

2010 Annual Report

**FOCUS:
TODAY AND
TOMORROW**

OMERS

Sponsors 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 OMERS 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. Sponsors (such as Plan members and employers, 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.

OMERS

Sponsors Corporation

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

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
- setting compensation levels and appointment protocol of SC and OAC Board Members.

OMERS

Administration Corporation

OMERS Administration Corporation Board has 14 Members and 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 investment management of OMERS Pension Plans' assets
- overseeing pension services, administration and Plan valuation
- appointing the OAC auditors and the actuary for the OMERS Pension Plans.

OMERS AC

Management

OAC Management conducts the affairs of the OAC and has been delegated broad responsibilities for ensuring that OMERS discharges its statutory and related responsibilities to Plan members, including:

- administering the OMERS Pension Plans
- providing for the actuarial valuation of the OMERS Pension Plans
- investing the OMERS Pension Plans' assets
- providing technical and administrative support for the SC.

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Sponsors Corporation

2010 ANNUAL REPORT

The OMERS Sponsors Corporation is responsible for pension plan design, setting contribution rates and filing the actuarial valuation. For many of our members, their pension is their single largest asset and safeguarding that investment is our primary responsibility. The focus of the Sponsors Corporation is to provide decision-making that supports the health and long-term viability of the OMERS Pension Plans.

We are committed every day to ensuring our decisions are always in the best interests of our stakeholders and that we consider the long-term sustainability and growth of the Plan for future retirees in everything we do.

As we move forward we have a clear view of our needs today while focusing on the future.



FOCUS:
TODAY AND
TOMORROW



MARIANNE LOVE
Co-Chair

BRIAN O'KEEFE
Co-Chair

FOCUSING ON THE FUTURE OF THE OMERS PENSION PLANS

This year has been both a challenging and exciting one for the OMERS Sponsors Corporation (SC). In many ways, our activity this year has set the foundation and framework for ensuring the ongoing health and sustainability of the OMERS Plan.

We addressed both short and long-term considerations as we tackled our funding challenge head-on; created a strategic framework for future funding decisions and continued to actively respond to changes in the pension environment that impact our stakeholders. We are well prepared to address issues of importance to OMERS and our stakeholders – now and in the future – while continuing to maintain our strong and unwavering focus on the Plan's long-term health and viability.

PRIMARY PLAN FUNDING STATUS

Like many other plans, OMERS is facing a growing actuarial deficit, largely as a result of the global financial crisis of 2008. This is in stark contrast to a decade ago, when the Plan had a \$6 billion surplus. During that time, like many other pension plans, OMERS enhanced its benefits. Some of these improvements were made on a temporary basis and others were permanent. The ten-year period that followed has been one of the most challenging in the history of the public equity markets. In 2001 and 2002, stock market values plunged after the dot-com bubble burst. In 2008, the impact of the liquidity crisis in the financial system rippled around the world – impacting governments, corporations, and ordinary citizens.

The effect on OMERS funding status was soon apparent. OMERS ended 2009 with an actuarial deficit of \$1.5 billion, compared with a deficit of \$0.3 billion at the end of 2008, and the shortfall was projected to grow to between \$8.5 billion and \$12 billion by 2012. This was the situation facing the SC as it began to consider its options early in 2010.

ADDRESSING THE DEFICIT

There are only a few ways in which a pension deficit can be reduced or eliminated – contributions can be increased, benefits can be changed, investment returns can improve or a combination of all three. The SC focused on the two areas over which it has control – contributions and benefits.

During the first part of the year, we reviewed and evaluated a number of options. Following careful consideration and discussion, the SC decided that the best course of action was to act now and implement a plan that balanced the needs of stakeholders with the ongoing security of the Plan. In June, we approved a multi-year, phased approach consisting of contribution rate increases and benefit reductions to address the deficit.

The changes are intended to be temporary until the Plan returns to a surplus position and have been made to safeguard the health and long-term viability of the Plan.

Some of these changes have already begun to take effect. Contribution rates have been increased by an average of 2.9 per cent per side over a three-year period, which represents approximately a 35 per cent increase in contributions. The first part of that increase took effect on January 1, 2011. In addition, the SC approved temporary benefit changes, but these changes (elimination of early retirement subsidies and pre-retirement indexing) are not effective until January 1, 2013 and will *only* affect members who leave employment before age 55 (for NRA 65) or before age 50 (for NRA 60). The benefits of current retirees, current deferred members or active members who stay in the Plan until early retirement will not be affected by these changes.

STATEMENT OF PLAN DESIGN

OBJECTIVES AND STRATEGY

Recognizing the need for a strategic approach to managing the Plan over the longer term, the SC also developed, and approved, a Statement of Plan Design Objectives and Strategy – or a SPDOS. This document confirms the primary objective of the SC is ensuring the health and long-term viability of the Plan. It provides the methodology for future decision-making regarding the funding of the Plan.

COLLABORATIVE OAC AND SC INITIATIVES

On the investment side, the OAC identified and brought forward a number of creative and innovative initiatives that are intended to grow OMERS membership and increase assets under management. They include managing third party assets, expanding OMERS membership base, and providing members with an opportunity to invest in OMERS diversified global assets through Additional Voluntary Contributions (AVCs). While these new initiatives present new governance challenges for both boards, we are pleased that our strong relationship with the OAC board has allowed us to now consider creative opportunities for the Plan. Both the OAC and SC will continue to work together to review the impact of these initiatives, ensuring they can be pursued without imposing undue risk on the existing members or on the Plan.

PENSION REFORM

While implementing our strategies for returning the Plan to a surplus position, we must also keep a close eye on pension reform to ensure the needs of OMERS members, employers and stakeholders are taken into account and addressed. We have been actively participating in the reform process with the OAC, and will continue with our efforts given the potential impact this may have on our members.

SC BOARD

Finally, we want to acknowledge three outgoing Members of our Board – Brian Cain (Ontario Public School Boards' Association), Ann Dembinski (CUPE Local 79) and Glen Mills (Retiree Group). Each made significant contributions to the SC from its inception in 2006 and the Board wishes to thank them for their hard work and dedication. The SC also welcomes three new Members – Paul Bailey (Retiree Group), Mark Ferguson (CUPE Local 416) and Wayne McNally (Ontario Catholic School Trustees' Association).

OUR FOCUS – FACING THE FUTURE

At the SC, we believe the multi-year decision to temporarily change contributions and benefits will address the current funding challenges, allow for ongoing monitoring and adjustments as needed and will ensure that the Plan continues to be affordable and sustainable.

Having addressed the critical funding issues in 2010, we will turn our attention to addressing and preparing for the 2012 review of OMERS governance structure (as required under the OMERS Review Act). Our goal is to ensure that we continue to serve and act in the best interests of the Plan and its many stakeholders.

2011 will also bring continued change in the pension environment as governments take the next steps in pension reform. We will ensure that OMERS is well represented in discussions on these important changes.

The work of both the SC and the OAC is critical to ensuring the health and long-term viability of the Plan. We remain committed to building and participating in the SC and OAC governance system unique to OMERS and working together to address the issues that are important to our plan members, employers and sponsors.




Marianne Love
Co-Chair



Brian O'Keefe
Co-Chair

“The primary objective of the SC is ensuring the health and long-term viability of the Plan.”



“We are very aware of the impact that our decisions have on our stakeholders and strive to keep them informed and involved.”

JOHN POOS
Executive Director

PRIORITIZING OUR FOCUS

This year we have witnessed a growing momentum calling for change to Canada's pension landscape. Yet, as one of Canada's largest pension plans, OMERS continues to exemplify the very best of the defined benefit model.

That being said, we can always improve and over the past year the Sponsors Corporation has been actively engaged in two areas of major focus, namely:

1. considering short term and long term strategies to address the Plan's growing funding deficit; and
2. looking at innovative ideas and strategic initiatives to further enhance and strengthen OMERS while also considering the implications of, and participation in, pension reform initiatives.

The SC has made significant progress this past year in both areas. To address the current funding deficit, the SC approved a Specified Plan Change proposal in June 2010 that included a systematic increase in plan contributions over three years while also providing temporary benefit changes and a commitment to complete a Statement of Plan Design Objectives and Strategy ("SPDOS"). On January 27, 2011, the SC met this commitment with formal approval of the SPDOS, a far-reaching strategic document that provides a methodology for dealing with periods of funding deficits and surpluses, and also calling for the establishment of a reserve. We are confident that through implementation of the approved Specified Plan Change, and adherence to the methodologies established in the SPDOS, the Plan's funding position is well in hand, both in the short term and in the future.

With respect to the other major area of focus, the SC has, along with the OAC, provided comment on all pension reform proposals raised throughout 2010, and considered and approved various OMERS strategic initiatives including third party fund management and the 2011 roll out of additional voluntary contributions. As we begin 2011, monitoring and implementing these initiatives will gain greater strategic importance to the long-term future of OMERS.

We are very aware of the impact that our decisions have on our stakeholders and strive to keep them informed and involved. In 2010, we reviewed and updated our Communications and Confidentiality Policies to make sure that information on specified and technical plan change proposals were made available to all stakeholders on our website within days of being formally proposed by SC Board Members. Stakeholders also provided the Board with their suggestions for managing the funding deficit. Finally, Board Members and staff met directly with various stakeholder groups throughout the year to exchange information and ensure ongoing and constructive communication.

Our work this year has laid the foundation for the future. In the coming year, we will continue to work with the OAC Board in developing strategies to ensure the needs of OMERS members are met. In 2012, there is a requirement to review the OMERS governance structure that was put in place in 2006; preparing for this review and continuing to support pension reform initiatives will be strategic priorities for our organization in the coming year.

None of our achievements would have been possible without the outstanding work of our employees who continually exceeded expectations. I would also like to thank our Co-Chairs for their support over the past year. I am also deeply appreciative of our Board Members for their dedication and commitment to the interests of Plan members now and in the future.



John Poos
Executive Director

YEAR IN REVIEW

The mandate of the Sponsors Corporation is even more crucial at a time when pension plans around the world are facing funding challenges.

The SC is committed to decision-making that supports the health and long-term viability of the OMERS Pension Plans.

OMERS has a unique jointly-sponsored plan, which means our partnership with our stakeholders is key to our success. For us, that means transparency and open communication. It also means working closely with the OAC as we plan the future of OMERS.

In 2010, many achievements and decisions were made that set the foundation for the future health of the OMERS Plans.

PLAN FUNDING AND DESIGN

The Plan remained in an actuarial deficit position at December 31, 2010 due to the continuing impact of negative returns in 2008. Actuarial projections indicate that this deficit cannot be addressed solely through investment returns.

During 2010, the SC decided to take action to address the funding challenges facing the OMERS Primary Plan. The changes the SC approved are the result of careful consideration of the options for addressing the growing deficit and were undertaken as a temporary strategy to support the funded security of the OMERS Primary Plan.

These gradual and measured multi-year, multi-dimensional changes are expected to address the current funding challenges.

Temporary Contribution Rate Increases

Contribution rates for both active members and employers will increase in 2011 through 2013, as follows:

- 2011 – effective with the first, full pay in 2011, contribution rates will increase by 1.0 per cent per side (employee/employer) as a percentage of a member's earnings;
- 2012 – effective with the first, full pay in 2012, contribution rates will increase, on average, by an additional 1.0 per cent per side (employee/employer); and
- 2013 – effective with the first, full pay in 2013, contribution rates will increase, on average, by an additional 0.9 per cent per side (employee/employer).

These increases will represent an approximate increase of 35 per cent in total contributions to the OMERS Plans.

Temporary Benefit Calculation Changes

For members who leave employment before being eligible for early retirement, the Primary Plan will no longer provide early retirement subsidies and pre-retirement indexing on service after January 1, 2013.

These changes will only affect members who terminate employment prior to being eligible for early retirement – i.e., members who terminate before age 55 (normal retirement age 65) or 50 (normal retirement age 60). These changes will not affect any benefits based on service accrued before 2013.

The benefits of current retirees, current deferred members or active members who stay in the Plan until early retirement will not be affected.

The contribution rate and benefit changes are temporary until the Plan returns to surplus and are intended to manage its health and long-term viability.

The SC will continue to carefully monitor the Primary Plan's funded status, and to make any decisions on changes through its annual planning cycle.

A number of minor technical changes were also introduced in 2010:

- members who have left employment but are seeking reinstatement through a legal or grievance proceeding may now access their termination (commuted value) benefits; and
- the Plan terms for the Additional Voluntary Contribution provision approved in 2009 were implemented this year.

Other key decisions this year included filing the 2009 valuation and developing a framework for making future decisions regarding funding of the Plan, including Plan deficit management, Plan surplus management and reserves.

PENSION REFORM

Pension reform has been a key issue for federal, provincial and territorial governments over the last several years. 2010 was no exception and, throughout the year, we continued to actively participate in this process at all levels of government.

As part of its announced commitment to pension reform (and following on the recommendations of the Ontario Expert Commission on Pensions), the Ontario government passed two rounds of legislative changes in 2010 (Bill 236 and Bill 120). The SC and OAC responded to these changes through joint letters and appearances before the Standing Committee on Finance and Economic Affairs.

There also continues to be a great deal of discussion regarding Canada's retirement income system. Consultation and discussion papers were issued by both the federal and Ontario governments in 2010 and the SC and OAC responded with a joint letter in both cases.

Our joint letters and submissions can be viewed on our website at www.omerssc.com.

OMERS will continue to monitor and respond to changes in the pension landscape on behalf of our members and stakeholders.

GOVERNANCE DEVELOPMENTS

Over the past several years, the SC has been developing and implementing its governance framework. This framework is regularly reviewed and updated/changed as needed. Governance activity in 2010 included:

- development of a set of meeting guidelines to improve the efficiency and effectiveness of SC meetings;
- retention of an advisor to assist with reviewing the efficiency and effectiveness of the Board and its committees. Overall, the report was positive but, as with any governance review, there are opportunities for improvement that the SC is currently considering;
- amending By-Law #4 so that the terms of Members end on December 31st (rather than June 30) to better align Member appointments with the business cycle of the SC;
- clarifying and updating the Communications and Confidentiality policies to improve communication with stakeholders regarding plan changes under consideration;
- approval of a Service Provider Review policy to ensure that all service providers are reviewed on a regular basis; and
- joint meetings of the SC and OAC Boards to discuss and review issues of mutual interest, ensuring both Boards share a common understanding.

STRATEGIC FOCUS FOR 2011

There will be four key areas of focus for the SC during 2011.

On the pension reform front, we will continue to engage in discussions with the regulators and government. The Ontario regulations required to give effect to the 2010 pension reform legislation changes as mentioned earlier will require careful consideration and analysis to ensure OMERS needs are met. We will also monitor changes and proposals at the federal level as they may impact the Plan.

Preparations will also begin for the 2012 review of OMERS governance structure as required under the *OMERS Review Act*. This is an opportunity to reflect on the effectiveness and efficiency of our governance, identifying areas of strength and opportunities for improvement.

Ongoing monitoring of the Plan's funded position will remain a high priority for OMERS over the next several years to ensure that the measures implemented this year will be sufficient to address the deficit.

Finally, the SC and OAC will continue to work together on joint matters and opportunities to expand the OMERS membership and assets under management. Together, we will carefully review the options and impact of the various initiatives to ensure that the interests of members are protected and there is no undue risk to the pension plan.

GOVERNANCE OMERS SPONSORS CORPORATION

The *OMERS Act* created the SC to fulfill the role of Plan sponsor, giving employers and employees more direct control over the pension plan. The SC has committed itself to upholding OMERS long history of exemplary corporate governance through maintaining high standards of integrity, education, transparency and communication in carrying out its responsibilities.

GOVERNANCE

The SC strives to achieve best practice standards in corporate governance. To achieve this goal, the SC has developed policies and practices with input and advice from third party advisors who are expert and experienced in the field. The governance structure includes:

- corporate by-laws and policies that support the commitment to a best practice standard;
- an education program for Members that includes learning opportunities in the areas of governance, pension administration, benefits strategies and pension plan trustee development, as well as mandatory orientation to the OMERS Pension Plans;
- a process for reviewing SC governance policies and processes to ensure the ongoing efficiency and effectiveness of its practices; and
- transparency and accountability to OMERS Plan participants through regular meetings with Plan participants and stakeholders, together with timely print and electronic communication carried out in conjunction with the OAC, as well as regular website updates and posting of by-laws, by-law amendments and information for submitting proposals for Plan design changes.

BOARD MEMBERSHIP

The composition of the Board was established under legislation and confirmed by SC By-Law #4 and is based on a balanced formula reflecting Plan membership. A review of SC composition was last undertaken in 2009 to ensure the SC continued to provide equitable representation of the participants in the OMERS Pension Plans.

The SC is comprised of seven representatives of the employers of Plan members and seven representatives of employee organizations as follows:

Employer Representatives

- Association of Municipalities of Ontario (AMO) – two members
- City of Toronto – one member
- School Boards, rotating between Public and Catholic Boards – one member
- Ontario Association of Police Services Boards – one member
- Ontario Association of Children's Aid Societies – one member
- Electricity Distributors Association (Ontario) – one member

Plan Member Representatives

- Canadian Union of Public Employees (CUPE Ontario) – one member
- Canadian Union of Public Employees rotating between Locals 79 and 416 – one member
- Police Association of Ontario – one member
- Ontario Professional Fire Fighters Association – one member
- Ontario Secondary School Teachers’ Federation – one member
- Ontario Public Service Employees Union – one member
- Retiree Group – appointed from among the Municipal Retirees Organization Ontario, the Police Pensioners Association of Ontario, the Police Retirees of Ontario and the Retired Professional Fire Fighters of Ontario – one member

There are 18 total votes on the SC, equally divided between employer and plan member representatives, based on a weighted voting system.

COMPENSATION AND EXPENSES

Compensation

SC Members are compensated through a combination of an annual retainer and meeting fees covering attendance at Board and committee meetings and at other meetings or events such as the SC’s annual planning session, and the spring and fall information sessions for stakeholders.

A Member’s compensation may be paid directly to the Member or to the organization with which they are affiliated.

SC Member compensation is as follows:

	Annual Retainer	Meeting Fee*
Co-Chairs	\$70,000	-
Committee Chair	\$17,800	\$750
All Other Members	\$12,800	\$750

* Maximum number of compensable meetings is 24.

Reimbursement of Expenses

SC Members are entitled to reimbursement of reasonable and necessary expenses incurred in connection with carrying out the business of the SC, subject to the necessary approvals under By-Law #6.

SC Members are also reimbursed for travel, tuition and other expenses incurred in attending pension and governance conferences or other educational programs, which are approved or mandated by the SC under By-Law #6.

BOARD COMMITTEES

The SC has four standing committees to assist the Board in discharging its responsibilities. In addition, the SC and OAC have established a Joint Council to address matters of importance to both boards.

Plan Design Information Committee (PDIC)

The Plan Design Information Committee assists with responsibilities relating to the design of the OMERS Pension Plans including:

- co-ordinating and facilitating the process of gathering and considering information; and
- arranging for the referral of questions to OMERS Administration Corporation staff and legal, actuarial and other professionals engaged by the SC.

Human Resources and Compensation Committee (HRCC)

The Human Resources and Compensation Committee's responsibilities relate to:

- staff levels and succession planning;
- training, education and orientation programs for Members of the Corporation;
- compensation structure, including benefits, of employees of the Corporation;
- expense reimbursement policies in respect of employees of the Corporation;
- compensation and expense reimbursement policies in respect of SC Members and Members of OMERS Administration Corporation; and
- a performance evaluation process for the Executive Director.

Corporate Governance Committee (CGC)

The Members of the SC are assisted by the Corporate Governance Committee with regard to:

- developing appropriate corporate governance practices, guidelines and benchmarks for the Corporation; and
- developing by-laws for the Corporation.

Audit Committee

The Audit Committee assists the Members in fulfilling their responsibilities of oversight and supervision of:

- the quality and integrity of the financial statements of the Corporation;
- the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure and reporting;
- the adequacy of the internal accounting controls and procedures of the Corporation; and
- the qualifications, independence and performance of the independent auditor of the Corporation.

OAC/SC Joint Council

The Joint Council is comprised of an equal number of Members from the SC and OAC Boards and is intended to discuss and address matters of importance to either Board with respect to the oversight and governance of the OMERS Pension Plans.

MEETING ATTENDANCE

There were 16 regular meetings of the Board and 23 meetings of standing committees as well as three Joint Council meetings; 10 information, education and planning meetings were also held, which Members attended at their discretion and as their obligations allowed. Overall attendance in 2010 was 97 per cent compared with 95 per cent in 2009.

BOARD REMUNERATION AND EXPENSES

For the year ended December 31,

	2010		2009	
	Remuneration ⁽ⁱ⁾	Expenses ⁽ⁱⁱ⁾	Remuneration ⁽ⁱ⁾	Expenses ⁽ⁱⁱ⁾
Marianne Love (Co-Chair)	\$ 70,000	\$ 19,720	\$ 50,000	\$ 22,847
Brian O'Keefe (Co-Chair)	70,000	14,134	50,000	8,632
Wm. (Joe) Aitchison ⁽ⁱⁱⁱ⁾	35,800	9,717	26,400	11,738
Paul Bailey ^(iv)	13,150	10,393	-	-
Brian Cain ^{(iii)(v)}	18,650	2,280	26,900	6,098
Ann Dembinski ^(v)	16,150	4,478	20,650	10,412
Mark Ferguson ^(iv)	14,650	2,349	-	-
John Fleming ⁽ⁱⁱⁱ⁾	35,800	10,942	26,900	15,168
Jack Jones	30,800	25,194	22,900	7,613
Charlie Macaluso	30,050	2,754	15,000	3,518
Wayne McNally ^(iv)	13,900	4,385	-	-
Bruce Miller ⁽ⁱⁱⁱ⁾	35,800	12,109	26,900	21,048
Glen Mills ^(v)	14,650	4,486	22,150	8,040
Marnie Niemi Hood	29,300	3,890	0	15,734
Garth Pierce ⁽ⁱⁱⁱ⁾	31,300	12,745	22,150	11,808
Frank Ramagnano ^(vi)	30,800	14,775	20,400	12,209
Bruce Stewart	29,300	3,036	22,900	3,030
Former Board Member ^(vii)	-	-	3,000	1,942
Other Expenses ^(viii)	-	51,123	-	39,370
Total	\$ 520,100	\$ 208,510	\$ 356,250	\$ 199,207

(i) Remuneration is in accordance with By-Law #6. Effective July 1, 2009, members receive a base retainer plus per meeting attendance fee to prescribed maximum levels.

(ii) Includes reimbursement for normal out-of-pocket business expenses including education, meeting, and communication expenses incurred on behalf of SC.

(iii) Committee Chairs

Joe Aitchison – CGC – Corporate Governance Committee

Brian Cain – Audit Committee (Jan 1 – June 30)

John Fleming – PDIC – Plan Design Information Committee

Bruce Miller – HRCC – Human Resources and Compensation Committee

Garth Pierce – Audit Committee (Oct 1 – Dec 31)

(iv) Term commenced July 1, 2010.

(v) Term ended June 30, 2010.

(vi) Term commenced March 1, 2009.

(vii) Term ended February 28, 2009.

(viii) Other expenses include Board group meeting expenses not allocated by individual.

2010 BOARD/COMMITTEE MEETINGS

Board Member	Board (16)		PDIC (8)		HRCC (4)		CGC (7)		Audit (4)		Joint Council (3)		Other (10) ⁽ⁱ⁾		Total (52)	
	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Attended	Total	Discretionary	Attended	Total	%
Marianne Love ⁽ⁱⁱ⁾	16	16	7	8	4	4	6	7			3	3	10	46	48	96
Brian O'Keefe ⁽ⁱⁱ⁾	16	16	8	8	4	4	7	7			2	3	10	47	48	98
Wm. (Joe) Aitchison	15	16			4	4	7	7					9	35	36	97
Paul Bailey ⁽ⁱⁱⁱ⁾	6	7							2	2			4	12	13	92
Brian Cain ^(iv)	9	9			2	2			2	2			3	16	16	100
Ann Dembinski ^(iv)	9	9			2	2			2	2			3	16	16	100
Mark Ferguson ⁽ⁱⁱⁱ⁾	7	7			2	2			2	2			6	17	17	100
John Fleming	16	16	8	8							3	3	10	37	37	100
Jack Jones	16	16	8	8			7	7					9	40	40	100
Charlie Macaluso	15	16	6	8			6	7					7	34	38	89
Wayne McNally ⁽ⁱⁱⁱ⁾	7	7			2	2			1	2			6	16	17	94
Bruce Miller	16	16			4	4					2	3	9	31	32	97
Glen Mills ^(iv)	9	9							1	2			3	13	14	93
Marnie Niemi Hood	16	16	7	8									9	32	33	97
Garth Pierce	16	16							4	4			10	30	30	100
Frank Ramagnano	16	16	8	8			7	7					9	40	40	100
Bruce Stewart	16	16	8	8									9	33	33	100
Overall attendance	99%		94%		100%		95%		88%		83%		97%			

(i) 'Other' includes: stakeholder meetings, education/information sessions, and a planning retreat which Members attended at their discretion and as their obligations allowed

(ii) Co-Chairs are ex-officio members of all committees except Audit

(iii) Term commenced July 1, 2010

(iv) Term ended June 30, 2010

SPONSORS CORPORATION MEMBERS



Marianne Love, Co-Chair
Employer Representative
for Association of Municipalities
of Ontario



Brian O'Keefe, Co-Chair
Plan Member Representative
for CUPE Ontario



W.J. (Joe) Aitchison
Employer Representative
for Ontario Association of
Children's Aid Societies



Paul Bailey
Plan Member Representative
for Retiree Group



Mark Ferguson
Plan Member Representative
for CUPE Local 416



John Fleming
Employer Representative
for the City of Toronto



Jack Jones
Plan Member Representative
for Ontario Secondary School
Teachers' Federation



Charlie Macaluso
Employer Representative
for Electricity Distributors
Association



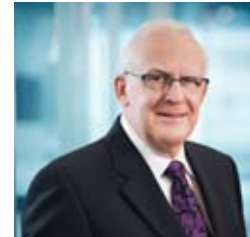
Wayne McNally
Employer Representative
for Ontario Catholic School
Trustees' Association



Bruce Miller
Plan Member Representative
for Police Association
of Ontario



Marnie Niemi Hood
Plan Member Representative
for Ontario Public Service
Employees Union



Garth Pierce
Employer Representative
for Ontario Association of
Police Services Boards



Frank Ramagnano
Plan Member Representative
for Ontario Professional
Fire Fighters Association



Bruce Stewart
Employer Representative for
Association of Municipalities
of Ontario

AUDITORS' REPORT

TO THE BOARD OF OMERS SPONSORS CORPORATION

Report on the Financial Statements

We have audited the accompanying financial statements of OMERS Sponsors Corporation, which comprise the statement of financial position as at December 31, 2010 and the statement of operations and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OMERS Sponsors Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Langlois Hauck Lettman + Co. LLP

Chartered Accountants
Licensed Public Accountants
North York, Ontario

February 24, 2011

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

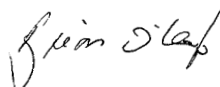
As at December 31,	2010	2009
Assets		
Cash and cash equivalents	\$ 1,866,949	\$ 2,077,483
OAC receivable	808,490	588,394
Prepaid expenses and other assets	7,899	-
Total Assets	\$ 2,683,338	\$ 2,665,877
Liabilities		
Accounts payable and accrued liabilities	\$ 249,885	\$ 228,026
Net Assets		
Excess / (deficit) of revenues over expenses from operations		
Balance at beginning of year	2,437,851	2,441,102
Current year	(4,398)	(3,251)
Balance at end of year	2,433,453	2,437,851
Total Liabilities and Net Assets	\$ 2,683,338	\$ 2,665,877

The accompanying notes to the financial statements are an integral part of these financial statements.

Signed on Behalf of the Board of OMERS Sponsors Corporation



Marianne Love
Co-Chair



Brian O'Keefe
Co-Chair



Garth Pierce
Chair of Audit Committee

STATEMENT OF OPERATIONS

For the year ended December 31,	2010	2009
Revenues		
OAC expense reimbursement	\$ 2,012,958	\$ 1,860,837
Interest income	7,512	575
	2,020,470	1,861,412
Expenses		
Contract and administrative salaries including payroll taxes and benefits	712,029	590,331
Legal	266,874	227,230
Audit	4,123	3,727
Actuarial	78,264	71,863
Professional advisors and other administrative (note 3)	147,137	267,869
Insurance	77,638	136,289
Board remuneration including payroll taxes and benefits (note 4)	530,293	368,147
Board expenses	208,510	199,207
	2,024,868	1,864,663
(Deficit) of Revenues over Expenses from Operations	\$ (4,398)	\$ (3,251)

The accompanying notes to the financial statements are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31,	2010	2009
Operating Activities		
(Deficit) of revenues over expenses	\$ (4,398)	\$ (3,251)
Changes in non-cash working capital accounts		
OAC receivable	(220,096)	(189,362)
Prepaid expenses and other assets	(7,899)	750
Accounts payable and accrued liabilities	21,859	183,743
(Decrease) in Cash	(210,534)	(8,120)
Cash at Beginning of Year	2,077,483	2,085,603
Cash at End of Year	\$ 1,866,949	\$ 2,077,483
Supplemental disclosure of cash flows from operating activities:		
Interest income	\$ 7,512	\$ 575

The accompanying notes to the financial statements are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2010

NOTE 1

DESCRIPTION OF PLANS SPONSORED BY OMERS SPONSORS CORPORATION

The OMERS Sponsors Corporation (the "SC") is a corporation without share capital under the *Ontario Municipal Employees Retirement System Act, 2006* (the "OMERS Act"). The SC is the sponsor of the OMERS Pension Plans (the "OMERS Pension Plans") as defined in the *OMERS Act*. The OMERS Pension Plans are administered by OMERS Administration Corporation (the "OAC") and include the OMERS Primary Pension Plan (the "Plan") and the Retirement Compensation Arrangement (the "RCA") associated with the Plan and the OMERS Supplemental Plan for Police, Firefighters and Paramedics (the "Supplemental Plan"). The SC is responsible for making decisions about the design of the Plan, the RCA, and the Supplemental Plan, amendments to those plans, setting contribution rates, and the filing of the actuarial valuation as required under the *Pension Benefits Act*.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements are prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, and present the information of the SC as a separate financial reporting entity independent of the employers, Plan members and the OAC.

Government Grant Revenue Recognition and Net Assets

In previous years the SC received grants for operations from the Ministry of Municipal Affairs and Housing of the Ontario Government (the Ministry). These amounts receivable were recognized as income once the amount to be received could be reasonably estimated and collection was reasonably assured. The initial funding agreement with the Ministry which was put in place during 2007 stated that any part of the grant funds that have not been used or accounted for by the SC at the time the agreement was to expire, on March 31, 2009, would belong to the Ministry.

In July 2008, following the establishment of, and agreement to, a joint SC / OAC protocol for SC expenditure reimbursement from the OAC and an Ontario Superior Court of Justice decision that confirmed that the OAC may lawfully reimburse the SC in accordance with the categories outlined in the protocol, the Ministry agreed to amend their initial agreement with the SC. The amended agreement authorizes the SC to use the remaining provincial funding for a period of up to five years (to March 31, 2014), to pay for the SC costs that, under the protocol, cannot be reimbursed from the OAC. Net assets consist of government grant funds received, net of expenditures not reimbursed by the OAC, plus interest earned. Interest income from operations is recognized as income in the year earned.

Income Taxes

The corporation is not subject to Corporate Income Tax.

Use of Estimates

The preparation of financial statements is in conformity with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported values of assets and liabilities, income and expenses, and related disclosures. Such estimates include the OAC receivable, and accounts payable and accrued liabilities. Actual results could differ from these estimates.

NOTE 3

PROFESSIONAL ADVISORS AND OTHER ADMINISTRATIVE EXPENSES

Professional advisors and other administrative expenses consist primarily of various professional advisors for legal, actuarial and governance issues; recruitment; training, and other administrative expenses.

NOTE 4

BOARD REMUNERATION AND EXPENSES

Board remuneration and board expenses are in accordance with SC By-Law #6.

NOTE 5

FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Financial instruments of the corporation consist of cash and cash equivalents, OAC receivable, and accounts payable and accrued liabilities. The carrying values of the above items approximate their fair value due to their short-term nature.

Credit Risk

The corporation's cash is held at a major financial institution and cash equivalents are all Ontario treasury bills. The OAC receivable is due from an organization with a "AAA" rating and therefore there is virtually no credit risk.

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



Sponsors Corporation