OMERS

Report to Members 2005

Lead
Be the leader in the pension industry.

Perform
Provide first-in-class investment management.

Serve
Deliver superior pension services to our members and employers.

Grow
Attract investment partners and other pension plans through our leadership.

Everything we do at OMERS is in pursuit of two main goals – achieving the asset growth we need to pay future pensions, and meeting the service needs of our members, employers and retirees. More than two years ago, in recognition of these goals, we launched a new investment strategy and restructured around five key lines of business. During 2004 and again in 2005, we began to see the results of this strategy at work.

STRONG RESULTS

For the third consecutive year OMERS recorded strong results. In 2005 the total fund return was 16.0%, a top quartile performance that exceeded our benchmark return of 13.2%, which means that our investment strategies combined to add value to OMERS portfolio beyond the return generated by the markets. This return is much higher than our long-term funding objective of 6.4%. After allowing for inflation of 2.2%, our real rate of return was 13.8%. Our strategy, executed by experienced professionals, created value for OMERS portfolio of more than $1 billion over and above our benchmark.

OMERS long-term investment strategy is to gradually increase our holdings in private equity, real estate and infrastructure from the current 19.8% to 37.5% of our assets, because we expect that these asset classes will outperform traditional stocks and bonds over the long term and provide more stable returns to help pay pensions.

OUR BUSINESS

OMERS has five operating 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).

Pension Services

Our pension services continue to lead the public sector pension industry. The reason for this is simple – business as usual for us means constantly improving the quality of service we provide and striving to exceed our service benchmarks.

In 2005, the pension division met or exceeded all of its performance measures. For example, OMERS continued to turn around benefits and pension estimates within a three-day target, to resolve more than 90% of inquiries at the first call, and to ensure pensions are paid reliably and promptly on the first banking day of each month. In 2005, OMERS paid monthly pensions totaling $1.4 billion to about 99,000 retired members and survivors. For the third straight year, OMERS success at controlling costs resulted in lower pension administrative expenses, which were down a substantial 16.0% from 2004.

Public Markets

Although we will shift increasingly to private market investments in the future, the public markets asset class, made up mostly of stocks and bonds, will continue to make up the majority of our portfolio. Public markets posted a solid return of 12.6% in 2005 due to strong returns in the Canadian public equity markets and the growth in global equity markets.

Real Estate

Oxford Properties Group owns retail, office, industrial and residential properties across Canada and around the world. In 2005, Oxford recorded a return of 26.0%. Some of the properties owned in whole or part by Oxford include One University Avenue, where OMERS has its offices, Yorkdale Shopping Centre, Square One Shopping Centre, BCE Place and Metro Centre in the greater Toronto area, as well as properties in Vancouver, Edmonton, Calgary, Winnipeg, Ottawa and Montreal.

Private Equity

OMERS Capital Partners manages our investments in privately-held companies and funds and earned a return of 23.2% in 2005. Investments in companies include the Cookie Jar Group of Companies (formerly CINAR), which produces children's entertainment, and Give and Go Prepared Foods, a Toronto-based wholesale bakery whose products include the popular Two-Bite Brownies™. OMERS Capital Partners also manages a portfolio of 47 fund relationships with fund managers including Texas Pacific Group, Berkshire Partners, and Credit Suisse First Boston.

Infrastructure

Borealis Infrastructure identifies, invests in and manages infrastructure assets like bridges, energy companies and pipelines on behalf of OMERS. In 2005 Borealis Infrastructure earned a return of 23.2%.

Borealis Infrastructure manages the largest portfolio of energy generation assets in Canada, including a major investment in Bruce Power. As well, it manages OMERS interest in Enwave, which owns and operates a deep lake water cooling service that provides environmentally-friendly air conditioning to office buildings in Toronto's downtown core. Other investments under the Borealis banner include Confederation Bridge, linking Prince Edward Island and New Brunswick, and an interest in a pipeline system that exports crude oil from Alberta to the mid-west United States.

THE PLAN'S FUNDING STATUS

Every year, an independent actuary determines the Plan's funding status by comparing the value of invested assets to the value of pension benefits that members have earned to date. Although OMERS posted a third year of strong returns in 2005, the actuarial deficit in the Basic Plan increased to $2.8 billion at year end.

This increase in the deficit is due in part to the actuarial smoothing of investment returns. This means that a portion of the losses that occurred during the market downturn in 2001 and 2002 were recognized in 2005 and a portion of the gains of the past three years are deferred to the future. In addition, member salary increases and the annual inflation increase for pensioners that were higher than anticipated, and changing demographic factors all contributed to the deficit.

OMERS is not the only plan facing a deficit – all major public sector plans are in a similar position. The inevitable peaks and valleys of the various markets in which we invest, as well as changing demographics and other factors, mean that OMERS will sometimes record a deficit. However, we are confident that our investment strategy, combined with the new contribution rates will, over time, reduce the deficit and return the Plan to fully-funded status.

THE NEW OMERS ACT

The new OMERS Act (Bill 206) was passed by the Ontario legislature on February 23, 2006. The Act will take effect upon Proclamation, which is expected later this year. The legislation establishes a new and independent governance model for OMERS and gives employees and employers more control over the Plan. The existing OMERS Board – the corporation that has the responsibility to administer the Plan and invest its funds – will continue as the OMERS Administration Corporation. A Sponsors Corporation replaces the Ontario government as the Plan's sponsor with authority for plan design, benefit changes and setting contribution rates. Both of these Boards will be made up of an equal number of member and employer representatives.

The new OMERS Act will change our governance structure, but OMERS strong and effective accountability structure will remain intact. Under this legislation, no one has the authority to reduce existing pensions to retired members. Like all pension plans, OMERS will remain subject to the same federal and provincial laws that regulate investment limits to minimize risk and protect the interests of members.

OMERS IS STRONG, PENSIONS ARE SECURE

Our investment returns again this year were in the top 25% of pension funds in Canada. These exceptional results demonstrate that our reorganization and strategic direction are working. OMERS has the right people and the right strategies in place to keep the pension promise and our members can rest assured that their OMERS pensions are secure.

Paul G. Haggis
President and
Chief Executive Officer

Frederick Biro
Chair

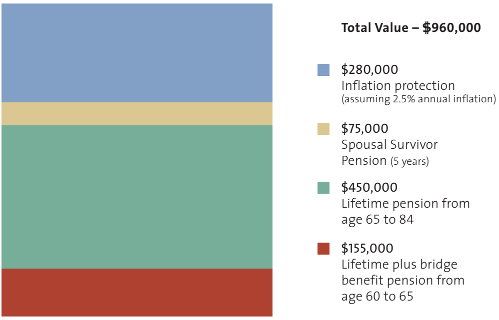
Quick Facts

CONSOLIDATED STATEMENT OF NET ASSETS

(Millions) As at December 31, 2005	
Assets	
Investments	**$ 51,586**
Amounts due from pending trades	**258**
Other assets	**705**
Total Assets	**52,549**
Liabilities	
Investment liabilities	**10,645**
Due to administered pension funds	**639**
Amounts payable from pending trades	**127**
Other liabilities	**73**
Total Liabilities	**11,484**
Net Assets	**$ 41,065**

For a list of OMERS major investments (as at December 31, 2005) go to www.omers.com or call 416-369-2400 or 1-800-387-0813.

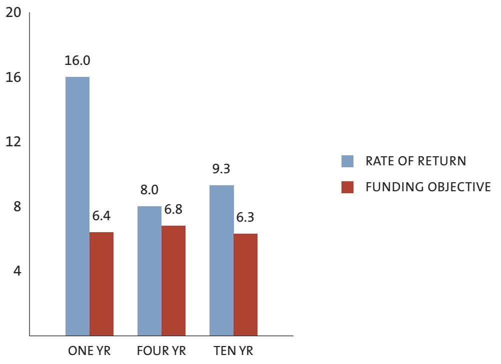
VALUE OF AN OMERS PENSION



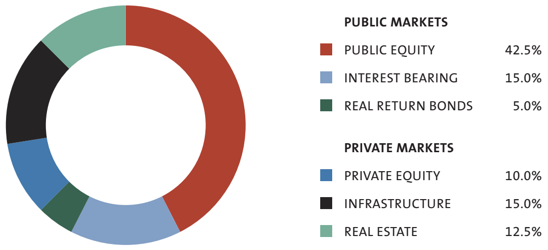
A member who retires at age 60 with 32 years of service and "best five" salary of $48,000. Total contribution of $50,000 was matched by employer. Total payment to member and surviving spouse, including inflation, is $960,000.

RATE OF RETURN VS. FUNDING OBJECTIVE

(%)

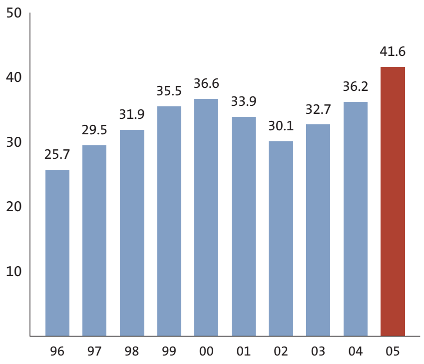


LONG-TERM ASSET MIX POLICY



NET INVESTMENT ASSET GROWTH FROM 1996

Market Value ($ Billions)



SENIOR EXECUTIVE MANAGEMENT TEAM

Paul G. Haggis
President and CEO

Jennifer Brown
Senior Vice President
Pensions

Michael Latimer
President and CEO
Oxford Properties Group

Selma M. Lussenburg
Senior Vice President
General Counsel and
Corporate Secretary

Michael Nobrega
President and CEO
Borealis Infrastructure

Debbie Oakley
Senior Vice President
Corporate Affairs

Flo Paladino
Vice President
Human Resources

Paul Pugh
Senior Vice President
Public Investments

Paul G. Renaud
Senior Vice President and CFO

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

OMERS members on the cover (left to right):
Pat Hofland, Senior Administrative Support, School Board
Steve Duncan, Driver/Loader Solid Waste
Sarita de Souza, Retired, Committee of Adjustments

OMERS
Plan for the Future

OMERS BOARD

EMPLOYER REPRESENTATIVES

Frederick Biro
Peel Police Services Board

Marianne Love
Association of Municipalities of Ontario

Ann Mulvale
Town of Oakville

Michael Power
Municipality of Greenstone

John Sabo
York Catholic District School Board

Cam Weldon
City of Toronto

MEMBER REPRESENTATIVES

David Carrington
Canadian Union of Public Employees

Richard Faber
Retired Member

David Kingston
York Regional Police

Rick Miller
Ontario Professional Fire Fighters Association

Peter Routliff
International Brotherhood of Electrical Workers

John Weatherup
Canadian Union of Public Employees

GOVERNMENT OF ONTARIO REPRESENTATIVE

Vacant

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