

OMERS IN FOCUS

The logo for OMERS, featuring the word "OMERS" in a bold, blue, sans-serif font. The letter "O" is stylized with a yellow-to-blue gradient.

2008 Report to Members

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In 2008, OMERS had...

390,295 members

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

921 employers

...including municipalities, school boards (non-teaching staff), libraries, police and fire departments, children's aid societies and other local agencies throughout Ontario.

35 pensioners

...who are over 100 years old

96,400 calls

...to OMERS call centre

657,000 visits

...to OMERS website

OMERS IN FOCUS

OMERS primary responsibility is to provide a strong and stable pension plan for all of our members in Ontario's municipal sector.

An OMERS pension is based on a member's years of service and earnings – not on the performance of the stock market.

Our commitment is to provide top-tier investment management, optimize investment returns without incurring undue risk, and deliver pension benefits at affordable cost to our current and future retirees.

Our mandate is to provide best-in-class pension services to plan members and employers.

OMERS is a major presence in Ontario: about 1 in 20 working people in Ontario is an OMERS member.

In 2008, OMERS made benefit payments totalling \$2.0 billion.





OMERS Pension Group

OMERS has one clear and overriding objective: paying the pensions of our current and future retirees. We work as a team to deliver best-in-class benefits to members.

Best-in-class Benefits

- OMERS pensions are based on a member's years of service and earnings.
- Members who retire early receive a bridge benefit until age 65.
- Inflation protection sustains the purchasing power of members' retirement income.
- In 2008, OMERS received \$2.0 billion in contributions from members and employers, and made benefit payments totalling \$2.0 billion.

Best-in-class Service

Our mandate is to provide best-in-class service to our members, retirees and employers. OMERS is widely recognized in the pension industry for our excellent pension plans and for our high standards of service.

A lot of our work is providing open channels of communication with a dedicated call centre; information and pre-retirement sessions for members

and employers across the province; our website; targeted newsletters; and gathering member feedback through surveys and focus groups.

Pension Plans

The OMERS Primary Pension Plan is a contributory defined benefit pension plan. Member benefits are determined by a formula based on earnings and years of service.

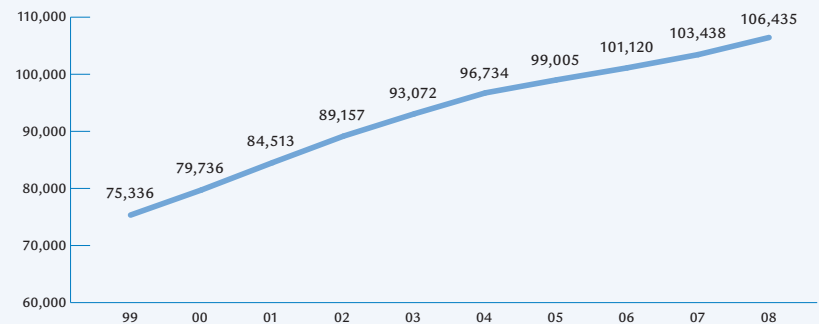
Equal contributions from members and employers finance about 30% of benefits, while the Plan's investment earnings finance the remaining 70% over the long term.

OMERS Supplemental Plan was implemented for members of the police sector, firefighters and paramedics as required by the *OMERS Act*. This separately funded, stand-alone registered pension plan offers benefits not available in OMERS Primary Plan.

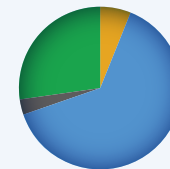
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NUMBER OF PENSIONERS

(Includes retirement and disability pensions and survivor benefits)



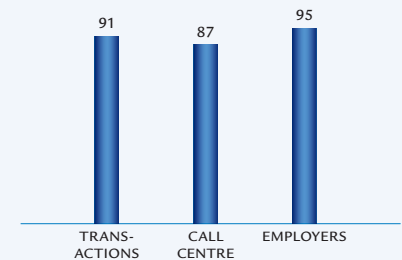
MEMBER PROFILE



Active	248,284
Deferred	12,184
Retired/Survivor	106,435
Inactive	23,392
Total	390,295

The total number of members in the Plan grew 2.6% in 2008.

SATISFACTION SURVEYS (%)



Percentage of respondents who rated OMERS '4 out of 5' or '5 out of 5' for service excellence. In 2008, we met or exceeded all the targets we use to compare our service to our peers. The client satisfaction survey results attest to our service commitment.

Investment Performance and Strategy

Investment Performance Overview

Our investment teams manage OMERS assets and follow tight risk management processes consistent with prudent investing – a cornerstone of any pension plan.

The economic downturn that affected markets around the world also had an impact on OMERS.

- The Plan posted a negative 15.3% total rate of return in 2008, compared with a positive 8.7% total rate of return in 2007.
- Net assets were \$43.5 billion at Dec. 31, 2008, down from \$51.5 billion in 2007.
- OMERS incurred a net investment loss of \$8.0 billion in 2008, compared with net investment income of \$3.9 billion in 2007.
- Total investment returns were below the funding requirement, returning the Plan to an actuarial deficit position at Dec. 31, 2008.
- Positive returns of 11.5% in infrastructure and 6.0% in real estate investments helped to offset the effect of market volatility on total returns.

Returns for 2008 and 2007 were as follows:

2008	2008		2007	
	Rate of Return	Benchmark	Rate of Return	Benchmark
(%)				
Public markets	-19.5	-19.5	2.6	1.5
Private equity	-13.7	13.5	18.7	11.6
Infrastructure	11.5	9.8	12.7	9.9
Real estate	6.0	8.3	22.9	7.8
Total Plan⁽ⁱ⁾	-15.3	-13.2	8.7	5.6

(i) Results of the Plan's currency overlay hedging program and the costs of hedging certain private market investments are included in the total return only. Where applicable, the 2007 returns have been restated to conform to the current year's presentation.

As a pension plan, OMERS primary focus is long term in order to pay pensions now and in the future. OMERS 4-year, 5-year and 10-year average rates of return all exceed their benchmark.

Rate of return, benchmark and funding requirement:

(%)	1-Year	4-Year	5-Year	10-Year
Rate of return	-15.3	5.6	6.9	5.6
Benchmark	-13.2	4.2	5.3	4.7
Funding requirement	5.4	6.1	6.1	6.4

Investment Strategy

Through our investment entities, we invest in several asset classes – public markets, private equity, infrastructure and real estate, in Canada and around the world.

In 2008, we introduced the OMERS Worldwide brand through which all our investment entities can have a direct recognizable connection to a larger global entity. Under the OMERS Worldwide banner, we opened an office in London, England that provides a base from which we can better access international markets.

We formed OMERS Strategic Investments with a mandate to pursue investments that will provide our investment entities access to global opportunities and build strategic relationships with like-minded institutional investors and business partners.

As part of our capital growth strategy, we are also examining options for managing other pension funds, and for offering additional financial products and services that many of our members have been asking for.

Asset Mix Strategy

Our asset mix strategy is based on the belief that over the long term, an asset mix with greater exposure to private market investments is better positioned to generate strong returns and consistent cash flow with reduced risk to meet the Plan's funding requirements.

As a result, our long-term asset mix strategy is to:

- Reduce our asset mix exposure to public market investments (e.g., public equities and interest bearing investments) to 57.5% of our net investment assets.
- Increase our exposure to private market investments to 42.5% of net investment assets.

At the end of 2008, our private market investments grew to 39.8% of our asset mix and public market investments had decreased to 60.2%.

Asset Mix

(%)	Dec. 31, 2008	Long-term asset mix target
Asset class		
Public markets	60.2	57.5
Private equity	8.5	10.0
Infrastructure	16.1	20.0
Real estate	15.2	12.5



OMERS Capital Markets

OMERS Capital Markets manages public market investments which include Canadian and non-Canadian investments in bonds, other interest bearing assets and publicly traded equities.

In 2008, public equity markets around the world saw unprecedented volatility and losses. This represented uncharted waters even for experienced investment professionals.

Against this backdrop, OMERS return on public market investments was negative 19.5%, consistent with the benchmark. The portfolio had a net investment loss of \$7.2 billion (compared with a 2.6% return and net investment income of \$782 million in 2007).

- Public market investment assets totalled \$28.8 billion at Dec. 31, 2008.
- Our asset mix exposure to public markets was 60.2% at the end of 2008 which is very close to the long-term target of 57.5%.

Significant Public Market Investments

- Government of Canada interest bearing securities
- Royal Bank of Canada
- EnCana Corporation
- Canadian Natural Resources

RATE OF RETURN AND BENCHMARK

(%)	2008	2007	2006
Rate of return	-19.5	2.6	16.2
Benchmark	-19.5	1.5	15.6



OMERS Private Equity

OMERS Private Equity was formerly known as OMERS Capital Partners.

OMERS Private Equity manages a portfolio of private equity investments on OMERS behalf. This portfolio is diversified by geographic market, industry sector and company size.

Despite solid operating performance in the majority of our investments, the global financial crisis contributed to a significant reduction in the mark-to-market valuation of private equities, resulting in returns of negative 13.7%.

OMERS will continue to pursue new investments and expand our global reach to ensure that we are positioned for future growth when markets recover.

OMERS investment strategy involves establishing partnerships with companies, directly or indirectly through international private equity funds. We look for well-managed private companies that need capital investment and strategic support to grow their businesses, and fund partners with a reputable investment team and a strong track record.

Significant Direct Investments

- Constellation Software Inc.
- Cookie Jar Group of Companies
- Give and Go Prepared Foods Corp.
- Golf Town
- Marketwire
- Maxxam Analytics
- Nelson Education/Cengage Learning

Significant Fund Investments

- APAX Partners
- Kohlberg Kravis Roberts & Co.
- ONEX
- TPG

RATE OF RETURN AND BENCHMARK

(%)	2008	2007	2006
Rate of return	-13.7	18.7	17.9
Benchmark	13.5	11.6	10.8





OMERS Strategic Investments

OMERS Strategic Investments was established in 2008 and operates internationally under the OMERS Worldwide brand.

OMERS Strategic Investments has a mandate to pursue opportunities for investments in a wide range of companies and global assets. OMERS Strategic Investments' goal is to develop strategic alliances with like-minded institutional investors which will provide us access to investment capital.

OMERS Strategic Investments draws on the strengths of all OMERS investment teams to create a global portfolio that fits in with OMERS direct drive active management strategy.

- As at Dec. 31, 2008, OMERS Strategic Investments had \$113 million in investment assets held in a private equity fund.
- Net investment assets represented about 0.3% of OMERS net investment assets.
- After start-up costs and investment management expenses, OMERS Strategic Investments incurred a net investment loss of \$3 million in 2008.



Borealis Infrastructure

Borealis manages infrastructure investments on behalf of OMERS and is a world leader in developing infrastructure investing as an asset class for institutional investors.

Infrastructure investing involves direct investments in inflation-sensitive assets that are critical to the long-term success of a modern industrial economy. These investments typically generate consistent annual cash flows; a perfect fit in meeting our long-term pension obligations.

Borealis has a proven track record in identifying, investing and managing infrastructure investments around the world and has delivered solid returns, outperforming its benchmark in each of the last three years.

The rate of return for Borealis in 2008 was 11.5%, beating its benchmark return of 9.8%. In 2008, infrastructure investment assets increased to \$12.1 billion, and

generated net investment income of \$596 million (compared with \$595 million in 2007).

The strong, stable returns generated by Borealis over the past three years affirm the success of our strategy of targeting 20% of the Plan's long-term asset mix to infrastructure investments.

Significant Investments

- Bruce Power
- Associated British Ports
- Scotia Gas Networks
- LifeLabs
- Ciel Satellite
- Teranet
- Oncor

RATE OF RETURN AND BENCHMARK

(%)	2008	2007	2006
Rate of return	11.5	12.7	14.0
Benchmark	9.8	9.9	10.8



Oxford Properties Group

Oxford Properties Group is one of North America's largest commercial real estate investment and real estate management firms. Oxford's world-class investments generate strong, sustainable cash flow with low volatility.

Oxford's return was 6.0% in 2008, compared to 22.9% in 2007. Rental income continued to improve in 2008, but the slowdown in the economy resulted in an overall decline in real estate market values.

Oxford's total real estate assets were valued at \$12.0 billion at Dec. 31, 2008, an increase of \$1.1 billion from 2007.

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. Oxford's strategy focuses on ownership and active management of assets, which are diversified by property type, geographic market, partner relationship and risk-reward profile.

At Dec. 31, 2008, Oxford's direct real estate portfolio consisted of 111 properties, with 88% of the portfolio (based on market value) invested in Canada, and the rest invested in the U.S., Germany and the U.K.

Significant Investments

- TD Canada Trust Tower, Toronto
- Square One Shopping Centre, Mississauga
- Oshawa Centre, Oshawa
- Oakridge Centre, Vancouver
- Watermark Place, London, U.K.

RATE OF RETURN AND BENCHMARK

(%)	2008	2007	2006
Rate of return	6.0	22.9	26.3
Benchmark	8.3	7.8	9.2



OMERS Administration Corporation

NET ASSETS

As at December 31 (millions)	2008	2007
Public markets	\$ 28,763	\$ 43,291
Private equity	4,162	3,608
Infrastructure	12,140	8,412
Real estate	12,037	10,904
Total investments	57,102	66,215
Other investment related assets and liabilities	(13,108)	(14,028)
Net investment assets	43,994	52,187
Due to administered funds	(672)	(800)
Net pension related assets	155	129
Net Assets	\$ 43,477	\$ 51,516

CHANGES IN NET ASSETS

For the year ended December 31 (millions)	2008	2007
Net assets, beginning of year	\$ 51,516	\$ 47,568
Changes due to investment activities	(8,013)	3,938
Changes due to pension activities	(26)	10
Net Assets, End of Year	\$ 43,477	\$ 51,516

ACTUARIAL SURPLUS/(DEFICIT)

As at December 31 (millions)	2008	2007
OMERS Primary Pension Plan		
Net assets	\$ 43,438	\$ 51,479
Actuarial value adjustment of net assets	6,363	(4,567)
Actuarial assets	49,801	46,912
Accrued benefit obligation	(50,080)	(46,830)
Surplus/(Deficit)	\$ (279)	\$ 82

As at December 31 (millions)	2008	2007
Retirement Compensation Arrangement (RCA)		
Net assets	\$ 39	\$ 37
Accrued benefit obligation	(285)	(236)
Deficit	\$ (246)	\$ (199)

OMERS Sponsors Corporation

FINANCIAL POSITION

As at December 31	2008	2007
Total Assets	\$ 2,485,385	\$ 853,280
Total liabilities	\$ 44,283	\$ 114,950
Net assets	2,441,102	738,330
Total Liabilities and Net Assets	\$ 2,485,385	\$ 853,280

OPERATIONS

For the year ended December 31	2008	2007
Government grant revenue and interest income	\$ 2,784,642	\$ 1,273,220
Expenses	1,081,870	890,053
Excess of Revenues Over Expenses from Operations	\$ 1,702,772	\$ 383,167



OMERS Governance

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 (AC) and created a Sponsors Corporation (SC) to replace the Ontario government as plan sponsor.

Sponsors (such as plan members, employers and retirees, through their unions, associations and other organizations) appoint the board Members of the SC and the AC. As of June 30, 2009, the SC will appoint AC Board Members.

OMERS Sponsors Corporation

OMERS Sponsors Corporation has 14 board Members: 7 plan member representatives, and 7 employer representatives.

The SC is responsible for:

- Determining plan design for benefits to be provided by the pension plans
- Setting contribution rates for members and participating employers
- Establishing or changing a reserve to stabilize contribution rates
- By June 2009: setting compensation levels and appointment protocol of SC Members and the AC Board.

OMERS Administration Corporation

OMERS Administration Corporation Board has 14 board members: 7 plan member representatives, and 7 employer representatives. It is the Administrator of the OMERS Pension Plans.

The AC Board is responsible for:

- Appointing and overseeing the AC management team
- Establishing investment policies, asset allocation and investment management of OMERS Pension Plans' assets
- Overseeing pension services, administration and plan valuation
- Appointing the AC auditor and the actuary for the OMERS Pension Plans.



For more information, please visit our website at
www.omers.com

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