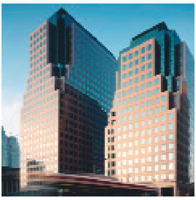


OMERS 2004

Report to Members

RESPONSIBLE ACCOUNTABLE SUSTAINABLE

OMERS is a unique plan and an equally unique organization. It has evolved and developed into a sophisticated investment operation, and most importantly, a highly skilled pension administrator for 355,000 members and about 900 employers.

Our primary purpose and the foundation of our business is our commitment to our members. Everything else is secondary to ensuring that pensions are secure.

DEFINING RESULTS

Our investment performance was strong for 2004. We earned a 12.1 per cent total fund rate of return, and exceeded our overall benchmark by 2.2 per cent, which means that our investment strategies and capabilities combined to add value to OMERS portfolio beyond the return generated by the markets. After allowing for inflation of 2.1 per cent, our 2004 real rate of return was 10.0 per cent, exceeding our long-term real return funding requirement of 4.25 per cent.

CONTROLLING OUR FUTURE

In 2004 we took the first steps toward implementing a number of initiatives to strengthen the plan when we began the process of shifting some of our assets into private market investment classes. These investments, such as infrastructure, private equity and real estate, tend to generate more stable returns and the steady cash flow required to pay pensions, regardless of returns in the public markets.

We now have five groups that focus on specific areas with specific expertise – pensions, public market investments, real estate (Oxford Properties Group), private equity (OMERS Capital Partners), and infrastructure (Borealis Infrastructure Corporation).

Although we made all of these changes, our overall investment management expenses were down 7.0 per cent in 2004, largely because we repatriated the management of infrastructure and private equity investments.

Pension Services

OMERS has one of the best service records among public sector plans – quarterly surveys show high overall satisfaction ratings from our customers. We regularly complete pension claims, quotes or other member-initiated service requests within three days and more than 90 per cent of information requests are fulfilled on first contact.

In 2004, OMERS paid monthly pensions totalling almost $1.4 billion to about 97,000 retired members and survivors – including the 6,631 members who began collecting benefits in 2004.

This past year we also expanded our web-based services for our employers and now over 70 per cent use the easier, faster and more accurate system to submit information to OMERS.

Public Market Investments

Although our asset mix will focus more on private market investments in the future, public market investments will continue to make up the majority of assets. Public market investments returned 10.3 per cent in 2004 and outperformed its overall benchmark by 0.8 per cent.

OMERS Capital Partners

During 2004, OMERS Capital Partners (OCP), which manages our investments in privately-held companies and funds, including GM Investment Corp. and TD Capital, earned a 12.5 per cent return, far exceeding our performance benchmark. In the past year, OCP funded nearly $600 million in new investments.

Borealis Infrastructure Corporation

With a full year of operation, Borealis earned an unusually high 31.0 per cent return in 2004 and contributing to OMERS strong overall performance. These returns are evidence that our internally managed focus on infrastructure investments is working well. These types of investments include pipelines, bridges and energy companies such as National Grid Transco in the United Kingdom.

Oxford Properties Group

With almost $11 billion in real estate investments under management, including co-owner properties, Oxford Properties Group continues to build a global platform for our real estate investments, which include office buildings, shopping centres, and residential properties.

In 2004, Oxford earned an 11.0 per cent return on invested capital. The results were buoyed by strong valuation trends and operational improvements.

CONTRIBUTION RATES

Over the last two years, the Fund's performance has exceeded our benchmarks. However, like most pension plans, OMERS must contend with growing liabilities. Despite our solid returns in 2003 and higher than predicted returns for 2004, we recorded a deficit of $963 million in 2004. The 2004 deficit and the deficits that we expect to record over the next few years are largely a result of lower returns and investment losses we experienced from 2000 to 2002 during the downturn in the markets, which are now being recognized in our plan valuation.

Based on current economic conditions, our independent actuary estimates that the funding deficit for the Basic Plan will increase to approximately $2.5 billion by the end of 2005. Under provincial legislation, we must file a plan valuation every three years and if there is a deficit, it must be funded over 15 years, beginning immediately. Because of the deficit situation and legal requirements, a contribution increase, while unfortunate, is inevitable. At this point, the Board anticipates an increase in contribution rates effective January 2006. This is not a measure taken lightly but it is a necessary step toward fulfilling the pension promise. We are aware of the impact any increase in rates has on our members and employers. A final determination of the amount will be made in the spring of 2005 and information will be widely distributed through our various communications vehicles.

OUTLOOK FOR OMERS

We're beating our benchmarks and beginning to see the benefits of our new investment strategy. OMERS biggest challenge for the next few years is to achieve the kind of asset growth we will need to meet future pension liabilities in the face of challenging demographics and moderate expectations for public markets.

OMERS is strong. Our history is proud and exemplary. Our future is founded on protecting yours. The pension promise is – and remains – secure.

Paul G. Haggis
President and
Chief Executive Officer

Frederick Biro
Chair

QUICK FACTS

CONSOLIDATED STATEMENT OF NET ASSETS

(Millions)

As at December 31, 2004

ASSETS		
Investments	**$**	**40,955**
Amounts due from pending trades		**228**
Other assets		**579**
Total Assets		**41,762**
LIABILITIES		
Investment liabilities		**5,219**
Due to administered pension funds		**553**
Amounts payable from pending trades		**219**
Other liabilities		**116**
Total Liabilities		**6,107**
NET ASSETS	**$**	**35,655**

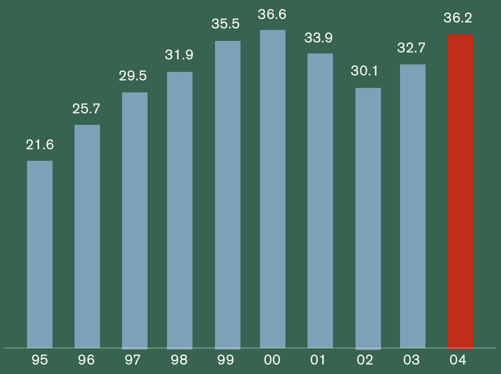
For a list of OMERS major investments (as at December 31, 2004) go to www.omers.com or call 416-369-2400 or 1-800-387-0813.

YOUR PLAN

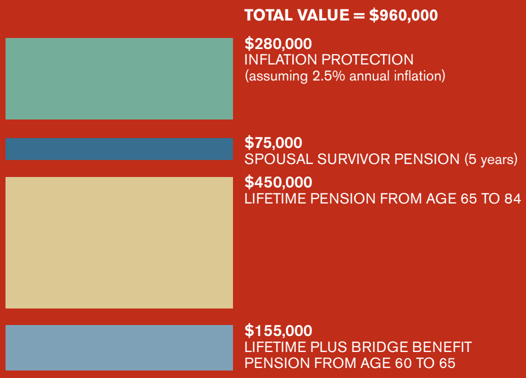
- When you retire your pension provides guaranteed income for life based on your earnings and years of service in the plan.
- OMERS offers annual inflation protection that is 100% of the Canadian Consumer Price Index.
- The OMERS spousal survivor benefit is the maximum allowed under federal law and tops most employer pension plans.
- You can choose to retire as early as 10 years before your normal retirement age and if you retire early, OMERS pays a bridge benefit to age 65 in addition to your lifetime pension.
- Your pension is based on your “best five” consecutive years of earnings, not your last five or career average.

NET INVESTMENT ASSET GROWTH FROM 1995

Market Value ($ Billions)



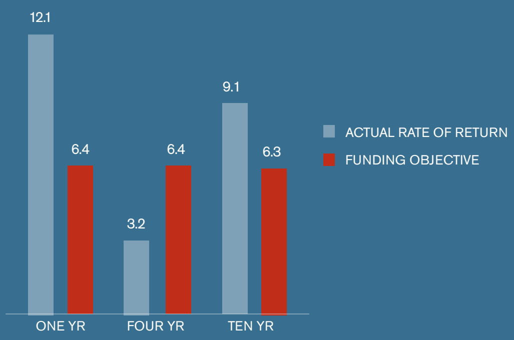
VALUE OF AN OMERS PENSION



A member who retires at age 60 with 32 years of service and “best five” salary of $48,000. Total contribution of $38,000 that was matched by employer. Total payments to member and surviving spouse, including inflation, is $960,000.

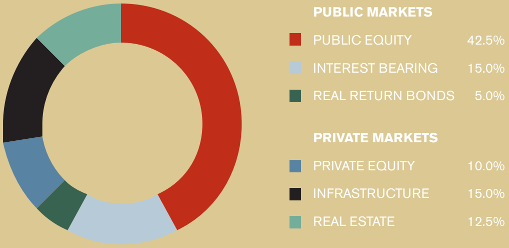
RATE OF RETURN VS. FUNDING OBJECTIVE

(%)



Long-term results continue to exceed our funding objective.

LONG-TERM ASSET MIX POLICY



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

SENIOR EXECUTIVE MANAGEMENT TEAM

Paul G. Haggis
President and CEO

Ian Collier
President and CEO
OMERS Capital Partners Inc.

Jennifer Brown
Acting Senior Vice President
Pension Division

Michael Latimer
President and CEO
Oxford Properties Group

Selma M. Lussenburg
Senior Vice President
and General Counsel

Michael Nobrega
President and CEO
Borealis Infrastructure Corporation

Debbie Oakley
Senior Vice President
Corporate Affairs

Flo Paladino
Vice President, Human Resources

Paul Pugh
Senior Vice President
Public Market Investments

Paul G. Renaud
Senior Vice President and CFO

Geoffrey Storms
Vice President, Internal Audit

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Medical Advisor
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OMERS
Plan for the Future

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GOVERNMENT OF ONTARIO REPRESENTATIVE

Vacant

CONTACT OMERS

One University Ave., Suite 700
Toronto, Ontario M5J 2P1

Tel: 416 369 2400
Toll-free 1 800 387 0813
E-mail: client@omers.com
www.omers.com

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