OMERS

2014 ANNUAL REPORT

We are OMERS, the Ontario Municipal Employees Retirement System. We are the defined benefit pension plan for more than 450,000 working and retired employees from almost 1,000 municipalities, school boards, libraries, police and fire departments, and other local agencies in communities across Ontario.

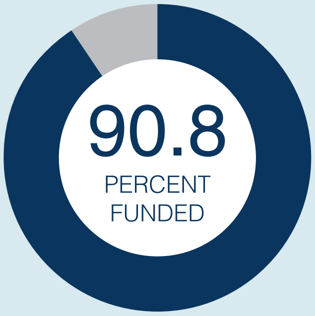
The benefits and services we provide are funded by equal contributions from members and their employers, and the investment earnings of our Fund. Our $72.0 billion of net assets are invested in a diversified global portfolio of publicly traded investments, real estate, infrastructure and private equity. We have offices in Toronto, Calgary, New York, London and Sydney.

We are governed by two corporations:

- OMERS Sponsors Corporation designs benefits and sets contributions for the OMERS Pension Plans, and determines the composition of the two OMERS Boards.
- OMERS Administration Corporation serves members and employers by collecting contributions, paying pensions and investing the assets of the Plans.

We work together toward a common goal: delivering on our promise of secure, sustainable pensions.

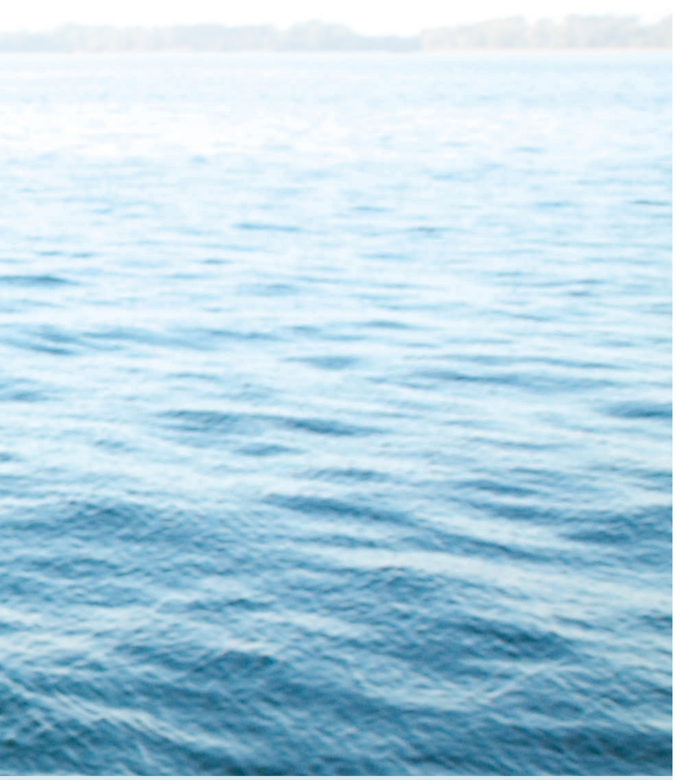
- Jim, Retired Member



10.0%
NET RATE OF RETURN

$72.0 billion
in net assets

$6.5 billion
in net investment income



$3.1 billion
in benefits paid

$3.7 billion
in contributions

Table of Contents

In this report, we refer to the OMERS Pension Plans as "the Plans" and the OMERS Primary Pension Plan as "the Primary Plan" or "the Plan."

Our Year in Review

At OMERS, we are entrusted with ensuring the security and sustainability of OMERS pensions over generations. That is why we are focused on managing risk, generating stable investment returns, and providing excellent service to members.

In 2014, OMERS continued to focus on the Plan's long-term financial health, ending the year in a stronger financial position. Our funded ratio improved from 88.2% to 90.8%, bringing us closer to our goal of being fully funded.

We manage three levers that impact the Plan's funded status: contribution rates, benefits and investment returns.

In terms of contributions and benefits, OMERS Sponsors Corporation developed a new Funding Management Strategy. This strategy takes into account and seeks to mitigate key long-term trends: the volatility of the financial marketplace, changes in the Plan's funded ratio, and contribution rate adjustments. It sets out a road map for three distinct management "zones": when the Primary Plan has a deficit; when it is fully funded – with up to a 10% reserve; and when it is in surplus and has more than a 10% reserve. The strategy puts a ceiling on contribution rates that is about 1% higher than current rates.

The strategy is the result of careful, creative and determined consideration. It will allow us to be more flexible and transparent – while balancing affordability with the security of the Plan and keeping members, employers and sponsors well-informed along the way. As a result of this strategy, in 2015 we will introduce a new process for reviewing and approving Plan changes. Although we are currently in the Deficit Management zone, we are on track to be fully funded by 2025.

In 2014, we posted eight proposals to change the Plan on our website, along with detailed information on each. Of the eight proposals, six did not receive support and one was withdrawn.

In June 2014, OMERS Sponsors Corporation approved one minor change to contribution rates for police and firefighters (normal retirement age 60 members). This change fulfilled a commitment made in 2012 to fully implement the new contribution rate allocation methodology by January 1, 2015. The change did not affect normal retirement age 65 members.

Retired members, and those approaching retirement in the near term, can take comfort in our strong cash flow. This is illustrated by the fact that in 2014, the Plan collected $3.7 billion in contributions, and generated net investment income of $6.5 billion, which together more than covered the $3.1 billion in pension benefits paid in the year. To earn consistent long-term investment returns, we continue to build a portfolio of high-quality public and private investments, diversified by asset class, sector and geography.

In 2014, we generated a 10.0% return, net of expenses, exceeding our long-term funding requirement of 6.5%, our benchmark of 7.7%, and our 2013 return of 6.0%. Public market investments returned 10.7% (net) helped by strong bond prices. Private investments returned 9.5% (net). We concluded the year with net assets of $72 billion, a $7 billion increase over 2013.

Our pension obligations grew to $76.9 billion, reflecting our growing membership and accruals of service. Like other investors, we are challenged by volatile markets, persistently low interest rates, and low economic growth which could slow our return to funded status. This is why we are relentlessly focused on managing downside risk by diversifying our portfolio and developing investment strategies that generate solid, sustainable returns that can overcome the challenges we face and provide confidence for the future.

To improve our focus on building investment returns for the future, we established a Private Markets group by joining

"Creating value for our members is a mindset and operating philosophy shared across the OMERS enterprise."

Michael Latimer
President and CEO
OMERS Administration Corporation

"We look forward to engaging and collaborating with stakeholders as we continue the conversation in 2015."

Deb Preston
Chief Executive Officer
OMERS Sponsors Corporation

together our infrastructure and private equity investment teams. This new structure helps us better share their considerable expertise. 2014 saw the continued delivery of strong and stable infrastructure returns, and the opening of a new investment office in Sydney, Australia – a market we have identified as an attractive source of infrastructure opportunities. Our private equity team had three successful exits through the sales of Maxxam Analytics, Accelerated Rehabilitation Centers and Logibec Inc. (closed in 2015). In both asset classes, we deployed capital into new and existing investments, creating significant value in many companies.

Oxford, our real estate business, delivered results through an extremely busy period of global property investment, development and management. The team completed 34 transactions including developments, dispositions and acquisitions. Oxford expanded its footprint to include properties in Boston and Paris. Oxford again received recognition in North America for its commitment to sustainability and its corporate culture.

In 2014, we streamlined and refocused OMERS Strategic Investments (OSI). We created efficiencies by moving some investment platforms to the Private Markets group. Platforms remaining in OSI will include OMERS Ventures, which invests in technology, media and telecommunication startup/growth companies, and OMERS Energy, which invests in conventional oil and gas properties.

OMERS went through significant organizational developments in 2014, including changes in Management and with the Boards of Directors. Michael Latimer was appointed President and CEO of OMERS Administration Corporation. Under his leadership, the Management team was realigned and streamlined. We have invested in capable, experienced professionals with solid track records. At the same time, both Boards welcomed new Directors and collaboration between the OMERS Administration Corporation and the OMERS Sponsors Corporation Boards improved.

Our members and employers have diverse needs, and providing them with informed, accessible and approachable service is a priority. We have had strong, positive feedback about our information programs, as well as the response times and service provided by our call centre.

We are engaging at a deeper level with our stakeholders and members. These conversations give us an opportunity to see that issues are addressed. They are vital in helping us to keep in touch with the needs of those contributing to the Plan.

Our Spring and Fall Information Meetings were more accessible and interactive than ever before. A lively "open mic" session with OMERS executives and participants was well received and went into overtime. Enhanced live-video webcasts enabled stakeholders from across the province to actively participate without the time and expense of travel.

OMERS members and employers make significant contributions to the Plan and we understand that affordability is an issue. We will continue to make decisions considering every dollar spent as if it were our own. As well, we will continue to manage for long-term pressures that could impact affordability, such as the trend of members living longer.

Creating value for our members is a mindset and operating philosophy shared across the OMERS enterprise. Overall, costs increased in 2014 for several reasons: variable expense related to better performance; non-recurring expense related to organizational change with consolidation of responsibilities; Plan growth; and the first steps toward replacement of our fully depreciated pension management system. We expect that operational improvements will yield lower costs and positive investment returns in the future.

We create value for the Plan in many ways. For example, in 2014 we put in place the first bank-backed credit facility for any Canadian plan to support our $3.1 billion, AAA rated commercial paper program. This initiative allowed the release of $4.6 billion in low-yielding collateral and put it to work earning better returns with which to pay pensions.

Looking ahead, we will continue to serve our members by investing strategically, by managing costs, by making the best use of every pension dollar contributed, and by anticipating and meeting their needs. We are looking for ways to improve, to deliver a more secure, sustainable and affordable pension plan – now, and in the future, so that our members are able to retire with confidence.

"It is an honour to work on your behalf to keep your pension secure and sustainable."

Marianne Love and Brian O'Keefe
Board Co-Chairs
OMERS Sponsors Corporation

"I'm struck by the commitment and sense of attachment people have to OMERS. Everyone knows someone who is proud to be a member of OMERS."

George Cooke
Board Chair
OMERS Administration Corporation

Funded Status

As at December 31, 2014, the Primary Plan's funded ratio of assets to pension obligations was 90.8%, compared to 88.2% at December 31, 2013. The Primary Plan is on track to be fully funded by 2025.

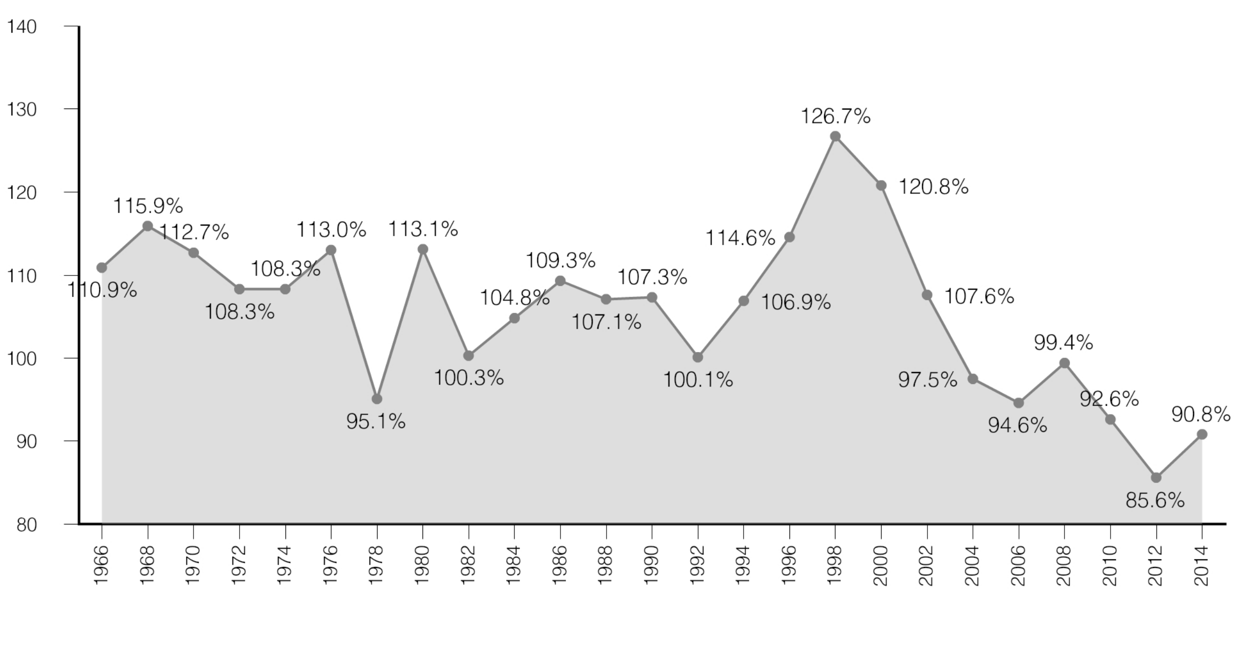
During 2014, our funded ratio improved by 2.6% and the deficit was reduced by $1.5 billion because of the net impact of:

Funded Ratio			Deficit $ Billions
88.2 %	**Beginning of year**	$	(8.6)
1.0 %	Contribution from members and employers to pay down the deficit		0.8
1.0 %	Investment returns in excess of the 6.5% discount rate		0.8
(0.3)%	Changes to actuarial assumptions and methods		(0.2)
0.9 %	Primary Plan experience and other factors		0.7
n/a	Interest on deficit		(0.6)
90.8 %	**End of year**	$	(7.1)

Long-Term Benefit Security

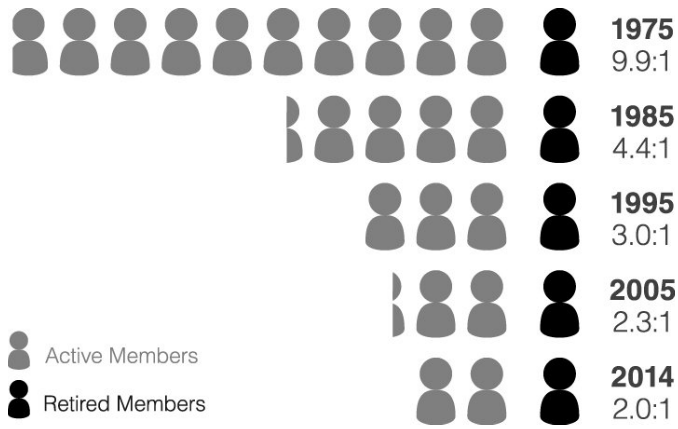
Reaching a fully funded position is important to us, because the Primary Plan's funded ratio is a key indicator of its long-term financial health. The funded ratio is the ratio of the value of the Primary Plan's net assets to the obligation for pension benefits earned by members to date. To minimize the impact of short-term market volatility, we smooth investment returns over a five-year period when valuing our assets to determine the funded ratio. As the following graph shows, the Primary Plan's funded ratio fell to a historic low in 2012, but has now turned the corner and is improving.

Plan Funded Ratio



The funding deficit we currently face is primarily due to the financial market downturn in 2008. The Primary Plan has also experienced financial pressures due to market volatility, the increasing life expectancy of our members, and plan maturity as illustrated below.

Ratio of Active to Retired Members



As a result of these factors, contribution rates are higher than at any time in the past. Today, about 25% of the contributions remitted are being used to pay down the funding deficit. Member and employer contributions were, on average, 21.3% of members' contributory earnings. Of that,16.1% represents contributions to fund the accrual of benefits earned in 2014, referred to as the current service cost, with the remaining 5.2% paying down the funding deficit.

Near-Term Benefit Security

The Primary Plan's assets are sufficient to pay for member benefits for many years to come. This is illustrated by the fact that during 2014, the Primary Plan collected $3.7 billion in contributions, compared to $3.6 billion in 2013, and generated net investment income of $6.5 billion, compared to $3.6 billion in 2013, which together were more than adequate to cover the $3.1 billion, compared to $2.9 billion in 2013, in pension benefits paid during the year. OMERS is one of only seven institutions in Canada to have a credit rating of AAA, the highest level of confidence that independent credit rating agencies can bestow.

Strategies to Secure the Future

Three “levers” need to be managed together to achieve long-term security and sustainability of the Primary Plan: contribution rates, benefit levels and investment returns. Responsibility for implementing strategies to manage these three levers is shared between OMERS Sponsors Corporation and OMERS Administration Corporation as described below.

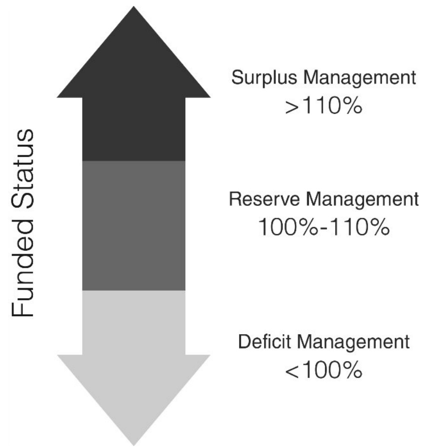
OMERS Sponsors Corporation

OMERS Sponsors Corporation decides when it is appropriate to adjust benefits or contribution rates, or to make some combination of adjustments to both. Historically, the Primary Plan has cycled through periods of deficit and surplus, and benefits and contributions were adjusted in response. In 2014, OMERS Sponsors Corporation published its Funding Management Strategy, which sets out with clarity when contributions and benefits will be adjusted in the future to manage the financial health of the Plan. The strategy:

- promotes a disciplined process for achieving funding targets;
- includes a cap on contribution rates; and
- reflects a commitment to building and maintaining reserves.

The Strategy establishes three zones based on the Primary Plan's funded status - Surplus Management, Reserve Management and Deficit Management - and sets out parameters for setting contribution rates and benefits within each zone. The funded status of the Primary Plan improved in 2014; however, the Primary Plan remained in the Deficit Management zone as at December 31, 2014. Our goal is to get back to full funding through a balance of benefit reductions and contribution rate increases. Measures put in place in 2010 are expected to be sufficient for us to meet this goal.

Funding Management Zones



In the **Surplus Management** zone, the goal is to retain the 10% reserve while retroactively restoring benefits, and then considering reductions in contributions and improvements in benefits.

In the **Reserve Management** zone, the aim is to get the Primary Plan to 110% funding, providing a 10% reserve, while taking a conservative approach to reducing contributions and prospectively restoring benefits.

In the **Deficit Management** zone, the strategy is to get back to full funding through a balance of benefit reductions and contribution rate increases. Our Funding Management Strategy places a limit on contribution rates that is about 1% higher than today's rates.

More information is available on our website.

As the Primary Plan's funding level improves, and we move into the Reserve and Surplus Management zones, our strategy takes a conservative approach to reducing contributions and restoring benefits. The aim will be to build reserves while continuously monitoring the Primary Plan's funded status.

OMERS Administration Corporation

OMERS Sponsors Corporation works closely with OMERS Administration Corporation on strategies to build and maintain the financial health of the Primary Plan. OMERS Administration Corporation determines the actuarial methods and assumptions used to calculate pension obligations and sets minimum funding requirements in accordance with the requirements of laws and regulations. The most critical actuarial assumption used to calculate pension obligations is the discount rate. Along with other actuarial assumptions, OMERS Administration Corporation Board approves the discount rate based on the advice of an independent actuary. As at December 31, 2014, the discount rate was 6.5%.

OMERS Administration Corporation also invests the contributions made by members and employers to generate investment returns that are targeted to meet or exceed the discount rate. Our investment returns fuel our ability to generate maximum value for pension dollars for all our members.

Funding Risks

We carefully identify, assess, manage, report, and monitor the risks that impact our business objectives and the success of our strategies. These risks affect each of the three funding levers, and risk awareness and risk management are embedded in all of our business activities.

We look at economic, demographic and other risk factors, but we must also consider political, reputational, legal and various other risks that affect our ability to deliver on our commitments.

Many economic factors - including volatility in financial markets, persistently low interest rates, and capital flows into alternative asset classes - present risks that impact the ability of our investment teams to generate investment returns that meet or exceed the discount rate of the Primary Plan. Demographic factors include unanticipated increases in life expectancy, trends in retirement and future membership levels. Over time, these risk factors can change, affecting the assumptions used to determine our actuarial liabilities, potentially changing our funded status.

We conduct experience studies to evaluate our demographic assumptions to ensure they remain appropriate. We also conduct periodic studies to validate our asset mix. We also test the reasonableness of our discount rate against the asset mix strategy at least annually, to ensure it contains sufficient margins to protect against adverse experience in the long run.

The Primary Plan's overall investment results are affected by the global economic environment. Our results are sensitive to interest rates, which continue at persistently low levels in response to challenging global economic growth. If low rates and weak growth persist, there is a potential that our discount rate will need to be decreased in the future. A 10 basis point reduction in the real discount rate would increase pension obligations and the deficit by $1.3 billion and reduce the funded status by 1.4% as at December 31, 2014. OMERS will continue to monitor the economic outlook and the associated risks to the Plans.

In 2014, we conducted a study to review the appropriateness of our actuarial methods and the assumptions we use for factors such as life expectancy, retirement ages and wage growth. As a result, we revised our assumptions and methods to recognize, among other things, increase in life expectancies and lower salary growth. The overall impact contributed to a 0.3% drop in the funded ratio.

Our Commitment

We are committed to using the three funding levers in ways that are fair, balanced and sustainable. To be fair to all our members and employers, and to provide the flexibility needed to meet changing economic circumstances, we must balance contributions and benefits to keep pensions secure and sustainable, and we must ensure our investment returns continue to meet their long-term targets.

Retirement Compensation Arrangement (RCA)
The RCA is for those members whose pension benefits under the Primary Plan are limited by ceilings imposed by the Income Tax Act (Canada). Due to tax rules applicable to plans like the RCA, it is funded, managed and monitored separately from the Primary Plan to ensure that current RCA net assets, together with future contributions and earnings, will be sufficient to cover projected benefit payments for the 20-year period following each valuation.

As at December 31, 2014, measures are in place to maintain this 20-year target on a rolling annual basis. Our report focuses mainly on the OMERS Primary Plan, which comprises the large majority of the assets.

Investment Strategy and Returns

The Primary Plan achieved a net return of 10.0% in 2014 compared to a benchmark of 7.7% and our funding discount rate of 6.5%. All investment teams exceeded their benchmarks with the exception of OMERS Strategic Investments.

Our private Investment Entities produced net returns of 9.5%, demonstrating the effectiveness of the asset mix and direct drive management components of our Strategic Plan. Public markets net return was 10.7%.

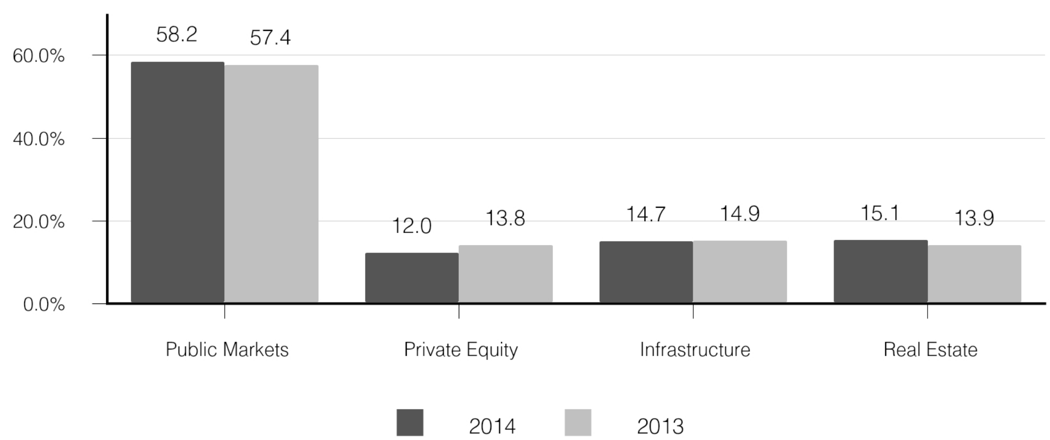
Investment Strategy

We invest globally with assets diversified by geography, economic sector, risk exposure, asset class and income stream in order to earn long-term returns that exceed the 6.5% discount rate used to calculate the pension obligation. The focus is to earn consistent total Fund returns over the long term, recognizing that the performance of public markets can be highly uncertain in any single year. Long return horizons smooth out short-term results to align market value assets with extremely long-duration accrued pension benefits.

The investment strategies implemented at the total Fund level involve:

- generally, investing approximately half of each new dollar in public market assets and half in private market assets to balance volatile liquid, publicly traded securities with stable and relatively predictable illiquid, privately owned assets;
- prudent use of economic leverage in public markets and financial leverage in private markets to mitigate risk and enhance returns;
- global diversification of our portfolio to access a range of investment opportunities that are not available in Canada to enhance returns and balance risk across economies with different economic cycles; and
- direct drive, in-house management of investments to improve returns and reduce costs.

Asset Allocation (%)



Annualized Investment Returns

for the period ending December 31, 2014	1 Year	3 Year	5 Year	10 Year
Gross Return	10.7%	9.1%	8.4%	7.5%
Net Return	10.0%	8.5%	7.9%	7.0%

Our investment teams are organized in three strategic investment platforms, each with its own Chief Investment Officer: These are OMERS Capital Markets, OMERS Private Markets, and OMERS Real Estate and Strategic Investments. This structure aims to streamline processes, contain costs and ensure efficient allocation of capital across the asset classes, while continuing to implement the investment strategies as outlined in our Enterprise-Wide Strategic Plan.

OMERS Capital Markets

OMERS Capital Markets manages approximately 58.2% of the Primary Plan's assets. The majority of the capital managed by OMERS Capital Markets is invested in a globally diversified portfolio with exposure to equities, bonds and commodities that we call "Beta." In this portfolio, assets are allocated to balance risk and earn returns across economic cycles where asset performance is influenced by the forces of inflation and growth. OMERS Capital Markets also invests in a variety of Alpha strategies separately from the Beta portfolio. The Alpha portfolio takes views on the direction of the financial markets and relies on the skill of internal and external investment teams to deliver absolute returns.

Our Capital Markets portfolio includes economic leverage, which is managed to provide a high level of liquidity to the Fund. We require liquidity in OMERS Capital Markets because a significant portion of the Fund is invested in private assets (41.8% as at December 31, 2014; 47% as our long-term target). The private market assets invested in by OAC are illiquid in nature compared with public stocks and bonds. We believe that owning these assets long term compensates for illiquidity by delivering strong cash flows and value gains over time, and as such these assets are a good match for the Primary Plan's liabilities.

OMERS Private Markets

The OMERS Private Markets platform consists of Borealis Infrastructure, which is responsible for the management of our Infrastructure investments, and OMERS Private Equity, which undertakes investments in private companies.

Borealis identifies, pursues and manages investments in large-scale infrastructure businesses on behalf of OAC as well as for other large institutional investors. The infrastructure portfolio consists of assets that are generally protected by revenue, inflation and other guarantees that contribute to generating reliable income.

OMERS Private Equity focuses on acquiring, on behalf of OAC, majority ownership of private companies in North America and Europe, with an objective of generating strong capital returns.

OMERS Real Estate and Strategic Investments

The OMERS Real Estate and Strategic Investments platform consists of Oxford Properties Group, which is responsible for the management of a portfolio of high-quality income-producing and development properties in world-class cities in Canada, the United States and Europe, and OMERS Strategic Investments. The latter invests in assets that have attractive risk-return profiles for the Fund, but which may not fit the core public- or private-market investment strategies pursued by other teams.

Current Year Returns at a Glance

Investment returns for the Primary Plan and RCA for 2014 and 2013 were as follows:

			2014			2013
For the year ended December 31, (%)	**Gross Rate of Return**	**Gross Return Benchmark (iii)**	**Net Rate of Return**	Gross Rate of Return	Gross Return Benchmark (iv)	Net Rate of Return
OMERS Capital Markets	**11.1**	**7.3**	**10.7**	0.5	7.0	0.2
OMERS Private Markets						
OMERS Private Equity	**16.0**	**12.0**	**14.4**	23.6	38.2	22.7
Borealis Infrastructure	**13.4**	**9.6**	**12.7**	12.4	9.0	11.8
OMERS Real Estate and Strategic Investments						
Oxford Properties	**8.7**	**7.6**	**8.7**	14.3	7.3	14.3
OMERS Strategic Investments	**-9.5**	**7.8**	**-10.6**	9.1	8.1	8.1
Total Private Investments	**10.3**	**9.3**	**9.5**	15.5	14.9	15.0
Total Primary Plan Fund (i)	**10.7**	**8.1**	**10.0**	6.5	10.2	6.0
RCA Investment Fund (ii)	**14.7**	**14.6**	**14.5**	29.1	30.2	28.5

(i) Investment Entity returns reflect the results of the Primary Plan's currency-hedging-related activities with external counterparties.

(ii) Excludes the RCA refundable tax balance with the Canada Revenue Agency. Including the refundable tax balance, the RCA rate of return was 7.8%, compared to 13.9% in 2013.

(iii) See description of benchmark in this section below.

(iv) The benchmark for OMERS Private Equity was a customized public equity benchmark in 2013 and it is an absolute benchmark for 2014.

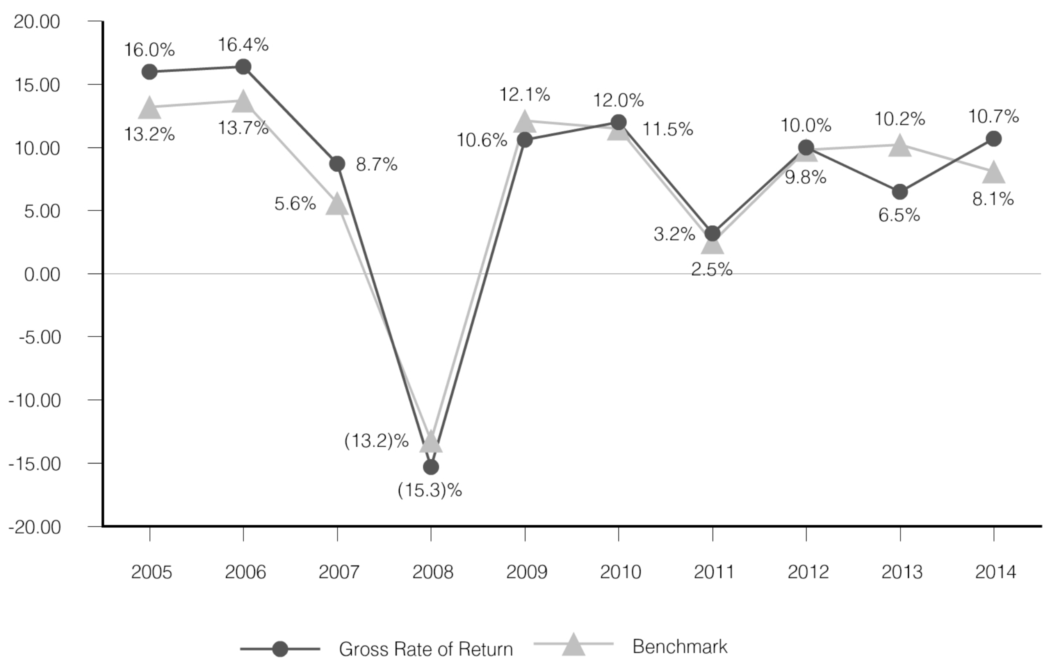
Benchmark Returns

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

The benchmarks used are as follows:

Entity	Benchmark
OMERS Capital Markets	Absolute return of 7.3%
OMERS Private Equity	Absolute return of 12.0%
Borealis Infrastructure	Absolute return of 9.6%
Oxford Properties	Absolute return of 7.6%
OMERS Strategic Investments	Absolute return of 7.8%
Total Fund	Weighted Average blend of Investment Entity benchmarks
RCA Investment Fund	Weighted Average blend for the RCA Investment Fund is 5% DEX 30-Day T-Bill + 23.75% S&P/TSX 60 Composite + 23.75% MSCI All World Europe, Asia, Pacific + 47.50% MSCI USA All Cap.

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



Net Assets of the Plans

Net Assets

as at December 31,		2014		2013
Net investment assets	**$**	**74,248**	$	66,334
Net pension related assets		**245**		271
Amounts payable under contractual agreements		**(2,397)**		(1,524)
Net Assets	**$**	**72,096**	$	65,081

Net assets increased by $7,015 million, or 10.8% compared with an increase of $4,314 million, or 7.1%, in 2013. The increase in 2014 was driven primarily by investment returns and the excess of contributions over benefits payments and pension administration expenses, as set out below.

Change in Net Assets

for the year ended December 31,		2014		2013
Net assets, beginning of year	**$**	**65,081**	$	60,767
Changes due to investment activities		**6,476**		3,637
Changes due to pension activities		**539**		677
Net Assets, End of Year	**$**	**72,096**	$	65,081

Plan Asset Mix

Asset Class Allocation

The market value of assets and exposures net of liabilities, as set out in the Consolidated Financial Statements, is allocated to specific asset classes, which together define the Asset Mix. In addition, derivative exposure and other items, including transactions and balances between Investment Entities and amounts payable under OMERS Return Agreements, are allocated to arrive at the Plans' ultimate exposure by asset class.

Net investment assets based on the holdings as set out in the Consolidated Financial Statements, and after all allocations, are as follows:

Asset Mix – Exposure

as at December 31,			2014			2013
	Fair value	**Exposure**	**Asset Mix %**	Fair value	Exposure	Asset Mix %
Public Markets (ii)	**$47,467**	**$42,467**	**58.2**	$41,709	$37,683	57.4
Investment related assets	**252**			119		
Investment related liabilities (i)	**(6,581)**			(6,310)		
Total Public Markets	**41,138**	**42,467**	**58.2**	35,518	37,683	57.4
Private Markets						
Private equity	**8,767**	**8,782**	**12.0**	9,208	9,097	13.8
Infrastructure	**14,401**	**10,729**	**14.7**	13,533	9,817	14.9
Real estate	**22,253**	**11,003**	**15.1**	17,603	9,112	13.9
Total Private Markets	**45,421**	**30,514**	**41.8**	40,344	28,026	42.6
Investment related assets	**790**			625		
Investment related liabilities (i)	**(13,101)**			(10,153)		
Net Investment Assets	**$74,248**	**$72,981**	**100.0**	$66,334	$65,709	100.0

(i) Includes OAC debt, securities sold under repurchase agreements, accounts payable and other liabilities.
(ii) Includes credit investments not managed by OCM of $415 million, compared to $236 million in 2013.

Debt

We maintain an AAA credit rating from two leading credit rating agencies. This enables us to support, through the provision of guarantees, OMERS Finance Trust and our Investment Entities to obtain debt financing at preferred rates to execute our investment strategy. As at December 31, 2014, recourse debt includes debentures and commercial paper of $396 million and $2,377 million, compared to $584 million and $1,921 million as at December 31, 2013 respectively. Other debt is secured by specific investments. The total debt increased to $11,903 million at December 31, 2014, compared to $8,942 million at December 31, 2013. The increased debt was incurred to fund development projects and provide bridge financing for our real estate investments.

Serving our Members

"I know my numbers. I used the Retirement Income Estimator on myOMERS to get a pension estimate and also when I was making the decision to buy back contract service."

- Anita

Our members count on their OMERS defined benefit pension as a key source of retirement income (together with their personal savings and government retirement benefits) to help them enjoy a financially secure retirement. A defined benefit pension not only helps to provide retirement security to our members, it also has a positive impact on local, provincial and national economies.

Our Pension Promise

When they retire, OMERS provides our members with regular monthly payments that continue for the rest of their lives. OMERS members can rely on the OMERS pension promise of:

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

We strive to serve all of our members' needs from the day they join the Plan to the day they retire, and beyond. Our member services are accessible, flexible and tailored to our members' needs. We are proud of the long-term relationships we build with our members. We are truly there for each and every one of them – for life.

We serve a total of 451,115 members from 974 employers. Our members comprise 61% active members, 30% recipients of retirement, disability, or survivor pensions, and 9% members who have left their OMERS employer but kept their deferred pensions in the Plan. Members range in age from their early 20s to over 100.

An Aging Membership

Over the past decade, we have seen a significant increase in active members in the 45-60 age group. This means more of our members are at the point in their lives when they start to seriously turn their minds to financial security in retirement. The number of members receiving an OMERS pension continues to grow, with 7,895 new retirees in 2014. Many currently retired members have been receiving their OMERS monthly pension payments for more than 30 years.

Helping Our Members Save for Retirement

When members first join the Plan, they learn that while they contribute a percentage of their earnings to help pay for their future pension, their employers also contribute an equal amount. These contributions will fund some of their pension, while a large portion will be paid for by investment earnings. OMERS members' contributions to the Plan lower their taxable income in the years they are made.

If OMERS members want to save more for their retirement, they can use the Additional Voluntary Contribution (AVC) provision of the Plan, which is similar in many ways to a registered retirement savings plan. Funds in AVC accounts are invested in the OMERS Fund – a globally diverse portfolio that strives to provide predictable and stable long-term returns. Eligible members can make automatic regular contributions to an AVC account through pre-authorized debit, or they may be able to contribute to AVCs through employer payroll deduction (where available). All eligible members can make lump-sum transfers from another registered retirement vehicle into an AVC account.

New members can also "buy back" service with private sector employers if they participated in a registered pension plan during their prior employment. In 2014, we processed 3,281 buy-back transactions, helping our members to build their retirement income.

While retirement may seem far away for new OMERS members, they can still see that a little attention to retirement planning and savings early in their careers will lead to a more financially secure retirement.

Helping Members Understand Their Options

Mid-career members may be looking for new career opportunities. If they find a job with another OMERS employer, they may be able to combine their entire pension record under a single membership, and continue to build their OMERS pension.

This year, we worked with other Ontario public sector pension plans to offer certain members who had their pension benefits with both OMERS and another pension provider the opportunity to combine their pensions. We also increased our outreach to employers and part-time employees to help them understand all their options.

When members consider the range of options open to them under the Plan, they have the support of OMERS Client Services. Our Client Services employees are qualified to answer a wide range of questions from members, and they answer 80% of incoming calls within 100 seconds. Members can also attend information sessions to consult, in person, with knowledgeable OMERS representatives. We provide information to members in many different ways, including frequent webcasts as well as face-to-face meetings. We reach out to all our members in towns and cities across Ontario, and we are always looking for better ways to make sure they have all the answers they need to plan for a comfortable and financially secure retirement.

In 2014:

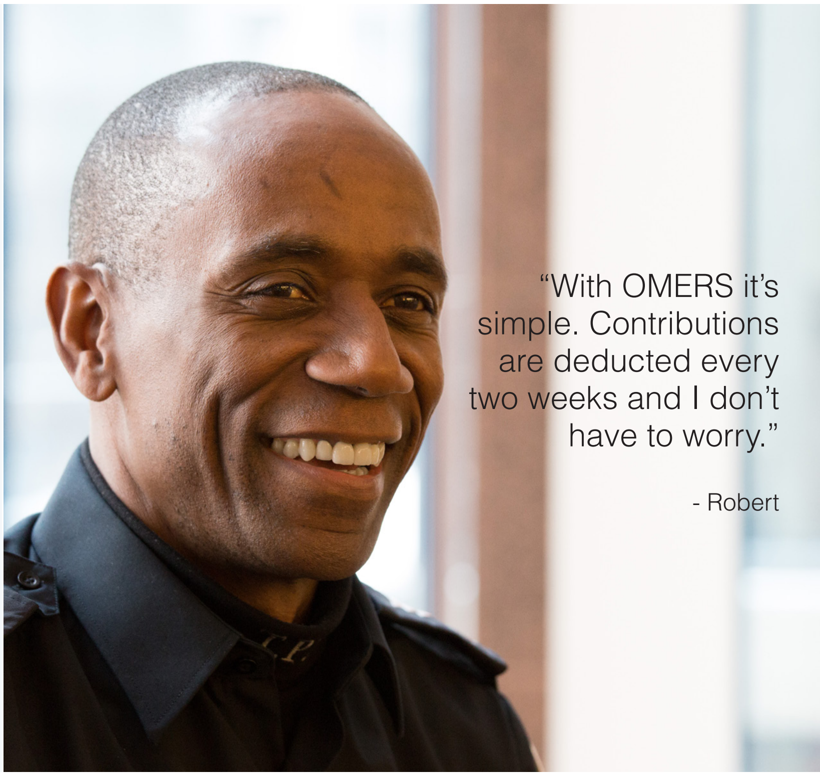
- We visited communities across Ontario – meeting and communicating with employers and members through a total of 1,553 onsite visits to educate, inform and provide technical support.
- There were just over 900,000 visits to our website to get information – including 629 visits by members who viewed our member webcasts.

1,500+
presentations and meetings with members and employers

900,000+
visits to omers.com

120,000+
myOMERS registered members

89%
average member satisfaction rate



Helping Members Plan for their Retirement

Members who are approaching their retirement age have different choices to make, but they have the same level of expert support from OMERS. To get a better idea of their entire financial position, OMERS members who are approaching retirement age can access the OMERS Retirement Income Estimator through their myOMERS account. This online tool allows members to project their OMERS pension, as well as the value of government benefits and personal savings. This gives them a snapshot of their before and after retirement income. This information helps them to make a more informed decision about their retirement date.

Spouses of deceased OMERS members may be entitled to receive survivor pensions from OMERS. They have access to the same level of information support the members received – including receiving annual pension statements and accessing details of their pension through myOMERS.

In 2014, we:

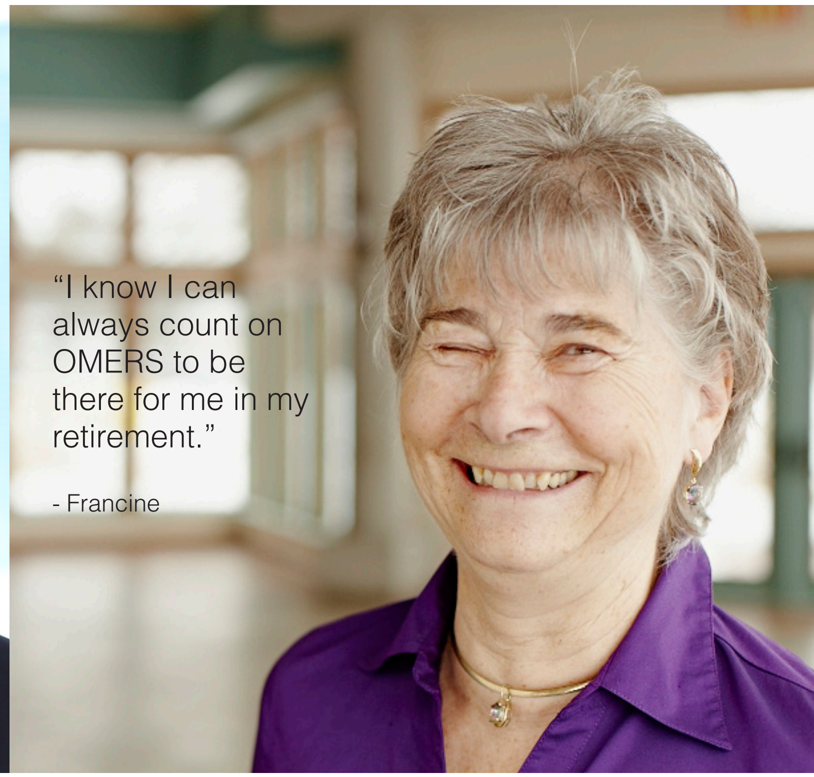
- managed just over 20,000 retirement, termination, disability and pre-retirement death benefit claims;
- received requests for over 118,000 retirement and termination estimates – representing an 18% increase over 2013; and
- met or exceeded our targets for our key service standards by processing all key business activities within an average of three business days.

Serving Employers

- Participating OMERS employers are key partners who provide information and remit contributions to OMERS so that we can administer the benefits to members. We are evolving how we work with our participating employers to simplify processes and make their jobs easier.
- As our processes change, we are committed to keeping employers informed. In 2014, we held 18 information sessions for employers and provided 43 webinars via our website to help them get the information they need.

"I truly love what I do…I'm grateful for my OMERS membership."

- Sari



"I know I can always count on OMERS to be there for me in my retirement."

- Francine

Providing High-Quality Services

At every stage of their working and retired lives, we are there for our members. Our member satisfaction results show that they appreciate the quality service we provide. An independent member survey in 2014 showed an average satisfaction rate that remains high for the overall level of service, and an external benchmarking study has shown that our services also provide members with value for money.

The needs of our members are constantly changing. We are changing as well – to make sure the services we provide to our members evolve, improve, and provide good value. We are giving them the support and assistance they need to plan their retirement.

Respect for the Environment

Like our members, we care about the environment. With that in mind, we offer many of our services and publications electronically. The myOMERS website gives OMERS members secure access to their pension information, and the option to "go green" by receiving e-statements and e-news. With myOMERS, members can review their information and have an interactive, paperless relationship with OMERS.

OMERS Management Team

OMERS Administration Corporation

1. Michael Latimer
   President and Chief Executive Officer
2. Warren Bell
   Chief Operating Officer and Pension Services
3. Blair Cowper-Smith
   Chief Corporate Affairs Officer
4. Patrick Crowley
   Chief Strategy Officer
5. Rodney Hill
   Chief Auditor
6. Blake Hutcheson
   Chief Investment Officer,
   Real Estate and Strategic Investments
7. Satish Rai
   Chief Investment Officer,
   Public Markets
8. Michael Rolland
   Chief Investment Officer,
   Private Markets
9. Paulo Salomão
   Senior Vice President,
   Strategy and Market Intelligence
10. Jonathan Simmons
    Chief Financial Officer

OMERS Sponsors Corporation

Deb Preston
Chief Executive Officer

Chris Vanden Haak
Director, Pension Policy and Communications

OMERS Board Members

OMERS Administration Corporation


George Cooke
Board Chair


Bill Aziz


Monty Baker


David M. Beatty


Darcie Beggs


William (Bill) Butt


Richard Faber
(to December 2014)

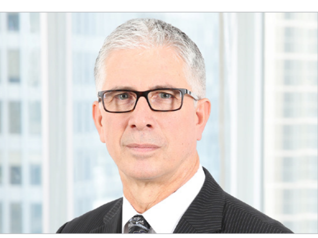

Michael Fenn


Laurie Hutchinson

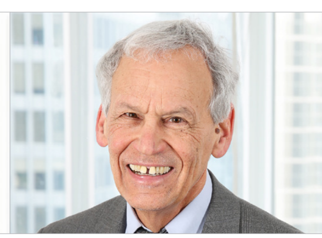

Cliff Inskip
(from January 2015)


Lloyd Komori
(to December 2014)

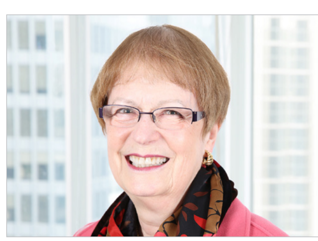

James Phillips

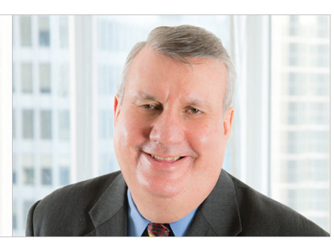

John Sabo
(to December 2014)


Penny Somerville
(from February 2015)


Eugene Swimmer

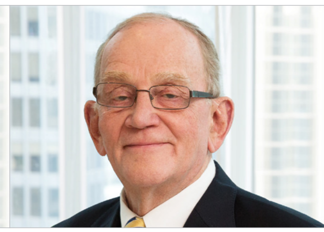

David Tsubouchi
(from January 2015)


Sheila Vandenberk


John Weatherup

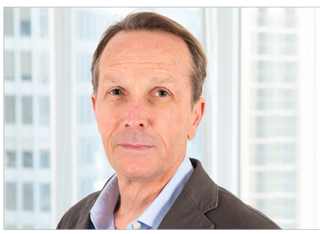
OMERS Sponsors Corporation


Marianne Love
Board Co-Chair


Brian O'Keefe
Board Co-Chair


Paul Bailey

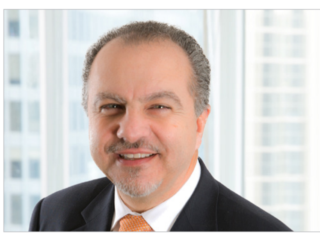

Frederick Biro


Barry Brown
(from January 2015)

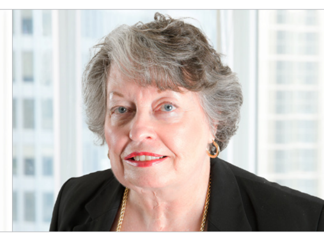

Diana Clarke


John Fleming

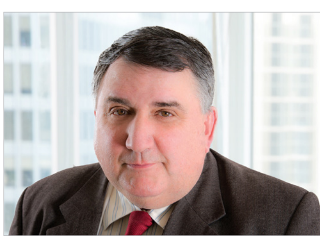

Jack Jones
(to June 2014)

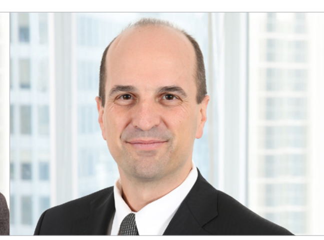

Charlie Macaluso

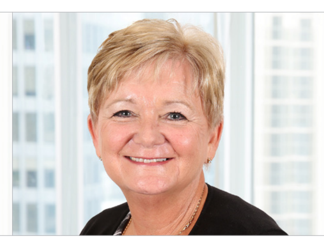

Tim Maguire

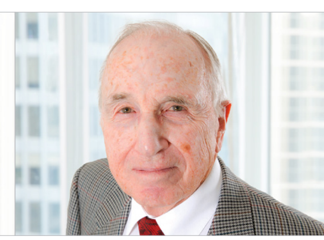

Mary McConville


Wayne McNally


Bruce Miller


Frank Ramagnano


Sandra Sahli
(from July 2014)


Bruce Stewart
(to December 2014)

2014 Management Discussion and Analysis

This Management Discussion and Analysis is the responsibility of the management of OMERS Administration Corporation (OAC) (Management) and contains Management's analysis of the Plans' financial condition, operational results, and the environment in which they operate as of February 26, 2015. This section should be read in conjunction with the Consolidated Financial Statements.

In 2006, Ontario legislation replaced the Ontario government as sponsor of the Plans with a statutory corporation called OMERS Sponsors Corporation (SC) and continued the administrator as a statutory corporation called OMERS Administration Corporation (OAC). The Audit Committee and Board of Directors of OAC (the OAC Board or the Board) have reviewed and approved the contents of this Management Discussion and Analysis.

The OMERS Pension Plans include OMERS Primary Pension Plan (the "Primary Plan" or the "Plan"), the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (the RCA) and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the "Supplemental Plan"). Additional Voluntary Contributions (AVCs) are offered to Plan members as part of the Primary Plan.

In addition to historical information, this section contains forward-looking statements with respect to Management's strategy, objectives, outlook and expectations. Forward-looking statements can be identified by use of words such as "believe," "expect," "may," "could," "intend," "continue" or "estimate," or variations of such words and phrases, or statements that certain actions, events or results "may" "could," "would," "might" or "will" be taken or achieved. By their very nature, such statements are subject to risks and uncertainties, which may cause actual results to differ from the expectations expressed in the forward-looking statements. Forward-looking statements made in this section represent Management's views at the date of this report and OAC does not undertake to update or revise any forward-looking statements as a result of new information, future events or otherwise.

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 stakeholders to better understand the performance of our business. Other non-GAAP financial measures that we use include performance returns by asset class and assets under management. These non-GAAP financial measures do not have any standardized meaning and may not be comparable with similar measures used by other companies or pension plans. They should not be viewed as an alternative to measures of financial performance determined in accordance with GAAP. This report is not intended for U.S. persons. Interests in the Plans are not and will not be offered or sold in the United States, or to or for the account of U.S. persons, as defined by U.S. securities laws.

Many factors affect the Plans' performance. These include changes in market conditions and interest rates, and other

Table of Contents

Overview of OMERS Pension Plans and Investment Entities

About OMERS

Established in 1962, OMERS provides defined pension benefits to local government employees, retirees and beneficiaries throughout Ontario. The OMERS Primary Pension Plan is a jointly sponsored, multi-employer pension plan with approximately 1,000 participating employers in 2014 and 2013, and approximately 450,000 Primary Plan members in 2014, compared to 440,000 in 2013. Employers range from large cities, to numerous local agencies. Primary Plan members include union and non-union municipal workers; police, firefighters and paramedics; the non-teaching staff of school boards; and employees of children's aid societies, transit systems and electrical utilities.

The Primary Plan is funded by members and employers, and by the investment earnings of the Primary Plan's assets. Members and employers contribute equally to the Primary Plan and share equally in funding gains or losses. Net assets were $69.8 billion as at December 31, 2014, compared to $64.4 billion the previous year. With $76.9 billion of pension obligations as at December 31, 2014, compared to $73.0 billion as at December 31, 2013, the Primary Plan ended 2014 with a funding deficit of $7.1 billion, compared to a deficit of $8.6 billion at the end of 2013.

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

OMERS Sponsors Corporation

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

OMERS Administration Corporation

OAC is responsible for administering the Plans, preparing and approving the actuarial valuations, and investing the pension Funds. OAC is governed by a Board of Directors consisting of 14 members nominated by sponsor organizations and appointed by the SC Board, and an independent Chair.

Pension Plans

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

OMERS Primary Pension Plan

There are two components to the OMERS Primary Pension Plan: defined benefits and Additional Voluntary Contributions (AVCs).The defined benefits paid under the Primary Plan, when combined with Canada Pension Plan (CPP) benefits, are designed to approximate 2% of a member's average annual earnings for the highest-paid 60 consecutive months multiplied by his/her years of credited service to a maximum of 35 years. The Primary Plan includes a bridge benefit, which ceases at age 65 when CPP benefits are expected to commence.

The Primary Plan also provides members with:

- inflation protection, in certain circumstances, up to 6% per year (should inflation exceed 6%, the excess would be carried forward);
- early retirement options;
- disability protection in the event a contributing member becomes disabled and is unable to work;
- survivor benefits; and
- portability options on termination.

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

The AVC component of the Primary Plan is a voluntary retirement savings arrangement available exclusively to members. Since its launch in 2011, approximately 11,500 members have made voluntary contributions. AVC contributions grew to $360 million at the end of 2014, compared to $276 million at the end of 2013. Members can make automatic contributions on a biweekly or monthly basis, as well as lump sum transfers from registered retirement savings vehicles. AVC contributions earn the same net investment returns as the Primary Plan, and are subject to an annual administration fee.

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

The RCA provides pension benefits for individuals with earnings exceeding the amount that generates the maximum pension allowed by the ITA. Net assets of the RCA were $119 million at December 31, 2014, compared to $101 million at December 31, 2013.

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

The Supplemental Plan is a separately funded, stand-alone, multi-employer pension plan for members who are police, firefighters or paramedics. It provides supplemental pension benefits that top up those available under the Primary Plan. Participation in the Supplemental Plan is effective only upon an agreement between an employee group and its employer. As at December 31, 2014, no such agreement was in place.

OMERS Investment Entities

As a principal investor, we are committed to directly owning and actively managing most of our investments.

Responsibility for investment management is organized under three platforms, each with their own Chief Investment Officer, being: OMERS Capital Markets, OMERS Private Markets, and OMERS Real Estate and Strategic Investments. Their activities are as follows:

- OMERS Capital Markets (OCM) manages our public market investments.
- OMERS Private Markets manages infrastructure assets through the activities of Borealis Infrastructure (Borealis), and private equity assets through OMERS Private Equity (OPE).
- OMERS Real Estate & Strategic Investments manages real estate through Oxford Properties Group (Oxford), and a portfolio of other assets through OMERS Strategic Investments (OSI).

OMERS Real Estate & Strategic Investments also manages the affairs of OMERS Investment Management (OIM) which offers investment arrangements that provide Canadian public and private sector pension plans, governments and their agencies, colleges, universities and their endowments, and Canadian registered charities with access to all or parts of the annual investment return of the Primary Plan. OIM was established in 2009.

The activities of our Investment Entities are discussed in greater detail in The Funds.

OMERS Finance Trust issues debt in the capital markets under the OMERS brand and provides an alternative source of funding to the Investment Entities. It follows prudent leverage practices when it raises debt in the capital markets. Debt securities issued to date by OMERS Finance Trust have been guaranteed by OMERS and are currently rated AAA by two credit rating agencies. OMERS Finance Trust was established in 2010.

State of the Plan

Primary Plan Funded Status

The Funded Status section of this Annual Report represents an integral part of this Management Discussion and Analysis. The Funded Status section includes discussion of our funding deficit, our Funding Management Strategy, and funding risks.

Enterprise-Wide Strategic Plan

In 2013, the OAC Board adopted a five-year strategic plan that is built on the strategies that we first formally articulated in 2008. Our 2013-2017 Strategic Plan included six pillars, and we report on our progress against each item below.

1. Asset Mix Policy

We continue to believe that an asset mix with greater exposure to private market investments positions the Primary Plan to generate strong, predictable returns and consistent cash flows, with reduced risk to meet its funding requirements over the long term. Our target asset mix allocation to public market investments, such as public equities and interest bearing investments, remains 53% of the Primary Plan's net investment assets with the remaining 47% representing exposure to private markets investments, such as private equity, infrastructure and real estate. These allocations are influenced by the availability of attractive private assets and the flow of capital between public and private markets. We place a wide minimum/maximum discretionary band around the allocations to provide flexibility in responding to economic and investment market conditions.

At the end of 2014, the Primary Plan's net exposure to public market investments was 58.2% of net investment assets, compared to 57.4% at the end of 2013; and private market investments represented 41.8% of net investment assets at December 31, 2014, compared to 42.6% at the end of 2013. The small increase in public market exposure in 2014 was a result of returns from public market assets exceeding the sum of returns from private market assets, and the net capital deployment in private market investments.

2. Direct Drive Active Asset Management

Our long-term goal is to have 95% of total Fund assets directly managed by our employees rather than third party managers with a view to enhancing returns and reducing investment management costs. Total Fund assets managed internally at the end of 2014 were 91.3%, compared to 88.4% at the end of 2013.

3. Access to Domestic Capital

Our strategy to access domestic capital seeks to build a larger capital base with which to pursue attractive investment opportunities. At the end of 2014, OIM had raised $1.2 billion in total assets compared to $0.5 billion at the end of 2013. We have now met our targets for raising domestic capital.

4. Access to Foreign Capital

In 2010, we launched the Global Strategic Investment Alliance (GSIA) capital commitment program, a first for a Canadian pension plan. The GSIA enhances OMERS ability to secure preferred large-scale global infrastructure investments, while leveraging OMERS investment sourcing and asset management expertise.

In 2014, the GSIA received U.S. $3.8 billion of capital commitments from two new Alliance Members and concluded its initial fund raising activities. Combined with OMERS U.S. $5.0 billion commitment, the GSIA has secured a total of U.S. $12.6 billion of commitments and deployed U.S. $1.6 billion of capital.

5. Strategic Investment Opportunities

In 2009, we launched OMERS Strategic Investments (OSI). OSI is a multi-purpose investment platform designed as a catalyst for exploring, testing and developing new investment initiatives to enrich the Primary Plan. During 2014, OSI revisited its strategy and conducted a thorough review of its existing portfolios. As a result of this strategic review, the OSI portfolio is being realigned to focus primarily on two areas. One area of focus will be in resources through OMERS Energy, investing in conventional oil and gas properties, primarily in Alberta. A second area of focus will be in investments in innovation through OMERS Ventures.

OMERS Ventures was launched with the mandate of partnering with promising entrepreneurial companies that have significant growth potential and market opportunities in the telecommunications, media and technology sectors. In 2014, OMERS Ventures made new investments in three promising North American firms, bringing the total investment portfolio to 22 companies.

6. Barriers to Growth

We continue to work with provincial and federal governments and others in the Canadian pension industry to remove restrictive rules that act as barriers to the Primary Plan's growth. Our lobbying efforts contributed to the passing in 2014 of an amendment to regulations under the *Pension Benefits Act* that allows us to pursue our investment strategy, which includes investing more than 10% of the Plan's assets in securities issued by the U.S. government.

Building a New Strategic Plan in 2015

Our strategy is fundamental to the delivery of secure and sustainable pensions. One of our key priorities in 2015 will be to develop the next generation of OMERS Strategic Plan. Our CEO and Senior Executive Team, appointed in 2014, will be working in collaboration with our OAC and SC Boards to develop this new strategy.

Risk Management

OMERS is dedicated to consistently delivering secure, sustainable pensions to all members of the Plans, now and into the future. Effectively managing significant risks is very important to OMERS and its members because it helps us honour the pension promise.

Our Framework is Enterprise-Wide

To efficiently manage risk, we use a framework to systematically evaluate and address the underlying issues that could impact our pension related operations and our investment activities. The organization's risk management function provides structure, insights and context so resources and effort are efficiently and effectively deployed.

To make our enterprise approach sustainable and resilient, we embed accountability, transparency, independence and inclusiveness into the culture of the organization. These behaviours form the cornerstones of our risk culture and are made practical through the design and execution of various policies, procedures and best practices, all supported by a robust internal audit function that regularly evaluates overall performance and compliance.

Risk Governance is a Priority

The OAC Board receives regular reports that provide timely insights into events, developments or circumstances that could impact the achievement of OMERS strategic objectives.

We gather information for these reports through continuous interaction with investment, actuarial and operations people across the OMERS enterprise. Reports to the Board and its committees are designed to provide perspectives and analysis into the overall condition and performance of risk management related activities across the organization.

For practical purposes, Management groups a wide array of specific issues, developments and potential circumstances into the following four broad categories:

- strategic risk
- investment risk
- operational risk
- legal and compliance risk

Strategic Risk

Our primary objective is to deliver a secure and sustainable pension plan. The most significant risk that we face is funding risk. This risk is discussed in detail in the Funded Status section of this Annual Report.

Investment Risk

All investments are exposed to market, credit and liquidity risks which are summarized and described in Note 3 to our 2014 Consolidated Financial Statements as well as operational risks, particularly in private investments.

The Plans invest in a combination of public and private equities, commodities, infrastructure, real estate and a broad range of interest bearing instruments in various currencies. The long-term expected return from such an investment portfolio is used to set the funding target of the Primary Plan. The future values of investment assets and liabilities are not known with certainty and change over time. Investment risk reflects the possibility that the return on the Plans' assets will deviate from the actuarially assumed long-term rate of return as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all investments traded in the market.

The assumption of investment risk is necessary to meet the Plans' benefit obligations. The goal of investment risk management is not to eliminate risk, but to find a balance between expected returns and the risks required to generate those returns. Further, it is generally accepted that expected investment returns increase with the amount of risk taken. The OAC Board defines the amount of investment risk to be taken through (i) policies, (ii) delegations and (iii) the long-term strategic asset mix.

i. Policies

The OAC Board, through, among other policies, the Statement of Investment Beliefs and the Statements of Investment Policies and Procedures, provides direction for the investment management and administration of the Funds in a manner consistent with the views of the OAC Board.

ii. Delegations

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

iii. Long-term strategic asset mix

OAC has established an Asset/Liability Management (ALM) process that is critical in setting a long-term strategic asset mix that is expected to generate a real rate of return necessary to meet the Plans' benefit obligations and is diversified among asset classes. The ALM process monitors and assesses the long-term strategic asset mix on an ongoing basis and takes into account multiple factors such as the Accrued Pension Obligation, long-term economic and investment environment and incorporates stress and scenario testing of inputs and assumptions.

The ALM process generates several alternative asset mixes that are assessed against the liability structure of the Plans. The ALM process is used to identify the strategic asset mix which is most likely to provide the investment returns required to meet the pension promise.

An asset/liability analysis was completed in October 2012, and confirmed the strategic decision to continue moving toward a 53% public markets and 47% private markets asset mix.

OAC utilizes analytical and reporting tools including: enterprise-wide and Investment Entity-specific policies; ALM analysis; actuarial valuations; risk measures; multiple board and management reports; rigorous due diligence and internal "direct drive" asset management processes to manage investment risk at the enterprise and public and private market levels.

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

Operational Risk

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

People Risk

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

Information Technology Risk

Information technology and security is a key element of our business operations. Virtually all areas of our business use technology and information to support the achievement of strategic and business objectives. Technology risks include risks associated with data integrity, information security and systems availability and capacity. These risks are actively managed through information security policies and procedures, privacy policies, disaster recovery programs and an annual review of key information technology general and application controls.

Over the next few years, OMERS will significantly upgrade its existing legacy pension administration and processing system. This customized legacy system, developed almost 20 years ago, achieved the original project goals of improved productivity, service standards and data integrity. Modernizing the system is critical to continuing to provide efficient, high-quality service to members and employers, and maintaining OMERS solid reputation in the marketplace.

Using a structured and thorough sourcing process, OMERS will contract a vendor that is best positioned to implement this large, complex multi-year project in conjunction with a qualified internal technology team. OMERS has created a comprehensive project governance structure that includes members of the Board of Directors, executive management and a thorough list of business and technology leaders and support personnel.

Business Continuity Risk

Business operations could be impacted by unforeseen internal or external events, including man-made or natural disasters. To manage this risk and attempt to ensure the ongoing operation of critical business functions in the event of a business continuity incident, OAC and its Investment Entities have business continuity and emergency response plans in place. These plans include off-site backup facilities to minimize downtime and improve recovery time in the event of a disaster.

Model Risk

The use of complex models plays an important role in many of our business operations, including investment valuation, risk measurement and asset liability management. Model risk is the risk of error in the development, implementation and use of models. To manage this risk, OAC and its Investment Entities have developed and implemented systems of internal control over the accuracy and completeness of data input into and generated by models. These controls are independently reviewed through internal audits and the annual review of internal controls over financial reporting. In addition, risks associated with information reliability are assessed as part of the annual ERM risk assessment process.

Legal and Compliance Risk

Legal and compliance risks arise from changes in or non-compliance with legal and/or regulatory requirements in Canada and other countries where we carry on business and invest, and/or with other ethical standards which may impact OAC's ability to achieve its objectives. The Board and Management, with the assistance of the Legal Division (including the Compliance Office) and independent expert advisors, monitor compliance with OAC's legal and regulatory obligations. We have established processes to keep abreast of applicable regulatory developments and to advocate for changes where they are in the best interest of Primary Plan members.

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

Investment Summary

Investment Strategy and Returns

The Investment Strategy and Returns section of this Annual Report represents an integral part of this Management Discussion and Analysis. The Investment Strategy and Returns section includes discussion and analysis of performance, Primary Plan net assets, assets under management, Primary Plan asset mix and debt.

The Funds

The Funds had net investment assets of $74,248 million at December 31, 2014, compared to $66,334 million at December 31, 2013.

Investment Strategy

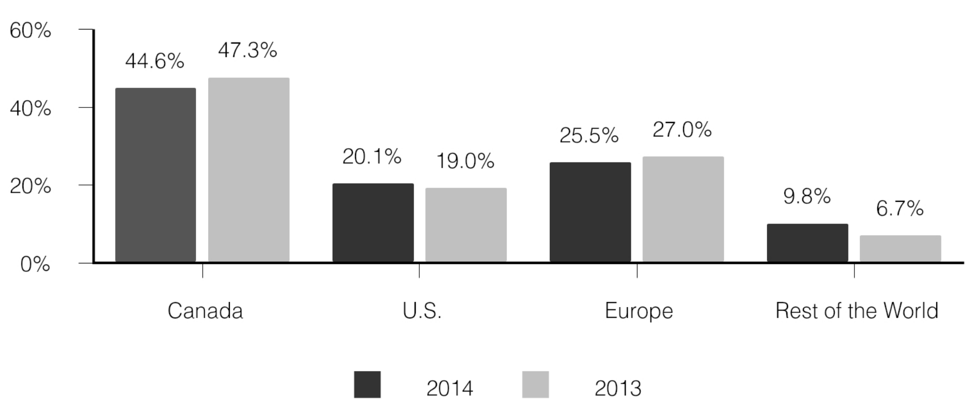
Two key elements of the investment strategy are to invest in public markets with a diversified risk-balanced portfolio and directly in private market assets, and to actively manage these ownership interests to mitigate risks and optimize long-term returns.

OMERS believes that active asset management can produce better returns compared to passive fund investing. This involves originating investments through:

- proprietary research;
- purchasing assets at prices that should result in long-term value and strong, predictable cash flows;
- developing relationships with like-minded business and investment partners for private market investments;
- structuring ownership interests in private assets in innovative and regulatory-compliant ways;
- financing these investments with non-recourse loans or utilizing our treasury competencies to finance investments with recourse loans backed by OMERS AAA credit rating; and
- managing all investments to mitigate risk and maximize returns.

Mitigating risk and maximizing returns require Management to pay attention to diversifying investments by asset class, economic sector and geographic market. About 44.6% of the OMERS investment exposure is currently in Canada, compared to 47.3% in 2013.

Total Fund Gross Exposure
as at December 31,



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

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

Investment Management and Pension Administration Expenses

Investment management expenses incurred by our Investment Entities increased to $384 million in 2014 from $266 million in 2013. The increase is mainly due to better performance of the Fund in 2014, costs relating to realignment of our investment organization during the year and plan growth. Investment management expenses for the year ended December 31, 2014 – including external manager performance and fund fees recorded in investment income – represent an investment management expense ratio of 65 basis points, compared to 53 basis points for 2013.

Pension administration expenses were $81 million for 2014, compared to $57 million for 2013. The increase was due primarily to Fund performance, the costs of developing our new pension management system, and organizational realignment.

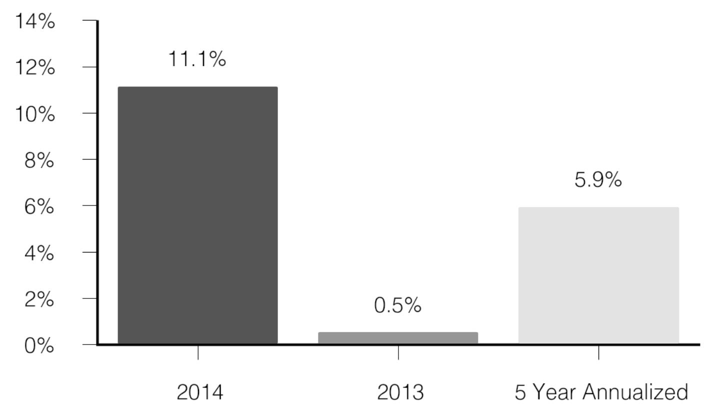
We expect our investment management and pension administration realignments to improve the overall efficiency of our investment operations in coming years.

Our expenses are highly sensitive to investment returns.

OMERS Capital Markets

OCM generated a **gross return of 11.1%** in 2014 on the portfolio of assets managed on behalf of the Fund, compared to a gross return of 0.5% in 2013, and its 2014 benchmark of 7.3%.

Actual Gross Returns,
for the year ended December 31,



Economic Landscape

In 2014, investors faced uneven and lower than expected economic growth globally, with heightened market risk due to geopolitical tensions, and overall low interest rates. In response, OCM continued to focus on a defensive Beta strategy, while growing its Alpha programs as follows.

OCM's Investment Strategy

In 2013, OCM implemented our current investment strategy. The majority of the capital managed by OCM is invested in an internally managed risk parity strategy which we call Beta. In addition, OCM invests in a portfolio of internally and externally managed absolute return Alpha strategies.

The Beta Strategy

The Model Beta Portfolio is the unmodified construct of our Beta portfolio and it comprises cash, globally diversified inflation-linked bonds, nominal bond futures contracts, equity futures contracts and diversified commodity futures contracts. Portfolio managers may deviate from the Model Beta Portfolio, sometimes materially, to achieve specific investment objectives or address specific risks. The portfolio is hedged to the Canadian dollar. The investments in the Model Beta Portfolio are normally allocated using internal models in a way that balances the risks (volatilities) of the underlying exposures to the drivers of capital market returns; namely growth and inflation. The use of derivatives allows us to employ economic leverage in the portfolio which is designed to produce an average expected annual net return of 6.5% over the long term with a target volatility of 10%. Leverage limits are approved by the OAC Board.

The Model Beta Portfolio is based on the premise that:

- equities and commodities perform best when economic growth exceeds investor expectations;
- commodities and inflation-linked (IL) bonds perform best when inflation rises faster than investor expectations;
- nominal bonds and IL bonds perform best when economic growth falls short of investor expectations; and
- nominal bonds and equities perform best when inflation is below investor expectations.

We believe that the Model Beta Portfolio is better diversified than traditional pension fund portfolios across asset classes and geographies, is less concentrated in equity risk than traditional portfolios, and is expected to experience less capital loss and faster capital recovery during and after periods of recession. As at December 31, the approximate asset mix design of the Model Beta portfolio was as follows:

	Year ended 2014	Year ended 2013
	%	%
Cash and Short Term	**35**	30
Inflation-Linked Bonds	**60**	65
Nominal Bonds	**60**	60
Equities	**30**	30
Commodities	**15**	14
Economic Leverage	**(100)**	(99)
Total Beta	**100**	100

Since September 2013, to reduce the impact on the Fund of the potential for rising interest rates, OCM made a decision to hold positions in nominal bonds significantly below that of the long-term asset mix design in the Model Beta Portfolio. OCM also implemented strategies to create exposures to the U.S. dollar, and to mitigate the impact of equity losses through put options.

Alpha Strategies

OCM manages its Alpha strategies separately from the Beta portfolio.

The Alpha portfolio takes views on the direction of investment markets and relies on the skill of internal and external investment teams to deliver absolute returns. The Alpha portfolio aims to have a low correlation to the Beta portfolio and, because it is not tied to general market returns, adds further diversification at the total portfolio level.

Each Alpha team is allocated a risk budget, not capital, and sets a specific absolute dollar return target for the risk assumed. Portfolio managers are granted authority to take both long and short positions. Alpha programs include both funded and unfunded strategies. As at December 31, 2014, seven strategies were managed by internal fund management teams and three Alpha strategies were managed by external fund management teams.

Portfolio Composition and 2014 Performance

The table below details the asset class exposures and the key drivers of return within the OCM portfolio.

	As at December 31, 2014	**Year ended 2014**	As at December 31, 2013	Year ended 2013
$ millions	**Invested Assets**	**Income**	Invested Assets	Income
Cash and Short Term	**14,373**	**140**	9,177	90
Inflation-Linked Bonds	**23,211**	**3,243**	17,352	(1,372)
Nominal Bonds	**437**	**286**	(1,457)	(803)
Equities	**11,453**	**709**	8,417	1,155
Commodities	**5,620**	**(751)**	3,884	(466)
Economic Leverage	**(16,728)**	**N/A**	(10,126)	N/A
Transition and other	**656**	**258**	7,319	1,110
Total Beta	**39,022**	**3,885**	34,566	(286)
Alpha	**3,241**	**259**	2,891	487
Total OCM	**42,263**	**4,144**	37,457	201

In 2014, OCM generated a gross performance return of 11.1% or $4.1 billion in investment income, compared to a return of 0.5% for investment income of $201 million in 2013. OCM's 2014 performance was primarily driven by the Beta Portfolio as the portfolio generated income of $3,885 million in 2014 compared to a loss of $286 million in 2013.

2014 Beta portfolio returns are attributable to income from inflation-linked bonds of $3,243 and income from equities of $709 million offset by a loss on commodities of $751 million. The income from inflation-linked bonds resulted from decreasing interest rates in 2014, while the loss on commodities primarily arose from falling oil prices. Further, OCM’s 2014 total income of $4,144 million includes the benefit of foreign currency gains of $440 million from long positions in U.S. dollars compared to a gain of $83 million in 2013.

In 2013, the Beta portfolio loss of $286 million occurred principally as a result of a sudden and unexpected spike in interest rates in May and June 2013. Losses during 2013 on fixed income and inflation-linked bonds of $2,175 million offset gains in equities of $2,265 million. Equities benefited from the rise in global stock markets during 2013. Commodities lost $466 million in 2013 mainly due to falling gold prices.

Alpha portfolios contributed income of $259 million to the overall return of OCM in 2014, compared to income of $487 million in 2013.

Risk Management

A critical component of the execution of the public markets investment strategy is the identification, evaluation and actions that the OCM team takes to respond to a variety of issues, events or circumstances (e.g., sources of uncertainty or "risks") that could impact the value, volatility and overall return of the public markets portfolio. Broadly speaking, these sources of risk fall into three categories - namely market, credit and liquidity, some of which possess sub-components.

Each of these key elements is described below and, in some cases, is accompanied by illustrations reflecting the closing positions as at December 31, 2014.

Market risk

OCM professionals actively manage the uncertainty and volatility associated with exposure to movements in interest and foreign exchange rates as well with the price of equities and commodities. A more detailed description of the nature of our exposure to each of these variables is provided below.

Interest rates

The level and volatility of interest rates, together with their influence over current and expected levels of inflation, has a significant impact on the value of the inflation-linked and nominal bond investments held in the OCM portfolio. The OCM team executes various tactics to manage these exposures. One tactic is to strive to ensure the portfolio is diversified across various countries in order to reduce exposure to the economic conditions in a single economy. Another tactic is to use exchange traded derivative instruments to efficiently rebalance the portfolio when price movements cause it to move away from its desired position.

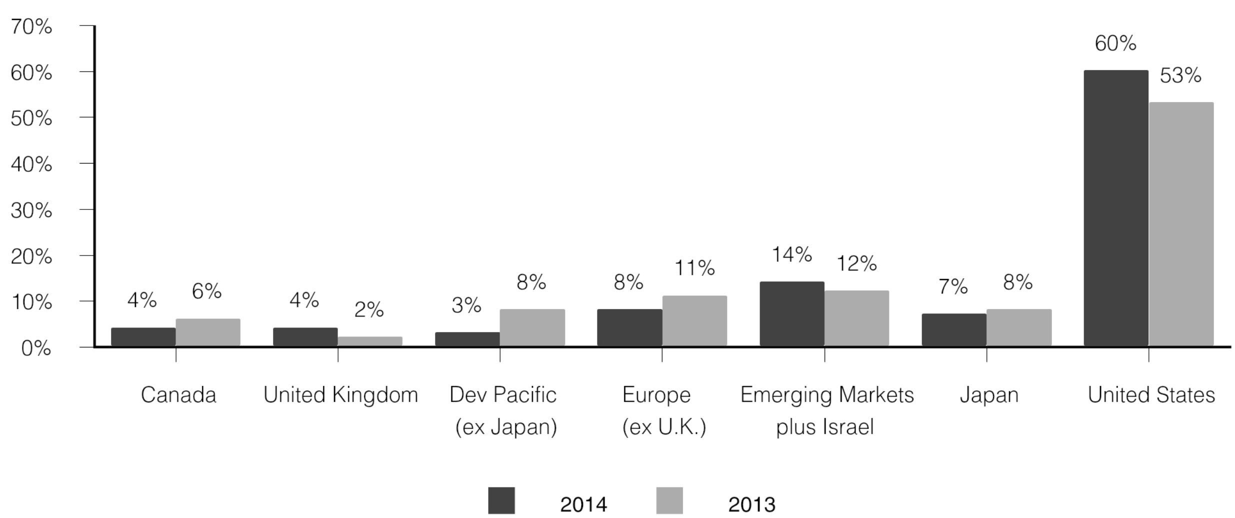
A 1% increase (decrease) in real interest rates, with all other variables held constant, would result in a loss (gain) as at December 31, 2014 of $3,945 million, compared to $2,855 million as at December 31, 2013.

Equities

OCM invests in the equity markets of Canada, U.S., U.K., Germany, France and Japan by purchasing equity index derivative contracts that are traded on publicly listed stock exchanges, and in other countries through funds and direct investments. This approach provides OMERS with the ability to invest in these countries in a cost efficient manner while also allowing the OCM team to easily re-balance the portfolio to suit the optimal levels required by the Beta program.

Similar to managing the Primary Plan's exposure to interest rates, the OCM team executes tactics to reduce the portfolio's exposure to unexpected or poor performance in one country's economy through diversification. In the event that all equity markets that OMERS invests in declined simultaneously by 10%, the impact would be approximately $2,100 million as at December 31, 2014 (December 31, 2013; $1,984 million).

OCM Equity Exposure by Region



Foreign Exchange Rates

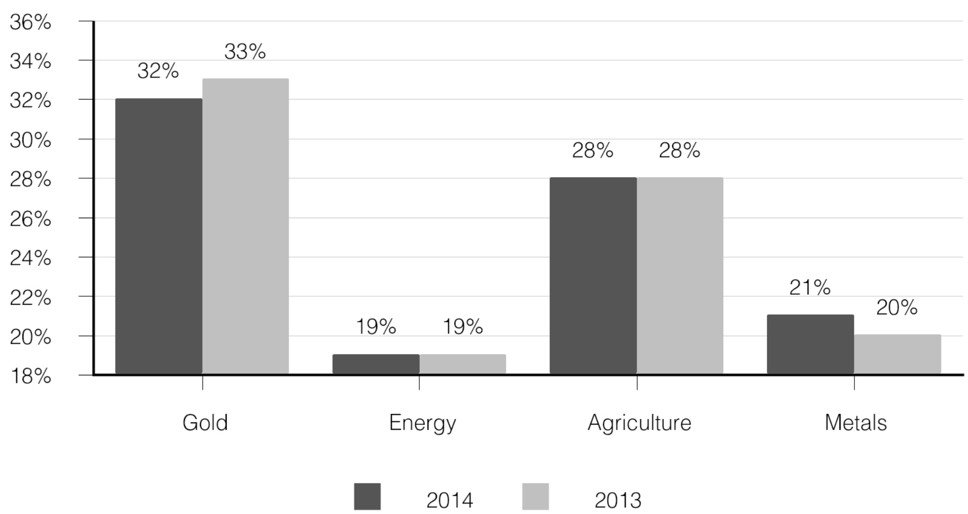
The investing activities of the beta portfolio are global in scope and as a result often create exposures to volatile foreign exchange rates as OMERS reports its financial results in Canadian dollars. In order to manage this particular exposure, OCM uses derivatives contracts to “lock-in” a desired exchange rate that reduces or eliminates the possibility of an investment losing value as a result of an unfavourable change in exchange rates. OCM also takes positions in currencies for speculative purposes.

As at December 31, 2014 a 5% increase (decrease) in the value of the Canadian dollar relative of other currencies would have resulted in a loss (gain) of $442 million (December 31, 2013; $355 million).

Commodity Prices

The Model Beta Portfolio also invests in a diverse range of commodities that include base/precious metals, agriculture, and energy products. To execute this strategy OCM uses listed derivative instruments that trade on public, highly regulated exchanges. As illustrated in the following chart, OCM’s exposure to gold is the single largest component of commodity exposure and is placed as a protection against rising inflation. Investments in other commodities reflect a more holistic view of economic growth. The total value of the commodity component of the Model Beta Portfolio was $5.6 billion at the end of 2014 and $3.9 billion at the end of 2013.

Commodity Exposure



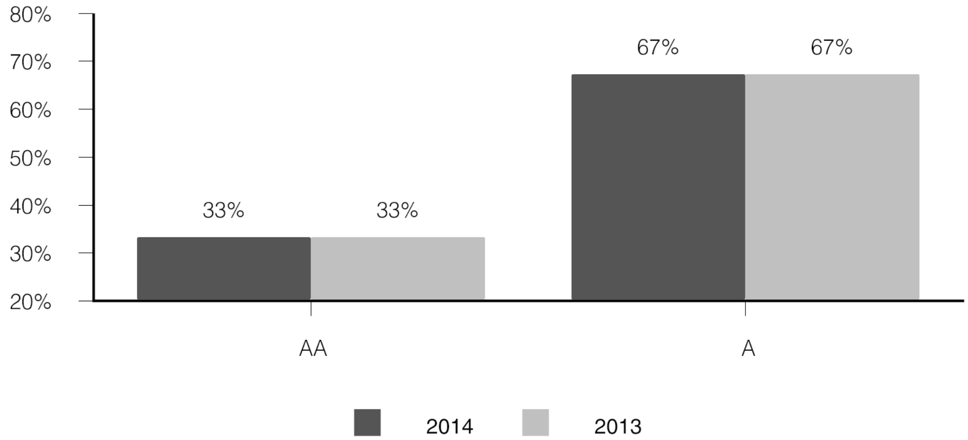
Credit Risk

OCM’s investment activities are exposed to the failure of a debt issuer to pay interest and repay loans or for a business party (ie counterparty) to honour a contractual obligation. These types of events are captured in a risk type known as “credit risk” and Management has put in place policies and procedures to both monitor exposures and take steps, such as credit analysis and requiring collateral, to protect from financial loss.

As at December 31, 2014 OCM’s portfolio contained $23.2 billion (December 31, 2013; $17.8 billion) of inflation-linked bonds issued by sovereign governments of major advanced economies with high credit ratings. OCM was also exposed to $14.8 billion at December 31, 2014 (December 31, 2013; $12.6 billion) of cash and short-term instruments issued by highly rated governments and financial institutions.

The second dimension of credit exposure that OCM faces is operational in nature and occurs when an organization with whom OMERS enters into a contract does not live up to, or meet, its contractual obligations. For OCM activities, this is a “counterparty” issue and primarily originates from bi-lateral transactions that are negotiated with derivative, clearing/settlement, repo and prime broker counterparties. These exposures are addressed by choosing to do business with only well-capitalized financial institutions and clearing house organizations that have solid financial strength and reputation.

OCM Counterparty Exposure by Credit Rating



Liquidity Risk

Broadly speaking, the term "liquidity" is used in investing to reflect the ability to have sufficient cash on hand so as to avoid having to sell an asset in order to meet a demand for additional collateral or to meet current financial obligations. In the case of OCM, these circumstances can arise during sudden and extreme disruptions in the global capital markets, as seen in the fall of 2008.

To address the potential need to raise cash by having to sell assets (e.g., to meet daily margins linked to exchange traded futures contracts), the OCM team performs various tests that estimate the cash that may be required when sudden disruptive events occur. Based on this analysis (and other stress type tests) OCM sets aside an amount that provides a sufficient buffer in order to mitigate the need to sell assets to raise cash.

A related risk to OCM is market liquidity risk. This is the risk stemming from the lack of marketability of an investment which cannot be sold quickly enough to prevent or minimize loss. OCM mitigates this risk by investing primarily in the largest most liquid markets and most liquid assets within those markets.

Looking Ahead

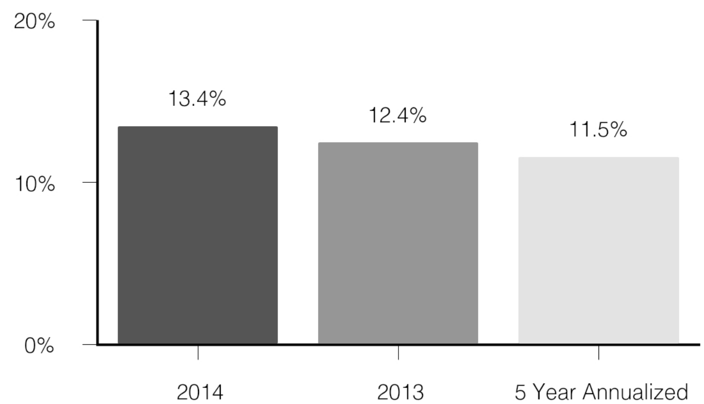
We expect that low interest rates, weak economic growth for developed countries except the U.S., and volatile equity and commodity markets which we experienced in 2014 will continue in 2015. We will maintain our approach of diversified investing in the face of the prevailing uncertainties.

OMERS Private Markets

Borealis Infrastructure

Borealis continues to generate stable returns for the Primary Plan, as demonstrated by its 2014 **gross return of 13.4%**, compared to a gross return of 12.4% in 2013, and the 2014 benchmark of 9.6%. Cash yield, a critical performance measure for infrastructure investing, was 8.6% for 2014, compared to 10.2% for 2013.

Actual Gross Returns,
for the year ended December 31,



Approach to Infrastructure Investing

Borealis identifies, pursues and manages investments in large-scale infrastructure businesses, primarily in the Americas, Europe and Australia.

Infrastructure investing generally involves direct investments in inflation-sensitive assets that are critical to the long-term success of a modern industrial economy. Some infrastructure investments are subject to regulatory establishment of rates, service delivery levels, or both. Individual investments generally require large upfront or near-term capital commitments, and are expected to contribute proportionally to matching or exceeding the present value of the Primary Plan's accrued pension obligations.

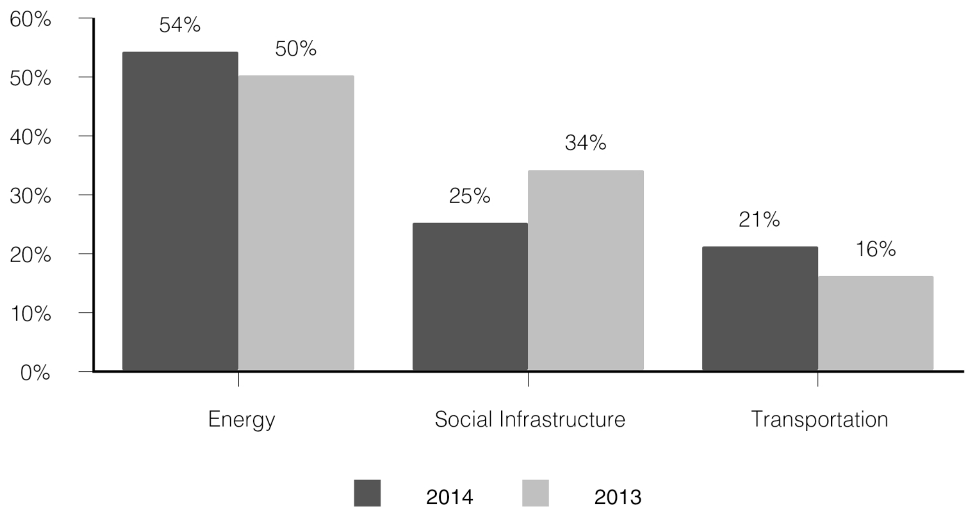
Borealis employs a direct-drive, active management strategy in originating and managing infrastructure assets that are expected to exhibit strong underlying relatively inelastic demand with predictable, stable cash flows typically supported by regulation or long-term contracts with low-risk counterparties. It actively manages investments through majority or significant minority positions, and brings to investors the experience gained through managing a large infrastructure asset portfolio, as well as the relationships developed with governments, regulators, lenders, other investors and members of the business community.

Borealis actively strives to ensure that each investment has the right management team in place. In instances where it does not hold a majority interest in an investment, it typically partners with like-minded investors with aligned interests, such as other pension, corporate and government investors, as well as strong operating partners that can bring operational expertise to an investment – both in evaluating its potential, and in managing and improving its performance.

Borealis takes a patient and disciplined approach to investments, and continues to prudently diversify its portfolio by industry sector, geography, size and stage of development.

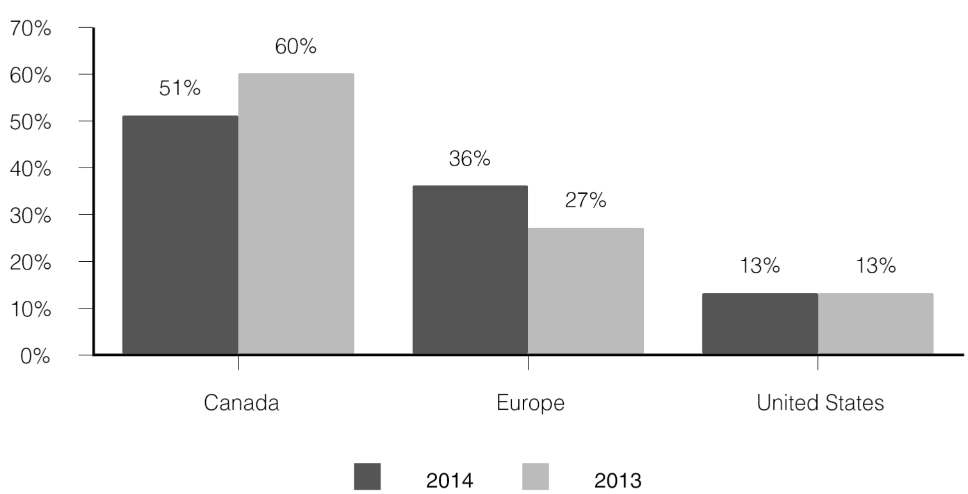
Infrastructure investments managed by Borealis can be grouped into sectors and geographic regions as illustrated below:

Total Assets by Sector



As highlighted in the chart above, Borealis consciously continues to maintain a significant weighting to the energy sector. This sector includes investments in regulated utilities, power generation, power and gas transmission and distribution. Hence, it has the advantage of being diversified by nature. We believe the factors that impact each asset are different and the entire portfolio is not affected in the same way.

Total Assets by Geography



Performance in 2014

The 2014 gross rate of return before investment management expenses was 13.4%, compared to 12.4% in 2013. Net return for 2014 was 12.7% compared to 11.8% for 2013, representing net investment income of $1,289 million in 2014, compared to $1,004 million in 2013. In addition, the portfolio generated a total cash yield of 8.6% in 2014, compared to 10.2% in 2013.

Net investments managed by Borealis increased to $12,738 million in 2014, up from $11,582 million in 2013. The increase in net assets was attributable to acquisitions and investment value appreciation. Income for the year was strong, and was primarily underpinned by strong performance and value appreciation of the European portfolio assets offset slightly by weaker performance of the Canadian Assets. In particular, Associated British Ports and NET4GAS were strong contributors to income during the year. With respect to NET4GAS, one of the factors contributing to its performance was the refinancing of €1.0 billion in bonds, which was completed in July 2014 at favourable rates. This represented the largest public-procurement bank financing in the Czech Republic. In contrast the Canadian Assets, more specifically the social infrastructure portfolio, was negatively impacted by a number of factors including continued funding pressures faced by the provinces.

There were three notable infrastructure acquisitions during the year. The first was the acquisition of an additional 29.8% interest in Bruce Power, which resulted in increasing the Primary Plan's interest in Bruce Power to 56.1%. Borealis also partnered with First State Investments, Keva and Elo to acquire Caruna (formerly Fortum Distribution Finland) from the Fortum Group. Caruna is OMERS first direct investment in Finland, an attractive investment destination within the Eurozone, with strong economic prospects and a stable political regime and legal framework. Together, OMERS and its GSIA partners hold a 40.0% interest in Caruna. Lastly, The Property Registry (TPR) was transferred from the Province of Manitoba to Teranet Manitoba LP (Teranet Manitoba), a subsidiary of Teranet. Teranet Manitoba will own and operate TPR's Land Title and Personal Property registries on behalf of the Province of Manitoba over a 30-year term. In the coming years, Teranet plans to invest in systems development to make property searches and registrations available through a more convenient, faster and secure online system.

The portfolio of assets managed by Borealis on behalf of OMERS at December 31, 2014 includes interests in the following significant investments:

- Associated British Ports, the owner and operator of 21 ports in England, Scotland, and Wales, handles approximately a quarter of the U.K.'s seaborne trade;
- Bruce Power, the largest operating nuclear-generating facility in the world, producing 6300 megawatts, or 30% of Ontario's annual electricity needs;
- Caruna, a regulated electricity distribution utility serving southern, south-western, western and northern Finland, is the country’s largest electricity distribution network;
- Ciel Satellite, a wholesale communications satellite that offers telecommunication broadband capacity to the North American market;
- Confederation Bridge, a 12.9 kilometre bridge that links Prince Edward Island and New Brunswick and operates under a concession agreement with the Government of Canada until 2032;
- Detroit River Tunnel, a railway tunnel linking Detroit, Michigan and Windsor, Ontario;
- HS1, a 109 km high-speed rail line, which operates under a concession agreement until 2040, connecting England's St. Pancras International train station through Kent to the Channel Tunnel;
- LifeLabs, a medical diagnostics business that provides more than 100 million laboratory tests across Canada;
- MCV, a natural gas fired, combined cycle co-generation plant that provides 15% of the power consumption for Michigan's Lower Peninsula;
- NET4GAS, a Czech-based gas transmission operator with a network of more than 3,800 km of high-pressure pipelines;
- Oncor, a leading regulated electricity transmission and distribution company serving 10 million customers across Texas;
- Scotia Gas Networks, a company that operates the Scotland and south of England gas distribution networks, comprising approximately 74,000 km of gas lines serving approximately 5.8 million customers;
- Teranet, operator of the Province of Ontario’s Electronic Land Registry System under a 50-year exclusive agreement with the government;
- Vento, a 599 megawatt portfolio of four wind farms geographically diversified across the U.S.; and
- Hospitals, three large hospitals in the Province of Ontario, serving communities in the Greater Toronto Area and Capital Region.

Investment Risk

Over the years, the level of competition for core infrastructure opportunities in key jurisdictions has increased significantly due to the entrance of new players in the market, and due to the attractiveness of infrastructure assets for sovereign funds and other global pension plans. Despite the strong competition, Borealis will continue to adhere to its patient and disciplined investment approach to making new investments.

Looking Ahead

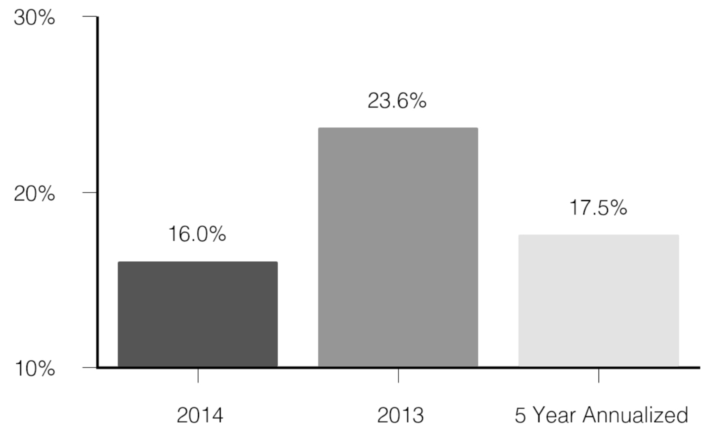
Borealis plans to continue advancing its global growth strategy. In 2014, it recognized Australia as a strategically significant market by opening an office in Sydney. The Australian government's move to privatize infrastructure assets provides new opportunities for investors, and a presence in the country will help Borealis to take advantage of this opportunity. A stable political environment and strong economic fundamentals were key factors behind that decision, which is expected to result in investments in infrastructure and natural resources in coming years.

For 2015, in line with its long-term strategy, Borealis will continue to expand its global presence, to focus on the acquisition of large-scale infrastructure assets, and to align with strong partners in stable political and regulatory environments in the Americas, Europe and Australia.

OMERS Private Equity

OMERS Private Equity continues to execute its value creation strategy, and produced a healthy **gross return of 16.0%** for 2014, compared to a gross return of 23.6% in 2013, and its 2014 benchmark of 12.0%.

Actual Gross Returns,
for the year ended December 31,



Approach to Private Equity Investing

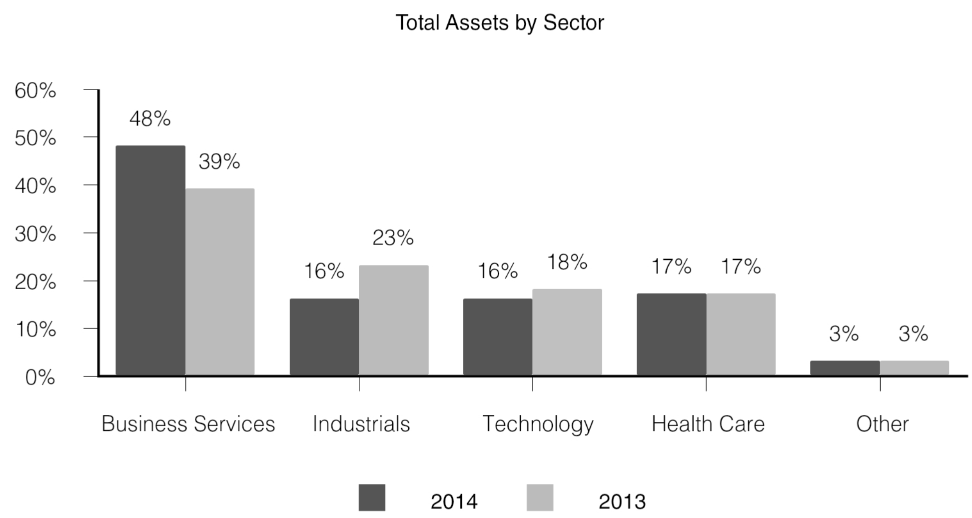
OPE's investment strategy focuses on acquiring the majority ownership of companies with an enterprise value between $200 million to $1.5 billion. It considers other ownership structures, including joint ownership and/or having significant influence with trusted, like-minded partners, as long as it has the governance rights commensurate with its investment.

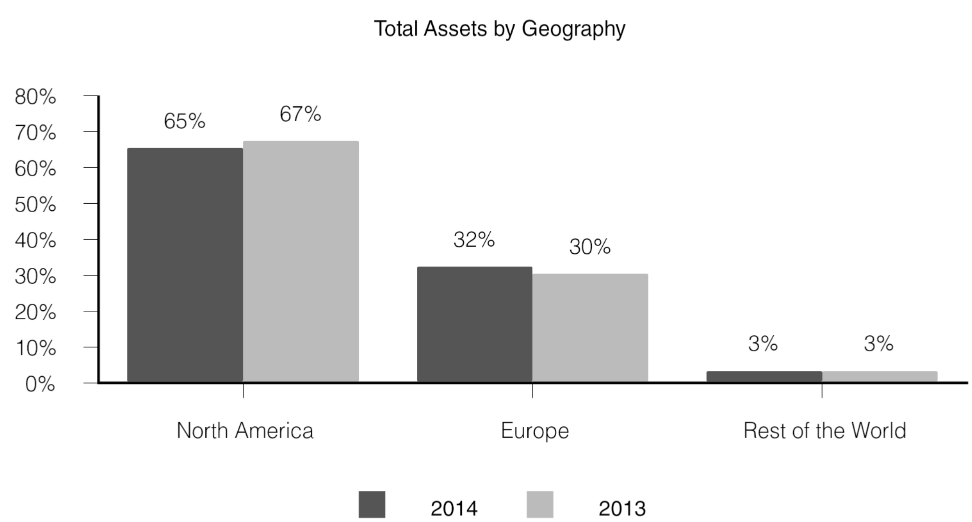
OPE's investment approach is premised on a long-term, active partnership with talented management teams. Its investment mandate is flexible to capitalize on the prevailing market conditions and financial markets and to invest in a broad range of industries in diverse geographical markets. OPE believes in direct financial alignment of interest between itself, the management team of its investments, and its investment partners.

In evaluating an investment opportunity, OPE considers the current market position and the market outlook for the company's products and services, and the quality and depth of the company's management team and their willingness to invest along with OPE. In addition, OPE completes an assessment of the company's strategy for growth, and its expected return, based on the purchase price to acquire the business. After acquisition of an investment, OPE works closely with the management team and brings the necessary resources to bear so that the business can achieve sustainable, profitable growth.

OPE's geographical focus is primarily North America and Europe. Its direct investing can take a variety of forms including private market transactions, secondary transactions from private equity funds, and corporate carve-outs. The objective remains to have a well diversified investment portfolio, both by industry and by geography.

Investments managed by OPE can be grouped into sectors and geographic regions as illustrated below.





Performance in 2014

The 2014 gross rate of return before investment management expenses was 16.0%, compared to 23.6% in 2013 representing net investment income of $840 million in 2014, compared to $1,328 million in 2013. Opportunistic exits and a strong private equity market contributed to OPE's results for the year.

Net investments managed by OPE decreased to $6,723 million at the end of 2014, from $7,101 million at the end of 2013. The decrease in net assets is attributable to opportunistic exits and refinancing activity offset by acquisitions and investment value appreciation. The most notable exits in 2014 were Maxxam Analytics and Accelerated Rehabilitation Centres which resulted in a reduction in total net investments of $779 million. In addition, OPE took the opportunity to capitalize on the current interest rate environment by refinancing debt in several of its investments including V. Group and Give & Go during the year.

Income for the year was underpinned by strong performance and value appreciation of the Business Services sector. In particular, Caliber Collision and V.Group were strong contributors to performance. Offsetting this to some extent was weaker performance from OPE's investment in Golfsmith International, which suffered from slower in-store traffic caused by poor weather and a decline in golf participation rates.

During the year, OPE acquired the largest private legal-process-outsourcing company in the U.S., Document Technologies Holdings, LLC (DTI). The company has 29 offices nationwide and on-site client services in nearly 70 markets. DTI's technology-enabled, fully integrated solutions include litigation forensics consulting, electronic discovery hosting, managed review, legal staffing, and risk and compliance services.

OPE continued to execute its strategy of reducing its investment in third party funds, with no new commitments made since 2009. Cash returned from third party fund investments through realizations amounted to $524 million, and capital calls were $82 million – a declining trend that has been seen for five consecutive years, whereby realizations are well above capital calls. Unfunded commitments have declined to $318 million as at December 31, 2014, compared to $2,485 million at December 31, 2008 when we began to implement this strategy.

The portfolio of direct assets managed by OPE on behalf of OMERS at December 31, 2014 also includes interests in the following significant investments made in prior years:

- Affinia Group, a leading manufacturer and distributor of aftermarket components for cars, trucks and off-highway vehicles. Affinia's broad range of filtration products are sold in North and South America, Europe and Asia;
- CBI Health Group, a leading provider of outpatient rehabilitation and community health care services with over 165 clinics in Canada, headquartered in Toronto, Ontario. CBI has been selected as one of Canada's Best Managed Companies by Deloitte for six consecutive years;
- Caliber Collision Centers, the largest independent provider of automotive collision repair services in the U.S. with over 160 collision centers, headquartered in Lewisville, Texas;
- CIVICA, a U.K.-headquartered, market leading developer and supplier of niche, mission critical software solutions and related IT services to locally based public sector clients primarily in the U.K., as well as Australia, New Zealand, Singapore, the U.S. and Canada;
- Give & Go Prepared Foods, the North American manufacturer and supplier of quality frozen, thaw-and-sell baked goods to the In-Store Bakery sector. Give & Go's popular bite-sized treats are primarily sold under the Two-Bite® and Kimberley's Bakeshoppe™ brands;
- Golfsmith International, the world's largest specialty retailer of golf merchandise, together with teaching academies, golf simulators and pro-shop services in the U.S. and Canada;
- Great Expressions Dental, a leading dental practice management company with offices in nine states across the midwest, south and northeast U.S.;
- Hayfin Financial, an independent finance company providing focused lending products to corporate clients and investment management services to institutional clients;
- Husky International, an Ontario-based global supplier of highly engineered system solutions and related aftermarket services and components for the plastics injection moulding equipment industry;
- Lifeways, the U.K.'s market-leading provider of supported living services for people with learning disabilities;
- Logibec, Canada's leading healthcare IT company offering software and information systems aligned with the future needs of the Health and Social Services Sector. Its wholly owned U.S. subsidiary MatrixCare is the fastest growing cloud-based EHR solution for the eldercare market;
- Marketwired, a communications services leader providing clients with the tools to get to know, engage and service their customers. Based in Toronto, Marketwired offers a global newswire distribution solution and, through its subsidiary, Sysomos, a suite of best-in-class social-media monitoring and analysis products;
- V.Group, a global market leader in outsourced ship management, and a leading player in crew provision and related marine services; and
- Vue Cinemas, a global operator and developer of multiplex cinemas with more than 1,350 screens across 150 multiplex cinemas, primarily in the U.K., Germany, Denmark and Poland.

Investment Risk

OPE's businesses may be affected by economic conditions and the financial markets. These factors could impact the financial performance of the businesses, increase the cost of financing or limit the financing available. OPE has a well-diversified portfolio, which could reduce the potential impact of these factors. Its businesses are also insulated for any rise in interest rates, as it has established fixed rates with longer-term maturities for a significant percentage of outstanding debt.

Although OPE strives to ensure robust exit alternatives are available prior to acquiring an investment, it has the ability to apply a longer-term perspective to investments. As a result, OPE can adjust its strategy to manage through economic cycles and work toward value creation strategies that are successfully executed.

Looking Ahead

In 2015, OPE will continue to create and execute against its value-creation plans for existing investments, and contribute proportionally to matching or exceeding the present value of the Primary Plan's accrued pension obligations. It will also continue to invest, but with a cautious regard for valuations.

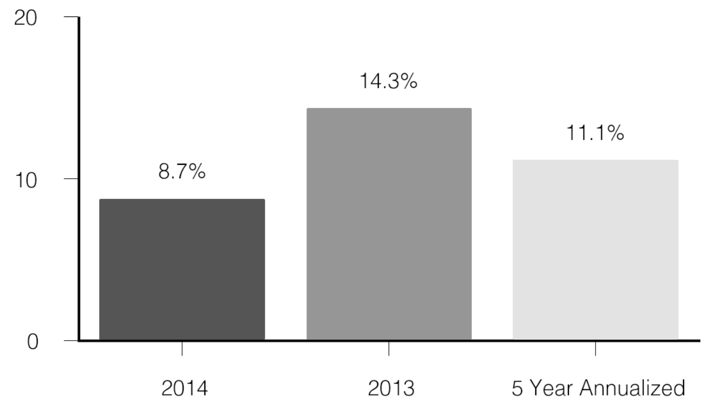
The investments OPE manages are positioned to grow – both organically and through acquisition. The improving global economy should contribute to continued growth in the operating performance of its businesses. In making new investments, OPE will continue to work toward ensuring investments provide the right risk/reward trade-offs.

OMERS Real Estate and Strategic Investments

Oxford Properties Group

For the year ended December 31, 2014, Oxford achieved a **gross return of 8.7%** on the portfolio it manages on behalf of the Fund, compared to a gross return of 14.3% in 2013, and its 2014 benchmark of 7.6%.

Actual Gross Returns,
for the year ended December 31,



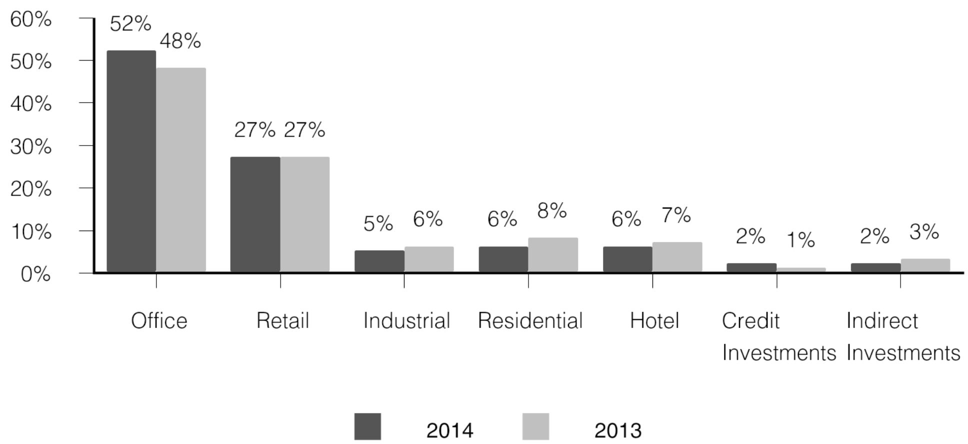
Approach to Real Estate Investing

Oxford Properties Group (Oxford) is one of North America's largest commercial real estate investment, development and management companies, with a growing and diversified portfolio in Canada, the U.S. and Europe. Oxford oversees and manages approximately $31 billion of real estate investments for the Fund and on behalf of co-owners and investment partners as at December 31, 2014. This represents an increase of $7 billion over its managed asset base of approximately $24 billion at year end 2013.

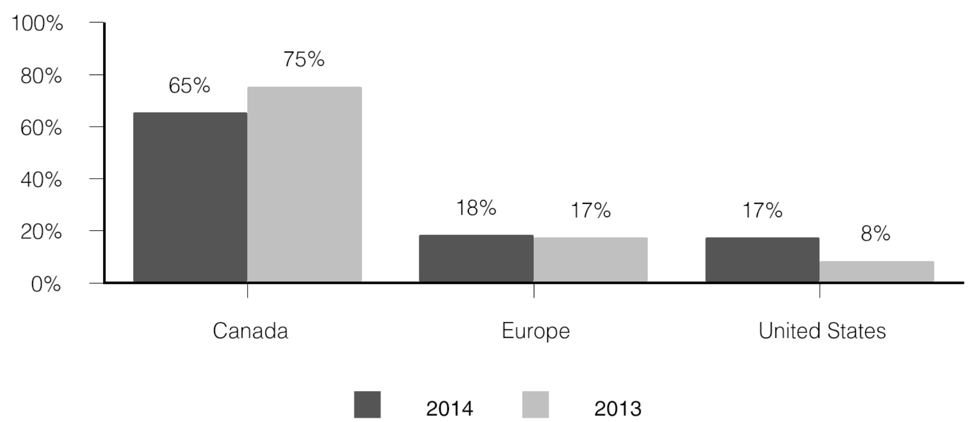
Oxford is a vertically integrated global real estate platform with a focus on delivering risk-adjusted returns and secure, sustainable and growing cash flows for the Plan. Oxford's strategy is to build portfolios and platforms of scale in targeted asset classes and markets through the development, ownership and active management of world-class assets that are diversified by asset class, geographic market, partner relationship and risk-reward profile.

A diversified real estate portfolio of this nature is expected to generate predictable cash flows, facilitating the Primary Plan's ability to meet both current and future pension benefit obligations. Furthermore, an actively managed real estate portfolio generally appreciates in capital value over time, which helps to offset the inflation exposure of the Primary Plan's accrued pension obligations.

Total Assets by Sector



Total Assets by Geography



Performance in 2014

Oxford's 2014 return exceeded the benchmark return of 7.6% primarily due to the increase in the market values for real estate properties, net of a loss from market value adjustments on its debt.

Oxford generated net investment income of $920 million in 2014, compared to $1,237 million in 2013. The decrease in net investment income is largely attributable to an unrealized loss from market value adjustments on Oxford's debt resulting from the decline in market interest rates, whereas an unrealized gain was recognized in the prior year. This resulted in a lower total return of 8.7% in 2014 compared to a 14.3% return in 2013.

In 2014, Oxford remained committed to its strategy of developing, acquiring and managing core assets in a defined set of major urban centres. Leasing activity remains a key driver to the success of the business, and Oxford has delivered favourably against its 2014 targets in this crucial area. The year was marked by a number of strategic acquisitions, developments and achievements in each of the three regions in which Oxford operates with key highlights as follows:

Canada

Oxford has been very active in Canadian development projects, with the completion of RBC WaterPark Place in Toronto and MNP Tower in Vancouver, and the continued development of 100 Adelaide Street West in Toronto, Eau Claire Tower and Oxford Airport Business Park in

Calgary, and Oxford Northport and Oxford Cityview Business Parks in Edmonton, as well as ongoing activity at major redevelopment projects nationally. In addition, Oxford acquired an interest in two strategic assets with significant development potential. The first was Canada Square, an income-producing property strategically located in mid-town Toronto, offering multiple redevelopment opportunities; and the second, a land site located in Calgary's Beltline that provides a mixed-use redevelopment opportunity primarily for rental residential units and provides the catalyst for establishing Oxford's Western Canada multi-residential platform.

In October 2014, Oxford purchased a 50% stake in Montreal's Quartier DIX30 from Hydro Quebec and Carbonleo Real Estate Inc., which will be managed jointly by Oxford and Carbonleo. The 2.3 million square foot integrated retail lifestyle and power centre on Montreal's South Shore is the second-largest shopping centre in Canada and is complementary to Oxford's existing retail platform.

In December 2014, Oxford added a third urban centre hotel with the acquisition of the Park Hyatt in Toronto, which balances Oxford's resort hotel portfolio and also provides a future value-add redevelopment opportunity.

U.S.

In 2014, Oxford expanded its property management platform to the U.S., with the acquisition of a whole interest in one office property and a 45% interest in three office properties in Boston and Cambridge, MA, representing 2.7 million square feet and valued in excess of $2 billion (at 100%). This Boston asset acquisition was the largest in the company's history and positions Oxford to be one of the five largest landlords in that market through one transaction.

In Washington, Oxford began construction on the previously announced 600 Massachusetts Avenue development in D.C.'s City Centre area, with 62% of the 400,000 square foot office property pre-leased. It also acquired an interest in two significant income-producing assets, Gallery Place and 1001 G Street.

As well, Oxford continued its expansion in the New York City market, acquiring 450 Park Avenue, a 33-storey office tower located in New York City's Plaza district (Midtown). Tenants include investment and law firms. Oxford also continued to advance the significant Hudson Yards project in Manhattan, and major breakthroughs were recognized in 2014.

Europe

Oxford expanded its European portfolio into the continent with its acquisition of an office property in Paris. Oxford plans to grow its assets under management in Paris to over €1 billion over the next three to five years.

London's Leadenhall Building, a 600,000 square-foot office building, reached substantial completion in 2014. Oxford holds its interest in a 50-50 joint venture with British Land, a large London based listed real estate company. Altogether, Oxford has invested over $2.2 billion in five large London office properties, which it either owns outright or in which it has an ownership interest. These include St. Martin's Court, home of the largest real estate service company in the world, CBRE and King Edward Court, home of the London Stock Exchange.

In addition, Oxford added to its London retail portfolio with the acquisition of a partial interest in a high street retail asset on Bond Street.

Portfolio Composition

The 2014 U.S. and European investment activity represents the continuing evolution of Oxford's portfolio to the 60%-40% Canada-foreign split defined in its strategic plan.

At December 31, 2014, the Fund's direct real estate portfolio managed by Oxford consisted of more than 145 assets, located primarily in Canada, the U.S., the U.K. and France, with a total leasable area of 56 million square feet of office, retail and industrial space, 3,637 hotel rooms and 14,306 residential units.

The office portfolio is diversified geographically in Canada (across six major markets: Toronto, Vancouver, Calgary, Edmonton, Ottawa and Montreal), the U.K., the U.S. and France. The largest concentration is in the Greater Toronto Area, representing approximately 27.5% of the market value of the office portfolio. The most significant office properties are:

- Richmond-Adelaide Centre, Metro Centre and a 50% interest in each of Royal Bank Plaza, Waterpark Place, and the TD Canada Trust Tower in Toronto;
- Centennial Place and a 50% interest in each of Bow Valley Square and Devon Tower in Calgary;
- Watermark Place, King Edward Court, St. Martin's Court, and a 50% interest in MidCity Place and 122 Leadenhall Street in London, U.K.;
- Green Park Business Park in Reading, U.K;
- 32 Rue Blanche in Paris, France;
- a 98% interest in 450 Park Avenue and a 36.5% interest in Olympic Tower in New York City; and
- 125 Summer Street, a 45% interest in 225 Franklin Street and 60 State Street in Boston, and a 45% interest in One Memorial Drive in Cambridge, MA.

The Oxford retail portfolio comprises 22 properties, primarily super regional and regional shopping centres, totalling 18.2 million square feet. The properties are located across Canada, the U.S. and the U.K., with the largest concentration in the Greater Toronto Area. The most significant properties are:

- a 50% ownership interest in Yorkdale Shopping Centre, Square One Shopping Centre, Scarborough Town Centre and Upper Canada Mall in the Greater Toronto Area;
- a 50% ownership interest in Quartier DIX30 in Montreal;
- Southcentre Mall in Calgary;
- a 50% ownership interest in Les Galeries de la Capitale in Quebec City;
- Kingsway Garden Mall in Edmonton;
- Olympic Tower high street retail on Fifth Avenue in New York City; and
- a 48.4% interest in 130-137 Bond Street, 82-84 Grosvenor Street, and a 100% interest in The Royal Exchange in London, U.K.

The hotel portfolio includes major Canadian landmark resort properties located in Banff, Lake Louise and Jasper Park, Alberta, and Whistler, British Columbia as well as three urban centre hotels in Vancouver, British Columbia and Toronto, Ontario.

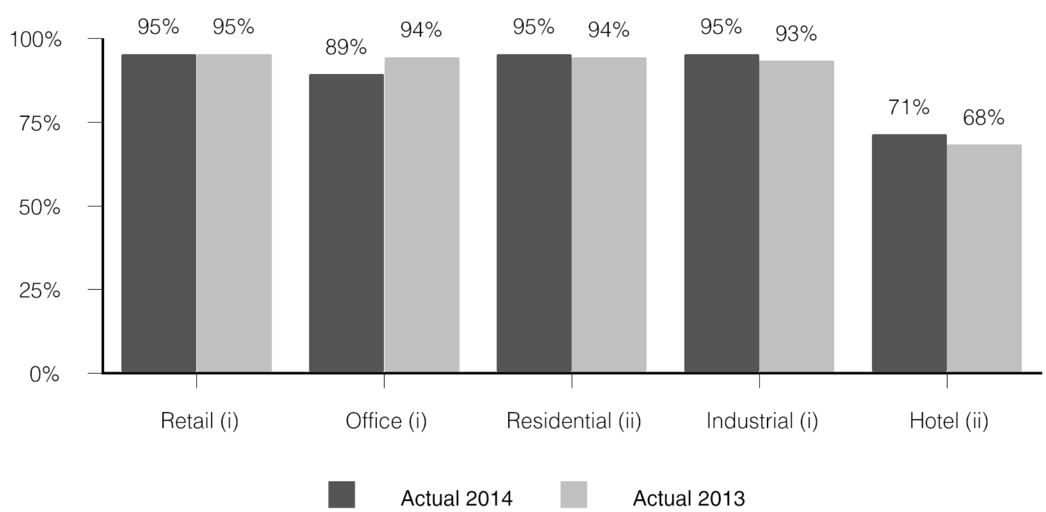
The multi-family residential portfolio consists of 15 properties located in Ontario, Quebec and Nova Scotia, and 6,705 residential units located in Germany (which were sold subsequent to year end).

The industrial-use assets include over 35 buildings, business parks and development sites in the Greater Toronto Area, Vancouver, Calgary and Edmonton markets. Oxford began developing industrial sites in recent years, and its industrial real estate portfolio now comprises more than 10 million square feet, which it intends to double by 2018.

The Oxford real estate portfolio also includes numerous properties held for/under development that form the basis of its active development program. Current active development projects include the projects previously mentioned in this report, as well as the co-developments of London Wall Place and St James's Market in London, U.K., and Hudson Yards, the mixed-use office, retail and residential project in New York City, U.S.

Occupancy

Occupancy levels remain strong and consistent with prior years across the portfolio.



(i) Based on the percentage of gross leasable area occupied at December 31.
(ii) Based on average unit occupancy for the year.

The decline in 2014 year-end occupancy in the office sector was the result of office towers in Vancouver, Toronto and London achieving practical completion in the second half of 2014, before their target stabilized occupancy date.

Investment Risk

Oxford has identified the following risks to its current strategic approach, and risk-mitigation strategies:

- Slower economic growth could adversely affect demand and valuations for various properties in its portfolio. However, Oxford has a property portfolio that is diversified across sectors (i.e., office, retail, industrial, residential and hotels) and geographic markets (i.e., Canada, U.S., U.K. and Continental Europe), which helps to mitigate this exposure.
- A volatile interest rate environment could adversely affect cap rates/valuations. Oxford has a diverse high-quality core portfolio which should be capable of absorbing some cap-rate expansion through improved income growth as higher interest rates are typically associated with improving economic fundamentals. Its portfolio is diversified across both sectors and geographic markets, which also mitigates this risk.
- A competitive environment with an abundant supply of global capital presents a challenge to making acquisitions with an appropriate risk-return yield. Oxford maintains a very rigorous and disciplined approach in pursuing investment opportunities and leverages its global relationships to access off-market acquisition opportunities, when available. It also possesses strong in-house development expertise, which allows it to grow its portfolio without relying solely on acquisition activity.
- The ability to deliver targeted returns without changing its risk profile. Oxford's targeted returns are built from the ground up, with multiple tools to add incremental value to its portfolio and cash flows.

Oxford monitors and remains cautious with respect to the continued volatility in the global financial markets and its impact on investment activity and market fundamentals. Oxford is well positioned to take advantage of all market cycles, and has a strong platform across all regions in which it operates.

Looking Ahead

Oxford will continue to execute against its core strategies in all regions in order to continue delivering strong risk-adjusted returns for the Plan. It will remain focused on the following key strategies:

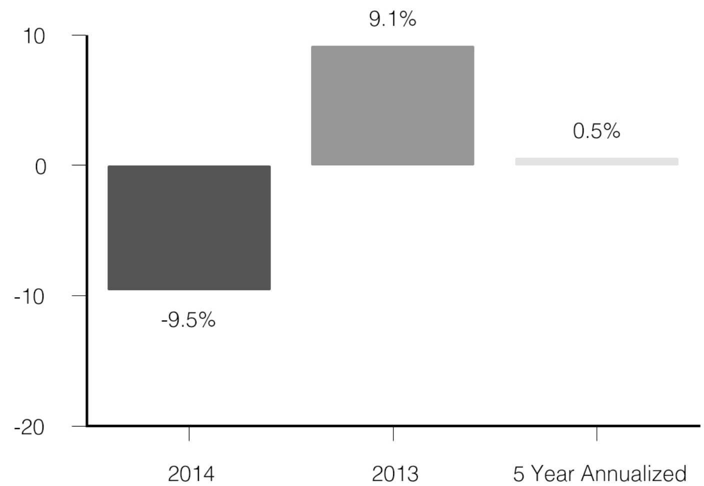
- prudently increasing assets under management;
- diversifying and rebalancing the portfolio globally;
- advancing and completing development projects that enhance portfolio returns;
- continuing to use conservative amounts of leverage to enhance overall returns, and refinancing borrowings to take advantage of the continuing low interest rate environment and to manage the debt maturity profile; and
- demonstrating an unwavering commitment to a strong company culture, customer service excellence and teamwork.

The outlook for the Oxford portfolio is strong across most of its service markets and, in particular, the U.K. and the U.S. While Canada will continue to be a strong contributor to its results, certain pockets of the Canadian economy are under some pressure (e.g., the oil and gas sector given the recent sharp decline in oil prices that could translate into lower demand or lower rental rates for space). In 2015, Oxford will continue to focus on its development program, which includes redeveloping, renovating and building new quality assets to enhance returns. Over the past number of years, Oxford has been able to consistently deliver these projects on time and on budget, providing it with a key competitive advantage over many other institutional real estate investors.

OMERS Strategic Investments

For the year ended December 31, 2014, the overall OMERS Strategic Investments (OSI) **gross return was -9.5%**, compared to a gross return of 9.1% in 2013, and its 2014 benchmark of 7.8%, during a year of significant reorganization and changing market conditions.

Actual Gross Returns,
for the year ended December 31,



Approach to Strategic Investing

Since it was established in 2008, OSI's focus has been on building strategic asset platforms and long-term strategic relationships.

During 2014, OSI completed its capital raising activities for the Global Strategic Investment Alliance (GSIA). In addition, with the changes in market conditions in 2014, OSI revisited its strategy and conducted a thorough review of its existing portfolio, which has included the following sectors:

- Resources – this sector represents $1.1 billion in net investment assets at December 31, 2014, compared to $1.3 billion at the end of 2013.
- Innovation – this sector represents almost $400 million in net investment assets at December 31, 2014, compared to over $220 million in 2013.
- Other – this sector includes a diverse group of companies that do not fit within the former two sectors, and represents the remaining $700 million in net investment assets at December 31, 2014, compared to $935 million in 2013.

As a result of the strategic review discussed above, the OSI portfolio is being realigned to help ensure that various investment platforms more closely line up with OMERS private market divisions, including Borealis Infrastructure and Private Equity. As a result, the primary investment platforms remaining within OSI will be OMERS Ventures and OMERS Energy. OMERS Energy invests in conventional oil and gas properties, primarily in Alberta, while OMERS Ventures invests in technology, media and telecommunication start-up/growth companies. In addition, many of the other assets identified above were transferred to Private Markets as of January 1, 2015.

Performance in 2014

In 2014, OSI generated a net investment loss of $(273) million, compared to net investment income of $158 million in 2013.

OSI is not satisfied with the 2014 gross return of (9.5)%. This return was considerably lower than the 2014 OSI benchmark return of 7.8% and significantly lower than the strong gross return of 9.1% achieved in 2013.

The loss in 2014 resulted from a significant decline in the market value of both CEDA and Airports Worldwide. CEDA's valuation suffered from both lower than forecasted profitability and the recent decline in oil and gas prices. Airports Worldwide's lower valuation is the result of lower projected passenger traffic at certain of its airports and higher than expected future capital expenditures. Losses incurred on these investments were partially offset by gains generated on OSI's other investments, including Porter Airlines and OMERS Ventures.

During 2014, OSI's net investment assets decreased from $2,496 million at December 31, 2013, to $2,239 million at December 31, 2014. The decrease reflects the net decline in the market value of certain investments noted above, partially offset by investments funded during the year. Investments funded during the year were primarily in OMERS Energy, with the acquisition of additional oil and natural gas resources, and OMERS Ventures, with several new and follow-on investments in the technology, media and telecommunications sectors in Canada and the U.S.

With respect to its 2014 third party capital raising activities, OSI attracted an additional U.S. $3.8 billion of capital commitments from two new co-investors into the GSIA. The co-investors include two from Japan with a combined commitment of U.S. $2.5 billion. In addition, a U.S. aggregation fund joined the GSIA, with a commitment of U.S. $1.33 billion. This completes the capital raising phase for the GSIA with total commitments of U.S. $12.6 billion from like-minded global institutional investors. The third party capital enhances OMERS ability to secure preferred large-scale infrastructure investments, while benefitting from OMERS investment management expertise.

Investment Risk

For the OMERS Energy platform, the greatest risk is the volatility of oil and natural gas prices. While such volatility can result in soft or even negative returns for OMERS Energy in any given year, oil and natural gas prices are expected to increase over the long term. While the market conditions in the oil and gas sector are expected to remain volatile for the foreseeable future, these market conditions may create some very attractive investment opportunities for OMERS Energy.

For the OMERS Ventures platform, there is risk in the viability and marketability of the technology being developed by its portfolio companies as well as the development and marketing of its products and services. To date, OMERS Ventures has mitigated these risks through disciplined investment and ongoing management processes. Moreover, as the portfolio grows, the risk is mitigated through increased diversification. A focused and disciplined investment team is crucial in identifying appropriate investment opportunities in the technology, media and telecommunications sectors. OMERS Ventures is well positioned to capitalize on and benefit from its relationships in both Canada and the U.S. and work toward its continued success.

Looking Ahead

OSI will concentrate on the development of a strategic plan as it relates to building platform investments including OMERS Energy and OMERS Ventures.

Critical Accounting Policies

OAC's financial statements are prepared in accordance with the requirements of the Chartered Professional Accountants of Canada (CPA Canada) Handbook Section 4600 – Pension Plans (Section 4600). For accounting policies that do not relate to the Plans' investment portfolios or pension obligations, OAC complies on a consistent basis with the requirements of International Financial Reporting Standards. The recognition, measurement and disclosure contained in the 2014 year-end Consolidated Financial Statements are in compliance with the requirements of Section 4600 or the relevant International Financial Reporting Standards.

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

Consistent with Section 4600 and International Financial Reporting Standards, certain of our accounting policies require subjective or complex judgments and estimates relating to matters that are inherently uncertain. The use of different judgments and estimates could result in materially different amounts being recorded under different conditions or by using different assumptions. As a result, actual results could materially differ from our estimates and assumptions applied in the Consolidated Financial Statements. Significant estimates included in the Consolidated Financial Statements relate to the valuation of investments and the valuation of our accrued pension obligation.

Our policy is to record all investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assessment of fair value involves considering many factors for each type of investment held by the Funds. Fair value is based on quoted market prices, where available, and excludes transaction costs, which are expensed as incurred. For private market investments where quoted market prices are not available, fair value is generally based on internal or external valuations using generally accepted valuation methods. The fair value of a private market investment acquired within the current fiscal year, a non-operating investment or an investment in a startup business may be supported by the acquisition valuation where this is considered the best estimate of fair value based upon events since acquisition. For private equity funds, the fair value is generally based on the valuation provided by the Fund's general partner, subject to information available to OAC's investment management. As a result, fair values for private market investments are based on estimates, which are inherently uncertain. Our policy is to obtain independent support of valuations for significant private market investments through review by accredited independent appraisers at least once every three years, or whenever the valuation changes by more than 15% from the prior year for private market direct investments, and through annual audited financial statements for Fund investments.

Actuarial assumptions used in determining the accrued pension obligation reflect Management's estimates of future economic factors such as the Plans' nominal rate of return and discount rate, rate of pensionable earnings increase and inflation, and non-economic factors such as mortality, withdrawal and retirement rates of Primary Plan and RCA members. This process is executed by our qualified team of internal actuaries and supported by our independent actuary. The Primary Plan and the RCA's actual experience could differ from these estimates. Differences are recognized as experience gains or losses in future years.

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

Responsibilities of Management, Actuary and Independent Auditors

The OMERS Administration Corporation (OAC) is the administrator of the OMERS pension plans (the "OMERS Pension Plans") as defined in the Ontario Municipal Employees Retirement System Act, 2006 (the OMERS Act). The OMERS Pension Plans include OMERS Primary Pension Plan (the "Primary Plan"), which includes the Defined Benefit and the Additional Voluntary Contribution (AVC) components, and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (the RCA) and the OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics (the "Supplemental Plan"). OAC is responsible for managing the funds of the Primary Plan, the RCA and the Supplemental Plan (collectively, the "Funds"). As at December 31, 2014, membership in the Supplemental Plan was nil.

The consolidated financial statements of OAC have been prepared by OAC Management ("Management") and approved by the Board of the OAC (the "OAC Board"). Management is responsible for the contents of the consolidated financial statements and the financial information contained within the Annual Report.

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

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

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

The independent auditors are also appointed by the OAC Board. Their responsibility is to report to the OAC Board whether in their opinion the consolidated statements of financial position as at December 31, 2014 and 2013 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, 2014 and 2013 present fairly in all material respects the financial position, the changes in net assets available for benefits and changes in pension obligations in accordance with Canadian accounting standards for pension plans. The independent auditors have full and unrestricted access to Management and the Audit & Actuarial Committee to discuss any findings arising from their audit related to the integrity of financial reporting and the adequacy of internal control systems on which they rely for the purposes of their audit. The auditors' report outlines the scope of their examination and opinion.

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

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

Michael Latimer
President and Chief Executive Officer

Jonathan Simmons
Chief Financial Officer

Toronto, Ontario
February 26, 2015

Actuarial Opinion

We conducted actuarial valuations as at December 31, 2014 of the OMERS Primary Pension Plan (the "Primary Plan") and the Retirement Compensation Arrangement for the OMERS Primary Pension Plan (the "RCA") administered by OMERS Administration Corporation (the "OAC"). The Primary Plan consists of a defined benefit component and an additional voluntary contribution ("AVC") component. The purpose of the valuations is to fairly present the actuarial funded status of the Primary Plan and the RCA as at December 31, 2014, for inclusion in this Annual Report in accordance with Section 4600 of Part IV of the Chartered Professional Accountants of Canada Handbook.

The results of the actuarial valuation of the Primary Plan disclosed total going concern actuarial liabilities of $77,284 million in respect of benefits accrued for service to December 31, 2014 (comprising $76,924 million with respect to the defined benefit component and $360 million with respect to the AVC component). The actuarial assets at that date were $70,206 million (comprising $69,846 million with respect to the defined benefit component and $360 million with respect to the AVC component), indicating a going concern actuarial deficit of $7,078 million. Ongoing adequacy of the Primary Plan's contribution rates will need to be monitored to ensure that future contributions, together with the Primary Plan assets and future investment earnings thereon, will be sufficient to provide for its future benefits.

The RCA provides for pension benefits in excess of the maximum pension benefits under the Primary Plan. The RCA is not fully pre-funded. The actuarial liability in respect of RCA benefits accrued for service to December 31, 2014 (determined using assumptions consistent with those used for the Primary Plan except that the discount rate is adjusted to approximate the effect of the 50 per cent refundable tax under the RCA), net of the RCA assets, was $500 million. Contributions, based on the top-tier Primary Plan contribution rates, are payable to the RCA on the excess of earnings over a defined earnings threshold. The funding of the RCA is managed on a modified pay-as-you go basis and monitored to ensure that the fund will have sufficient assets to provide for the projected benefit payments over the 20-year period following each valuation date.

The actuarial valuations of the Primary Plan and the RCA as at December 31, 2014 were conducted using the Projected Benefit Method Prorated on Services, and membership data as at December 1, 2014 and financial information as at December 31, 2014 supplied by OAC. The December 1, 2014 membership data was adjusted, among other things, for the following:

- actual inflationary increases to pensions in payment and deferred pension payments effective January 1, 2015,
- estimated credited service accruals in 2014, and
- estimated earnings for 2014.

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

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

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

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

Respectfully submitted

Towers Watson Canada Inc.

Ian Markham
Fellow, Canadian Institute of Actuaries

Philip A. Morse
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
February 26, 2015

Independent Auditors' Report

To the Board of OMERS Administration Corporation

We have audited the accompanying consolidated financial statements of OMERS Administration Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of changes in net assets available for benefits and changes in pension obligations for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OMERS Administration Corporation and its subsidiaries as at December 31, 2014 and December 31, 2013 and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 26, 2015

Consolidated Statement of Financial Position

As at December 31, (in millions of Canadian dollars)		2014		2013
Net Assets available for benefits				
Assets				
Investments (note 3)	**$**	**92,888**	$	82,053
Other investment assets		**425**		401
Derivatives and pending trades (note 3)		**617**		343
Contributions receivable				
Employers		**147**		143
Members		**147**		143
Other assets		**112**		98
Total Assets		**94,336**		83,181
Liabilities				
Investment liabilities (notes 3 and 5)		**18,858**		15,604
Amounts payable under contractual agreements (note 6)		**2,397**		1,524
Derivatives and pending trades (note 3)		**824**		859
Other liabilities		**161**		113
Total Liabilities		**22,240**		18,100
Net Assets Available for Benefits	**$**	**72,096**	$	65,081
Accrued pension obligation and deficit				
Primary Plan (note 7)				
Defined benefit component				
Accrued pension obligation	**$**	**76,924**	$	73,004
Deficit				
Funding deficit		**(7,078)**		(8,641)
Actuarial value adjustment to net assets available for benefits		**1,771**		341
		(5,307)		(8,300)
		71,617		64,704
Additional Voluntary Contributions component pension obligation		**360**		276
		71,977		64,980
Retirement Compensation Arrangement (note 8)				
Accrued pension obligation		**619**		614
Deficit		**(500)**		(513)
		119		101
Accrued Pension Obligation and Deficit	**$**	**72,096**	$	65,081

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

These financial statements were approved by the Board of Directors on February 26, 2015.

Signed on behalf of the Board of OMERS Administration Corporation

George Cooke,
OAC Board Chair

William Butt,
Chair, Audit & Actuarial Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

For the year ended December 31, (in millions of Canadian dollars)		2014		2013
Changes Due to Investment Activities (note 9)				
Investment income	**$**	**2,598**	$	2,225
Changes in fair values of investment assets and liabilities		**4,484**		1,775
Investment management expenses (note 13)		**(384)**		(266)
Income allocated under contractual agreements		**(222)**		(97)
Total Changes Due to Investment Activities		**6,476**		3,637
Changes Due to Pension Activities				
Total contributions received (note 11)		**3,686**		3,644
Total benefits paid (note 12)		**(3,066)**		(2,910)
Pension administrative expenses (note 13)		**(81)**		(57)
Total Changes Due to Pension Activities		**539**		677
Total Increase		**7,015**		4,314
Net assets available for benefits, beginning of year		**65,081**		60,767
Net Assets Available for Benefits, End of Year	**$**	**72,096**	$	65,081

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

Statement of Changes in Pension Obligations

For the year ended December 31, (in millions of Canadian dollars)	2014	2013
OMERS Primary Pension Plan (note 7)		
Defined Benefit Component		
Accrued pension obligation, beginning of year	**$ 73,004**	$ 69,122
Interest accrued on benefits	**4,732**	4,483
Benefits accrued	**2,637**	2,577
Benefits paid (note 12)	**(3,044)**	(2,895)
Experience (gains)/losses	**(622)**	(283)
Changes in actuarial assumptions and methods	**217**	—
Accrued Pension Obligation, End of Year	**76,924**	73,004
Additional Voluntary Contributions Component		
Additional voluntary contributions obligation, beginning of year	**276**	170
Contributions	**64**	100
Withdrawals	**(11)**	(6)
Attributed net investment income	**31**	12
Additional Voluntary Contributions Obligation, End of Year	**360**	276
Retirement Compensation Arrangement (note 8)		
Accrued pension obligation, beginning of year	**$ 614**	$ 555
Interest accrued on benefits	**20**	18
Benefits accrued	**26**	24
Benefits paid (note 12)	**(11)**	(9)
Experience (gains)/losses	**14**	26
Changes in actuarial assumptions and methods	**(44)**	—
Accrued Pension Obligation, End of Year	**$ 619**	$ 614

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

Notes to Consolidated Financial Statements

NOTE 1

Description of Plans Administered By OMERS Administration Corporation

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

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

OMERS Primary Pension Plan

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

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

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

a) Funding –The defined benefit component of the Primary Plan is funded by equal contributions from participating employers and members, and by the investment earnings of the Primary Plan assets. OAC determines the regulatory minimum funding requirements in accordance with the ITA and PBA. The SC sets the actual contribution rates.

b) Pensions – The normal retirement age (NRA) is 65 years for all Primary Plan members, except police officers and firefighters, who generally have a normal retirement age of 60 years. The normal retirement pension is calculated using a member’s years of credited service and two per cent of the average annual earnings during the member’s highest 60 consecutive months of earnings. The Primary Plan benefits are integrated with the Canada Pension Plan at age 65. Early retirement pensions are payable starting from age 55 for members whose NRA is 65 and age 50 for members whose NRA is 60.

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

d) Withdrawals and Transfers from the Primary Plan – Subject to locking in provisions, a member that has terminated employment prior to eligibility to retire has the option to withdraw or transfer a lump sum equivalent value of his/her benefits from the Primary Plan to another retirement savings vehicle.

e) Escalation of Pensions – Pensions are increased for inflation through an annual adjustment equal to 100 per cent of the increase in the average Consumer Price Index (CPI) over the prior year's average. This adjustment is subject to a limit of six per cent in any one year. If the increase in the average CPI exceeds the six per cent limit, the excess is carried forward to future years.

f) Disability Pensions – A disability pension is available at any age to a 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.

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

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

Retirement Compensation Arrangement for the OMERS Primary Pension Plan

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

OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics

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

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

Participation in the Supplemental Plan is effective only upon agreement between employee groups and their employer. As at December 31, 2014 and December 31, 2013, no such agreement exists and hence the the Supplemental Plan had no assets and no members.

NOTE 2

Summary of Significant Accounting Policies

Basis of Presentation

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

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

These financial statements include the financial position, changes in net assets available for benefits and changes in pension obligations of OAC and the OMERS Pension Plans. Investments are managed by the following entities: OMERS Capital Markets (which is primarily responsible for investing in publicly traded interest bearing and equity investments as well as commercial mortgages and private debt investments); OMERS Private Equity (which manages private equity investments); Borealis Infrastructure (which manages infrastructure investments); Oxford Properties Group (which manages real estate assets); and OMERS Strategic Investments (which manages strategic investments across all asset classes) (collectively the "Investment Entities").

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

Use of Estimates and Judgments

The preparation of consolidated financial statements requires OAC Management ("Management") to make estimates, judgments and assumptions that affect the reported values of assets and liabilities, income and expenses, accrued pension obligations and related disclosures. Actual results could differ from these estimates. Areas of significant accounting estimates and judgments include the determination of fair value of financial instruments discussed in Note 3 – Investments, the determination of the accrued pension obligation discussed in Note 7 – OMERS Primary Pension Plan and Note 8 – Retirement Compensation Arrangement.

Investments

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

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

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

Fair value may be determined by reference to a market index, publicly observable market data or through the use of valuation techniques and models which utilize assumptions based on information that is not publicly observable. Where a public market price in an active market is not available for an investment asset, a suitable method of valuation is used by Management to determine fair value. Valuation techniques used include the use of discounted cash flows, earnings multiples, prevailing market rates for instruments with similar characteristics or other pricing models, as appropriate. In these cases the fair value may differ significantly when varying assumptions are used. Accredited independent external valuation experts are engaged to perform a review of Management's valuations to determine the reasonableness of the valuations for each significant private market investment at least once every three years or in any year where the valuation changes by more than fifteen per cent from the prior year.

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

Net Investment Income/(Loss)

Investment income/(loss) includes accrued interest, dividends and real estate rental income. Gains and losses that have been realized on the disposal of investments and the unrealized appreciation/depreciation required to adjust investments to their fair value are added to investment income to arrive at Total Investment Income in Note 9 – Net Investment Income/(Loss).

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

Transaction and Pursuit Costs

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

External Manager Fees

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

Investment Liabilities

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

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

Derivatives and Pending Trades

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

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

Foreign Currency Translation

Certain investments are denominated in foreign currencies. The fair values of such investments are translated into Canadian dollars at the year-end rate of exchange. Unrealized foreign exchange gains and losses arising from this translation are included in Net Gain/(Loss) on Investment Assets, Liabilities, and Derivatives in Note 9 – Net Investment Income/(Loss). Once a foreign currency denominated investment is sold, the realized foreign exchange gain or loss based on the rate at the settlement is also recognized in Net Gain/(Loss) on Investment Assets, Liabilities, and Derivatives in Note 9 – Net Investment Income/(Loss).

Accrued Pension Obligation

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

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

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

Actuarial Value of Net Assets and Actuarial Value Adjustment

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

Surplus/Deficit

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

Contributions

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

Benefits

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

Administrative Expenses

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

Future Changes in Accounting Policies

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

IFRS 15 Revenue from Contracts with Customers

The new standard replaces all existing IFRS revenue requirements. The mandatory effective date for the new standard is for years beginning on or after January 1, 2017. Management is assessing any potential impact on the OAC's investment income when adopting the new standard.

NOTE 3

Investments

Investments by Fair Value and Cost

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

As at December 31,		2014		2013
	Fair Value	**Cost**	Fair Value	Cost
Public Market Investments				
Interest Bearing Investments				
Cash and short-term deposits [i]	**$ 14,771**	**$ 14,772**	$ 12,638	$ 12,638
Nominal bonds and debentures [ii]	**615**	**613**	1,193	1,258
Inflation-linked bonds	**23,157**	**20,831**	17,754	18,036
Mortgages and private debt [iii]	**625**	**619**	1,228	1,199
	39,168	**36,835**	32,813	33,131
Public Equity [iv]				
Canadian public equities	**250**	**382**	462	449
Non-Canadian public equities	**8,049**	**7,493**	8,434	7,630
	8,299	**7,875**	8,896	8,079
Total Public Market Investments	**47,467**	**44,710**	41,709	41,210
Private Equity				
Canadian private equities [v] [vi]	**3,686**	**3,323**	4,632	3,828
Non-Canadian private equities	**5,081**	**4,276**	4,576	4,331
Total Private Equity Investments	**8,767**	**7,599**	9,208	8,159
Infrastructure Investments	**14,401**	**12,775**	13,533	11,991
Real Estate Investments	**22,253**	**19,022**	17,603	15,088
Total Investments	**92,888**	**84,106**	82,053	76,448
Investment Related Assets				
Investment receivables	**236**	**648**	239	532
Deferred assets, prepaid and other	**189**	**76**	162	44
Derivatives and pending trades [vii]	**617**	**202**	343	112
	1,042	**926**	744	688
Investment Related Liabilities				
Investment liabilities (note 5)	**(18,858)**	**(18,394)**	(15,604)	(15,442)
Derivatives and pending trades [viii]	**(824)**	**(208)**	(859)	(113)
	(19,682)	**(18,602)**	(16,463)	(15,555)
Net Investment Assets	**$ 74,248**	**$ 66,430**	$ 66,334	$ 61,581

(i) Includes restricted cash of $180 (December 31, 2013 - $156), treasury bills of $1,061 (December 31, 2013 - $635) and term deposits of nil (December 31, 2013 - $57).
(ii) Includes non-Canadian nominal bonds and debentures with a fair value of $264 (December 31, 2013 - $131).
(iii) Includes mortgages with a fair value of $568 (December 31, 2013 - $1,127).
(iv) Includes externally managed investments of $3,313 (December 31, 2013 -$4,307).
(v) Includes resource properties with a total fair value of $705 (December 31, 2013 - $728).
(vi) Includes venture capital investments of $390 (December 31, 2013 - $241).
(vii) Includes amounts due from pending trades of $202 (December 31, 2013 - $38).
(viii) Includes amounts payable from pending trades of $214 (December 31, 2013 - $64).

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

As at December 31,	OMERS Capital Markets	OMERS Private Equity	Borealis Infrastructure	Oxford Properties Group	OMERS Strategic Investments	2014 Total
Investment assets	**$ 47,053**	**$ 6,786**	**$ 14,122**	**$ 22,668**	**$ 2,259**	**$ 92,888**
Allocation of cash and other	**(421)**	**—**	**122**	**282**	**17**	**—**
Investment related assets	**673**	**26**	**9**	**329**	**5**	**1,042**
Investment related liabilities	**(6,581)**	**(89)**	**(1,515)**	**(11,455)**	**(42)**	**(19,682)**
Net Investment Assets	**$ 40,724**	**$ 6,723**	**$ 12,738**	**$ 11,824**	**$ 2,239**	**$ 74,248**

As at December 31,	OMERS Capital Markets	OMERS Private Equity	Borealis Infrastructure	Oxford Properties Group	OMERS Strategic Investments	2013 Total
Investment assets	$ 41,473	$ 7,208	$ 13,029	$ 17,839	$ 2,504	$ 82,053
Allocation of cash and other	(311)	—	89	207	15	—
Investment related assets	430	6	17	290	1	744
Investment related liabilities	(6,310)	(113)	(1,553)	(8,463)	(24)	(16,463)
Net Investment Assets	$ 35,282	$ 7,101	$ 11,582	$ 9,873	$ 2,496	$ 66,334

Investment Valuation Practices

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

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

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

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

The Plans' private market investments are valued as follows:

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

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

Investment Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

As at December 31,				2014
	Level 1	Level 2	Level 3	Total
Public Market Investments				
Interest Bearing Investments				
Cash and short-term deposits	$ 557	$ 14,214	$ —	$ 14,771
Nominal bonds and debentures	—	615	—	615
Inflation-linked bonds	—	23,157	—	23,157
Mortgages and private debt	—	—	625	625
	557	37,986	625	39,168
Public equity	5,405	—	85	5,490
Public fund investments	—	1,624	1,185	2,809
Total Public Market Investments	5,962	39,610	1,895	47,467
Private Equity Investments				
Direct investments	120	100	6,650	6,870
Fund investments	—	—	1,897	1,897
Total Private Equity Investments	120	100	8,547	8,767
Infrastructure Investments	—	—	14,401	14,401
Real Estate Investments	—	—	22,253	22,253
Total Investments	6,082	39,710	47,096	92,888
Investment Related Assets				
Investment receivables	—	95	141	236
Deferred assets, prepaid and other	—	—	189	189
Derivatives and pending trades	218	360	39	617
Total Investment Related Assets	218	455	369	1,042
Investment Related Liabilities				
Debt	—	(5,984)	(5,919)	(11,903)
Payables under securities lending program	—	—	—	—
Securities sold short	(3,733)	—	—	(3,733)
Securities sold under repurchase agreements	—	(2,218)	—	(2,218)
Other payables and liabilities	—	(1)	(1,003)	(1,004)
Derivatives and pending trades	(395)	(233)	(196)	(824)
Total Investment Related Liabilities	(4,128)	(8,436)	(7,118)	(19,682)
Net Investment Assets	$ 2,172	$ 31,729	$ 40,347	$ 74,248

As at December 31,				2013
	Level 1	Level 2	Level 3	Total
Public Market Investments				
Interest Bearing Investments				
Cash and short-term deposits	$ 550	$ 12,088	$ —	$ 12,638
Nominal bonds and debentures	—	1,193	—	1,193
Inflation-linked bonds	—	17,754	—	17,754
Mortgages and private debt	—	—	1,228	1,228
	550	31,035	1,228	32,813
Public equity	4,869	—	97	4,966
Public fund investments	—	2,776	1,154	3,930
Total Public Market Investments	5,419	33,811	2,479	41,709
Private Equity Investments				
Direct investments	356	31	6,822	7,209
Fund investments	—	—	1,999	1,999
Total Private Equity Investments	356	31	8,821	9,208
Infrastructure Investments	—	—	13,533	13,533
Real Estate Investments	—	111	17,492	17,603
Total Investments	5,775	33,953	42,325	82,053
Investment Related Assets				
Investment receivables	—	89	150	239
Deferred assets, prepaid and other	—	—	162	162
Derivatives and pending trades	99	243	1	343
Total Investment Related Assets	99	332	313	744
Investment Related Liabilities				
Debt	—	(4,735)	(4,207)	(8,942)
Payables under securities lending program	—	(43)	—	(43)
Securities sold short	(3,573)	(144)	—	(3,717)
Securities sold under repurchase agreements	—	(2,047)	—	(2,047)
Other payables and liabilities	—	(11)	(844)	(855)
Derivatives and pending trades	(48)	(445)	(366)	(859)
Total Investment Related Liabilities	(3,621)	(7,425)	(5,417)	(16,463)
Net Investments Assets	$ 2,253	$ 26,860	$ 37,221	$ 66,334

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

The following table presents the changes in the fair value measurements in Level 3 of the fair value hierarchy for the year ended December 31, 2014:

	Fair Value Dec 31, 2013	**Total Gain (Loss) Included in Net Income**	**Transfers In (Out) (i)**	**Contributed Capital**	**Capital Returned (ii)**	**Fair Value Dec 31, 2014**	**Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31,(iii)**
Mortgages and private debt	$ 1,228	**$ 19**	**$ —**	**$ 169**	**$ (791)**	**$ 625**	**$ 11**
Public equity investments	97	**(30)**	**—**	**131**	**(113)**	**85**	**(37)**
Public fund investments	1,154	**68**	**—**	**86**	**(123)**	**1,185**	**99**
Private equity-direct investments	6,733	**413**	**(89)**	**640**	**(1,115)**	**6,582**	**185**
Private equity-fund investments	1,971	**284**	**—**	**62**	**(447)**	**1,870**	**20**
Infrastructure investments	12,846	**1,192**	**—**	**1,139**	**(1,170)**	**14,007**	**207**
Real estate investments	16,380	**734**	**—**	**4,100**	**(204)**	**21,010**	**788**
Real estate fund investments	573	**76**	**—**	**112**	**(128)**	**633**	**39**
Debt	(3,761)	**(328)**	**—**	**323**	**(1,884)**	**(5,650)**	**(154)**
Total	$ 37,221	**$ 2,428**	**$ (89)**	**$ 6,762**	**$ (5,975)**	**$ 40,347**	**$ 1,158**

The following table presents the changes in the fair value measurements in Level 3 of the fair value hierarchy for the year ended December 31, 2013:

	Fair Value Dec 31, 2012	Total Gain (Loss) Included in Net Income	Transfers In (Out) (i)	Contributed Capital	Capital Returned (ii)	Fair Value Dec 31, 2013	Unrealized Gains (Losses) Attributable to Investments Held at Dec. 31, (iii)
Mortgages and private debt	$ 1,640	$ (35)	$ —	$ 20	$ (397)	$ 1,228	$ (30)
Public equity investments	59	(15)	—	53	—	97	(15)
Public fund investments	800	121	—	233	—	1,154	121
Private equity-direct investments	5,128	1,009	(84)	1,544	(864)	6,733	756
Private equity-fund investments	1,984	308	73	82	(476)	1,971	49
Infrastructure investments	10,669	1,050	—	2,533	(1,406)	12,846	314
Real estate investments	14,928	804	—	1,766	(1,118)	16,380	755
Real estate fund investments	490	13	(111)	239	(58)	573	14
Debt	(4,263)	(65)	243	654	(330)	(3,761)	(76)
Total	$ 31,435	$ 3,190	$ 121	$ 7,124	$ (4,649)	$ 37,221	$ 1,888

(i) Represents amounts transferred in(out) of Level 3, the net amount for the year ended December 31, 2014 was negative $89 (December 31, 2013- $121) This represents reclassification of debt and private investments that became publicly traded.

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

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

Fair Value Assumptions and Sensitivity

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

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

		Discount Rate Ranges	
As at December 31,	Discount Rate Methodologies	**2014**	2013
Private equity - direct investments	Implied values from similar publicly traded entities or sales of similar entities or risk-free rate adjusted for the risk inherent in projected future cash flows.	**10.0% to 23.2%**	8.6% to 21.1%
Infrastructure investments	Risk-free rate adjusted for the risk inherent in projected future cash flows.	**8.8% to 14.6%**	8.7% to 14.2%
Real estate investments	Risk-free rate adjusted for the risk inherent in projected future cash flows and recent sales of similar properties.	**5.0% to 10.0%**	5.9% to 10.3%

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

As at December 31, 2014	**Increase/Decrease in Discount Rate (basis points)**		**Decrease/Increase in Net Investment Assets**
Private equity - direct investments	**70**	**$**	**436**
Infrastructure investments	**20**		**220**
Real estate investments	**25**		**420**
Total impact on Net Investment Assets		**$**	**1,076**

As at December 31, 2013	Increase/Decrease in Discount Rate (basis points)		Decrease/Increase in Net Investment Assets
Private equity - direct investments	70	$	342
Infrastructure investments	20		221
Real estate investments	25		375
Total impact on Net Investment Assets		$	938

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

Significant Investments

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

As at December 31,						**2014**						2013
	Number of Investments		**Fair Value**			**Cost**	Number of Investments		Fair Value			Cost
Public market investments	**8**	**$**	**9,024**	**$**		**8,403**	8	$	7,659	$		7,962
Private market investments	**12**		**16,199**			**13,782**	12		15,110			12,919
	20	**$**	**25,223**	**$**		**22,185**	20	$	22,769	$		20,881

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

Private market investments having a cost or fair value exceeding one per cent of the cost or fair value of net investment assets include a limited partnership interest in Bruce Power; ownership interests in Teranet, Oncor, Associated British Ports, Scotia Gas Networks, LifeLabs and OMERS Energy Inc; and real estate ownership interests in Yorkdale Shopping Centre located in Ontario, the Richmond Adelaide

Complex located in Ontario, Centennial Place located in Alberta, Watermark Place located in London, England and Green Park Business Park located in Reading, England.

The effective date of the most recent valuation for the above listed investments was December 31, 2014.

Investment Risk

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

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

a) Market Risk

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

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

- Foreign Currency Risk

Investments denominated in currencies other than the Canadian dollar expose the Funds to fluctuations in foreign exchange rates. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. OAC has currency exposure management programs under which it hedges foreign currency exposure through the use of foreign exchange forward contracts. OAC also may make active investments in foreign currencies with the objective of adding value. The net exposure to foreign currencies represents 12% (December 31, 2013 - 11%) of net investment assets at December 31, 2014.

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

As at December 31,				**2014**				2013
				Fair Value By Currency				Fair Value By Currency
	Total Exposure (i)	**Hedging/ Trading Activities**	**Net Exposure**	**% of Total**	Total Exposure (i)	Hedging/ Trading Activities	Net Exposure	% of Total
Canada	**$ 54,032**	**$ 11,459**	**$ 65,491**	**88%**	$ 37,057	$ 22,194	$ 59,251	89%
United States	**10,393**	**(3,428)**	**6,965**	**9%**	11,727	(5,937)	5,790	9%
United Kingdom	**7,312**	**(5,971)**	**1,341**	**2%**	10,060	(9,657)	403	1%
Euro Countries	**1,440**	**(1,479)**	**(39)**	**0%**	4,995	(4,841)	154	—%
Japan	**(42)**	**(158)**	**(200)**	**0%**	(37)	54	17	—%
Other Pacific	**377**	**(192)**	**185**	**0%**	1,491	(1,370)	121	—%
Emerging Markets	**700**	**(119)**	**581**	**1%**	556	(424)	132	—%
Other Europe	**36**	**(112)**	**(76)**	**—%**	485	(19)	466	1%
	$ 74,248	**$ —**	**$ 74,248**	**100%**	$ 66,334	$ —	$ 66,334	100%

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

- Foreign Currency Sensitivity

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

As at December 31,		2014			2013		
Currency	**Change in value of Canadian Dollar**	**Unrealized gain/loss**			Unrealized gain/loss		
United States	+/- 5%	**-/+**	**$**	**348**	-/+	$	290
United Kingdom	+/- 5%	**-/+**		**67**	-/+		20
Euro Countries	+/- 5%	**-/+**		**2**	-/+		8
Other	+/- 5%	**-/+**		**25**	-/+		37
		-/+	**$**	**442**	-/+	$	355

- Interest Rate Risk

Interest rate risk refers to the effect on the fair value of the Funds' assets and liabilities due to fluctuations in interest rates. Due to the discount rate methodology employed to determine the accrued pension obligation, the accrued pension obligation is not materially impacted by short-term fluctuations in interest rates. The impact to the Funds' net assets from a change in interest rates will be mitigated as the impact on the valuation of investment assets is generally opposite from the impact on investment liabilities.

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

As at December 31,					**2014**
	Term to Maturity				
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	**Average Effective Yield (i)**
Cash and short-term deposits	**$ 14,771**			**$ 14,771**	**1.19%**
Nominal bonds and debentures	**64**	**71**	**480**	**615**	**3.73%**
Inflation-linked bonds (ii)	**—**	**95**	**23,062**	**23,157**	**0.14%**
Mortgages and private debt	**2**	**443**	**180**	**625**	**3.37%**
	$ 14,837	**$ 609**	**$ 23,722**	**$ 39,168**	**0.64%**

As at December 31,					2013
	Term to Maturity				
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Average Effective Yield (i)
Cash and short-term deposits	$ 12,638			$ 12,638	1.13%
Nominal bonds and debentures	10	65	1,118	1,193	2.95%
Inflation-linked bonds (ii)	—	88	17,666	17,754	0.79%
Mortgages and private debt	140	463	625	1,228	3.62%
	$ 12,788	$ 616	$ 19,409	$ 32,813	1.11%

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

After giving effect to derivative contracts (note 4), debt liabilities, securities sold short and securities sold under repurchase agreements (note 5), a one per cent increase/decrease in nominal interest rates, with all other variables held constant, would result in an approximate decrease/increase in the value of net interest bearing investments and an unrealized (loss)/gain of $361 (December 31, 2013 - $43). Similarly, a one per cent increase/decrease in real interest rates would result in an approximate decrease/increase in the value of inflation linked bonds and an unrealized (loss)/gain of $3,741 (December 31, 2013 - $2,741).

- Price Risk

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

After giving effect to derivative contracts, a 10% increase/decrease in the value of all public equity and private market investments would result in an approximate increase/decrease in the value of public and private market exposure and an unrealized gain/loss as noted below.

As at December 31,		2014			2013		
	Change in market prices	**Unrealized gain/loss**			Unrealized gain/loss		
Canadian public equities	**+/- 10%**	**+/-**	**$**	**40**	+/-	$	71
Non-Canadian public equities	**+/- 10%**	**+/-**		**2,060**	+/-		1,913
Private market investments	**+/- 10%**	**+/-**		**3,178**	+/-		2,859
		+/-	**$**	**5,278**	+/-	$	4,843

b) Credit Risk

Credit risk is the risk of loss arising from the failure of a counterparty to honour its financial obligations with OAC, including its inability or unwillingness to pay borrowed principal, interest or rent when they come due. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. OAC has put in place investment policies and procedures that have established investment criteria designed to manage credit risk by setting limits to credit exposure from individual corporate entities and by requiring collateral where appropriate. The credit quality of financial assets is generally assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. Credit risk associated with derivative financial instruments is discussed in note 4.

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

As at December 31,				2014
	Credit Quality (i)		**Interest Bearing Investments**	**% of Total**
Sovereign Governments (ii)	**AA to AAA**	**$**	**23,612**	**60%**
Provincial Governments	**A to AA**		**844**	**2%**
Corporate				
Investment grade				
	AAA- to AAA			
	AA- to AA +		**13,086**	**33%**
	A- to A+		**242**	**1%**
	BBB- to BBB+		**210**	**1%**
Non-investment grade			**640**	**2%**
Securities lending cash collateral			**—**	**0%**
Cash on deposit			**534**	**1%**
		$	**39,168**	**100%**

As at December 31,				2013
	Credit Quality (i)		Interest Bearing Investments	% of Total
Sovereign Governments (ii)	AA to AAA	$	18,731	57%
Provincial Governments	A to AA		686	2%
Corporate				
Investment grade				
	AAA- to AAA		139	1%
	AA- to AA +		11,768	36%
	A- to A+		359	1%
	BBB- to BBB+		436	1%
Non-investment grade			288	1%
Securities lending cash collateral			43	—%
Cash on deposit			363	1%
		$	32,813	100%

(i) Based on average rating of major credit rating agencies.
(ii) Includes Canadian and U.S. sovereign governments.

- Securities Lending Program

  OAC reduced its agency securities lending program in 2014 under which it lent securities to third parties for a fee. As at December 31, 2014, there were no securities loaned out. As at December 31, 2013, securities with a fair value of $155 were loaned out while collateral held had an estimated fair value of $158 of which $43 was cash collateral invested in short-term interest bearing investments.

  OAC continues to participate in more limited securities lending of its own securities in order to facilitate collateral transformation and to support its securities borrowing activities. OAC lends securities to third parties and receives cash or readily marketable liquid securities of higher value as collateral, which mitigates the credit risk. OAC posts this collateral in support of its securities borrowing. As at December 31, 2014 securities with an estimated fair value of $201 (2013 - $1,241) were loaned out in order to support its securities borrowings.

- Right of Netting, Offset and Margin

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

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

Information for OAC related to these arrangements as at December 31, 2014:

As at December 31,	Nettable amount of Financial Instruments	Related amounts not set off in the Consolidated Statement of Financial Position				**2014**
		Financial Instruments	**Financial collateral (received) pledged**	**Securities sold under agreement**		**Net amount**
Financial Assets						
Derivative assets	**$ 434**	**$ (342)**	**$ (19)**			**$ 73**
Securities lending	**—**					**—**
Total Financial Assets	**$ 434**	**$ (342)**	**$ (19)**			**$ 73**
Financial Liabilities						
Derivative liabilities	**$ (433)**	**$ 342**	**$ 18**			**$ (73)**
Securities lending	**(4,248)**		**4,248**			**—**
Repurchase agreements	**(2,218)**			**2,218**		**—**
Total Financial Liabilities	**$ (6,899)**	**$ 342**	**$ 4,266**	**$ 2,218**		**$ (73)**

As at December 31,	Nettable amount of Financial Instruments	Related amounts not set off in the Consolidated Statement of Financial Position			2013
		Financial Instruments	Financial collateral (received) pledged	Securities sold under agreement to	Net amount
Financial Assets					
Derivative assets	$ 243	$ (205)	$ (19)		$ 19
Securities lending	42		(42)		—
Total Financial Assets	$ 285	$ (205)	$ (61)		$ 19
Financial Liabilities					
Derivative liabilities	$ (774)	$ 205	$ 200		$ (369)
Securities lending	(4,025)		4,025		—
Repurchase agreements	(2,047)			2,047	—
Total Financial liabilities	$ (6,846)	$ 205	$ 4,225	$ 2,047	$ (369)

c) Liquidity Risk

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

OAC's primary future liabilities include the accrued pension obligation of the Primary Plan (note 7) and the RCA (note 8) and investment liabilities (note 5). The contractual undiscounted principal and interest repayments and term to maturity of the debt portion of investment liabilities are disclosed in note 5. The remainder of the liabilities are due within one year.

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

The cash requirements to meet these liabilities are managed using net investment income from public and private investments (note 9), contributions made by both members and employers (note 11), net of administrative expenses (note 13), and through investing in assets which may be efficiently converted to cash in both normal and stressed market conditions. OAC maintains a portfolio of highly marketable assets that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. As at December 31, 2014 the fair value of the interest bearing investments is $39,168 (December 31, 2013- $32,813). OAC also has a net position of publically traded equities of $8,299 (December 31, 2013- $8,896) which are listed on major recognized stock exchanges. These securities are readily realizable and convertible to cash.

Another part of liquidity risk is OMERS Finance Trust ("OFT")'s ability to cover its commercial paper issuance. OFT is authorized to issue up to $3,100 in commercial paper to help finance future investment opportunities. OFT has in place a $2,325 revolving credit facility with a syndicate of banks to backstop the commercial paper program.

NOTE 4

Derivative Financial Instruments

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

Derivative financial instruments are used, when appropriate, to manage the Funds' asset mix and to assist in managing the exposure to market risk, by increasing or decreasing foreign currency, interest rate and price risk, without directly purchasing or selling the underlying assets or currencies. In certain circumstances, derivatives are also used to increase returns or to replicate investments synthetically.

Derivative Contracts

Swaps

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

- Interest Rate Swaps – contractual agreements to exchange fixed and / or floating interest payments based on notional amounts.
- Equity Swaps – contractual agreements to exchange the return on an equity security or a group of equity securities for the return based on a fixed or floating interest rate or the return on another equity security or group of equity securities.
- Bond Swaps – contractual agreements to exchange the return on a bond or a bond index for the return based on a fixed or floating interest rate.
- Commodity Swaps – contractual agreements to exchange the return on a commodity index for the return based on a fixed or floating interest rate.
- Credit Default Swaps - contractual agreements that transfer the credit risk of an underlying financial instrument resulting from a specified credit event, such as default or bankruptcy.

Forwards and Futures

Forwards and futures are contractual agreements between counterparties to either buy or sell a specified amount of a currency, commodity or interest bearing financial instrument or index at a specific price and date in the future.

The forward contracts entered into by OAC are as follows:

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

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

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

Options

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

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

Market Risk

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

Credit Risk

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

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

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the replacement cost receivable of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

Credit risk on futures contracts is minimal as the counterparty is an exchange rather than a corporate entity and contracts are marked to market and margin receivables and payables are settled in cash daily.

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

As at December 31,	2014			2013		
		Fair Value (ii)			Fair Value (ii)	
	Notional Value (i)	**Assets (iii)**	**Liabilities**	Notional Value (i)	Assets (iii)	Liabilities
Interest Rate Contracts						
Interest rate swap contracts	**$ 2,266**	**$ 16**	**$ (17)**	$ 8,313	$ 12	$ (39)
Swaption written	**4,530**	**—**	**(14)**	2,501	—	(13)
Swaption purchased	**3,314**	**9**	**—**	2,350	24	—
Bond futures - long positions	**9,510**	**7**	**—**	255	2	—
Bond futures - short positions	**7,631**	**—**	**(8)**	1,691	—	—
Bond options written	**3,390**	**—**	**(1)**	39,475	—	(2)
Bond options purchased	**1,690**	**—**	**—**	32,216	5	—
		32	**(40)**		43	(54)
Equity Contracts						
Equity index futures contracts - long positions	**10,595**	**46**	**(43)**	11,008	52	(1)
Equity index futures contracts - short positions	**202**	**—**	**—**	61	—	—
Equity index swap contracts	**295**	**8**	**—**	554	10	(1)
Equity swap contracts	**25**	**1**	**—**	—	—	—
Equity options written		**—**	**—**	954	—	(8)
Equity options purchased		**—**	**—**	944	11	—
		55	**(43)**		73	(10)
Commodity Contracts						
Commodity futures contracts - long positions	**5,642**	**—**	**(178)**	3,895	6	(14)
Commodity futures contracts - short positions	**133**	**—**	**—**	—	—	—
		—	**(178)**		6	(14)
Credit Default Contracts						
Credit default swaps purchased	**4,116**	**5**	**(48)**	4,126	6	(69)
Credit default swaps written	**5,047**	**87**	**(8)**	5,960	109	(11)
Swaption written	**512**	**—**	**—**	6,641	—	(4)
Swaption purchased	**405**	**1**	**—**	5,358	9	—
		93	**(56)**		124	(84)
Foreign Exchange Contracts						
Currency options written	**1,388**	**—**	**(6)**	474	—	(5)
Currency options purchased	**152**	**6**	**—**	771	18	—
Currency futures - long positions	**29**	**—**	**—**	—	—	—
Currency futures - short positions	**221**	**1**	**—**	—	—	—
Foreign exchange forward contracts	**36,783**	**282**	**(340)**	26,795	41	(628)
		289	**(346)**		59	(633)
Total		**$ 469**	**$ (663)**		$ 305	$ (795)

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

(ii) Fair value represents unrealized gains or losses from derivative contracts which are recorded in the consolidated statement of financial position based on the fair value of the derivative contract. Fair value represents the cost of replacing all outstanding contracts under current market conditions. Contracts with a positive fair value are recorded as part of amounts due from pending trades. Contracts with a negative fair value are recorded as part of amounts payable from pending trades.

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

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

As at December 31,	2014				2013			
	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	**$ 30,055**	**$ 1,753**	**$ 523**	**$ 32,331**	$ 77,842	$ 7,600	$ 1,358	$ 86,800
Equity Contracts	**11,114**	**3**		**11,117**	13,468	54		13,522
Commodity Contracts	**5,775**			**5,775**	3,895			3,895
Credit Default Contracts	**1,057**	**8,321**	**702**	**10,080**	11,999	9,690	396	22,085
Foreign Exchange Contracts	**38,573**			**38,573**	27,830	210		28,040
	$ 86,574	**$ 10,077**	**$ 1,225**	**$ 97,876**	$ 135,034	$ 17,554	$ 1,754	$ 154,342

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

As at December 31,	2014				2013			
	Under 1 Year	**1 to 5 Years**	**Over 5 Years**	**Total**	Under 1 Year	1 to 5 Years	Over 5 Years	Total
Interest Rate Contracts	**$ (9)**	**$ 2**	**$ (1)**	**$ (8)**	$ 13	$ (28)	$ 4	$ (11)
Equity Contracts	**12**			**12**	62	1		63
Commodity Contracts	**(178)**			**(178)**	(8)			(8)
Credit Default Contracts	**(3)**	**31**	**9**	**37**	76	(37)	1	40
Foreign Exchange Contracts	**(57)**			**(57)**	(578)	4		(574)
	$ (235)	**$ 33**	**$ 8**	**$ (194)**	$ (435)	$ (60)	$ 5	$ (490)

NOTE 5

Investment Liabilities

The investment liabilities are as follows:

As at December 31,	2014	2013
Debt (a)	**$ 11,903**	$ 8,942
Payable under securities lending program (b)	**—**	43
Securities sold short	**3,733**	3,717
Securities sold under repurchase agreements	**2,218**	2,047
Payables and other liabilities	**1,004**	855
Total	**$ 18,858**	$ 15,604

a) Debt is comprised of the following:

As at December 31,			2014			2013
	Fair Value	**Cost**	**Weighted Average Interest Rate**	Fair Value	Cost	Weighted Average Interest
Oxford Properties Group						
Unsecured debt (i)	**$ 882**	**$ 879**	**1.41%**	$ 863	$ 863	1.65%
Secured debt (ii)	**5,650**	**5,466**	**2.87%**	3,761	3,728	3.63%
ORC Series 1 debentures (iii)	**611**	**591**	**1.94%**	595	593	2.71%
ORC Series 2 debentures (iv)	**520**	**500**	**2.84%**	475	500	3.99%
ORC Series 3 debentures (v)	**313**	**300**	**2.34%**	297	300	3.34%
ORC Series 4 debentures (vi)	**309**	**300**	**2.47%**			
ORC Series 5 debentures (vii)	**253**	**250**	**2.25%**			
ORC Series 6 debentures (viii)	**323**	**315**	**3.02%**			
Series D debentures (ix)	**219**	**200**	**1.83%**	218	200	2.60%
ORCH debentures (x)	**177**	**170**	**1.49%**	183	170	1.81%
ORCH Two debentures (xi)				183	180	1.46%
	9,257	**8,971**	**2.57%**	6,575	6,534	3.15%
Borealis Infrastructure						
Secured debt (xii)	**269**	**248**	**1.45%**	446	435	1.87%
OMERS Finance Trust						
Commercial paper (xiii)	**2,377**	**2,377**	**1.18%**	1,921	1,921	1.13%
Total (xiv)	**$ 11,903**	**$ 11,596**	**2.27%**	$ 8,942	$ 8,890	2.66%

(i) Includes operating lines and non-revolving facilities maturing in 2015 with interest rates ranging from 0.66% to 3.02%.
(ii) Includes mortgages and other secured debt with various terms to maturity up to 2027 with each debt instrument secured by a specific real estate asset.
(iii) OMERS Realty Corporation Series 1 2.498% Debentures issued June 5, 2013, maturing June 5, 2018.
(iv) OMERS Realty Corporation Series 2 3.358% Debentures issued June 5, 2013, maturing June 5, 2023.
(v) OMERS Realty Corporation Series 3 3.203% Debentures issued July 25, 2013, maturing July 24, 2020.
(vi) OMERS Realty Corporation Series 4 2.971% Debentures issued April 2, 2014, maturing April 5, 2021.
(vii) OMERS Realty Corporation Series 5 2.473% Debentures issued November 12, 2014, maturing November 12, 2019.
(viii) OMERS Realty Corporation Series 6 3.328% Debentures issued November 12, 2014, maturing November 12, 2024.
(ix) OMERS Realty Corporation Series D 4.74% Debentures issued May 8, 2008, maturing June 4, 2018.
(x) OMERS Realty CTT Holdings Inc. Series A 4.75% Debentures issued May 5, 2009, maturing May 5, 2016.
(xi) OMERS Realty CTT Holdings Two Inc. Series A 4.05% Debentures issued May 5, 2009, matured May 5, 2014.
(xii) Includes secured debt with various terms to maturity up to 2015 with each debt secured by a specific infrastructure asset.
(xiii) OFT Commercial Paper program is authorized up to $3,100. Commercial Paper outstanding has maturities from January 2, 2015 to March 30, 2015 with interest rates ranging from 1.16% to 1.20%. OFT has in place a $2,325 revolving credit facility with a syndicate of banks to backstop the commercial paper program.
(xiv) Scheduled undiscounted principal and interest repayments for the five subsequent years and thereafter are as follows:

As at December 31,		**2014**
2015	**$**	**4,292**
2016		**1,262**
2017		**1,442**
2018		**1,571**
2019		**859**
Thereafter		**4,009**
	$	**13,435**

As at December 31,		2013
2014	$	2,930
2015		1,715
2016		1,131
2017		835
2018		1,341
Thereafter		1,973
	$	9,925

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

NOTE 6

Amounts Payable Under Contractual Agreements

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

OAC, through its subsidiary OMERS Investment Management (OIM), establishes investment arrangements ("OMERS Return Agreements") that provide eligible clients with access to the performance of all or parts of the annual investment return of the Primary Plan. Eligible clients include Canadian public and private sector pension plans, corporations, governments and their agencies, colleges, universities and their endowments and Canadian registered charities.

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

Amounts payable under contractual agreements are comprised of the following:

As at December 31,		**2014**		2013
Administered Funds	**$**	**1,049**	$	957
OMERS Return Agreements		**1,348**		567
Amounts payable under contractual agreements	**$**	**2,397**	$	1,524

NOTE 7

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,		2014		2013
Net Assets Available for Benefits				
Investments	**$**	**92,822**	$	81,999
Other investment assets		**425**		401
Derivatives and pending trades		**617**		343
Contributions receivable		**292**		285
Other assets		**60**		51
Investment liabilities		**(18,858)**		(15,604)
Amounts payable under contractual agreements		**(2,397)**		(1,524)
Derivatives and pending trades		**(824)**		(859)
Other liabilities		**(160)**		(112)
Net Assets Available for Benefits	**$**	**71,977**	$	64,980
Accrued Pension Obligation and Deficit				
Defined benefit component				
Accrued pension obligation	**$**	**76,924**	$	73,004
Deficit				
Funding deficit		**(7,078)**		(8,641)
Actuarial value adjustment of net assets		**1,771**		341
		(5,307)		(8,300)
Additional Voluntary Contributions component pension obligation		**360**		276
Total Primary Plan Accrued Pension Obligation and Deficit	**$**	**71,977**	$	64,980

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,		2014		2013
Statement of Changes in Net Assets				
Net investment income	**$**	**6,467**	$	3,625
Contributions (note 11)		**3,665**		3,623
Benefits (note 12)		**(3,055)**		(2,901)
Pension administrative expenses		**(80)**		(56)
Total Increase		**6,997**		4,291
Net assets available for benefits, beginning of year		**64,980**		60,689
Net Assets available for benefits, end of year	**$**	**71,977**	$	64,980

Actuarial Value of Net Assets of the Defined Benefit Component

The actuarial valuation of the Primary Plan was performed by Towers Watson Canada Inc. Under the PBA, an actuarial valuation report prepared by an independent external actuarial firm must be filed with FSCO at least once every three years. The Primary Plan valuation report was last filed for the December 31, 2013 year-end and, if not filed earlier, must be filed for the December 31, 2016 year-end.

The actuarial value of net assets of the Primary Plan is established such that net investment returns above or below the long-term rate of return assumption in effect for the year, 6.50% for 2014 (2013 – 6.50%) are recognized over 5 years to smooth fluctuations in the market value of net assets. For 2014, $1,773 was credited to the actuarial value adjustment because the investment return was above the long-term rate of return assumption. This compares with 2013 when $273 was debited to the actuarial value adjustment because the investment return was below the long-term rate of return assumption.

As a result, at December 31, 2014, the Primary Plan has $1,771 in the actuarial value adjustment representing the net unrecognized returns in excess of the long-term rate of return assumption (2013 – $341 net unrecognized returns in excess of the long-term rate of return assumption).

The change in the actuarial value adjustment is as follows:

For the year ended December 31,		2014		2013
Expected interest on beginning actuarial value adjustment (i)	**$**	**22**	$	86
Current year returns in excess of/(below) the funding rate (i)		**1,773**		(273)
Prior years' returns above/(below) the funding rate recognized in the year		**(365)**		(793)
Increase/(Decrease) in actuarial value adjustment		**1,430**		(980)
Actuarial value adjustment, beginning of year		**341**		1,321
Actuarial Value Adjustment, end of year	**$**	**1,771**	$	341

(i) Based on the funding rate in effect during the year, 2014 – 6.50% (2013 – 6.50%).

The present value of unrecognized net investment returns by initial year they were established and the amounts to be recognized from 2015 through 2018, after application of the long-term rate of return assumption, are as follows:

Initial Year Earned		Actuarial Value Adjustment as at Dec. 31, 2014(i)		Unrecognized Investment Returns to be Recognized in 2015		2016		2017		2018		Actuarial Value Adjustment as at Dec. 31, 2013(i)
2010	**$**	**—**									$	548
2011		**(509)**		(543)								(957)
2012		**726**		387		412						1,023
2013		**(219)**		(78)		(83)		(88)				(273)
2014		**1,773**		473		503		536		570		—
	$	**1,771**	$	239	$	832	$	448	$	570	$	341

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

Accrued Pension Obligation of the Defined Benefit Component

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

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

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

Actuarial Assumptions	**2014**	2013
Assumed rate of inflation	**2.25%**	2.25%
Real rate of return assumed on Primary Plan assets	**4.25%**	4.25%
Discount rate (rate of inflation plus real rate of return)	**6.50%**	6.50%

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

During 2014, an experience study was conducted in accordance with the Primary Plan's funding policy. As a result, actuarial assumptions and methods were revised to reflect OMERS actual experience and account for expected future trends. The updated assumptions include mortality, real rate of changes in pensionable earnings and retirement. The retirement assumption continues to be an age-based scale and now reflects a possibility of retirement after normal retirement age. The mortality assumption continues to be based on Primary Plan experience and includes a projection for greater mortality improvements in the future. The actuarial cost method was also refined to better align the timing of cost recognition with benefit accruals.

The assumed increases in the real rate of pensionable earnings (i.e., increase in excess of the assumed inflation rate) are dependent on the attained age of the members. These rates of increase were updated in 2014 to reflect recent experience of the Plan and current expectations for future years.

	2014				2013			
	NRA60 (i)		**NRA65 (i)**		NRA60 (i)		NRA65 (i)	
	Before 2019	**After 2018**	**Before 2019**	**After 2018**	Until 2014	After 2014	Until 2014	After 2014
Assumed real rate of pensionable earnings increases (weighted average of a table of age-related increases)	**1.40%**	**1.80%**	**0.80%**	**1.20%**	1.40%	1.90%	1.10%	1.60%
Rate of pensionable earnings increases (assumed rate of inflation plus real rate of pensionable earnings increases)	**3.65%**	**4.05%**	**3.05%**	**3.45%**	3.65%	4.15%	3.35%	3.85%

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

The accrued pension obligation as at December 31, 2014 takes account of known changes in the Primary Plan membership up to December 1, 2014, actual inflationary increases to pension payments and deferred pension payments to be implemented as at January 1, 2015, and estimated pensionable earnings and credited service accruals in 2014.

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

As of December 31,	**2014**	2013
Primary Plan fair value of net assets available for benefits	**$ 71,977**	$ 64,980
Less Additional Voluntary Contribution net assets	**360**	276
Defined benefit net assets available for benefits	**71,617**	64,704
Actuarial value adjustment	**(1,771)**	(341)
Actuarial value of net assets available for benefits	**69,846**	64,363
Less Defined Benefit accrued pension obligation	**76,924**	73,004
Funding deficit of actuarial value of net assets available for benefits over accrued pension obligation	**(7,078)**	(8,641)
Reversal of actuarial value adjustment	**1,771**	341
Deficit of net assets available for benefits over accrued pension obligation	**$ (5,307)**	$ (8,300)

As the Primary Plan provides inflation protection, the accrued pension obligation is particularly sensitive to changes in the assumed real rate of pensionable earnings increases, which impacts future benefits, and the assumed real rate of return on Primary Plan assets, which is used in the discounting of these future benefits. A 50 basis point change in the following assumptions (with no change in other assumptions) would have the following approximate effects on the accrued pension obligation:

50 Basis Point Decrease/Increase	Approximate Effect on Accrued Pension Obligation	
As at December 31,	**2014**	2013
Real rate of pensionable earnings increases	**-/+ 1,500**	-/+ 1,600
Real return on Primary Plan assets and discount rate	**+/- 5,900**	+/- 5,800

NOTE 8

Retirement Compensation Arrangement

As the RCA is not a Registered Pension Plan, a 50 per cent refundable tax is levied by the CRA on all contributions made to the RCA as well as on net investment income received and net realized investment gains. The refundable tax is held by the CRA and earns no investment income for the RCA; it is refunded on the basis of one dollar for every two dollars of realized losses or benefits paid out.

The pension benefits provided by the RCA are not fully funded but are funded on a modified pay-as-you-go basis in order to minimize the impact of the 50 per cent refundable tax applicable to all retirement compensation arrangements plans under the ITA. Contributions to the RCA are based on the top-tier Primary Plan contribution rates and are paid into the RCA on the excess of contributory earnings over a defined earnings threshold, which was $157,625 for 2014 (2013 – $156,794). The defined earnings threshold is actively managed and monitored in such a way that current and future contributions to the RCA, together with the existing RCA Fund and future investment earnings, are expected to be sufficient to provide for projected benefit payments over the 20-year period following each annual valuation date. Benefits in excess of the maximum amounts payable from the Plan as allowed by the ITA are paid from the RCA.

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

Statement of Financial Position

As at December 31,	**2014**	2013
Net Assets Available for Benefits		
Investments	**$ 66**	$ 54
Other assets	**52**	47
Contributions receivable	**2**	1
Other liabilities	**(1)**	(1)
Net Assets Available for Benefits	**$ 119**	$ 101
Accrued Pension Obligation and Deficit		
Accrued pension obligation	**$ 619**	$ 614
Deficit	**(500)**	(513)
Accrued Pension Obligation and Deficit	**$ 119**	$ 101

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31,	**2014**	2013
Net investment income/(loss)	**$ 9**	$ 12
Contributions (note 11)	**21**	21
Benefits (note 12)	**(11)**	(9)
Administrative expenses	**(1)**	(1)
Total Increase	**18**	23
Net assets available for benefits, beginning of year	**101**	78
Net Assets available for benefits, end of year	**$ 119**	$ 101

The actuarial assumptions used for the RCA are consistent with those used for the Primary Plan except that the discount rate as at December 31, 2014 is 3.25% (2013 – 3.25%), which approximates the effect of the 50 per cent refundable tax. A 50 basis point decrease/increase in the assumed rate (with no change in other assumptions) before reflecting the 50 per cent refundable tax would have a +/- $30 (2013 – +/- $30) impact on the accrued pension obligation.

NOTE 9

Net Investment Income/(Loss)

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

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

For the year ended December 31,					2014
	Investment Income (i) (ii)	**Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives (iii)**	**Total Investment Income/ (Loss)**	**Investment Management Expenses (note 13)**	**Net Investment Income/(Loss)**
Public Market Investments					
Interest Bearing Investments					
Short-term deposits	$ **187**	$ **151**	$ **338**		
Nominal bonds and debentures	**18**	**360**	**378**		
Mortgages and private debt	**57**	**19**	**76**		
	262	**530**	**792**		
Inflation-linked bonds	**270**	**2,682**	**2,952**		
Public Equity					
Canadian public equities	**2**	**299**	**301**		
Non-Canadian public equities	**58**	**(20)**	**38**		
	60	**279**	**339**		
Total Public Market Investments	**592**	**3,491**	**4,083**	**(134)**	**3,949**
Private Equity					
Canadian private equities	**52**	**(36)**	**16**		
Non-Canadian private equities	**109**	**740**	**849**		
Total Private Equity Investments	**161**	**704**	**865**	**(156)**	**709**
Infrastructure Investments	**1,313**	**(82)**	**1,231**	**(84)**	**1,147**
Real Estate Investments (iv)	**532**	**371**	**903**	**(10)**	**893**
	$ **2,598**	$ **4,484**	$ **7,082**	$ **(384)**	**6,698**
Income credited under contractual agreements					**(222)**
Net Investment Income					$ **6,476**

For the year ended December 31,					2013
	Investment Income (i) (ii)	Net Gain/(Loss) on Investment Assets, Liabilities and Derivatives(iii)	Total Investment Income/(Loss)	Investment Management Expenses (note 13)	Net Investment Income/(Loss)
Public Market Investments					
Interest Bearing Investments					
Short-term deposits	$ 93	$ 6	$ 99		
Nominal bonds and debentures	82	187	269		
Mortgages and private debt	85	5	90		
	260	198	458		
Inflation-linked bonds	155	(1,435)	(1,280)		
Public Equity					
Canadian public equities	15	(111)	(96)		
Non-Canadian public equities	99	989	1,088		
	114	878	992		
Total Public Market Investments	529	(359)	170	(107)	63
Private Equity					
Canadian private equities	129	750	879		
Non-Canadian private equities	105	603	708		
Total Private Equity Investments	234	1,353	1,587	(81)	1,506
Infrastructure Investments	920	131	1,051	(67)	984
Real Estate Investments (iv)	542	650	1,192	(11)	1,181
	$ 2,225	$ 1,775	$ 4,000	$ (266)	3,734
Income credited under contractual agreements					(97)
Net Investment Income					$ 3,637

(i) Investment income includes interest, dividends and real estate operating income accrued or received net of interest expense on liabilities incurred in investment related activities. Investment income is net of external manager performance and pooled fund fees of $60 (December 31, 2013 –$60).

(ii) Interest on investment related activities includes interest expense on real estate investment liabilities of $272 (December 31, 2013 – $229) and interest on infrastructure investment liabilities of $24 (December 31, 2013 – $43).

(iii) Includes net realized gain of $1,420 (December 31, 2013 – $2,205) and is net of transaction and pursuit costs of $108 (December 31, 2013 – $113).

(iv) Real estate investment income includes Oxford Properties Group's operating expenses (net of property management income) of $33 (December 31, 2013 – $35). The total audit costs are $2.7 (December 31, 2013 – $2.6).

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

For the year ended December 31,						2014
	OMERS Capital Markets	**OMERS Private Equity**	**Borealis Infrastructure**	**Oxford Properties Group**	**OMERS Strategic Investments**	**Total**
Public market investments	**$ 3,922**	**$ —**	**$ —**	**$ 27**	**$ —**	**$ 3,949**
Private equity investments	**—**	**840**	**—**	**—**	**(131)**	**709**
Infrastructure investments	**—**	**—**	**1,289**	**—**	**(142)**	**1,147**
Real estate investments	**—**	**—**	**—**	**893**	**—**	**893**
Net Investment Income (i)	**$ 3,922**	**$ 840**	**$ 1,289**	**$ 920**	**$ (273)**	**$ 6,698**

For the year ended December 31,						2013
	OMERS Capital Markets	OMERS Private Equity	Borealis Infrastructure	Oxford Properties Group	OMERS Strategic Investments	Total
Public market investments	$ 7	$ —	$ —	$ 56	$ —	$ 63
Private equity investments	—	1,328	—	—	178	1,506
Infrastructure investments	—	—	1,004	—	(20)	984
Real estate investments	—	—	—	1,181	—	1,181
Net Investment Income (i)	$ 7	$ 1,328	$ 1,004	$ 1,237	$ 158	$ 3,734

(i) Before income/(loss) credited under contractual agreements.

The Funds' net real estate operating income is as follows:

For the year ended December 31,	2014	2013
Revenue		
Rental	**$ 1,895**	$ 1,774
Investment and other	**30**	35
Total revenue	**$ 1,925**	$ 1,809
Expenses		
Property operating	**$ (1,056)**	$ (960)
General and administrative	**(37)**	(39)
Interest expense and other	**(287)**	(246)
Total expense	**$ (1,380)**	$ (1,245)
Real estate investment income	**$ 545**	$ 564
Net investment gain on investment assets. liabilities and derivatives	**447**	729
Transaction costs	**(72)**	(56)
Net real estate investment income	**$ 920**	$ 1,237

NOTE 10

Investment Returns

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

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

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

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

d. The OMERS Primary Pension Plan return includes all Investment Entity returns.

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

For the year ended December 31,	2014	2013
OMERS Primary Pension Plan Gross Returns by Entity (i)		
OMERS Capital Markets	**11.06%**	0.47%
OMERS Private Equity	**15.99%**	23.55%
Borealis Infrastructure	**13.38%**	12.44%
Oxford Properties	**8.73%**	14.33%
OMERS Strategic Investments	**-9.46%**	9.14%
Total OMERS Primary Pension Plan	**10.70%**	6.53%
Retirement Compensation Arrangement Gross Returns		
RCA Investment Fund (ii)	**14.72%**	29.11%

The above gross returns are before the impact of base and performance fees paid to external fund managers and investment management expenses. The Primary Plan net return after all investment costs for the year ended December 31, 2014 was 10.04% (December 31, 2013 – 6.00%).

(i) Investment Entity returns and total Primary Plan returns reflect the results of the Primary Plan's currency hedging related activities with external counterparties.
(ii) Excludes the RCA refundable tax balance with CRA. Including the refundable tax balance, the RCA December 31, 2014 rate of return was 7.83% (December 31, 2013 – 13.94%).

NOTE 11

Contributions

For the year ended December 31,	2014	2013
Current service required contributions (i)		
Employers	**1,757**	1,717
Members	**1,758**	1,717
Transfers from other pension plans	**31**	31
Past service contributions from members (ii)	**65**	70
Past service contributions from employers (ii)	**11**	9
AVC contributions	**64**	100
Total Contributions Received (iii)	**$ 3,686**	$ 3,644

(i) Current service contributions are funded equally by employers and members. For NRA 65 members, the 2014 contribution rate was 9.0% (2013 – 9.0%) of earnings up to $52,500 (2013 – $51,100) and 14.6% (2013 – 14.6%) of earnings above that level. For NRA 60 members, the 2014 contribution rate was 9.3% (2013 – 9.3%) of earnings up to $52,500 (2013 – $51,100) and 15.9% (2013 – 15.9%) of earnings above that level.
(ii) Past service contributions include amounts for leaves of absence, conversion of normal retirement age and contract adjustments.
(iii) Included above are RCA contributions of $21 (2013 - $21).
(iv) OMERS, with 974 employers, has an appropriate reconciliation process which reconciles contributions for each employer on a member by member basis. This detailed process ensures that contributions are consistent with member information supplied by the employers.

NOTE 12

Benefits

For the year ended December 31,	2014	2013
Retirement benefits	**$ 2,589**	$ 2,410
Disability benefits	**27**	27
Transfers to other registered plans	**231**	207
Death benefits	**78**	114
Commuted value payments and members' contributions plus interest refunded	**130**	146
AVC benefits	**11**	6
Total Benefits Paid (i)	**$ 3,066**	$ 2,910

(i) Included above are RCA benefits paid of $11 (2013 - $9).

NOTE 13

Pension Administrative and Investment Management Expenses

(a) Pension administrative expenses (i)

For the year ended December 31,	2014	2013
Salaries and benefits	**$ 51**	$ 37
System development and other purchased services	**13**	3
Premises and equipment	**3**	3
Professional services (ii)	**9**	8
Travel and communication	**5**	6
Total Pension Administrative Expenses	**$ 81**	$ 57

(b) Investment management expenses (i)

For the year ended December 31,	2014	2013
Salaries and benefits	**$ 263**	$ 171
System development and other purchased services	**19**	19
Premises and equipment	**17**	12
Professional services (ii)	**23**	24
Travel and communication	**19**	17
Investment management services (iii)	**40**	23
Other	**3**	—
Total Investment Management Expenses	**$ 384**	$ 266

(i) Includes allocation of corporate expenses.
(ii) Total professional services expenses include independent actuarial costs of $0.8 (December 31, 2013 – $0.8) and external audit costs of $1.2 (December 31, 2013 – $1.2).
(iii) Includes external management and custody fees and is net of private equity management fees earned from portfolio investments of $14 (December 31, 2013 – $15).

NOTE 14

Related Party Disclosures

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

OAC's related parties include 974 employers whose employees are members of the Primary Plan, the SC, key management personnel (defined below) and investments where OAC has a controlling interest. Transactions with related parties include the following:

- OAC through its Oxford Properties Group paid property taxes to municipal employers of $150 (December 31, 2013 - $150) and utility payments to utility employers of $28 (December 31, 2013 - $34). The amounts of property taxes paid were based on normal levies by the individual municipal employers and were consistent with those that would be paid by a non-related party. The utility payments made to utility companies which are OAC employer entities were based on normal usage and rates that would be paid by a non-related party.
- OAC through its Oxford Properties Group earned rental revenue from investee entities of $6 (December 31, 2013 - $6) and purchased services from investee entities of $11 (December 31, 2013 - $13). The amounts of rental revenue earned and services purchase were based on normal levies by the individual entities and were consistent with those that would be paid by a non-related party.

Key Management Personnel Compensation

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

(millions) For the year ended December 31,		2014		2013
Salaries, short-term employee benefits & termination benefits [i]	**$**	**16**	$	13
Post-employment benefits		**1**		1
Other long-term benefits		**10**		6
	$	**27**	$	20

(i) Includes $1.8 of termination benefits.

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

NOTE 15

Capital

OAC defines its capital as the funded status (surplus/(deficit)) of each of the OMERS Pension Plans. The funded status of the OMERS Pension Plans is discussed in note 7 and note 8.

OAC's objective is to ensure that the Primary Plan's defined benefit component is fully funded over the long-term through the management of investments, contribution rates and benefits. Investments (note 3), the use of derivatives (note 4) and leverage (note 6) are based on asset mix and risk management policies and procedures that are designed to enable the Primary Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Primary Plan's Statement of Investment Policies and Procedures (the "SIP&P") as approved by the OAC Board. As the Primary Plan's administrator, OAC has adopted a SIP&P for the Primary Plan which sets investment objectives, guidelines and benchmarks used in investing the Primary Plan's assets, permitted categories of investments, asset-mix diversification and rate of return expectations. The SIP&P was originally established in 1989 and was last amended on December 12, 2014. The changes included in the last amendment are not considered significant.

OAC expects the current long-term strategic asset allocation to enable the Primary Plan to earn an average annual real rate of return in excess of the Minimum Required Real Return. The Primary Plan's annualized five-year average rate of investment return (net of investment management expenses) as of December 31, 2014 was 7.85% (December 31, 2013 – 7.85%).

The SIP&P establishes asset mix ranges and targets. The target mix is 53% for Public Investments and 47% for Non-Public Investments. The actual asset mix at December 31, 2014 was 58.2% for Public Investments and 41.8% for Non-Public Investments which fell within the asset mix ranges at year end.

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 was last amended on December12, 2014. The changes included in the last amendment are not considered significant.

The Primary Plan's AVC component accrued pension obligation is based on AVC contributions net of withdrawals and administration fee plus net investment rate of return of the defined benefit component of the Primary Plan and as such does not have a surplus/(deficit) position. The Supplemental Plan has no members, net assets or accrued pension obligations. The Supplemental Plan SIP&P was last amended on December 12, 2014. The changes included in the last amendment are not considered significant.

NOTE 16

Guarantees, Commitments and Contingencies

As part of normal business operations, OAC enters into commitments and guarantees related to the funding of investments. Future commitments to fund investments include, but may not be limited to, investments in infrastructure, real estate and private equity direct investments and limited partnership agreements. The future commitments are generally payable on demand based on the capital needs of the investment. As at December 31, 2014, these future commitments totalled $2.2 billion (December 31, 2013 – $5.1 billion). The maximum amount payable under guarantees and standby letters of credit provided as part of investment transactions was $1,156 as at December 31, 2014 (December 31, 2013 – $1,213). Guarantees and commitments are often provided as part of developing or holding an investment and as such often have no fixed expiration date.

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

As at December 31, 2014, OAC was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of Management, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of OAC.

Ten-Year Financial Review

($ Millions)	**2014**	2013	2012	2011	2010 (ii)	2009	2008	2007	2006	2005
Net Assets Available for Benefits										
as at December 31										
Public markets	**47,467**	41,709	37,472	32,154	34,123	31,336	28,763	43,291	43,533	39,338
Private equity	**8,767**	9,208	7,465	7,753	6,633	5,048	4,162	3,608	2,951	2,391
Infrastructure	**14,401**	13,533	11,572	9,635	9,593	12,195	12,140	8,412	5,585	3,719
Real estate	**22,253**	17,603	15,846	14,516	12,599	11,975	12,037	10,904	8,541	6,180
	92,888	82,053	72,355	64,058	62,948	60,554	57,102	66,215	60,610	51,628
Other investment assets	**1,042**	744	853	707	645	1,173	1,366	1,001	699	765
Investment liabilities	**(19,682)**	(16,463)	(11,741)	(9,063)	(9,628)	(13,338)	(14,474)	(15,029)	(13,088)	(10,772)
Net investment assets	**74,248**	66,334	61,467	55,702	53,965	48,389	43,994	52,187	48,221	41,621
Non investment assets/(liabilities)										
Amounts payable under contractual agreements	**(2,397)**	(1,524)	(905)	(828)	(809)	(734)	(672)	(800)	(741)	(639)
Other assets	**245**	271	205	209	193	177	155	129	125	83
Net asset available for benefits	**72,096**	65,081	60,767	55,083	53,349	47,832	43,477	51,516	47,605	41,065
Accrued Benefit Obligation and Surplus/(Deficit)										
as at December 31										
OMERS Primary Pension Plan										
Defined Benefit Component										
Accrued benefit obligation	**76,924**	73,004	69,122	64,548	60,035	54,253	50,080	46,830	44,167	41,123
Funding Surplus/(Deficit)	**(7,078)**	(8,641)	(9,924)	(7,290)	(4,467)	(1,519)	(279)	82	(2,382)	(2,784)
Actuarial value adjustment of net assets	**1,771**	341	1,321	(2,337)	(2,278)	(4,950)	(6,363)	4,567	5,791	2,707
	(5,307)	(8,300)	(8,603)	(9,627)	(6,745)	(6,469)	(6,642)	4,649	3,409	(77)
	71,617	64,704	60,519	54,921	53,290	47,784	43,438	51,479	47,576	41,046
Additional Voluntary Contributions Component										
Pension obligation	**360**	276	170	94						
Net assets available for benefits	**71,977**	64,980	60,689	55,015	53,290	47,784	43,438	51,479	47,576	41,046
RCA										
Accrued pension obligation	**619**	614	555	504	468	486	285	236	172	157
(Deficit)	**(500)**	(513)	(477)	(436)	(409)	(438)	(246)	(199)	(143)	(138)
Net assets available for benefits	**119**	101	78	68	59	48	39	37	29	19
Total Accrued Pension Obligation and Deficit	**72,096**	65,081	60,767	55,083	53,349	47,832	43,477	51,516	47,605	41,065

($ Millions)	**2014**	2013	2012	2011	2010 (ii)	2009	2008	2007	2006	2005
Changes in Net Assets Available for Benefits										
for the year ended December 31										
Net assets, beginning of the year	**65,081**	60,767	55,083	53,349	47,832	43,477	51,516	47,568 (iii)	41,065	35,655
Changes due to Investment Activities										
Total investment income (i)	**7,082**	4,000	5,544	1,648	5,735	4,623	(7,910)	4,200	6,803	5,767
Investment management expenses (i)	**(384)**	(266)	(265)	(264)	(268)	(246)	(227)	(201)	(169)	(160)
	6,698	3,734	5,279	1,384	5,467	4,377	(8,137)	3,999	6,634	5,607
(Income)/Loss credited under contractual agreements	**(222)**	(97)	(79)	(21)	(83)	(67)	124	(61)	(104)	(92)
Net investment income/(loss)	**6,476**	3,637	5,200	1,363	5,384	4,310	(8,013)	3,938	6,530	5,515
Changes due to Pension Activities										
Contributions										
Current Service	**3,515**	3,434	3,026	2,618	2,227	2,077	1,975	1,840	1,739	1,498
Other contributions	**171**	210	184	195	86	66	73	46	53	36
	3,686	3,644	3,210	2,813	2,313	2,143	2,048	1,886	1,792	1,534
Benefits										
Pensions paid	**(2,616)**	(2,437)	(2,256)	(2,047)	(1,890)	(1,781)	(1,656)	(1,554)	(1,492)	(1,410)
Commuted value and other payments	**(450)**	(473)	(414)	(336)	(236)	(269)	(371)	(279)	(252)	(193)
	(3,066)	(2,910)	(2,670)	(2,383)	(2,126)	(2,050)	(2,027)	(1,833)	(1,744)	(1,603)
Pension administrative expenses	**(81)**	(57)	(56)	(59)	(54)	(48)	(47)	(43)	(38)	(36)
Net assets available for benefits, end of year	**72,096**	65,081	60,767	55,083	53,349	47,832	43,477	51,516	47,605	41,065
Total Annual Rate of Return										
for year ended December 31										
OMERS Primary Pension Plan										
Defined Benefit Component										
Time weighted return on market value	**10.7%**	6.5%	10.0%	3.2 %	12.0%	10.6%	(15.3)%	8.7%	16.4%	16.0%
Benchmark	**8.1%**	10.2%	9.8%	2.5 %	11.5%	12.1%	(13.2)%	5.6%	13.7%	13.2%
Additional Voluntary Contribution Component										
Time weighted return on market value	**10.0%**	6.0%	9.5%	2.6 %						
RCA Investment Fund (iv)										
Time weighted return on market value	**14.7%**	29.1%	11.8%	(2.4)%	8.0%	11.3%	(26.1)%	8.7%	16.4%	16.0%
Benchmark	**14.6%**	30.2%	12.2%	(2.4)%	10.1%	16.6%	(27.3)%	5.6%	13.7%	13.2%

(i) In preparing financial statements in 2012, OAC has reclassified pursuit costs from investment management expenses to total investment income. 2011 balances were adjusted to reflect this reclassification.
(ii) In preparing financial statements in accordance with CPA Canada Handbook Section 4600-Pension Plans and IFRS starting in 2011, OAC has adjusted amounts for 2010 (were previously reported in accordance with CICA Handbook Section 4100) for comparative purposes.
(iii) 2007 beginning of the year net assets were decreased by $37 million to reflect a change in accounting policy for transaction costs.
(iv) Excludes the RCA refundable tax balance with the Canada Revenue Agency.

Report of the OMERS Administration Board Human Resources Committee

Members in 2014	
Richard Faber (Chair)	David Beatty
Bill Aziz	John Weatherup
Monty Baker	George Cooke (ex-officio)

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

In the 2014 fiscal year, the HR Committee's work included:

- oversight of an annual performance assessment process for the CEO;
- making recommendations to the OAC Board on compensation for the CEO;
- reviewing the candidates for CEO and Senior Executive Team succession as part of the succession management process, including discussion of development plans;
- successful advancement of the CEO succession plan, including the transition of Mr. Latimer as the incoming CEO effective April 1, 2014;
- approving compensation awards and payments for the Senior Executive Team;
- approving a new compensation plan for all corporate office executives (effective January 1, 2015);
- reviewing compensation and benefit plans to ensure appropriate strategic linkages and risk mitigation;
- approving compensation-related disclosure in public documents; and
- enhanced focus on HR governance matters including annual reviews of HR governance and risk reports, as well as additional compensation reporting.

Independent Compensation Advisor

The HR Committee engages an independent compensation advisor, Global Governance Advisors, to provide advice and assistance in executing its responsibilities. Global Governance Advisors is directly retained and instructed by, and reports directly to, the HR Committee. All work is pre-approved by the Committee, and Global Governance Advisors did not provide any non-Board-approved services to the organization during 2014.

During 2014, Global Governance Advisors' scope of services included the following: (i) providing independent executive compensation advice pertaining to the senior leadership team (i.e. compensation philosophy, performance management, comparator groups, competitive pay positioning and pay mix); (ii) ensuring the Committee understood and was comfortable with the current compensation program for the senior leadership team; (iii) assisting and counselling the Committee on any recommendations made by management; (iv) reviewing proposals for new compensation designs; and (v) assisting with any other items that the HR Committee requested.

The HR Committee has sole authority to approve the amount of the independent compensation advisor's fees. Executive compensation-related fees paid to our advisor in 2014 reflect additional meetings and services as described above. The following table outlines the fees paid for services provided in 2014 and 2013:

Advisor	Executive Compensation - Related Fees		All Other Fees	
	2014	2013	**2014**	2013
Global Governance Advisors	**$342,701**	$526,368	**Nil**	Nil

Committee Composition and Meetings

Members of the HR Committee are appointed by the OAC Board from among the Board's members, and are independent of management. As a cohesive unit, they have skills, knowledge and experience in investment management, pensions, economics and public policy, executive leadership and strategy, risk management and talent management. The HR Committee had four regular meetings and four special meetings during 2014 to review key items according to its mandate and annual work plan, and to ensure effective transition to a new organization structure under the new CEO. At the invitation of the Chair of the HR Committee, members of management, including the CEO and the Committee's independent advisor, Global Governance Advisors, attended the meetings. At the end of each meeting there was an *in camera* session without management present.

2014 Year in Review

Our global growth strategy will continue to place great emphasis on the quality of our people in ensuring the right teams are in place to deliver on the pension promise. Our total compensation philosophy and pay-for-performance culture, as well as our investment in leadership development, are important elements that ensure our ability to attract, engage and retain high performing talent.

Talent and Succession Management

The HR Committee is responsible for overseeing OMERS succession management and overall approach to leadership development. In 2014, following a 2 year, robust and disciplined succession planning process, Michael Latimer, the identified successor for the President and CEO position, assumed the role on April 1, 2014. In June, Mr. Latimer announced organizational changes across the enterprise, to support the strategic direction moving forward.

Our Enterprise People Plan continues to articulate how we will carry out our talent agenda by focusing on the acquisition, engagement, retention, development and deployment of people who are tasked with the execution of our strategy. We strongly believe in acquiring top talent, while we continuously develop and promote internal talent at all levels.

We continue to focus on key leadership development programs to help leaders gain a greater understanding of the OMERS business and growth strategy, as well as build and strengthen their leadership capability; in other words, translating our Leadership Principles (what it means to be a leader at OMERS) into practice.

The OAC Board has worked closely with management to develop a comprehensive succession management process designed to ensure OMERS is well positioned with the right leadership talent for the future. In addition, our robust succession management process involving senior leaders across the enterprise provides an excellent view of the talent at OMERS, highlighting key strengths and development areas that are necessary for our future growth.

Risk and Compensation

The continued evolution of our compensation approach supports our talent strategy to attract, engage, reward and retain top talent. Our compensation plans are designed to align with business objectives while ensuring we deliver market-competitive compensation that rewards for performance and differentiates across markets.

We keep compensation plan design simple, while ensuring the plans are reflective of leading governance principles. To reflect the importance of risk management in plan design, we ensure that the consideration of risk is incorporated throughout our compensation processes - from design to determination of year-end pools and individual awards. The aim is to achieve a balance between risk and reward, so that employees are aligned with the long-term investment strategy of OMERS.

Since 2011, all compensation plan reviews include a comprehensive assessment of risk measures. As plans are redesigned, a risk adjustment is introduced where appropriate, allowing the HR Committee to appropriately consider risk when determining final awards. This process ensures an independent assessment of risks taken during the year against the OMERS risk framework compared to the prior year, as well as the prospective direction of risk in future years.

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

Key Executive Compensation Changes in 2014

The Board approved a new total compensation plan for the President and Chief Executive Officer and the Senior Executive Team, bringing them all under a common plan beginning in 2014. The new plan reflects leading governance features. It has the appropriate balance of metrics to ensure payments reflect investment performance, the advancement of our strategy, and alignment with Plan members, considering an appropriate level of risk.

This new plan is described in "Elements of Executive Compensation" and in the section titled "Design of the Executive Compensation Plan."

2014 Performance and Compensation

When determining compensation for the senior executive team the HR Committee considers a number of quantitative and qualitative factors to ensure pay is aligned to, and differentiated based on performance. In 2014, OMERS reduced the funding deficit and investment performance was at the upper end of our expected average range. The total Fund reflected a 10.0% net return after investment expenses, compared with a minimum target of 6.5% net return to match assets with liabilities over the long term. We continued to make substantial progress executing the five-year Enterprise-Wide Strategic Plan, which included achievement in increasing the proportion of OMERS investments that are actively managed internally, successfully securing new domestic capital through OMERS Investment Management and the Additional Voluntary Contributions program, securing additional foreign capital through the Global Strategic Investment Alliance, and continuing to influence regulatory reform for the future. The committee believes that the compensation awarded to the Named Executive Officers appropriately reflects overall performance during the year.

Looking ahead to 2015 and beyond

As a committee, we work to ensure our approach to compensation is aligned with the interests of our Plan members, has a strong governance framework, and reflects leading practices in the market. As we move into the next phase of our strategic plan and look towards the enterprise in the future, we require a compensation framework that will align the senior leaders on the enterprise mission to deliver on the pension promise - by rewarding for growth brought through innovation, strategic investments, acquisitions and total fund performance. Over the past few years we have been on a journey to review and redesign compensation plans with the objective of reducing the number of plans, simplifying plan design, harmonizing frameworks and enhancing the focus on governance and reporting. To support the recent organizational changes, the HR Committee approved a new compensation framework for all corporate office executives and employees, effective January 1, 2015. We will continue to review Total Rewards programs across the enterprise and harmonize where appropriate to support the movement of talent and to ensure alignment with our corporate priorities and with the interests of our plan members.

Salary increases were not granted to employees in executive positions in 2015. An enterprise-wide salary increase budget of 2.6% was approved for employees below the executive level.

Conclusion

We will continue to dedicate a significant amount of time to talent management, and to ensuring that OMERS has the right leaders and the right people to produce results that deliver value to Plan members over the long term. We are confident that our approach to compensation attracts and retains talented leadership, and that it includes strong governance practices while achieving the appropriate balance of paying for performance and ensuring compensation programs do not incent excessive risk-taking. Our HR Committee remains committed to being a leader in compensation governance among pension funds, and will continue to provide clear and transparent disclosure to Plan members and stakeholders.

Richard Faber
2014 Chair of the Human Resources Committee

Compensation Discussion and Analysis

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

This "Compensation Discussion and Analysis" section highlights OMERS 2014 performance, reviews our executive compensation program in detail, and describes the compensation awards for the Named Executive Officers. The Named Executive Officers include the President and Chief Executive Officer, Chief Financial Officer (CFO) and the three highest paid members of the Senior Executive Team.

Approach to Compensation

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

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

Compensation Principles

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

- Align with the interests of Plan members

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

- Align with OMERS strategy

  Focus employee efforts on critical performance targets and reward for superior performance in achieving results in order to deliver on our commitment to meet the pension promise.

- Pay for performance

  Promote a pay-for-performance culture where there are clear relationships between pay and performance, ensuring differentiated pay to reward and retain top talent.

- Effective risk management

  Ensure compensation plan design does not incent excessive risk-taking and review plans regularly to ensure they are operating as intended.

- Pay competitively

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

- Good corporate governance

  Strive to be a leader on governance and continually review and incorporate industry leading compensation practices that align with our governance model.

Elements of Executive Compensation

Executive compensation for 2014 consists of five main elements: base salary, annual cash compensation (STIP), long-term compensation (LTIP), benefits and retirement programs. These elements provide a total compensation package designed to attract highly qualified individuals, provide strong incentive to align efforts with OMERS objectives and motivate to deliver performance that creates sustainable results for our Plan members.

Compensation Element	**Plan Description**
Fixed Compensation	
Base Salary	The compensation philosophy aims to pay competitive base salaries as defined by the comparator group. Salaries are reviewed annually at the beginning of each year and increases are generally granted when an executive assumes greater responsibilities, deepens knowledge and expertise, or when there is a significant change in the compensation levels of comparable roles in the comparator group. The HR Committee reviews base salaries of the Named Executive Officers, while the OAC Board approves the President and Chief Executive Officer's base salary based on the HR Committee's recommendation.
Benefits and Retirement Programs	Employees in Canada participate in benefits that include vacation, life and disability insurance, health and dental benefits, health spending account, our employee assistance program, and retirement plans.
Performance Based / At-Risk Compensation	
Variable Compensation (Short-Term Incentives and Long-Term Incentives)	The Executive Compensation Plan, effective January 1, 2014, was designed to attract, engage and retain high performing senior executives by providing a competitive, performance-based compensation program. The plan rewards for the achievement of business and individual performance objectives in the short term by providing annual cash compensation and aligns with the long-term interests of our Plan members through the deferral of long-term compensation. The plan focuses on total compensation, which includes base salary and variable compensation, comprised of annual cash compensation (STIP) and long-term compensation (LTIP). All variable compensation awarded (STIP + LTIP) is based on an annual balanced scorecard comprised of business and individual performance measures plus a risk adjustment. The total variable compensation target (STIP + LTIP) is multiplied by the balanced scorecard factor +/- risk adjustment. Variable compensation awards can range from zero to a maximum of 200% of target. Once risk-adjusted variable compensation awards are determined, 35% is paid in cash (STIP) and 65% is deferred (LTIP). Long-Term Incentive Plan The LTIP is designed to encourage and reward executives for the achievement of superior and sustained investment performance and align the interests of executives with those of Plan members. The LTIP rewards performance over multiple years to incent the achievement of consistent longer-term outcomes. LTIP awards are granted effective January 1st of the award year, are adjusted based on annual performance at the end of year 1, and vest on December 31st of the third year. The actual payment will depend on the OMERS total fund performance over the three-year performance period relative to a performance hurdle.

Design of the Executive Compensation Plan

The President and Chief Executive Officer, Chief Financial Officer (CFO) and other Named Executive Officers, participated in the Executive Compensation Plan, effective January 1, 2014. The plan has been designed to support the Enterprise-Wide Strategic Plan, compensation principles and continued alignment with the interests of Plan members. There are four key steps in determining annual variable compensation awards under the Executive Compensation Plan:

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

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

Step 1	Establish target total compensation

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

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

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

Target total compensation is established to be market competitive based on the compensation of comparable roles in our peer group. 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 Human Resources Committee, with the advice from its independent advisor, reviews target total compensation for "C-Suite" executives, while the OAC Board of Directors approves the President and Chief Executive Officer's total compensation, based on the HR Committee's recommendation.

Step 2 Establish balanced scorecards

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

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

Performance Measure	Rationale	2014 Weighting
Investment Returns	The use of absolute net returns measures the actual value added to the OMERS Plan and aligns executives with the interests of Plan members.	50%
Key Strategy, Execution and Leadership Objectives	This component of the scorecard includes the following measures: 1. Strategic initiatives are based on enterprise and business priorities that will drive sustainable growth of the OMERS Plan so that we can achieve ongoing investment performance. 2. Leadership objectives are critical to our success; they focus on initiatives that will drive continued successful performance of the business and our people.	50%

The President and Chief Executive Officer establishes objectives for each member of the Senior Executive Team to reflect his or her specific role and responsibilities, which are reviewed by the Human Resources Committee. The Human Resources Committee will recommend the annual balanced scorecard for the President and Chief Executive Officer to the OAC Board of Directors for approval.

To help ensure proper alignment with results, the absolute net returns measure for the President and Chief Executive Officer and corporate executives is based on enterprise-wide performance (total Fund). Senior Executive Team members who lead an Investment Entity are assessed against the specific returns for their business.

Step 3 Evaluate performance

Following the end of the year, financial performance is determined and performance against other key objectives is assessed for the President and Chief Executive Officer and each member of the Senior Executive Team. This combined performance will determine each individual's balanced scorecard factor within a range of 0% to 200%. The OAC Board of Directors evaluates the performance of the President and Chief Executive Officer relative to his objectives, and the President and Chief Executive Officer evaluates performance for members of the Senior Executive Team. Commentary on 2014 performance for the President and Chief Executive Officer is discussed in the section "Compensation of the President and Chief Executive Officer."

Step 4 Determine compensation awards

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

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

The *risk adjustment* is determined annually by the HR Committee and applied to each executive's balanced scorecard factor. The outcome is based on an enterprise risk assessment of how well risk was managed over the performance period and its impact on incenting risk-taking behaviour. The Committee will determine whether or not we operated within the risk framework of the organization, if any initiatives are expected to impact the risk profile in the future and if excessive risk was taken in producing results.

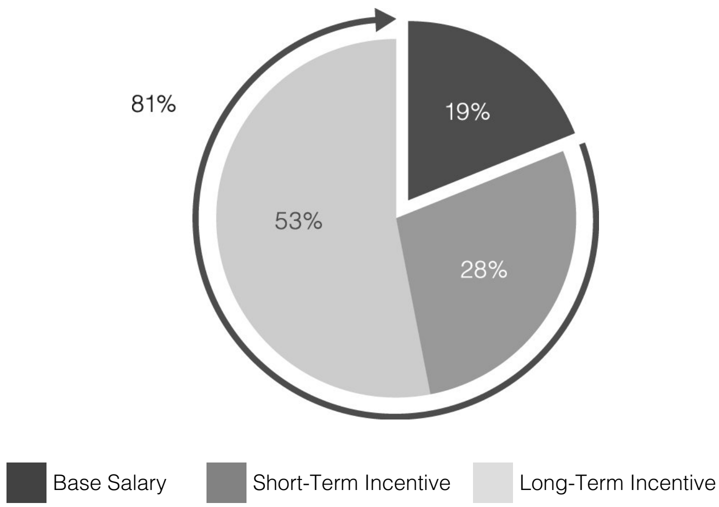
Final awards may range between 0% and 200% of target based on performance achieved. The HR Committee, with advice from its independent advisor, reviews all variable compensation awards for the "C-Suite" executives, while the OAC Board of Directors approves the President and Chief Executive Officer's 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) and vests on December 31st of the third year following the grant.

Target Compensation Mix

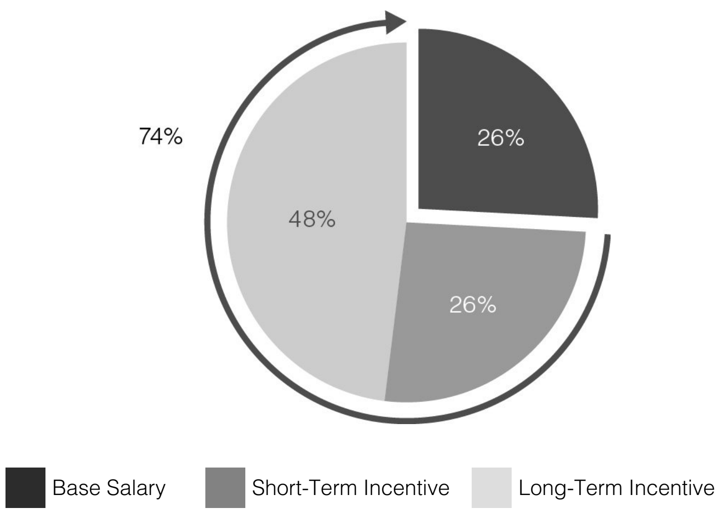
Aligned with OMERS pay-for-performance approach, total compensation for all members of the Senior Executive Team is composed primarily of variable compensation tied to investment and individual performance.

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

President and Chief Executive Officer



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 and approved by the HR Committee. Typical considerations include other organizations that compete for similar talent, industry-specific organizations, or organizations with similar objectives. Within these comparator groups, OMERS reviews compensation levels of comparable positions and assesses relative performance and size of the comparator groups. Annually, the compensation comparator groups are used to benchmark compensation for positions across the enterprise. The following chart captures the general parameters used to develop the annual comparator groups:

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

Compensation Governance

This section outlines key governance-related policies that were implemented as a result of the 2014 Executive Compensation Plan to help ensure that compensation aligns with the short- and long-term interests of our Plan members.

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

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

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

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

2014 Performance and Compensation

OMERS is a dynamic organization that thinks strategically and embraces innovation. Many strategic initiatives have been developed and embedded into our five-year strategic plan to focus attention and financial discipline on the pension promise. We have continued to make significant progress on the redevelopment of our pension services systems, which will enable us to meet the changing pension business landscape, manage increasing Plan complexity and migrate successfully to a client-centric service model.

In 2014, we continued to implement the long-term asset mix policy, made significant progress on our active asset management program, and strengthened our domestic and international strategic connections. We are continuing to increase our expertise in member services by providing expanded online services through myOMERS, holding frequent webcasts and face-to-face meetings to help ensure members have all the answers they need, and allowing members to save more for retirement through Additional Voluntary Contributions.

Fostering long-term sustainable growth is critical to fulfilling our fiduciary responsibility of meeting the pension promise for our current and future retirees. We must produce investment returns that exceed the actuarially assumed rate of return within an acceptable risk tolerance. At the beginning of every year, the OAC Board approves target returns for the asset classes in which OMERS invests. The total Fund profit reflected a 10.0% net return after investment expenses, compared to a minimum target of 6.5% net return to match assets with liabilities over the long term. For compensation purposes, our asset classes are measured against absolute net returns. All investment teams, OMERS Capital Markets, Private Markets, and Real Estate exceeded their net performance targets with the exception of OMERS Strategic Investments.

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

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

Compensation of the President and Chief Executive Officer

The President and Chief Executive Officer’s total compensation is based on the achievement of investment returns and performance against key strategy, execution and leadership objectives. At the beginning of the year, the OAC Board and the President and Chief Executive Officer agree on performance objectives aligned with OMERS strategic and financial goals. At the end of the year, the HR Committee evaluates the President and Chief Executive Officer’s performance against those goals and presents its evaluation to the OAC Board for review and approval. In 2014, Mr. Latimer successfully transitioned into the role of President and Chief Executive Officer. His achievements included delivering above expected financial results, executing on key strategic deliverables from the Enterprise-Wide Strategic Plan, managing the operating efficiency of the OMERS enterprise and establishing positive relationships with key stakeholders and the OAC Board of Directors. Based on an assessment of Mr. Latimer’s performance against his 2014 objectives, it was determined that the investment return results exceed expectations and he achieved above target performance on his key strategy, execution and leadership objectives.

Mr. Latimer’s 2014 awards are determined within the Executive Compensation Plan framework, based on 2014 performance, and are in respect of his 2014 compensation targets. Mr. Latimer’s 2014 payments are comprised of his 2014 salary, 2014 short-term incentive and the payment in respect of his 2012 long-term incentive award, which is based on investment return performance over the three-year performance period.

Compensation Element		Target ($)	Performance Factor		Payment ($)
2014 Salary	$	558,825	n/a	**$**	**558,825**
2014 Short-term Incentive	$	856,188	179.2%	**$**	**1,534,003**
2012 Long-term Incentive	$	1,250,000	146.1%	**$**	**1,826,250**
Total Compensation Payments				**$**	**3,919,078**

When determining compensation payments, the HR Committee aims to ensure there is a strong link between compensation and performance achieved. In determining Mr. Latimer’s annual variable compensation awards for 2014, the OAC Board assessed his performance against specific objectives that were agreed upon by the OAC Board at the beginning of the year. Given the 2014 performance results, the OAC Board approved the variable compensation performance factor of 179.2% (risk adjustment was neutral), which resulted in an actual STIP award of $1,534,003. For the 2012 LTIP award that matured on December 31, 2014, the three-year investment returns resulted in a performance factor of 146.1%.

The HR Committee believes that the compensation awarded to the President and Chief Executive Officer reflects the actual performance of OMERS and continues to emphasize the OMERS pay-for-performance philosophy.

Summary Compensation Table

The table below represents disclosure of salary, short-term incentives, long-term incentives, employer portion of pension contributions and other compensation paid to or earned by each Named Executive Officer during the three most recently completed financial years, as well as the retired President and Chief Executive Officer.

Name and Principal Position	Year	Salary ($)	Non-Equity Incentive Compensation ($) Short-Term Incentive Plan	Long-Term Incentive Plan (i)	Long-Term Performance Plan (i)	Pension Value ($) (ii)	All Other Compensation ($)	Total Compensation ($)
Michael Latimer (iii) President and Chief Executive Officer	**2014**	**$ 558,825**	**1,534,003**	**1,590,063**	**n/a**	**128,381**	**40,816**	**$ 3,852,088**
	2013	$ 500,000	900,000	1,350,000	n/a	127,021	101,072	$ 2,978,093
	2012	$ 500,000	1,100,000	1,250,000	n/a	149,124	105,422	$ 3,104,546
Jonathan Simmons (iv) Chief Financial Officer	**2014**	**$ 450,000**	**750,000**	**300,000**	**n/a**	**96,096**	**2,217**	**$ 1,598,313**
	2013	$ —	—	450,000	n/a	—	—	$ 450,000
	2012	$ —	—	—	n/a	—	—	$ —
Michael Rolland Chief Investment Officer, Private Markets	**2014**	**$ 470,500**	**1,025,325**	**1,039,155**	**n/a**	**n/a**	**40,501**	**$ 2,575,481**
	2013	$ 438,000	875,000	1,160,700	n/a	n/a	72,225	$ 2,545,925
	2012	$ 438,000	830,000	1,095,000	n/a	n/a	71,531	$ 2,434,531
Blake Hutcheson Chief Investment Officer, Real Estate & Strategic Investments	**2014**	**$ 515,000**	**939,750**	**1,021,313**	**n/a**	**45,750**	**54,575**	**$ 2,576,388**
	2013	$ 475,000	950,000	1,096,250	n/a	42,750	97,948	$ 2,661,948
	2012	$ 475,000	950,000	1,025,000	n/a	42,750	98,085	$ 2,590,835
Paul Renaud (v) Chief Executive Officer, OMERS Private Equity	**2014**	**$ 488,000**	**861,700**	**1,039,155**	**n/a**	**n/a**	**56,172**	**$ 2,445,027**
	2013	$ 438,000	825,000	1,160,700	n/a	n/a	105,796	$ 2,529,496
	2012	$ 438,000	600,000	n/a	n/a	n/a	101,263	$ 1,139,263
Michael Nobrega (vi) Retired President and Chief Executive Officer	**2014**	**$ 138,750**	**261,202**	**322,000**	**129,000**	**51,194**	**1,705**	**$ 903,851**
	2013	$ 515,000	814,988	1,287,500	515,000	128,453	92,608	$ 3,353,549
	2012	$ 515,000	1,044,806	1,287,500	386,250	158,175	95,697	$ 3,487,428

(i) The amounts shown represent the value of awards as of the grant date in each calendar year. Long-term Incentives are granted at target on January 1st of each year. The 2013 Long-term Performance Plan awards for Mr. Latimer, Mr. Rolland, Mr. Hutcheson and Mr. Renaud have been collapsed into the Long-term Incentive Plan.

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

(iii) Mr. Latimer was appointed to President and Chief Executive Officer effective April 1, 2014. 2014 salary reflects part of the year at $540,000 plus a promotional increase as of April 1, 2014.

(iv) Mr. Simmons was appointed Chief Financial Officer effective January 1, 2014. He was awarded a 2013 Long-Term Incentive award as part of his employment terms. In addition, Mr. Simmons had a different compensation mix in 2014, reflecting a larger portion in STIP and less in LTIP.

(v) Mr. Renaud retired as Chief Executive Officer, OMERS Private Equity effective December 31 , 2014.

(vi) Mr. Nobrega retired as President and Chief Executive Officer effective March 31, 2014.

Incentive Plan Awards

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

Name	Year	Type of Award	Award Target Value ($)	Award Maximum Value ($)	Actual Value at Payout ($)
Michael Latimer President and Chief Executive Officer	**2014**	**LTIP**	**1,590,063**	**3,180,125**	
	2013	LTIP	1,350,000	2,700,000	
	2012	LTIP	1,250,000	2,500,000	**1,826,250**
Jonathan Simmons (i) Chief Financial Officer	**2014**	**LTIP**	**300,000**	**600,000**	
	2013	LTIP	450,000	900,000	
Michael Rolland Chief Investment Officer, Private Markets	**2014**	**LTIP**	**1,039,155**	**2,078,310**	
	2013	LTIP	1,160,700	2,321,400	
	2012	LTIP	1,095,000	2,190,000	**2,169,195**
Blake Hutcheson Chief Investment Officer, Real Estate & Strategic Investments	**2014**	**LTIP**	**1,021,313**	**2,042,625**	
	2013	LTIP	1,096,250	1,883,500	
	2012	LTIP	1,025,000	1,691,000	**1,620,525**
Paul Renaud Chief Executive Officer, OMERS Private Equity	**2014**	**LTIP**	**1,039,155**	**2,078,310**	
	2013	LTIP	1,160,700	2,321,400	
	2011	LTIP	1,095,000	2,190,000	**2,072,835**
Michael Nobrega Retired President and Chief Executive Officer	**2014**	**LTIP**	**322,000**	**644,000**	
		LTPP	**129,000**	**258,000**	
	2013	LTIP	1,287,500	2,575,000	
		LTPP	515,000	1,030,000	
	2012	LTIP	1,287,500	2,575,000	**1,881,038**
		LTPP	386,250	772,500	**424,103**

(i) Mr. Simmons' 2014 LTIP reflects a different compensation mix per his employment terms. HIs 2015 targets will reflect a higher proportion in LTIP.

The 2012 long-term incentive awards matured at the end of 2014 and were paid out, leaving the 2013 and 2014 long-term incentive awards outstanding. All long-term incentive (LTIP) awards vest and mature on December 31 of the third year of the plan.

Pension Plan Benefits

The Named Executive Officers participate in different retirement plans. The following section describes the OMERS Plan in which some of the Named Executive Officers participate.

Participating Named Executive Officers	Michael Latimer, Jonathan Simmons, and Michael Nobrega
Pension Formula	2% of "Best five" earnings multiplied by years of service from the date of hire (maximum of 35 years) after integration with Canada Pension Plan.
"Best five" Earnings	The average of five consecutive years of pensionable earnings during which earnings were the highest. Pensionable earnings are capped, as follows: • Cap on incentive pay: Post-2010 earnings are capped at 150% of contributory earnings calculated before incentive pay. • 7X YMPE Cap: Total contributory earnings are limited to seven times the CPP earnings limit (applies to all earnings for members enrolled on/after January 1, 2014 and only to post-2015 earnings for members enrolled before January 1, 2014).
Normal Retirement Age	65
Early Retirement	Plan members are eligible to retire early when they reach the age of 55. Each member's unreduced date is the earliest of the date the member attains his or her 90 Factor, attains 30 years of service or turns age 65. There is a 5% reduction factor per year short of their unreduced date.
Form of Pension	The pension is paid for the life of the plan member with 66 2/3% of the pension amount continuing to the surviving spouse after the member's death.

Defined Benefit Pension Plan

The table below represents disclosure of estimated pension information for the Named Executive Officers as at December 31, 2014.

Name	Number of Years Credited Service (#)	Annual Benefits Payable ($) At Year End	Annual Benefits Payable ($) At Age 65	Opening Present Value of Defined Benefit Obligation ($)	Compensatory Change ($)	Non-Compensatory Change ($)	Closing Present Value of Defined Benefit Obligation ($)
Michael Latimer President and Chief Executive Officer	9.8	$ 247,737	$ 293,647	$ 2,788,478	$ 174,368	$ (6,700)	$ 2,956,146
Jonathan Simmons (i) Chief Financial Officer	3.5	$ 20,150	$ 272,343	$ —	$ (38,313)	$ 153,985	$ 115,672
Michael Nobrega Retired President and Chief Executive Officer	7.2	$ 339,181	n/a	$ 4,162,360	$ (5,492)	$ 142,928	$ 4,299,796

(i) Mr. Simmons purchased additional years of credited service of 2.5 years in 2014.

Defined Contribution Pension Plan

The table below shows the pension information for the Named Executive Officer participating in the organization's defined contribution pension arrangement as at December 31, 2014.

Name	Name of the Arrangement	Accumulated Value at Start of Year ($)	Compensatory ($)	Accumulated Value at Year End ($)
Blake Hutcheson Chief Investment Officer, Real Estate & Strategic Investments	DC Plan	$ 109,269	$ 39,492	$ 148,761
	DC SERP	$ 83,925	$ 29,762	$ 113,687
	Total	$ 193,194	$ 69,254	$ 262,448

Termination Benefits

The treatment under each of the termination scenarios is governed by the terms of the 2014 Executive Compensation Plan, which are summarized in the following table.

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

Conclusion

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

Governance: OMERS Administration Corporation

Under the *Ontario Municipal Employees Retirement System Act, 2006*, OMERS Administration Corporation is responsible for pension administration, valuation of the accrued pension obligation and investment of the pension funds.

Effective and transparent pension plan governance is the foundation that allows OMERS to fulfill its pension promise to its members. Throughout its 50-year history, OMERS has continuously sought to achieve high standards in governance.

Board Governance at OMERS Administration Corporation

Many policies and practices are in place to support OMERS Administration Corporation's commitment to leading governance practices and Board performance, including:

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

In 2013, the OMERS Administration Corporation Board spent considerable time dealing with the implementation of the recommendations contained in the *Ontario Municipal Employees Retirement System (OMERS) Governance Review 2012 Reviewer's Report*. The results of that effort include:

- the appointment of the first independent Chair of the OMERS Administration Corporation Board in OMERS 50-year history. George Cooke was appointed as Board Chair of OMERS Administration Corporation on October 1, 2013, after a thorough and collaborative process with OMERS Sponsors Corporation; and
- the appointment of five new OMERS Administration Corporation Board members in 2014 who bring to the boardroom table a diverse range of experience and expertise. The appointment process reflects an enhanced nomination process, working with OMERS Sponsors Corporation and the sponsor organizations, with a view to addressing the broader needs of the OMERS Administration Corporation Board as a whole.

Further details on OMERS Administration Corporation's governance practices can be found in the Governance Manual, which is available on the OMERS website.

OMERS Administration Corporation Board Responsibilities

The OMERS Administration Corporation Board has many important responsibilities, which are outlined in the Board Mandate on our website. The key responsibility of the OMERS Administration Corporation Board is to set the overall strategic course of OMERS Administration Corporation, including its investment direction and objectives, and to ensure that the pension services for which it is responsible are executed effectively and efficiently.

The OMERS Administration Corporation Board also actively oversees financial reporting and actuarial matters, such as the annual valuation of the liabilities of the Plans. The Board approves the strategic planning process followed by OMERS Administration Corporation, as well as the Strategic Plan prepared by the Management team. The Board delegates to Management responsibility for day-to-day business activities, including a number of other important functions such as compliance, internal controls and talent management. With respect to these delegations, the role of the Board is to monitor Management and to work toward ensuring that its activities remain consistent with the longer term vision, objectives and directional framework set by the OMERS Administration Corporation Board.

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

OMERS Administration Corporation Board Membership and Selection Process

The process for selecting Board members for OMERS Administration Corporation is established by OMERS Sponsors Corporation in its By-law No. 13, which names specific sponsor organizations that have the right to nominate individuals to be considered by OMERS Sponsors Corporation for appointment to the OMERS Administration Corporation Board. According to OMERS Sponsors Corporation By-law No. 13, the Board of OMERS Administration Corporation is comprised of 15 people of whom 14 are nominated by the following organizations:

- Association of Municipalities of Ontario (two members)
- Canadian Union of Public Employees (Ontario) (two members)
- City of Toronto (one member)
- Electricity Distributors Association (one member)
- Ontario Association of Children's Aid Societies (one member)
- Ontario Association of Police Services Boards (one member)
- Ontario Professional Fire Fighters Association (one member)
- Ontario Public Service Employees Union (one member)
- Ontario Secondary School Teachers' Federation (one member)
- Police Association of Ontario (one member)
- Retiree Group - appointed from among the Municipal Retirees Organization of Ontario, the Police Pensioners Association of Ontario, the Police Retirees of Ontario and the Retired Professional Fire Fighters of Ontario (one member)
- School boards (one member) (rotation between public and Catholic associations)

The person proposed as the Independent Board Chair is appointed by the OMERS Sponsors Corporation to the OMERS Administration Corporation Board.

OMERS Administration Corporation Board Appointments

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

OMERS Administration Corporation Board Practice

The OMERS Administration Corporation Board has regular *in camera* meetings without Management present. The Board also conducts regular evaluations of its performance at the end of meetings, as well as annually. It regularly reviews the critical competencies it needs to oversee the affairs of OMERS Administration Corporation and serve the interests of Plan members. Working with OMERS Sponsors Corporation, these competencies have been added as important enhancements to OMERS Sponsors Corporation By-law No. 13.

Composition, Mandates and Activities of OMERS Administration Corporation Board Committees

In 2014, the OMERS Administration Corporation Board had five standing committees that assisted the Board in discharging its responsibilities. The Board also uses subcommittees from time to time to deal with special situations.

The Audit Committee assists the OMERS Administration Corporation Board in fulfilling its oversight responsibilities for the:

- integrity of the financial reporting process and financial statements;
- system of internal controls and the review of the disclosure of financial information;
- system of risk management and fraud risk management;
- internal audit process;
- external audit of the financial statements;

- organizational processes for monitoring compliance with laws and regulations and the Code of Conduct; and
- Ethics Hotline (whistle-blower process) and special investigations.

The Governance Committee annually reviews the mandates of the OMERS Administration Corporation Board and its committees, and assists the Board by:

- overseeing the OMERS Administration Corporation Board orientation and Director development programs, and being responsible for implementing periodic internal assessments of the OMERS Administration Corporation Board's performance;
- recommending changes to OMERS Administration Corporation governance where required to address effectiveness issues;
- assessing the competency requirements of the OMERS Administration Corporation Board and recommending the skills and experience needed for the Board; and
- reviewing relevant policies relating to governance, including an OMERS Administration Corporation external communications policy.

The Human Resources Committee assists the OMERS Administration Corporation Board in meeting its fiduciary oversight and related obligations by:

- attracting, engaging and retaining excellent leaders at the senior executive level who are committed to the OMERS Administration Corporation Mission Statement, Core Values and Leadership Principles;
- overseeing a robust succession management process for the position of CEO; and
- overseeing senior executive performance, compensation and compensation policies.

The Investment Committee assists the OMERS Administration Corporation Board by:

- approving transactions that exceed thresholds delegated to Management;
- reviewing and recommending to the OMERS Administration Corporation Board key investment policies such as the Statement of Investment Beliefs, the Statements of Investment Policies and Procedures, and the Statement of Investment Authorities;
- reviewing overall asset mix, investment strategies and programs; and
- monitoring and reviewing investment performance.

The Member Services Committee assists the Board in:

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

The Appeals Panel, which was part of the Member Services Committee, assisted the OMERS Administration Corporation Board by:

- serving as an appeals tribunal for Plan members who are appealing decisions of the President and CEO (or his delegates) regarding their pension benefit entitlements; and
- hearing evidence and rendering decisions in these appeals, retaining independent external counsel to assist in its deliberations.

The Member Services Committee was disbanded at the end of 2014, and its responsibilities were allocated among the other committees and the Board itself. A committee of the OMERS Administration Corporation has been formed to assume the role of the Appeals Panel.

The OMERS Administration Corporation Joint Council Subcommittee, comprising two members of the OMERS Administration Corporation Board, has been mandated by the OMERS Administration Corporation Board to participate as the OMERS Administration Corporation Board's representation on the OMERS Administration Corporation/OMERS Sponsors Corporation Joint Council. The Joint Council is comprised of an equal number of directors from the OMERS Sponsors Corporation and OMERS Administration Corporation Boards, and is intended to discuss and address matters of importance to both Boards with respect to the oversight and governance of the OMERS Pension Plans. It was formed following the execution of the Framework Agreement with the OMERS Sponsors Corporation in 2009 as a venue to address matters of importance to either party with respect to oversight and governance of the OMERS Pension Plans, including the Framework Agreement.

The Pension Services System 2 (PSS2) Committee is a special *ad hoc* committee of the OMERS Administration Corporation Board established to provide dedicated oversight of the PSS2 project. The success of the PSS2 project is critical to providing OMERS with a modern, scalable and robust pension management system.

OMERS Administration Corporation Board Attendance and Remuneration

OMERS Administration Corporation Board and Committee meeting attendance in 2014 was as detailed on page 113.

2014		Annual Retainer
Chair	$	150,000
Committee Chair	$	67,500
All Other Directors	$	60,000

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

Board members who serve as members of the Appeals Panel (now the Appeals Committee) are also entitled to receive the applicable annual retainer payment plus an additional meeting fee of $750.00 for each day of attendance at a hearing, provided they are present for the full hearing while in session - regardless of the duration of the hearing on any given day.

The table on page 112 includes remuneration paid to OAC Board members as well as other eligible expenses in 2014, with comparable numbers for 2013.

Board Membership Update

We thank Richard Faber and John Sabo, who left the OAC Board in 2014, for their contributions, and we welcome the following new Board members:

Bill Aziz – a chartered accountant with corporate restructuring expertise who returns to the Board after a one-year absence;

Darcie Beggs – a public sector pension policy expert;

Bill Butt – a former bank executive with more than 25 years of financial sector experience, including merger-and-acquisitions advisory services;

Laurie Hutchinson – a Fellow of the Canadian Institute of Actuaries and an expert in defined benefit pension plans; and

Lloyd Komori – a founding faculty member of The Directors College, who joined the Board in 2014 and brought deep experience in the financial services sector and risk management.

Lloyd resigned late in 2014 to apply for a management position with OMERS. After an extensive external search involving multiple candidates, he was named Senior Vice-President, Risk Management in January 2015. Also in early 2015, we welcomed three additional OAC Board members:

Cliff Inskip – a banking executive, who has provided advice to electricity distribution utilities on financing-related matters and to developers on large projects in the pipeline, energy and power sectors;

David Tsubouchi – who served two terms as a councillor in the City of Markham and two terms as a member of provincial parliament, where he held a variety of cabinet posts; and

Penny Somerville – who held a number of senior leadership roles during nearly 30 years in the financial sector.

In addition to their professional achievements, these new Board members bring valuable governance experience on private sector, public sector and non-profit boards.

OAC Board Remuneration and Expenses

	2014		2013	
	Remuneration	**Expenses [i]**	Remuneration	Expenses [i]
Cooke, George [ii]	**$ 150,000**	**$ 9,685**	$ 37,500	$ 1,598
Aziz, Bill [iii]	**67,500**	**609**	—	—
Baker, Monty	**67,500**	**4,768**	35,800	4,382
Beatty, David	**60,000**	**1,501**	30,800	33,224
Beggs, Darcie [iii]	**60,000**	**23,489**	—	—
Butt, Bill [iv]	**60,000**	**780**	923	—
Faber, Richard	**67,500**	**23,069**	35,800	60,539
Fenn, Michael	**60,000**	**6,842**	30,800	24,578
Hutchinson, Laurie [iii]	**60,000**	**10,021**	—	—
Lloyd, Komori [iii]	**60,000**	**1,430**	—	—
Phillips, James	**67,500**	**15,972**	35,800	21,560
Sabo, John	**60,000**	**16,222**	30,800	49,141
Swimmer, Eugene	**67,500**	**14,389**	35,800	22,457
Vandenberk, Sheila	**67,500**	**7,920**	35,800	19,711
Weatherup, John	**60,000**	**7,593**	35,800	12,928
Former Board Members	**—**	**526**	183,787	138,512
Other Expenses [v]	**—**	**80,256**	—	140,508
Total	**$ 1,035,000**	**$ 225,072**	$ 529,410	$ 529,138

(i) Includes reimbursement for normal out-of-pocket business expenses including education, meeting and communication expenses incurred on behalf of OAC. These Board expenses by Directors are reported to the Audit Committee annually.
(ii) OAC Board Chair effective October 1, 2013.
(iii) OAC Board member effective January 1, 2014.
(iv) OAC Board member effective December 18, 2013.
(v) Other expenses include Board group meeting expenses not allocated by individual.

2014 Board/Committee Meetings

Director [(i)]	Board		Audit Committee	Governance Committee	Human Resources Committee	Investment Committee	Member Services Committee	Joint Council	PSS2 Committee	Committees (Total)		Overall Attendance	
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	%	Attended	%
Aziz, Bill	12/16	75%			7/8	4/5 (Chair)				11/13	85%	23/29	79%
Baker, Monty	15/16	94%			8/8				4/4	17/17	100%	32/33	97%
Beatty, David	12/16	75%			4/8	3/5				7/13	54%	19/29	66%
Beggs, Darcie	14/16	88%		9/10			6/6			15/16	94%	29/32	91%
Butt, Bill	16/16	100%	5/5			5/5				10/10	100%	26/26	100%
Cooke, George [(ii)]	16/16	100%	5/5	10/10	8/8	5/5	6/6	3/3		37/37	100%	53/53	100%
Faber, Richard	13/16	81%			8/8 (Chair)					8/8	100%	21/24	88%
Fenn, Michael	16/16	100%		10/10				3/3 (Chair)	4/4 (Chair)	17/17	100%	33/33	100%
Hutchinson, Laurie	16/16	100%	5/5				6/6		4/4	15/15	100%	31/31	100%
Komori, Lloyd	14/16	88%		9/10		5/5	6/6		4/4	24/25	96%	38/41	93%
Phillips, James	16/16	100%		10/10 (Chair)				3/3		13/13	100%	29/29	100%
Sabo, John	13/16	81%		10/10		3/5		2/3		15/18	83%	28/34	82%
Swimmer, Eugene	15/16	94%	5/5			5/5	6/6			16/16	100%	31/32	97%
Vandenberk, Sheila	14/16	88%					6/6 (Chair)			6/6	100%	20/22	91%
Weatherup, John	15/16	94%	4/5		8/8	5/5				17/18	94%	32/34	94%
Overall Attendance		**90%**	**97%**	**97%**	**90%**	**88%**	**100%**	**92%**	**100%**		**94%**		**92%**

(i) OAC Directors also attended other discretionary meetings such as the Spring and Fall Information Meetings, Joint Education Sessions with the SC, New Board and Committee Member Orientation Sessions and in-house education sessions.

(ii) Ex officio member of the Audit, Governance, Human Resources, Investment and Member Services Committees.

Governance: OMERS Sponsors Corporation

OMERS Sponsors Corporation and its Board provide for strategic oversight and decision-making by sponsors on major policy directions including benefits and contribution rates. The OMERS Act, 2006 created OMERS Sponsors Corporation to fulfill the role of plan sponsor, giving members and employers more direct control over the OMERS Pension Plans.

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

OMERS Sponsors Corporation Board Responsibilities

Directors owe a fiduciary duty to, and are required to act honestly and in good faith in the best interests of, OMERS Sponsors Corporation and to exercise the care, diligence and skill that a reasonably prudent person would apply in similar situations. This duty applies to carrying out the OMERS Sponsors Corporation Board responsibilities, including:

- making decisions about the design of the OMERS Pension Plans, including benefits to be provided and contributions to be made;
- deciding whether to establish a reserve to stabilize contribution rates;
- setting the composition of the two OMERS Boards, including the nomination and appointment processes for Directors;
- establishing the remuneration and expense reimbursement policies for the Boards of OMERS Sponsors Corporation and OMERS Administration Corporation;
- deciding whether to file a valuation more frequently than is required under the *Pension Benefits Act* (Ontario);
- appointing the OMERS Sponsors Corporation auditor, and legal and actuarial advisors;
- approving OMERS Sponsors Corporation's budget and audited financial statements; and
- the stewardship of OMERS Sponsors Corporation, including oversight of its management.

Among its other duties, the OMERS Sponsors Corporation Board establishes and approves its strategic plan, appoints the OMERS Sponsors Corporation Chief Executive Officer and reviews his or her performance, sets OMERS Sponsors Corporation compensation policy and approves OMERS Sponsors Corporation management compensation.

Commitment to Good Governance

OMERS Sponsors Corporation has committed itself to upholding OMERS long history of exemplary Plan governance by maintaining high standards of integrity, education, transparency and communication in carrying out its responsibilities. OMERS Sponsors Corporation strives to follow best-practice standards in corporate governance. To achieve this goal, the OMERS Sponsors Corporation Board has developed policies and practices with input and advice from third party advisors who are experts in the field. The OMERS Sponsors Corporation governance structure includes:

- corporate by-laws and policies that support the commitment to a best practice standard;
- an education program for OMERS Sponsors Corporation Board Directors, which includes learning opportunities in the areas of governance, pension administration, benefits strategies and pension plan trustee development, as well as mandatory orientation to the Plans;
- a process for reviewing its governance policies and processes to help ensure ongoing efficiency and the effectiveness of its practices; and
- transparency and accountability to participants of the Plans - through regular meetings with members, employers and organizations representing them and other stakeholders; together with timely print and electronic communications carried out in co-operation with OMERS Administration Corporation; as well as regular website updates and posting of by-laws, by-law amendments and information for submitting proposals for Plan design changes.

The document titled *OMERS Sponsors Corporation Governance, Mandates and Responsibilities* consolidates and articulates the OMERS Sponsors Corporation governance structure, as well as the mandates and responsibilities of the OMERS Sponsors Corporation Board, its standing committees, individual OMERS Sponsors Corporation Board Directors, the Co-Chairs, committee Chairs and the Chief Executive Officer. The document can be found on the OMERS Sponsors Corporation website.

OMERS Sponsors Corporation Board Membership and Appointment Process

The basic composition of the OMERS Sponsors Corporation Board is established under the OMERS Act, 2006, with further composition and appointment details laid out in OMERS Sponsors Corporation By-law #4. OMERS Sponsors Corporation Board composition is based on several principles reflecting Plan membership, which is reviewed periodically - most recently in 2013.

OMERS Sponsors Corporation has a representative Board with seven Plan member representatives and seven employer representatives. Directors are appointed by their sponsoring organizations for a three-year term with the potential to be reappointed, without limitation. Terms are staggered to help ensure the ongoing continuity and effectiveness of the OMERS Sponsors Corporation Board.

Employer Representatives

- Association of Municipalities of Ontario - two Directors
- City of Toronto - one Director
- School Boards, rotating between Public and Catholic Boards - one Director
- Ontario Association of Police Services Boards - one Director
- Ontario Association of Children's Aid Societies - one Director
- Electricity Distributors Association (Ontario) - one Director

Plan Member Representatives

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

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

OMERS Sponsors Corporation Board Practice

The OMERS Sponsors Corporation Board has regular *in camera* meetings without Management present, as do committees from time to time. The OMERS Sponsors Corporation Board also conducts periodic evaluations of its performance; most recently in 2014. The OMERS Sponsors Corporation Board periodically reviews its by-laws and governance practices, including committee mandates, to help ensure currency and to reflect leading practices.

Composition, Mandates and Activities of OMERS Sponsors Corporation Board Committees

The OMERS Sponsors Corporation Board has four standing committees to assist in discharging its responsibilities: Audit, Corporate Governance, Human Resources and Compensation, and Plan Design. In addition, OMERS Sponsors Corporation and OMERS Administration Corporation have a Joint Council to address matters of importance to both Boards.

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

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

The Corporate Governance Committee assists the Directors in fulfilling their responsibilities of:

- developing appropriate corporate governance practices, guidelines and benchmarks for the corporation;
- developing corporate by-laws; and
- appointing OMERS Administration Corporation Board Directors.

The Human Resources and Compensation Committee assists with responsibilities related to:

- staff levels and succession planning;
- training, education and orientation programs for OMERS Sponsors Corporation Board Directors;
- compensation structure, including employee benefits;
- expense reimbursement policies for employees;
- compensation and expense reimbursement policies for Board members of OMERS Sponsors Corporation and OMERS Administration Corporation;
- evaluation of the Chief Executive Officer's performance; and
- appointing the Independent Board Chair of OMERS Administration Corporation.

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

- co-ordinating and facilitating the process of gathering and considering information;
- arranging for the referral of questions to OMERS Administration Corporation staff and legal, actuarial and other professionals engaged by OMERS Sponsors Corporation;
- liaising with the OMERS Administration Corporation on issues related to actuarial assumptions; and
- recommending Plan design changes.

The OMERS Administration Corporation/OMERS Sponsors Corporation Joint Council is comprised of an equal number of Directors from the OMERS Administration Corporation and OMERS Sponsors Corporation Boards, and is intended to discuss and address matters of importance to both Boards with respect to the oversight and governance of the Plans. The Joint Council meets on an as-needed basis.

Director Orientation and Education

The OMERS Sponsors Corporation Board has a new Director orientation process in place, which includes a comprehensive discussion of the history and mandate of the corporation, its strategy, business planning process and current programs.

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

In 2014, eight OMERS Sponsors Corporation Board Directors attended from one to five industry-related conferences and seminars, lasting from one to four days. (Directors are not compensated for related travel time.) In addition, two Board Directors attended a five-day pension program at the Rotman School of Management, University of Toronto.

Director Compensation

OMERS Sponsors Corporation Board compensation was reviewed in detail in 2013, with the assistance of an independent advisor, resulting in the first increase in compensation ($5,000 per Director) since 2009. In 2014, Directors attended anywhere from 14 to 39 meetings, with the median being 25.

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

2014 compensation is as follows:

2014		Annual Retainer
Co-Chairs	$	75,000
Committee Chair	$	40,800
All Other Directors	$	35,800

No other compensation is provided to OMERS Sponsors Corporation Directors.

Reimbursement of Expenses

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

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

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

OMERS Sponsors Corporation By-Law #6 sets out the requirements and approval process for ongoing Director development.

Board and Committee Meeting Attendance

Details about the number of meetings and Director attendance can be seen on page 119.

Other Events and Meetings

In 2014, Directors also attended anywhere from two to 26 other business events and meetings, including: half-day Director information sessions in the spring and fall, in-house education programs on risk and growth, committee meetings of which they were not members, and other business meetings as necessary. Numerous caucus group (member and employer) and individual Director meetings with their sponsor organizations are not tracked, but may occur monthly for some members of the OMERS Sponsors Corporation Board.

Board Membership Update

In 2014, we thanked Jack Jones and Bruce Stewart for the important contributions they made during their terms of service on the OMERS Sponsors Corporation Board. We also welcomed new members Sandra Sahli, who joined us in July, and Barry Brown, who joined us in January 2015. Sandra and Barry were appointed by the Ontario Secondary School Teachers' Federation and the Association of Municipalities of Ontario, respectively.

The OMERS Sponsors Corporation continued to implement its new OMERS Administration Corporation Board member appointment process, collaborating closely with sponsor organizations and the OAC Independent Board Chair. For a list of OMERS Administration Corporation director appointments, see page 111.

OMERS Sponsors Corporation Board Remuneration and Expenses

	2014 Remuneration (i)	2014 Expenses (ii)	2013 Remuneration (i)	2013 Expenses (ii)
Marianne Love (Co-Chair)	$ 75,000	$ 19,216	$ 70,000	$ 24,110
Brian O'Keefe (Co-Chair)	75,000	8,421	70,000	16,974
Paul Bailey	35,800	15,950	30,800	10,357
Fred Biro (iii)	35,800	19,705	—	—
Diana Clarke	35,800	15,327	30,800	15,423
John Fleming (iv)	40,800	8,323	35,800	17,778
Jack Jones (iv)(v)	20,400	3,173	35,800	18,012
Charlie Macaluso	35,800	2,351	30,800	1,252
Tim Maguire (iii)	35,800	11,202	—	—
Mary McConville	35,800	2,272	30,800	6,001
Wayne McNally (iv)	40,800	4,614	35,800	6,764
Bruce Miller (iv)	40,800	21,594	35,800	22,389
Frank Ramagnano (iv)	38,300	9,246	30,800	11,453
Sandra Sahli (v)	17,900	8,378	—	—
Bruce Stewart	35,800	2,747	30,800	8,749
Former Board Members	—	460	61,600	14,473
Other Expenses (vi)	29,268	23,450	25,235	45,886
Total	$ 628,868	$ 176,429	$ 554,835	$ 219,621

(i) Remuneration is in accordance with By-law #6.
(ii) Includes reimbursement for normal out-of-pocket business expenses including education, meeting and communication expenses incurred in conducting SC business. These expenses are reviewed by the Audit Committee on a quarterly basis.
(iii) Term commenced January 1, 2014
(iv) Committee Chairs
John Fleming - CGC - Corporate Governance Committee
Jack Jones - PDC - Plan Design Committee (to June)
Wayne McNally - Audit Committee
Bruce Miller - HRCC - Human Resources and Compensation Committee
Frank Ramagnano - PDC (from July 1)
(v) Jack Jones - term ended June 30; Sandra Sahli - term commenced July 1
(vi) Other expenses include Board meeting expenses not allocated by individual and benefits (CPP & EHT)

2014 Board/Committee Meetings

Member	SC Board Meetings[i] (16)		Audit Committee (3)	CGC Meetings (6)	HRCC Meetings (5)	PDC Meetings (7)	Joint Council Meetings (3)	Committees (Total)		Overall Attendance		Other [ii] Events and Meetings	All Events and Meetings	Education Days [v]
	Attended	%	Attended	Attended	Attended	Attended	Attended	Attended/ Eligible	%	Attended/ Eligible	%			
Marianne Love (Co-Chair)[iii]	16	100%	3	5	5	6	3	22/24	92%	38/40	95%	26	64	9
Brian O'Keefe (Co-Chair)[iii]	16	100%	3	5	5	7	3	23/24	96%	39/40	98%	26	65	7
Paul Bailey	14	88%		6	5			11/11	100%	25/27	93%	4	29	7
Fred Biro	14	88%			5	7		12/12	100%	26/28	93%	13	39	11
Diana Clarke	15	94%		5		6		11/13	85%	26/29	90%	7	33	13
John Fleming	16	100%		6			3	9/9	100%	25/25	100%	13	38	3
Jack Jones [iv]	7	100%		2		5		7/7	100%	14/14	100%	5	19	
Charlie Macaluso	14	88%	3			7		10/10	100%	24/26	92%	2	26	
Tim Maguire	15	94%	2		4			6/8	75%	21/24	88%	5	26	5
Mary McConville	12	75%		3	2			5/11	45%	17/27	63%	6	23	
Wayne McNally	11	69%	3			7		10/10	100%	21/26	81%	8	29	
Bruce Miller	16	100%	3		5			8/8	100%	24/24	100%	9	33	11
Frank Ramagnano	16	100%				7	3	10/10	100%	26/26	100%	8	34	5
Sandra Sahli [iv]	9	100%		4		2		6/6	100%	15/15	100%	5	20	
Bruce Stewart	12	75%		5	3			8/11	73%	20/27	74%	4	24	
Overall Attendance		**91%**	**94%**	**85%**	**85%**	**96%**	**100%**		**91%**		**91%**			

(i) Board meetings consisted of 11 regularly scheduled meetings, 1 special meeting and 4 strategic planning session/days, all of which SC Board Members were expected to attend.

(ii) Members attended from 2-26 additional 'Other' meetings and events, such as the Spring and Fall Information Meetings, joint education sessions with the OAC, new Board and committee member orientation, in-house education sessions, ad hoc meetings of special committees and attendance at committee meetings of which they are not members. Many Members also attended educational programs or pension/governance conferences ranging from 2-5 days, exclusive of travel time (see page 116 for more detail).

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

(iv) Jack Jones left the SC on June 30; Sandra Sahli - term commenced July 1.

(v) Education days refers to the actual number of days Members spent at education programs or pension-related conferences and does not include travel time.

Independent Auditors' Report

To the Board of OMERS Sponsors Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of OMERS Sponsors Corporation, which comprise the statement of financial position as at December 31, 2014 and the statements of operations and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of OMERS Sponsors Corporation as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Norton McMullen LLP

NORTON MCMULLEN LLP Chartered Professional Accountants, Licensed Public Accountants

Markham, Ontario, Canada
February 19, 2015

Statement of Financial Position

As at December 31,		**2014**		2013
Assets				
Current				
Cash and cash equivalents (note 2)	**$**	**1,375,285**	$	1,843,248
OAC receivable		**186,286**		778,916
Prepaid expenses and other assets		**14,438**		7,958
	$	**1,576,009**	$	2,630,122
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**195,273**	$	177,673
Grant funds payable (note 7)		**1,380,736**		
	$	**1,576,009**	$	177,673
Net Assets				
Deficit of revenues over expenses from operations				
Balance at beginning of year	**$**	**2,452,449**	$	2,456,413
Current year		**(2,452,449)**		(3,964)
Balance at end of year	**$**	**—**	$	2,452,449
	$	**1,576,009**	$	2,630,122

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

Signed on Behalf of the Board of OMERS Sponsors Corporation

Marianne Love
Co-Chair

Brian O'Keefe
Co-Chair

Wayne McNally
Chair, Audit Committee

Statement of Operations

For the year ended December 31,		2014		2013
Revenues				
OAC expense reimbursement	**$**	**1,959,243**	$	2,207,392
Interest Income		**8,753**		17,080
	$	**1,967,996**	$	2,224,472
Expenses				
Contract and administrative salaries including payroll taxes and benefits	**$**	**864,318**	$	779,497
Legal		**150,256**		79,728
Audit		**6,800**		6,215
Actuarial		**12,697**		13,662
Professional advisors (note 4)		**34,939**		424,926
Other administrative		**81,216**		72,314
Insurance		**84,186**		77,638
Board remuneration including payroll taxes and benefits (note 5)		**628,868**		554,835
Board expenses (note 5)		**176,429**		219,621
	$	**2,039,709**	$	2,228,436
Deficit of Revenues Over Expenses Before Grant Repayment		**(71,713)**		(3,964)
Grant Repayment (note 7)		**2,380,736**		—
Deficit of Revenues Over Expenses from Operations	**$**	**(2,452,449)**	$	(3,964)

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

Statement of Cash Flows

For the year ended December 31,		2014		2013
Cash and cash equivalents were provided by (used in):				
Operating Activities				
Deficit of revenues over expenses	**$**	**(2,452,449)**	$	(3,964)
Changes in non-cash working capital accounts				
OAC receivable		**592,630**		(142,420)
Prepaid expenses and other assets		**(6,480)**		1,960
Accounts payable and accrued liabilities		**17,600**		6,316
Grant funds payable		**1,380,736**		
Decrease in cash	**$**	**(467,963)**	$	(138,108)
Cash and Cash Equivalents (note 2) - Beginning of Year		**1,843,248**		1,981,356
Cash and Cash Equivalents (note 2) - End of Year	**$**	**1,375,285**	$	1,843,248

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

Notes to Financial Statements

December 31, 2014

Nature of Operations

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

The SC is not subject to income taxes.

NOTE 1

Significant Accounting Policies

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

(a) Government Grant Revenue Recognition and Net Assets

In previous years the SC received grants for operations from the Ministry of Municipal Affairs and Housing of the Ontario Government (the “Ministry”). These amounts receivable were recognized as income once the amount to be received could be reasonably estimated and collection was reasonably assured. The initial funding agreement with the Ministry, which was put in place during 2007, stated that any part of the grant funds that have not been used or accounted for by the SC at the time the agreement was to expire, on March 31, 2009, would belong to the Ministry.

In July 2008, following the establishment of, and agreement to, a joint SC/OAC protocol for SC expenditure reimbursement from the OAC and an Ontario Superior Court of Justice decision that confirmed that the OAC may lawfully reimburse the SC in accordance with the categories outlined in the protocol, the Ministry agreed to amend their initial agreement with the SC. The amended funding agreement authorized the SC to use the remaining provincial funding for a period of up to five years (to March 31, 2014), to pay for the SC costs that, under the protocol, could not be reimbursed by the OAC. In 2014, this agreement was further amended to provide for repayment of a portion of the grant funds and allowed for the use of the remaining balance throughout 2014. OAC expense reimbursement is recorded as revenue after the expenses are incurred in accordance with the joint SC/OAC protocol. Net assets consist of government grant funds received, net of expenditures not reimbursed by the OAC, plus interest earned. Interest income for operations is recognized as income in the year earned.

(b) Use of Estimates

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

(c) Cash Equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and treasury bills which have been issued for terms not exceeding 365 days that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(d) Financial Instruments

Measure of Financial Instruments

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

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

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

Impairment

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

NOTE 2

Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

As at December 31,		**2014**		2013
Cash on hand and balances with banks	$	1,375,285	$	345,953
Short-term investments		—		1,497,295
	$	1,375,285	$	1,843,248

NOTE 3

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. As a condition of the facility, a prepayment towards interest has been made in the amount of $1,000. Access to the overdraft facility was not required in 2014.

NOTE 4

Professional Advisor Expenses

Professional advisor expenses consist primarily of costs pertaining to professional advice for governance issues and strategic planning in 2013. There were no similar expenditures in 2014 other than some minor items.

NOTE 5

Board Remuneration and Expenses

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

NOTE 6

Financial Instruments

Risks and Concentrations

The SC is exposed to various risks through its financial instruments. The following analysis provides a summary of the SC's exposure to and concentrations of risk at December 31, 2014:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The SC's main credit risks relate to its OAC receivable. The OAC receivable is due from an organization with a "AAA" rating and therefore there is virtually no credit risk associated with this financial instrument. There has been no change in assessment of credit risk from the prior year.

b) Liquidity Risk

Liquidity risk is the risk that the SC will encounter difficulty in meeting obligations associated with financial liabilities. The SC is exposed to this risk mainly in respect to its accounts payable and grant funds payable. The SC manages this risk by managing its working capital, ensuring that sufficient credit is available and could potentially explore alternate funding arrangements as described in Note 7.

c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market price. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk. The SC is mainly exposed to interest rate risk as follows:

i. Interest Rate Risk

   Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As described in Note 3, the SC is exposed to interest rate risk with respect to its bank operating facility should it be necessary to use. The SC does not currently hold any financial instruments to mitigate this risk. The exposure to this risk would fluctuate as the debt and related interest rates change from year to year.

NOTE 7

Grant Funds Repayment

As referenced in Note 1(a), the SC repaid a portion of the funding received in 2007 and 2008 from the Ministry which had not been used. During 2014, $1,000,000 grant funding was repaid to the Ministry. The remaining grant funding payable of approximately $1,380,736 was accrued and is to be repaid in 2015.

In the event of any expenses which would not be reimbursed by the OAC, the SC has already obtained an operating facility (Note 3) from the bank and will continue to review other longer term funding arrangements. Under the terms of the OMERS Act, the SC has the ability, and in accordance with SC By-Law #10, the means, to implement a flat-rate levy on employers and active members of the Plan to fund any such expenses.

Glossary

Absolute Return Strategies

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

Accrued Pension Obligation

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

Actuarial Smoothing

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

Actuarial Valuation Report

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

Additional Voluntary Contributions (AVCs)

A retirement savings program for members of the OMERS Primary Pension Plan, which became effective on January 1, 2011.

AVCs enable members and retirees (to age 70) to take advantage of OMERS investment returns by making additional contributions, including ongoing withdrawals from a bank account (for active members) as well as lump sum transfers from other registered retirement vehicles (for active, retired and deferred members).

Alpha Portfolio

An Alpha portfolio uses active management strategies to find and exploit market opportunities in any market in the world, earn absolute returns and expand overall return potential.

Basis Point

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

Benchmark

A benchmark is a standard or point of reference against which performance of an investment is measured. It is generally a passive external index (e.g., the S&P/TSX Composite Index) or, for the OAC's infrastructure and real estate investments, a predetermined absolute return based on operating plans approved by the OAC Board.

Benefit Accrual

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

Beta Portfolio

A Beta portfolio captures market returns, invests in a wide selection of market opportunities, and has less equity concentration with modest economic leverage, with the intent to enhance returns over time.

Bridge Benefit

A temporary benefit provided to employees who retire prior to age 65. The bridge benefit supplements the pension income until age 65. The bridge benefit is not necessarily equivalent to the amount of prospective government benefits.

Commercial Paper

Short-term, unsecured debt instruments issued by companies; typically, to meet short-term financing needs.

Commuted Value

The lump sum payment made in lieu of a member's future pension amount, based on the member's service and earnings to date. The commuted value fluctuates with changes in factors such as the member's age, current inflation and interest rates.

Currency Hedging

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

Custom Benchmark

A benchmark calculated based on the weighted average allocation to two or more underlying benchmarks (e.g., Blended DEX 30 day Treasury Bill Index and DEX Universe).

Debentures

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

Defined Benefit Plan

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

Derivative/Derivative Financial Instrument

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

Direct-Drive Active Management

Direct drive active management is where the investor is involved in ongoing decisions with the business it invests in with respect to strategy; major investment decisions; annual financial target setting and the monitoring of performance against these targets; risk management; and governance oversight.

Discount Rate

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

Economic Leverage

The difference between fair value of net investment assets and exposure primarily represents economic leverage.

Enterprise-Wide

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

Funding Deficit/Surplus

When the pension obligation for benefits earned by members to date is greater than the value of net assets, the Plan is considered to be in deficit. When the value of net assets exceeds the pension obligation, the Plan is considered to be in surplus.

Global Strategic Investment Alliance (GSIA)

The investment entity created to enable OMERS to leverage its capital alongside like-minded, long-term institutional investors.

International Financial Reporting Standards (IFRS)

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

Infrastructure

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

Modified Pay-As-You-Go Funding Policy

Promised retirement benefits are not fully pre-funded; instead, contributions are paid to ensure that they are sufficient to fund current benefits. This variation of the funding method is used by OAC for the retirement compensation arrangement (RCA) to minimize the 50% refundable tax applicable to RCA plans.

Supplemental Plan

The OMERS Supplemental Pension Plan for Police, Firefighters and Paramedics is a stand-alone registered pension plan that offers benefits not available in the OMERS Primary Pension Plan. It is not funded from the OMERS Primary Pension Plan.

Unsecured Debt

Debt which is not backed or secured by collateral property.

Year’s Maximum Pensionable Earnings (YMPE)

The maximum amount of earnings used to calculate contributions and pensions under the Canada Pension Plan (CPP). Also called the CPP earnings limit.

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