**	—
Accrued Pension Obligation, End of Year	**$ 1,152**	$ 928

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

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

OMERS Primary Pension Plan

The Primary Plan is a multi-employer, jointly sponsored pension plan, created in 1962 by an act of the Ontario Legislature, 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. It is registered with the Financial Services Regulatory Authority of Ontario (FSRA) and with the Canada Revenue Agency (CRA) under Registration #0345983.

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

In June 2020, SC approved five changes to the Primary Plan. These changes take effect on two different dates and do not impact the current year's accrued pension obligation. The following three changes were effective June 24, 2020:

1. Extending the deadline to complete a leave purchase by one year for members who return from a leave of absence in 2020 or 2021, to December 31, 2021 or 2022, respectively;
2. Reducing or eliminating the 36-month employment requirement for purchases of periods of reduced pay, subject to changes to the Income Tax Regulations; and
3. Allowing members to purchase credited service for periods of absence due to temporary layoffs that were initiated in 2020 or 2021. The service can be purchased at two times contributions.

The following two changes will be effective January 1, 2023:

4. Removing the current eligibility requirement for non-full-time employees to join the Plan, so that all non-full-time employees may elect to join the Plan at any time.
5. Providing the option to SC Board, based on its annual assessment of the Primary Plan's health and viability, to reduce future inflation increases on benefits earned after December 31, 2022 (Shared Risk Indexing). This change does not affect benefits earned before that date.

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. AC determines the regulatory minimum and maximum funding requirements in accordance with the PBA and the ITA. SC sets actual contribution rates.
- Pensions: The Primary Plan is designed to provide lifetime defined benefit pensions. These pensions are calculated as a percentage of the member's annual earnings averaged over the highest 60 consecutive months, multiplied by years of credited service.
- Normal Retirement Age: The normal retirement age (NRA) is 65 years for all Primary Plan members, except for police officers and firefighters, who generally have a normal retirement age of 60 years. Effective January 1, 2021, an OMERS employer can elect to provide NRA 60 benefits to all or a class of paramedics. For unionized employees, access to NRA 60 benefits are subject to negotiation between employer and unions.
- Death Benefits: Death benefits are payable upon the death of a member to a surviving spouse, eligible dependent children, a designated beneficiary, or the member's estate. Depending upon eligibility requirements, the benefits may be paid in the form of a survivor pension, lump sum payment or both.
- Escalation of Pensions: Inflation protection increases pensions each year, based on the increase in the Canadian Consumer Price Index (CPI), as follows:
    - Benefits earned on or before December 31, 2022 receive full inflation protection, up to a maximum increase of 6%. Any excess is carried forward so it can be used in later years when the CPI increase is less than 6%.
    - Benefits earned on or after January 1, 2023 are subject to Shared Risk Indexing.
- 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 received or investment income earned. The operations of certain entities holding private equity, infrastructure, private credit or real estate investments may be taxable.

The AVC component of the Primary Plan permits members to make additional voluntary contributions on which the member earns the net investment return of the Primary Plan. The liability of the Primary Plan, with respect to the AVC component, is equal to members' AVC contributions plus (if positive) or minus (if negative) the net investment rate of return earned by the defined benefit component of the Primary Plan over the period of time that the AVC contributions had been invested.

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. It is funded on a modified pay-as-you-go basis by equal contributions from participating employers and from active members and by the investment earnings of the RCA fund.

Current and future contributions are determined annually 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 the 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 FSRA and with the CRA under Registration #1175892.

Until March 31, 2024, 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, 2020 and December 31, 2019, no such agreement existed and hence the Supplemental Plan had no assets, no liabilities and no members.

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

These financial statements include the financial position, changes in net assets available for benefits and changes in pension obligations of AC and of the OMERS Pension Plans. They also provide disclosures required by regulation 909 under the PBA.

Certain comparative figures have been restated to conform to the current year's presentation. This includes Note 3D, where the fair value of derivative assets and liabilities as at December 31, 2019 are each $662 lower than previously presented, with no change to the net derivatives balance. This change reflects a change in Management's definition of the unit of measurement for derivative contracts.

Use of Estimates and Judgments

Preparing consolidated financial statements requires AC Management (Management) to make estimates, judgments and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued pension obligations and related disclosures. Actual results could differ from these estimates. Areas of significant accounting estimates and judgment include the valuation of real estate, infrastructure, private equity, private debt investments, derivatives and pension obligations. The global health pandemic created by the spread of COVID-19 (Pandemic) has caused global economic disruption and uncertainty, amplifying the uncertainty related to estimates and assumptions used in the determination of fair values of investment assets. In all cases, Management's estimates are sensitive to key assumptions and drivers that are subject to material change, and Management continues to monitor developments in these inputs.

Investments and Valuations

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; 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. The determination of fair value is based on market conditions at a specific point in time and may not reflect future fair values.

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) Inflation-linked bonds, nominal bonds and debentures are valued at year-end quoted market prices, where available, based on quotes from industry standard sources. Public equities are valued using quoted market exchange prices.
(iii) For investments whose quoted market prices are not available, such as mortgages and private debt, values are estimated using discounted cash flows based on current market yields for comparable securities, independent asset appraisals and financial analysis.
(iv) Investments with externally-managed hedge funds, whose individual securities valuations are not available to AC, are recorded based on the values provided by the fund manager, after Management evaluates these for reasonability.
(v) The 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.
(vi) Investments in private equity, infrastructure and real estate assets, held either directly or through limited partnership arrangements, generally do not have a publicly-available market price. For such investments, the completion of a recent 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.

Management values private investments as follows:

a) 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 using discount rates that reflect the risk inherent in the projected cash flows. Discount rates and projected cash flows are based on internal assumptions and external inputs; and/or
    - assessing the valuation against the value of comparable publicly listed investments, where applicable.
b) For non-operating and start-up directly-held private investments, the value is held at cost until there is evidence to support a change in valuation.
c) For a private fund investment, where AC’s ability to access information on underlying individual fund investments is restricted, such as under the terms of a limited partnership agreement, the investment's value 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.

For each significant private investment, Management engages accredited, independent external valuation experts, to assess the reasonableness of the investment's valuation, at least once every three years.

Derivative Financial Instruments

Derivative financial instruments are financial contracts, the value of which are derived from changes in prices of underlying assets or indices. Derivative transactions are conducted in over-the-counter markets directly between two counterparties or are cleared through clearinghouses, or on regulated exchange markets. AC uses derivative financial instruments to manage the Primary Plan's asset mix and to assist in managing the exposure to market risk by increasing or decreasing foreign currency, interest rates, credit or price risk, without directly purchasing or selling the underlying assets or currencies.

The fair value of derivative contracts are presented in the Consolidated Statement of Financial Position. These fair values represent the cost of replacing all outstanding contracts under current market conditions. Contracts with a positive fair value are recorded as derivative assets in the 'investment-related assets' category, and contracts with a negative fair value are recorded as derivative liabilities in the 'investment-related liabilities' category. Management nets both legs of a swap contract into one unit of measurement.

Net Investment Income (Loss)

Investment income (loss) includes accrued interest, dividends and real estate rental income. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of investments are recognized in net investment income.

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 estimates of fair values change.

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' in Note 8 – Net Investment Income (Loss) as incurred.

External Manager Fees

The base fees payable to external managers for managing certain of AC's investment portfolios are recognized 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 AC's investment return from the fund is net of fees, are expensed in 'Investment Income' as incurred.

Investment Liabilities

Investment liabilities include commercial paper, term notes, and other debt obligations with recourse to AC. These obligations are issued by OMERS Finance Trust (an entity whose beneficiaries are subsidiaries of AC) (OFT), and by entities in which AC has invested. Investment liabilities also include the obligations in respect of securities sold under agreements to repurchase. Under these agreements, AC sells securities and simultaneously agrees to buy them back at a specified price at a future date.

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. AC's own credit risk is considered when estimating the fair value of investment liabilities.

Liabilities incurred by entities in which AC has invested are netted against investment assets, even when the investment is in an entity over which AC has effective control or can exercise significant influence, except for those liabilities which have recourse to AC.

Pending Trades

Pending trades include accrued receivables and payables from unsettled transactions.

The fair values of amounts due 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 foreign exchange rate. 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). When an investment denominated in a foreign currency is sold, the realized foreign exchange gain or loss is also recognized in 'Net Gain (Loss) on Investment Assets, Liabilities, and Derivatives' in Note 8 – Net Investment Income (Loss), based on the foreign exchange rate at the settlement date.

Accrued Pension Obligation

The value of the accrued pension obligation of the Primary Plan’s defined benefit component is based on an actuarial valuation prepared by an independent firm of actuaries, using the Projected Benefit Method Prorated on Services. This accrued pension obligation is measured in accordance with accepted actuarial practice in Canada using actuarial assumptions and methods adopted by AC 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 equals members' AVC contributions plus or minus the net investment rate of return earned by the defined benefit component of the Primary Plan over the period of time that the AVC contributions have been invested.

The valuation methodology used to estimate 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, while recognizing the difference in the tax treatment. 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 to assess the funded position of the Primary Plan, including the determination of minimum contributions required by law. The actuarial value adjustment to the fair value of net assets is equal to the amount of net investment returns above or below the discount rate that is being smoothed and recognized over a five-year period. The fair value of net assets available for benefits is adjusted by the actuarial value adjustment to arrive at the actuarial value of net assets.

Surplus (Deficit)

For presentation in the financial statements, 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 presentation of the RCA's financial statements, the surplus (deficit) 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 active members are recorded on an accrual basis. Service purchases including 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 as received.

Benefits

Benefit payments to retired members are recorded as they become due. Commuted value payments and transfers to other pension plans are recorded in the period in which AC is notified of the request. 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. Administrative expenses are recorded on an accrual basis. Direct pension administration expenses include expenses to provide direct services to OMERS Pension Plans members and employers. Direct investment management expenses include expenses for 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

In recent years, global regulators have prioritized the reform and replacement of benchmark interest rates such as USD LIBOR, GBP LIBOR and other interbank offered rates (IBORs). As a result, public authorities and other market participants are selecting new benchmark interest rates in key currencies with the objective that such rates will be based on liquid underlying market transactions. With this reform, the IASB has provided amendments to IFRS 9 - Financial Instruments, IFRS 7 - Financial Instruments: Disclosures and IAS 39 - Financial Instruments: Recognition and Measurement. The amendments are effective for annual periods beginning on or after January 1, 2021 and are to be applied retrospectively. These changes may impact the fair value of investment assets and liabilities and financial instruments. Management is currently assessing the impacts of the amendments on the AC financial statements.

NOTE 3

A. Investments by Fair Value and Cost

Investments and investment related assets and liabilities by fair value and by cost are as follows:

As at December 31,	2020		2019	
	Fair Value	**Cost**	Fair Value	Cost
Fixed Income				
Inflation-linked bonds	**$ 2,514**	**$ 2,363**	$ 2,707	$ 2,602
Canadian nominal bonds and debentures	**2,660**	**2,583**	1,783	1,785
Non-Canadian nominal bonds and debentures	**1,520**	**1,571**	2,553	2,570
Private debt and mortgages	**10,059**	**10,361**	8,446	8,385
Total Fixed Income	**16,753**	**16,878**	15,489	15,342
Equities				
Public Equity				
Canadian public equities	**4,851**	**4,728**	6,902	6,688
Non-Canadian public equities	**10,735**	**9,206**	14,178	12,410
Total Public Equity	**15,586**	**13,934**	21,080	19,098
Private Equity (i)				
Canadian private equities (ii)	**2,434**	**2,726**	2,688	3,558
Non-Canadian private equities	**18,377**	**17,270**	19,873	16,979
Total Private Equity	**20,811**	**19,996**	22,561	20,537
Total Equities	**36,397**	**33,930**	43,641	39,635
Real Assets				
Infrastructure investments	**28,678**	**27,197**	25,292	24,205
Real Estate investments	**18,316**	**16,886**	20,497	15,974
Total Real Assets	**46,994**	**44,083**	45,789	40,179
Short-Term Instruments				
Cash and short-term deposits (iii)	**19,467**	**19,468**	14,188	14,194
Total Investments	**119,611**	**114,359**	119,107	109,350
Investment-Related Assets				
Investment receivables	**339**	**339**	322	322
Deferred assets, prepaid and other	**54**	**82**	49	81
Derivatives	**1,609**	**469**	1,236	268
Pending trades	**187**	**187**	142	142
Total Investment-Related Assets	**2,189**	**1,077**	1,749	813
Investment-Related Liabilities				
Investment liabilities (note 4)	**(12,348)**	**(12,268)**	(8,082)	(8,128)
Derivatives	**(658)**	**(339)**	(384)	(115)
Pending trades	**(179)**	**(179)**	(150)	(150)
Total Investment-Related Liabilities	**(13,185)**	**(12,786)**	(8,616)	(8,393)
Net Investment Assets	**$ 108,615**	**$ 102,650**	$ 112,240	$ 101,770

(i) Includes venture capital investments of $1,102 (December 31, 2019: $876).

(ii) Includes resource properties with a total fair value of nil (December 31, 2019: $33).

(iii) Includes restricted cash of $121 (December 31, 2019: $125).

B. Investment Fair Value Hierarchy

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

Level 1

Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities 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 short-term deposits, debt securities and derivative contracts not traded on a public exchange, public fund investments and investment-related liabilities, including debt and securities sold under repurchase agreements.

Level 3

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

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

As at December 31,				**2020**
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed Income	**$ —**	**$ 6,694**	**$ 10,059**	**$ 16,753**
Public Equity	**15,310**	**43**	**233**	**15,586**
Private Equity	**113**	**955**	**19,743**	**20,811**
Infrastructure	**—**	**—**	**28,678**	**28,678**
Real Estate	**—**	**—**	**18,316**	**18,316**
Short-Term Instruments	**1,171**	**18,296**	**—**	**19,467**
Investment-Related Assets	**21**	**2,168**	**—**	**2,189**
Investment-Related Liabilities	**(89)**	**(13,096)**	**—**	**(13,185)**
Net Investment Assets	**$ 16,526**	**$ 15,060**	**$ 77,029**	**$ 108,615**

As at December 31,				2019
	Level 1	Level 2	Level 3	Total
Fixed Income	$ —	$ 7,043	$ 8,446	$ 15,489
Public Equity	21,080	—	—	21,080
Private Equity	79	1,094	21,388	22,561
Infrastructure	—	—	25,292	25,292
Real Estate	—	—	20,497	20,497
Short-Term Instruments	455	13,733	—	14,188
Investment-Related Assets	8	1,741	—	1,749
Investment-Related Liabilities	(100)	(8,516)	—	(8,616)
Net Investment Assets	$ 21,522	$ 15,095	$ 75,623	$ 112,240

(b) The following table presents the changes in Level 3 investments for the year ended December 31, 2020:

	Fair Value Dec 31, 2019	Included in Total Investment Income (Loss)(i)	Transfers In(ii)	Transfers Out(ii)	Purchases	Sales and Return of Capital(iii)	Fair Value Dec 31, 2020	Unrealized Gains (Losses) Attributable to Investments in the year(i) (v)
Fixed Income	$ 8,446	$ 191	$ 50	$ —	$ 2,949	$ (1,577)	$ 10,059	$ (388)
Public Equity	—	(10)	—	—	248	(5)	233	(13)
Private Equity	21,388	(700)	—	(7)	2,117	(3,055)	19,743	(1,271)
Infrastructure	25,292	2,606	—	—	4,726	(3,946)	28,678	437
Real Estate	20,497	(1,729)	—	—	2,906	(3,358)	18,316	(2,457)
Total	$ 75,623	$ 358	$ 50	$ (7)	$ 12,946	$ (11,941)	$ 77,029	$ (3,692)

The following table presents the changes in Level 3 investments for the year ended December 31, 2019:

	Fair Value Dec 31, 2018	Included in Total Investment Income (Loss)(i) (iv)	Transfers In	Transfers Out(ii)	Purchases	Sales and Return of Capital(iii) (iv)	Fair Value Dec 31,2019	Unrealized Gains (Losses) Attributable to Investments in the year(i) (v)
Fixed Income	$ 7,588	$ 294	$ —	$ —	$ 2,535	$ (1,971)	$ 8,446	$ (224)
Private Equity	19,064	364	—	—	5,038	(3,078)	21,388	(195)
Infrastructure	20,796	1,293	—	—	5,325	(2,122)	25,292	(722)
Real Estate	22,110	1,065	—	(21)	1,432	(4,089)	20,497	(172)
Total	$ 69,558	$ 3,016	$ —	$ (21)	$ 14,330	$ (11,260)	$ 75,623	$ (1,313)

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

(ii) Transfers into Level 3 were primarily due to changes in the market observable inputs used to determine fair value (December 31, 2019: nil). Transfers out of Level 3 into Level 1 was due to a private investment becoming publicly traded.

(iii) Includes realized foreign exchange gains and losses.

(iv) For 2020 presentation we have redefined and relabeled the columns in this table from 2019's presentation. As a result we have reclassified certain 2019 amounts from 'Sales and Return of Capital' to 'Included in Total Investment Income (Loss)', as follows: Fixed Income $505, Private Equity $461 and Real Estate $970.

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

There were no transfers between Level 1 and Level 2 in either of the years ended December 31, 2020 and 2019.

(c) Fair Value Assumptions and Sensitivity

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

Private equity valuation inputs include earnings multiples. All else being equal, higher multiples equate to higher fair values, and vice versa.

The following table presents the sensitivity of Level 3 investments' valuations to reasonably possible alternative assumptions for asset categories where such reasonably possible alternative assumptions would change the fair value significantly. These sensitivities are hypothetical and should be used with caution. The impact to the valuation from such changes to the significant input has been calculated independently of the impact of changes in other key variables. In actual experience, a change in 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,				**2020**	2019
	Significant Inputs	**Range of Inputs**	**Increase/ Decrease in Significant Inputs**	**Decrease/ Increase in Net Investment Assets**	Decrease/ Increase in Net Investment Assets
Private credit	Discount rate	1.2% - 16.4% (2019: 2.3% - 11.6%)	25 bps	$ 50	$ 40
Private equity - core direct investments	EBITDA multiple	5.5X - 19.7X (2019: 6.6X - 19.7X)	0.50x	630	715
Infrastructure investments	Discount rate	6.5% - 15.8% (2019: 7.4% - 15.8%)	25 bps	1,220	1,140
Real estate investments	Discount rate	4.7% - 10.5% (2019: 4.3% - 9.7%)	25 bps	590	720

The above sensitivity analysis excludes investments totaling $6,144 (December 31, 2019: $6,330) for which AC does not have access to the underlying investment information. For those investments, fair values are 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.

C. Significant Investments

Investments with either a fair value or cost exceeding one per cent of the fair value or cost of total net investment assets are as follows:

As at December 31,		**2020**			2019	
	Number of Investments	**Fair Value**	**Cost**	Number of Investments	Fair Value	Cost
Public Investments	**1**	**$ 2,083**	**$ 1,351**	—	$ —	$ —
Private Investments	**11**	**14,675**	**13,490**	11	15,959	13,171
Total	**12**	**$ 16,758**	**$ 14,841**	11	$ 15,959	$ 13,171

Public investments included in the table above are an interest in an integrated logistics company.

Private investments included in the table above are ownership interests in Associated British Ports, Bruce Power, Ellevio, Lifelabs, London City Airport, ONCOR, Puget Energy, Scotia Gas Networks, SFR FttH, Teranet and real estate ownership interests in Yorkdale Shopping Centre.

The effective date of the most recent valuation for the above listed investments was December 31, 2020.

D. Derivative Financial Instruments

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

As at December 31,	**2020**			2019		
		Fair Value			Fair Value	
	Notional Value	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Fixed Income						
Interest Rate Contracts						
Interest rate swap contracts	**$ 198**	**$ 3**	**$ —**	$ 1,029	$ 2	$ —
Bond index swap contracts	**127**	**3**	**—**	545	9	—
Inflation swaps	**—**	**—**	**—**	337	2	(1)
Interest rate swaptions						
- written	**—**	**—**	**—**	2,658	—	(17)
- purchased	**637**	**—**	**—**	9,584	31	—
Bond futures	**2,856**	**1**	**—**	1,030	1	—
		7	**—**		45	(18)
Credit Default Contracts						
Credit default swaps	**1,697**	**—**	**—**	3,440	8	(3)
Credit swaptions						
- written	**3,376**	**—**	**(3)**	—	—	—
- purchased	**3,376**	**9**	**—**	—	—	—
		9	**(3)**		8	(3)
		16	**(3)**		53	(21)
Equities						
Equity Contracts						
Equity index futures contracts	**3,533**	**13**	**(7)**	4,228	5	(17)
Equity index swap contracts	**6,742**	**258**	**(72)**	3,748	88	(19)
Equity swap contracts	**11,052**	**322**	**(123)**	4,206	70	(31)
Equity index options						
- written	**13,448**	**—**	**(164)**	3,415	—	(76)
- purchased	**15,552**	**224**	**—**	5,884	171	—
		817	**(366)**		334	(143)
Commodity Contracts						
Commodity futures contracts	**1,584**	**7**	**(6)**	1,620	3	(17)
		7	**(6)**		3	(17)
		824	**(372)**		337	(160)
Foreign Exchange Contracts						
Currency options						
- written	**3,389**	**—**	**(48)**	1,639	—	(5)
- purchased	**5,354**	**19**	**—**	3,587	25	—
Foreign exchange forward contracts	**42,958**	**750**	**(235)**	82,991	821	(198)
		769	**(283)**		846	(203)
Total		**$ 1,609**	**$ (658)**		$ 1,236	$ (384)

E. Investment Risk

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

The AC Board of Directors, through its Investment Committee, determines the acceptable level of investment risk to be taken. This committee reviews and recommends the long-term asset mix to the Board for approval. Primary accountability for managing risk, within the Board's authorized parameters, is delegated by the Board to the CEO, who further delegates the responsibility to business leaders. The Chief Risk Officer 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. Accountability for managing investment risks remains with the business units and functions responsible for making investment decisions.

AC’s investments are diversified among major asset classes. Investment teams execute specific strategies 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 Pandemic, and the resulting economic conditions, may materially and adversely impact AC's investment portfolio, AC's counterparties' ability to service their loan obligations and AC's sources of liquidity. The Pandemic's impact on the financial markets are highly uncertain and AC continues to monitor the risks arising from the Pandemic.

AC manages market, credit and liquidity risk as follows.

a) Market Risk

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

To address market risk, investment teams employ tactics and strategies designed to measure, manage and monitor the risks and to ensure the risks taken are commensurate with their expected returns. The investment teams monitor key market risk metrics such as volatility, drawdown, interest rate sensitivity, duration, credit spread risk, credit ratings, and foreign exchange exposures to assess the sensitivity of the total portfolio to each type of market risk. Actions will be taken to adjust portfolio exposures if risk sensitivities exceed the desired level or contradict the investment team’s market view. At the security level, the investment teams develop fundamental or quantitative models to help assess the fair value of each security. When the observed price significantly deviates from a security’s fair value, the portfolio manager may take action to reduce or increase position sizes.

(i) Foreign Exchange Rates

AC pays pensions in Canadian dollars and manages a highly diversified portfolio of long-term investments, some of which are denominated in foreign currencies. AC assumes foreign exchange risks and manages a proportion of its exposures associated with foreign currency-denominated investments using forward contracts. Net investment assets by currency, after the impact of currency hedging, are as follows:

As at December 31,	**2020**		2019	
	Fair Value By Currency		Fair Value By Currency	
Currency	**Net Exposure**	**% of Total**	Net Exposure	% of Total
United States Dollar	**$ 18,040**	**17 %**	$ 1,347	1 %
British Pound Sterling	**4,328**	**4**	1,345	1
Hong Kong Dollar	**2,869**	**3**	1,531	1
India Rupee	**1,801**	**2**	1,741	2
Chinese Yuan	**1,292**	**1**	751	1
Australian Dollar	**1,112**	**1**	426	—
All Other	**1,734**	**2**	2,268	2
Total Foreign Exposure	**31,176**	**30**	9,409	8
Canadian Dollar	**77,439**	**70**	102,831	92
Total	**$ 108,615**	**100 %**	$ 112,240	100 %

Foreign Currency Sensitivity

After giving effect to the impact of hedging and holding constant all other variables and underlying values, a five per cent increase or decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate $1,559 (December 31, 2019: $471) decrease or increase in AC's net assets as shown below:

As at December 31,		**2020**		2019	
Currency	**Change in value of Canadian Dollar**		**Unrealized gain/loss**		Unrealized gain/loss
United States	**+/- 5%**	**-/+**	**$ 902**	-/+	$ 67
United Kingdom	**+/- 5%**	**-/+**	**216**	-/+	67
Hong Kong	**+/- 5%**	**-/+**	**143**	-/+	77
India	**+/- 5%**	**-/+**	**90**	-/+	87
China	**+/- 5%**	**-/+**	**65**	-/+	38
Australia	**+/- 5%**	**-/+**	**56**	-/+	21
Other	**+/- 5%**	**-/+**	**87**	-/+	114
Total		**-/+**	**$ 1,559**	**-/+**	$ 471

(ii) Interest Rate Risk

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

Sensitivity to changes in interest rates

Our exposure to a one per cent change in interest rate, with all other variables held constant, would result in an approximate (decrease) increase in the value of fixed income investments and interest rate swaps net of term notes, with an unrealized (loss) gain of $246 (December 31, 2019: $349).

(iii) Price Risk

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

AC invests in publicly-traded equities to achieve income through dividends or capital gains or both over time. These investments are exposed to price risk and volatility. Investments in publicly-traded equities are actively managed with due regard for risk and return objectives through geography-, industry- and entity-specific analyses as well as through diversification.

AC's investment in publicy-traded equities is achieved through both physical holdings and derivative exposures. A 10% increase (decrease) in the value of these public equities would result in an approximate increase (decrease) in public equity exposures, and an unrealized gain (loss) of $3,401 (December 31, 2019: $2,903).

AC's investments in private equity, infrastructure, real estate and private debt and mortgages are also subject to price risk: their values are impacted by many general and specific variables, as described in Investments and Valuations in Note 3B - Investment Fair Value Hierarchy.

AC is also subject to price risk through changes in credit spreads on its fixed income investments. A 50 basis point increase (decrease) in the credit spreads of AC's fixed income investments would result in a (decrease) increase in the value of interest-bearing fixed income investments, and an unrealized (loss) gain of $319 (December 31, 2019: $230).

b) Credit Risk

Credit risk is defined as the financial loss that results from the failure of a counterparty to honour its contractual obligations to AC. AC is subject to credit risk primarily in connection with issuers of securities, debtors, structured securities, and derivative, repurchase agreement and securities lending counterparties. Credit risk for uncleared OTC derivatives accounts for margin posted or exchanged. Credit risk for cleared OTC derivative contracts and futures contracts is typically minimal, as the counterparty is an exchange, rather than a corporate entity; initial margin is posted; and margin receivables and payables are settled in cash daily.

To manage counterparty risk, AC:

- requires collateral from its counterparties in certain circumstances, as outlined in contractual arrangements;
- limits how much exposure AC has with individual counterparties; and
- regularly performs financial analysis of its significant counterparties, which includes reference to credit rating agencies and other relevant external sources. AC only trades over-the-counter (OTC) derivatives with high quality counterparties. If no rating is available from selected reputable credit rating agencies (i.e., for certain corporate sector securities), Management estimates ratings using an internal rating process.

(i) Credit Quality

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

As at December 31,	Sovereign Governments	Provincial Governments	Corporate	Total	% of Total
					2020
AAA	$ **3,020**	$ **—**	$ **—**	$ **3,020**	**8 %**
AA	**5,514**	**377**	**13,954**	**19,845**	**55**
A	**—**	**227**	**381**	**608**	**2**
BBB	**508**	**—**	**2,865**	**3,373**	**9**
Below BBB	**38**	**—**	**6,451**	**6,489**	**18**
Unrated	**—**	**—**	**2,885**	**2,885**	**8**
Total	$ **9,080**	$ **604**	$ **26,536**	$ **36,220**	**100 %**

As at December 31,	Sovereign Governments	Provincial Governments	Corporate	Total	% of Total
					2019
AAA	$ 3,894	$ —	$ —	$ 3,894	13 %
AA	586	349	13,151	14,086	48
A	31	220	464	715	3
BBB	521	—	2,339	2,860	10
Below BBB	112	—	4,566	4,678	16
Unrated	—	—	2,975	2,975	10
Total	$ 5,144	$ 569	$ 23,495	$ 29,208	100 %

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

(ii) Right of Netting, Offset and Margin

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

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

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

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

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

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

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

As at December 31,						**2020**
				Related amounts not set off in the Consolidated Statement of Financial Position		
	Gross amounts of recognized Financial Instruments	**Less amounts offset in Consolidated Financial Statements**	**Net amounts presented in Consolidated Financial Statements**	**Amounts subject to netting arrangements**	**Financial collateral (received) pledged**	**Net amount**
Financial Assets						
Derivative assets	**$ 1,609**	**$ —**	**$ 1,609**	**$ (671)**	**$ (514)**	**$ 424**
Total Financial Assets	**$ 1,609**	**$ —**	**$ 1,609**	**$ (671)**	**$ (514)**	**$ 424**
Financial Liabilities						
Derivative liabilities	**$ (658)**	**$ —**	**$ (658)**	**$ 671**	**$ —**	**$ 13**
Securities borrowing	**(480)**	**—**	**(480)**	**—**	**1,080**	**600**
Repurchase agreements	**—**	**—**	**—**	**—**	**—**	**—**
Total Financial Liabilities	**$ (1,138)**	**$ —**	**$ (1,138)**	**$ 671**	**$ 1,080**	**$ 613**

As at December 31,						2019
				Related amounts not set off in the Consolidated Statement of Financial Position		
	Gross amounts of recognized Financial Instruments	Less amounts offset in Consolidated Financial Statements	Net amounts presented in Consolidated Financial Statements	Amounts subject to netting arrangements	Financial collateral (received) pledged	Net amount
Financial Assets						
Derivative assets	$ 1,236	$ —	$ 1,236	$ (463)	$ (506)	$ 267
Total Financial Assets	$ 1,236	$ —	$ 1,236	$ (463)	$ (506)	$ 267
Financial Liabilities						
Derivative liabilities	$ (384)	$ —	$ (384)	$ 463	$ —	$ 79
Securities borrowing	(76)	—	(76)	—	63	(13)
Repurchase agreements	(130)	—	(130)	—	131	1
Total Financial Liabilities	$ (590)	$ —	$ (590)	$ 463	$ 194	$ 67

c) Liquidity Risk

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

AC has developed forward-looking liquidity risk and cashflow models to periodically assess its liquidity position. AC also maintains a portfolio of highly marketable assets that could be sold or funded on a secured basis to generate liquidity. Our principal liquidity needs include meeting our pension obligations, funding investment acquisitions, meeting collateral demands related to our use of derivatives, and funding investment management and pension administration expenses.

As of December 31, 2020, AC maintained $22,794 of available liquid assets (December 31, 2019: $17,907). Available liquid assets includes cash, inflation-linked bonds and nominal bonds.

(i) Terms to Maturity

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

As at December 31,				**2020**				2019
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Debt (undiscounted principal and interest repayments) [(i)]	**$ 3,021**	**$ 6,091**	**$ 2,402**	**$ 11,514**	$ 4,184	$ 2,127	$ 1,117	$ 7,428
Securities sold short	**217**	**36**	**227**	**480**	66	10	—	76
Securities sold under repurchase agreements	**—**	**—**	**—**	**—**	130	—	—	130
Payables and other liabilities	**647**	**—**	**—**	**647**	842	—	—	842
Interest rate contracts	**—**	**—**	**—**	**—**	17	—	1	18
Credit default contracts	**3**	**—**	**—**	**3**	—	3	—	3
Equity contracts	**366**	**—**	**—**	**366**	128	15	—	143
Commodity contracts	**6**	**—**	**—**	**6**	17	—	—	17
Foreign exchange contracts	**257**	**26**	**—**	**283**	203	—	—	203
Total	**$ 4,517**	**$ 6,153**	**$ 2,629**	**$ 13,299**	$ 5,587	$ 2,155	$ 1,118	$ 8,860

(i) Includes $2,570 (2019 - 3,464) of commercial paper that was due within twelve months after December 31, 2020.

The term to maturity of our derivative liabilities based on notional value is as follows:

December 31,				**2020**				2019
	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	**$ 52**	**$ —**	**$ —**	**$ 52**	$ 2,993	$ —	$ 195	$ 3,188
Credit default contracts	**3,376**	**—**	**—**	**3,376**	—	130	13	143
Equity contracts	**20,057**	**—**	**—**	**20,057**	7,043	862	—	7,905
Commodity contracts	**626**	**—**	**—**	**626**	1,370	—	—	1,370
Foreign exchange contracts	**16,645**	**1,035**	**—**	**17,680**	11,973	—	—	11,973
Total	**$ 40,756**	**$ 1,035**	**$ —**	**$ 41,791**	$ 23,379	$ 992	$ 208	$ 24,579

(ii) Commercial paper

OFT is authorized to issue up to $5,000 (December 31, 2019: $5,000) in commercial paper, which is unconditionally and irrevocably guaranteed by AC, of which $2,570 (December 31, 2019: $3,464) was issued as at December 31, 2020. Commercial paper generally has short-term maturities, and the requirement to repay this debt at maturity increases liquidity risk. OFT manages this risk by maintaining a high credit rating and by maintaining an undrawn $3,750 (December 31, 2019: $3,750) revolving credit facility with a syndicate of well-capitalized banks to backstop the commercial paper program or use for other general corporate purposes.

NOTE 4

Investment Liabilities

AC's investment liabilities are as follows:

As at December 31,	2020	2019
Debt	**$ 11,221**	$ 7,034
Securities sold short	**480**	76
Securities sold under repurchase agreements	**—**	130
Payables and other liabilities	**647**	842
Total	**$ 12,348**	$ 8,082

OFT is authorized to issue term notes, which are unconditionally and irrevocably guaranteed by AC. As at December 31, 2020, $7,004 is outstanding (December 31, 2019: $2,672). OFT has also entered into a revolving credit facility for €250 which expires in May 2022 and was undrawn as at December 31, 2020.

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

As at December 31,	2020			2019		
	Fair Value	**Cost**	**Weighted Average Interest Rate**	Fair Value	Cost	Weighted Average Interest Rate
Real Estate						
Credit facilities	**$ 546**	**$ 546**	**1.03 %**	$ 645	$ 645	1.39 %
Infrastructure						
Secured debt	**1,101**	**998**	**1.47**	253	257	3.15
OMERS Finance Trust						
Commercial paper (i)	**2,570**	**2,570**	**0.23**	3,464	3,464	1.92
Term notes:						
USD 1.125% due April 14, 2023 (ii)	**1,300**	**1,392**	**1.13**	—	—	—
USD 2.50% due May 2, 2024 (iii)	**1,703**	**1,682**	**2.50**	1,657	1,680	2.50
EUR 0.450% due May 13, 2025 (iv)	**1,607**	**1,526**	**0.45**	—	—	—
CAD 1.550% due April 21, 2027 (v)	**1,291**	**1,253**	**1.55**	—	—	—
CAD 2.60% due May 14, 2029 (vi)	**1,103**	**1,002**	**2.60**	1,015	1,002	2.60
Total	**$ 11,221**	**$ 10,969**	**1.26 %**	$ 7,034	$ 7,048	2.15 %

(i) Commercial paper outstanding has maturities from January 5, 2021 to April 6, 2021 with interest rates ranging from 0.18% to 0.31%.

(ii) USD $1.00 billion term notes issued April 14, 2020. Interest is payable semi-annually in April and October of each year.

(iii) USD $1.25 billion term notes issued May 2, 2019. Interest is payable semi-annually in May and November of each year.

(iv) EUR €1.00 billion term notes issued May 13, 2020. Interest is payable annually in May of each year.

(v) CAD $1.25 billion term notes issued April 21, 2020. Interest is payable semi-annually in April and October of each year.

(vi) CAD $1.00 billion term notes issued May 14, 2019. Interest is payable semi-annually in May and November of each year.

NOTE 5

Amounts Payable Under Contractual Agreements

Amounts payable under contractual agreements are comprised of two balances:

(i) AC invests funds on behalf of The Board of Trustees of Ryerson University and the Transit Windsor Fund (collectively, the Administered Funds) under contractual agreements and may recover expenses for administering such funds. These Administered Funds are adjusted for income (loss) based on their proportionate share of the Plan's net investment income.

(ii) Through its subsidiary OMERS Investment Management Inc., AC established 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 amounts due to OMERS Return Agreements are adjusted for income (loss) based on an investment return equal to part of the Primary Plan's return.

Amounts payable under contractual agreements are comprised of the following:

As at December 31,		2020		2019
Administered Funds	**$**	**1,517**	$	1,567
OMERS Return Agreements		**1,884**		1,918
Amounts payable under contractual agreements	**$**	**3,401**	$	3,485

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,		2020		2019
Net Assets Available for Benefits	**$**	**105,400**	$	109,218
Accrued Pension Obligation and Surplus (Deficit)				
Defined benefit component				
Accrued pension obligation	**$**	**111,820**	$	106,443
Surplus (Deficit)				
Funding (deficit) surplus		**(3,211)**		(3,397)
Actuarial value adjustment of net assets		**(4,444)**		4,928
		(7,655)		1,531
Additional Voluntary Contributions component pension obligation		**1,235**		1,244
Total Primary Plan Accrued Pension Obligation and Surplus (Deficit)	**$**	**105,400**	$	109,218

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		**2020**	2019
Statement of Changes in Net Assets			
Net investment (loss) income	$	**(3,012)**	$ 11,438
Contributions		**4,386**	4,328
Assumption of City of Toronto Pension Plans		**—**	973
Benefits		**(5,099)**	(4,623)
Pension administrative expenses		**(93)**	(189)
Total (Decrease) Increase		**(3,818)**	11,927
Net Assets Available for Benefits, Beginning of Year		**109,218**	97,291
Net Assets Available for Benefits, End of Year	$	**105,400**	$ 109,218

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 as are used 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 from the recorded actuarial present value.

AC uses the Projected Benefit Method Prorated on Services for the actuarial valuation, and Towers Watson Canada Inc. performed the actuarial valuation. Under the PBA, an actuarial valuation report prepared by an independent external actuarial firm must be filed with FSRA at least once every three years. A Primary Plan valuation report was last filed for the December 31, 2019 year-end.

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

Actuarial Assumptions	**2020**	2019
Assumed rate of inflation	**2.00 %**	2.00 %
Real discount rate	**3.85**	3.90
Discount rate	**5.85 %**	5.90 %

Demographic assumptions are also 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. AC's external actuaries have provided their opinion that assumptions adopted are appropriate for valuing the Primary Plan's accrued pension obligation.

The retirement assumption is based on an age-based scale and reflects a possibility of retirement after normal retirement age. The mortality assumption is based on Primary Plan experience and includes a projection for longevity 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 2018 to reflect recent experience of the Plan and current expectations for future years and are as follows:

	2020				2019			
	NRA60 (i)		**NRA65 (i)**		NRA60 (i)		NRA65 (i)	
	Before 2023	**After 2022**	**Before 2023**	**After 2022**	Before 2023	After 2022	Before 2023	After 2022
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**1.8%**	**1.9%**	**1.1%**	**1.2%**	1.8%	1.9%	1.1%	1.2%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**3.8%**	**3.9%**	**3.1%**	**3.2%**	3.8%	3.9%	3.1%	3.2%

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

The following table provides the sensitivity of the accrued pension obligation to (i) the real discount rate, and to (ii) changes in the assumed real rate of pensionable earnings increases. 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,	**2020**	2019
Real discount rate		
Decrease in assumption	**$ 8,600**	$ 8,100
Increase in assumption	**(7,600)**	(7,200)
Real rate of pensionable earnings increases		
Decrease in assumption	**$ (1,800)**	$ (1,800)
Increase in assumption	**2,000**	1,900

The accrued pension obligation as at December 31, 2020 takes account of known changes in the Primary Plan membership up to October 31, 2020, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2021, and estimated pensionable earnings and credited service accruals in 2020.

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

As of December 31,	**2020**	2019
Primary Plan fair value of net assets available for benefits	**$ 105,400**	$ 109,218
Less Additional Voluntary Contribution net assets	**1,235**	1,244
Defined benefit net assets available for benefits	**104,165**	107,974
Actuarial value adjustment	**4,444**	(4,928)
Actuarial value of net assets available for benefits	**108,609**	103,046
Less Defined Benefit accrued pension obligation	**111,820**	106,443
Funding (deficit) surplus of actuarial value of net assets available for benefits over accrued pension obligation	**(3,211)**	(3,397)
Reversal of actuarial value adjustment	**(4,444)**	4,928
(Deficit) Surplus of net assets available for benefits over accrued pension obligation	**$ (7,655)**	$ 1,531

Actuarial Value of Net Assets of the Defined Benefit Component

The change in the actuarial value adjustment is as follows:

For the year ended December 31,		**2020**	2019
Expected interest on beginning actuarial value adjustment (i)	**$**	**291** $	84
Current year returns (below) in excess of the discount rate not recognized in the year (i)		**(7,460)**	4,437
Prior years' returns (above) below the discount rate recognized in the year		**(2,203)**	(994)
(Decrease) Increase in actuarial value adjustment		**(9,372)**	3,527
Actuarial value adjustment, beginning of year		**4,928**	1,401
Actuarial value adjustment, end of year	**$**	**(4,444)** $	4,928

(i) Based on the discount rate in effect during the year: 5.90% (2019: 6.00%).

The present value of unrecognized net investment returns is presented in the table below, by the initial year they were earned and by the years in which they will be recognized from 2021 through 2024. Applied to these amounts is the long-term rate of return assumption.

Initial Year Earned		**Actuarial Value Adjustment as at Dec. 31, 2020(i)**	Unrecognized Investment Returns to be Recognized in 2021	2022	2023	2024	Actuarial Value Adjustment as at Dec. 31, 2019(i)
2016	**$**	**—** $	— $	— $	— $	— $	717
2017		**1,048**	1,112	—	—	—	1,978
2018		**(1,555)**	(826)	(875)	—	—	(2,204)
2019		**3,523**	1,243	1,320	1,395	—	4,437
2020		**(7,460)**	(1,974)	(2,090)	(2,214)	(2,341)	—
	$	**(4,444)** $	(445) $	(1,645) $	(819) $	(2,341) $	4,928

(i) For each initial year, the actuarial value adjustment is the present value of the investment returns which will be recognized in the remaining portion of each five year smoothing period. The present value is calculated using the discount rate in effect on the valuation date of 5.85% (2019: 5.90%).

NOTE 7

Retirement Compensation Arrangement

As the RCA is not a Registered Pension Plan, a 50 per cent refundable tax is levied on all contributions made to the RCA as well as on net investment income received and net realized investment gains. The refundable tax 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 arrangement plans under the ITA. Contributions to the RCA are based on the top-tier Primary Plan contribution rates applied to contributory earnings over a defined earnings threshold, which was $168,317 for 2020 (2019: $172,698). 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 balance 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,		2020		2019
Net Assets Available for Benefits	$	**175**	$	162
Accrued Pension Obligation and Surplus (Deficit)				
Accrued pension obligation	$	**1,152**	$	928
(Deficit) Surplus		**(977)**		(766)
Accrued Pension Obligation and Surplus (Deficit)	$	**175**	$	162

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		2020		2019
Net investment income (loss)	$	**11**	$	17
Contributions		**29**	$	21
Benefits		**(26)**	$	(23)
Administrative expenses		**(1)**		(1)
Total Increase		**13**		14
Net assets available for benefits, beginning of year		**162**		148
Net assets available for benefits, end of year	$	**175**	$	162

In 2020, the RCA incorporated distinct actuarial assumptions for pensionable earnings increases, mortality rates and retirement rates reflecting the recent experience of its membership and future expectations. Prior to 2020, the actuarial assumptions used for the RCA were consistent with those used for the Primary Plan, except for the discount rate. The nominal discount rate used for the RCA as at December 31, 2020 is 3.15% (December 31, 2019: 3.15%), which reflects the long-term asset mix of the RCA, including the effect of the 50 per cent refundable tax.

The assumed increases in the real rate of pensionable earnings (i.e., increase in excess of the assumed inflation rate) were updated in 2020 as follows:

	2020				2019			
	NRA60 (i)		**NRA65 (i)**		NRA60 (i)		NRA65 (i)	
	Before 2023	**After 2022**	**Before 2023**	**After 2022**	Before 2023	After 2022	Before 2023	After 2022
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**2.5%**	**2.6%**	**1.6%**	**1.7%**	1.8%	1.9%	1.1%	1.2%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**4.5%**	**4.6%**	**3.6%**	**3.7%**	3.8%	3.9%	3.1%	3.2%

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

A 50 basis point change in the following assumptions (with no change in other assumptions) 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,		**2020**		2019
Discount rate before reflecting the 50 per cent refundable tax				
Decrease in assumption	$	**56**	$	40
Increase in assumption		**(52)**		(38)
Real rate of pensionable earnings increases				
Decrease in assumption	$	**(97)**	$	(44)
Increase in assumption		**276**		67

NOTE 8

Net Investment Income (Loss)

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

For the year ended December 31,					2020
	Investment Income (ii)	**Net Gain (Loss) on Investment Assets, Liabilities (iii)**	**Total Investment Income (Loss) (i)**	**Investment Management Expenses (note 12)**	**Net Investment Income (Loss)**
Fixed Income					
Inflation-linked bonds	$ 35	$ (181)	$ (146)	$ (10)	$ (156)
Nominal bonds and debentures	127	(1,245)	(1,118)	(12)	(1,130)
Private debt and mortgages	570	(320)	250	(65)	185
Total Fixed Income	732	(1,746)	(1,014)	(87)	(1,101)
Equities					
Canadian public equities	214	(849)	(635)		
Non-Canadian public equities	226	(114)	112		
Total public equities	440	(963)	(523)	(97)	(620)
Canadian private equities	57	(208)	(151)		
Non-Canadian private equities	505	(1,341)	(836)		
Total private equities	562	(1,549)	(987)	60	(927)
Total Equities	1,002	(2,512)	(1,510)	(37)	(1,547)
Real Assets					
Infrastructure	1,317	672	1,989	(133)	1,856
Real estate (iv)	558	(2,533)	(1,975)	(14)	(1,989)
Total Real Assets	1,875	(1,861)	14	(147)	(133)
Short-Term Instruments					
Cash and short-term deposits (v)	19	(209)	(190)	(5)	(195)
Total Investment (Loss) Income	$ 3,628	$ (6,328)	$ (2,700)	$ (276)	$ (2,976)
Income credited under contractual agreements					(25)
Net Investment (Loss) Income					$ (3,001)

For the year ended December 31,	Investment Income (ii)	Net Gain (Loss) on Investment Assets, Liabilities (iii)	Total Investment Income (Loss) (i)	Investment Management Expenses (note 12)	Net Investment Income (Loss) 2019
Fixed Income					
Inflation-linked bonds	$ 66	$ 169	$ 235	$ (7)	$ 228
Nominal bonds and debentures	150	1,155	1,305	(14)	1,291
Private debt and mortgages	493	(109)	384	(68)	316
Total Fixed Income	709	1,215	1,924	(89)	1,835
Equities					
Canadian public equities	362	1,692	2,054		
Non-Canadian public equities	391	3,442	3,833		
Total public equities	753	5,134	5,887	(96)	5,791
Canadian private equities	14	(28)	(14)		
Non-Canadian private equities	537	342	879		
Total private equities	551	314	865	(226)	639
Total Equities	1,304	5,448	6,752	(322)	6,430
Real Assets					
Infrastructure	1,858	149	2,007	(148)	1,859
Real estate (iv)	827	649	1,476	(17)	1,459
Total Real Assets	2,685	798	3,483	(165)	3,318
Short-Term Instruments					
Cash and short-term deposits (v)	223	(20)	203	(5)	198
Total Investment (Loss) Income	$ 4,921	$ 7,441	$ 12,362	$ (581)	$ 11,781
Income credited under contractual agreements					(326)
Net Investment (Loss) Income					$ 11,455

(i) Total investment income includes interest, dividends and real estate operating income accrued or received net of interest expense on liabilities incurred in investment related activities. Total investment income is net of external manager performance and pooled fund fees of $106 (December 31, 2019: $111).

(ii) Interest on investment related activities includes interest expense on real estate investment liabilities of $452 (December 31, 2019: $542) and interest on infrastructure investment liabilities of $161 (December 31, 2019: $124).

(iii) Net gain (loss) on Investment Assets, Liabilities is net of transaction and pursuit costs of $163 (December 31, 2019: $150) and includes a net realized loss of $1,276 (December 31, 2019: gain of $5,479) from foreign exchange and sale of assets.

(iv) Real estate investment income includes Oxford Properties Group's operating expenses (net of property management income) of $94 (December 31, 2019: $77). The total audit costs are $4 (December 31, 2019: $3).

(v) Net Gain (Loss) on Investment Assets, Liabilities includes mark-to-market gains and losses on term notes.

NOTE 9

Investment Returns

AC investment returns are calculated using a time-weighted rate of return formula in accordance with industry standard methods, using 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.
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,	**2020**	2019
OMERS Primary Pension Plan		
Total Gross Return	**(2.40)%**	12.53%
Gross Returns applicable to OMERS Return Agreements		
OMERS Infrastructure	**9.29 %**	9.63%
Oxford Properties	**(6.68)%**	8.39%

The above gross returns are before the impact of base and performance fees paid to external fund managers and before investment management expenses. The Primary Plan net return after all investment costs for the year ended December 31, 2020 was (2.7)% (December 31, 2019: 11.9%).

NOTE 10

Contributions

For the year ended December 31,	**2020**	2019
Current year required contributions (i)		
From employers	**$ 2,093**	$ 2,027
From members	**2,093**	2,027
	4,186	4,054
Transfers from other pension plans	**62**	59
Past service contributions from members	**78**	97
Past service contributions from employers	**11**	12
Defined benefit contributions received	**4,337**	4,222
AVC contributions received	**78**	127
Total contributions received (ii)	**$ 4,415**	$ 4,349

(i) Current year service contributions are funded equally by employers and active members. For NRA 65 members, the 2020 contribution rate was 9.0% (2019: 9.0%) of earnings up to $58,700 (2019: $57,400) and 14.6% (2019: 14.6%) of earnings above that level. For NRA 60 members, the 2020 contribution rate was 9.2% (2019: 9.2%) of earnings up to $58,700 (2019: $57,400) and 15.8% (2019: 15.8%) of earnings above that level.

(ii) OMERS, with 1,023 employers, has a 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,		2020		2019
Retirement benefits	**$**	**4,287**	$	3,882
Disability benefits		**28**		28
Death benefits		**149**		109
Transfers to other pension plans		**65**		58
Commuted value payments		**543**		535
Defined benefits paid		**5,072**		4,612
AVC benefits paid		**53**		34
Total benefits paid	**$**	**5,125**	$	4,646

NOTE 12

Pension Administrative and Investment Management Expenses

(a) Pension administrative expenses

For the year ended December 31,		2020		2019
Salaries and benefits	**$**	**60**	$	58
System development and other purchased services		**12**		109
Premises and equipment		**4**		6
Professional services (i)		**12**		10
Travel and communication		**6**		7
Total Pension Administrative Expenses	**$**	**94**	$	190

(b) Investment management expenses

For the year ended December 31,		2020		2019
Salaries and benefits (ii)	**$**	**134**	$	427
System development and other purchased services		**33**		36
Premises and equipment		**20**		24
Professional services (i)		**40**		39
Travel and communication		**15**		23
Investment management services		**30**		30
Other		**4**		2
Total Investment Management Expenses	**$**	**276**	$	581

(i) Total professional services expenses include independent actuarial costs of $0.9 (December 31, 2019: $0.8) and external audit costs of $3.0 (December 31, 2019: $2.8).

(ii) Net of management fees of $36.7 (December 31, 2019: $35.5) earned from portfolio investments.

NOTE 13

Related Party Disclosures

(Amounts in millions of Canadian dollars)

AC's related parties include employers whose employees are members of the Primary Plan, SC, key management personnel (defined below) and investments in which AC has a controlling interest. Transactions with related parties include the following through AC's investment in real estate:

- AC paid property taxes to municipal employers of $157 (December 31, 2019: $157) and utility payments to utility employers of $29 (December 31, 2019: $33). 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 employer entities were based on normal usage and rates that would be paid by a non-related party.
- AC earned rental revenue from investee entities of $32 (December 31, 2019: $20). The amounts of rental revenue earned were based on normal levies by the individual entities and were consistent with those that would be paid by a non-related party.
- AC entered into a lease arrangement with an agency of a municipal employer, whose employees are members of the Plan. The terms of the lease are at fair market value and consistent with those that would be paid by a non-related party.

Key Management Personnel Compensation

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

For the year ended December 31,		**2020**		2019
Salaries, short-term employee benefits and termination benefits	**$**	**12**	$	17
Post-employment benefits		**1**		1
Other long-term benefits		**10**		8
Total	**$**	**23**	$	26

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

NOTE 14

Capital

AC 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.

AC'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 3D) and leverage (Note 4) are based on asset mix and risk management policies and procedures. AC has a risk framework which describes overall risk-management governance and details the structure for categorizing risks to which the organization is exposed. This complements policies such as Funding Policy, Statement of Investment Beliefs, Statement of Investment Authorities and Statement of Investment Policies & Procedures (SIP&P).

As the Primary Plan's administrator, AC 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 also establishes long-term strategic asset mix ranges and targets by asset class. The actual asset mix at December 31, 2020 was within the long-term asset mix ranges. The SIP&P was originally established in 1989 and is reviewed and approved annually by the AC Board. The SIP&P effective for the year ending December 31, 2020 was amended on December 31, 2019.

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 and approved annually by the AC Board. The SIP&P effective for the year ending December 31, 2020 was last amended on December 31, 2019.

The Primary Plan's AVC component accrued pension obligation is based on AVC contributions net of withdrawals and administration fees, plus net investment rates of return of the defined benefit component of the Primary Plan; as such, it 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 31, 2019.

NOTE 15

Guarantees, Commitments and Contingencies

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

Guarantees are provided to third parties with respect to certain investments. The maximum amount payable under guarantees, standby letters of credit and contingent amounts payable provided as part of investment transactions was $3.3 billion as at December 31, 2020 (December 31, 2019: $2.4 billion).

Future commitments and contingencies include those relating to the acquisition of investments which are expected to close in 2021 of nil (December 31, 2019: $0.6 billion) and long term commitments of $17.0 billion (December 31, 2019: $16.2 billion) related to funds managed by third parties, the development of real estate projects, and the refurbishment of a major infrastructure asset.

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

As at December 31, 2020, AC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of AC.

Report of the Human Resources Committee and Compensation Discussion & Analysis

Members in 2020	
Monty Baker (Chair)	Debbie Fischer
David Beatty	Rajiv Silgardo
Darcie Beggs	David Tsubouchi
Bill Butt	George Cooke (ex officio)

Our Human Resources Committee (HR Committee) assists the AC 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 AC 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 policies.

In 2020, the HR Committee's work included:

- oversight of an annual performance assessment process for the CEO;
- making recommendations to the AC 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;
- reviewing compensation awards for the C-Suite executives;
- reviewing performance assessments for the C-Suite executives;
- reviewing the People Strategy, including talent management, performance frameworks, wellness, inclusion and diversity, and employee surveys;
- approving 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 compensation reporting.

Independent Compensation Adviser

The HR Committee engages an independent compensation adviser to provide advice and assistance in executing its responsibilities. Hugessen Consulting (Hugessen) is directly retained and instructed by, and reports directly to, the HR Committee. All work is pre-approved by the HR Committee, and Hugessen did not provide any non-Board-approved services to the organization during 2020.

During 2020, the independent adviser's scope of services included the following:

i. supporting the HR Committee in reviewing CEO pay and performance outcomes;

ii. 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);

iii. ensuring the HR Committee understood and was comfortable with the current compensation program for the CEO and C-Suite executives;

iv. providing counsel to the HR Committee on any recommendations made by Management;

v. reviewing proposals for new compensation plan designs; and

vi. assisting with any other items that the HR Committee requested.

The HR Committee has sole authority to approve the amount of the independent compensation adviser's fees. Executive compensation-related fees paid to our adviser in 2020 reflect the services as described above. The following table outlines the fees paid for services provided in 2020 and 2019:

Adviser	Executive Compensation-Related Fees		All Other Fees	
	2020	2019	2020	2019
Hugessen Consulting	$127,650	$116,432	Nil	Nil

HR Committee Composition and Meetings

Members of the HR Committee are appointed by the AC Board from among the Board's members and are independent of Management. Collectively, HR Committee members 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 three special meetings during 2020 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 CEO and the HR Committee's independent adviser, attended the meetings. At each meeting, there was an *in camera* session without Management present.

Chair of the Human Resources Committee Letter to Plan Members

2020 Year in Review

In 2020, the People Strategy was based on four main goals that directly align with the OMERS 2025 Strategy and the CEO's priorities of People, Relationships, Brand, Culture and Future. These goals are:

1. Growing Our Culture: Being fiercely competitive yet incredibly humble by sharing our common values.
2. Becoming a Leading Employer: Attracting diverse global talent to succeed now and in the future.
3. Investing in Our People: Providing opportunities for our people to develop and grow.
4. Creating a Rewarding Employee Experience: Providing our people with the best environment to succeed.

In 2020, we supported these goals in various ways, including:

- expansion of our wellness, inclusion and diversity, and growth and development programs with a global and regional focus;
- developments in our talent conversations through the talent playbook and strategic workforce planning;
- progression of our employee engagement survey, data collection and supporting resources;
- advancement of our HR enabling technologies; and
- advancement of our compensation frameworks, philosophy and pay-for-performance culture.

Compensation Governance and Risk

Our compensation plans are designed to align with our business strategy of attracting, engaging and retaining high-performing people who contribute to our long-term success. We deliver clear, competitive compensation plans that reward performance and are differentiated across markets. We ensure our plans also continue to reflect leading governance principles by incorporating risk considerations. This allows 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.

Our compensation plans are aligned to the interests of Plan members and sponsors. The AC Board has the discretion to withhold or grant awards to reflect significant unexpected or unusual events. It also has the ability to clawback any variable compensation awarded in the event of a material misrepresentation of results in the prior three years. To ensure long-term sustainability and 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.

Compensation Highlights

The following factors influenced year-end compensation awards:

- Our compensation plans are based on four-year returns to ensure alignment with achievement of long-term returns. The 2020 Primary Plan net absolute return of (2.7)% was below our Primary Plan net absolute return target of 6.9%. The Primary Plan net absolute return of 5.6% for the four-year period 2017 to 2020 was also below the four-year Primary Plan net absolute return target of 7.2%. The primary factors that explain this year's negative outcome are presented on page 11 of this Annual Report. As a direct result of our returns in 2020, variable compensation awards for the Plan's investment return performance have decreased significantly.
- The investment return performance resulted in a 0% score on that measure for the CEO and the other Named Executive Officers' balanced scorecards.
- In addition, our risk assessments concluded that business risk was being managed consistently with our desired risk culture, resulting in neutral (0%) compensation plan risk adjustments across all our compensation plans.

We review our Total Rewards programs regularly to ensure they remain effective.

Conclusion

We continue to dedicate significant attention to talent management, ensuring that we have the right people in the right roles to deliver long-term value for Plan members. We are confident that our approach to compensation attracts and engages a talented workforce 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 a pay-for-performance approach, being a leader in compensation governance and providing clear and transparent disclosure to Plan members, employers, sponsors and other stakeholders.

Monty Baker
2020 Chair of the Human Resources Committee

Compensation Discussion & Analysis

This Compensation Discussion and Analysis section describes our executive compensation program and awards for the Named Executive Officers, which include the CEO, Chief Financial Officer (CFO) and the three highest-paid C-Suite executives who are direct reports of the CEO.

Approach to Compensation

OMERS is committed to a pay-for-performance approach for all employees. To achieve this, the compensation programs are designed to incent the right behaviour in the delivery of our business objectives within the appropriate risk parameters.

Compensation Principles

The executive compensation program is based on the following principles:

- Align with the interests of Plan members and sponsors: Align employee and executive interests with Plan member interests through effective compensation plan design.
- Align with OMERS strategy: Focus employee efforts on business strategy and critical performance targets and reward for performance results that contribute to our long-term success.
- Pay for performance: Promote a pay-for-performance culture where there is a clear relationship between pay and performance, ensuring differentiated total compensation for different levels of performance.
- 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 ensure the organization’s ability to attract, engage and retain high-performing talent. (Note: For total compensation, target-level performance is benchmarked to the 50th percentile and superior-level performance is benchmarked to the 75th percentile in the marketplace.)
- Good corporate governance: Strive to be a leader in governance, continually reviewing and incorporating industry-leading compensation practices that align with our governance model.

Elements of Executive Compensation

Executive compensation for 2020 consists of the following elements:

- base salary;
- variable compensation – comprising short-term incentives (STIP) and long-term incentives (LTIP); and
- benefit and retirement programs.

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 out 26 months after the end of the year in which they are awarded.	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 CEO, CFO and other Named Executive Officers participate in the Executive Compensation Plan. 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, upon hire, or with changes in roles or responsibilities.

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

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 adviser, reviews target total compensation for C-Suite executives, while the AC Board of Directors approves the CEO's total target 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 their 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.

		2020 Weighting				
Performance Measure	Rationale	CEO	Chief Investment Officer	Chief Risk Officer	Chief Financial Officer	Other Senior Executives
Investment Returns	Net absolute returns aligning executives with the interests of Plan members.	40%	60%	20%	40%	40%
Key Strategy Execution and Leadership Objectives	Strategic & leadership initiatives based on enterprise and business priorities.	60%	40%	80%	60%	60%

The 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 CEO to the AC Board of Directors for approval.

Step 3	Evaluate performance

Following the end of the year, performance is assessed for each member of the C-Suite, which determines each individual's balanced scorecard factor within a range of 0% to 200%. The AC Board of Directors evaluates the performance of the CEO. Commentary on 2020 performance for the CEO is discussed in the section **Compensation of the 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 (STIP + LTIP) X [Balanced Scorecard Factor (0% - 200%) +/- Risk Adjustment (+/- 15%)]

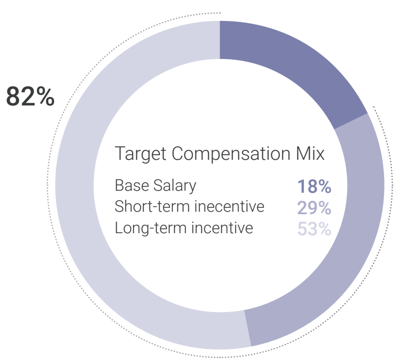
Final awards may range between 0% and 200% of target. The HR Committee, with advice from its independent adviser, reviews all variable compensation awards for the C-Suite executives, while the AC Board of Directors approves the CEO's annual awards based on the HR Committee's recommendation. Once a participant's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

Target Compensation Mix

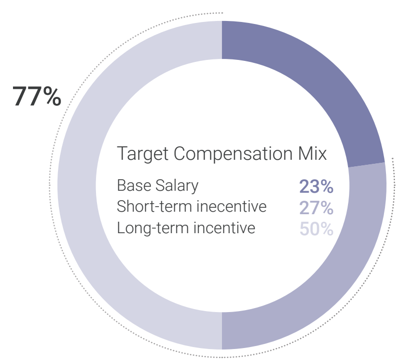
Aligned with OMERS pay-for-performance approach, total compensation for C-Suite executives is comprised primarily of variable compensation tied to investment and individual performance.

The majority of compensation for the CEO and the Named Executive Officer positions is variable and at-risk as outlined in the following charts.

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. OMERS reviews compensation levels of comparable positions and assesses relative performance, size, geographical scope and complexity.

Compensation Governance

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

OMERS Features	Description
Risk Adjustment	The HR Committee has the ability to modify awards based on how well risk was managed during the year. The adjustment is determined annually and approved by the HR Committee.
Board Discretion	The AC 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 (FSB) 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. OMERS continues to adhere to these FSB principles and will continue to review our adherence on an annual basis.

Compensation of the CEO

This section examines the 2020 performance and resulting compensation for the CEO.

Blake Hutcheson
Chief Executive Officer
OMERS Administration Corporation

2020 Performance

A balanced scorecard was established for Mr. Hutcheson based on performance achieved against the Primary Plan net absolute return (40%) and key strategy execution and leadership objectives (60%). The AC Board assessed Mr. Hutcheson's 2020 performance against the following key individual objectives:

- evolution of plan design offering to meet stakeholders'/sustainability needs;
- management of funding and levers to ensure the Plan's financial health;
- maintenance of a diverse investment portfolio that meets risk/return hurdles;
- improvement of stakeholder trust and understanding;
- advancement of operational capabilities;
- advancement of culture, focusing on innovation and creative- and values-based teaming; and
- cohesive leadership, including the establishment of a senior leadership team.

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. Hutcheson's annual variable compensation awards for 2020, the AC Board assessed his performance against specific objectives that were agreed upon by the AC Board at the beginning of the year and that are consistent with the market-tested CEO compensation model utilized for several years at OMERS.

Given that the four-year (2017-2020) Primary Plan net absolute return was below our net absolute Primary Plan target, an investment return performance score of 0% was awarded on that measure for Mr. Hutcheson's balanced scorecard.

In respect of key strategy execution and leadership objectives, Mr. Hutcheson had an outstanding year driving numerous initiatives forward during a global pandemic, notably:

- supporting the adoption of immediate, temporary amendments to the Plan, as part of our response to the pandemic, to provide members and employers with added flexibility;
- establishing a Total Portfolio Management team to work holistically across all asset classes to support asset allocation, currency and liquidity management;
- formalizing a sustainable investing policy and advancing integration of environmental, social and governance (ESG) into all investment decisions;
- shifting towards digital tools to improve OMERS interface with members and significantly increasing digital relationships, leading to a 91% member satisfaction;
- immediately and successfully adapting the organization to operate in a remote environment and seamlessly maintaining business continuity for our members, employers and sponsors;
- advancing our culture, including the acceleration of inclusion and diversity, wellness, and growth and development programs, to support the physical- and mental-being of our people; and
- expansion of OMERS leadership team, resulting in a more inclusive group that represents virtually every aspect of our enterprise, with more depth, diversity, experience, global perspective and cross-enterprise reach.

Notwithstanding the four-year Primary Plan net absolute return being below target, the outstanding strategic execution and leadership demonstrated by Mr. Hutcheson resulted in the AC Board approving a variable compensation performance factor of 111%.

In recognition of the challenging economic environment and the hardship many of our members, employers and sponsors are experiencing as a direct result of the COVID-19 pandemic and its impact on OMERS, Mr. Hutcheson requested that the HR Committee reduce his 2020 compensation award granted to him in February 2021 by $1,000,000. The HR Committee was fully prepared to stand by its original award decision and confirmed that the compensation awarded is both appropriate and reflective of his performance as the incoming CEO in a very difficult time. However, in light of the 2020 pandemic circumstances and the fact that the Board members operate as fiduciaries to members, the HR Committee has agreed to the reduction with gratitude, which has been applied to his 2020 LTIP award. As a result, Mr. Hutcheson's total compensation received for 2020 (post adjustment) is $2,500,643 based on the actual awards shown below.

Compensation Element	Target	Award
2020 Salary	$565,000	$564,500
2020 Short-Term Incentive	$922,250	$1,027,650
2020 Long-Term Incentive	$1,712,750	$908,493
Total	**$3,200,000**	**$2,500,643**

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.

Name and Principal Position	Year	Salary	Non-Equity Incentive Compensation: Short-Term Incentive Plan (STIP)	Non-Equity Incentive Compensation: Long-Term Incentive (LTIP) (i)	Pension Contribution (ii)	All Other Compensation	Total
Blake Hutcheson CEO	2020	$564,500	$1,027,650	$908,493	$56,704	$87,472	$2,644,819
	2019	$500,000	$1,318,800	$2,449,200	$55,448	$86,986	$4,410,435
	2018	$500,000	$1,133,038	$2,106,962	$53,999	$53,706	$3,847,706
Jonathan Simmons Chief Financial Officer	2020	$450,000	$418,950	$778,050	$56,704	$1,544	$1,705,248
	2019	$450,000	$681,345	$1,265,355	$55,448	$1,307	$2,453,455
	2018	$450,000	$479,400	$895,600	$53,999	$1,129	$1,880,128
Michael Rolland President and Chief Operating Officer, Asia-Pacific	2020	$500,000	$630,000	$1,170,000	$56,704	$19,971	$2,376,675
	2019	$500,000	$1,297,800	$2,410,200	$55,448	$19,707	$4,283,155
	2018	$500,000	$1,201,316	$2,038,684	$53,999	$19,509	$3,813,508
Bob Aziz (iii) Chief Operating Officer	2020	$449,474	$566,030	$879,770	$49,854	$51,079	$1,996,207
	2019	$381,620	$800,447	$900,447	$27,230	$42,843	$2,152,587
	2018	$381,620	$889,190	$889,190	$26,500	$42,523	$2,229,023
Satish Rai Chief Investment Officer	2020	$500,000	$498,750	$926,250	$56,704	$1,716	$1,983,420
	2019	$500,000	$1,461,600	$2,714,400	$55,448	$1,452	$4,732,900
	2018	$500,000	$1,039,000	$1,931,000	$53,999	$1,254	$3,525,253

(i) 2018, 2019 and 2020 amounts shown represent the LTIP awards reflecting business and individual performance for the calendar year.

(ii) Reflects matching pension contributions that OMERS makes on behalf of employees. Pension contributions are based on capped pensionable earnings, as described in the Pension Plan Benefits table later in this report. Mr. Aziz's pension contributions include matching contributions to the defined contribution pension plan from his previous role as Executive Vice President, Chief Legal Officer at Oxford.

(iii) Mr. Aziz was appointed Chief Operating Officer in April of 2020. Mr. Aziz received a one-time 2020 STIP award of $200,000 and a one-time 2020 LTIP award of $200,000 for contributions related to his previous role at Oxford that are not eligible for a performance factor adjustment. Mr. Aziz's 2018 and 2019 compensation are reflective of his previous role as Executive Vice President, Chief Legal Officer at Oxford.

Incentive Plan Awards Table

The following table presents the target value, award value and payout value for outstanding long-term incentives (LTIP) for each Named Executive Officer. LTIP is granted at target value on January 1 of the year. The target value is adjusted to an LTIP award based on the balanced scorecard at the end of the same year. The LTIP award vests over a 36-month period from the grant date. The LTIP awards are then adjusted by a performance factor based on the OMERS Primary Plan's net return. For 2020 and 2019 awards, the performance factors are based on the two-year net returns following the year of the award. The 2018 performance factor is based on the three-year net returns starting from the grant date, subject to a performance hurdle.

Payout values for 2019 and 2020 were determined using a forecasted Primary Plan performance factor of 104% and 114%, respectively. The payout value for 2018 is based on a Primary Plan performance factor of 94%.

The 2018 long-term incentive awards finished vesting on December 31, 2020 and were paid out, leaving the 2019 and 2020 long-term incentive awards outstanding.

Name	Year	Target Value	Award Value (i)	Vesting Date	Payout Value (ii)
Blake Hutcheson (iii) CEO	2020	$1,712,750	$908,493	December 31, 2022	$1,035,682
	2019	$1,300,000	$2,449,200	December 31, 2021	$2,547,168
	2018	**$1,300,000**	**$2,106,962**	**December 31, 2020**	**$1,980,544**
Jonathan Simmons Chief Financial Officer	2020	$682,500	$778,050	December 31, 2022	$886,977
	2019	$682,500	$1,265,355	December 31, 2021	$1,315,969
	2018	**$552,500**	**$895,600**	**December 31, 2020**	**$841,864**
Michael Rolland President and Chief Operating Officer, Asia-Pacific	2020	$1,300,000	$1,170,000	December 31, 2022	$1,333,800
	2019	$1,300,000	$2,410,200	December 31, 2021	$2,506,608
	2018	**$1,300,000**	**$2,038,684**	**December 31, 2020**	**$1,916,363**
Bob Aziz (iv) Chief Operating Officer	2020	$682,500	$879,770	December 31, 2022	$974,938
	2019	$509,190	$900,447	December 31, 2021	$936,465
	2018	**$509,190**	**$889,190**	**December 31, 2020**	**$835,839**
Satish Rai Chief Investment Officer	2020	$1,543,750	$926,250	December 31, 2022	$1,055,925
	2019	$1,462,500	$2,714,400	December 31, 2021	$2,822,976
	2018	**$1,300,000**	**$1,931,000**	**December 31, 2020**	**$1,815,140**

(i) 2018, 2019 and 2020 amounts shown represent the LTIP awards reflecting business and individual performance for the calendar year.
(ii) 2018, 2019 and 2020 amounts shown represent the LTIP award value adjusted by the Primary Plan performance factor.
(iii) Mr. Hutcheson requested a $1,000,000 reduction to his 2020 LTIP award in recognition of the challenging economic environment and the hardship many of our members, employers and sponsors are experiencing as a direct result of the COVID-19 pandemic and its impact on OMERS.
(iv) Mr. Aziz received a one-time 2020 LTIP award of $200,000 for contributions related to his previous role at Oxford that is not eligible for a performance factor adjustment.

Pension Plan Benefits

The following section describes the OMERS Pension Plans in which the Named Executive Officers participate:

Pension Formula	Two percent (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 contributory earnings. Contributory 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 their 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.

Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the 2020 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, prorated to reflect the period of active employment	Outstanding awards will continue to mature in normal course
Termination without Cause	Entitled to a partial award, prorated to reflect the period of active employment	Entitled to a partial award, prorated to reflect the period of active employment
Termination with Cause	Forfeited	Forfeited

Financial Statements
OMERS Sponsors Corporation

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Independent Auditor's Report

To the Board of Directors of OMERS Sponsors Corporation

Opinion

We have audited the financial statements of OMERS Sponsors Corporation (the "SC"), which comprise the statement of financial position as at December 31, 2020, and the statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the SC as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the SC in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Other Information

Management is responsible for other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the OMERS 2020 Annual Report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or other appears to be materially misstated.

The OMERS 2020 Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the SC’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the SC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SC's financial reporting process.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 SC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SC to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO CANADA LLP

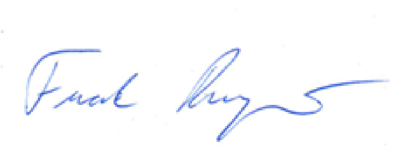
Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
February 12, 2021

STATEMENT OF FINANCIAL POSITION

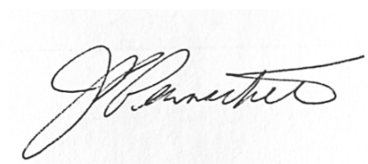
As at December 31,		**2020**		2019
Assets				
Current				
Cash	**$**	**5,031**	$	11,267
AC receivable (note 3)		**998,651**		205,964
Prepaid expenses and other assets		**81,120**		59,635
	$	**1,084,802**	$	276,866
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**1,002,677**	$	216,655
Deferred revenue		**81,102**		59,188
		1,083,779		275,843
Net Assets				
Excess/(deficit) of revenues over expenses from operations				
Balance at beginning of year		**1,023**		1,023
Current year		**—**		—
Balance at end of year		**1,023**		1,023
	$	**1,084,802**	$	276,866

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

Signed on behalf of the Board of OMERS Sponsors Corporation



Frank Ramagnano
Chair, SC Board



Joe Pennachetti
Chair, Audit Committee

STATEMENT OF OPERATIONS

For the year ended December 31,		**2020**		2019
Revenues				
AC expense reimbursement (note 3)	**$**	**3,470,138**	$	2,286,546
Expenses				
Contract and administrative salaries		**1,910,403**		1,023,168
Legal		**226,220**		102,292
Audit		**15,164**		9,323
Actuarial		**55,008**		34,838
Professional advisors		**246,351**		31,632
Subscriptions, memberships and licenses (note 6)		**43,463**		36,665
Other administrative		**24,066**		58,777
Insurance		**89,640**		81,000
Board remuneration (note 4)		**806,840**		690,625
Board education and conferences (notes 4 and 6)		**22,714**		72,770
Board expenses (note 4)		**30,269**		145,456
		3,470,138		2,286,546
Excess/(Deficit) of Revenues Over Expenses from Operations	**$**	**—**	$	—

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

STATEMENT OF CASH FLOWS

For the year ended December 31,		**2020**		2019
Cash was provided by (used in):				
Operating Activities				
Excess/(deficit) of revenues over expenses	**$**	**—**	$	—
Changes in non-cash working capital accounts				
AC receivable		**(792,687)**		18,153
Prepaid expenses and other assets		**(21,484)**		5,046
Accounts payable and accrued liabilities		**786,021**		(25,862)
Deferred revenue		**21,914**		2,383
Increase/(Decrease) in cash		**(6,236)**		(280)
Cash - Beginning of Year		**11,267**		11,547
Cash - End of Year	**$**	**5,031**	$	11,267

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NATURE OF OPERATIONS

The 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 or Plans) as defined in the OMERS Act. The OMERS Pension Plans are administered by OMERS Administration Corporation (AC) and include the OMERS Primary Pension Plan (Primary Plan) and the Retirement Compensation Arrangement (RCA) associated with the Plans 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 deciding whether to file actuarial valuations more frequently than is required under the *Pension Benefits Act* (Ontario) (PBA).

NOTE 1

Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

b) Revenue Recognition

AC expense reimbursement is recorded as revenue as the expenses are incurred in accordance with the joint SC/AC protocol. Amounts received in advance of revenue recognition are treated as deferred revenue.

c) Use of Estimates

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

The global health pandemic created by the spread of COVID-19 has caused global economic disruption and uncertainty. The increased uncertainty has had limited impact on estimates and assumptions used in determining the reported value of assets and liabilities.

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 liabilities at cost or amortized cost less impairment.

Financial assets measured at amortized cost are cash and AC receivable. Financial liabilities measured at amortized cost are 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 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.

e) Income Tax Status

The SC is tax exempt under the Income Tax Act.

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 2020.

NOTE 3

Related Party Transactions

During the year, the SC received expense reimbursements of $3,470,138 (2019 - $2,286,546) from the AC of which $998,651 (2019 - $205,964) was receivable at year-end.

The transactions are in the normal course of operations and are measured at the exchange amount.

The amounts due from related parties are non-interest bearing, unsecured and have no specific terms of repayment.

NOTE 4

Board Remuneration and Expenses

Board remuneration and board education and conferences, and board expenses are in accordance with SC By-law # 6.

NOTE 5

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 as at December 31, 2020:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The SC is exposed to credit risk resulting from the possibility that a customer or counterparty to a financial instrument defaults on their financial obligations; if there is a concentration of transactions carried out with the same counterparty; or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The SC's main credit risk relates to its AC receivable. The AC receivable is due from an organization with a high-quality credit rating and therefore there is limited credit risk associated with this financial instrument. There have not been any changes in this risk from the prior year.

b) Liquidity Risk

Liquidity risk is the risk that the SC will encounter difficulties in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the SC will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. The SC is exposed to this risk mainly in respect to its accounts payable and accrued liabilities. The SC manages this risk by managing its working capital, ensuring that sufficient credit is available. There have not been any changes in this risk from the prior year.

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The SC is not exposed to significant market risk. There have not been any changes in these risks from the prior year.

NOTE 6

Reclassification of Prior Year Presentation

Certain prior year amounts in the Statement of Operations for the fiscal year ended December 31, 2019 have been reclassified for consistency with the current year presentation and have no effect on previously reported results. Other Administrative expenses of $36,665 was reclassified to Subscriptions, memberships and licenses. Board expenses of $72,770 was reclassified to Board education and conferences.

Reference

Independent practitioner's limited assurance report in relation to the 2019 Carbon Footprint Metrics of OMERS Administration Corporation (OMERS) as included in the OMERS' 2020 Annual Report

To: The Board of Directors and Management of OMERS

We have undertaken a limited assurance engagement on the carbon footprint metrics detailed below ("the selected information") contained in the OMERS 2020 Annual Report ("the Annual Report") for the year ended December 31, 2019.

Selected Information
Our limited assurance engagement was performed on the following selected carbon footprint metrics:

Performance Indicator	2019 Result
Weighted Average Carbon Intensity (WACI)	199 tCO2e /$M revenue
Carbon Footprint	58 tCO2e/$M invested

OMERS has disclosed the results and the basis of preparation for each performance indicator on pages 53-54 of the Annual Report.

Management's responsibility
Management is responsible for the preparation of the selected information in accordance with the following criteria:

- Task Force on Climate-Related Financial Disclosures. *Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures*. Supplemental Guidance for the Financial Sector, Asset Owners;
- The Greenhouse Gas Protocol; and,
- Management's internally developed criteria applied as explained in the Climate-Related Disclosure section of the Report.

Management is also responsible for such internal control as management determines necessary to enable the preparation of the selected information that is free from material misstatement.

Our responsibility
Our responsibility is to express a limited assurance conclusion on the selected information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3000, *Attestation Engagements Other than Audit or Reviews of Historical Financial Information*. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the selected information is not fairly stated, in all material respects.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures) and evaluating the evidence obtained. The procedures are selected based on our professional judgment, which includes identifying areas where the risks of material misstatement in preparing the selected information in accordance with the criteria are likely to arise.

The extent of our procedures included but was not limited to inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing the procedures listed above we:

- reviewed the OMERS' methodology and evaluated whether OMERS' methods for determining the boundaries and quantification of the carbon footprint were appropriate and consistent with the applicable criteria;
- through inquiries, obtained an understanding of the OMERS' control environment and the information systems relevant to the carbon footprint quantification and reporting. Our procedures did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness;
- evaluated whether OMERS' methods for developing estimates are appropriate and consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate OMERS' estimates;
- for a limited sample of assets, reconciled the carbon footprint data back to the underlying records. The sample included items selected across all the portfolio asset classes (OCM, Infrastructure, Private Equity and Oxford). The data inputs that were tested for each item included: total greenhouse gas emissions, enterprise value, market value, apportioning factor, and revenue. The testing of these data inputs entailed the reconciliation of the data back to supporting OMERS' files and, where available, public records. Our engagement and testing procedures did not include the corroboration of the underlying greenhouse gas emissions and financial data.
- Reviewed the carbon footprint disclosure in the Annual Report to ensure consistency with our understanding and procedures.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The selected information has been prepared to assist OMERS management to report to the Board on its carbon footprint metrics in accordance with the criteria. As a result, the selected information may not be suitable for another purpose. Our report is intended solely for the use of OMERS. We neither assume nor accept any responsibility or liability to any third party in respect of this report.

Our independence and quality control
We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Canadian Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that OMERS' selected information prepared in accordance with the criteria for the year ended December 31, 2019, is not fairly stated, in all material respects.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
Vancouver, BC

February 24, 2021

OMERS SPONSORS CORPORATION BOARD REMUNERATION AND EXPENSES

	2020		2019	
	Remuneration (i)	**Expenses (ii)**	Remuneration	Expenses
Brown, Barry (Co-Chair)	**$ 89,000**	**$ 5,894**	$ 80,000	$ 13,683
Ramagnano, Frank (Co-Chair)	**89,000**	**7,141**	80,000	14,102
Axford, Dan (iii)	**53,000**	**10,289**	45,000	19,481
Bailey, Paul	**46,000**	**1,552**	38,500	10,626
Biro, Frederick (iii)	**53,000**	**3,192**	45,000	13,347
Chan, Jason	**46,000**	**279**	38,500	1,481
Clarke, Diana (iv)	**—**	**—**	—	689
Derochie, Peter (iii)	**53,000**	**3,367**	45,000	27,363
Love, Marianne (iii)	**53,000**	**2,656**	45,000	19,848
Macaluso, Charlie	**46,000**	**—**	38,500	875
McConville, Mary	**46,000**	**1,044**	38,500	9,727
Pennachetti, Joe	**46,000**	**326**	38,500	4,482
Richards, Jennifer (iv) (v)	**—**	**—**	32,014	22,318
Sahli, Sandra (iii)	**53,000**	**4,836**	45,000	23,962
Volpe, Giulia (iv) (v)	**46,000**	**5,514**	6,486	—
Weatherup, John	**46,000**	**—**	38,500	2,736
Other Expenses (vi)	**41,800**	**7,894**	36,125	33,507
Total	**$ 806,800**	**$ 53,984**	$ 690,625	$ 218,227

(i) Remuneration is in accordance with By-law No. 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) Committee Chairs

Peter Derochie - Audit Committee
Dan Axford - Human Resources & Compensation Committee
Marianne Love - Risk Oversight Committee
Sandra Sahli - Corporate Governance Committee
Frederick Biro - Plan Design Committee

(iv) Member Changes:

Jennifer Richards, Board Member from January 1, 2019 to October 30, 2019
Giulia Volpe, New Board Member as of October 31, 2019
Diana Clarke, Retired from Board as of December 31, 2018

(v) In accordance with By-Law No. 6, the Board Member has directed their compensation to their appointing organization.

(vi) Other expenses include Board meeting expenses not allocated by individual and benefits (CPP & EHT).

2020 OMERS SPONSORS CORPORATION BOARD/COMMITTEE MEETINGS

Director	SC Board Meetings[i] (19)		Audit Committee (4)	Corporate Governance Committee (12)	Human Resources and Compensation Committee (5)	Plan Design Committee (12)	Risk Oversight Committee (9)	Joint Council (33)	Committees (Total)		All Meetings		Other Events and Meetings [ii]	All Events and Meetings	Education Days[iv]
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended	Attended /Eligible	%	Attended /Eligible	%			
Brown, Barry (Co-Chair) [iii]	19	100	3	12	5	12	9	33	74/75	99	93/94	99	3	97	–
Ramagnano, Frank (Co-Chair) [iii]	18	95	4	11	5	12	9	33	74/75	99	92/94	98	3	97	–
Axford, Dan	19	100		12	5	12			29/29	100	48/48	100	12	60	3
Bailey, Paul	19	100			5	12	9		25/26	96	44/45	98	3	48	–
Biro, Frederick	19	100		12	5	12			29/29	100	48/48	100	12	60	–
Chan, Jason	17	89	3		5	12			20/21	95	37/40	93	3	43	–
Derochie, Peter	19	100	4			12	9		25/25	100	44/44	100	8	52	–
Love, Marianne	19	100			5	11	9		25/26	96	44/45	98	3	48	–
Macaluso, Charlie	19	100	4			12			16/16	100	35/35	100	5	40	–
McConville, Mary	19	100		12	5	12			29/29	100	48/48	100	3	51	–
Pennachetti, Joe	17	89	4			12	8		24/25	96	41/44	93	6	50	–
Sahli, Sandra	19	100		11		12	8	33	64/66	97	83/85	98	7	92	–
Volpe, Giulia	19	100		12		12	9		33/33	100	52/52	100	3	55	–
Weatherup, John	17	89		8		12			20/24	83	37/43	86	3	46	–
Overall Attendance		**97%**	**92%**	**94%**	**100%**	**99%**	**97%**	**100%**		**97%**		**97%**			**3**

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

(ii) Members attended from one to twelve additional 'Other' meetings and events, such as the Annual Meeting, joint education sessions with AC, 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. One Member also virtually attended an education program. Pension/governance conferences were not attended during 2020 due to the pandemic.

(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 refer to the actual number of days Members spent at education programs or pension-related conferences and exclude travel time.

OMERS ADMINISTRATION CORPORATION BOARD REMUNERATION AND EXPENSES

	2020		2019	
	Remuneration [(i) (iii)]	**Expenses [(ii)]**	Remuneration	Expenses
Cooke, George (Chair)	**$ 189,000**	**$ 865**	$ 167,000	$ 4,608
Aziz, Bill	**—**	**—**	82,000	21,881
Baker, Monty	**94,000**	**—**	82,000	2,144
Beatty, David	**79,000**	**58**	67,000	146
Beggs, Darcie	**79,750**	**6,224**	67,000	11,247
Butt, William (Bill)	**94,000**	**—**	82,000	33,100
Elliott, Paul	**79,750**	**3,648**	67,000	7,204
Fenn, Michael	**79,000**	**376**	69,500	1,116
Fischer, Debbie [(iv)]	**79,000**	**4,907**	—	—
Hutchinson, Laurie	**90,000**	**983**	65,000	2,176
Inskip, Cliff	**79,000**	**2,685**	67,000	1,252
Mueller, Charlene	**79,000**	**358**	67,000	1,667
Phillips, James [(v)]	**—**	**2,239**	82,000	11,889
Silgardo, Rajiv [(iv)]	**79,000**	**—**	—	—
Somerville, Penny	**94,000**	**—**	82,000	—
Tsubouchi, David	**80,000**	**2,794**	67,000	6,213
Wu, Yung	**79,000**	**10,020**	67,000	—
Other Expenses [(vi)]	**—**	**24,027**	—	41,378
Total	**$ 1,353,500**	**$ 59,184**	$ 1,180,500	$ 146,021

(i) Remuneration of the Directors of the AC Board is in accordance with the Director Remuneration Policy effective January 1, 2020.

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

(iii) All Directors (except Laurie Hutchinson) are paid an annual technology allowance in the amount of $4,000 to cover all equipment and line charges required to review electronic Board materials.

(iv) Member Changes:

- D. Fischer appointed to the Board effective January 1, 2020
- R. Silgardo appointed to the Board effective January 1, 2020

(v) 2019 expenses claimed in 2020.

(vi) Other expenses include meeting accommodations/meals/catering for OMERS Board meetings and AC/SC Joint Sessions.

2020 OMERS ADMINISTRATION CORPORATION BOARD/COMMITTEE MEETINGS

Director (i)	AC Board Meetings (8)		Audit & Actuarial Committee (6)	Governance Committee (8)	Human Resources Committee (7)	Investment Committee (11)	Appeals Committee (1)	Risk Oversight Committee (4) (iii)	Joint Council (33)	Overall Attendance: Committees (Total)		Overall Attendance: All Meetings		Overall Attendance: Scheduled Meetings (ii)	
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended /Eligible	%	Attended /Eligible	%	Attended /Eligible	%
Baker, Monty	8	100	5		7					12/13	92	20/21	95	16/17	94
Beatty, David	8	100			6	11				17/18	94	25/26	96	16/16	100
Beggs, Darcie	8	100	6		7		1	4		18/18	100	26/26	100	20/20	100
Butt, William (Bill)	8	100			6	11				17/18	94	25/26	96	15/16	94
Cooke, George (Chair) (iv)	8	100	6	8	7	11	1	4	33	70/70	100	78/78	100	29/29	100
Elliott, Paul	8	100	6	8			1			15/15	100	23/23	100	17/17	100
Fenn, Michael	8	100	6			10				16/17	94	24/25	96	17/17	100
Fischer, Debbie	8	100		8	7		1			16/16	100	24/24	100	16/16	100
Hutchinson, Laurie	8	100	6	8				4		18/18	100	26/26	100	18/18	100
Inskip, Cliff	8	100	6			11		4		21/21	100	29/29	100	19/19	100
Mueller, Charlene	8	100	6	8						14/14	100	22/22	100	16/16	100
Silgardo, Rajiv	7	88			6	10				16/18	89	23/26	88	13/16	81
Somerville, Penny	8	100		8		11		4	33	56/56	100	64/64	100	17/17	100
Tsubouchi, David	8	100		8	7		1			16/16	100	24/24	100	16/16	100
Wu, Yung	7	88		7		9				16/19	84	23/27	85	12/15	80
Overall Attendance		**98%**	**98%**	**99%**	**95%**	**96%**	**100%**	**100%**	**100%**		**96%**		**97%**		**97%**

(i) AC Directors also attended other discretionary meetings such as the Annual Meeting, Joint Sessions with 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) The Risk Oversight Committee was merged with the Governance Committee effective July 9, 2020.

(iv) Board Chair is ex officio member of the Appeals, Audit & Actuarial, Governance & Risk, Human Resources, Investment and Risk Oversight Committees.

TEN-YEAR FINANCIAL REVIEW

As at December 31, (millions of Canadian dollars)	**2020**	2019	2018	2017	2016 [iii]	2015	2014	2013	2012	2011
Net Assets available for benefits										
Public markets	**51,806**	50,757	45,272	56,870	49,572	43,631	47,300	41,709	37,472	32,154
Private equity	**20,811**	22,561	20,246	10,759	10,981	11,482	8,767	9,208	7,465	7,753
Infrastructure	**28,678**	25,292	20,796	18,053	17,443	16,349	14,401	13,533	11,572	9,635
Real estate	**18,316**	20,497	22,110	15,470	15,084	27,642	22,253	17,603	15,846	14,516
	119,611	119,107	108,424	101,152	93,080	99,104	92,721	82,053	72,355	64,058
Other investment assets	**2,189**	1,749	2,780	3,978	5,063	1,062	1,017	744	853	707
Investment liabilities	**(13,185)**	(8,616)	(10,923)	(7,175)	(10,254)	(20,534)	(19,490)	(16,463)	(11,741)	(9,063)
Net investment assets	**108,615**	112,240	100,281	97,955	87,889	79,632	74,248	66,334	61,467	55,702
Non investment assets/(liabilities)										
Amounts payable under contractual agreements	**(3,401)**	(3,485)	(3,247)	(3,138)	(2,896)	(2,719)	(2,397)	(1,524)	(905)	(828)
Other assets	**361**	625	405	381	367	332	245	271	205	209
Net Assets Available for Benefits	**105,575**	109,380	97,439	95,198	85,360	77,245	72,096	65,081	60,767	55,083
Accrued Benefit Obligation and Surplus/(Deficit)										
Primary Plan - Defined benefit component										
Accrued pension obligation	**111,820**	106,443	99,058	93,614	86,959	81,924	76,924	73,004	69,122	64,548
Funding Surplus/(Deficit)	**(3,211)**	(3,397)	(4,191)	(5,403)	(5,720)	(6,977)	(7,078)	(8,641)	(9,924)	(7,290)
Actuarial value adjustment of net assets available for benefits	**(4,444)**	4,928	1,401	6,008	3,379	1,718	1,771	341	1,321	(2,337)
	(7,655)	1,531	(2,790)	605	(2,341)	(5,259)	(5,307)	(8,300)	(8,603)	(9,627)
Primary Plan - Additional Voluntary Contributions Component pension obligation	**1,235**	1,244	1,023	817	595	445	360	276	170	94
Primary Plan - Accrued Pension Obligation and Deficit	**105,400**	109,218	97,291	95,036	85,213	77,110	71,977	64,980	60,689	55,015
Retirement Compensation Arrangement										
Accrued pension obligation	**1,152**	928	851	813	739	679	619	614	555	504
(Deficit)	**(977)**	(766)	(703)	(651)	(592)	(544)	(500)	(513)	(477)	(436)
Retirement Compensation Arrangement - Accrued Pension Obligation and Deficit	**175**	162	148	162	147	135	119	101	78	68
Accrued Pension Obligation and Deficit	**105,575**	109,380	97,439	95,198	85,360	77,245	72,096	65,081	60,767	55,083

For the year ended December 31, (millions of Canadian dollars)	**2020**	2019	2018	2017	2016 (iii)	2015	2014	2013	2012	2011
Changes in Net Assets Available for Benefits										
Net assets available for benefits, beginning of the year	**109,380**	97,439	95,198	85,360	77,245	72,096	65,081	60,767	55,083	53,349
Changes due to Investment Activities										
Total investment income (i)	**(2,700)**	12,362	2,957	10,477	8,575	5,441	7,082	4,000	5,544	1,648
Investment management expenses (i)	**(276)**	(581)	(540)	(409)	(427)	(351)	(384)	(266)	(265)	(264)
	(2,976)	11,781	2,417	10,068	8,148	5,090	6,698	3,734	5,279	1,384
Income credited under contractual agreements	**(25)**	(326)	(212)	(333)	(292)	(306)	(222)	(97)	(79)	(21)
Net Investment Income/(loss)	**(3,001)**	11,455	2,205	9,735	7,856	4,784	6,476	3,637	5,200	1,363
Changes due to Pension Activities										
Contributions										
Current year required contributions	**4,186**	4,054	3,988	3,858	3,690	3,650	3,515	3,434	3,026	2,618
Other contributions	**229**	295	382	335	275	230	171	210	184	195
Total Contributions Received	**4,415**	4,349	4,370	4,193	3,965	3,880	3,686	3,644	3,210	2,813
Benefits										
Benefits paid	**(4,315)**	(3,910)	(3,574)	(3,293)	(3,041)	(2,826)	(2,616)	(2,437)	(2,256)	(2,047)
Transfers, commuted value and other benefit payments	**(810)**	(736)	(703)	(712)	(585)	(621)	(450)	(473)	(414)	(336)
Total Benefits Paid	**(5,125)**	(4,646)	(4,277)	(4,005)	(3,626)	(3,447)	(3,066)	(2,910)	(2,670)	(2,383)
Assumption of City of Toronto Pension Plans	—	973	36	—	—	—	—	—	—	—
Pension administrative expenses	**(94)**	(190)	(93)	(85)	(80)	(68)	(81)	(57)	(56)	(59)
Net assets available for benefits, end of year	**105,575**	109,380	97,439	95,198	85,360	77,245	72,096	65,081	60,767	55,083
Nominal Discount Rate										
Primary Plan	5.85 %	5.90 %	6.00 %	6.00 %	6.20 %	6.25 %	6.50 %	6.50 %	6.50 %	6.50 %
Retirement Compensation Arrangement	3.15 %	3.15 %	3.15 %	3.15 %	3.15 %	3.15 %	3.25 %	3.25 %	3.25 %	3.25 %
Net Return										
Primary Plan - Defined Benefit Component										
Time weighted return on market value	(2.7)%	11.9 %	2.3 %	11.5 %	10.3 %	6.7 %	10.0 %	6.0 %	9.5 %	2.6 %
Absolute return target	6.9 %	7.5 %	7.3 %	7.3 %	7.9 %	7.8 %	7.7 %	7.5 %	7.2 %	7.5 %
Primary Plan - Additional Voluntary Contribution Component										
Time weighted return on market value	(2.7)%	11.9 %	2.3 %	11.5 %	10.3 %	6.7 %	10.0 %	6.0 %	9.5 %	
Retirement Compensation Arrangement Investment Fund (ii)										
Time weighted return on market value	11.6 %	20.9 %	(1.6)%	13.1 %	7.8 %	12.5 %	14.5 %	28.5 %	10.5 %	(4.1)%
Benchmark	12.6 %	21.5 %	0.1 %	12.8 %	8.7 %	12.2 %	14.6 %	30.2 %	12.2 %	(2.4)%

(i) In preparing financial statements in 2012, AC has reclassified pursuit costs from investment management expenses to total investment income. 2011 balances were adjusted to reflect this reclassification.
(ii) Excludes the RCA refundable tax balance with the Canada Revenue Agency.
(iii) AC has changed the presentation of debt related to real estate. Effective January 1, 2017 real estate investment assets are presented net of related debt. 2016 comparatives have been restated.

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