MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of the Ontario Teachers' Pension Plan have been prepared by management, which is responsible for the integrity and fairness of the data presented, including the many amounts which must, of necessity, be based on estimates and judgements. The accounting policies followed in the preparation of these consolidated financial statements conform with Canadian generally accepted accounting principles. Financial information presented throughout the annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by internal audit programs which are subject to scrutiny by the external auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The board is assisted in its responsibilities by the Audit and Actuarial Committee, consisting of five directors who are not officers or employees of the plan administrator. In addition, the committee reviews the recommendations of the internal and external auditors for improvements in internal control and the action of management to implement such recommendations. In carrying out its duties and responsibilities, the committee meets regularly with management and with both the external and internal auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. This committee reviews the consolidated financial statements and recommends them for approval by the Board.

The plan's external auditors, Deloitte & Touche LLP, have conducted an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express the opinion in their Report to the Administrator. The external auditors have full and unrestricted access to the Audit and Actuarial Committee to discuss their audit and related findings as to the integrity of the plan's financial reporting and the adequacy of internal control systems.

C. Lamoureux

CLAUDE LAMOUREUX
President and Chief Executive Officer

Andrew Jones

ANDREW JONES
Vice-President, Finance

February 13, 2002

AUDITORS' REPORT TO THE ADMINISTRATOR

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Teachers' Pension Plan as at December 31, 2001 and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus of the Plan as at December 31, 2001 and the changes in its net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

CHARTERED ACCOUNTANTS

Toronto, Canada
February 13, 2002

ACTUARIES' OPINION

William M. Mercer Limited was retained by the Ontario Teachers' Pension Plan Board (the "Board") to perform an actuarial valuation of the assets and the going concern liabilities of the Ontario Teachers' Pension Plan (the "Plan") as at December 31, 2001, for inclusion in the Plan's financial statements. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the Board.

The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Ontario Teachers' Pension Plan Board as at December 31, 2000;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements;
- real and nominal interest rates on long-term Canada bonds at the end of 2001;
- assumptions about future events (for example, future rates of inflation and future retirement rates) which have been communicated to us as the Board's best estimate of these events; and
- information obtained from The Ontario Ministry of Labour and published reports on negotiated wage settlements in the 2000/01 and 2001/02 school years.

The objective of the financial statements is to fairly present the financial position of the Plan on December 31, 2001 as a going concern. This is different from the statutory valuation (the actuarial valuation required by the *Teachers' Pension Act* and the *Pension Benefits Act (Ontario)*), which uses actuarial methods prescribed by the *Teachers' Pension Act* to establish a prudent level for future contributions.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent the Board's best estimate of future events and market conditions at the end of 2001, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions are, in aggregate, appropriate for the purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

LESTER J. WONG, F.C.I.A. **MALCOLM P. HAMILTON, F.C.I.A.** February 13, 2002

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND SURPLUS

as at December 31, 2001

($ millions)	2001	2000
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (note 2)	$91,911	$85,117
Receivable from the Province of Ontario (note 3)	1,280	1,251
Receivable from brokers	407	37
Cash	54	40
Fixed assets	7	8
	93,659	86,453
Liabilities		
Investment-related liabilities (note 2a)	23,791	13,074
Due to brokers	288	166
Accounts payable and accrued liabilities	124	92
	24,203	13,332
Net assets available for benefits	69,456	73,121
Actuarial asset value adjustment (note 4)	2,973	(4,341)
Actuarial value of net assets available for benefits	$72,429	$68,780
ACCRUED PENSION BENEFITS AND SURPLUS		
Accrued pension benefits (note 5)	$65,431	$58,556
Surplus	6,998	10,224
Accrued pension benefits and surplus	$72,429	$68,780

ON BEHALF OF THE BOARD

Chair

Board Member

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2001

($ millions)	2001	2000
Net assets available for benefits, beginning of year	$73,121	$68,303
Investment operations		
Investment (loss)/income (note 7)	(1,739)	6,211
Investment expenses (note 12a)	(123)	(100)
Net investment operations	(1,862)	6,111
Member service operations		
Contributions (note 10)	1,312	1,281
Benefits (note 11)	(3,080)	(2,541)
Member service expenses (note 12b)	(35)	(33)
Net member service operations	(1,803)	(1,293)
(Decrease)/increase in net assets	(3,665)	4,818
Net assets available for benefits, end of year	$69,456	$73,121

CONSOLIDATED STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

for the year ended December 31, 2001

($ millions)	2001	2000
Accrued pension benefits, beginning of year	**$58,556**	$52,105
Increase in accrued pension benefits		
Interest on accrued pension benefits	**3,617**	3,478
Benefits accrued	**1,683**	1,359
Changes in actuarial assumptions (note 5a)	**(641)**	3,893
Changes in plan provisions (note 5b)	**4,692**	–
Experience losses (note 5c)	**604**	262
	9,955	8,992
Decrease in accrued pension benefits		
Benefits paid (note 11)	**3,080**	2,541
Net increase in accrued pension benefits	**6,875**	6,451
Accrued pension benefits, end of year	**$65,431**	$58,556

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS

for the year ended December 31, 2001

($ millions)	2001	2000
Surplus, beginning of year	**$10,224**	$ 7,882
(Decrease)/increase in net assets available for benefits	**(3,665)**	4,818
Change in actuarial asset value adjustment (note 4)	**7,314**	3,975
Increase in actuarial value of net assets available for benefits	**3,649**	8,793
Net (decrease)/increase in accrued pension benefits	**(6,875)**	(6,451)
Surplus, end of year	**$ 6,998**	$10,224

for the year ended December 31, 2001

Description of Plan

The following description of the Ontario Teachers' Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the *Teachers' Pension Act* (the TPA) as amended.

a) General The Plan is governed by the TPA. It is a contributory defined benefit pension plan co-sponsored by the Province of Ontario (the Province) and Plan members, represented by the Ontario Teachers' Federation (the OTF). The terms of the Plan are set out in the Partners' Agreement.

The Plan is registered with the Financial Services Commission of Ontario and with the *Income Tax Act (Canada)* (registration number 0345785) as a Registered Pension Plan not subject to income taxes.

The Plan is administered and the investments are managed by the Ontario Teachers' Pension Plan Board (the Board). Under the TPA, the Board is constituted as a corporation without share capital to which the *Corporations Act (Ontario)* does not apply.

b) Funding Plan benefits are funded by contributions and investment earnings. Contributions are made by active members of the Plan and matched by the Province and designated private schools and organizations. The determination of the value of the benefits and required contributions is made on the basis of periodic actuarial valuations (note 9).

c) Retirement pensions A retirement pension is available based on the number of years of credited service, the average of the best five annual salaries and the age of the member at retirement. A member is eligible for a reduced retirement pension from age 55, or age 50 provided the member ceased to be employed in education after June 29, 2001. An unreduced retirement pension is available at age 65 or at any age if the member has 35 years' credit or if the sum of a member's age and qualifying service equals 90, or 85 provided the member ceased to be employed in education after May 31, 1998.

d) Disability pensions A disability pension is available at any age to a disabled member with a minimum of 10 years of qualifying service. The type of disability pension is determined by the extent of the disability.

e) Death benefits Death benefits are available on the death of an active member and may be available on the death of a retired member. The benefit may take the form of a survivor pension, lump sum payment or both.

f) Escalation of benefits Pension benefits are adjusted annually for inflation at 100% of the Consumer Price Index, subject to a limit of 8% in any one year with any excess carried forward.

g) Retirement Compensation Arrangement The Retirement Compensation Arrangement (RCA) has been created by agreement between the co-sponsors as a supplementary plan to provide the members of the Plan with benefits that, due to limitations imposed by the *Income Tax Act (Canada)* and its regulations, cannot be provided under the Registered Pension Plan. Because the RCA is a separate trust, the net assets available for benefits and accrued benefits of the RCA are not included in these financial statements (condensed information is included in note 13).

1. Summary of Significant Accounting Policies

a) Basis of presentation

These financial statements present the financial position and the results of operations of the Plan and are prepared in accordance with Canadian generally accepted accounting principles.

The financial statements of wholly owned subsidiary companies are consolidated as part of the Plan's financial statements. Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments and investment-related receivables and liabilities

Fair value Investments and investment-related receivables and liabilities are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Where ascertainable, fair values are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not ascertainable, fair values are derived using methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate.

Trade-date reporting Purchases and sales of investments and derivative contracts are recorded as of the trade date (the date upon which the substantial risks and rewards have been transferred).

Investment income Dividend income is recognized based on ex-dividend date and interest income and real estate operating income is recognized on the accrual basis as earned. Investment income also includes realized and unrealized gains and losses.

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the year-end date. Income and expenses are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included in investment income.

d) Accrued pension benefits

The value of accrued pension benefits and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made as at the start of the year and then extrapolated to year-end. It uses the projected benefit method prorated on service and management's best estimate, as at valuation date, of various economic and non-economic assumptions (note 5).

e) Use of estimates

In preparing these financial statements, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, related income and expenses and related disclosures.

2. Investments

The Plan invests directly or through derivatives in fixed-income, equities and inflation-sensitive investments in accordance with its policy of asset diversification. The purpose of such diversification is to minimize the likelihood of an overall reduction in surplus and maximize the opportunity for gains across the investment portfolio.

a) Investments[1] before allocating the effect of derivative contracts and investment-related receivables and liabilities

The schedule below summarizes the Plan's investments, including net accrued interest and dividends of $429 million (2000 – $388 million), before allocating the effect of derivative contracts and investment-related receivables and liabilities, as at December 31:

($ millions)	2001		2000	
	Fair Value	Cost	Fair Value	Cost
Fixed income				
Debentures	$15,071	$11,687	$15,715	$12,205
Bonds	16,436	16,094	13,218	12,696
Money-market securities	3,661	3,651	4,273	4,238
Alternative investments[2]	3,348	2,602	2,162	1,720
	38,516	34,034	35,368	30,859
Equity				
Publicly traded				
Canadian	12,326	9,930	13,487	9,618
United States	2,703	2,575	1,885	1,565
Non-North American	6,988	6,669	6,415	5,455
Non-Publicly traded				
Canadian	1,172	1,065	1,110	856
United States	894	893	769	671
Non-North American	1,001	1,123	1,196	1,188
	25,084	22,255	24,862	19,353
Inflation-sensitive investments				
Real estate (note 6)	12,026	11,132	10,393	9,711
Real-rate products				
Canadian	5,363	4,866	5,822	5,054
United States	1,765	1,516	4,424	4,190
	19,154	17,514	20,639	18,955
	82,754	73,803	80,869	69,167
Investment-related receivables				
Securities purchased under agreements to resell	6,099	6,088	1,948	1,946
Derivative-related, net	3,058	1,332	2,300	493
Investments	91,911	81,223	85,117	71,606
Investment-related liabilities				
Securities sold under agreements to repurchase	(10,847)	(10,816)	(3,578)	(3,572)
Securities sold but not yet purchased	(4,805)	(4,734)	(1,592)	(1,606)
Real estate (note 6)	(4,771)	(4,500)	(4,192)	(4,002)
Derivative-related, net	(3,368)	(397)	(3,712)	(1,199)
Net investments (note 2c)	$68,120	$60,776	$72,043	$61,227

[1] For additional details, refer to the schedule of Investments Over $50 million on page 49.

[2] Comprised of hedge funds, managed futures accounts and fund-of-funds programs.

b) Derivative contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. Derivative contracts are transacted either in the over-the-counter market or on regulated exchanges. The Plan utilizes derivatives to manage its asset mix and foreign currencies exposure. Derivatives are also utilized in value added programs in a manner consistent with the Plan's investment objectives.

Notional amounts of derivative contracts represent the volume of outstanding transactions and do not represent the potential gain, loss or net exposure associated with the market or credit risk of such transactions. Rather, they serve as the basis upon which the returns from, and the fair value of, the contracts are determined.

The following schedule summarizes the Plan's derivative contracts as at December 31:

($ millions)	2001		2000	
	Notional	Fair Value	Notional	Fair Value
Asset-mix policy management				
Interest rate swaps	$ 9,745	$ (736)	$ 6,844	$ (929)
Equity and commodity swaps	16,708	(730)	17,436	(215)
Currency swaps	228	(15)	228	(3)
Futures	3,485	–	2,906	(2)
		(1,481)		(1,149)
Foreign currency policy management				
Forwards	10,900	244	10,398	(6)
Value-added management				
Interest rate swaps	11,877	(112)	3,266	(7)
Volatility swaps	905	3	967	34
Equity swaps	1,010	20	–	–
Currency swaps	334	(31)	271	(7)
Futures	53,206	(15)	23,248	(15)
Forwards	12,652	(28)	8,848	205
Exchange-traded options				
Purchased	1,498	12	2,963	19
Written	3,035	(35)	3,460	(9)
Over-the-counter options				
Purchased	10,960	257	2,004	39
Written	9,174	(247)	1,253	(23)
		(176)		236
		(1,413)		(919)
Less: Net cash collateral paid/(received) under derivative contracts		1,103		(493)
Net fair value of derivative contracts		$ (310)		$(1,412)

The net fair value of derivative contracts as at December 31 is represented by:

($ millions)	2001	2000
Derivative-related receivables	$ 2,742	$ 2,562
Cash collateral paid under derivative contracts	1,126	428
Derivative-related liabilities	(4,155)	(3,481)
Cash collateral received under derivative contracts	(23)	(921)
	$ (310)	$(1,412)

Securities with a fair value of $350 million (2000 – $320 million) have been deposited with various financial institutions as margin to effect derivatives transactions.

The derivative contracts on page 37 mature within one year except for the following, which have a weighted average maturity (in years) of:

	2001		2000	
	Notional ($ millions)	Weighted Average Maturity (years)	Notional ($ millions)	Weighted Average Maturity (years)
Asset-mix policy management				
Interest rate swaps	$ 9,040	8.4	$6,610	8.2
Equity and commodity swaps	1,637	1.7	2,468	1.4
Currency swaps	196	5.9	228	6.1
Foreign currency policy management				
Forwards	1,638	1.4	–	–
Value-added management				
Interest rate swaps	10,610	5.0	2,668	6.1
Volatility swaps	536	2.6	221	3.2
Currency swaps	288	4.8	265	4.8
Over-the-counter options	4,788	3.1	223	1.8
Forwards	–	–	205	1.5

c) Investment asset mix

The Plan has established a long-term policy asset mix of approximately 60% equities, 18% fixed income and 22% inflation-sensitive investments.

The Plan's investments, after allocating the effect of derivative contracts and investment-related receivables and liabilities, as at December 31 are summarized below:

	2001		2000	
	Effective Net Investments at Fair Value ($ millions)	Asset Mix (%)	Effective Net Investments at Fair Value ($ millions)	Asset Mix (%)
Fixed income				
Bonds	$ 7,562	11%	$10,771	15%
Money market and equivalents	3,863	6	2,548	3
	11,425	17	13,319	18
Equity				
Canadian	17,062	25	17,739	25
United States	10,514	15	10,119	14
Non-North American	13,801	20	13,022	18
	41,377	60	40,880	57
Inflation-sensitive investments				
Commodities	1,085	2	2,098	3
Real estate, net (note 6)	7,255	11	6,201	9
Real-rate products	6,978	10	9,545	13
	15,318	23	17,844	25
Total net investments	$68,120	100%	$72,043	100%

d) Interest rate risk

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to long-term market interest rates as well as expectations for salary escalation.

The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates required to meet pension obligations. As at December 31, 2001, holding the inflation and salary escalation assumptions constant, a 1% decrease in the assumed real long-term rates of return would result in an increase in the pension liabilities of approximately 13% (2000 – 13%).

After giving effect to the derivative contracts and investment-related receivables and liabilities discussed in note 2b, a 1% increase in nominal interest rates would result in a decline in the value of the fixed-income securities of 7.4% (2000 – 6.6%).

e) Credit risk

At December 31, 2001, the Plan's most significant concentration of credit risk is with the Government of Canada and the Province of Ontario. This concentration relates primarily to the holding of $11.2 billion of Government of Canada issued securities and $15.1 billion of non-marketable Province of Ontario debentures, a receivable from the Province of $1.3 billion and future provincial funding requirements of the Plan.

The Plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher, and by utilizing an internal credit limit monitoring process, as well as through the use of credit mitigation techniques such as master netting arrangements (which provide for certain rights of offset) and obtaining collateral where appropriate.

f) Foreign currency risk

Foreign currency exposure arises from the Plan's holdings of foreign currency-denominated investments and related derivative contracts.

The Plan uses a currency overlay program to hedge a portion of its asset-mix policy allocation to non-North American equities. In January 2001, the Plan discontinued hedging its U.S. equity exposure. The Plan also takes trading positions in foreign currencies with the objective of adding incremental returns. The Plan's net foreign currency exposure in Canadian dollars after giving effect to the related policy hedge, as at December 31, is as follows:

($ millions)	2001			2000
	Foreign Currency Exposure	Net Foreign Currency Hedge	Net Foreign Currency Exposure	Net Foreign Currency Exposure
Currency				
United States dollar	$10,800	$ –	$10,800	$ 6,632
Euro	6,768	2,512	4,256	3,392
British pound sterling	3,033	1,564	1,469	1,965
Swiss franc	1,188	529	659	1,078
Japanese yen	1,653	1,480	173	715
Other	1,720	160	1,560	1,978
	$25,162	$6,245	$18,917	$15,760

g) Securities lending

The Plan lends securities as a means of generating incremental income or supporting other investment strategies. As at December 31, 2001, the Plan's investments included loaned securities with a fair value of $3,178 million (2000 – $3,402 million). The fair value of collateral in respect of these loans was $3,301 million (2000 – $3,590 million).

3. Receivable from the Province of Ontario

The receivable from the Province consists of required matching contributions and interest thereon.

($ millions)	2001	2000
Contributions receivable	$1,217	$ 1,194
Accrued interest receivable	63	57
	$1,280	$ 1,251

The receivable from the Province consists of $646 million, which was received in January 2002 and $634 million to be received in 2003.

4. Actuarial Asset Value Adjustment

The actuarial value of net assets available for benefits is determined by reference to market trends consistent with assumptions underlying the valuation of accrued pension benefits. The adjustment represents the unamortized difference between the actual and management's best estimate of return on the Plan's equity investments (including real estate and commodities). Annual returns that are in excess of (gains) or below (losses) management's best estimate of returns are amortized over five years. The change in actuarial asset value adjustment for the year was $7,314 million (2000 – $3,975 million).

Fixed-income securities are valued at fair value on a basis consistent with the discount rate used to value the Plan's accrued pension benefits, and therefore do not give rise to the need for an adjustment to net assets.

The following schedule summarizes the composition of the actuarial asset value adjustment as at December 31:

($ millions)	2001	2002	2003	2004	2005	2000
	Unamortized (gains)/losses	to be recognized in				Unamortized (gains)/losses
1997	$ –	$ –	$ –	$ –	$ –	$ (695)
1998	(258)	(258)	–	–	–	(516)
1999	(2,684)	(1,342)	(1,342)	–	–	(4,025)
2000	671	223	224	224	–	895
2001	5,244	1,311	1,311	1,311	1,311	–
	$ 2,973	$ (66)	$ 193	$1,535	$1,311	$(4,341)

5. Accrued Pension Benefits

a) Actuarial assumptions

The actuarial assumptions used in determining the value of accrued pension benefits, $65,431 million (2000 – $58,556 million) reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality, withdrawal rates and retirement rates. The primary economic assumptions include the discount rate, salary escalation rate and the inflation rate. The discount rate is set at the market rate, as at the valuation date, of debt obligations with characteristics similar to the Plan's liabilities. The inflation rate is the difference between the yield, as at the valuation date on Government of Canada long-term nominal bonds and Government of Canada real-return bonds. The salary escalation rate incorporates the inflation rate assumption and long-term expectation of growth in real wages. A summary of the primary economic assumptions, as at December 31, is as follows:

	2001	2000
Discount rate	**6.30%**	6.25%
Salary escalation rate	**2.90%**	3.20%
Inflation rate	**1.90%**	2.20%

The main economic assumptions were changed as a result of changes in capital markets during 2001. These changes resulted in a net decrease in the value of accrued pension benefits of $2,857 million (2000 – $3,297 million increase). In addition, changes were made to the assumed post-retirement mortality rates to anticipate future improvements in mortality, the retirement rates and the contribution limit. These changes increased the value of accrued pension benefits by $2,216 million, resulting in a net decrease in the value of accrued pension benefits of $641 million. In 2000, changes to the actuarial assumptions resulted in a net increase in the value of accrued pension benefits of $3,893 million.

b) Plan provisions

The plan was amended effective April 1, 2001 by the Ontario Teachers' Federation to incorporate changes arising out of an agreement reached by the co-sponsors on April 18, 1998. The main changes having a direct effect on the actuarial valuation of the Plan are the provision of a permanent 85 factor for unreduced early retirement pensions, lowering the age for eligibility for a reduced retirement pension to 50 from 55 and a reduction in the offset for CPP benefits from 0.6% to 0.45% (which increases the benefits paid from 1.4% to 1.55% for compensation below the CPP earnings ceiling and 2% above). No material amendments were made to the Plan in 2000.

c) Experience gains and losses

Experience losses of $604 million (2000 – $262 million) arose from differences between the actuarial assumptions and actual results and relate primarily to higher than expected pension escalation adjustments and to retirement and mortality losses.

6. Investment in Real Estate

a) Investment in real estate

The Plan's investment in real estate, which is comprised of real estate-related investments that are either owned or managed on behalf of the Plan by The Cadillac Fairview Corporation Limited, a wholly owned subsidiary company, as at December 31 is as follows:

($ millions)	2001		2000	
	Fair Value	**Cost**	Fair Value	Cost
Assets				
Real estate properties	**$11,065**	**$10,217**	$ 9,635	$8,901
Investments	**663**	**617**	526	577
Other assets	**298**	**298**	232	233
Total assets	**12,026**	**11,132**	10,393	9,711
Liabilities				
Debt on real estate properties	**4,340**	**4,102**	3,833	3,694
Other liabilities	**431**	**398**	359	308
Total liabilities	**4,771**	**4,500**	4,192	4,002
Net investment in real estate	**$ 7,255**	**$ 6,632**	$ 6,201	$5,709

b) Real estate income[1]

The Plan's real estate income for the year ended December 31, is as follows:

($ millions)	2001	2000
Revenue		
Rental	$1,640	$1,140
Investment	25	41
	1,665	1,181
Expenses		
Property operating	670	447
Interest	308	242
Management	57	42
Other	20	23
	1,055	754
Operating income	610	427
Realized gain	3	14
Unrealized gain	131	187
Net income	$ 744	$ 628

[1] Operating income, on a fair value basis, excludes a charge for depreciation and amortization.

c) Acquisition of Cadillac Fairview Corporation (CFC)

On March 17, 2000, pursuant to a plan of arrangement, the Plan acquired the remaining 78.2% of the common shares that it did not previously own of CFC, a fully integrated commercial real estate operating company, and $100 million of CFC convertible debentures for total consideration of $2,355 million.

The fair value of CFC's net assets acquired is summarized below:

($ millions)	
Real estate properties	$5,730
Other assets	403
	6,133
Debt on real estate properties	(2,892)
Other liabilities	(324)
Net assets of CFC	2,917
Less: Investment in CFC previously held	(562)
Total consideration	**$2,355**

7. Investment (Loss)/Income

a) Investment (loss)/income before allocating the effect of derivative contracts

Investment (loss)/income, before allocating the effect of derivative contracts and before allocating the realized and unrealized net gains/losses, for the year ended December 31, is as follows:

($ millions)	2001	2000
Fixed-income interest		
Debentures	$ 1,349	$ 1,425
Money-market securities	165	197
Bonds	602	720
Swap interest expense	(1,025)	(1,039)
	1,091	1,303
Equity dividend income		
Canadian equity	267	222
United States equity	50	13
Non-North American equity	289	234
	606	469
Inflation-sensitive investments		
Real estate operating income (note 6b)	610	427
Real-rate products interest income		
Canadian	202	189
United States	125	92
	937	708
	2,634	2,480
Net (loss)/gain on investments[1]	(4,373)	3,731
Investment (loss)/income	$(1,739)	$ 6,211

[1] Includes net unrealized losses of $3,418 million (2000 – $4,145 million).

b) Investment (loss)/income

Investment (loss)/income by asset class, after allocating the effect of the derivative contracts and net losses/gains, including foreign currency losses of $190 million (2000 – $71 million loss), for the year ended December 31, is as follows:

($ millions)	2001	2000
Fixed income	$ 931	$1,796
Canadian equity	(799)	2,523
United States equity	(624)	209
Non-North American equity	(2,624)	(694)
Inflation-sensitive investments	1,377	2,377
	$(1,739)	$6,211

8. Investment Returns and Related Benchmark Returns

Investment returns and related benchmark returns by investment asset class for the year ended December 31 are as follows:

	2001		2000	
	Investment Returns	Investment Benchmark Returns	Investment Returns	Investment Benchmark Returns
Fixed income	10.1 %	9.2 %	15.6%	13.7%
Canadian equity	(6.8)	(12.6)	13.5	7.4
United States equity	(3.7)	(6.5)	(4.1)	(5.5)
Non-North American equity	(13.1)	(16.5)	(8.5)	(13.5)
Inflation-sensitive investments	4.9	2.1	19.9	18.0
Total Plan	(2.3)%	(5.3)%	9.3%	5.3%

Investment returns have been calculated in accordance with the acceptable methods set forth by the Association for Investment Management and Research and the Pension Investment Association of Canada.

The Plan identifies benchmarks to evaluate the performance of the investment management process. The performance of each asset class is measured against a benchmark that simulates the results of the markets in which the managers invest, except for inflation-sensitive investments, which are generally measured against an inflation-related benchmark.

The total return of the Plan is measured against a Canadian dollar denominated composite benchmark produced by aggregating Canadian dollar equivalent returns from each of the policy asset class benchmarks, using the Plan's asset mix policy weights. The total return incorporates the Plan's tactical asset allocation decisions and currency policy hedge.

9. Funding Policy

Statutory actuarial valuations are prepared periodically in accordance with the *Teachers' Pension Act* to determine the funding requirements of the Plan. Active members are currently required to contribute 7.3% of the portion of their salaries covered by the Canada Pension Plan and 8.9% of salaries above this level. Aggregate member contributions are matched by the Province and other employers.

The actuarial methods used to determine statutory pension liabilities are different than those used to calculate the amounts disclosed in these financial statements. The statutory valuations use an actuarial valuation method that is prescribed in the *Teachers' Pension Act* which takes into account benefits to be earned and contributions to be made after the valuation date for members of the Plan as at the valuation date.

The statutory valuation as at January 1, 2001 disclosed a funding surplus of $6,777 million (2000 – $4,540 million). Pursuant to a 1998 agreement between the Ontario Teachers' Federation (OTF) and the Province, $6,134 million of this surplus was used to improve benefits, leaving a surplus of $643 million, of which $76 million is available to the OTF for improved benefits or member contribution rate reductions.

The statutory valuation as at January 1, 2002 disclosed a funding surplus of $1,872 million.

10. Contributions

($ millions)	2001	2000
Members		
Current service	$ 613	$ 604
Optional credit	15	11
	628	615
Province of Ontario		
Current service	608	601
Interest	47	42
Optional credit	10	5
	665	648
Other employers	10	9
Transfers from other pension plans	9	9
	19	18
	$1,312	$1,281

11. Benefits

($ millions)	2001	2000
Retirement pensions	$2,468	$2,215
Commuted value transfers	412	164
Death benefits	130	102
Disability pensions	31	31
Transfers to other plans	23	11
Refunds	16	18
	$3,080	$2,541

12. Administrative Expenses

a) Investment expenses

($ millions)	2001	2000
Salaries and benefits	$ 49.7	$ 40.5
External investment management fees	43.8	34.3
Premises and equipment	8.1	6.6
Custodial fees	6.3	6.6
Professional and consulting services	5.6	5.0
Information services	5.0	3.7
Communication and travel	2.7	2.1
Statutory audit fees	0.5	0.3
Other	1.1	1.0
	$122.8	$100.1

b) Member Service expenses

($ millions)	2001	2000
Salaries and benefits	$23.0	$20.9
Premises and equipment	7.1	6.2
Professional and consulting services	1.9	2.4
Communication and travel	1.9	2.1
Board and committee remuneration	0.3	0.2
Statutory audit fees	0.2	0.2
Other	0.7	0.7
	$35.1	$32.7

c) Executive compensation

The compensation table presents full disclosure of base salary, annual bonus, long-term incentives and other compensation earned in 2001, 2000, and 1999 by the Chief Executive Officer and the four other most highly compensated executives.

Name and Principal Position	Year	Base Salary	Annual Bonus[1]	Long-term Incentive Plan[2]	Group Term Life Insurance	Other Compensation
Claude Lamoureux	**2001**	**$410,769**	**$543,400**	**$957,400**	**$1,017**	**$ 9,600**[3]
President and CEO	2000	389,169	504,500	790,100	1,119	9,600
	1999	357,637	196,100	131,900	1,033	9,600
Robert Bertram	**2001**	**$316,538**	**$554,600**	**$876,200**	**$ 784**	**$14,125**[4]
Executive VP	2000	302,800	404,000	627,000	870	13,962
Investments	1999	276,309	102,600	101,800	798	13,343
Neil Petroff	**2001**	**$214,846**	**$419,600**	**$629,400**	**$ 532**	**–**
Sr. VP, Int'l Equity	2000	196,130	338,500	451,900	561	–
Indices, Fixed Income	1999	175,444	202,800	51,400	507	–
Leo de Bever	**2001**	**$215,308**	**$425,100**	**$560,300**	**$ 533**	**–**
Sr. VP, Research	2000	193,523	280,900	318,300	553	–
& Economics	1999	167,922	86,700	51,000	485	3,275[5]
Morgan McCague	**2001**	**$206,154**	**$391,000**	**$565,000**	**$ 510**	**$ 4,000**[5]
Sr. VP, Quantitative	2000	186,384	323,800	460,000	533	–
Investments	1999	164,863	188,000	53,200	476	3,218

[1] Bonuses for investment professionals are based on a combination of total fund, asset class, and individual performance, measured in dollars of value added above benchmarks. Performance versus benchmark is measured over four annual performance periods.
Bonuses for other executive staff are based on achievement of annual corporate and divisional objectives.

[2] The investment long-term incentive program was restructured in 1999 following a review of competitive market practices. The program continues to be based on four-year performance periods. Initial grants are adjusted by the four-year total fund rate of return and by a performance modifier, based on total fund dollar value added over a composite benchmark.

[3] Automobile allowance.

[4] Includes an automobile allowance of $8,000 per annum plus unused vacation cashout.

[5] Unused vacation cashout.

13. Retirement Compensation Arrangement

The Retirement Compensation Arrangement (RCA) was established pursuant to an agreement between the Province of Ontario and the Ontario Teachers' Federation (the co-sponsors) to provide to the members of the Plan certain benefits that would have been provided under the Registered Pension Plan, but for amendments made to the *Income Tax Act (Canada)* and its Regulations that restrict benefits that may be provided under a registered plan for periods of service after 1991 and for certain periods before 1992 that are credited after 1991.

The RCA is administered under a trust separate from the assets of the Registered Pension Plan. The Board has been appointed by the co-sponsors to act as the trustee of the RCA.

Because the RCA is a separate trust, the net assets available for benefits and the value of accrued benefits and deficiency, referred to below, have not been included in the accompanying financial statements of the Registered Pension Plan.

The RCA is funded on a pay-as-you-go basis from a portion of the contributions made to the Board by teachers, the Province of Ontario and designated private schools and organizations. The portion is based on a rate determined periodically by the Board's independent actuary in a manner that is expected to be sufficient to pay the benefits over the next 12 months. Due to the funding policy adopted by the co-sponsors, the assets will continue to be substantially less than the liabilities.

In addition, since it is difficult to predict the benefits expected to be paid over the next 12 months, it is possible that the assets may be insufficient to pay the benefits. In such a case, the payment of benefits will be temporarily suspended and contributions raised in order to fund the payments that are due under the RCA.

A summary of the financial statements for the RCA as at December 31 is as follows:

($ thousands)	2001	2000
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AND DEFICIENCY:		
Net assets available for benefits		
Assets	$ 2,383	$ 2,200
Liabilities	(320)	(408)
	$ 2,063	$ 1,792
Accrued benefits and deficiency		
Accrued benefits	$ 361,480	$ 305,900
Deficiency	(359,417)	(304,108)
	$ 2,063	$ 1,792
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS:		
Contributions	$ 1,363	$ 1,109
Investment (loss)/income	(11)	17
	1,352	1,126
Benefits paid	1,021	709
Expenses	60	41
	1,081	750
Increase in net assets	$ 271	$ 376

The actuarial assumptions used in determining the value of accrued benefits are consistent with the assumptions used in the Plan except that the assumed discount rate has been adjusted to reflect the impact of the 50% refundable tax under the RCA.

The estimate of the value of accrued benefits is highly sensitive to salary increases, both actual and assumed. Any changes to the salary assumptions will have a significant impact on the liabilities for future benefits. In addition, significant uncertainty exists in projecting the liabilities of the RCA due to changes in the number of future participants as well as changes to the income tax regulations relating to pensions.

14. Commitments

The Plan has committed to enter into investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2001, these potential commitments totalled $5,018 million (2000 – $2,824 million).

INVESTMENTS OVER $50 MILLION

as at December 31, 2001

Fixed Income

($ millions)	Year of Maturity	Coupon (%)	Fair Value	Cost
Government of Canada bonds	2002-2029	3.50-13.00	$ 7,126	$ 7,075
Canadian corporate bonds	2002-2049	0.00-12.50	3,615	3,572
Commercial paper	2002	1.89-3.16	1,460	1,458
Canadian treasury bills	2002	1.90-2.89	483	479
International corporate bonds	2002-2012	0.00-11.38	1,034	998
United States treasury bonds	2003-2014	0.00-13.25	(81)	(80)
International sovereign notes	2008-2013	1.10-8.00	199	210
Provincial bonds	2003-2016	4.88-8.75	765	753
Term deposits	2002	2.06-2.69	163	163
Securities purchased under agreements to resell	2002	0.13-3.72	6,099	6,088
Securities sold under agreements to repurchase	2002	1.79-3.90	(10,847)	(10,816)

Inflation-Sensitive Investments

($ millions)	Year of Maturity	Coupon (%)	Fair Value	Cost
Real return Canada bonds and residual strip coupons	2002-2031	0.00-4.25	$ 2,716	$ 2,384
Inflation-indexed notes				
Canada	2026-2029	4.25-4.25	1,359	1,369
U.S.	2026-2029	3.88-3.88	1,386	1,202
Real-return Canada corporate bonds	2016-2039	5.29-5.33	737	595
United States TIPS	2028-2029	3.63-3.88	379	315
Real-return Province of Quebec bonds	2026-2026	4.50-4.50	287	264
Index-linked mortgages	2018-2028	4.45-6.97	264	253

Province of Ontario Debentures

($ millions) Maturity Date	Coupon (%)	Fair Value	Cost
2001-2006	9.54-14.40	$ 5,625	$ 4,675
2007-2012	10.11-15.38	9,095	6,661
Total debentures net of accrued		14,720	11,336
Accrued Interest		351	351
Total		$15,071	$11,687

INVESTMENTS OVER $50 MILLION

as at December 31, 2001

Corporate Shares

(millions)

Security Name	Shares	Fair Value $
Nexen Inc.	20.1	$625.7
Royal Bank of Canada	9.6	495.4
Nortel Networks Corporation	41.5	493.6
Maple Leaf Foods Inc.	42.7	449.5
Bank of Nova Scotia, The	8.7	423.9
Toronto-Dominion Bank, The	10.1	415.3
Shoppers Drug Mart Corporation	21.5	404.5
Capital International Emerging Countries Fund	8.5	357.9
AT&T Canada Inc.	6.8	325.7
Canadian Imperial Bank of Commerce	5.7	312.2
Alcan Aluminium Limited	5.3	305.4
Manulife Financial Corporation	7.3	304.3
MacDonald, Dettwiler and Associates Ltd.	10.1	279.6
BCE Inc.	7.3	262.0
Bank of Montreal	7.2	257.1
Sun Life Financial Services of Canada Inc.	6.0	203.5
Canadian National Railway Company	2.6	202.5
WestJet Airlines Ltd.	8.3	197.1
Magna International Inc.	1.8	177.0
Biovail Corporation	1.0	172.0
Barrick Gold Corporation	6.7	169.9
PanCanadian Energy Corporation	3.9	161.6
TransCanada PipeLines Limited	7.9	156.0
Suncor Energy Inc.	2.6	138.9
Clarica Life Insurance Co.	2.5	131.6
Petro-Canada	3.3	130.9
Total Fina SA	0.6	124.9
Talisman Energy Inc.	2.0	122.2
Thomson Corporation, The	2.5	122.0
Calpine Corporation	4.5	120.2
Celestica Inc.	1.8	113.9
Lloyds TSB Group PLC	6.4	110.7
Telefonica, S.A.	4.0	110.7
Telefonos de Mexico SA	9.7	109.9
Enbridge Inc.	2.5	108.0
Power Corporation of Canada	2.6	101.3
ENI S.p.A.	4.9	97.5
Alberta Energy Company Ltd.	1.6	96.5
Westcoast Energy Inc.	2.3	96.1
Telus Corporation	3.9	95.1
Bombardier Inc.	5.7	94.5
HSBC Holdings	5.0	93.4
BAE Systems PLC	13.0	93.0
Deutsche Bank AG	0.8	89.8
Washington Mutual, Inc.	1.7	87.2
Akzo Nobel N.V.	1.2	87.1
Inco Limited	3.1	86.6

(millions)

Security Name	Shares	Fair Value $
Bank One Corporation	1.4	$86.3
Placer Dome Inc.	4.6	80.8
CP Railway Limited	2.5	80.3
Hitachi Ltd.	6.9	80.0
Shaw Communications Inc.	2.4	79.3
The Zurich Financial Services Group	0.2	78.0
Royal Bank of Scotland Group	2.0	77.6
National Bank of Canada	2.6	77.5
Cheung Kong (Holding) Ltd.	4.6	76.6
Imperial Oil Limited	1.7	76.5
Power Financial Corporation	2.0	75.4
Quebecor World Inc.	2.1	74.5
Swiss Reinsurance Company	0.5	74.5
The Allstate Corporation	1.4	74.4
Alcatel	2.7	73.7
ABN Amro Holding NV	2.9	73.5
Abitibi-Consolidated Inc.	6.2	72.7
CAE Inc.	6.2	72.0
CP Ships Limited	4.0	69.3
Canada Life Financial Corporation	1.5	67.1
Ballard Power Systems Inc.	1.4	66.2
ATI Technologies Inc.	3.3	65.9
Veba AG	0.8	65.9
Potash Corporation of Saskatchewan Inc.	0.7	65.8
SPX Corporation	0.3	65.4
Shell Transport & Trading Company	6.0	65.2
Koninklijke Philips Electronics N.V.	1.4	64.9
Australia & New Zealand Banking Group Limited	4.5	64.8
Brascan Corporation	2.2	63.9
Canadian Natural Resources Limited	1.7	63.8
Rogers Communications Inc.	2.3	61.5
Samsung Electronics	0.2	59.6
Matsushita Electric Works, Ltd.	2.9	59.6
Verizon Communications Inc.	0.8	59.3
SBC Communications Inc.	0.9	58.8
Raytheon Company	1.1	55.8
BP p.l.c.	1.9	54.3
Great-West Lifeco Inc.	1.6	53.6
TrizecHahn Corporation	2.1	53.5
Lindsay Manufacturing Co.	1.7	53.5
Baker Hughes Incorporated	0.9	52.4
Microsoft Corporation	0.5	52.3
Investors Group Inc.	2.0	51.8
Loblaw Companies Limited	1.0	51.5
Exelon Corporation	0.7	51.3
Banco Bilbao Vizcaya Argentaria S.A.	2.6	51.3

Note: For assets over $20 million, please see our Web site at **www.otpp.com**

Convertible and Exchangeable Debentures

(millions)

Security Name		Par Value	Fair Value $
Power Financial Corporation	8% Due April 30, 2014	$171.0	$243.9
PDFB Investments Inc.	3.25% Due March 12, 2018	65.1	182.0

INVESTMENTS OVER $50 MILLION

as at December 31, 2001

Real Estate Portfolio

Property	Total Square Footage (in thousands)	Effective % Ownership
Canadian Regional Shopping Centres		
Aberdeen Mall, Kamloops	459	100%
Cataraqui Town Centre, Kingston	581	50%
Champlain Place, Dieppe	732	100%
Chinook Centre, Calgary	1,218	100%
Cornwall Centre, Regina	499	100%
Don Mills Shopping Centre, Toronto	420	100%
Eastgate Square, Hamilton	613	100%
Erin Mills Town Centre, Mississauga	781	50%
Fairview Mall, Toronto	879	50%
Fairview Park Mall, Kitchener	745	100%
Fairview Pointe Claire, Montreal	1,036	50%
Georgian Mall, Barrie	533	100%
Hillcrest Mall, Richmond Hill	581	100%
Intercity Shopping Centre, Thunder Bay	454	100%
Le Carrefour Laval, Montreal	1,021	100%
Les Galeries D'Anjou, Montreal	1,013	50%
Les Promenades St. Bruno, Montreal	1,088	100%
Lime Ridge Mall, Hamilton	786	100%
Market Mall, Calgary	723	50%
Markville Shopping Centre, Markham	898	100%
Masonville Place, London	684	100%
McAllister Place, St. John	471	100%
Midtown Plaza / Village, Saskatoon	660	100%
New Sudbury Centre, Sudbury	497	100%
Pacific Centre, Vancouver	1,348	100%
Polo Park Mall, Winnipeg	1,200	100%
Regent Mall, Fredericton	470	100%
Richmond Centre, Richmond	488	100%
Rideau Centre, Ottawa	693	31%
Sherway Gardens, Toronto	979	100%
Southland Mall, Regina	423	100%
The Promenade, Toronto	687	50%
Toronto Eaton Centre, Toronto	1,620	100%
Victoria Eaton Centre, Victoria	410	100%
Woodbine Centre, Toronto	682	60%

Property	Total Square Footage (in thousands)	Effective % Ownership
Canadian Office Properties		
1 Queen Street East and 20 Richmond Street East, Toronto	503	50%
77 Bloor Street West, Toronto	383	90%
Granville Square, Vancouver	410	100%
Pacific Centre Office Complex, Vancouver	1,537	100%
Shell Centre, Calgary	683	50%
Toronto-Dominion Centre Office Complex, Toronto	4,449	100%
Toronto Eaton Centre Office Complex, Toronto	1,898	100%
Waterfront Centre, Vancouver	409	100%
Yonge Corporate Centre, Toronto	661	50%
U.S. Regional Shopping Centres		
Broward Mall, Fort Lauderdale, Florida	1,000	100%
Dover Mall, Dover, Delaware	835	100%
Galleria at White Plains, White Plains, New York	885	100%
Golden East Crossing, Rocky Mount, North Carolina	584	100%
Gwinnett Place, Duluth, Georgia	1,278	33%
Kitsap Mall, Silverdale, Washington	715	49%
Lakewood Center, Lakewood, California	1,934	49%
Los Cerritos Center, Cerritos, California	1,302	49%
Northpark Mall, Ridgeland, Mississippi	959	100%
Redmond Town Center, Redmond, Washington	1,119	49%
Stonecrest Mall, Atlanta, Georgia	1,300	33%
Stonewood Center, Downey, California	929	49%
The Esplanade, Kenner, Louisiana	911	100%
Town Center at Cobb, Kennesaw, Georgia	1,273	33%
Washington Square, Tigard, Oregon	1,239	49%

Private Companies and Partnerships

Absolute Return Fund Ltd.
Active Value Capital, L.P.
Baillie Gifford Emerging Markets Fund
BC European Capital VI
BC European Capital VII
DLJ Merchant Banking Partners II, L.P.
Friedrich Grohe AG
Heartland Industrial Partners, L.P.
Hermes U.K. Focus Fund III, L.P.
Hicks, Muse, Tate & Furst Latin America Fund, L.P.
Luscar Energy Partnership
Magnatrax Corp.
Maple Leaf Sports & Entertainment
Maple Partners Financial Group
Morgan Stanley Real Estate Fund III International L.P.
Paragon Trade Brands, Inc.
PI Long Short Equity Hedged Fund, Ltd.
Providence Equity Partners Fund III, L.P.
RH 2, L.P.
Sanitec Corporation
Schroder Asian Properties L.P.
The Macerich Company
Tiedemann Select Corporate Arbitrage Fund
Trimac Corporation
Wellspring Capital Partners II, L.P.

ELEVEN-YEAR REVIEW

for the year ended December 31

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
PERFORMANCE (%)											
Rate of return	**(2.3)**	9.3	17.4	9.9	15.6	19.0	16.9	1.7	21.7	8.9	19.6
Benchmark	**(5.3)**	5.3	17.6	11.9	15.6	18.1	17.2	(0.3)	20.5	8.0	15.4
Long-term goal (4.5% plus inflation)	**5.2**	7.7	7.1	5.5	5.2	6.7	6.2	4.7	6.2	6.6	8.3
($ billions)											
CHANGE IN ASSETS											
Income											
Investment income	**$ (1.74)**	6.21	10.12	5.14	7.25	7.44	5.66	0.53	5.91	2.15	3.84
Contributions											
Members/transfers	**0.64**	0.62	0.63	0.61	0.59	0.62	0.64	0.73	0.69	0.71	0.65
Province of Ontario	**0.68**	0.66	0.66	0.65	0.65	0.67	0.67	0.70	0.71	0.74	0.66
– special payments	**–**	–	0.13	0.49	0.46	0.15	–	–	–	0.44	0.27
Total Income	**(0.42)**	7.49	11.54	6.89	8.95	8.88	6.97	1.96	7.31	4.04	5.42
Expenditures											
Benefits paid	**3.08**	2.54	2.28	2.10	1.80	1.52	1.26	1.13	1.00	0.92	0.83
Investment expenses	**0.12**	0.10	0.09	0.07	0.06	0.04	0.03	0.03	0.02	0.01	0.01
Member service expenses	**0.04**	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02	0.02
Distribution of gain	**–**	–	–	–	–	–	–	–	0.33	–	–
Total Expenditures	**3.24**	2.67	2.40	2.20	1.89	1.59	1.32	1.19	1.37	0.95	0.86
(DECREASE) INCREASE IN NET ASSETS	**(3.66)**	4.82	9.14	4.69	7.06	7.29	5.65	0.77	5.94	3.09	4.56
NET ASSETS (as at December 31)											
Investments											
Fixed income	**11.42**	13.32	17.30	11.48	10.28	10.62	12.51	11.41	17.57	19.01	19.20
Equities – Canadian	**17.06**	17.74	19.89	17.61	19.43	17.37	12.22	9.94	7.51	3.22	2.62
– Foreign	**24.31**	23.14	21.76	24.02	19.96	16.01	12.29	10.71	7.04	3.25	1.80
Inflation-sensitive investments											
– Commodities	**1.09**	2.10	1.09	0.40	0.13	–	–	–	–	–	–
– Real Estate	**7.26**	6.20	2.82	1.58	1.56	1.27	0.93	0.69	0.61	0.45	0.18
– Real-rate Products	**6.98**	9.55	4.24	3.02	1.60	1.07	1.06	0.65	0.55	0.46	0.02
Net investments	**68.12**	72.05	67.10	58.11	52.96	46.34	39.01	33.40	33.28	26.39	23.82
Receivable from Province of Ontario	**1.28**	1.25	1.25	1.23	1.26	1.29	1.31	1.34	1.36	1.32	1.19
Other Assets	**24.26**	13.15	7.04	5.39	8.54	3.29	1.59	0.62	0.04	0.07	0.01
Total Assets	**93.66**	86.45	75.39	64.73	62.76	50.92	41.91	35.36	34.68	27.78	25.02
Liabilities	**(24.20)**	(13.33)	(7.08)	(5.56)	(8.27)	(3.48)	(1.76)	(0.88)	(0.96)	(0.01)	(0.31)
Net assets	**69.46**	73.12	68.31	59.17	54.49	47.44	40.15	34.48	33.72	27.77	24.71
Smoothing reserve	**2.97**	(4.34)	(8.32)	(4.79)	(5.58)	(4.42)	(1.91)	(0.25)	(2.95)	(0.41)	(0.88)
Actuarial value of net assets	**72.43**	68.78	59.99	54.38	48.91	43.02	38.24	34.23	30.77	27.36	23.83
Accrued pension benefits	**65.43**	58.56	52.11	48.64	44.46	41.83	38.74	36.85	34.00	30.78	27.48
Surplus (Deficiency)	**$ 7.00**	10.22	7.88	5.74	4.45	1.19	(0.50)	(2.62)	(3.23)	(3.42)	(3.65)

Corporate Directory

President and Chief Executive Officer
Claude Lamoureux

Investments
Robert Bertram, Executive Vice-President

Active Equities
Brian Gibson, Senior Vice-President

International Equity Indices, Fixed Income & Foreign Exchange
Neil Petroff, Senior Vice-President

Fixed Income
Sean Rogister, Vice-President

International Equity Indices & Foreign Exchange
Bruce Ford, Vice-President

Merchant Banking
Jim Leech, Senior Vice-President
Mark MacDonald, Vice-President
Dean Metcalf, Vice-President
Lee Sienna, Vice-President

Quantitative Investments
Morgan McCague, Senior Vice-President

Canadian Core Portfolios
Marcus Dancer, Vice-President

Research and Economics
Leo de Bever, Senior Vice-President

New Business Development
Russ Bruch, Vice-President

Research & Risk
Barbara Zvan, Vice-President

Tactical Asset Allocation & Real Return Assets
Wayne Kozun, Vice-President

Member Services
Allan Reesor, Executive Vice-President
& Chief Information Officer

Client Services
Rosemarie McClean, Vice-President

MIS Member Services
Phil Nichols, Vice-President

Finance
Andrew Jones, Vice-President

Human Resources & Public Affairs
John Brennan, Vice-President

Audit Services
Peter Maher, Vice-President

Law
Roger Barton, Vice-President,
General Counsel & Secretary

Real Estate Subsidiary

The Cadillac Fairview Corporation Limited

President & Chief Executive Officer
L. Peter Sharpe

Investments
Andrea M. Stephen, Senior Vice-President

Office and Retail Development
Michael P. Kitt, Executive Vice-President

Architecture and Design
Rudy Adlaf, Senior Vice-President

Office Development
John Sullivan, Senior Vice-President

Project Management
David Handley, Senior Vice-President

Portfolio Operations
Tony Grossi, Executive Vice-President

Eastern Canada Portfolio
Norm Blouin, Senior Vice-President

Greater Toronto Area Portfolio
Michael Whelan, Senior Vice-President

Ontario Portfolio
Linda Gray, Senior Vice-President

U.S. Portfolio
Alan Carlisle, Senior Vice-President

Western Portfolio
Ron Wratschko, Senior Vice-President

Finance and Taxation
Ian MacKellar, Executive Vice-President
& Chief Financial Officer

Legal
Peter Barbetta, Executive Vice-President
General Counsel & Secretary

Business Innovation & Technology Services
Ronald E. Peddicord, Executive Vice-President
Scot Adams, Senior Vice-President
& Chief Technology Officer

Human Resources
Grant Clark, Senior Vice-President

We welcome your comments and suggestions for this annual report, as well as other aspects of our communications program.

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