



2011 REPORT TO MEMBERS

OMERS IN FOCUS

OMERS

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AT THE END OF 2011, OMERS HAD:

419,007

MEMBERS

...including all members (active, retired, deferred and inactive) and survivors

947

EMPLOYERS

...including municipalities, school boards, libraries, police and fire departments, children's aid societies, and other local agencies throughout Ontario

56

PENSIONERS

...who are over 100 years old; just five years ago we had only 22

137,600

CALLS

...to OMERS Client Services

771,000

VISITS

...to OMERS website

57,000

REGISTERED USERS

...for myOMERS

5,100

MEMBERS

...who made additional voluntary contributions and had accumulated approximately \$94 million in their AVC accounts

A MESSAGE FROM MICHAEL NOBREGA

DESPITE A YEAR that saw continuing upheaval in the global credit and stock markets, OMERS was able to mitigate the impact of the global market turbulence and post positive earnings for 2011.

OMERS achieved this by being a very prudent user of debt in our investments and also being a responsible long-term investor. With a multi-decade payout obligation, our goal is to stabilize long-term performance at an acceptable level as we move forward with a strategy that anticipates over a five-year planning cycle how disruptive market changes will impact our future. Managing the continuing volatility in global equity markets continues to be a top priority in 2012.

One-year returns tell an incomplete story. Our commitment to over 419,000 plan members is to deliver pension benefits over their retirement years. To stabilize performance at a level that fully funds the Plan, we began to shift capital from public to private markets in 2004, when 82% of the Fund was invested in stocks, bonds and related securities and the rest in privately owned assets such as real estate and infrastructure. By 2011, the Plan was much better balanced with 58% invested in public markets and 42% in private market assets.

This capital shift to private assets is designed to reduce exposure to volatile stock markets by acquiring private investments that generate reliable and rising cash flows to pay pensions. The OMERS Administration Corporation (OAC) Board and Management are currently conducting their regular triennial asset/liability study that takes the long view on the rising cost of pension benefits and the adjustments that may be necessary to the asset mix policy.

We are confident that our strategic initiatives and innovations in OMERS Strategic Plan (highlights are available on omers.com) and the risk measures embedded in our enterprise-wide investment approach will enable OMERS to successfully manage the continued turbulence in the global markets and underpin the security of the pension promise to our plan members.



MICHAEL NOBREGA

President and Chief Executive Officer
OMERS Administration Corporation

OMERS was established in 1962 as the pension plan for employees of local governments in Ontario. On June 30, 2006, the *Ontario Municipal Employees Retirement System Act, 2006* (the OMERS Act) came into effect. The Act continued the Ontario Municipal Employees Retirement Board as the OMERS Administration Corporation (OAC) and created the OMERS Sponsors Corporation (SC) to replace the Ontario government as Plan Sponsor.

OMERS Administration Corporation

OMERS Administration Corporation Board has 14 Board Members: seven plan member representatives and seven employer representatives. It is the Administrator of the OMERS Pension Plans.

The OAC Board is responsible for:

- appointing and overseeing the OAC management team;
- establishing investment and funding policies, asset allocation and managing the investments of OMERS Pension Plans' assets;
- overseeing pension services, administration and plan valuation; and
- appointing the OAC auditor and the actuary for the OMERS Pension Plans.

OMERS Sponsors Corporation

OMERS Sponsors Corporation is the Plan Sponsor of the OMERS Pension Plans and has 14 Board Members: seven plan member representatives and seven employer representatives.

Sponsors (such as plan members, employers and retirees, through their unions, associations and other organizations) appoint the Board Members of the SC and, since June 30, 2009, the SC appoints OAC Board Members based on nominations of sponsor organizations.

The SC is responsible for:

- determining plan design for benefits to be provided by the OMERS Pension Plans;
- setting contribution rates for members and participating employers;
- establishing or changing a reserve to stabilize contribution rates; and
- setting compensation levels and appointment protocol of SC and OAC Board Members.

2011 FINANCIAL OVERVIEW



INVESTMENT PERFORMANCE

Through a diversified, global asset base, the OMERS Primary Plan generated a positive investment return of 3.17% in 2011, earning total investment income of \$1.7 billion and exceeding the benchmark of 2.52%. The net assets of OMERS Administration Corporation grew to \$55.1 billion at year end.

The recent financial crisis and recession saddled many governments (in particular, the U.S. and Europe) with unprecedented levels of debt as they attempted to stabilize the financial system and stimulate growth. While there were many events that disrupted the global economy, including a massive earthquake that caused a tsunami and subsequent nuclear incident in Japan and the Arab Spring which saw civil uprisings in many countries in the Middle East, financial headlines were dominated by the sovereign debt crisis in Europe.

OMERS has continued an overweighted fixed-income strategy to preserve capital in light of the global economic uncertainty and to maintain adequate liquidity to meet the funding requirements. This strategy has mitigated the losses which have occurred in the public markets in the latter half of 2011.

High volatility in public markets has significantly impacted OMERS Capital Markets returns for the year as negative returns in most equity markets resulted in a return of -0.22%, below the benchmark of 1.26%. The total private markets return of 8.20% exceeded the benchmark of 4.50% across all private market investments and demonstrates the effectiveness of the asset mix and direct drive management components of the Strategic Plan. In 2003, we adopted an asset mix policy of allocating a greater portion of our asset mix to private market investments. Since that time, the Plan has earned \$24.8 billion in total investment income and an average annual investment return of 7.48% despite significant losses sustained in 2008 and the mostly negative returns in public equity markets in 2011.

ASSET MIX STRATEGY

One of our key investment strategies is to maintain a long-term asset allocation weighted 53% to public market investments and 47% to private market investments. At the end of 2011, private market investments comprised 42.4% of our asset mix compared with 38.3% at the end of 2010.

Given the volatility and the related impact of the global equity markets on the value of our public market investments, our investment professionals manage our asset mix exposure, constantly monitoring our long-term targets in each asset class so that the Plan is positioned for future growth. In order to facilitate this management process, the OAC Board approves the allocation of net investment asset exposure between the public and private markets.

OMERS Primary Plan Rate of Return and Benchmark

For the year ended December 31,		2011	2010	
	Rate of Return	Benchmark	Rate of Return	Benchmark
OMERS Capital Markets	- 0.22%	1.26%	11.04%	10.11%
OMERS Private Equity	7.23%	- 5.58%	22.21%	28.05%
Borealis Infrastructure	8.79%	8.00%	10.10%	8.50%
Oxford Properties	8.40%	6.83%	7.51%	6.65%
OMERS Strategic Investments	7.24%	6.90%	7.65%	7.00%
Total Primary Plan Fund	3.17%	2.52%	12.01%	11.47%

The Primary Plan annual average rate of return and benchmark over the last one, three, eight and ten-year periods are shown in the table below:

	1-year	3-year	8-year	10-year
Annual Rate of Return	3.17%	8.51%	7.48%	6.43%
Benchmark	2.52%	8.61%	6.55%	5.91%

ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Additional Voluntary Contributions or AVCs initiative was successfully launched on January 1, 2011. At its first anniversary, members had accumulated approximately \$94 million in their accounts.

The net annual rate of return credited to the AVCs for 2011 was 2.59%. AVCs earn the annual investment return of 3.17% generated by OMERS investment portfolio less the investment management expense of 0.58% which is pro-rated for the portion of the year that funds were in the AVC account. Investment management expenses, including external manager performance fees, represent an investment management expense ratio of 58 basis points for the year ended December 31, 2011 compared to 64 basis points for 2010.

OMERS ADMINISTRATION CORPORATION

FINANCIAL INFORMATION

FINANCIAL POSITION

(millions)

As at December 31,

	2011	2010
Net Assets Available for Benefits		
Public markets	\$ 32,154	\$ 34,123
Private equity	7,753	6,633
Infrastructure	9,635	9,593
Real estate	14,516	12,599
Total investments	64,058	62,948
Other investment-related assets and liabilities	(8,356)	(8,983)
Net investment assets	55,702	53,965
Due to administered funds	(828)	(809)
Net non-investment-related assets	209	193
Net Assets	\$ 55,083	\$ 53,349
Accrued Pension Obligation and Deficit		
Primary Plan		
Defined Benefit Component		
Accrued pension obligation	\$ 64,548	\$ 60,035
Deficit		
Funding deficit	(7,290)	(4,467)
Actuarial value adjustment of net assets	(2,337)	(2,278)
	(9,627)	(6,745)
	54,921	53,290
Additional Voluntary Contributions Component		
Pension Obligation	94	-
	55,015	53,290
Retirement Compensation Arrangement		
Accrued pension obligation	504	468
Deficit	(436)	(409)
	68	59
Accrued Pension Obligation and Deficit	\$ 55,083	\$ 53,349

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(millions)

For the year ended December 31,	2011	2010
Net assets available for benefits, beginning of year	\$ 53,349	\$ 47,832
Changes due to investment activities ⁽ⁱ⁾	1,363	5,384
Changes due to pension activities ⁽ⁱⁱ⁾	371	133
Net Assets, End of Year	\$ 55,083	\$ 53,349

(i) Includes AVC income 2011: \$2 million, 2010: nil.

(ii) Includes AVC net pension activity 2011: \$92 million, 2010: nil.

CHANGES IN PENSION OBLIGATIONS

(millions)

For the year ended December 31,	2011	2010
OMERS Primary Pension Plan		
Defined Benefit Component		
Accrued pension obligation, beginning of year	\$ 60,035	\$ 54,253
Interest accrued on benefits	3,904	3,601
Benefits accrued	2,434	2,211
Benefits paid	(2,375)	(2,121)
Experience losses	560	491
Changes in actuarial assumptions and methods	(10)	1,600
Accrued pension obligation, end of year	64,548	60,035
Additional Voluntary Contributions Component		
Additional voluntary contributions obligation, beginning of year	-	-
Contributions	93	-
Withdrawals	(1)	-
Attributed Net Investment income	2	-
Management/administration fee	-	-
Additional voluntary contributions obligation, end of year	94	-
	\$ 64,642	\$ 60,035
Retirement Compensation Arrangement		
Accrued pension obligation, beginning of year	\$ 468	\$ 486
Interest accrued on benefits	15	16
Benefits accrued	24	24
Benefits paid	(7)	(5)
Experience losses	4	5
Changes in actuarial assumptions and methods	-	(58)
Accrued pension obligation, end of year	\$ 504	\$ 468

PLAN FUNDING



Over time, defined benefit pension plans such as OMERS will cycle through periods of surplus and deficit. When a plan's estimate of pension obligations is greater than the value of its net assets, it is considered to be in deficit.

Public and private sector pension plans around the world have reported steep funding shortfalls, in most cases as a result of the 2008 global credit crisis and related stock market collapse. The OMERS Primary Pension Plan did not escape the losses of 2008, the ongoing European debt crisis in 2011, and the increasing actuarial liabilities. Fortunately, the commitment to prudent investing somewhat softened the market shock, leaving the Plan in better financial shape than many others.

Still, OMERS faces a funding challenge that has to be addressed.

The OMERS Primary Pension Plan defined benefit component (the "Plan") has \$54.9 billion in net assets available for benefits and its current funding deficit on a smoothed basis stands at \$7.3 billion, as at December 31, 2011. Based on the year end actuarial value of net assets, the Plan is approximately 89% funded – that is, it has \$89 in assets for every \$100 of long-term pension obligations.

OMERS Sponsors Corporation has a policy, the Statement of Plan Design Objectives and Strategy, that governs decisions on contribution rates and benefits during cycles of deficit and surplus. This Statement outlines strategies for deficit management (less than 100% funded), reserve management (100 to 110% funded), and surplus management (more than 110% funded).

In terms of OMERS ability to pay pensions every month, the Plan continues to be healthy. In 2011, the Plan,

- collected \$2.7 billion in contributions;
- paid out \$2.4 billion in benefits; and
- has over \$54.9 billion in net assets.

The strength of OMERS financial position is also reflected in our triple "A" credit rating given by two leading credit rating agencies.

Our three-part strategy, incorporating contributions, benefits and investment initiatives will continue to move the Plan back to a fully funded position.

THE THREE-PART, MULTI-YEAR STRATEGY

Not only are we driven to do so, we are required by legislation to take steps to get net assets back to 100% of the Plan's accrued pension obligation. OMERS three-part, multi-year strategy to address the funding shortfall includes:

1. Temporary contribution increases

Increases averaging a total of 2.9% of a member's pensionable earnings (equally matched by their employer) are being phased in over three years.

2. Temporary benefit changes

Starting in 2013, there will be changes to the calculation of benefits members receive if they terminate employment before they are eligible for an early retirement pension – before age 55 for normal retirement age 65 members, and before age 50 for normal retirement age 60 members. The changes will only impact service entitlements accrued after 2012. These plan members will not receive pre-retirement inflation protection; nor will they receive subsidized early retirement. These changes will reduce the Plan's cost over the long term.

There will be no change in the benefit entitlements of current retirees, survivors or active members who stay in the Plan until their early retirement date.

OMERS pension formula, inflation protection in retirement, survivor benefits, disability benefits, and the benefits of current retirees are not affected.

More information on the benefit changes can be found on www.omers.com.

3. Investment strategy

A key element of our strategy is to reduce the Plan's exposure to stock markets that are expected to be highly volatile in the next several years. We have improved our capabilities in global macroeconomic research and financial analysis so that we can better anticipate market trends and continue to pinpoint investment opportunities.

Since 2004, OMERS has been gradually shifting capital into private markets that can generate predictable, sustainable returns. Also, we are making significant progress in actively managing an increasing proportion of our investments – at December 31, 2011, 83.8% of total fund assets were managed internally.



Plan design and funding of the OMERS Pension Plans is crucial to ensuring the Plans remain affordable and sustainable to fulfill the pension promise for the long term. In 2010, the SC established a strategy to address the funding deficit related to the losses incurred in 2008. Despite turbulent markets, the strategy continues to be effective. Although our funding position has changed, our multi-year strategy is on course and continues to support the long-term viability of the Primary Plan. This strategy calls for temporary contribution increases averaging 2.9% over three years and benefit changes in the final year for members who leave the plan before they qualify for early retirement.

Like most other pension plans, OMERS is currently dealing with a funding deficit in its Primary Plan. On January 1, 2011, we implemented the first phase of our strategy – increasing contributions to ensure the Fund received an additional 1% in contributions from both members and employers. During 2011, decisions were made on the second phase of our strategy and contribution rate increases were established for 2012 with agreement that an independent review of principles for allocating contribution rates would be undertaken. Contribution rates for 2013 will be announced once we have studied the results of the review.

A review of our other plans resulted in changes to enhance the funding flexibility in our Retirement Compensation Arrangement (which pays benefits over and above the maximum payable under the Primary Plan) and changes to the contribution rates for the Supplemental Plan for Police, Firefighters and Paramedics.

Governance was also an important focus for us this year. We reviewed our Board and Committee structure, confirmed the existing Co-Chair structure and amended the way we appoint Committee Chairs to ensure appropriate balance and succession for the SC Committees. Our training and education program for Board members was updated to provide a robust, cost-effective program for both new and existing members.

Independently and jointly, the SC Board and OAC Board reviewed and discussed Board governance, decision-making processes and Board compensation structures.

As always, the SC works in partnership with the OAC to keep your plans healthy and viable.

Ensuring governance and decision-making practices support the health and long-term viability of the OMERS Pension Plans.

FINANCIAL POSITION

As at December 31,	2011	2010
Total Assets	\$ 2,580,334	\$ 2,683,338
Total liabilities	137,336	249,885
Net assets	2,442,998	2,433,453
Total Liabilities and Net Assets	\$ 2,580,334	\$ 2,683,338

OPERATIONS

For the year ended December 31,	2011	2010
OAC expense reimbursement and interest income	\$ 1,958,003	\$ 2,020,470
Expenses	1,948,458	2,024,868
Excess/(Deficit) of Revenues Over Expenses from Operations	\$ 9,545	\$ (4,398)

OMERS PENSION SERVICES

Our professional services approach in OMERS Pension Services maintains our high service standards and positions us for future growth in an era of pension reform.



In a complex environment of changing plan demographics, shifting regulations, and wide-reaching pension reform initiatives, OMERS Pension Services has developed a flexible, innovative and efficient service model to meet the needs of members and employers.

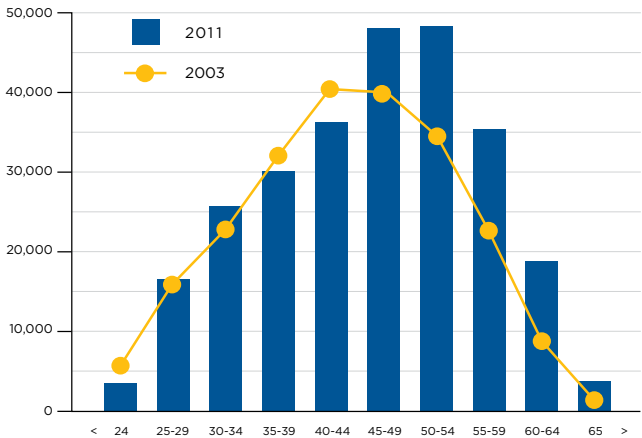
2011 brought a change to the structure of our business operations where we strengthened our internal working teams of committed professionals and provided them with new skills to position ourselves to better serve our members and employers.

As total membership grows and the demographics continue to shift with more “baby boomers” retiring, we remain dedicated to service quality and regularly monitor our results. At year end, OMERS client satisfaction survey showed that 88% of the people we served rated us as 4 or 5 out of a score of 5 with respect to overall satisfaction.

AN AGING MEMBERSHIP

The number of active members 45 years of age and older has increased from 48% in 2003 to 58% in 2011. This aging membership increases the contributions required to fund benefit payments.

ACTIVE MEMBERS BY AGE



Our focus on innovation is a key element of our support of OMERS 2011-2015 Enterprise-Wide Strategic Plan

A key 2011 accomplishment was the re-engineering of our buy-back process, to simplify the way members can receive information on the contributions they would be required to pay in order to purchase past OMERS service or past service from another pension plan. Purchasing service may allow members to retire sooner and/or with an unreduced pension.

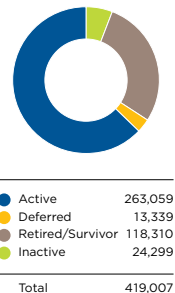
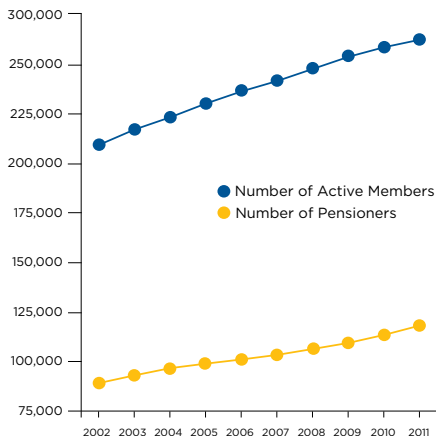
We have expanded our Client Services department so we can be more proactive in our communications. Last year, we placed over 200,000 calls to members to share information about our newest offering – AVCs (Additional Voluntary Contributions). The first year of the program was a success, with over 5,100 participants and more than \$94 million in net assets by year-end. See pages 14 and 15 for more information about AVCs.

As part of our service commitment, we continue to develop and improve electronic and online options for members and employers. Approximately 57,000 members have registered for the myOMERS secure site. myOMERS is like online banking and gives members 24/7 access to their pension information. Our employer newsletter is now created and delivered as an “e” version, with no print copies – saving production time and costs, and helping the environment. In 2011, we also enhanced the e-newsletter for retired members and undertook a pilot test to prepare for launching an e-newsletter for active members.

GROWTH IN NUMBER OF PENSIONERS AND ACTIVE MEMBERS

MEMBERS' PROFILE

As at December 31, 2011



ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

January 1, 2012, marks the one-year anniversary of Additional Voluntary Contributions (AVCs). This retirement savings and investment opportunity is available exclusively to members of the OMERS Primary Pension Plan who want to invest additional contributions in the OMERS Fund.

AVCs enable members to earn the investment returns generated by OMERS global portfolio on their personal savings, in addition to their defined benefit provided by the Primary Plan. Funds in an AVC account earn the OMERS Fund rate of return, less an investment management expense. This is attractive for members who do not want to make their own asset allocation decisions and are seeking long-term growth with moderate volatility, through diversification of asset classes.

In 2011, funds in an AVC account earned 2.59%*. An annual administration fee of \$23 per account also applies, which remains unchanged for 2012.

AVCs are similar in some ways to a registered retirement savings plan, but they are part of the OMERS Primary Plan. Since AVCs are intended for retirement savings, participants are invited to carefully consider how this investment option fits their investment philosophy and risk tolerance. Typically, an investment vehicle like an AVC account is held for many years so those investing in the product can reap the rewards of its long-term growth. Options for members to withdraw funds from their AVC accounts are available but are more restrictive than those permitted by RRSPs.

Members enrolled in the AVC program receive an AVC annual statement with details of their contributions and transfers and the rate of return. Participants who are registered with myOMERS will receive an email notification advising that their statements are available online.

* Returns for individual accounts are pro-rated for the portion of the year that the funds are in the account



Since the launch of AVCs in 2011, over 5,100 OMERS members have chosen to participate.

TRANSFER WINDOW FOR AVCs IS OPEN

The 2012 window for transferring funds to an AVC account is open until April 30. To participate in AVCs, any Plan member can transfer funds from other registered retirement savings vehicles to an AVC account during the transfer window.

AUTOMATIC CONTRIBUTIONS

Active members can also set up automatic contributions using pre-authorized debit at any time of year. Automatic contributions have a minimum contribution level of \$20 biweekly or \$40 monthly, and participants can modify or stop their contributions at any time. Automatic contributions are tax-deductible in the year they are made.

WITHDRAWALS

Active members may withdraw a maximum of 20% of their prior year-end account balance per year, subject to a minimum of \$500, during the March/April withdrawal window.

At retirement, or upon leaving their OMERS employer, members may withdraw all or some of their AVC funds within the first six months, or during the March/April withdrawal window each year thereafter.

ARE AVCs RIGHT FOR YOU?

While OMERS welcomes all eligible members to participate, an AVC account may not be the right fit for everyone. We encourage you to review the AVC guide, *Consider the AVC Option*, and the Terms of Participation as well as talk to a qualified, financial adviser whom you trust.

HOW TO GET STARTED

Visit our website where you can sign up for myOMERS and set up an AVC account by completing the AVC registration forms to transfer funds or to start automatic contributions. If you need assistance, you can call us and speak to a Client Services representative. Read more in the guide, *Consider the AVC Option* and the Terms of Participation at www.omers.com.

OMERS LISTENS

OMERS is focused on delivering new products to our membership. OMERS listens to member needs – the AVC program is one example, where we responded to member requests.

For U.S. residents only: Neither the OMERS Primary Pension Plan nor the Additional Voluntary Contribution provision thereof (the AVC Option) is registered with the U.S. Securities and Exchange Commission. They are offered and sold in the United States pursuant to an exemption from such registration.



Our investment entities—OMERS Capital Markets, OMERS Private Equity, Borealis Infrastructure, Oxford Properties Group and OMERS Strategic Investments—fall under the OMERS Worldwide brand. Operating under the OMERS Worldwide umbrella allows each organization to maintain the strong individual brands they have developed over many years, while at the same time becoming more closely aligned with OMERS.

OMERS today has a strong investment management team of professionals dedicated to managing defined asset classes and subclasses. OMERS Capital Markets manages public market investments; OMERS Private Equity, Borealis Infrastructure and Oxford Properties Group manage the majority of OMERS private market investments.

A portfolio of publicly traded assets positioned for long-term growth



OMERS Capital Markets (OCM) manages OMERS public markets investment portfolio of bonds and other interest-bearing assets, and publicly traded equities in Canadian and global financial markets.

For 2011, the OCM return of -0.22% is below the benchmark of 1.26%, largely driven by under-performance in Canadian public equities. OCM experienced a net investment loss of \$296 million in 2011 compared with net investment income of \$3,036 million a year earlier.

At December 31, 2011, OCM's net investment assets were \$30,357 million – compared to \$30,654 million at the end of 2010. This decrease is due to the funding of private market investments, in line with our Strategic Plan as well as the decline in the equity markets.

Interest bearing investments provide low-risk returns that offset the more volatile nature of publicly traded equities. As a result, they are a natural fit for a pension plan. In 2011, the interest bearing investments, excluding real return bonds, generated total investment income of \$1,083 million (2010: \$733 million). Real return bonds generated total investment income of \$270 million (2010: \$167 million).

Canadian public equity holdings generated a total investment loss of \$1,120 million in 2011 (2010: income of \$1,128 million) while non-Canadian public equities generated a total investment loss of \$338 million (2010: income of \$1,175 million).

Our long-term investment strategy is to increase direct active management of our investments. Over the past three years OCM has been building our team of investment professionals and our investment information systems to increase our capability to internally manage a larger portion of our non-Canadian equities. Since the program started three years ago, we have repatriated a net amount of \$3.7 billion from external managers.

OMERS asset mix exposure in public markets was 57.6% as the end of 2011, compared to the long-term target of 53.0%.

RATE OF RETURN AND BENCHMARK

	2011	2010	2009
Rate of Return	-0.22%	11.04 %	11.0 %
Benchmark	1.26%	10.11 %	13.5 %

Actively managing private equity investments for long-term value creation



OMERS Private Equity (OPE) has an investment strategy that focuses on making direct investments in companies where there will be a long-term active partnership with talented management teams.

When measured against its benchmark, OPE had an exceptional year, generating a return of 7.23% versus a benchmark return of negative 5.58%. The negative benchmark reflects the turmoil experienced by the global public equity markets which had a negative return this year. The valuation of the OPE investments are determined using publicly traded comparables. The rate of return this year is much lower than the 22.21% reported in 2010 when the results were impacted by the continued recovery of the global public equity markets following the meltdown that occurred in 2008. OPE reported net investment income of \$354 million in 2011 compared with \$941 million in 2010.

Strong operating performance from a number of OPE's direct portfolio investments mitigated some of the market decline and contributed to the positive performance against the benchmark.

During 2011, OPE's net investment assets increased to \$6,333 million, reflecting an increase in the market value of existing investments and net new investments made in 2011. A record \$1.6 billion of capital was deployed in 2011 in new and strategic follow-on investments. At the same time, \$1.2 billion of capital was returned through realizations — another record for OPE. The new direct investments in the year include the acquisition of Husky International Ltd., Accelerated Rehabilitation Centers, Great Expressions Dental and V.Group Limited.

OPE's strategic shift toward direct management of investments is on track to achieve their long-term target of having 80% of the portfolio in direct investments by 2015. As at December 31, 2011, 57% of OPE's portfolio is directly held and actively managed.

For a listing of our significant investments, please visit our website at www.omerspe.com or www.omers.com.

RATE OF RETURN AND BENCHMARK

	2011	2010	2009
Rate of Return	7.23%	22.21%	13.9%
Benchmark	-5.58%	28.05%	6.7%

A world leader in developing infrastructure investment as an asset class



Borealis Infrastructure (Borealis) manages infrastructure investments on behalf of OMERS and ranks as one of the world's most respected infrastructure investors. Borealis has a proven track record in identifying, investing and managing infrastructure investments around the world and has consistently outperformed its benchmark for the last seven years.

Infrastructure investing generally involves direct investments in inflation-sensitive assets that are crucial to the long-term success of a modern industrial economy. Individual investments generally require large up-front or near-term capital commitments and typically generate strong inflation-linked cash returns – a perfect fit for meeting our long-term pension obligations.

Borealis' investments generated net investment income of \$674 million in 2011, compared with \$693 million a year earlier. The 2011 gross rate of return before investment management expenses was 8.79%, compared with 8.00% for the benchmark and 10.10% in 2010. In addition, Borealis' investments generated a cash yield of 5.6% in 2011 compared to 5.4% in 2010 and a cash yield on operating investments of 7.4% in 2011 compared to 7.1% in 2010.

Borealis, with its investment partners, expects the refurbishment of Bruce Power's Units 1 and 2 to be completed in 2012. This project required a significant investment of development capital over the past few years without generating a corresponding operating return. Once refurbishment is completed, Bruce Power is expected to generate 25% of Ontario's electricity needs and increase cash flow to the Fund.

During 2011, Borealis' net investment assets increased to \$8,997 million from \$8,184 million in 2010.

Two significant debt refinancing arrangements were completed for Teranet and Associated British Ports in 2011. The Associated British Ports' refinancing was accomplished despite the challenging debt market conditions in Europe, and the success of both transactions illustrates the high quality of these investment assets.

For a listing of our significant investments, please visit our website at www.borealis.ca or www.omers.com.

RATE OF RETURN AND BENCHMARK

	2011	2010	2009
Rate of Return	8.79 %	10.10 %	10.9 %
Benchmark	8.00 %	8.50 %	9.0 %

World-class real estate investments that generate strong, sustainable cash flow from operations



Oxford Properties Group (Oxford) is one of North America's largest commercial real estate investment and management firms. Oxford's focus is to build a global platform for real estate investment, providing superior risk-adjusted returns and secure, sustainable and growing cash flows for the Plan.

The overall Oxford return increased to 8.40% in 2011, compared with a benchmark return of 6.83% and a 7.51% return in 2010. As at December 31, 2011, total assets under management were approximately \$19 billion, an increase of \$2 billion from 2010. Oxford is committed to growing our business without growing our environmental footprint. We have achieved our Target 2012 greenhouse gas reduction commitment ahead of schedule and Oxford has been ranked one of the top 10 out of over 200 real estate funds in the 2011 Global Real Estate Sustainability Benchmark study.

Oxford's net investment income is comprised of operating income from the leasing of real estate assets as well as the net gains and losses resulting from changes in the market value of real estate assets and liabilities. Oxford's net investment income increased from \$487 million in 2010 to \$610 million in 2011 primarily due to the impact of acquisitions and the completion of development projects, as well as higher occupancy throughout the portfolio.

Canadian assets continue to be the major part of the portfolio, however, Oxford is also actively pursuing a global investment strategy in targeted international markets including the U.S. and U.K.

For a listing of our significant investments, please visit our website at www.oxfordproperties.com or www.omers.com.

RATE OF RETURN AND BENCHMARK

	2011	2010	2009
Rate of Return	8.40 %	7.51 %	1.3 %
Benchmark	6.83 %	6.65 %	6.7 %

Building long-term strategic relationships, OMERS global footprint and strategic investment platforms worldwide



OMERS Strategic Investments' (OSI) mandate is to lead certain corporate strategic initiatives and to develop investment platforms which will position OMERS as a leading pension-based investment enterprise.

In 2011, OSI generated a gross investment return of 7.24% compared with the benchmark of 6.90%; however, net investment income was lower at \$121 million in 2011 compared to \$128 million in 2010. The lower income in 2011 is primarily due to the transfer of the portion of OMERS mortgage portfolio previously held by OSI to OMERS Capital Markets. Primarily for this reason, OSI's net investment assets decreased from \$2,143 million at December 31, 2010 to \$1,644 million at December 31, 2011.

A key part of OSI's mandate is to build long-term strategic relationships with like-minded global institutional investors and form strategic alliances that will enable OMERS to leverage its capital alongside new sources of co-investment capital.

OSI is building three investment platforms:

- The first is in the resource/commodities sector which is a major driver of Canada's long-term economic prosperity. OSI investments in this area include OMERS Energy/OMERS Energy Services and CEDA International, both based in Calgary, Alberta.
- The second platform is in organizations that help leverage expertise and knowledge in engineering, innovation and technology. This platform includes MMM Group, which is a Canadian-based company that provides engineering, project management, environmental and advisory services in more than 40 countries around the world. In addition, in 2011, OSI launched OMERS Ventures, which invests in technology, media, telecommunications, clean-tech and life sciences sectors in Canada throughout the lifecycle of a company.
- The emerging markets platform has been established to respond to the need to enter emerging/growth economies primarily in Latin America, South America and Asia in a cost-effective manner. The key investment in this platform is ADC & HAS Airports which is focused on airport operations and development in growing and important markets around the world.

RATE OF RETURN AND BENCHMARK

	2011	2010	2009
Rate of Return	7.24%	7.65 %	-1.2 %
Benchmark	6.90%	7.00 %	10.7 %



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