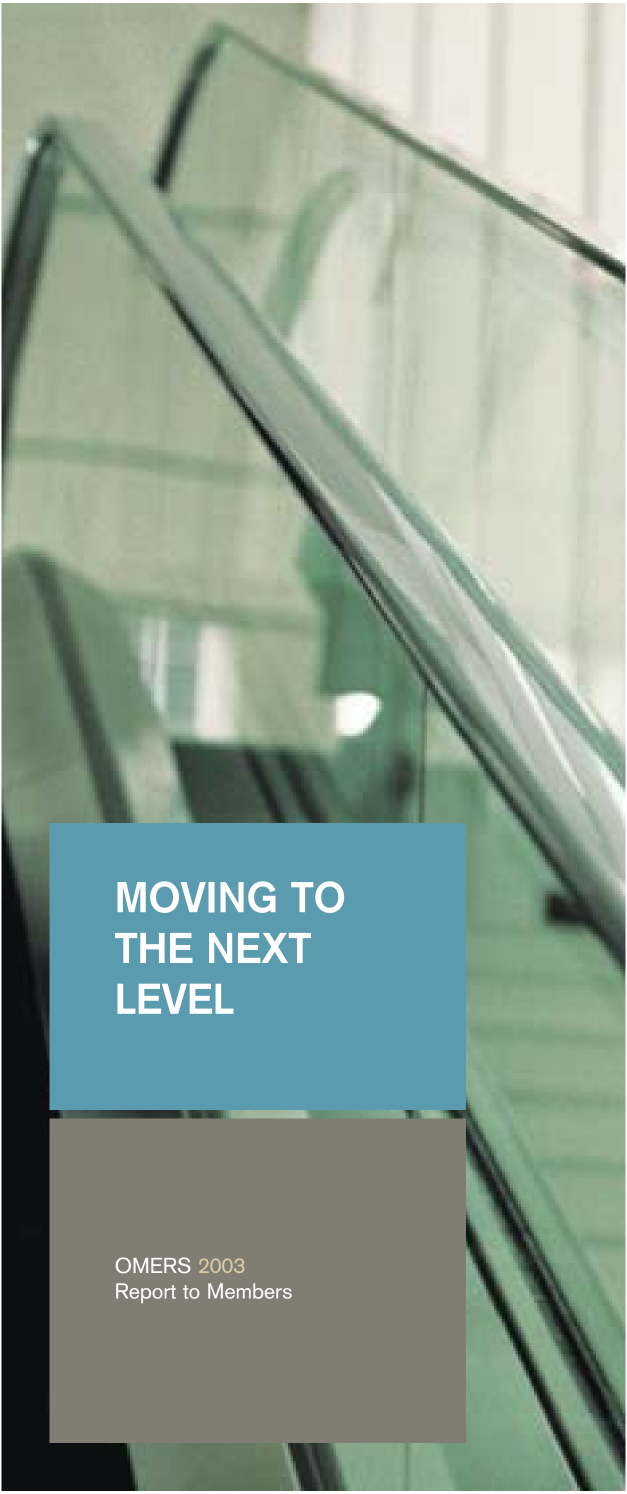


MOVING TO THE NEXT LEVEL

OMERS 2003
Report to Members

moving to the next level

In 1963, when the first members joined OMERS, there were about 8,000 active and 19 retired members, 160 employers and about $5 million in assets to invest on their behalf. In the past 40 years our membership and assets have grown exponentially. We now manage close to $33 billion in net investment assets on behalf of more than 340,000 members and about 900 employers. During the next 40 years, OMERS will continue to change and prosper in order to provide you, your family, and all our members with the secure pension benefits OMERS has consistently delivered since we first began.

We reported a 12.7 per cent return in 2003, a welcome recovery after two years of losses. Our net investment assets grew by $2.6 billion to a total of $32.7 billion by year-end. Because of writedowns and valuation adjustments on some of our real estate, private equity and infrastructure investments, as well as fund underperformance in Canadian equities, we didn't meet our overall investment benchmark. But our one-year and ten-year returns continue to exceed our funding requirement – the amount needed to pay pensions.

Pensions Secure but Challenges Remain

While OMERS is in a good financial position, like other pension plans, we're facing some challenges. We recorded a modest actuarial surplus for the basic plan of $509 million at the end of 2003, with pension obligations of $35.5 billion. But the surplus may soon be gone and our actuary tells us that OMERS could face a funding deficiency by the end of 2004.

There are several reasons for the rapid depletion of our surplus. The federally mandated contribution holiday that lasted from 1998 until the end of 2002 saved our active members and employers more than $5 billion, but this cash was not available to OMERS to pay pensions or to invest. We also enhanced benefits, including 100% inflation protection and better spousal benefits. Finally, we saw a decrease in assets because of the collapse of the equity markets from 2000 to 2003. As our

BILL RAYBURN ::
CHAIR

PAUL G. HAGGIS ::
PRESIDENT AND CEO

membership ages and the Baby Boomers begin to retire, we know our pension obligations will increase, so we're making plans to deal with these issues now.

The Board began acting to meet these challenges early in 2003, and initiated a comprehensive review of our asset mix policy one year ahead of the normal review cycle. With Paul's arrival as OMERS new President and CEO, OMERS began to look at other issues, such as how to best structure the organization to deliver the returns and the high quality service our members expect and determining what proportion of our assets should be managed in-house.

We concluded that OMERS needs to do things differently to take the plan to the next level. We need to concentrate on the quality of our balance sheet; structure ourselves with clear lines of accountability; ensure we have the right people with the right skills and the right attitude; and renew our efforts to understand and meet your needs.

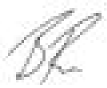
Investing for the Future

As a first step, in early 2004, we announced our new asset mix policy. We'll reduce exposure to less predictable publicly traded stocks and bonds, and concentrate more on alternative assets. This means maintaining our large real estate portfolio and shifting capital to private equities and infrastructure assets like energy companies, pipelines and bridges. We'll still be investing more than 60 per cent of our assets in public equities and fixed income assets. But we believe that allocating more capital to alternative assets will bring in strong, predictable returns and generate consistent cash flow to pay pensions.

In addition to the shift in asset mix, we'll also manage more of our assets ourselves. To add value and protect our members' interests, we'll assume more direct control of assets and ensure clear lines of accountability to the Board and senior management.

These initiatives will ensure that OMERS next 40 years are as successful as our first 40. As we enter a new period of positive change and growth, one thing will not change – our commitment to our members. You can continue to count on us to deliver high quality service and a guaranteed source of retirement income, now and in the future.

Paul G. Haggis
President and CEO



Bill Rayburn
Chair 2003

YOUR OMERS PLAN

OMERS provides pension services for 342,000 active, retired and deferred members and nearly 900 employers. It is a defined benefit pension plan that serves local government employees, funded by equal contributions from employees and the employers. In 2003, OMERS paid monthly pensions totaling almost $1.25 billion to 93,000 retired members and survivors – including the 6,300 members who began collecting benefits in 2003.

OMERS is committed to providing the best possible service to our members. We have dramatically improved turnaround times for key transactions and improved access through many web-based services.

COMPARISON TRANSACTION TIME FOR PENSION CLAIMS AND PENSION QUOTES

	Pension Claims Processed	Pension Quotes Processed
2001	10 days	17 days
2002	3 days	2 days
2003	2 days	2 days

Number of days reflects OMERS processing time only

Did you know…

> When you retire your pension provides guaranteed income for life based on your earnings and years of service in the plan.

> Your pension is based on your “best-five” consecutive years of earnings, not your last five or career average.

If your earnings decrease before you retire, OMERS will still use your best 60 consecutive months to calculate your pension.

- OMERS offers more than most other Canadian pension plans with annual inflation protection that is 100% of the Canadian Consumer Price Index.
- The OMERS spousal survivor benefit is the maximum allowed under federal law and tops most employer pension plans.
- You can choose to retire as early as 10 years before your normal retirement age.
- If you retire early, OMERS pays a supplementary bridge benefit to age 65 in addition to your lifetime pension.
- OMERS contribution rates are competitive with other major plans in Ontario and provide members with great pension value.

CONSOLIDATED STATEMENT OF NET ASSETS

(Millions)

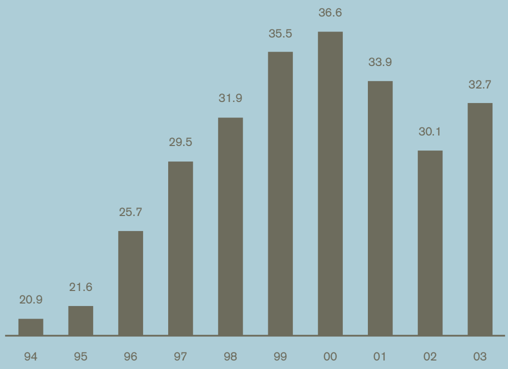
As at December 31, 2003	
ASSETS	
Total investments	$ 35,196
Amounts due from pending trades	349
Goodwill from corporate acquisitions	215
Other investment assets	279
Other assets	44
Total Assets	36,083
LIABILITIES	
Investment liabilities	2,769
Due to administered pension funds	496
Future income taxes	215
Amounts payable from pending trades	346
Other pension liabilities	164
Total Liabilities	3,990
NET ASSETS	$ 32,093

For a list of OMERS investments (as at December 31, 2003) go to www.omers.com or call 1 800-387-0813 or 416 369-2400.

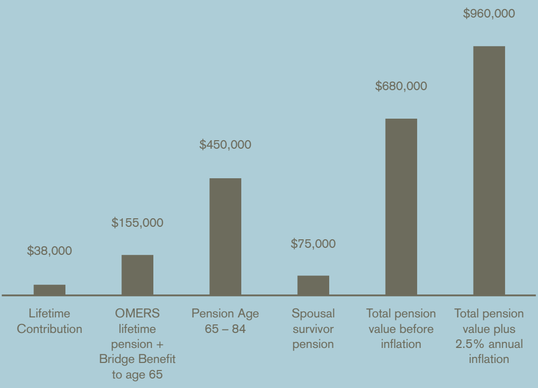
quick facts ::

NET INVESTMENT ASSET GROWTH FROM 1994 ::

Market Value *[$ Billions]*



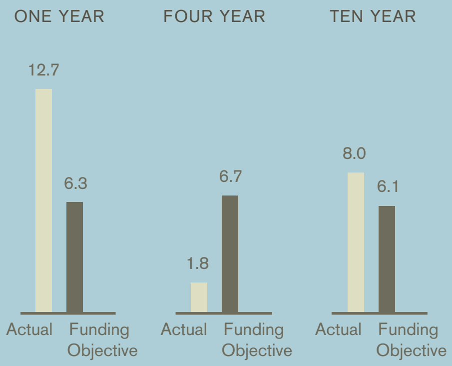
VALUE OF YOUR OMERS PENSION ::



A 60 year old member with 32 years of service, having paid $38,000 in contributions, would receive more than $900,000 in benefits.

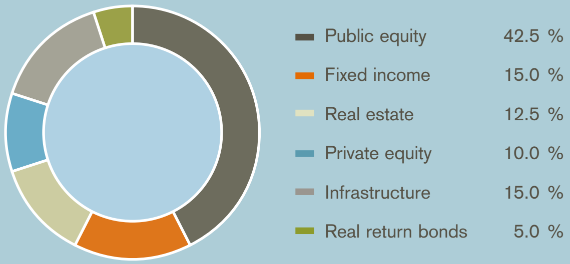
RATE OF RETURN VS. FUNDING OBJECTIVE ::

[%]



Long-term results continue to exceed our funding objective.

FUTURE ASSET MIX POLICY ::



Our diversified investment portfolio focuses on minimizing risk and generating stable returns.

Employer Representatives 2003

Bill Rayburn, Chair
County of Middlesex

Marianne Love
Association of Municipalities of Ontario

Frederick Biro
Peel Police Services Board

John Sabo
York Catholic District School Board

Dennis Neethling
Township of East Ferris

Walter Borthwick (until Dec. 2003)
Town of Wasaga Beach

Employee Representatives 2003

Rick Miller, Past Chair
Ontario Professional Firefighters Association

Peter Leiss
Canadian Union of Public Employees

David Carrington
Canadian Union of Public Employees

Susan O'Gorman
(until July 2003)
Ontario Nurses' Association

Dick McIntosh
Retired Member

David Kingston
York Regional Police

Peter Routliff (from July 2003)
International Brotherhood of Electrical Workers

Government of Ontario Representative

Nancy Bardecki

Senior Officers

Paul G. Haggis
President and CEO
Acting CIO

Michael Beswick
Senior Vice President
Pensions

Wayne Gladstone
Senior Vice President
Finance and Administration

Debbie Oakley
Senior Vice President
Corporate Affairs

Advisors to the Board

Actuary
Watson Wyatt Worldwide

Auditors
PricewaterhouseCoopers LLP

Legal Advisor
Osler, Hoskin & Harcourt LLP

Master Custodian
State Street Canada Inc.

Medical Advisor
Dr. D. Lewis

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OMERS
Plan for the Future