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 judgments. The accounting policies followed in the preparation of these consolidated financial statements conform to 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.

Ultimate responsibility for the consolidated financial statements rests with the members of the Board. The Board is assisted in its responsibilities by the Audit & Actuarial Committee, consisting of six Board members 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, are directly accountable to the Audit & Actuarial Committee and have full and unrestricted access to the committee. They discuss with the committee their audit and related findings as to the integrity of the Plan's financial reporting and the adequacy of internal control systems. The Plan's external auditors 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.

Jim Leech
President and Chief Executive Officer
March 4, 2011

David McGraw
Senior Vice-President and Chief Financial Officer

Auditors’ Report to the Administrator

Independent Auditor’s Report

We have audited the accompanying consolidated financial statements of the Ontario Teachers’ Pension Plan Board and its subsidiaries, which comprise the consolidated statement of net assets available for benefits and accrued pension benefits and deficit as at December 31, 2010, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits, and changes in deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficit of the Ontario Teachers’ Pension Plan Board and its subsidiaries as at December 31, 2010, and the changes in its net assets available for benefits, changes in accrued pension benefits and changes in deficit for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Ontario
March 11, 2011

Actuaries' Opinion

Mercer (Canada) 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, 2010, 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, 2009;
- methods prescribed by Section 4100 of the Canadian Institute of Chartered Accountants' Handbook for pension plan financial statements;
- real and nominal interest rates on long-term Canada bonds at the end of 2010;
- 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 other published data on negotiated wage settlements in the 2010/2011 and the 2011/2012 school years.

The objective of the financial statements is to fairly present the financial position of the Plan on December 31, 2010 as a going concern. This is different from the statutory valuation (the actuarial valuation required by the Pension Benefits Act (Ontario)), which establishes 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 2010, 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 are appropriate for the purposes of the valuation, and that the assumptions used in the valuation are in accordance with accepted actuarial practice. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice in Canada.

Scott Clausen, F.C.I.A.
March 4, 2011

Malcolm P. Hamilton, F.C.I.A.

Consolidated statement of net assets available for benefits and accrued pension benefits and deficit

as at December 31 ($ millions)	*2010*	*2009*
Net assets available for benefits		
Assets		
Investments (note 2)	**$155,360**	$123,900
Receivable from the Province of Ontario (note 3)	**2,627**	2,524
Receivable from brokers	**101**	93
Cash	**432**	493
Fixed assets	**41**	43
	158,561	127,053
Liabilities		
Investment-related liabilities (note 2)	**50,639**	30,391
Due to brokers	**137**	79
Accounts payable and accrued liabilities	**250**	181
	51,026	30,651
Net assets available for benefits	**107,535**	96,402
Actuarial asset value adjustment (note 4)	**6,655**	12,704
Actuarial value of net assets available for benefits	**$114,190**	$109,106
Accrued pension benefits and deficit		
Accrued pension benefits (note 5)	**$146,893**	$131,858
Deficit	**(32,703)**	(22,752)
Accrued pension benefits and deficit	**$114,190**	$109,106

On behalf of the Plan Administrator:

Chair

Board Member

Consolidated statement of changes in net assets available for benefits

for the year ended December 31 ($ millions)	*2010*	*2009*
Net assets available for benefits, beginning of year	$ 96,402	$87,433
Investment operations		
Income (note 9)	13,269	10,891
Administrative expenses (note 14a)	(290)	(214)
Net investment operations	12,979	10,677
Member service operations		
Contributions (note 12)	2,697	2,723
Benefits paid (note 13)	(4,500)	(4,393)
Administrative expenses (note 14b)	(43)	(38)
Net member service operations	(1,846)	(1,708)
Increase in net assets available for benefits	11,133	8,969
Net assets available for benefits, end of year	$107,535	$96,402

Consolidated statement of changes in accrued pension benefits

for the year ended December 31 ($ millions)	*2010*	*2009*
Accrued pension benefits, beginning of year	$131,858	$118,141
Increase in accrued pension benefits		
Interest on accrued pension benefits	6,057	4,709
Benefits accrued	3,354	3,571
Changes in actuarial assumptions (note 5a)	10,440	9,941
	19,851	18,221
Decrease in accrued pension benefits		
Benefits paid (note 13)	4,500	4,393
Experience gains (note 5c)	316	111
	4,816	4,504
Net increase in accrued pension benefits	15,035	13,717
Accrued pension benefits, end of year	$146,893	$131,858

Consolidated statement of changes in deficit

for the year ended December 31 ($ millions)	*2010*	*2009*
Deficit, beginning of year	$(22,752)	$(11,184)
Increase in net assets available for benefits	11,133	8,969
Change in actuarial asset value adjustment (note 4)	(6,049)	(6,820)
Increase in actuarial value of net assets available for benefits	5,084	2,149
Net increase in accrued pension benefits	(15,035)	(13,717)
Deficit, end of year	$(32,703)	$(22,752)

Notes to consolidated financial statements

for the year ended December 31, 2010

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 (Ontario)* (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 co-sponsors). The terms of the Plan are set out in the Partners' Agreement.

The Plan is registered with the Financial Services Commission of Ontario (FSCO) and under the *Income Tax Act* (*Canada*) (the ITA) (registration number 0345785) as a Registered Pension Plan which is 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 are matched by either the Province or 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.

(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 50. An unreduced retirement pension is available at age 65 or if the sum of a member's age and qualifying service equals 85.

(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 in January each year for inflation, subject to an upper limit of 8% and a lower limit of 0% in any one year with any excess above or below those limits carried forward. For credited service earned up to December 31, 2009, inflation protection is 100% of the change in the Consumer Price Index. Credited service earned after December 31, 2009 is subject to conditional inflation protection with a guaranteed level of inflation protection set at 50% of the change in the Consumer Price Index. Depending on the Plan's funded status, 100% inflation protection is possible and any years that did not receive full inflation protection can be restored to be fully indexed by the co-sponsors on a go-forward basis.

(g) **Retirement Compensation Arrangement**

Restrictions in the ITA and its regulations on the payment of certain benefits from the registered pension plan for periods of service after 1991 may impact some Plan members. To address affected members, the Retirement Compensation Arrangement (the RCA) was established by agreement between the co-sponsors as a supplementary plan to provide for these benefits. Examples of these benefits include: (1) members of the Plan who retired with average earnings above $134,811 (CPP-exempt members $124,722) in 2010 and $132,037 (CPP-exempt members $122,222) in 2009; and (2) members whose pensions would require a larger reduction for early retirement to comply with the ITA limitations than the Plan would impose. Because the RCA is a separate trust, the net assets available for benefits and accrued benefits and deficit of the RCA are not included in these consolidated financial statements.

NOTE 1.

Summary of significant accounting policies

(a) **Basis of presentation**

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The fair value of assets and liabilities and the results of operations of subsidiary companies and variable interest entities (VIEs) where the Plan is the primary beneficiary are consolidated as part of the Plan's financial statements.

A VIE is an entity which does not have sufficient equity at risk to finance its activities without additional subordinated financial support or an entity in which the holders of the equity at risk lack the characteristics of a controlling financial interest. The primary beneficiary, which is the enterprise that absorbs the majority of the expected losses or is entitled to the majority of the expected residual returns, is required to consolidate the VIE in its financial statements.

VIEs in which the Plan is the primary beneficiary or in which it has a significant variable interest are primarily private equity and alternative investments limited partnerships.

The Plan's consolidated financial statements also include its proportionate share of the fair value of assets, liabilities and operations of investments in joint ventures.

Intercompany transactions and balances are eliminated in preparing these consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current year's presentation.

(b) **Changes in accounting policies**

In January 2009, the Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA) issued EIC 173 – Credit and the Fair Value of Financial Assets and Financial Liabilities. The EIC requires that the credit risk of the entity and its counterparty should be considered in determining the fair value of financial assets and financial liabilities. The implementation of this EIC had no material impact on the Plan's net assets or investment income.

(c) Future changes in accounting policies

In April 2010, the Accounting Standards Board (AcSB) issued a new accounting standard for Canadian pension plans: CICA Section 4600, *Pension Plans*, to replace CICA Section 4100, *Pension Plans*, for fiscal years beginning on or after January 1, 2011. The new standard provides specific accounting guidance on investments and pension obligations. Under Section 4600, a pension plan should:

- measure investment assets at fair value in accordance with the International Financial Reporting Standards (IFRS) guidance on fair value measurement in IAS 39 Financial Instruments: Recognition and Measurement;
- present investment assets on a non-consolidated basis;
- comply with the disclosure requirement under IFRS 7 Financial Instruments: Disclosures;
- determine the pension obligations in accordance with the guidance in CICA Section 3461, Employee Future Benefits, and IFRS guidance in IAS 19 Employee Benefits;
- present net assets available for benefits, pension obligations and the resulting surplus or deficit in the statement of financial position;
- exclude the actuarial asset value adjustment when determining the financial statement surplus or deficit (see note 4); and
- elect either IFRS or Canadian accounting standards for private enterprises for accounting policies that do not relate to investments or pension obligations. The Plan has elected to apply IFRS commencing on January 1, 2011.

Management completed an analysis on adopting CICA Section 4600. Significant impacts on financial statements are expected and include:

- the financial statement deficit will be affected by the exclusion of the actuarial asset value adjustment; and
- the investment assets and investment-related liabilities will be affected because of the eliminated requirement of consolidating the assets and liabilities of the subsidiaries, joint ventures and variable interest entities of which the Plan is the primary beneficiary. There is no impact expected on the net assets available for benefits or the net investment income.

(d) Investments

Valuation of investments

Investments and investment-related 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.

Fair values of investments are determined as follows:

a. Short-term money-market securities are valued using either closing mid-market prices or discounted cash flows based on current market yields, when closing mid-market prices are unavailable.

b. Bonds, including both nominal and real return, are valued on the basis of quoted closing mid-market prices. If quoted closing mid-market prices are not available, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

c. Securities sold under agreements to repurchase and securities purchased under agreements to resell are valued using discounted cash flows based on current market yields.

d. Public equities are valued at quoted market closing prices. When the market for a public equity is not active or when there are restrictions on the sale of all or part of a public equity imposed on the Plan by external parties, management estimates the fair value by using appropriate techniques including valuation models.

e. Real estate, private equities, infrastructure and timberland are valued based on estimated fair values determined by using appropriate techniques and best estimates by management, appraisers, or both. Where external appraisers are engaged to perform the valuation, management ensures the appraisers are independent and compares the assumptions used by the appraisers with management's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment.

   At least 70% of the value of the rental property portfolio covering all product types and geographic regions is independently appraised annually. At a minimum, 90% of the real estate portfolio will be valued by independent appraisers at least every three years. The same appraisal firm is not permitted to value the same property more than three years in a row.

f. Derivative financial instruments are recorded at fair value using market prices where available. Where quoted market values are not readily available, appropriate alternative valuation techniques are used to determine fair value. In determining fair value, consideration is also given to the credit risk of the counterparty.

g. Alternative investments, comprised of hedge funds and managed futures accounts, are recorded at fair value based on net asset values obtained from each of the funds' administrators. These net asset values are reviewed by management.

The Plan uses a number of valuation techniques to determine the fair value of investments for which observable prices in active markets for identical investments are not available. These techniques include: valuation methodologies based on observable prices for similar investments; present value approaches where future cash flows generated by the investment are estimated and then discounted using a risk-adjusted interest rate; and option-pricing models. The principal inputs to these valuation techniques are listed below. Values between and beyond available data points may be obtained by interpolation and extrapolation.

- Bond prices – quoted prices are generally available for government bonds, certain corporate bonds and some other debt-related products.
- Credit spreads – where available, credit spreads are derived from prices of credit default swaps or other credit-based instruments, such as debt securities. For others, credit spreads are obtained from pricing services.
- Interest rates – principally derived from benchmark interest rates such as quoted interest rates from central banks and in swap, bond and futures markets. Benchmark interest rates are considered when determining discount rates used in the present-value approaches.
- Foreign currency exchange rates – there are observable markets, both spot and forward, and in futures in all major currencies.
- Public equity and equity index prices – quoted prices are generally readily available for equity shares listed on the stock exchanges and for indices on such shares.
- Commodity prices – many commodities are actively traded in spot, forward and futures on exchanges.
- Price volatilities and correlations – volatility is a measure of the tendency of a specific price to change over time. Correlation measures the degree to which two or more prices or other variables are observed to have moved together historically. Volatility is an input in valuing options and certain products such as derivatives with more than one underlying variable that is correlation-dependent. Volatility and correlation values are obtained from broker quotations, pricing services or derived from quoted option prices.
- Forecasts on operating cash flows of real estate, private equities, infrastructure and timberland – forecasts include assumptions on revenue, revenue growth, expenses, capital expenditure, and capital structure. They are generally provided by management of the companies in which the Plan invests or external managers. Additional assumptions from external parties, for example, external appraisers, may also be used in the forecast.

The Plan refines and modifies its valuation techniques as markets and products develop and the pricing for individual products becomes more transparent.

While the Plan believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions could result in different estimates of fair value at the balance sheet date. Management has assessed and determined that using possible alternative assumptions will not result in significantly different fair values.

Fair value hierarchy
Investment assets and investment-related liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

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 the ex-dividend date, and interest income and real estate income are recognized on the accrual basis as earned. Investment income also includes both realized and unrealized gains and losses. Unrealized gains and losses are recognized only when the fair value of the investment is based on a quoted market price in an active market or a valuation using appropriate valuation techniques is performed and approved by management. Since real estate income is determined on a fair value basis, a charge for depreciation and amortization is excluded from the determination of real estate income.

Transaction costs
Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs incurred are expensed and recorded as transaction costs. Any transaction amounts received by the Plan that are directly attributable to the acquisition of an investment are netted against transaction costs paid.

Management fees
Management and performance fees for private equity funds and hedge funds are expensed as incurred.

(e) 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 within net realized and unrealized gains on investments in investment income.

(f) 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 beginning of the year and then extrapolated to year end. It uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation date, of various economic and non-economic assumptions.

As described in paragraph (f) of the Description of Plan note, the inflation protection benefits for credited service earned after December 31, 2009 will vary between 50% and 100% of the change in the Consumer Price Index. For the financial statement valuation, no indexation percentage within the range is a better estimate than another as future inflation protection benefits are indeterminable. As such, the Plan accrues the minimum inflation protection benefits and discloses the maximum amounts of inflation protection benefits at the 100% level (see note 5b) in accordance with the guidance of the CICA Handbook Section 3290, Contingencies.

(g) Contributions

Contributions from the members, the Province and designated private schools and organizations are recorded on an accrual basis. Cash received from members for credited service and cash transfers from other pension plans are recorded when received.

(h) Benefits

Benefit payments to members and others, commuted value payments and refunds to former members, and transfer payments to other plans are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in accrued pension benefits.

(i) Use of estimates

In preparing these consolidated financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities, and related income and expenses. Significant estimates are used primarily in the determination of accrued pension benefits and the fair value of investments and investment-related receivables and liabilities. Note 5 explains how estimates are used in determining accrued pension benefits and note 1d explains how estimates are used to derive the fair value of investments and investment-related receivables and liabilities.

NOTE 2.

Investments

The Plan invests, directly or through derivatives, in fixed income, equities and real assets in accordance with the Board's policy of asset diversification.

(a) **Investments[1] before Allocating the Effect of Derivative Contracts**

The schedule below summarizes the Plan's investments and investment-related liabilities, including net accrued interest and dividends of $298 million (2009 – $263 million), before allocating the effect of derivative contracts, as at December 31:

	2010		2009	
($ millions)	*Fair Value*	*Cost*	*Fair Value*	*Cost*
Fixed income				
Debentures	$ 1,333	$ 1,223	$ 2,499	$ 2,258
Bonds	27,622	27,552	18,089	19,547
Money-market securities	4,735	4,835	3,207	3,308
Alternative investments[2]	6,339	6,111	7,204	7,507
Canadian real-rate products[3]	16,207	12,119	13,031	10,159
Non-Canadian real-rate products[3]	6,869	6,892	6,518	6,621
	63,105	58,732	50,548	49,400
Equity				
Publicly traded				
Canadian	5,411	4,831	1,761	1,373
Non-Canadian	25,947	24,873	20,658	19,464
Non-publicly traded				
Canadian	3,131	2,933	2,611	2,707
Non-Canadian	13,744	14,405	8,931	10,282
	48,233	47,042	33,961	33,826
Real assets[3]				
Real estate (note 8)	19,292	14,218	17,772	13,924
Infrastructure	17,456	16,905	13,529	13,412
Timberland	2,220	2,108	2,339	2,116
	38,968	33,231	33,640	29,452
	150,306	139,005	118,149	112,678
Investment-related receivables				
Securities purchased under agreements to resell	2,286	2,291	2,453	2,455
Cash collateral deposited under securities borrowing arrangements	249	249	983	1,005
Derivative-related, net	2,519	1,128	2,315	1,208
	5,054	3,668	5,751	4,668
Investments	$155,360	$142,673	$123,900	$117,346

(1) For additional details, refer to the schedule of Investments over $100 million on pages 113–115.

(2) Comprised primarily of hedge funds and managed futures accounts.

(3) Beginning January 1, 2010, real-rate products, previously classified as real assets, are included in fixed income. 2009 comparative figures have been reclassified to reflect this change.

($ millions)	Fair Value 2010	Cost 2010	Fair Value 2009	Cost 2009
Investment-related liabilities				
Securities sold under agreements to repurchase	**$ (28,245)**	**$(28,741)**	$ (9,684)	$ (9,701)
Securities sold but not yet purchased				
Fixed income	**(898)**	**(901)**	(1,429)	(1,467)
Equities	**(249)**	**(212)**	(983)	(911)
Joint ventures (note 6)	**(8,010)**	**(8,591)**	(4,933)	(5,453)
Subsidiaries and VIEs (note 7)	**(8,725)**	**(9,616)**	(7,318)	(8,029)
Real estate (note 8)	**(2,431)**	**(2,320)**	(3,563)	(3,468)
Cash collateral received under credit support annexes	**(383)**	**(383)**	(268)	(268)
Derivative-related, net	**(1,698)**	**(915)**	(2,213)	(1,512)
	(50,639)	**(51,679)**	(30,391)	(30,809)
Net investments (note 2d)	**$104,721**	**$ 90,994**	$93,509	$86,537

(b) **Fair value hierarchy**

The schedule below presents the Plan's investments and investment-related liabilities within the fair value hierarchy:

($ millions) 2010	Level 1	Level 2	Level 3	Total
Fixed income	$46,817	$ 4,847	$11,441	**$ 63,105**
Equity	30,096	192	17,945	**48,233**
Real assets	1,730	40	37,198	**38,968**
Net investment-related liabilities	(1,233)	(25,014)	(19,338)	**(45,585)**
Net investments	$77,410	$(19,935)	$47,246	**$104,721**

($ millions) 2009	Level 1	Level 2	Level 3	Total
Fixed income[4]	$31,695	$ 5,426	$13,427	$50,548
Equity	20,893	351	12,717	33,961
Real assets[4]	1,639	71	31,930	33,640
Net investment-related liabilities	(1,617)	(8,048)	(14,975)	(24,640)
Net investments	$52,610	$(2,200)	$43,099	$93,509

[4] Beginning January 1, 2010, real-rate products, previously classified as real assets, are included in fixed income. 2009 comparative figures have been reclassified to reflect this change.

The schedule below presents a reconciliation of investments and investment-related liabilities measured at fair value using significant unobservable inputs (Level 3) during the year. Realized and unrealized gains (losses) are included in investment income.

2010

($ millions)	*Fixed Income*	*Equity*	*Real Assets*	*Net Investment-Related Receivables/ (Liabilities)*	***Total***
Balance, beginning of year	$13,427	$12,717	$31,930	$(14,975)	**$ 43,099**
Purchases	4,827	6,385	8,650	2,740	**22,602**
Sales	(7,062)	(2,550)	(5,029)	(7,524)	**(22,165)**
Transfers in[5]	–	–	–	5	**5**
Transfers out[5]	(87)	(69)	–	41	**(115)**
Gains/(losses) included in investment income (note 9)					
Realized	(601)	423	144	(92)	**(126)**
Unrealized	937	1,039	1,503	467	**3,946**
Balance, end of year	$11,441	$17,945	$37,198	$(19,338)	**$ 47,246**

[5] Transfers in and transfers out of level 3 are due to the change in the availability of inputs used for fair value measurement of investment assets or related liabilities. See note 1d Fair Value Hierarchy.

2009

($ millions)	*Fixed[6] Income*	*Equity*	*Real[6] Assets*	*Net Investment-Related Receivables/ (Liabilities)*	*Total*
Balance, beginning of year	$ 15,971	$14,235	$31,138	$(15,002)	$ 46,342
Purchases	10,677	2,490	7,388	16,701	37,256
Sales	(13,249)	(4,385)	(5,227)	(16,862)	(39,723)
Transfers in[7]	50	–	–	–	50
Transfers out[7]	(5)	–	–	(103)	(108)
Gains/(losses) included in investment income (note 9)					
Realized	(584)	(1,273)	(60)	145	(1,772)
Unrealized	567	1,650	(1,309)	146	1,054
Balance, end of year	$ 13,427	$12,717	$31,930	$(14,975)	$ 43,099

[6] Beginning January 1, 2010, real-rate products, previously classified as real assets, are included in fixed income. 2009 comparative figures have been reclassified to reflect this change.

[7] Transfers in and transfers out of level 3 are due to the change in the availability of inputs used for fair value measurement of investment assets or related liabilities. See note 1d Fair Value Hierarchy.

(c) Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, commodities, indices, interest rates or currency rates. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges.

Notional amounts of derivative contracts represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. They do not necessarily indicate the amounts of future cash flow involved or the current fair value of the derivative contracts and, therefore, do not indicate the Plan's exposure to credit or market risks. The derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market rates or prices relative to their terms. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

Derivative contracts, transacted either in the OTC market or on regulated exchanges, include:

Swaps

Swaps are OTC contracts in which two counterparties exchange a series of cash flows based on agreed upon rates to a notional amount. The various swap agreements that the Plan enters into are as follows:

Equity and commodity swaps are contracts in which one counterparty agrees to pay or receive from the other cash flows based on changes in the value of an equity or commodity index, a basket of stocks or commodities, a single stock or commodity.

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount.

Currency swaps involve the exchange of fixed payments in one currency for the receipt of fixed payments in another currency.

Forwards and futures

Futures are standardized contracts traded on regulated future exchanges, whereas forward contracts are negotiated agreements that are transacted between counterparties in the OTC market. Examples of futures and forwards are described below:

Equity and commodity futures are contractual obligations to buy or sell at a fixed value (the contracted price) of an equity or commodity index, a basket of stocks, a single stock or commodities at a predetermined future date.

Interest rate futures are contractual obligations to buy or sell an interest-rate sensitive financial instrument on a predetermined future date at a specified price.

Currency forwards and futures are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date.

Options
Options may be acquired in standardized amounts on regulated exchanges or may be customized and acquired in the OTC market. They are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. The various option agreements that the Plan enters into include equity and commodity options, interest rate options, and foreign currency options.

Credit derivatives
Credit derivatives are OTC contracts that transfer credit risk related to an underlying financial instrument (referenced asset) from one counterparty to another. Examples of credit derivatives include credit default swaps, equity default swaps, total return swaps, and loan participations.

Credit default swaps and equity default swaps provide protection against the decline in value of the referenced asset as a result of specified events such as payment default or insolvency. These swaps are similar in structure to an option whereby the purchaser pays a premium to the seller of the credit default swap or an equity default swap in return for payment related to the deterioration in the value of the referenced asset. The referenced asset for credit default swaps is a debt instrument while the referenced asset for equity default swap is an equity instrument.

Total return swaps are contracts in which one counterparty agrees to pay or receive from the other cash flows based on changes in the value of the referenced asset.

Loan participations are contracts in which one counterparty provides funding to the other party in exchange for participation interests in sharing the risks and profits of the loans originated by the other party.

Other derivative products
The Plan also transacts in other derivative products including statistic swaps and dividend swaps in the OTC market. An investor may trade the statistic swaps with the objective of adding value or hedging for risks associated with the magnitude of movement, i.e. volatility, variance, correlation, covariance of some underlying products, such as exchange rates, or stock indexes. Dividend swaps are an over-the-counter contract where an investor agrees to match all dividends paid out by an underlying stock or index over a specified time period. In return, the dividend payer receives a fixed amount at expiry called the dividend swap rate.

The following schedule summarizes the notional amounts and fair value of the Plan's derivative contracts held as at December 31:

		2010		2009	
($ millions)		*Notional*	*Fair Value*	*Notional*	*Fair Value*
Equity and commodity derivatives					
Swaps		**$ 15,332**	**$ 884**	$ 15,102	$ 977
Futures		**5,494**	**(4)**	6,920	3
Options: Listed	– purchased	**185**	**3**	136	4
	– written	**278**	**(5)**	213	(6)
OTC	– purchased	**5,492**	**337**	4,563	324
	– written	**6,325**	**(294)**	2,924	(216)
		33,106	**921**	29,858	1,086
Interest rate derivatives					
Swaps		**19,347**	**16**	5,146	7
Futures		**28,479**	**–**	29,669	(8)
Options: Listed	– purchased	**1,308**	**–**	–	–
	– written	**1,463**	**(1)**	73	(1)
OTC	– purchased	**5,382**	**28**	5,739	37
	– written	**2,115**	**(26)**	1,098	(20)
		58,094	**17**	41,725	15
Currency derivatives					
Swaps		**44**	**4**	44	2
Forwards[8]		**35,548**	**200**	31,004	138
Futures		**16**	**–**	16	–
Options: OTC	– purchased	**14,583**	**125**	10,431	180
	– written	**12,300**	**(114)**	8,877	(145)
		62,491	**215**	50,372	175
Credit derivatives					
Loan participations		**35**	**–**	189	101
Credit default swaps	– purchased	**8,043**	**82**	10,825	209
	– written	**2,049**	**(267)**	2,494	(567)
Total return swaps		**–**	**–**	37	(16)
		10,127	**(185)**	13,545	(273)
Other derivatives					
Statistic swaps		**4,968**	**(76)**	15,481	(246)
Dividend swaps		**364**	**(24)**	263	(28)
		5,332	**(100)**	15,744	(274)
		169,150	**868**	151,244	729
Net cash collateral received under derivative contracts		**–**	**(47)**	–	(627)
Notional and net fair value of derivative contracts		**$169,150**	**$ 821**	$151,244	$ 102

[8] Excludes currency forwards related to Real Estate assets as disclosed in note 8.

The net fair value of derivative contracts as at December 31 on the previous page is represented by:

($ millions)	**2010**	2009
Derivative-related receivables	**$ 2,578**	$ 3,004
Cash collateral paid under derivative contracts	**113**	132
Derivative-related liabilities	**(1,710)**	(2,275)
Cash collateral received under derivative contracts	**(160)**	(759)
	$ 821	$ 102

(d) **Investment asset mix**

The Plan had a policy asset mix of 45% equities, 43% fixed income, 5% commodities, 25% real assets and (18)% money market at December 31, 2010.

Direct investments, derivative contracts, and investment-related receivables and liabilities are classified by asset-mix category based on the intent of the investment strategies of the underlying portfolios of the Plan. The Plan's net investments as at December 31 are summarized below:

	2010		*2009*	
	Effective Net Investments at Fair Value ($ millions)	*Asset Mix %*	*Effective Net Investments at Fair Value ($ millions)*	*Asset Mix %*
Equity				
Canadian	$ 9,286	9%	$ 8,427	9%
Non-Canadian	38,203	36	32,755	35
	47,489	45	41,182	44
Fixed income				
Bonds	22,728	22	15,462	17
Real-rate products[9]	23,245	22	19,882	21
	45,973	44	35,344	38
Commodities[10]	5,226	5	1,939	2
Real assets				
Real estate (note 8)	16,861	16	14,209	15
Infrastructure	7,070	7	5,568	6
Timberland	2,220	2	2,338	3
	26,151	25	22,115	24
Absolute return strategies[11]				
Internal absolute return strategies	6,845	7	6,299	7
Alternative Investments	4,531	4	5,367	5
	11,376	11	11,666	12
Money market[11]	(31,494)	(30)	(18,737)	(20)
Net investments	$104,721	100%	$ 93,509	100%

[9] Beginning January 1, 2010, real-rate products are included in fixed income instead of real assets. 2009 comparative figures have been reclassified to reflect this change.

[10] Beginning January 1, 2010, commodities, previously included in real assets, are reported in a separate asset class. 2009 comparative figures have been reclassified to reflect this change.

[11] Beginning January 1, 2010, absolute return strategies and money market, previously included in fixed income, are each reported in a separate asset class. 2009 comparative figures have been reclassified to reflect this change.

(e) **Risk Management**

Objectives

The Plan's primary long-term risk is that the Plan's assets will fall short of its liabilities (i.e., benefits owed to members). Therefore, the objective of investment risk management is to achieve a diversifying of risks and returns in a fashion that minimizes the likelihood of an overall reduction in total fund value and maximizes the opportunity for gains over the entire portfolio. This is achieved through asset diversification so that the market and credit exposure to any single issuer and to any single component of the capital markets is reduced to an acceptable level.

The Plan also manages its liquidity risk so that there is sufficient liquidity to meet short-term marked-to-market payments resulting from the Plan's derivative exposure and to give the Plan the ability to adjust the asset mix in response to the changes in the market conditions.

Policies

The Plan does not manage market and credit risk separately. To apply risk management to investments in a consistent manner, the Plan has a number of policies and guidelines, for example:

- Statement of Investment Policies and Procedures – The statement addresses the manner in which the fund shall be invested. Investments shall be selected and held in accordance with the criteria and limitations set forth in the statement and in accordance with all relevant legislation. The Board approves the policies in the statement and reviews them at least annually.
- Total Fund Guidelines and Objectives – They are developed to apply to the total fund and aggregate asset classes. They address the risks that are relevant and material at the total fund level. It includes guidelines on asset mix and risk budget allocation. They list the investment constraints, for example, the maximum exposures permitted for a single issuer, the liquidity requirements, and currency management. The Board approves these guidelines and reviews them regularly.
- Portfolio guidelines for each investment department – They are developed to apply to the individual portfolios within each asset class managed by the Investment Division. All portfolio guidelines include the departments' investment strategies, operating procedures, trading limits and approval requirements, risk factors and a description of how the risks will be managed and reporting requirements for each portfolio manager, particularly relating to reporting deviations from the approved portfolio guideline. All portfolio guidelines are reviewed annually and approved by the Executive Vice-President of the Investment Division and the Vice-President or Senior Vice-President responsible for the department.
- Trade Authorization and Execution Operation Guidelines – They include guidelines on trading with authorized counterparties and the procedures for obtaining authorization to trade with a new counterparty.
- Pre-Trade Clearance Policy – It formalizes the procedures to ensure the data needed for trade capture, pricing, risk management, and accounting is accurate, complete, and can be entered into the Plan's systems of record on a timely basis prior to commencement of trading.

Processes

Each investment department is responsible for managing the investment risks associated with the investments they manage. Each department is subject to compliance with the Statement of Investment Policies and Procedures, the Total Fund Guidelines and Objectives (which includes the risk budget allocated to them), Trade Authorization and Execution Operation Guidelines, Pre-trade Clearance Policy and the applicable portfolio guidelines. In addition, the Fixed Income Department is responsible to maintain the liquidity positions in accordance with the Plan's guidelines on liquidity. The Finance Division independently measures the investment risk exposure and the liquidity position of the Plan and provides the information to the Investment Division and the Investment Committee of the Board.

Each investment department has an investment committee, or an equivalent, which meets regularly to assess the investment risks associated with the portfolios it manages and determines action plans, if required. Individual managers in each investment department receive limited authority to invest from the Board by sub-delegation from senior management. Trading limits and approval requirements are set out in the portfolio guidelines for the department. For investments not traded on exchanges, such as alternative investments and private equity investments, the investment departments conduct due diligence before acquisition and use it as a tool to monitor the investments after acquisition. The objective is to obtain as much transparency as possible for the departments to assess the risk exposure arising from these private and alternative investments.

The senior representatives from each investment department form the Investment Risk Committee (IRC) which focuses on managing investment risks at a total fund level. The Chief Financial Officer attends all meetings of the committee as an observer. This committee brings together the experience, investment and operational business judgment required for assessing and managing market, credit and liquidity risks on a regular basis. It monitors the currency positions, interest rate risk and liquidity risk at the total fund level. The committee meets every other week, or more frequently as required. Reporting to the IRC are the Investment Division Credit Committee and the Investment Division Liquidity Committee.

The Enterprise Risk Management Committee oversees and manages investment and non-investment risks faced by the Plan. The committee is chaired by the Chief Executive Officer and includes senior representatives from all divisions. The Enterprise Risk Management Committee meets regularly and reports to the Board semi-annually and more frequently as necessary.

The shaded section on pages 26 and 27 of the Management's Discussion and Analysis section provides further information on the risk budgeting process. The shaded section is an integral part of the Consolidated Financial Statements.

(f) Credit Risk

The Plan is exposed to the risk that a counterparty defaults or becomes insolvent (credit risk). Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. A credit risk may arise directly from an obligor, an issuer of securities, or indirectly from a guarantor of a credit obligation.

Credit risk management

The Plan actively manages its credit exposures. When over exposures are detected – either in individual exposures or in groups of exposures – the Plan takes action to mitigate the risks. Such actions may include reducing the exposures and using credit derivatives.

Except for debt issued or guaranteed without significant conditions by the Government of Canada, by the government of a province or territory of Canada (with a minimum DBRS credit rating of "AA"), or by the Government of the United States of America, the Plan's total investment in securities of a single issuer across all asset classes shall not exceed 3% of the market value of the total fund without the approval of the Board. Further, not more than 20% of the market value of all bonds, debentures, real return debt products, mezzanine debt and other debt investments (excluding the market value of the non-marketable Ontario Debentures, debt owed by affiliated third parties in relation to real estate properties, and debt associated with an investment strategy approved by the Board) shall be made up of investments rated below a DBRS credit rating of "BBB" or its equivalent or that are unrated.

The Plan has a credit risk assessment process to determine authorized counterparties for repurchase agreements, reverse repurchase agreements, and derivative contracts. The Plan deals primarily with counterparties that have a credit rating of "A" or higher for derivative contracts. Guidelines are also in place to limit the maximum exposures to any individual counterparty for derivative contracts.

Collateral is an important mitigator of counterparty credit risk. The Plan routinely obtains collateral, such as in the case of reverse repurchase agreements and OTC derivative contracts. Note 2i provides further details on securities collateral.

The Plan enters into agreements with counterparties to limit its exposure to credit losses. An International Swaps and Derivatives Association (ISDA) Master Agreement is executed with all OTC derivative counterparties, which allows both parties to settle obligations on a net basis when termination or other pre-determined events occur. The Plan also negotiates a collateral agreement known as Credit Support Annex (CSA) with its key counterparties to further mitigate counterparty credit risk. A CSA gives the Plan the power to realize collateral posted by counterparties in the event of a default by such counterparties.

Maximum exposure to credit risk before collateral held

The following table presents the maximum exposure at December 31 to credit risk of balance sheet and off-balance sheet financial instruments before taking account of any collateral held. The analysis includes financial assets subject to credit risk only; other financial assets, mainly equity securities, as well as non-financial assets are excluded. For guarantees and loan commitments, the maximum exposure to credit risk is the maximum amount that the Plan would have to pay if the guarantees were to be called upon and the full amount of the loan commitments.

($ millions)	*2010*	*2009*
On balance sheet:		
Receivable from the Province of Ontario	**$ 2,627**	$ 2,524
Receivable from brokers	**101**	93
Cash	**432**	493
Fixed income		
Debentures	**1,333**	2,499
Bonds	**27,622**	18,089
Money-market securities	**4,735**	3,207
Canadian real-rate products	**16,207**	13,031
Non-Canadian real-rate products	**6,869**	6,518
Securities purchased under agreements to resell	**2,286**	2,453
Derivative-related receivables	**2,578**	3,004
Total on balance sheet	**$64,790**	$51,911
Off balance sheet:		
Guarantees	**$ 2,607**	$ 3,002
Loan commitments	**380**	611
Total off balance sheet	**2,987**	3,613
Total maximum exposure at December 31	**$67,777**	$55,524

While the Plan's maximum exposure to credit risk is the carrying value of the assets, or, in the case of off-balance sheet items, the amount guaranteed or committed, in most cases the likely exposure is far less due to collateral, credit enhancements (e.g., guarantees in favour of the Plan) and other actions taken to mitigate the Plan's exposure, as described previously.

Credit risk concentrations

As at December 31, 2010, the Plan has a significant concentration of credit risk with the Government of Canada, the Province of Ontario and the U.S. Treasury. This concentration relates primarily to the holding of $34.9 billion (2009 – $22.0 billion) of Government of Canada issued securities, $8.4 billion (2009 – $6.5 billion) of U.S. Treasury issued securities, $1.3 billion (2009 – $2.5 billion) of non-marketable Province of Ontario debentures, $1.4 billion (2009 – $0.8 billion) in Province of Ontario bonds, $2.6 billion (2009 – $2.5 billion) receivable from the Province (see note 3), and future provincial funding requirements of the Plan.

(g) Market risk

Market risk is the risk of loss that results from fluctuations in equity and commodity prices, interest and foreign exchange rates, and credit spreads. The Plan is exposed to market risk from its investing activities. The level of market risk to which the Plan is exposed varies depending on market conditions, expectations of future price and yield movements and the composition of the asset-mix.

Market risk management

The Plan manages market risk primarily through diversifying the investments across industry sectors, investment strategies and on a global basis. A variety of derivative contracts are also utilized to manage the Plan's market risk exposures.

Market and credit risk measurement

The Plan uses a statistical Value-at-Risk (VaR)-type approach, the expected tail loss (ETL) methodology, to measure investment risk comprising of market and credit risk over a one-year horizon at a 99% confidence level. The ETL methodology captures the effect of more extreme loss events than VaR for the same confidence level as it is the average of all the losses in the tail.

The Asset Class Risk Report, reviewed by the Investment Risk Committee, is prepared using the ETL methodology. The report captures the investment risk exposure by asset class reflecting the risk of potential losses in net assets due to both market and credit risk factors relative to the Plan's pension obligations. Statistically, the Plan would expect to see losses in excess of the risk exposure on the report only 1% of the time over a one year period, subject to certain assumptions and limitations discussed below.

The ETL methodology is a statistical approach that accounts for market volatility and credit risk as well as risk diversification achieved by investing in various products and markets. Risks are measured consistently across all markets and products and can be aggregated to arrive at a single risk number. The one-year 99% ETL number used by the Plan is generated using a historical simulation and bootstrap sampling approach that reflects the expected annual return on the portfolio in the worst 1% of the cases. The Plan currently uses the previous 24 years of market data. When sufficient historical data is not available, proxies and statistical methods are used to complete the data series.

There are limitations to the ETL methodology in use. For example, historical data may not provide the best estimate of future changes. It may fail to capture the correlation in asset returns in extreme adverse market movements which have not occurred in the historical window. The bootstrap sampling approach and long historical window, however, mitigate this limitation to some extent by enabling the generation of a set of scenarios that include extreme adverse events. Another limitation is that the Plan computes the risk relative to pension obligations at the close of the business day. Positions may change substantially during the course of a trading day. These limitations and the nature of the ETL measure mean that the Plan's losses may exceed the risk exposure amounts indicated in any risk reports.

The Plan continuously monitors and enhances the risk calculation methodology, striving for better estimation of risk exposure. The Plan also has a number of initiatives that are underway to enhance the process of collecting the risk system data, particularly for the complex financial instruments that the Plan trades. The new initiatives will focus on the accuracy and completeness of risk system data such as the relevant market information and the data related to the terms and conditions of the financial instruments.

The Plan's risk exposure by asset class as at December 31 is as follows:

($ billions)[12]	*2010*	*2009*
Equity		
Canadian	**$ 4.0**	$ 3.5
Non-Canadian	**15.5**	15.5
Fixed income		
Bonds	**4.0**	4.5
Real-rate products	**4.0**	3.5
Commodities	**3.0**	1.0
Real assets		
Real estate[13]	**5.0**	6.0
Debt on real estate properties[13]	**–**	1.0
Infrastructure[14]	**1.5**	2.5
Timberland[14]	**0.5**	–
Absolute return strategies	**3.0**	3.0
Money market	**8.0**	5.5
Total ETL Exposure[15]	**$25.5**	$29.0

(12)Rounded to the nearest $0.5 billion.

(13)For 2010, ETL exposure for debt on real estate properties, previously classified in fixed income, are included in real estate.

(14)2009 comparative figures for infrastructure represent the combined ETL exposure for both infrastructure and timberland.

(15)Total ETL Exposure does not equal the sum of ETL exposure for each asset class because diversification reduces total risk exposure.

Interest rate risk

Interest rate risk refers to the effect on the market value of the Plan's assets and liabilities due to fluctuations in interest rates. The value of the Plan's assets is affected by short-term changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations for salary escalation.

The Plan manages the interest rate risk by using interest rate derivatives as detailed in note 2c to the financial statements. After giving effect to the derivative contracts and investment-related receivables and liabilities discussed in note 2c, a 1% increase in nominal interest rates would result in a decline in the value of the Plan's investments in fixed-income securities of 6% (2009 – 6%). Similarly, a 1% increase in real interest rates would result in a decline in the value of the Plan's investments in real-rate products of 16% (2009 – 14%).

As at December 31, 2010, holding the inflation and salary escalation assumptions constant, a 1% decrease in the assumed long-term real rates of return would result in an increase in the pension liabilities of approximately 18% (2009 – 18%).

Foreign currency risk

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

As at December 31, the Plan had investments exposed to foreign currency. In Canadian dollars this exposure is as follows:

	2010	*2009*
Currency ($ millions)	***Net Exposure***	*Net Exposure*
United States Dollar	**$20,970**	$19,978
British Pound Sterling	**5,565**	4,673
Euro	**4,632**	5,358
Brazilian Real	**3,202**	4,237
Japanese Yen	**2,655**	2,155
Australian Dollar	**2,361**	1,935
Chilean Peso	**1,492**	1,279
Swiss Franc	**942**	842
Hong Kong Dollar	**690**	518
Swedish Krona	**678**	68
Other	**3,343**	2,337
	$46,530	$43,380

The impact of a change in the exchange rate between Canadian dollars and any of the major currencies would be:

- A higher or lower value of investments denominated in the foreign currency
- A higher or lower investment income, arising from changes in the exchange rates used to translate items in the consolidated financial statements

(h) Liquidity risk

Liquidity risk refers to the risk that the Plan does not have sufficient cash to meet its current payment liabilities and acquire investments in a timely and cost-effective manner. Liquidity risk is inherent in the Plan's operations and can be impacted by a range of situation specific and market-wide events including, but not limited to, credit events and significant movements in the market.

Liquidity risk management

The liquidity position of the Plan is analyzed daily to ensure the Plan maintains at least 1% of its assets in unencumbered Canadian treasury bills. The Plan also manages its liquidity by holding additional unencumbered Government of Canada securities (bonds, treasury bills and real-rate bonds) and U.S. Government securities that are available for repurchase agreements so that the Plan is able to withstand the liquidity effects of an equity market downturn that have 1-in-10 and 1-in-100 chance of occurring over a one-year time horizon. The Plan's liquidity position is periodically tested by simulations of major events such as significant movements in the market.

Liquid assets
The Plan maintains a portfolio of highly marketable assets including Canada and U.S. government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The fair value of the Canada and U.S. government bonds is $43,285 million as at December 31, 2010 (2009 – $28,495 million). The Plan also has publicly traded equities of $31,358 million (2009 – $22,419 million) which are listed on major recognized stock exchanges. These securities are readily realizable and convertible to cash.

Contractual maturity
The Plan does not manage its liquidity based on the contractual maturity of the investment-related liabilities, including derivatives. It may settle the investment-related liabilities, including derivatives, before contractual maturity at fair value. Therefore, all investments and investment-related liabilities (other than the consolidated liabilities from subsidiaries, VIEs and joint ventures) are considered to mature within one year. The Plan's other liabilities include due to brokers, accounts payable and accrued liabilities that are also due within one year.

The Plan also has consolidated liabilities from subsidiaries, VIEs and joint ventures as it consolidates subsidiaries and VIEs and proportionately consolidates joint ventures in accordance with Canadian Generally Accepted Accounting Principles. However, the Plan does not have any contractual obligation related to the consolidated liabilities to deliver cash or other financial assets to another party or to exchange any financial instruments with another party under conditions that are potentially unfavourable to the Plan. The Plan's investment-related liabilities by maturity as at December 31 are as follows:

				2010
($ millions)	*Within One Year*	*One to Five Years*	*Over Five Years*	***Total***
Securities sold under agreements to repurchase	$(28,245)	$ –	$ –	**$(28,245)**
Securities sold but not yet purchased				
Fixed income	(898)	–	–	**(898)**
Equities	(249)	–	–	**(249)**
Joint ventures	(1,059)	(1,378)	(5,573)	**(8,010)**
Subsidiaries and VIEs	(2,427)	(2,860)	(3,438)	**(8,725)**
Real estate	(762)	(920)	(749)	**(2,431)**
Cash collateral received under credit support annexes	(383)	–	–	**(383)**
Derivative-related, net	(1,698)	–	–	**(1,698)**
Total	$(35,721)	$(5,158)	$(9,760)	**$(50,639)**

($ millions)	Within One Year	One to Five Years	Over Five Years	Total 2009
Securities sold under agreements to repurchase	$ (9,684)	$ –	$ –	$ (9,684)
Securities sold but not yet purchased				
Fixed income	(1,429)	–	–	(1,429)
Equities	(983)	–	–	(983)
Joint ventures	(775)	(1,817)	(2,341)	(4,933)
Subsidiaries and VIEs	(1,679)	(3,000)	(2,639)	(7,318)
Real estate	(617)	(2,302)	(644)	(3,563)
Cash collateral received under credit support annexes	(268)	–	–	(268)
Derivative-related, net	(2,213)	–	–	(2,213)
Total	$(17,648)	$(7,119)	$(5,624)	$(30,391)

(i) **Securities collateral**

Canadian and U.S. government securities with a fair value of $858 million (2009 – $2,378 million) have been deposited or pledged with various financial institutions as collateral or margin. The Plan is not allowed to pledge the same securities with other financial institutions or sell them to another entity unless the Plan could substitute such securities with other securities that the counterparties accept.

Canadian and U.S. government securities with a fair value of $447 million (2009 – $269 million) have been received from various financial institutions as collateral. The Plan holds the collateral received as long as the Plan is not a defaulting party or an affected party in connection with a specified condition listed on the contractual agreements and there is no early termination of the contractual agreement. The Plan is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral but it has not sold or repledged any collateral as of December 31, 2010 and 2009.

NOTE 3.

Receivable from the Province of Ontario

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

($ millions)	2010	2009
Contributions receivable	**$2,554**	$2,445
Accrued interest receivable	**73**	79
	$2,627	$2,524

The receivable as at December 31, 2010 from the Province consists of $1,316 million, which was received in January 2011, and an estimated $1,311 million to be received with interest in 2012. The receivable as at December 31, 2009 from the Province consisted of $1,245 million, which was received in January 2010, and an initial estimate of $1,279 million to be received in January 2011.

NOTE 4.

Actuarial asset value adjustment

The actuarial value of net assets available for benefits is determined by reference to market rates consistent with assumptions underlying the valuation of accrued pension benefits. The adjustment represents accumulated deferred net losses/(gains), being the unamortized difference between the actual, and management's best estimate of, return on the Plan's equity investments (including real estate, commodities, alternative investments, and infrastructure and timberland). Annual returns that are in excess of (gains) or below (losses) management's best estimate of returns are amortized over five years. Upon adopting CICA Section 4600 in 2011, the actuarial asset value adjustment will no longer be deferred and amortized. All unamortized losses will be retroactively recognized. The decrease in actuarial asset value adjustment for the year was $6,049 million (2009 – $6,820 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)	*Unamortized (Gains)/Losses 2010*	*Unamortized (Gains)/Losses 2009*
2006	$ –	$ (1,268)
2007	818	1,637
2008	10,395	15,593
2009	(2,443)	(3,258)
2010	(2,115)	–
	$ 6,655	$12,704

NOTE 5.

Accrued pension benefits

(a) Actuarial assumptions

The actuarial assumptions used in determining the value of accrued pension benefits of $146,893 million (2009 – $131,858 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 as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation rate and the inflation rate. The discount rate is based on the market rate, as at the valuation date, of long-term Government of Canada real-return bonds, which have characteristics similar to the Plan's liabilities, plus 50 basis points to reflect the credit risk of the Province of Ontario. The inflation rate is the difference between the yield 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:

	2010	*2009*
Discount rate	4.05%	4.60%
Salary escalation rate	3.40%	3.55%
Inflation rate	2.40%	2.55%
Real rate	1.65%	2.05%

The primary economic assumptions were changed as a result of changes in capital markets during 2010. These changes resulted in a net increase in the value of accrued pension benefits of $10,242 million (2009 – $9,941 million). The assumed mortality rates and expected rates of improvement in future mortality rates were updated in deriving the December 31, 2010 accrued benefits to reflect recent mortality experience of Plan members. Changes in non-economic assumptions and methods increased the accrued pension benefits by $198 million (2009 – nil). Otherwise, there were no changes to the non-economic assumptions in 2009 and 2010. The changes in economic and non-economic assumptions resulted in a net increase in the value of accrued pension benefits of $10,440 million (2009 – $9,941 million).

(b) Plan provisions

Credited service earned after December 31, 2009 is subject to conditional inflation protection as described in paragraph (f) of the Description of Plan note. The inflation protection benefits vary between 50% and 100% of the change in the Consumer Price Index. The co-sponsors may only invoke the conditional inflation protection provision at the time of a funding valuation filing, depending on the Plan's funded status. The Ontario government and designated employers participating in the Plan will make extra contributions to the Plan equal to any inflation protection benefits members forego.

For financial statement valuations, the Plan accrues the minimum amount of inflation protection benefits in accordance with the guidance of the CICA Handbook Section 3290, Contingencies. Conditional inflation protection was not invoked in the funding valuation last filed. Should the co-sponsors invoke it in the next required funding valuation as at January 1, 2012, conditional inflation protection would be applicable starting January 1, 2013; therefore the indexation percentage for post-2009 credited service is 100% up to December 31, 2012 and 50% for the period thereafter. The indexation percentage for credited service earned before 2010 remains at 100%.

If 100% indexation had been assumed for the entire period, the accrued pension benefits would increase $755 million to $147,648 million. The present value of the maximum extra contributions the Plan would receive from the Ontario government and designated employers would be $755 million should the co-sponsors invoke conditional inflation protection in the next required funding valuation.

(c) Experience gains

Experience gains on the accrued pension benefits of $316 million (2009 – $111 million) arose from differences between the actuarial assumptions and actual results.

NOTE 6.

Investments in joint ventures

The Plan's proportionate share of the fair value of assets and liabilities in joint ventures as at December 31, 2010 (excluding joint ventures related to real estate which are disclosed in note 8) is $12,353 million (2009 – $7,996 million) and $8,010 million (2009 – $4,933 million), respectively.

NOTE 7.

Consolidation of subsidiaries and variable interest entities

Subsidiaries and variable interest entities

The Plan's fair value of assets and liabilities of subsidiaries (excluding the real estate subsidiaries included in note 8) and VIEs at December 31, 2010 is $14,318 million (2009 – $11,665 million) and $8,725 million (2009 – $7,318 million), respectively.

Subsidiaries

In 2010, the Plan acquired a controlling interest in the following companies for consideration of $612 million comprised primarily of cash:

- a 79% interest in Acorn Care and Education Ltd., a provider of special needs schools and independent fostering services in the U.K.;
- a 100% interest in Camelot Group Ltd., which has an exclusive licence to operate the U.K. National Lottery;
- an 81% interest in Exal Group, a manufacturer of aluminum containers in the U.S.; and
- a 100% interest in Ledgewood Bay Property LLC, which operates a seniors housing property in the U.S.

On the date of acquisition, the consideration paid represented the cumulative fair value of the net assets.

NOTE 8.

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, as at December 31, is as follows:

	2010		2009	
($ millions)	*Fair Value*	*Cost*	*Fair Value*	*Cost*
Assets(1)				
Real estate properties(2)	**$17,100**	**$12,505**	$15,461	$12,167
Investments	**1,831**	**1,392**	1,992	1,509
Other assets(2)	**361**	**321**	319	248
Total assets	**19,292**	**14,218**	17,772	13,924
Liabilities(1)				
Debt on real estate properties(2)	**1,719**	**1,792**	2,947	2,984
Other liabilities(2)	**712**	**528**	616	484
Total liabilities	**2,431**	**2,320**	3,563	3,468
Net investment in real estate	**$16,861**	**$11,898**	$14,209	$10,456

(1) As at December 31, 2010, U.S. Dollar and British Pound Sterling net assets have been hedged by way of foreign currency forward contracts for a notional amount of $1,253 million (2009 – $1,698 million) with a combined fair value of $24 million (2009 – $71 million).

(2) Includes the proportionate share of assets and liabilities in real estate joint ventures of $3,259 million (2009 – $3,489 million) and $1,305 million (2009 – $1,371 million), respectively.

(b) **Real estate income**

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

($ millions)	2010	2009
Revenue		
Rental	$1,773	$1,698
Investment and other	66	106
	1,839	1,804
Expenses		
Property operating	776	724
General and administrative	32	28
Other[6]	24	11
	832	763
Operating income (note 9)	1,007	1,041
Interest expense (note 9)	(159)	(158)
	848	883
Net investment gain on real estate assets and other liabilities[3][5]	1,574	95
Net investment (loss)/gain on debt on real estate properties[4][5]	(55)	75
Net real estate income	$2,367	$1,053

[3] Includes unrealized net gain on real estate assets and other liabilities, of $1,189 million (2009 – losses of $18 million).

[4] Includes unrealized net gain on debt on real estate properties and related hedge of $21 million (2009 – $55 million).

[5] This amount is included in net realized and unrealized gain/(loss) on investments shown in note 9.

[6] Includes transaction costs of $11 million (2009 – $3 million).

NOTE 9.

Investment income

(a) Investment income/(loss) before allocating net realized and unrealized gains/(losses) on investments, direct management fees and transaction costs to asset classes

Investment income, before allocating the net realized and unrealized gains on investments and transaction costs to asset classes, for the year ended December 31, is as follows:

($ millions)	*2010*	*2009*
Fixed income interest		
Debentures	$ 156	$ 306
Money-market securities	(138)	9
Bonds	1,049	923
Net repo interest expense	(56)	(41)
Net swap interest expense	(106)	(171)
Canadian real-rate products	393	330
Non-Canadian real-rate products	150	173
	1,448	1,529
Equity dividend income		
Canadian equity	148	137
Non-Canadian equity	643	662
	791	799
Real assets		
Real estate operating income (note 8b)	1,007	1,041
Real estate interest expense (note 8b)	(159)	(158)
Infrastructure	273	187
Timberland	43	34
	1,164	1,104
	3,403	3,432
Net realized and unrealized gain on investments[1][2]	10,210	7,669
Direct management fees	(256)	(190)
Transaction costs	(88)	(20)
Investment income	$13,269	$10,891

[1] Includes unrealized net gains of $6,755 million (2009 – $10,546 million).

[2] Includes net foreign currency gains of $569 million (2009 – $1,607 million).

(b) **Investment income/(loss)**

Investment income/(loss) by asset class, after allocating net realized and unrealized gains and losses on investments, direct management fees, and transaction costs for the year ended December 31, is as follows:

($ millions)	*2010*	*2009*
Fixed income	**$ 4,172**	$ 3,144
Canadian equity	**1,659**	1,140
Non-Canadian equity	**3,678**	6,087
Commodities	**660**	(51)
Real assets	**3,100**	571
	$13,269	$10,891

NOTE 10.

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:

	2010		*2009*	
(percent)	***Investment Returns***	***Investment Benchmark Returns***	*Investment Returns*	*Investment Benchmark Returns*
Fixed income[1][3]	**9.9%**	**9.5%**	6.9%	3.7%
Canadian equity	**14.6**	**13.8**	23.5	31.9
Non-Canadian equity	**9.4**	**5.9**	21.2	13.6
Commodities[2]	**3.2**	**3.3**	(3.9)	(3.6)
Real assets[1][2]	**13.9**	**5.5**	2.5	3.4
Total Plan[3]	**14.3%**	**9.8%**	13.0%	8.8%

(1) Starting January 1, 2010, returns generated by real-rate products, previously classified as real assets are included in fixed income. 2009 comparative returns have been reclassified to reflect this change.

(2) Starting January 1, 2010, returns generated by commodities, previously classified as real assets, are attributed to their own asset class. 2009 comparative returns have been reclassified to reflect this change.

(3) Starting January 1, 2010, returns generated by absolute return strategies and money market, previously included in fixed income, are included in the Total Plan return and not attributed to an asset class. 2009 comparative returns have been reclassified to reflect this change. This change had no impact on Total Plan returns.

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

The Plan identifies benchmarks to evaluate the investment management performance. The performance of each asset class is measured against benchmarks that simulate the results based on the investment strategies employed by the investment managers identified for the asset class.

The Total Plan return is measured against a Canadian dollar-denominated composite benchmark produced by aggregating returns from each of the policy asset class benchmarks, using the Plan's asset-mix policy weights.

NOTE 11.
Statutory actuarial valuations

Statutory actuarial valuations are prepared periodically to determine the funding requirements of the Plan. Active members are currently required to contribute 10.4% of the portion of their salaries covered by the CPP and 12.0% of salaries above this level. Member contributions are matched by the Province and other employers. In addition, the Funding Management Policy established by the co-sponsors provides procedures for the co-sponsors to determine contributions and benefits.

The actuarial methods used to prepare statutory actuarial valuations are different than those used to prepare a financial statement actuarial valuation and the amounts disclosed in these consolidated financial statements. The statutory actuarial valuations use a valuation method which takes into account future benefits to be earned and future contributions to be made by members of the Plan as at the valuation date.

The most recent statutory actuarial valuation that has been filed with regulatory authorities was prepared as at January 1, 2009 by Mercer (Canada) Limited and disclosed a funding surplus of $765 million.

Using the assumptions prescribed by the Funding Management Policy, the estimate of the funding deficit is approximately $17,199 million as at January 1, 2011, assuming no change to the contribution rates, and that conditional indexing for post-2009 service will be at the 100% level. A funding valuation is not required to be filed with FSCO until 2012.

NOTE 12.
Contributions

($ millions)	*2010*	*2009*
Members		
Current service	**$1,294**	$1,259
Optional credit	**19**	19
	1,313	1,278
Province of Ontario		
Current service	**1,280**	1,332
Interest	**52**	60
Optional credit	**16**	16
	1,348	1,408
Other employers	**25**	24
Transfers from other pension plans	**11**	13
	36	37
	$2,697	$2,723

NOTE 13.
Benefits paid

($ millions)	2010	2009
Retirement pensions	$4,190	$4,086
Death benefits	244	234
Disability pensions	30	31
Commuted value transfers	21	28
Transfers to other plans	10	6
Refunds	5	8
	$4,500	$4,393

NOTE 14.
Administrative expenses

(a) Investment expenses

($ millions)	2010	2009
Salaries, incentives and benefits	$195.3	$133.4
Premises and equipment	30.6	23.7
Professional and consulting services	26.0	20.8
Information services	14.5	12.6
Communication and travel	10.0	9.3
Custodial fees	9.0	10.3
Statutory audit fees	1.3	1.2
Board and committee remuneration	0.6	0.7
Other	2.7	2.2
	$290.0	$214.2

(b) Member Services expenses

($ millions)	2010	2009
Salaries, incentives and benefits	$27.9	$24.8
Premises and equipment	9.2	7.9
Professional and consulting services	4.0	3.3
Communication and travel	1.5	1.2
Statutory audit fees	0.1	0.4
Board and committee remuneration	0.1	0.2
Other	0.8	0.8
	$43.6	$38.6

NOTE 15.

Capital

Under CICA Section 1535, Capital Disclosures, the Plan is required to disclose the Plan's capital and how it is managed. For disclosure purposes under this requirement, the funding surpluses or deficits determined regularly in the funding valuations prepared by an independent actuary are described as the Plan's capital in the consolidated financial statements. The actuary's funding valuation is used to measure the long-term health of the Plan. The actuary tests the Plan's ability to meet its obligations to all current Plan members and their survivors. Using an assumed rate of return, the actuary projects the Plan's benefits to estimate the current value of the liability (see note 5), which is compared to the sum of the Plan assets, the future contributions for all current Plan members and the present value of the contribution increases for future members. The result of the comparison is either a surplus or a deficit.

The objective of managing the Plan's capital is to ensure the Plan is fully funded to pay the plan benefits over the long term. The co-sponsors change the benefit and contribution levels to eliminate any deficits. The Funding Management Policy set by the co-sponsors in the Partners' Agreement provides guidance on how the co-sponsors manage the Plan's capital.

A funding valuation including a plan to eliminate any deficit is required to be filed with the pension regulator at least every three years. A preliminary funding valuation is performed by the actuary when the valuation is not filed with the regulator assisting the co-sponsors in managing the Plan's capital.

The most recent funding valuation filed and preliminary funding status are disclosed in note 11.

NOTE 16.

Retirement Compensation Arrangement (RCA)

Restrictions in the ITA on the payment of certain benefits from a registered plan for periods of service after 1991 may impact some Plan members. To address affected members, the RCA was established by agreement between the co-sponsors as a supplementary plan to provide these benefits.

The RCA is administered under a trust separate from the assets of the 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 and the Plan does not hold any variable interest in the RCA, the net assets available for benefits and the value of accrued benefits and deficit, referred to below, have not been included in the consolidated financial statements of the Plan.

The RCA is funded on a pay-as-you-go basis from a portion of the contributions made to the Plan by teachers, the Province and designated private schools and organizations. The portion is based on a limit on contributions to the Plan with contributions above the limit being remitted to the RCA. The limit is determined annually by the Plan's independent actuary such that the RCA contributions are expected to be sufficient to pay the benefits over the next 12 months. At the beginning of 2011, the actuary determined that the limit should increase from $14,000 to $14,500. Due to the funding policy adopted by the co-sponsors, the net assets available for benefits will continue to be substantially less than the accrued benefits.

In addition, because 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)	*2010*	*2009*
Statement of net assets available for benefits and accrued benefits and deficit		
Net assets available for benefits		
Assets	$ 16,781	$ 14,931
Liabilities	(1,412)	(1,206)
	$ 15,369	$ 13,725
Accrued benefits and deficit		
Accrued benefits	$ 383,582	$ 295,992
Deficit	(368,213)	(282,267)
	$ 15,369	$ 13,725
Statement of changes in net assets available for benefits		
Contributions	$ 6,467	$ 4,446
Investment income	42	27
	6,509	4,473
Benefits paid	4,810	4,425
Expenses	55	63
	4,865	4,488
Increase/(decrease) in net assets	$ 1,644	$ (15)

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 effect 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 effect 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.

NOTE 17.

Commitments

The Plan has committed to enter into investment and other transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2010, these commitments totalled $7,449 million (2009–$8,831 million).

NOTE 18.

Guarantees and indemnifications

Guarantees

In 2004, as part of an investment transaction, the Plan agreed to guarantee a letter of credit facility of a counterparty. In the event that the counterparty defaults on the letter of credit, the Plan would assume 50% of the line of credit facility amount up to US$25 million as at December 31, 2010 (2009 – US$25 million) plus interest and transaction costs. These letters of credit facilities have a term of two years and are renewable. As at December 31, 2010, the counterparty has issued US$19 million in letters of credit which are guaranteed by the Plan (2009 – US$18 million).

The Plan acquired its pro-rata share of exposure to specified loans by entering into risk participation agreements. Under these agreements, when a borrower defaults payment of a specified loan, the Plan will pay the lenders its pro-rata share of a defaulted payment that was indirectly guaranteed. The maximum potential exposure is $133 million plus accrued interest as at December 31, 2010 (2009 – $125 million plus accrued interest). The risk participation agreements expire when the lenders receive full payment from the borrowers on the specified loans. No payments have been made by the Plan under risk participation agreements.

Certain joint ventures and subsidiaries have provided performance guarantees and/or letters of credit facilities during their normal course of business. The beneficiaries of these guarantees and/or letters of credit facilities have the ability to draw against these facilities to the extent the contractual obligations, as defined in the related agreements, are not met. The term of these guarantees and/or facilities can range from one year to twenty years. As at December 31, 2010, the maximum exposure is $406 million (2009 – $461 million).

The Plan also indirectly guarantees the underlying reference obligations when writing credit derivatives. The maximum potential exposure is the notional amount of written credit derivatives as shown in note 2c. No net payments related to written credit derivatives were made in 2010 (2009 – $239 million).

Indemnifications

The Plan provides that Board members, employees and certain others are to be indemnified against the expenses related to certain proceedings against them. In addition, in the normal course of operations, the Plan may, in certain circumstances, agree to indemnify a counterparty. Under these agreements, the Plan, its subsidiaries and joint ventures may be required to compensate counterparties for costs incurred as a result of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the variety of indemnifications and their contingent character prevents the Plan from making a reasonable estimate of the maximum amount that would be required to pay all such counterparties.

NOTE 19.
Litigation

In 2007, the Board on behalf of the Plan made an equity commitment in respect of a proposed transaction pursuant to which a corporation (the "Purchaser") organized by several investors was proposing to acquire BCE Inc ("BCE"). Pursuant to the definitive agreement that was entered into between BCE and the Purchaser in respect of the proposed transaction, a break-up fee would have been payable by BCE in certain circumstances, and a reverse break-up fee would have been payable by the Purchaser in certain circumstances. Certain of the investors, including the Board, are parties to a limited guarantee of this reverse break-up fee. The transaction was terminated in 2008 because not all of the conditions required under the definitive agreement could be satisfied. In connection with the BCE transaction, the Board has been named as a defendant in the following cases:

Break fee litigation

BCE has made a claim in the Superior Court of Quebec for the reverse break-up fee of $1.2 billion under the BCE acquisition agreement. The Board would be responsible for 58.7% of such fee if the claim is successful. This action is still at the discovery stage. At this time it is not possible to predict the outcome.

Proposed class action

A proposed class action lawsuit was commenced in the Province of Saskatchewan in October 2008 regarding the non-payment of second and third quarter common share dividends by BCE. The plaintiff has taken no steps to advance the claim since 2008. A certification motion has not been scheduled. At this time it is not possible to predict the outcome.

NOTE 20.
Subsequent event

On January 19, 2011, a VIE of a real estate subsidiary of the Plan issued two debentures for a total of $2 billion. The two debentures comprised of $1.25 billion 3.24% Series A Debentures maturing on January 25, 2016 and $0.75 billion 4.31% Series B Debentures maturing on January 25, 2021. The debentures may be redeemed by the issuer at any time prior to maturity.

Major investments

Fixed income and short-term investments over $100 million

Type ($ millions)	*Maturity*	*Coupon (%)*	*Fair Value*	*Cost*
Government of Canada bonds	2011–2041	1.00–10.50	$ 20,482	$ 19,652
Canadian corporate bonds	2011–2056	0.00–30.00	3,081	3,131
Securities purchased under agreements to resell	2011–2011	-0.20–1.00	2,286	2,291
Canada treasury bills	2011–2011	0.00–0.00	2,138	2,137
International corporate bonds	2011–2038	0.00–15.55	2,059	2,601
United States treasury bonds	2011–2012	0.75–1.00	1,538	1,577
Provincial bonds	2017–2042	0.00–9.50	688	678
Bank notes	2011–2011	0.00–0.00	140	141
Securities sold under agreements to repurchase	2011–2011	0.22–1.38	(28,245)	(28,741)

Real-return investments over $100 million

Type ($ millions)	*Maturity*	*Coupon (%)*	*Fair Value*	*Cost*
Real-return Canada bonds	2021–2044	1.50–4.25	$12,258	$9,797
United States treasury inflation protection	2012–2040	1.75–3.88	6,869	6,892
Real-return provincial bonds	2013–2036	2.00–4.50	1,914	1,333
Real-return Canada corporate bonds	2016–2046	0.00–5.33	1,865	843
Index-linked mortgages	2023–2030	4.63–5.53	170	146

Province of Ontario debentures over $100 million

Maturity Date ($ millions)	*Coupon (%)*	*Fair Value*	*Cost*
2011–2012	10.68–11.31	$1,333	$1,223

Corporate shares/units over $100 million

(as at December 31, 2010) (millions)

Security Name	Shares	Fair Value
Multiplan Empreendimentos Imobiliários S.A.	52.1	$1,152.0
Northumbrian Water Group plc	138.8	724.9
OGX Petróleo e Gás Participações S.A.	56.9	679.7
Deutsche Telekom AG	51.6	664.7
Vodafone Group Plc	248.8	653.2
Hitachi, Ltd.	119.1	631.9
Hammerson plc	82.2	545.0
Transocean Ltd.	6.8	469.7
Potash Corporation of Saskatchewan Inc.	2.9	453.1
Barrick Gold Corporation	7.1	379.5
LLX Logistica S.A.	124.1	348.3
Eni S.p.A.	15.7	342.4
Akzo Nobel N.V.	5.1	318.0
Royal Bank of Canada	6.0	310.7
Goldcorp Inc.	6.7	309.7
Macdonald, Dettwiler and Associates Ltd.	6.1	306.2
HSBC Holdings plc	29.0	296.0
Portx Operações Portuárias S.A.	124.1	273.0
JPMorgan Chase & Co.*	6.4	268.1
BRF–Brasil Foods S.A.	15.9	262.1
ACE Limited	4.1	252.6
Toronto-Dominion Bank, The	3.9	243.0
Royal Dutch Shell plc	7.3	241.7
Nestlé SA	3.9	229.1
UBS AG	13.8	225.9
Intel Corporation	10.3	214.4
Total SA	4.0	212.2
The Walt Disney Company	5.6	211.0
The McGraw-Hill Companies, Inc.	5.8	211.0
Bank of Nova Scotia	3.5	199.8
Microsoft Corporation	7.1	198.3
Suncor Energy, Inc.	5.2	197.2
3M Company	2.3	194.5
Itaú Unibanco Holding S.A.	8.1	194.0
PSA Peugeot Citroen	5.1	192.7
Wells Fargo & Company*	6.9	190.4
Pfizer Inc.	10.4	181.0
Unilever N.V.	5.8	178.7
Safeway Inc.	7.8	176.2
Canadian Natural Resources Limited	4.0	176.1
Rio Tinto plc	2.4	169.0
Novartis AG	2.8	$166.5
Apple Inc.	0.5	161.2
Thermo Fisher Scientific Inc.	2.9	160.2
MMX Mineracao e Metalicos SA	23.5	158.3
Exxon Mobil Corporation	2.1	149.2
Applied Materials, Inc.	10.5	146.9
Teva Pharmaceutical Industries Ltd.	2.8	146.1
Carnival Corporation	3.1	140.9
Yahoo! Inc.	8.5	140.6
Cheasapeake Energy Corporation	5.3	136.9
NuVista Energy Ltd.	14.4	134.3
Carrefour SA	3.2	131.9
Dell Inc.	9.6	129.4
DIRECTV	3.2	128.7
SAP AG	2.5	127.8
Viacom Inc.	3.2	126.5
Capital One Financial Corporation*	3.1	125.8
Toyota Motor Corporation	3.1	122.7
Daiwa Securities Group Inc.	23.9	122.2
Cisco Systems, Inc.	6.1	121.7
Nippon Telegraph and Telephone Corporation	2.6	118.1
Marisa Lojas S.A.	7.8	118.0
Samsung Electronics Co., Ltd.	0.1	117.6
Symantec Corporation	7.0	117.1
Woodside Petroleum Ltd.	2.7	116.5
Talisman Energy Inc.	5.2	115.0
Johnson & Johnson	1.8	111.0
Bank of Montreal	1.9	109.4
HRT Participações em Petróleo S.A.	0.1	108.2
Rockwell Collins, Inc.	1.9	107.4
Fairfax Financial Holdings Limited	0.3	105.3
Canadian Imperial Bank of Commerce	1.3	104.5
Yum! Brands, Inc.	2.1	102.6
CSX Corporation	1.6	102.4
Manulife Financial Corporation	6.0	102.1
SunTrust Banks, Inc.	3.5	101.3
Canadian National Railway Company	1.5	101.0
Cheung Kong (Holdings) Limited	6.6	100.5
Actividades de Construccion y Servicios, S.A	2.1	100.0

* Includes fair market value of warrants and subscription receipts.

Real estate investments over $100 million

(as at December 31, 2010)

Property	Total Square Footage (in thousands)	Effective % Ownership
Canadian regional shopping centres		
Champlain Place, Dieppe	804	100%
Chinook Centre, Calgary	1,380	100%
Fairview Mall, Toronto	878	50%
Fairview Park Mall, Kitchener	748	100%
Fairview Pointe Claire, Montreal	1,049	50%
Georgian Mall, Barrie	626	100%
Hillcrest Mall, Richmond Hill	586	100%
Le Carrefour Laval, Montreal	1,375	100%
Les Galeries D'Anjou, Montreal	1,226	50%
Les Promenades St. Bruno, Montreal	1,137	100%
Lime Ridge Mall, Hamilton	813	100%
Market Mall, Calgary	971	50%
Markville Shopping Centre, Markham	1,017	100%
Masonville Place, London	687	100%
Pacific Centre, Vancouver	1,440	100%
Polo Park Mall, Winnipeg	1,231	100%
Regent Mall, Fredericton	493	100%
Richmond Centre, Richmond	497	100%
Rideau Centre, Ottawa	693	100%
Sherway Gardens, Toronto	986	100%
Shops at Don Mills, Toronto	468	100%
The Promenade, Toronto	704	100%
Toronto Eaton Centre, Toronto	1,696	100%

Property	Total Square Footage (in thousands)	Effective % Ownership
Canadian office properties		
Encor Place, Calgary	359	100%
Granville Square, Vancouver	407	100%
HSBC Building, Vancouver	395	100%
Pacific Centre Office Complex, Vancouver	1,549	100%
PricewaterhouseCoopers Place, Vancouver	241	100%
RBC Centre, Toronto	1,228	100%
Shell Centre, Calgary	683	50%
Toronto-Dominion Centre Office Complex, Toronto	4,442	100%
Toronto Eaton Centre Office Complex, Toronto	1,897	100%
Waterfront Centre, Vancouver	410	100%
Yonge Corporate Centre, Toronto	670	100%
Canadian properties under development		
The Residences at The Ritz-Carlton and Ritz-Carlton Hotel, Toronto	N/A	40%
U.S. regional shopping centres		
Lakewood Mall, Lakewood, California	2,091	49%
Los Cerritos Center, Cerritos, California	1,309	49%
Queens Center, Queens, New York	964	49%
Stonewood Center, Downey, California	923	49%
Washington Square, Tigard, Oregon	1,326	49%
U.K. office properties		
Thomas More Square Estate, London	558	50%

Private companies and partnerships over $100 million

AB Acquisitions Holdings Ltd.
Acorn Care and Education Limited
Actera Partners L.P.
Alexander Forbes Limited
Alliance Laundry Systems, LLC
AOT Bedding Holding Corp.
Apollo Overseas Partners (Delaware 892) VI, L.P.
Apollo Overseas Partners (Delaware 892) VII, L.P.
Aquilex Holdings, LLC
Ares Corporate Opportunities Fund II, L.P.
Ares Corporate Opportunities Fund III, L.P.
Ashmore Global Special Situations Fund 4 Limited Partnership
Asia Opportunity Fund II, L.P.
Avaya Inc.
Barclays Structured Principal Invesment Fund L.P.
BC European Capital VII
BC European Capital VIII
BDCM Offshore Fund II Ltd.
BDCM Offshore Opportunity Fund II Ltd.
Birmingham International Airport
Bridgewater Pure Alpha Fund II Ltd.
Bristol Airport (Bermuda) Limited
Camelot Group plc
Carlisle Capital Structures Corporation
Cayman Cable Holding L.P.
Crestline Offshore Opportunity Fund, Ltd.
CTVglobemedia Inc.
CVI Global Value Fund B L.P.
Diamond Castle Partners IV-A, L.P.
Donnet Participações S.A.
Downsview Managed Account Platform Inc.
Easton-Bell Sports, LLC
Empresa de Servicios Sanitarios del Bio-Bio S.A.
EQT V (No. 2) Limited Partnership
Esval S.A.
Exal International Limited
Express Pipeline Ltd.
Fortress Macro Offshore Fund L.P.
GCT Global Container Terminals Inc.
Glenstone Capital Inc.
GMO Mean Reversion Fund (Offshore) L.P.
GNC Corporation, Inc.
Hancock Timber Resource Group
HS1 Limited
Hudson Catastrophe Fund, Ltd.
INC Research, Inc.
IntelSat, Ltd.
InterGen N.V.
Maple Financial Group Inc.
Maple Leaf Sports & Entertainment Ltd.
Marathon Special Opportunity Fund Ltd.
MBK Partners Fund II, L.P.
MBK Partners, L.P.
Northern Star Generation LLC
Nuevosur, S.A.
OLE Media Management, L.P.
Orbis SICAV Global Equity Fund
Park Square Capital, LLC
Park Square Capital Credit Opportunities L.P.
Permira IV L.P.
Pershing Square International, Ltd.
Providence Equity Partners V L.P.
Providence Equity Partners VI L.P.
Quinte Limited
R3, Ltd.
Resource Management Service Inc.
Scotia Gas Networks PLC
Silver Creek Low Vol CO Cayman LP
Silver Creek Special Opportunities Fund Cayman II, L.P.
Silver Creek Special Opportunities Fund Cayman III, L.P.
Silver Lake Partners III, L.P.
Sociedad Austral de Electricidad S.A.
Southern Cross Airports Corporation Holdings Inc.
Steward Trust
York Street Capital Partners II, L.P.

Eleven-year review

($ billions)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
CHANGE IN NET ASSETS											
Income											
Investment income	**$13.27**	$10.89	$(19.03)	$4.68	$12.31	$14.09	$10.80	$11.42	$(1.41)	$(1.74)	$6.21
Contributions											
Members/transfers	**1.35**	1.29	1.13	1.06	0.83	0.79	0.75	0.71	0.68	0.64	0.62
Province of Ontario	**1.35**	1.43	1.18	1.08	0.82	0.78	0.75	0.72	0.70	0.68	0.66
Total income	**15.97**	13.61	(16.72)	6.82	13.96	15.66	12.30	12.85	(0.03)	(0.42)	7.49
Expenditures											
Benefits paid	**4.50**	4.39	4.20	4.02	3.82	3.62	3.43	3.20	3.08	3.08	2.54
Investment expenses	**0.29**	0.21	0.15	0.23	0.22	0.21	0.19	0.16	0.10	0.12	0.10
Client service expenses	**0.05**	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.04	0.03
Total expenditures	**4.84**	4.64	4.39	4.29	4.07	3.86	3.65	3.39	3.21	3.24	2.67
Increase (decrease) in net assets	**$11.13**	$ 8.97	$(21.11)	$2.53	$ 9.89	$11.80	$ 8.65	$ 9.46	$(3.24)	$(3.66)	$4.82
NET ASSETS											
Investments											
Fixed income											
Bonds	**$ 22.73**	$ 15.46	$ 14.22	$ 22.91	$ 20.86	$ 5.28	$ 8.96	$ 10.30	$ 13.80	$ 7.56	$ 10.77
Real-rate products	**23.24**	19.88	17.41	11.06	11.80	10.56	11.90	7.07	5.92	6.98	9.55
Equities											
Canadian	**9.29**	8.43	6.21	13.73	16.39	19.26	16.80	15.19	13.43	17.06	17.74
Non-Canadian	**38.20**	32.75	28.72	36.31	32.42	25.78	23.09	19.13	18.19	24.28	23.14
Commodities	**5.22**	1.94	1.25	3.02	2.32	2.65	2.13	1.89	1.48	1.09	2.10
Real assets											
Real estate	**16.86**	14.21	13.48	13.41	11.12	8.75	7.20	6.20	7.28	7.25	6.20
Infrastructure	**7.07**	5.57	7.23	6.72	4.73	3.80	2.29	1.50	0.88	0.03	–
Timberland	**2.22**	2.34	2.80	2.12	2.05	0.97	0.70	0.40	0.09	–	–
Absolute return strategies	**11.38**	11.67	14.75	12.30	15.21	9.49	11.18	10.69	2.52	2.80	–
Money market	**(31.49)**	(18.74)	(20.97)	(13.58)	(11.22)	8.26	(2.53)	2.06	1.85	1.07	2.55
Net investments	**104.72**	93.51	85.10	108.00	105.68	94.80	81.72	74.43	65.44	68.12	72.05
Receivable from Province of Ontario	**2.63**	2.52	2.19	1.84	1.58	1.50	1.42	1.36	1.32	1.28	1.25
Other assets	**51.28**	31.02	47.35	48.19	35.47	20.90	23.17	11.30	23.45	24.26	13.15
Total assets	**158.63**	127.05	134.64	158.03	142.73	117.20	106.31	87.09	90.21	93.66	86.45
Liabilities	**(51.10)**	(30.65)	(47.20)	(49.48)	(36.72)	(21.07)	(21.98)	(11.41)	(24.00)	(24.20)	(13.33)
Net assets	**107.53**	96.40	87.44	108.55	106.01	96.13	84.33	75.68	66.21	69.46	73.12
Smoothing reserve	**6.66**	12.71	19.52	(3.63)	(11.16)	(7.44)	(1.54)	3.48	9.65	2.97	(4.34)
Actuarial value of net assets	**114.19**	109.11	106.96	104.92	94.85	88.69	82.79	79.16	75.86	72.43	68.78
Accrued pension benefits	**146.89**	131.86	118.14	115.46	110.50	110.53	96.73	83.12	73.67	65.43	58.56
Surplus (deficit)	**$ (32.70)**	$(22.75)	$(11.18)	$(10.54)	$(15.65)	$(21.84)	$(13.94)	$ (3.96)	$ 2.19	$ 7.00	$ 10.22
PERFORMANCE (%)											
Rate of return	**14.3**	13.0	(18.0)	4.5	13.2	17.2	14.7	18.0	(2.0)	(2.3)	9.3
Benchmark	**9.8**	8.8	(9.6)	2.3	9.4	12.7	10.6	13.5	(4.8)	(5.3)	5.3

Funding valuation history

Funding valuations must be filed with the pension regulator at least every three years. Valuation dates and voluntary filings are determined by the OTF and the Ontario government. Filings must show the plan has sufficient assets to pay all future benefits to current plan members. For reference, all previously filed funding valuations and decisions made to use surplus or address shortfalls are detailed in this section. Assumptions used for each valuation are also reported below.

FILED FUNDING VALUATIONS[1]

(as at January 1) ($ billions)	*2009*	*2008*	*2005*	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*
Net assets	$ 87.4	$ 108.5	$ 84.3	$ 66.2	$ 69.5	$ 73.1	$ 68.3	$ 59.1	$ 54.5
Smoothing adjustment	19.5	(3.6)	(1.5)	9.7	3.0	(4.3)	(7.3)	(5.1)	(6.0)
Value of assets	106.9	104.9	82.8	75.9	72.5	68.8	61.0	54.0	48.5
Future contributions									
Current members	25.9	23.6	16.7	14.7	13.7	14.4	13.4	12.0	12.6
Special contribution increases[2]									
Current members	4.0	4.2	4.3	–	–	–	–	–	–
Future members	1.5	1.4	1.9	–	–	–	–	–	–
Special payments[3]	–	–	–	–	–	–	–	3.7	8.5
Actuarial assets	138.3	134.1	105.7	90.6	86.2	83.2	74.4	69.7	69.6
Future benefits									
Current members	(137.5)[4]	(134.1)[4]	(105.6)	(89.1)	(84.3)	(76.4)	(69.8)	(66.2)	(62.8)
Surplus	$ 0.8	$ 0.0	$ 0.1	$ 1.5	$ 1.9	$ 6.8	$ 4.6	$ 3.5	$ 6.8

[1]Valuation filing dates determined by the plan sponsors.

[2]The preliminary 2005 funding valuation showed a $6.1 billion shortfall. The plan sponsors introduced special contribution increases to 2021 to address the shortfall, allowing a balanced funding valuation to be filed as required by the Ontario Pension Benefits Act.

[3]Owed by the Ontario government to pay off the plan's initial unfunded liability in 1990. The government used its portion of plan surpluses in the 1990s to eliminate the remaining payments.

[4]Assumes 100% inflation protection.

ASSUMPTIONS USED FOR FILED VALUATIONS

(as at January 1) (percent)	*2009*	*2008*	*2005*	*2003*	*2002*	*2001*	*2000*	*1999*	*1998*
Rate of return	5.00	5.65	6.475	6.40	6.30	6.25	6.50	7.50	7.50
Inflation rate	1.35	2.20	2.750	2.05	1.90	2.20	2.25	3.50	3.50
Real rate of return	3.65	3.45	3.725	4.35	4.40	4.05	4.25	4.00	4.00

Funding decisions
The plan sponsors jointly decide what benefits the plan will provide; the contribution rate paid by working members and matched by government and other designated employers; and how any funding shortfall is addressed and any surplus is used. A history of the sponsors' plan funding decisions follows:

1990: Unfunded liability of $7.8 billion to be amortized over 40 years by special payments from the Ontario government; basic contribution rate increased to 8% from 7%.

1993: $1.5 billion surplus; $1.2 billion used to reduce government's special payments; $0.3 billion used to offset government cost reductions in the education sector (social contract days).

1996: $0.7 billion surplus; $0.6 billion used to reduce early retirement penalty to 2.5% from 5% for each point short of 90 factor and lower the CPP reduction after age 65 (to 0.68% from 0.7%).

1998: $6.8 billion surplus; $2.2 billion to pay for the 85 factor window from 1998 to 2002 and further lower the CPP reduction to 0.6%; $4.6 billion to reduce the value of special payments owed by the government; OTF and Ontario government agree future surplus would be used to eliminate the government's remaining special payments, and the next $6.2 billion would be available to the OTF for benefit improvements.

1999: $3.5 billion surplus; $3.5 billion to eliminate government's remaining special payments.

2000: $4.6 billion surplus; no changes to benefits or contribution levels.

2001: $6.8 billion surplus; $6.2 billion to pay for benefit improvements: permanent 85 factor; 10-year pension guarantee; reduced pension as early as age 50; lower CPP reduction (to 0.45%); 5-year average Year's Maximum Pensionable Earnings (YMPE) to calculate CPP reduction; pension recalculation based on approximate best-5 salary for older pensioners; and top-up waived for Long-Term Income Protection (LTIP) contributions; $76 million was set aside in a contingency reserve to be used by the OTF at a later date.

2002: $1.9 billion surplus; no changes to benefits or contribution levels.

2003: $1.5 billion surplus; no changes to benefits or contribution levels; Funding Management Policy adopted by plan sponsors.

2005: $6.1 billion preliminary funding shortfall resolved, leaving plan with a $0.1 billion surplus; plan sponsors introduced special contribution rate increases to resolve the shortfall, totalling 3.1% of base earnings by 2009 for teachers, the Ontario government and other employers; the OTF used the $76 million contingency reserve set aside in 2001 to reduce contribution rate increases for members in 2008.

2008: $12.7 billion preliminary funding shortfall resolved, leaving the plan in a balanced position; plan sponsors introduced conditional inflation protection for pension benefits earned after 2009 and increased the basic contribution rate to 9% from 8%.

2009: $2.5 billion preliminary funding shortfall resolved primarily by assuming a slightly higher long-term rate of return on investments: RRB yield plus 1.5% versus RRB plus 1.4%. Other minor changes made to assumptions to reflect recent plan experience.

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Ontario Teachers' Pension Plan

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Jennifer Newman, Vice-President

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General Counsel and Secretary
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Andrea M. Stephen, Executive Vice-President

Operations
Ron Wratschko, Executive Vice-President

Annual Meeting

April 7, 2011 at 5 p.m.
Arcadian Court
401 Bay Street, 8th floor
Toronto

We welcome your comments and suggestions on this annual report.

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