Let us explain how the economic crisis has affected your pension plan's performance. And what we're doing about it.

Highlights

- Investments lost 18.0%, or $19.0 billion, in 2008 as markets fell
- Exposure to stocks, credit products and hedge funds reduced to lower investment risk
- Plan sponsors eliminated a projected $12.7 billion funding shortfall in September 2008
- January 2009 valuation shows a $2.5 billion shortfall, but this is likely to grow in future
- Member Services division tied for first place in service delivery among 58 international pension plans
- Full annual report available at www.otpp.com

Jim Leech, MBA, ICD.D
President and CEO

Message from the CEO

We expect plan members to have two fundamental questions as we announce our 2008 annual performance:

How much did the fund lose? And, what does it mean for my pension?

First, our investments are down 18.0%, primarily as a result of falling stock markets and our investment decisions in the fixed income area. Net assets dropped to $87.4 billion in 2008 from $108.5 billion a year earlier because of our investment losses and the $1.9 billion gap between pensions paid and contributions received.

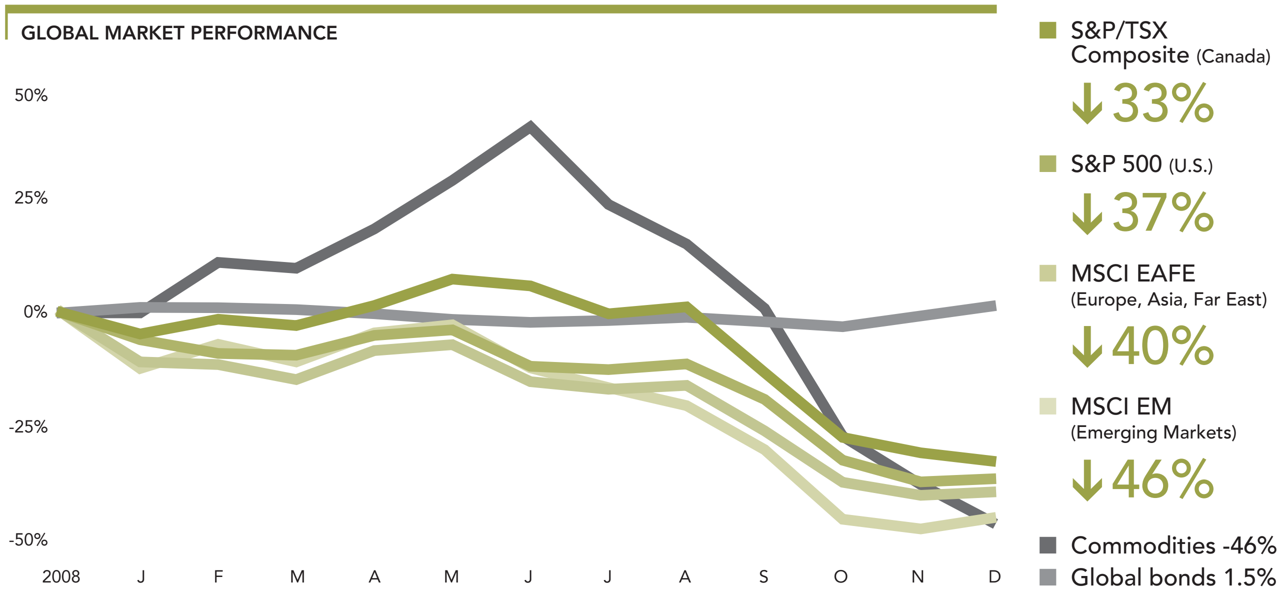
Second, this is a defined benefit plan managed with a long-term perspective. If you are retired, legislation protects your lifetime pension benefits. If you are working, the pension credit you have already earned is also protected by legislation – your accrued pension benefits cannot be reduced retroactively. Only contributions and future benefits can be adjusted during your career to deal with funding surpluses and shortfalls.

A few years ago, benefits were enhanced using the surplus. Subsequently, contributions were increased to address funding shortfalls. Notwithstanding these periodic adjustments, your pension is a valuable asset. Unlike RRSPs or defined contribution plans, pensions paid under a defined benefit plan are based on a formula of service and salary, not on the fund's value on the day a person retires.

Market conditions and results

2008 was a sobering year. Periodic losses are an inherent part of investing. But we are not accustomed to broad-based investment losses at Teachers'. Asset diversification could not protect us in 2008, as virtually every market was negatively affected by the global credit freeze and asset liquidation that followed.

This report describes our 2008 investment and service performance and explains the plan's funding position at January 1, 2009.



We were caught in the downward stock market spiral. Equities made up our largest asset class at the beginning of 2008, and accounted for $12.5 billion of our $19.0 billion loss. We are being cautious and have lowered our allocation to equities in light of the ongoing market uncertainty.

Our fixed income asset class lost $6.7 billion, primarily due to investments we made in credit products and hedge funds, as well as the Canadian dollar's decline against foreign currencies. In recent years, we had increasingly moved into non-government credit products (primarily securities based on pools of debt) to gain the higher returns needed to meet our rising pension obligations. This strategy worked well for several years. But as markets froze in the 2007–2008 credit crisis, we had too much exposure to these products. In mid-2008, we changed our fixed income strategy. We reorganized our team and portfolio to concentrate on more traditional investments, and continued to reduce our credit and hedge fund exposures, but losses could not be avoided.

Our inflation-sensitive investments, which include real estate and infrastructure assets, earned $200 million. We have boosted our allocation to inflation-sensitive assets, which are more conservative than equities.

Long-term view

A large portion of the losses were "unrealized." They came from investments that we still own, but their values were marked down due to the current climate. We are a long-term investor and our higher-quality assets should regain their value when markets recover. It is long-term performance that counts most for pension plans.

My report would not be complete without reference to BCE Inc. In December, it was announced that the agreement to acquire BCE was terminated in accordance with its terms. Although the transaction did not proceed, we believe that our initiatives were successful in bringing significant change to BCE that we believe should result in improved value for BCE shareholders.

↓ **$12.5 billion loss**
in Equities

↓ **$6.7 billion loss**
in Fixed Income

↑ **$200 million gain**
in Inflation-Sensitive Investments

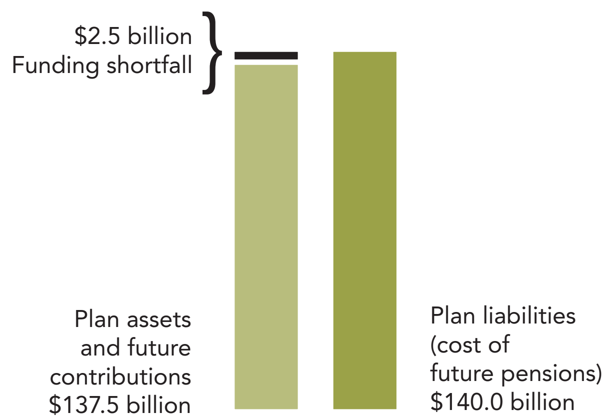
↓ **$19.0 billion total loss**

Plan funding

The Ontario Teachers' Federation (OTF) and the Ontario government, which jointly sponsor the pension plan, agreed in 2008 to change the plan's cost-of-living provision. This decision paved the way for the elimination of the $12.7 billion shortfall that was projected in early 2008, by allowing for a change in a key assumption used to value pension plan assets. Under the new provision, inflation protection for pension credit earned after 2009 can range from 50% to 100% of the change in the cost of living. The goal remains to provide 100% inflation protection. Current retirees are not affected by the change.

FUNDING VALUATION

(as at January 1, 2009)



This projected shortfall is the result of low real interest rates (rates after inflation), the rising cost of pension obligations and investment losses.

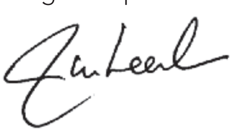
The pension plan is allowed to smooth investment gains and losses over five years to soften the annual impact on the plan's funding status. As a result, the plan began 2009 with a funding shortfall of $2.5 billion. It is important to understand, however, that the plan must recognize large losses from 2008 over the next four years, and the funding shortfall will grow unless the investment climate turns sharply positive.

The OTF and the Ontario government must address any funding shortfall when they file a valuation with the regulator, which can be done at any time before late 2011. If a funding shortfall persists, the OTF and government can increase contribution rates, invoke conditional inflation protection, reduce other future benefits or use a combination of these measures to resolve it.

In conclusion

Capital markets remain under pressure in 2009 as the grip of the global recession tightens. We expect the recovery will be slow and perhaps fitful. We are facing challenges that are substantial, but not daunting, and we continue to seek new investment opportunities.

Rest assured that all of our employees share the organization's commitment to the goals of pension security, long-term performance and first-class service for members.



Jim Leech
President and Chief Executive Officer

Message from the Chair on executive compensation

- Board members approve executive compensation
- Incentive compensation reflects performance over a number of years
- Short- and long-term bonuses for the five senior executives named in our 2008 Annual Report are down 48% because our overall results fell short of market benchmarks
- More information is available in the annual report at www.otpp.com

Eileen Mercier, MA, MBA, FICB
Chair, Ontario Teachers' Pension Plan

Investment Performance

Neil Petroff, MBA
Executive Vice-President, Investments and Chief Investment Officer

We lost 18.0% in 2008, only our third negative year in 18 years but the largest loss we've ever suffered. The broad market collapse in 2008 was unprecedented, and the financial crisis evolved into a global economic recession.

Our biggest losses were in equities, followed by fixed income. We lagged our total fund benchmark by 8.4 percentage points, mostly because of underperformance in our fixed income asset class. Some inflation-sensitive investments (such as real estate) also underperformed their benchmarks.

Our response to the market volatility and ongoing economic uncertainty has been to lower our equities allocation to 40% from 45%, and to get back to basics in fixed income by reducing our exposure to non-government credit products and hedge funds. In short, we are playing defense.

We take every dollar lost seriously – but we have to take risks to earn returns. Because we are a long-term investor, we are not under pressure to sell good assets and the fund remains well diversified.

INVESTMENT PERFORMANCE

(percent)	***2008***	*2007*	*4-year*	*10-year*	*Since 1990*
Rate of return	**-18.0**	4.5	3.3	6.6	9.6
Benchmark	**-9.6**	2.3	3.4	4.8	7.5
Return (below)/above benchmark ($ billions)	**$(9.2)**	$2.3	$0.1	$12.3	$15.8

- We underperformed our total fund benchmark for the first time in nine years.
- Since the investment program began in 1990, our average annual return is 9.6%.
- A large portion of the losses came from investments that we still own, but their values were marked down due to the current climate.

RATES OF RETURN COMPARED TO BENCHMARKS

(percent)	*1-year Return*	*1-year Benchmark**	*4-year Return*	*4-year Benchmark**
Equities (public and private companies)	-23.2	-26.4	2.1	-0.1
Fixed income	-43.6	12.0	-7.6	8.6
Inflation-sensitive investments	0.2	6.8	7.8	5.3
Total fund**	**-18.0**	**-9.6**	**3.3**	**3.4**

*The return available from passive indexed investing. The total fund benchmark is weighted according to the asset-mix policy.

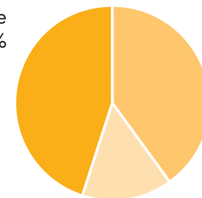
**Total fund return includes Investment Planning and Risk Committee returns, which are not attributable to an asset class.

- It was the worst year for global equities since 1931.
- The benchmark for fixed income is government bonds, which did well last year. Our -43.6% fixed income return reflects a wider range of investments than the benchmark, and many of these were hurt by the credit crisis.
- In fixed income, we earned money on bonds but lost money on credit products and externally managed hedge funds. Bond holdings earned income of $1.2 billion, a return of 6.4%.

HOLDINGS BY ASSET CLASS
(as at December 31, 2008)

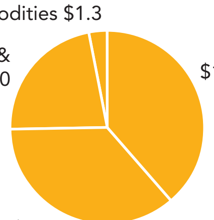
	($ billions)	*(%)*	*2008 Asset-Mix Policy*	
Equities	$34.9	41%		45%
Fixed Income	$ 5.3	6%		22%
Inflation-Sensitive Assets	$44.9	53%		33%

2009 ASSET-MIX POLICY
(as at January 1, 2009)



Our equities portfolio declined in proportion to the total fund due to falling markets. We decided to be cautious and stay underweight to our equities target in late 2008. The asset-mix policy was changed for 2009 in light of the continuing uncertainty in equity markets. The 2009 allocation to fixed income is lower but we also hold bonds in our inflation-sensitive asset class.

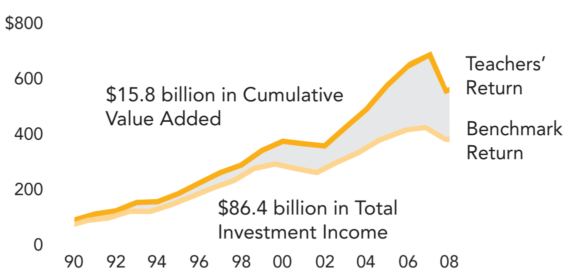
INFLATION-SENSITIVE INVESTMENTS
(as at December 31, 2008) ($ billions)



These investments – our "steady earners" – provide cash flows linked to inflation, acting as a hedge against the cost of paying pensions. They have played an increasingly important role in providing stable returns that keep pace with inflation, and are now our largest asset class. Overall, they decrease the level of risk in the pension fund.

- We increased our real-return bond holdings last year
- These bonds earn returns adjusted for inflation
- They are a good match for paying pensions

INVESTMENT GROWTH
($100 invested in 1990)



Our 2008 losses erased the previous three years of extra returns we earned above the fund's benchmark (value added). However, since 1990 we have earned higher returns than passive index investing would have provided.

Member Services Performance

Rosemarie McClean
MBA, ICD.D
Senior Vice-President, Member Services

We are committed to providing Ontario's working and retired teachers with prompt, reliable pension services and information. In 2008, members continued to rate our services at the top of the scale.

The Quality Service Index is a measurement of service satisfaction. Our 9.0 out of 10 rating is based on quarterly surveys of members conducted by a third party and is consistent with recent years.

9 out of 10

In 2008, we were pleased to be ranked #1 for service in our peer group in North America by CEM Benchmarking Inc. and we tied for first among 58 pension funds internationally.

As members have increased their use of online pension services and information, we have redefined our long-term service delivery strategy, called **e=mc³**. The components of our service equation are:

Excellence =

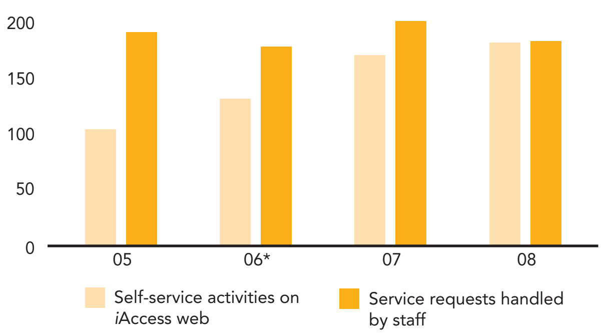
More customization: Providing more proactive and tailored services

More choice: Giving members options about how they receive information

More counselling: Helping members navigate complex pension rules and decisions that have lifetime ramifications

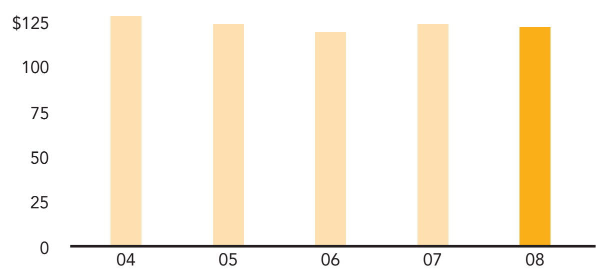
There was a 7% increase in visits to *i*Access web in 2008 and a 5% decrease in telephone calls as more members opted for self-service online.

MEMBER REQUESTS
(in thousands)



*Lower due to work stoppage.

COST PER MEMBER SERVED
(for the year ended December 31)



We are turning our attention to tailoring services to our individual members' needs. More members are using services available on *i*Access web, our secure members-only website, which enables staff to focus more on providing value-added services.

We challenge ourselves every year to improve service levels while managing costs. The cost per member served was $122 in 2008, down from $123 in 2007.

The average age for pensioners was 68 and for teachers was 42 at year end. The average starting pension for teachers retiring at the 85 factor was $42,000. The number of pensioners will continue to grow, both in absolute terms and as a percentage of total membership. Please see back cover for more about members.

Major Investments

(as at December 31, 2008)

Bonds and real-return investments

($ billions)	
Government of Canada bonds	$12.2
Canadian inflation-sensitive bonds, notes and mortgages	10.3
International government and real-return bonds and debt	7.6
Canadian and international corporate bonds	6.9
Province of Ontario debentures and provincial bonds	4.3
Canadian treasury bills	1.8
Commercial paper and bank notes	0.7

Real estate managed by subsidiary

($ billions)	
The Cadillac Fairview Corporation Limited	$16.2

Top 10 real estate holdings

Chinook Centre, Calgary
Le Carrefour Laval, Montreal
Les Promenades St. Bruno, Montreal
Lime Ridge Mall, Hamilton
Pacific Centre, Vancouver
Polo Park Mall, Winnipeg
Rideau Centre, Ottawa
Sherway Gardens, Toronto
Toronto-Dominion Centre, Toronto
Toronto Eaton Centre, Toronto

Top 10 private companies and partnerships

Aquilex Holdings, LLC
Bernstein Global Long/Short Equity Portfolio L.P.
Birmingham International Airport
GCT Global Container Terminals Inc.
Hancock Timber Resource Group
InterGen N.V.
Maple Leaf Sports & Entertainment Ltd.
Orbis Sicav Global Equity Fund
Resource Management Service Inc.
Scotia Gas Networks PLC

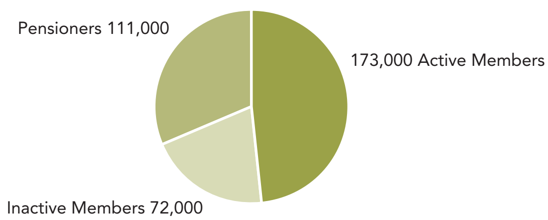
Corporate shares/units

Security Name (millions)	*Shares*	*Fair Value*
BCE Inc.	50.8	$1,295.2
OGX Petróleo e Gás Participações S.A.	3.9	1,095.6
Transurban Group	180.3	854.9
Deutsche Telekom AG	43.0	793.9
Northumbrian Water Group plc	138.8	592.5
Maple Leaf Foods Inc.*	53.7	549.9
Macquarie Infrastructure Group	285.5	444.7
Eni S.p.A.	15.0	432.2
Petro-Canada	16.0	431.6
Akzo Nobel N.V.	6.6	334.4
Multiplan Empreendimentos Imobiliários S.A.	51.3	334.2
Nippon Telegraph and Telephone Corporation	0.05	292.2
Continental AG	1.8	227.9
PNC Financial Services Group, Inc.	3.6	220.7
Mitsubishi UFJ Financial Group, Inc.	27.6	206.1
HSBC Holdings plc	16.6	198.9
UBS AG	11.4	197.0
Portugal Telecom, SGPS, SA	17.9	186.9
Nestlé SA	3.8	184.7
Intel Corporation	10.1	182.1
Cisco Systems, Inc.	8.9	179.6
Unilever N.V.	6.0	177.5
Sanofi-Aventis	2.1	164.4
Microsoft Corporation	6.8	162.9
Pfizer Inc.	7.0	153.1
Samsung Electronics Co., Ltd.	0.4	152.8
Safeway Inc.	4.9	144.6
Total SA	2.1	141.2
Manitoba Telecom Services Inc.	3.8	138.9
Macdonald, Dettwiler and Associates Ltd.	6.1	132.0
Hitachi, Ltd.	27.8	130.4
Novartis AG	2.1	130.0
3M Company	1.8	128.5
Hammerson plc	13.4	127.4
JPMorgan Chase & Co.	3.2	123.1
GlaxoSmithKline plc	5.3	122.4
Sumitomo Mitsui Financial Group, Inc.	0.02	120.3
Canon Inc.	3.1	118.4
Bayerische Motoren Werke AG	3.2	117.9
Royal Bank of Scotland Group, plc	131.7	115.5
NuVista Energy Ltd.*	15.8	111.1
Siemens AG	1.2	109.9
Nokia Oyj	5.7	108.8
Johnson & Johnson Inc.	1.4	106.4
Lockheed Martin Corporation	1.0	105.9
France Telecom SA	3.0	102.0
Goldcorp Inc.	2.7	101.9

*Includes fair market value of warrants and subscription receipts

For a list of equities greater than $50 million, please visit our website at www.otpp.com.

MEMBER PROFILE
(as at December 31, 2008)



We began paying pensions to 4,700 new retirees in 2008. The average age at retirement was 58. We expect 57,100 teachers to retire over the next 12 years.

Contact us

Our complete 2008 Annual Report and audited financial statements are available on our website at www.otpp.com. If you would like a print copy, please contact us.

We welcome your comments and suggestions on this Report to Members.

Please contact Carol Dunsmore at 416-730-5302 or 1-877-812-7989, or communications@otpp.com.

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Ontario Teachers' Pension Plan
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Ce bulletin est disponible en français. April 2009

TEACHERS' PENSION PLAN ONTARIO

More information at www.otpp.com:

Annual Meeting Webcast – view it live at 5 p.m. EDT on April 3, 2009 or see the archive after the event.

Questions and answers about our 2008 financial performance are available online.

Corporate Profile

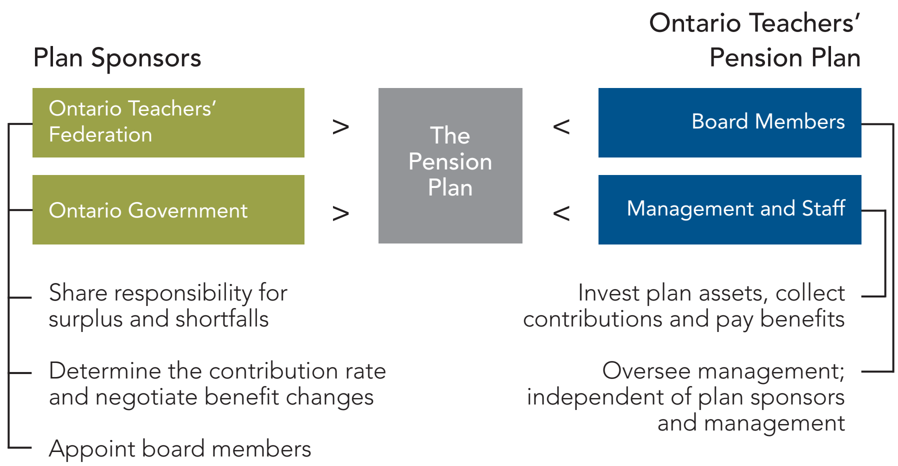
The Ontario Teachers' Pension Plan was created for Ontario teachers in 1917. In 1990, the Ontario government established an independent corporation with the authority to invest the plan's assets in financial markets and administer pensions.

The Ontario Teachers' Federation (OTF) and the Ontario government, the plan sponsors, are responsible for ensuring the pension plan is fully funded over the long term, and for setting plan benefit and contribution levels. The plan sponsors each appoint an equal number of members to the board, and jointly select a chair. Current board members are listed on our website under Corporate Info.

Today, the Ontario Teachers' Pension Plan is the largest single-profession pension plan in Canada with $87.4 billion in net assets at December 31, 2008. We administer the pension benefits of Ontario's 173,000 elementary and secondary school teachers and 111,000 pensioners. The plan has one of the largest payrolls in Canada and paid out $4.2 billion in pension benefits in 2008.

Teachers' 750 employees are responsible for setting and implementing investment strategies for the plan's assets and for delivering immediate, personalized services to members in keeping with our vision:

Outstanding service today, retirement security tomorrow.



For more information on roles and responsibilities, please visit our website, www.otpp.com > Corporate Info > Plan Governance.

Return undeliverable Canadian addresses to: PM# 40062973

Ontario Teachers' Pension Plan
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