

OMERS

Report to Members 2006



Leadership in Investment Performance and Service Quality.

And in 2006, we did it as industry leaders.

Leaders in investment returns. Leaders in the service we provide.

We will keep doing it. That's our promise.

- 1 This Is OMERS
- 2 Financial and Operating Highlights
- 4 OMERS Year End Report
- 6 Pension Services
 - Public Market Investments
- 7 Private Equity Investments
 - Infrastructure Investments
- 8 Real Estate Investments
 - Governance



OMERS members on the cover (left to right):

Bikram Chawla, Paramedic/AR Supervisor, Toronto Emergency Medical Services

Leverne Pierce, Office Administrator, Toronto District School Board

Bernice Tinsley, Retired Member, Clerical Staff, City of Hamilton with George

OMERS members on the inside cover (left to right):

Joy Henderson-Gregg (Supervisor, Davisville Child Care Centre) with Matthew Adams

Constable Victor P. Kwong, Toronto Police Service

This Is OMERS...

OMERS ADMINISTRATION CORPORATION (OMERS) IS THE ADMINISTRATOR OF THE OMERS PRIMARY PENSION PLAN (THE PLAN) AND THE RETIREMENT COMPENSATION ARRANGEMENT (RCA) ASSOCIATED WITH THE PLAN, AND IS RESPONSIBLE FOR INVESTING THE PENSION FUNDS. NET INVESTMENT ASSETS WERE \$48,221 MILLION AS AT DECEMBER 31, 2006.

The OMERS Primary Pension Plan is a multi-employer pension plan that serves over 372,000 current and former employees of more than 900 municipal governments, school boards, libraries, police and fire departments, children's aid societies and other local agencies throughout Ontario. The Plan is a contributory defined benefit pension plan. Equal contributions from participating employers and employees finance about 30 per cent of benefits, while the Plan's investment earnings finance the remaining 70 per cent over the long term.

MANDATE

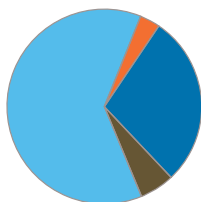
- Fulfill the pension promise to our current and future retirees by generating sufficient returns from investments.
- Provide cost-effective pension services that meet members' needs.

OPERATING STRUCTURE

OMERS fulfills its mandate through five operating divisions:

- Pension Services
- Public Market Investments
- Private Equity Investments
- Infrastructure Investments
- Real Estate Investments

OMERS SERVES MORE THAN 372,000 CURRENT AND FORMER MEMBERS, INCLUDING OVER 100,000 RETIREES



Member Profile

Active	236,900
Deferred	11,316
Retired/Survivor	101,120
Inactive	22,685
Total	372,021

Financial and Operating Highlights

CONSOLIDATED STATEMENT OF NET ASSETS

(Millions)

As at December 31, 2006

Assets

Investments	\$ 60,610
Amounts due from pending trades	138
Other assets	724
Total Assets	61,472

Liabilities

Investment liabilities	12,725
Due to administered pension funds	741
Amounts payable from pending trades	363
Other liabilities	38
Total Liabilities	13,867

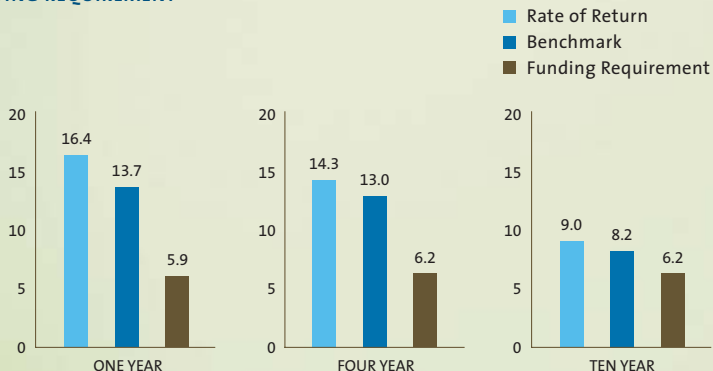
Net Assets	\$ 47,605
-------------------	------------------

For a list of OMERS major investments (as at December 31, 2006) go to www.omers.com or call 416-369-2400 or 1-800-387-0813.

OMERS HAS EXCEEDED ITS RATE OF RETURN BENCHMARKS AND FUNDING REQUIREMENTS OVER THE PAST ONE, FOUR AND TEN YEARS.

RATE OF RETURN, BENCHMARK RETURN, FUNDING REQUIREMENT

(%)



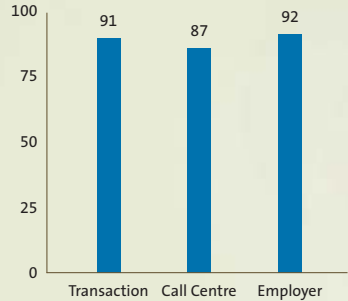
OMERS PENSION DIVISION PROVIDES MEMBERS AND EMPLOYERS FIRST-IN-CLASS PENSION SERVICES.

GROWTH IN MEMBERS' PENSION PAYMENTS
(\$ Millions)

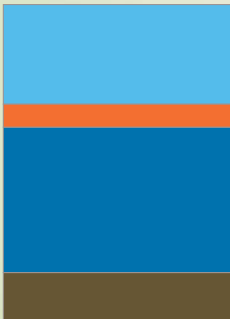


SATISFACTION SURVEYS

Percentage of respondents who rated OMERS 4 out of 5 or 5 out of 5 for service excellence



VALUE OF AN OMERS PENSION
(\$)



Total Value – \$960,000

- \$280,000
Inflation protection (assuming 2.5% annual inflation)
- \$75,000
Spousal Survivor Pension (5 years)
- \$450,000
Lifetime pension from age 65 to 84
- \$155,000
Lifetime plus bridge benefit pension from age 60 to 65

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.

OMERS Year End Report

IT IS CLEAR THAT 2006 WAS A WATERSHED YEAR FOR OMERS, ESPECIALLY WITH RESPECT TO THE CHANGES INTRODUCED WITH THE PROCLAMATION OF THE NEW OMERS ACT. THE LEGISLATION ESTABLISHED A NEW AND INDEPENDENT SELF-GOVERNANCE MODEL. THIS IS SOMETHING THAT THE GROUPS REPRESENTING EMPLOYEE MEMBERS AND EMPLOYERS, AS WELL AS THE BOARD HAD WORKED TOWARD FOR SOME TIME.

Over the past year, OMERS maintained a clear focus on what is most important to our stakeholders – achieving the strong investment returns required to secure their current and future pensions, and meeting the growing and varied pension service needs of our members and employers.

OUTSTANDING RESULTS FOR 2006

Our total fund rate of return in 2006 was 16.4 per cent, our highest in a decade, exceeding our benchmark of 13.7 per cent and last year's return of 16.0 per cent. For the second year in row, the expertise of our investment professionals generated more than \$1 billion in incremental value for OMERS portfolio above our benchmark, and each of our investment business units exceeded their benchmarks. Our 2006 total fund real rate of return was 14.8 per cent, after deducting inflation of 1.6 per cent, substantially in

excess of our long-term real return funding requirement of 4.25 per cent.

In terms of pension services, in 2006 we met or exceeded all but one of the many specific measures we monitor to ensure that we are fulfilling the needs of our members and employers.

THE NEW OMERS ACT

The most fundamental difference with the new legislation is that the Plan and RCA are now governed by the employers and members, which is the case for most major public sector plans in Ontario. The new *OMERS Act* created a Sponsors Corporation with a new 14 member board that replaces the Ontario government as Plan sponsor.

The Ontario Municipal Employees Retirement Board continues as the newly named OMERS Administration Corporation but our focus on managing our investments and administering the

Plan has not changed. In addition to our ongoing work as the Administration Corporation, we are working with the Sponsors Corporation as it establishes its structure and processes.

SUPPLEMENTAL PLANS

A second major initiative required by the new OMERS Act is the development of a new supplemental plan for members of the police sector, fire fighters and paramedics. This separately funded, stand-alone registered pension plan will give these members and their employers the opportunity to increase retirement benefits with additional contributions. Under the new *OMERS Act* the Sponsors Corporation has the authority to create supplemental plans for other OMERS members by a two-thirds majority vote.

LEADERSHIP CHANGE

Together with the entire OMERS team, we have implemented specific investment and service strategies that have transformed OMERS into a clear industry leader. However, with the transition to a new governance structure, and the launch of the supplemental plan the nature of the CEO's position has changed.

The Board and Paul Haggis have agreed that the person who develops the relationships and structure necessary for our new governance model should be the person who sees them through. The result is that Paul Haggis has stepped down as President and CEO of OMERS and Michael Nobrega, President and CEO of Borealis, and a superbly capable executive, will assume the role of OMERS CEO, effective March 12, 2007.

OMERS is in outstanding shape thanks to the commitment of our Board and all our employees. We pay pensions every month to more than 100,000 retirees and we serve more than 372,000 members overall.

The security of your pension remains our primary commitment.

Sincerely,



David Kingston

Board Chair



Paul Haggis

President and Chief Executive Officer

March 9, 2007

Pension Services

The Pension Division is the primary link between OMERS and its members and employers, and two-way communication is the key to our ability to consistently meet their needs.

OMERS is widely recognized in the pension industry not only for having an excellent pension plan but also for the high standards of its member services.

The mandate of the Pension Division, and OMERS overall, is to provide our members and employers first-in-class pension services. Our performance in 2006 confirms that the technology and staffing platforms we have built over the past several years are capable of meeting such a challenging objective.

Service satisfaction rate	91%
Proportion of employees represented by employers registered for e-access	99%
Initial claims turnaround time	<2 days vs target of 3 days
Incoming calls resolved at first point of contact	91.5% vs target of 90%
Answer calls to client services within 100 seconds	73.9% vs target of 80%
Visitors to www.omers.com in 2006	607,600

Public Market Investments

Public market investments include OMERS investments in bonds, other interest bearing assets and publicly traded equities. These investments are often made in combination with a variety of derivative financial instruments.

Significant Public Markets Investments
Government of Canada Interest Bearing Investments
Manulife Financial Corporation
Royal Bank of Canada
Toronto Dominion Bank

2006 return	16.2%
2006 benchmark	15.5%
Asset mix exposure	\$36.6 billion
Current proportion of asset mix	75.8%
Long-term target proportion of asset mix	62.5%

Private Equity Investments

OMERS private equity investments are managed by OMERS Capital Partners (OCP). OCP continues to build and strengthen investment relationships globally which will be the foundation for future investments to meet or exceed long-term objectives. At December 31, 2006, the private equity portfolio team managed 43 fund relationships and 24 direct investments. This includes representing OMERS interests on 11 company boards and 32 fund advisory committees.

Significant Direct Investments

Affinia Group Holdings
CCNMatthews
CEDA Holdings
Constellation Software
NXP (formerly, Philips Semiconductor)
OMERS Energy Inc.
Warner Chilcott

Significant Fund Investments

Hellman and Friedman
KKR
Sagard
TPG (formerly Texas Pacific Group)

2006 return	17.7%
2006 benchmark	10.8%
Asset mix exposure	\$2.9 billion
Current proportion of asset mix	6.0%
Long-term target proportion of asset mix	10.0%

Infrastructure Investments

Our infrastructure investments are managed by Borealis Infrastructure. Over the past several years Borealis has helped to develop infrastructure investing as an asset class for institutional investors and is one of the world leaders in sourcing and managing infrastructure investments.

Significant Investments

Bruce Power
Associated British Ports
Scotia Gas Networks
Express Pipeline
Detroit River Tunnel Partnership

2006 return	14.0%
2006 benchmark	10.8%
Asset mix exposure	\$3.8 billion
Current proportion of asset mix	7.9%
Long-term target proportion of asset mix	15.0%

Real Estate Investments

OMERS real estate investments are managed by Oxford Properties Group. Oxford is responsible for executing our strategy of developing a global enterprise in the real estate sector. The strategy focuses on the ownership and management of large-scale assets, diversified by property type and geographic market to achieve superior risk-adjusted returns. Real estate investments of this nature generate reliable cash flows, facilitating our ability to meet current benefit obligations. Furthermore, well managed real estate generally appreciates in value over time

in step with inflation, which offsets the inflation exposure of our pension liabilities. Today, Oxford is one of North America's largest commercial real estate investment and property management companies, overseeing and managing approximately \$15 billion of real estate for itself and on behalf of its co-owners.

Significant Investments

Royal Bank Plaza
BCE Place-Canada Trust Tower
Canterra Tower
Yorkdale Shopping Centre
Square One Shopping Centre
Scarborough Town Centre

2006 return	26.2%
2006 benchmark	9.2%
Asset mix exposure	\$4.9 billion
Current proportion of asset mix	10.3%
Long-term target proportion of asset mix	12.5%

Governance

OMERS strives for excellence in Board governance practices. The growing complexity of our organization, greater accountability and globalization all contribute to a requirement for ongoing attention to governance. In 2005 our Board established a full standing Governance Committee to focus on both Board and corporate governance matters and ensure the use of best practices and structures that promote accountability.

Director education through an accredited director education program also forms an important part of OMERS governance strategy. All directors are required to complete a Director Certification program and are provided with a budget for supplemental education. Regular internal education sessions are held with OMERS senior executives, external advisors, service providers and industry experts who provide in-depth analysis on relevant matters.

Senior Executive Management Team

(as of April, 2007)

Michael Nobrega
President and CEO

Jennifer Brown
Senior Vice President
Pensions

Patrick Crowley
Chief Financial Officer

Michael Latimer
President and CEO
OPGI Management GP Inc.
(Real Estate)

John Liu
Vice President and
Chief Internal Auditor

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

John Macdonald
Executive Vice President and
Chief Operating Officer

Debbie Oakley
Senior Vice President
Corporate Affairs

Flo Paladino
Vice President
Human Resources

Paul Pugh
Senior Vice President
Public Investments

Paul G. Renaud
President and CEO
OMERS Capital Partners Inc. (Private Equity)

Michael Rolland
President
Borealis Capital Corporation (Infrastructure)

OMERS Board

David Kingston, Chair*
Retired Police Officer,
York Regional Police
Plan Member Representative
for Police Association of Ontario

Frederick Biro*
Executive Director, Regional Municipality
of Peel Police Services Board
Employer Representative for Ontario
Association of Police Services Boards

David Carrington*
Energy Advisor
Toronto Hydro Electric System Ltd.
Plan Member Representative for Canadian
Union of Public Employees

Edward DeSousa
Director of Finance & Treasurer
Town of Halton Hills
Plan Member Representative for
Association of Municipal Managers,
Clerks and Treasurers of Ontario

Richard Faber*
Retiree, formerly Director of Administration
for City of London
Plan Member Representative for Retirees

Rick Miller*
Fire Fighter, Windsor Fire Department
Plan Member Representative for Ontario
Professional Fire Fighters Association

Ann Mulvale*
Past Mayor, Town of Oakville
Employer Representative for Association
of Municipalities of Ontario

David O'Brien
President and CEO
Toronto Hydro Corporation
Employer Representative for Other Employers

Michael Power*
Mayor, Municipality of Greenstone
Employer Representative for Association
of Municipalities of Ontario

Peter Routliff*
International Representative, International
Brotherhood of Electrical Workers
Plan Member Representative for Other
Plan Members

John Sabo, Vice Chair*
Associate Director,
Corporate Services and Treasurer of the Board
York Catholic District School Board
Employer Representative for Ontario
School Boards

Gerard Sequeira
Director, Finance & Administration,
Municipal Property Assessment Corporation
Employer Representative for Other Employers

John Weatherup
President, CUPE 4400
Plan Member Representative for Canadian
Union of Public Employees

Cameron Weldon*
Treasurer, City of Toronto
Employer Representative for City of Toronto

*Indicates a graduate of The Directors College

OMERS

One University Ave., Suite 700

Toronto ON M5J 2P1

Tel: 416 369 2400

Toll-free: 1 800 387 0813

E-mail: client@omers.com

www.omers.com

Disponible en français

ISSN 1492-3734

2006 Annual Report is available upon request.