WHO CARES *about* SHAREHOLDER VALUE ?

2003 ANNUAL REPORT

TEACHERS' PENSION PLAN
ONTARIO

"I do,

because it pays my pension."

Shareholder value is not a platitude. It should determine how companies are run. It affects the performance of the plan and teachers' pensions. That's why it guides every action we take, because shareholder value counts.

Corporate Profile

There has been a pension plan for Ontario's teachers since 1917. In 1990, the province established an independent corporation to invest the plan's assets and administer the pensions of the province's 250,000 current and retired teachers.

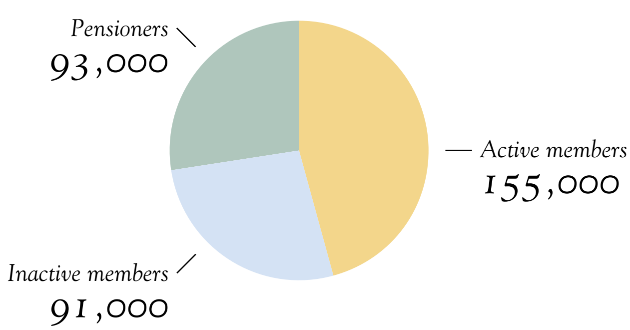
Today, the Ontario Teachers' Pension Plan is one of the largest plans in Canada with net assets of over $75 billion at the end of 2003.

The Government of Ontario and Ontario Teachers' Federation, the plan's co-sponsors, are responsible for ensuring the pension plan is fully funded and for setting plan benefit and contribution levels. The plan sponsors also appoint Teachers' board of directors, with equal representation from the two sponsors.

Teachers' 500 employees and the 1,800 employees of Cadillac Fairview are responsible for setting and implementing investment strategies for the plan's assets and for delivering immediate, personalized services to members in keeping with the corporation's vision:

Outstanding Service Today, Retirement Security Tomorrow

Member Profile



The number of pensioners has doubled in the last 10 years. There is now one pensioner for every 1.7 contributing teachers.

...

more on page 13

Table of Contents

Financial Highlights

Investment Performance

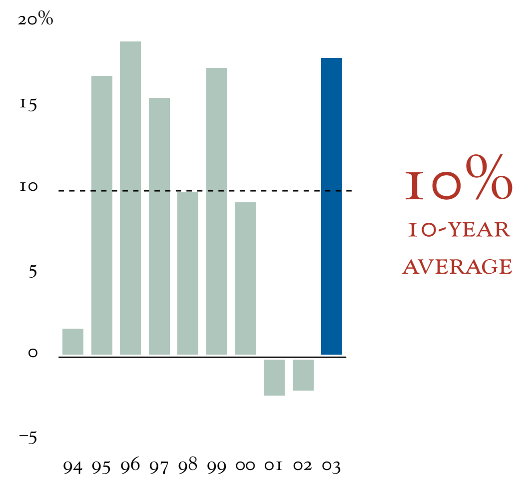
for the year ended December 31

Rate of return on investments (%)	**2003**	2002
Annual	18.0%	–2.0%
Composite benchmark	13.5	–4.8
Four-year average	5.4	5.3
Four-year benchmark	1.9	2.8

Average annual compound rates of return (%)	*1 yr*	*4 yr*	*5 yr*	*10 yr*	*Since inception*
Our return	18.0	5.4	7.7	10.0	11.1
Benchmark	13.5	1.9	4.8	8.5	8.5

Rates of Return

for the year ended December 31 (percent)



Financial Overview

as at December 31

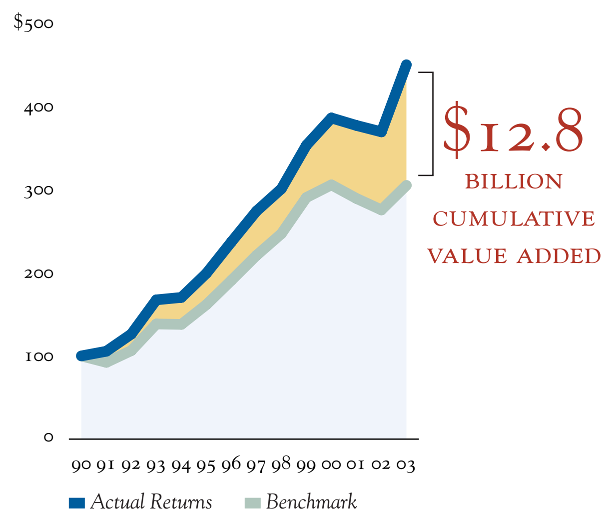
($ billions)	**2003**	2002
Net investments	$ 74.4	$ 65.4
Net receivables	1.3	0.8
Net assets	75.7	66.2
Smoothing adjustment [1]	3.5	9.7
Actuarially adjusted net assets	79.2	75.9
Cost of future pensions	83.2	73.7
Surplus (deficit)	$ (4.0)	$ 2.2

[1] *All investment returns except fixed income are smoothed over five years to reduce the impact of market volatility on the plan's net assets (see Note 4). In accordance with accepted actuarial practices, the $3.5 billion smoothing adjustment consists of net losses to be recognized in future years.*

All financial results in this report include the net effects of derivatives unless stated otherwise.

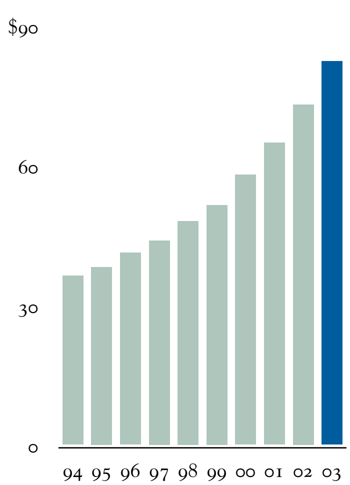
Investment Growth

($100 invested in 1990)



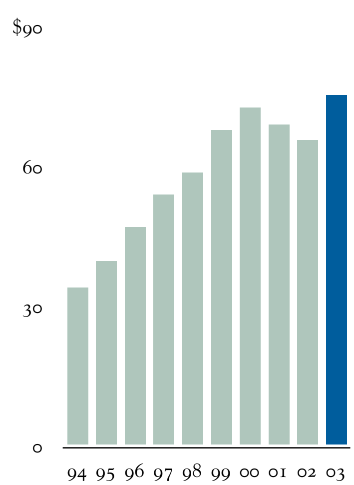
Cost of Future Pension Benefits

as at December 31 ($ billions)



Net Assets

as at December 31 ($ billions)

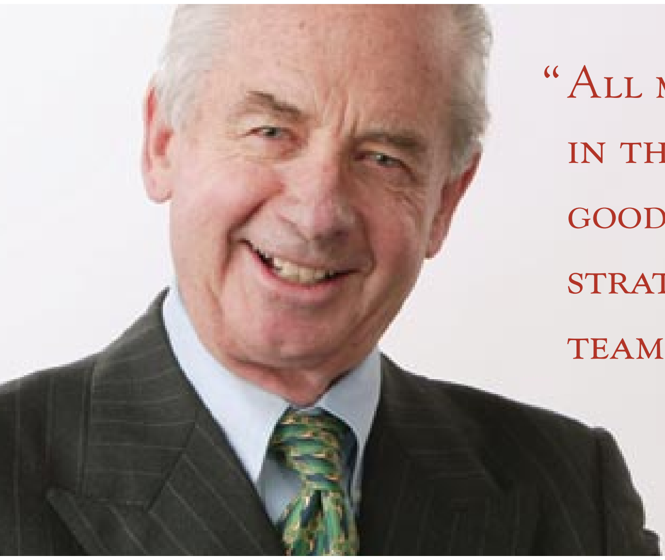


Why is there a pension funding shortfall?

It is very important that the cost of future pensions and net assets balance over the long term.

...

MORE ON PAGE 9



"All members should feel a sense of pride in the fund's investment success through good markets and bad and in the innovative strategies and consistent approach our team has taken to add value."

Robert W. Korthals

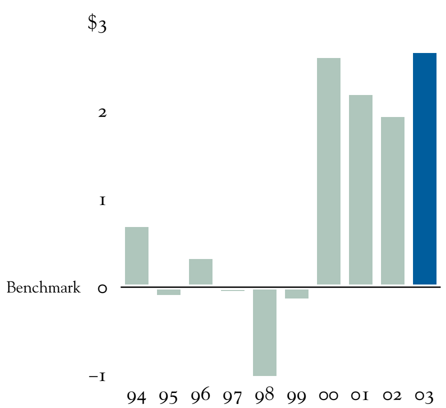
Chair's Report

Since 1990 when Teachers' began investing, the fund has delivered an annual compound rate of return of 11.1% compared to 8.5% for the composite benchmark, a yardstick that mirrors our asset-mix policy and quantifies the performance of the markets in which we invest.

The fund's investment performance over these many years shows that Teachers' strategies to maximize returns from capital markets have worked.

Value Added *above* Benchmarks

for the year ended December 31 ($ billions)



All members should feel a sense of pride in the fund's investment success through good markets and bad and in the innovative strategies and consistent approach our team has taken to add value by selecting investments that give the fund a better return than the market overall. This success is illustrated most vividly when we consider that 2003 marked the fourth consecutive year that the fund outperformed its benchmark.

Investment Performance in Context

The fund's investment performance – in isolation – is very positive. I say 'in isolation' because investment performance alone does not determine the plan's well-being. We need to talk about investment performance because it, along with the delivery of member services, is the responsibility of the board and staff.

The most important measure of the plan's health is not just investment performance. It is the funding valuation, which takes into account investment performance, as well as two factors outside our control: the cost of benefits and the level of contributions. Levels for both of these are set by the Ontario Teachers' Federation (OTF) and the Ontario government, the plan's co-sponsors. The funding valuation is the measure the plan's sponsors and pension regulators use to assess the plan's well-being because it measures the plan's ability to pay pensions to current members not in 2004 but over the next 70 years.

Funding Valuation

The plan has moved from a surplus to a shortfall of assets compared to the cost of future benefits. An actuarial valuation showed the plan had a funding shortfall of $6.2 billion on January 1, 2004. This is the first time the plan has experienced a funding shortfall since the pension board was created in 1990.

This shortfall means that the OTF and the Ontario government face a challenge. If the funding shortfall is not eradicated by January 1, 2006 (when a funding valuation must be filed with the regulators), the plan sponsors will have to act to bring the funding position into balance.

Clearly, we hope this is not necessary. But it's not hope that's called for, it's analysis and foresight. Our duty as directors and managers of the fund is to ensure the co-sponsors are given all of the relevant information necessary for the plan sponsors to make timely, informed decisions. The directors have asked management to assist the plan sponsors in their work on this issue.

Claude provides more details on how this shortfall came about starting on page 8. I encourage readers to review his remarks for a better understanding of the current situation.

A Front Row Perspective on Governance

The front cover of this annual report asks rhetorically 'who cares about shareholder value?' It's clear that we do and it's for that reason that we are working hard to protect and serve the interests of our members by searching to add value and promoting good corporate governance.

Why do we care so much about corporate governance? Because it affects the long-term performance of the companies in which the fund invests and when practiced effectively, yields better, more transparent disclosure and greater management accountability. I can say this with some authority, since as both a corporate and pension plan director, I have a front-row perspective on governance.

For the same reasons, good governance has a definite role to play internally at Teachers' and the responsibility to provide it resides with the plan's board and co-sponsors. Since I am Chair, the buck stops with me and it's a responsibility I take very seriously. My commitment is to operate a strong board: strong in the sense of director capabilities and integrity, strong with respect to individual independence of mind and ability to work as a team.

An informed board must oversee management. That means challenging before supporting management's strategic direction… motivating staff with fair rewards for superior performance… and making sure the organization does not take undue risks.

We do this to the best of our ability. We are completely independent of management. We challenge Claude and his team. We question. We are well briefed. We have established well-defined, market-driven compensation programs for management, and the board speaks with one voice, despite drawing its membership from two different sponsors. In this way, we are no different than a corporate board that must act in the best interests of not just one shareholder, but all shareholders.

Both the OTF and the government understand the importance of an independent board and have appointed well-qualified directors to the board. The plan has benefited these many years from this and the way my fellow board members work together in an atmosphere of mutual respect.

Thank You

It remains a great privilege for me to serve as Chair and to oversee the work of a very fine group of staff – in both investment management and member services.

The board sincerely thanks the plan's employees for another exceptional year and the sponsors and members for their support. We pledge that, as a board, we will continue to apply the best governance possible in 2004.

Yours sincerely,

Robert W. Korthals,
Chair

Board *of* Directors

(from left to right)

Ann Finlayson

Journalist, speaker, freelance editor and consultant, author of three books including *Whose Money Is It Anyway? The Showdown on Pensions* (1988)

Chair of the Benefits Adjudication Committee and member of the Audit & Actuarial Committee

Ralph E. Lean, q.c.

Senior partner with the law firm Cassels Brock & Blackwell in Toronto

Vice-Chair of the Benefits Adjudication Committee and member of the Governance Committee

Thomas C. O'Neill

Former Chair of PwC Consulting and a Fellow of the Institute of Chartered Accountants of Ontario

Member of the Audit & Actuarial and the Governance Committees

John S. Lane

Former Senior Vice-President of Investments for Sun Life Assurance Company of Canada, and a Chartered Financial Analyst

Chair of the Audit & Actuarial Committee and member of the Human Resources & Compensation Committee

Robert W. Korthals

Former President of The Toronto-Dominion Bank

Chair of the Board and Chair of the Human Resources & Compensation Committee

J. Douglas Grant

Former Chairman and Chief Executive Officer and one of the founders of Sceptre Investment Counsel Ltd., a Fellow of the Institute of Chartered Accountants of Ontario, and a Chartered Financial Analyst

Member of the Governance and the Human Resources & Compensation Committees

Guy Matte

Former Executive Director of l'Association des enseignantes et des enseignants franco-ontariens

Member of the Audit & Actuarial and the Human Resources & Compensation Committees

Lucy G. Greene

Former Vice-President of Human Resources with Sun Life Assurance Company of Canada

Chair of the Governance Committee and member of the Human Resources & Compensation Committee

Gary Porter

Chartered accountant and founding partner of the accounting firm Porter Hétu International, and a past president of the Certified General Accountants Association of Ontario

Chair of the Investment Committee and member of the Audit & Actuarial and Governance Committees

All Board members serve on the Investment Committee. Board and committee attendance was 93% in 2003.

Plan Governance

Mandate

- Teachers' is an independent corporation, established under Ontario law, to administer the pension plan, manage the pension fund and pay members and their survivors the benefits promised to them.
- The plan's co-sponsors, the Ontario government and the Ontario Teachers' Federation, are responsible for plan design, including contribution and benefit levels.

Accountability

- Teachers' reports to the co-sponsors on a regular basis and issues this annual report including audited financial statements supported by an actuarial opinion.

Board of Directors

- Each co-sponsor appoints four members to the plan's Board of Directors for staggered two-year terms and the co-sponsors jointly appoint the Chair as the ninth member of the Board.
- The Board is required to act independently of both the co-sponsors and the plan's managers and to make decisions in the best interest of all beneficiaries of the plan.
- The Board requires the plan's managers to establish corporate objectives and a financial plan annually and to review progress against these and other objectives.
- Teachers' expresses its investment strategy in its Statement of Investment Policy and Procedures and implements it, in part, in the *Proxy Voting Guidelines*, which the Board reviews annually.

www.OTPP.com
Governance
Guidelines

Plan Governance *at a* Glance

Board independent from management	Page 7
Board attendance disclosed	Page 6
Board compensation disclosed	Page 45
Board member tenure, background disclosed	Page 6
Management compensation disclosed	Page 46
External auditors' role and terms of engagement disclosed	Page 28
Actuaries' role and terms of engagement disclosed	Page 29

Chair and CEO roles separated
Management absent from audit committee
Board's roles and committee structures disclosed
Board conducts self-assessment
Code of conduct in place and disclosed

www.OTPP.com
About Us
Plan Governance

"How can the fund achieve an 18% rate of return in 2003, yet the plan have a funding shortfall? Let me explain."

Claude Lamoureux

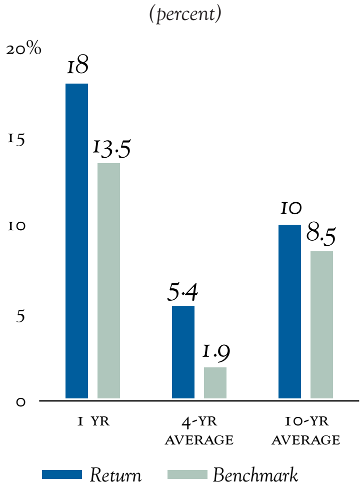
President's Report

We report on three topics in our annual report: the performance of the fund's investments, our service to plan members, and the overall health of the pension plan.

There is good news to report on the performance of investments and member services, but there is also some bad news: the pension plan has its first funding shortfall. This illustrates that there are many factors beyond our control that determine the plan's health. But first, a report on the performance of factors over which we have some control.

Fund Performance *vs.* Benchmark

(percent)



Investment Performance

2003 was a good year for investments. The fund achieved an 18% one-year rate of return, compared to 13.5% for the fund's composite benchmark. The 4.5% difference equates to $2.7 billion and this represents the value we added over market returns in 2003. The plan sponsors and members expect us to add value so, on this basis, we exceeded our objective.

All major asset classes of the fund contributed, and did so while also reducing risk, which is unusual. (See page 25.) As the Chair said, recent outperformance demonstrated Teachers' assets are well invested and properly managed. I would add that the plan enjoyed the good fortune of much better equity market conditions in 2003. You'll recall that from 2000 to 2002, global stock markets suffered through a period of sharp declines. Although we outperformed the equity markets we invested in over this three-year period, the downturn took a toll on net assets in 2001 and 2002.

However, a strong rebound in equity markets in 2003 helped restore the asset side of our balance sheet. At $75.7 billion, net assets increased $9.5 billion from $66.2 billion in 2002. Keep in mind, however, that any discussion of net assets must take into account the impact of $3.2 billion in annual benefit payments, which continue to exceed contributions of $1.4 billion.

We strive to add value over many years, not just one, so it's important to report on our performance over the longer term. On a four-year basis, investments produced a 5.4% rate of return, compared to 1.9% for the composite benchmark. This means the value we added to the fund by actively managing the assets on a four-year basis was $9.4 billion. Over 10 years, the rate of return was 10%, compared to 8.5% for the benchmark.

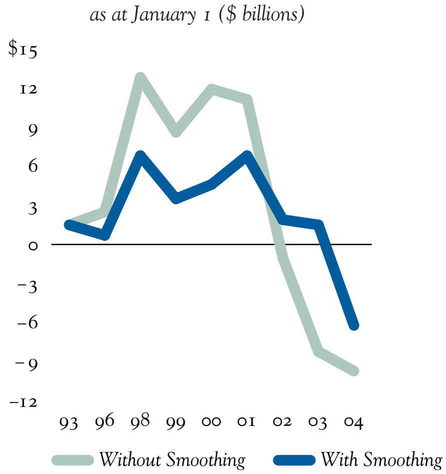
To ensure the plan remains well positioned to maximize returns going forward, we are taking an active role in the pursuit of value. This means:

- Promoting good corporate governance by voting our proxies, engaging public companies and regulators in discussions to improve governance standards, being a founding and active member of the Canadian Coalition for Good Governance, and where necessary, acting as a lead plaintiff in shareholder class actions aimed at recovering damages for corporate breaches of securities laws.

- Actively seeking out alternatives to public securities markets through absolute return strategies, infrastructure investing (in electrical utilities, airports, highways, timberlands) and through investments made by Teachers' Merchant Bank where we have allocated over $4 billion.

Funding Status

as at January 1 ($ billions)



Member Services

9 out of 10

In addition to investments, we are also responsible for serving members. 2003 was another good year for this side of the plan as well. Our Quality Service Index or QSI measures what members think of our service performance – through direct feedback. In 2003, the plan achieved a QSI of 9.0 out of 10.

We had a total of 178,000 interactions with members and, of note, plan members began to make greater use of e-mail communication and secure Web site capabilities. Some 34,000 members have signed on to receive an *iAccess* secure password and 47,500 have now given us their e-mail addresses. These members have an expectation that we will use Web tools more fully in future and we will, while continuing to deliver personal service over the phone and in person.

After spiking in the late 1990s as a result of major plan changes, the number of service requests from teachers has declined over the past few years. Our cost of service per member has continued to decline to $129 in 2003 from $130 in 2002.

The Bottom Line

Now, let's turn to the plan's bottom line: the funding valuation. This valuation, conducted by an independent actuary, tells us whether or not the plan, as it exists today with current contribution and benefits levels, can fully cover the cost of future benefits for all existing plan members over the next 70 years.

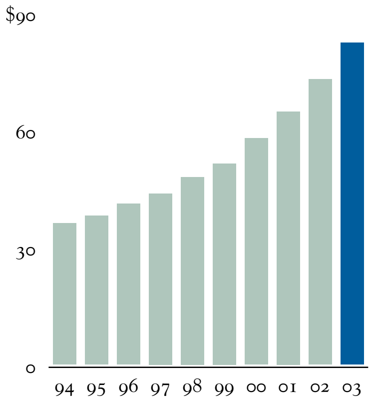
The valuation in January 2004 revealed that the plan's assets and the cost of benefits are out of balance, leaving the plan with a funding shortfall of $6.2 billion. This is a serious shift from surpluses in recent years. That's because benefit costs have increased dramatically over the last 10 years, while contribution rates have not changed since 1990. However, the news is not surprising: we warned of a possible shortfall in previous years' annual reports.

How Did This Happen?

The plan was caught in the 'perfect storm,' as were other defined benefit pension plans.

There are three reasons for the shortfall:

1. **Real interest rates dropped significantly.** This means that the cost of providing a promised pension has increased substantially. It also means the plan needs more money today to pay for pensions in the future.



The actuary uses real interest rates (after inflation) to estimate the cost of future benefits. When these rates decline, the cost of future benefits goes up; conversely, if rates increase, the cost comes down.

A decline of this magnitude is a problem for all defined benefit pension plans because it has a huge impact on funding valuations. If rates today were approximately 4% as they were in 1998, the cost of future pensions would be $15 billion less on the funding valuation.

It's worth noting, however, that this drop in interest rates increased the value of bonds and helped fuel unusually strong equity markets in the late 1990s thereby increasing assets.

2. **Equity markets dropped sharply** producing negative returns for the plan in 2001 and 2002. Some of these equity losses were deferred to the future due to smoothing and are being recognized now.
3. **Surpluses were used** to eliminate the government's special payments and to improve benefits. New features such as the permanent 85 factor and improved pensions after 65, which were introduced in the late 1990s, have added to the cost of future pensions.

Although our investments outperformed the markets during the downturn, this could not offset the benefit improvements and the decline in real interest rates that increased future benefit costs. The net result of this confluence is the plan's funding shortfall today. See page 26 for more details.

Another factor the plan is dealing with is smoothing. Like most pension plans that want to reduce the impact of stock market volatility on their funding status, Teachers' smoothes gains and losses on investments (except fixed income) over five years. The plan treats any of these returns that fall below 6% (after inflation) as a loss, and conversely, returns above this target are treated as gains. In 2003, the plan recognized $764 million in smoothed cumulative net losses, and still has another $4 billion to absorb before the next valuation is due in two years. This makes the funding issue that much more challenging.

The Plan Sponsors' Challenge

Clearly, the plan's co-sponsors, the OTF and the Ontario government, face a challenge that comes with a deadline. There must be a plan to eliminate the funding shortfall by the end of 2005. The plan's January 1, 2006 valuation must be filed with the regulators.

It is possible that this challenge may be minimized if real interest rates reverse course and the equity market recovery that began in 2003 continues its performance into 2004 and beyond. In perspective, however, if interest rates remain at the same level, the plan would need to earn 24% above inflation in both 2004 and 2005 to avoid a shortfall in 2006 – a very unlikely event.

We don't know what the short-term future holds. What we can count on is that the plan sponsors know about the challenge and have the commitment of some of the best minds in the Canadian pension industry to help them evaluate possible solutions. We stand ready to assist in any way we can and, of course, we must continue to deliver good investment returns.

Drawing Conclusions

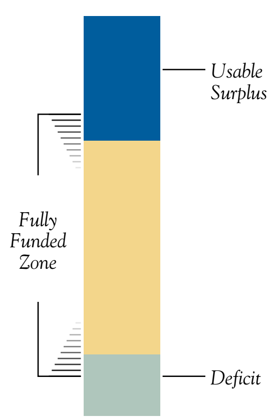
What can be learned from this situation? First, that many factors outside our control – namely real interest rates and capital market movements – have a major impact on the plan's well-being. Second, it's important not to have unrealistic expectations of long-term asset growth and to keep in mind that a one-year burst of market enthusiasm toward stocks (as in 2003) is not a panacea for the plan's funding situation. Third, and most important, as we said in the 1999 annual report, there is value in a large financial institution maintaining sufficient capital reserves to ensure long-term financial stability in the face of short-term market volatility. This is why the plan's funding management policy, adopted by the plan sponsors in early 2003, is so vital.

This policy cannot alter the plan's funding challenge today – this must be dealt with separately. Rather, the policy provides the assurance that some of the gains the plan makes from future market booms will be set aside to cushion the plan from the inevitable market downturns that follow. Once it has a cushion, the plan will be better able to withstand the market pressures and be in a better position to avoid future shortfalls.

Managing with a Shortfall

The plan's funding situation has a direct impact on how we manage the assets. We set asset-mix policy and seek to outperform market benchmarks by taking into account what the plan needs to deliver its mandate of providing retirement income for members tomorrow. From day one in 1990, all investment activity has been driven by the plan's long-term funding objective. The plan requires a real return of 5% over the long term to pay all pensions promised, compared to 4.5% in 1990.

Funding Management Policy



As we said last year, history shows this kind of return is not easy to achieve. Despite the markets in 2003, we continue to expect modest returns from public equities in the next few years.

Special Acknowledgements

We have many people to thank for strong performance in both investments and member services: all 500 people who work for the plan. However, this year we have a special acknowledgement for the contributions of Al Reesor, Executive Vice-President and Chief Information Officer. After serving Teachers' for the past 12 years, he is retiring in March 2004. His contribution is easy to gauge for those who remember our level of service in the early 1990s compared to today. We wish him well in retirement and thank him for his tireless service.

Conclusion

A pension plan is a dynamic enterprise. Teachers' is no exception – 9,000 new teachers joined in 2003, 5,500 retired teachers began to collect pensions for the first time and 93,000 pensioners are now on our pension payroll compared to 38,000 in 1990.

Each of us has a professional obligation to do everything we can to foresee, acknowledge and, when appropriate, meet challenges as they arise. Some challenges are beyond our mandate and others beyond anyone's control. But that doesn't mean they are not worth considering in the hope that strategies can be formulated to offset their impacts. It is in this spirit, as well as the spirit of clear, transparent disclosure, that we have created this annual report.

As a final word, we are grateful for the continuing support we have received from the board and the plan sponsors. In conclusion, we have great people in both member services and investment management. They are all focused on doing everything possible to serve our members well in 2004 and beyond.

Yours sincerely,

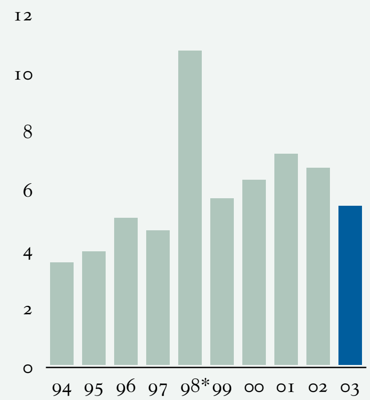
C Lamoureux

Claude Lamoureux,
President and Chief Executive Officer

Member Services

We strive to serve each member's individual needs with personal, immediate service every time.

Number *of* New Retirement Pensions
(thousands)



**1998: 85 factor introduced*

Outstanding Service

We define outstanding service as the ability to provide accurate, timely, personal and attentive service in a cost-effective way. But what's important is to deliver outstanding service consistently and to the satisfaction of our members. Our Quality Service Index (QSI) allows us to evaluate the plan's service levels based solely on input from members.

Our QSI rating takes into account the different services we offer and communications and interactions we have with members. In 2003, the plan achieved a rating of 9.0. Notably, members rated phone service 9.2.

9 out of 10

On the Web

Since first launching a secure Web site called *iAccess*, and beginning to collect member e-mail addresses in 2002, we have taken steps to enhance our electronic service offering and the infrastructure that supports it. Here are some of the ways we are using the Internet:

- Online access to benefit statements and educational presentations.
- Pension calculator enabling teachers to calculate the amount of their pension – using their own personal data.
- Communicating plan information via e-mail to those who prefer this method of communication over regular mail.
- More than 47,500 members provided us with their e-mail address and 34,000 registered to use our *iAccess* secure site.
- Employers are also using our Internet system to record contributions and reconcile member data online.

Key 2003 Statistics

We fulfilled 178,000 member requests and provided answers to 68% of all inquiries within 48 hours.	46,000 pensioners have been added to our payroll since 1998, making it one of the largest in the country.
We answered 98,300 telephone inquiries with an average response time of 28 seconds.	Total costs for member services were $33.5 million or $129 per member.
We sent annual benefit statements with current year information within 60 days of school year-end to 83% of active teachers versus 69% in 2002.	Today, the average age at retirement is 56 compared to 58 in 1990. The ratio of active to retired teachers is 1.7:1 versus 4.1:1 in 1990.
We collected $700 million in contributions from 155,000 members working at 195 school boards.	There are 44 pensioners over 100 and 1,976 pensioners in their 90s.
We paid $3.2 billion in pension and termination benefits, including first-time pensions to 5,500 newly retired teachers.	Our Web site, www.otpp.com, had 844,000 visitors, an increase of 154% from 2002.

As the newly appointed Vice-President, Member Services, what should members look forward to over the next few years?

Rosemarie: "Our employees are committed to delivering outstanding service to members at every opportunity. Members should expect to see us maximize the value of technology to introduce innovative new services that are more proactive and personalized. Looking ahead, technology will give us the ability to identify individual members who may be retiring in the future or taking a leave of absence and then proactively inform them of important application deadlines or cost implications.

"Technology enables our staff to enhance the value of annual pension statements so that members receiving them electronically can get a more informative perspective of their status in the plan. Web collaboration tools will allow us to bridge distance and technology gaps to help members use our secure Web site to its fullest extent.

"We want members to look forward to innovation aimed at giving them the answers they need in whatever manner or medium they choose, electronically, over the phone or in person."

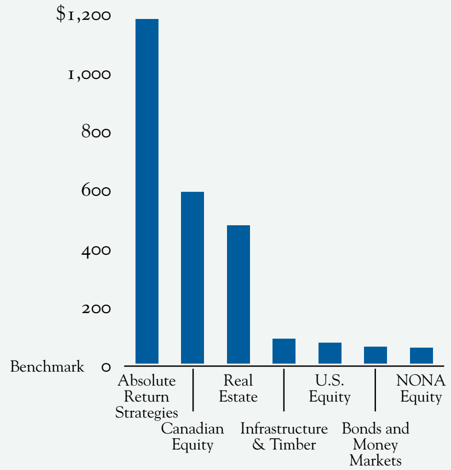
Rosemarie McClean,
Vice-President, Member Services

Investment Highlights

Since the fund was started in 1990, we've taken a comprehensive approach to creating value for plan members. These are just a few recent examples of our strategies in action and results achieved.

Value Added over Market Returns

for the year ended December 31, 2003 ($ millions)

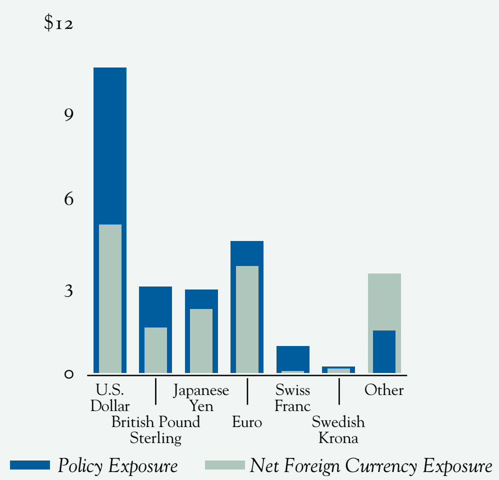


Gaining $1.1 Billion from Foreign Currency Trading

Since 1996, our strategy has been to hedge 50% of our currency exposure to certain non-North American currencies. In addition, the fund has also taken foreign currency trading positions to add value. In 2003, these strategies added $1.1 billion in value to the fund. Our approach is to capitalize on under- and overvalued currencies.

Currency Exposure

as at December 31, 2003 ($ billions)



Earning Above Benchmark Returns in All Asset Classes

All asset classes returned strong performances. Absolute return strategies added $1.2 billion in value, including hedge funds, which added $340 million in value.

The $34.3 billion in equity investments produced a return of 19.9%, representing $740 million in added value for the fund over the benchmark.

Teachers' Merchant Bank, representing 6% of the fund, delivered a 40.5% one-year rate of return, outperforming its benchmark for $390 million in added value.
The Yellow Pages telephone directories business was a star performer. Acquired by Teachers' and partner Kohlberg Kravis Roberts & Co. in 2002, Yellow Pages sold units to the public through an income trust in the summer of 2003. We have retained a 10% interest in the company.

The $9.9 billion invested in real estate managed by Cadillac Fairview has been repositioned to meet our long-term objectives of high quality, low volatility and reasonable returns. The net result was an 11.2% one-year rate of return compared to 6% for the benchmark for $480 million in added value.

Promoting Good Governance

Good corporate governance adds value to the investments we make on behalf of all plan members. In 2003, we promoted the cause of good governance in many ways:

- We actively participated in the activities of the Canadian Coalition for Good Governance (www.ccgg.ca), an organization representing the concerns of 30 of Canada's largest institutional investors with more than $500 billion in assets.
- We voted against 115 stock option plans (out of 148 proposals this year) primarily because they would either excessively dilute our interests or because the options would have been awarded to directors on a discretionary basis or without a mandatory vesting schedule.
- We talked to corporations before posting our voting intentions at www.otpp.com in advance of meetings. Many companies withdrew or altered their proposals and gained our support.
- We made our views known on more than a dozen major policy issues, for example, voicing concerns about proposed auditor independence standards and arguing for one Canadian securities regulator enforcing one set of securities laws.
- We have a representative on the Institute of Corporate Directors board. The ICD-Rotman School of Management's new corporate directors' training program launched in the fall of 2003.
- We are also a member of the International Corporate Governance Network (www.icgn.org) which seeks to improve corporate governance internationally. It has published papers on executive compensation, and it is working to make it easier to vote proxies and improve accounting around the world.

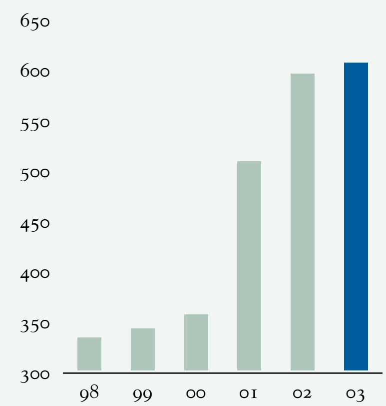
2003 Proxy Voting Highlights

Proposals	*For*	*Against*
Stock option plans	33	115
Shareholder rights plans	17	9
Re-pricing of options	0	12

Challenging Corporate Fraud in the Courts

- For the first time, we were appointed to be a lead plaintiff in two U.S. shareholder class actions seeking to recover damages caused by alleged public company breaches of securities laws in proceedings against Cable & Wireless plc and against Biovail Corp.
- We willingly take on the role of lead or co-lead plaintiff because we believe, when the shareholder class is led by an experienced institutional investor willing to devote resources to the matter, it will have a positive effect on the outcome. Holding issuers and their executives accountable for losses should also have the effect of dissuading others from misconduct.
- We are seeking damages in the U.S. where legislation gives more investors a broad base to recover losses for corporate wrongdoing. Canadian laws and courts are not as favourable to investors. We believe this must change and urge the provincial governments to pass enabling legislation and, in particular, for the Ontario government to enact the secondary market provisions of Bill 198.

Number *of* Company Proxies Voted



In 2003, we voted proxies in 623 companies around the world.

Management's Discussion *and* Analysis

This section provides an overview of our operations and a detailed explanation of the consolidated financial statements and should be read in conjunction with those statements. Our objective is to present readers with a view of the plan, through the eyes of management, by interpreting the material trends and uncertainties that affected results, liquidity and the financial condition of the plan. In addition to historical information, this section contains forward-looking statements reflecting management's objectives, outlook and expectations as of the date of this report. These forward-looking statements involve risks and uncertainties. Our actual results will likely differ from those anticipated.

Overview

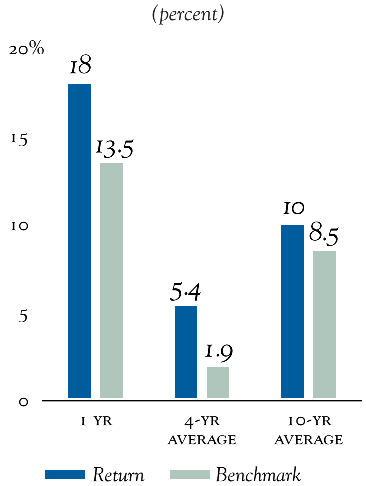
The Ontario Teachers' Pension Plan is an independent corporation responsible for investing the pension fund assets and administering the pensions of Ontario's teachers. To meet this commitment, we invest the plan's assets with a long-term focus.

We employ a variety of strategies to add value. To measure our progress in adding value, we compare the fund's performance against a composite benchmark that reflects the performance of the markets in which the fund invests according to the asset-mix policy.

Since 1990, when Teachers' began investing, we have delivered an annual compound rate of return of 11.1%, compared to 8.5% for the composite benchmark. The fund has also outperformed its composite benchmark over ten, four and one-year time periods. The 10-year results are a better reflection of what we expect to deliver over the long term.

Fund Performance *vs.* Benchmark

(percent)



Despite our investment performance, the plan was in a shortfall position on a financial statement basis at December 31, 2003. The deficit was $4 billion, compared to a surplus of $2.2 billion a year earlier. (See pages 9 and 26 for more information about funding.) This shortfall illustrates the fact that investment performance alone does not determine the plan's financial situation. A significant reduction in real interest rates, which are used to calculate the cost of future plan benefits, added $5.6 billion to the plan's future costs during 2003. The burden of this additional cost as well as the normal change in the value of the liabilities adds up to $9.5 billion, offsetting the $9.5 billion increase in net assets based on the fund's exceptional 18% one-year rate of return.

Setting Investment Strategy

In setting investment strategy, we focus on two fundamental factors – matching assets and liabilities and the plan's ability to assume risk. Our ability to assume risk is driven by the expected volatility in both the assets and the cost of future pension benefits.

In developing this framework we make a number of assumptions, keeping in mind that reality always unfolds in unexpected ways. A year ago, we thought there was a very low probability of the 18% one-year return the fund earned in 2003.

Our working assumptions haven't changed much since we first discussed them in the 2001 annual report (see 10-Year Outlook page 27): we see only modest market returns over the next 10 years.

As a result of this outlook, and the plan's more limited ability to take on risk as a result of the current growth in future pension costs in relation to the present value of future contributions, we have fine-tuned our approach over the last two years. We have lowered the fund's exposure to public equity markets – although equities remain the single largest component of fund assets – and increased exposure to fixed income, infrastructure and private equity investments. The impact can be seen in the fund's 2003 asset mix.

By having a lower exposure to equities in 2002, the fund preserved $900 million in value when equity markets experienced significant losses. In 2003, continuing to have a lower exposure to equity markets meant the fund missed out on some of the upside of the significant market recovery but benefited from solid 18.8% returns in fixed income and absolute return strategies, where we have a higher weighting compared to policy.

Overall, the fund has performed well as a result of this repositioning and it is prudently invested for the long term given the various risks we must take into account.

The fund generated $11.4 billion in investment income in 2003, compared to a loss of $1.4 billion in 2002. And, as a result of the equity market recovery, solid returns in other investments, and above benchmark performance overall, net assets grew $9.5 billion to $75.7 billion, despite the $1.8 billion deficiency between benefits paid and contributions received during the year (see page 19).

Asset Mix and Fund Overlay Strategy

Using an asset-liability model, we assess the long-term risk and return tradeoffs of allocating different proportions of assets to real-return and nominal bonds, domestic and international equities, real estate, commodities, infrastructure and timber. At least annually, we review expected market conditions and establish an asset-mix policy which exposes the plan to a combination of assets we believe will best meet the plan's investment needs.

Asset mix is implemented by establishing market index exposure to various asset classes – which gives us index returns and the liquidity of index investing. By actively managing over 50% of our investments we try to improve upon these market returns. Active management means selecting securities we believe are undervalued, as well as underweighting or overweighting various asset classes relative to our investment policy. Our goal is to outperform benchmarks and add value.

Our asset-mix policy in 2003 was identical to our 2002 policy, reflecting our consistent view of the markets. However, through our active investment program, we underweighted equities versus the policy by 4% and overweighted fixed income by 6%. The fund was also underweight to policy in inflation-sensitive investments as a result of $1.8 billion in real estate asset sales in 2003 and the challenge we had in finding reasonably priced, quality assets.

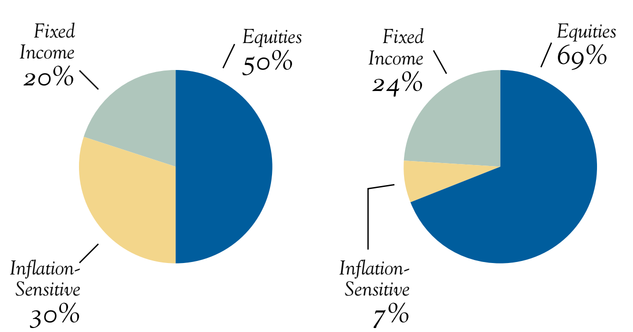
We also try to add value to the asset-mix policy by over- or underweighting asset classes or foreign currencies based on fundamental and quantitative analysis. We do this while ensuring that the fund's investment risk is within allowable ranges set by the plan's board. We can also deviate from asset-mix policy within pre-authorized limits and control risk by ensuring that individual portfolios are managed within predetermined risk parameters.

Results of these decisions are not included in the asset-class performance results (see page 20), but in the fund's total return. During 2003, this process generated $775 million by continuing to underweight the U.S. dollar versus the Canadian dollar and other currencies. Most of this gain was lost by underweighting equities, for a net gain of $70 million.

Use of Absolute Return Strategies

To generate consistently positive returns independent of what happens in the market as a whole, we employ absolute return strategies and hedge funds (see page 24). This enables the fund to generate investment returns that have a low correlation to the general market returns experienced by the asset class. The fund had $10.8 billion in investment-related liabilities (including $3.7 billion in real estate debt) in 2003, compared to $23.2 billion in 2002. The decrease in liabilities is primarily the result of an increase in the use of derivatives to implement absolute return strategies (see Note 2b). Therefore, the plan's total assets in 2003 were $87.1 billion, compared to net assets of $75.7 billion.

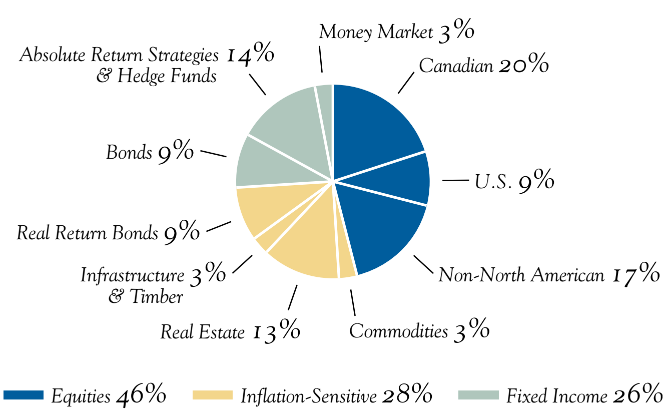
Asset-Mix Policy



2003   1996

Actual Asset Mix

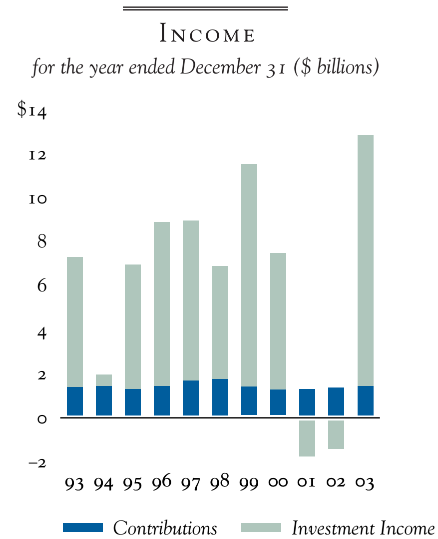
as at December 31, 2003



Net Investments by Asset Class

as at December 31 ($ billions)	**2003**	2002
Equities		
Canadian	**$ 15.2**	$ 13.4
U.S.	**6.7**	6.6
Non-North American	**12.4**	11.5
Fixed Income		
Absolute return strategies	**10.7**	6.5
Bonds*	**6.6**	5.6
Money market	**2.0**	1.9
Inflation-sensitive		
Real estate	**9.9**	11.5
Real-return bonds	**7.1**	5.9
Commodities	**1.9**	1.5
Infrastructure & timber	**1.9**	1.0
	$ 74.4	$ 65.4

* *Bonds are net of real estate debt.*



Year-End Financial Position

Accrued pension benefits increased $9.5 billion to $83.2 billion at year-end from $73.7 billion at the end of 2002 primarily due to a continued decline in real interest rates. The actuarial assumptions used to determine the cost of future pension benefits for financial statement purposes reflect: management's best estimates of future inflation, future investment returns, demographic factors, and projected teachers' salaries. At year-end, the plan had a financial deficit of $4 billion compared to a $2.2 billion surplus in 2002. (See Funding Valuation on page 26.)

Accrued Pension Benefits

for the year ended December 31 ($ billions)	**2003**	2002
Accrued pension benefits, beginning of year	**$ 73.7**	$ 65.5
Interest on accrued pension benefits	**4.3**	4.0
Benefits earned	**2.0**	1.8
Benefits paid	**(3.2)**	(3.1)
	76.8	68.2
Changes in real interest rates	**5.6**	5.3
Experience losses	**0.8**	0.2
Accrued pension benefits, end of year	**$ 83.2**	$ 73.7

Changes in Assets

Net assets available for benefits increased substantially to $75.7 billion from $66.2 billion at the end of 2002. This increase was driven by investment gains made during 2003, which were much larger than the increase in benefit payments.

Changes in Net Assets

for the year ended December 31 ($ billions)	**2003**	2002
Income		
Investment income	**$ 11.4**	$ (1.4)
Contributions	**1.4**	1.4
	12.8	(0.0)
Expenditures		
Benefits	**3.2**	3.1
Operating expenses	**0.1**	0.1
	3.3	3.2
Increase (decrease) in net assets	**$ 9.5**	$ (3.2)

Benefit Payments and Contributions

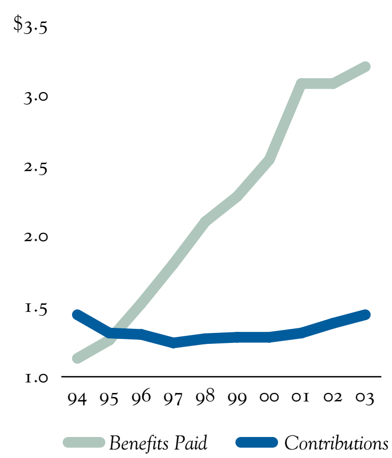
In 2003, plan benefits exceeded contributions by $1.8 billion. Benefit payments made in 2003 totalled $3.2 billion compared to $3.1 billion in 2002. The increase reflected the addition of 5,500 retirement pensions plus 600 survivor pensions to the retirement payroll during the year, and a 1.6% cost of living increase effective January 1, 2003. Benefit payments have continued to grow over the last 10 years, due to the plan's demographics and higher benefit levels.

For example, pensions after age 65 were increased by approximately 10% through a change in the benefit formula, and the 85 factor which allows teachers to retire 2.5 years earlier – thereby receiving an unreduced pension approximately 8% longer.

The maximum contribution rate of 8.9% of teachers' salary has remained unchanged since 1990. The government and other employers match these contributions.

Contributions *vs.* Benefits Paid

for the year ended December 31 ($ billions)



Operating Costs

Operating costs are comprised of costs to manage the plan's assets and administer plan benefits for members. In 2003, the cost of service per member declined to $129, from $130 in 2002, partially as a result of improved efficiencies from greater use of technology and an increase in the number of members served. Total operating costs for member services remained unchanged at $33.5 million.

Total investment management costs were $162 million, compared to $105 million in 2002, or expressed in relation to assets, 24 cents per $100 of average net assets compared to 16 cents in 2002. Costs increased for three reasons:

- a substantial increase in actively managed assets
- higher incentive payments to both internal and external managers as a result of superior performance compared to benchmarks in all asset classes
- accrual of $27 million in additional long-term incentive payments to be paid after 2003. This represents four cents of the 24 cents mentioned previously.

Consistent with the compensation program set by the board of directors, incentive payments were made to investment staff in 2003 for adding long-term value over benchmarks. To earn target incentives, investment staff must first earn investment returns equal to their benchmark on a four-year average basis. Incentives above target are then paid if the managers exceed these benchmarks. Incentive payments totalled 1.2% of the four-year average value added above benchmarks, compared to 1.4% in 2002.

Market Performance

The most significant development of 2003 was the substantial rebound in public equity markets, following three years of negative performance. The Toronto Stock Exchange closed up 27% on the year – the S&P 500 closed up 29% in U.S. dollars (5.3% in Canadian dollars). Although stock market increases are not unusual following market downturns, the average publicly traded stock in the United States had a price-to-earnings (P/E) ratio of 28 at year-end, compared to the historical norm for P/E ratios of 17 over the last 35 years. This indicates that the rebound may have been overdone. Valuations for some technology stocks are now equal to or greater than they were prior to the 2000–2002 downturn.

The fund invests in public equity markets, but also has significant exposure to other markets, such as inflation-sensitive and fixed income. These sectors also performed well in 2003. The Scotia Capital Real-Return Bond Index, one of the benchmarks we use to judge our inflation-sensitive investment performance, increased 13.3%, while the Custom Canada Bond Universe, a proxy for fixed income performance, increased 5.6%.

Our Investment Performance

We compare and report our results against composite market benchmarks. In doing so, we determine how much value our managers have added to the return of the plan compared to returns by passive investment in various bond and stock markets as specified in our asset mix.

Rates of Return Compared to Benchmarks

	Investment returns	Benchmark	Composite Benchmark
Fixed income and Absolute return strategies	18.8%	10.8%	Scotia Capital Treasury Bills (91 days) Custom Canada Bond Universe Custom Net Ontario Debenture
Canadian equity	31.5	26.7	S&P/TSX Composite
U.S. equity	6.3	5.3	S&P 500
Non-North American equity	15.2	14.5	Morgan Stanley EAFE, EM Custom NONA National Index
Inflation-sensitive investments	9.8	6.6	Scotia Capital Real-Return Bond Custom U.S. Treasury Inflation-Protected Securities Goldman Sachs Commodities CPI plus 4%
Total Fund	18.0%	13.5%	Benchmark weighted by the policy asset mix

10-Year and Four-Year Results

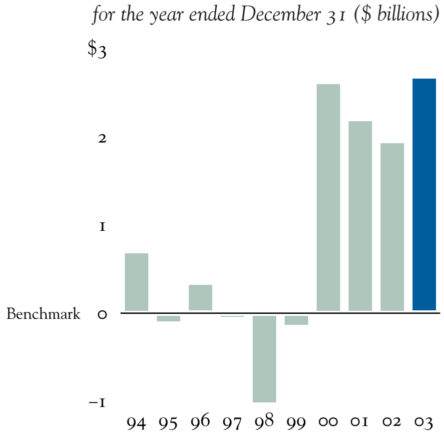
On a 10-year annualized basis, the fund generated a 10% rate of return compared to the benchmark's return of 8.5%.

On a four-year basis, our plan generated a 5.4% rate of return. Over the same time period, the composite benchmark's return was 1.9%; in other words, we generated $9.4 billion in added value during this time period.

One-Year Results

On a one-year basis, the fund's rate of return was 18%. This was the fund's best ever one-year return compared to benchmark – and our third best overall performance in the fund's history. By outperforming the benchmark's 13.5% one-year rate of return, we generated $2.7 billion in value added.

Value Added *above* Benchmarks
for the year ended December 31 ($ billions)



We have made changes to our investment strategy enabling us to add value in each of the last four years.

Equities

At $34.3 billion, equities remained the largest single portion of total assets in 2003, reflecting our belief that equities play a significant role in meeting the plan's long-term return objectives. However, at the end of 2003, equities represented 46% of the fund's investments, down 3% from a year earlier and 4% below our 2003 investment policy. The decision to underweight equities – compared to our 2003 investment policy – reflects our view of capital markets and the plan's risk-return requirements.

Equities provided the plan with a 19.9% rate of return in 2003, outperforming their benchmark by 2.3%, equating to $740 million in value added by the managers.

On a four-year basis, equities generated a negative 0.7% rate of return, compared to negative 4% for the benchmark, adding $5.2 billion in relative value over the four-year period. While on a 10-year basis, the managers delivered a 9.7% rate of return from equities, compared to 7.8% for the benchmark.

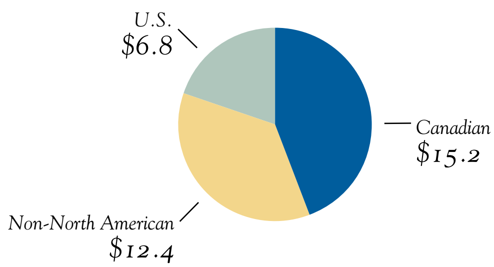
Canadian Equities

Canadian equities represented 20% of the fund's total investments and 44% of the fund's total equities, approximately the same percentages as in 2002. However, because of significant above-market growth, on a dollar basis the fund's Canadian equities were valued at $15.2 billion at the end of 2003, compared to $13.4 billion at the end of 2002.

Canadian equities delivered a 31.5% one-year rate of return to the fund in 2003, 4.8% higher than the benchmark, adding $600 million in value over benchmarks.

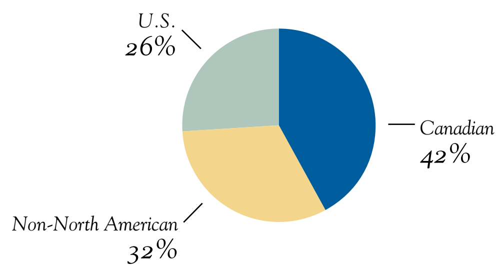
Equities

as at December 31, 2003 ($ billions)



Teachers' Merchant Bank Portfolio

as at December 31, 2003



Reflecting the downturn in equity market performance in 2001 and 2002, Canadian equities produced a 6.5% rate of return on a four-year basis. This compares favourably to the benchmark's four-year return of 1%, and equates to $3.2 billion in value added for the fund.

In 2003, 60% of Canadian equities were actively managed – through enhanced index and quantitative strategies, active selection and private equity – compared to 52% last year, reflecting our commitment to search for value beyond index holdings.

The Teachers' Merchant Bank with a 40.5% one-year rate of return in 2003 outperformed its benchmark by 12.9% to add $390 million in value. At year-end, the merchant bank had $4.2 billion in investments, 27% higher than a year earlier as a result of strong returns and the commitment of new funds. On a four-year basis, merchant banking investments delivered a 14.6% rate of return, compared to 1.2% for its benchmark.

Consistent with our strategy of searching for value beyond public equity markets, we continue to be willing to commit new funds to merchant banking activities and to working alone and with global partners in direct private equity, mezzanine debt transactions, and venture capital. Although it represents just 6% of the total fund, Teachers' Merchant Bank has become one of the leading sources of private capital in Canada.

Private equity investing generates substantial value and is a strong and viable alternative to public equity markets. Today, our portfolio includes interests in Samsonite, Worldspan, and Maple Leaf Sports & Entertainment Ltd., as well as a 20% ownership of some 80 other companies purchased from Deutsche Bank in a $2.8 billion transaction in 2003. While 42% of our merchant banking activity is in Canada, we also have growing positions internationally.

Foreign Equities

Combined, U.S. and Non-North American (NONA) equities accounted for 26% of the fund's total investments and 56% of the fund's total equities in 2003, approximately the same proportions as in 2002. The total value of these investments was $19.1 billion, compared to $18.2 billion in 2002.

NONA equities, which accounted for 36% of equity investments, produced a 15.2% one-year return in 2003, 0.7% higher than their benchmark representing $60 million in value added. U.S. equities produced a 6.3% one-year rate of return, 1% higher than their benchmark for $80 million in value added.

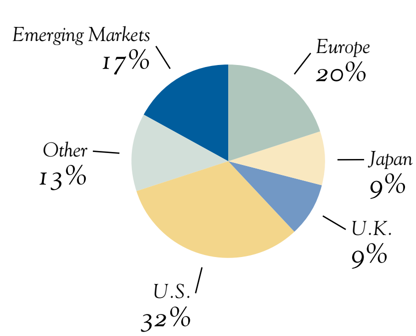
Reflecting the unprecedented three-year equity market downturn in the United States from 2000 to 2002 and the large drop in the value of the U.S. dollar, the fund's U.S. equities produced a negative 6.5% four-year rate of return, although this compares favourably to the benchmark's negative 7.9% return.

NONA equities produced a negative four-year return of 6.4%, but also outperformed its benchmark by 2.5%.

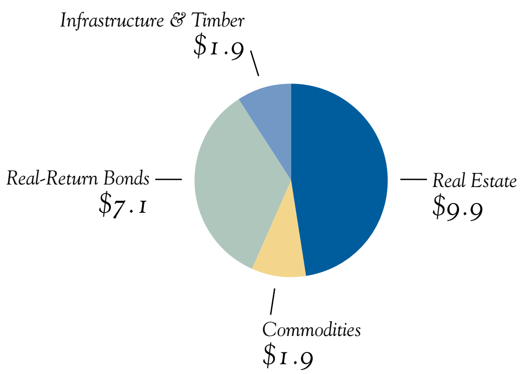
At the end of 2003, 21% of U.S. and 47% of NONA equities were actively managed, adding $130 million in value in 2003 and $2.1 billion over four years.

Geographic Distribution of Foreign Equities

as at December 31, 2003



Inflation-Sensitive Investments
as at December 31, 2003 ($ billions)



Inflation-Sensitive Investments

Investments that have a good correlation with changes in inflation ("inflation-sensitive") act as a hedge against a rise in the cost of future benefits. In recent years, investments in real estate, real-return bonds, commodities, infrastructure and timber have played an increasingly important role in meeting our performance objectives and decreasing risk.

At the end of 2003, 28% of the fund or $20.8 billion was held in inflation-sensitive investments, compared to $19.9 billion or 30% in 2002. These investments produced a 9.8% one-year rate of return, and an 11.8% four-year rate of return. In both periods, we outperformed the benchmark, generating $600 million in value added in 2003 and $1.5 billion over the four years.

Real Estate

The fund owned $9.9 billion in real estate at year-end, representing 13% of the fund's total investments. Managed by our wholly owned subsidiary, The Cadillac Fairview Corporation Limited, real estate is the single largest component of our inflation-sensitive investments.

In 2003, we continued to sell properties and investments that did not fit our long-term return objectives and invest in those that do. Reflecting this strategy, we divested 18 properties for proceeds of $1.4 billion. Reinvestments totalled $70 million and included enhancements to the Toronto Eaton Centre and the Toronto Dominion Centre properties and Market Mall in Calgary. New investments of $210 million included the purchase of lands at Simcoe Place and the remaining 50% of Yonge Corporate Centre in Toronto.

Teachers' also guaranteed a new $600 million debt offering by wholly owned subsidiary Ontrea Inc., which refinanced existing debt. This provides capital for real estate at a lower cost and an attractive yield for the fund. This debt was AAA-rated by the major bond rating agencies, provides a yield of 5.6% and annual interest cost savings of approximately $6 million.

As a result of our strategies, real estate, exclusive of real estate debt, produced an 11.2% one-year rate of return compared to 6% for the benchmark, equating to $480 million in added value.

Over four years, the average return for real estate was 11.1%, compared to 6.4% for the benchmark representing cumulative value added of $1.6 billion.

We aim to maintain a well-balanced portfolio of office and retail properties that provides dependable cash flows for the fund. In 2003, we leased approximately 1.4 million square feet of office space and 2.4 million square feet of retail shopping centre space and kept our occupancy rate at very acceptable levels – 95% for our Canadian retail properties, 92% for Canadian office properties and 89% for our U.S. properties.

In addition to direct ownership of properties, the fund also has $250 million in other real estate investments, primarily international funds, compared to $640 million at the end of 2002 as a result of the sale of our U.S. REIT units.

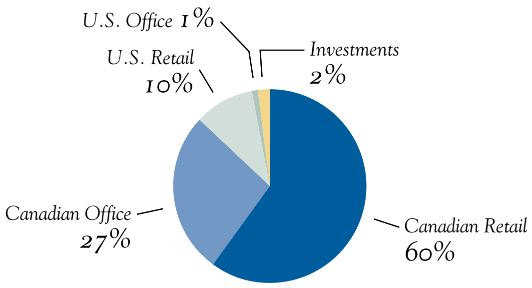
Real-Return Bonds

Real-return bonds pay a return that is indexed to inflation, measured by the CPI. At year-end, we owned $7.1 billion in real-return bonds making it the second largest component of our inflation-sensitive investments. These investments provided a 10.5% one-year rate of return compared to 10.1% for the benchmark, and equating to $20 million in added value.

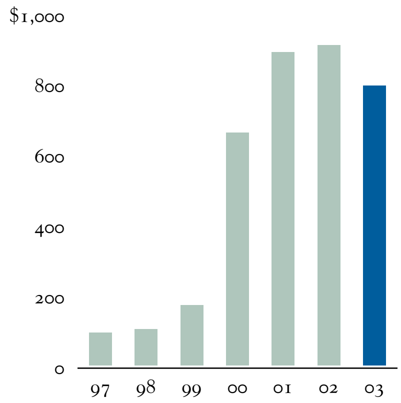
On a four-year basis, real-return bonds delivered a 12.6% return, compared to 12.2% for the benchmark for $80 million in added value.

The fund's real-return bond investments are comprised of Government of Canada real-return bonds, as well as Province of Quebec, Highway 407 and U.S. Treasury bonds and inflation-linked mortgages guaranteed by Canada Mortgage and Housing Corporation. Government of Canada real-return bonds are the closest the fund has to a risk-free asset. They are the best match for the plan's CPI-indexed benefits and their yield is the basis used to value the cost of the plan's future benefits.

Real Estate Portfolio
as at December 31, 2003



Real Estate Operating Income
(before debt service)
year ended December 31 ($ millions)



What changes have you made at Cadillac Fairview since it became a wholly owned subsidiary of Teachers'?

Peter: "Since joining the fund in 2000, Cadillac Fairview has made significant strides in repositioning its real estate holdings to match the cash flow and return objectives the Teachers' fund needs to deliver pensions to members.

"During this four-year period, we sold interests in 30 properties for proceeds of $1.9 billion, acquired interests in 9 properties for $1.7 billion and invested $550 million to provide dependable cash flows for the fund and better accommodation to our 7,500 tenants.

"To ensure we are adding value through the practice of good corporate governance, we have a separate board of directors, which reports to Teachers'. These and other activities demonstrate our commitment to adding consistent, long-term value."

Peter Sharpe,
CEO, Cadillac Fairview

Commodities

The fund owned $1.9 billion in commodities at the end of 2003 compared to $1.5 billion at the end of 2002. We invest passively in commodities through swaps linked to the Goldman Sachs Commodity Index. The fund's one-year return in commodities was negative 1.4%, driven lower by the decrease in the U.S. dollar. This follows a 30.4% one-year rate of return in 2002. On a four-year basis, commodities returned 9.2%.

Fixed Income and Absolute Return Strategies

We use a number of different types of investments in this category: absolute return strategies including hedge funds and our currency policy hedge, as well as the traditional fixed income investments in bonds and money market (including real estate debt).

Investments in this category at year-end were $19.3 billion or 26% of the fund's total investments. This compares to $14 billion and 21% of investments at the end of 2002, in part reflecting our decision to overweight this category compared to the asset-mix policy.

These investments produced an 18.8% one-year rate of return, the strongest one-year return for this category. They also outperformed the benchmark of 10.8%, thereby adding $1.3 billion in value.

On a four-year basis, the 13.2% return compared favourably to the benchmark's 9.7% return, meaning its managers added $2 billion in value.

Bonds and Money Market

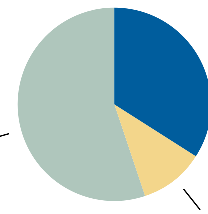
Canadian government securities and money market instruments provide the plan with the liquidity it needs to pay pensions each month.

Investment income from bonds and money market investing totalled $1.4 billion in 2003, compared to $1.5 billion in 2002.

With well-developed risk management and monitoring, the plan participates in the entire credit spectrum, taking positions in high- and low-grade corporate bonds. At year-end, we held $360 million in Canadian and U.S. high-yield corporate securities, 2% less than in 2002.

Fixed Income

as at December 31, 2003 ($ billions)



Real estate debt (valued at $3.7 billion at year-end compared to $4.2 billion at the end of 2002) is subtracted from the fixed-income asset class. The use of the fund's guarantee on the refinancing of real estate debt has created additional value for the plan by reducing interest expense by $12 million each year.

Absolute Return Strategies

As explained on page 17, we operate a number of "absolute return programs" across the fund designed to earn a target return on allocated active management risk. In 2003, we employed $10.7 billion in absolute return strategies, compared to $6.5 billion in 2002.

The objective of absolute return investment strategies is to generate positive returns, regardless of the movements in the markets of the asset classes where we invest. Many of these internal investments use no net capital (i.e., we use a balanced combination of long and short positions on stocks, industries or investment styles), but to the extent that they do, they are classified as fixed income.

Some absolute return strategies aim to capture tactical opportunities to extract extra returns from underweighting or overweighting various asset classes. In 2003, these tactics resulted in $490 million of value added.

We also include investments in over 100 externally managed hedge funds valued at $4.1 billion at the end of 2003 (compared to $3.9 billion at the end of 2002). We manage these investments both directly and in a fund-of-funds structure designed to earn market-neutral value added consistently while diversifying risk across many managers and multiple strategies and styles. These hedge fund investments added $340 million in value in 2003.

Risks

Pension security means having enough assets to meet pension obligations. The plan's biggest risk is therefore funding risk: the possibility that assets will fall below pension liabilities for an extended period of time. Persistent funding deficiencies transfer risks from one generation of teachers and taxpayers to the next, and eventually require an increase in contributions.

Teachers' pensions are adjusted annually for inflation to maintain their purchasing power. The plan's ideal pension asset therefore has a high risk-free "real" investment return in excess of CPI inflation. For teachers starting today, contributions will finance pensions if they can be invested at a guaranteed return of at least CPI+5% from day of deposit until the last pension is paid more than half a century from now.

The only asset that guarantees inflation-protected return decades into the future is a Government of Canada 30-year Real Return Bond (RRB). At year-end, this bond yielded CPI+2.8%, down from CPI+3.3% in 2002. This is far short of the CPI+5% needed to match the growth of future benefits at current contribution rates.

In theory, one could still ensure that assets and liabilities grow at the same pace and eliminate all funding risk by investing in risk-free RRBs (if enough were available), but every 1% of real return below long run requirements of CPI+5% would require pension contributions dollars to be 25% higher to make up the return difference for teachers starting today.

Market Risk

The most common alternative is to take funding risk in the form of "market risk" by investing in stocks and bonds in the same proportions as implied by representative market indices like the S&P 500 or the TSX. The annual return profile of such a strategy does not match the RRB

Did you take additional risks to achieve a superior rate of return of 18% in 2003?

Bob: "No, we reduced risk through optimal diversification in 2003 and yet increased returns through value-added activity. In fact, we had one of our best years ever and yet our risk was about 2% lower, as a per cent of the total fund, than it was on average over the past four years.

"This reflects, in part, the fact that we use a disciplined risk management process. This process budgets how much risk should be taken – consistent with the plan's long-term investment requirements – and where it's optimal to take that risk.

"This risk management system adds value to traditional asset allocation. By using this process, we've done what conventional wisdom suggests isn't possible – but modern portfolio theory says: deliver higher returns with lower risks. We believe this risk management process sets Teachers' apart and gives us another way to evaluate our performance."

Bob Bertram,
Executive Vice-President, Investments

characteristics of the liabilities, but if enough market risk is taken, the expected real return can match the plan's long-term needs. Unfortunately, these higher returns are not guaranteed, posing the very real possibility that markets may not live up to expectations and that returns may be below the growth of the liabilities for an extended period.

In 2003, taking market risk (investing passively in market indices) gave the plan asset returns of 13.5%, compared to liability growth of 14.6%, both considerably higher than CPI+5%. The above-average growth in the future pension obligations was caused by the same factor that explains a part of market returns: the 2003 decline in real interest rates.

Active-Management Risk

The second way to take funding risk is to use "active-management risk" to improve expected return. Extraordinary success from taking active risk in 2003 makes up the difference between the plan's 18% return and the 13.5% return from our investments in market indices. Incremental return from taking active risk relies on the ability of the fund's managers to select above-average assets and strategies compared to investing in market indices.

The risk is that these efforts are unsuccessful and will detract from the weighted average of market index returns which serves as our performance benchmark. One can expect negative results even from good managers approximately one in four years. The extremely positive results in 2003 were unusual and yielded over four times the return the plan expects to generate from taking active risk.

We devote considerable effort to allocation of funding risk to the various sub-categories of market risk and active risk, a process known as risk budgeting. The principle is simple: the plan has a limited capacity to absorb funding risk. Risk is a tool in our efforts to generate returns above the risk-free RRB rate (CPI+2.8%).

Using our asset-liability model, risk budgeting seeks to find the combination of active and market risk strategies that has the best chance of being successful, based on the history and prospects of stock and bond markets, and our assessment of the quality of our active programs.

Note 2 and the investment strategy section on our Web site give more details how we manage these and other risks such as foreign default, and liquidity.

Funding Valuation

A key measure of the health of the plan is the funding valuation, since it determines whether the plan, as it exists today with current contributions and benefit levels, can fully cover the cost of future benefits for all existing plan members over the next 70 years. It is the measure the plan sponsors must use to determine if a change in contribution rate is necessary or if benefits can be improved. Unlike the financial valuation, the funding valuation includes the costs of future pensions that current teachers will receive as a liability and the contributions they will make in the future as an asset.

Comparing Valuations

($ billions)	*Financial* at Dec. 31, 2003	*Funding* at Jan. 1, 2004
Net assets	$ 75.7	$ 75.7
Smoothing adjustment	3.5	3.5
Future contributions	–	15.7
Actuarial assets	79.2	94.9
Future benefits	83.2	101.1
Deficit	$ (4.0)	$ (6.2)

The plan had a funding shortfall of $6.2 billion on January 1, 2004 compared to a surplus of $1.5 billion as of January 1, 2003. This means that the cost of future benefits was higher than the plan's assets and is the first such shortfall since 1990.

The Ontario Teachers' Federation and the Ontario government, the plan's co-sponsors, are responsible for ensuring the plan is fully funded over the long term. If the shortfall persists, they will need a plan by the end of 2005 to bring contributions and benefits costs into balance.

The plan smoothes all investment returns except fixed income over five years. This is a common practice accepted by the actuarial profession and pension regulators to reduce the need for short-term contribution increases resulting from market volatility. Smoothing defers returns when they are above or below a long-term assumption of CPI+6%. There are $4 billion in losses in the smoothing reserve to be recognized over the next two years.

Valuation Assumptions

The funding valuation uses a higher rate of return assumption than the valuation for financial reporting purposes. It is 0.5% higher because of an agreement between the co-sponsors for a pension funding policy.

Valuation Assumptions (financial)

as at December 31 (percent)	**2003**	2002
Rate of return	**5.70**	5.90
Salary escalation	**3.35**	3.05
Inflation rate	**2.35**	2.05

Funding Valuation History

at January 1[1] ($ billions)	**04**	03	02	01	00	99	98	96	93
Net assets	**$ 75.7**	66.2	69.5	73.1	68.3	59.1	54.5	40.1	29.4
Smoothing reserve	**3.5**	9.7	3.0	(4.3)	(7.3)	(5.1)	(6.0)	(1.8)	–
Value of assets	**79.2**	75.9	72.5	68.8	61.0	54.0	48.5	38.3	29.4
Future contributions	**15.7**	14.7	13.7	14.4	13.4	12.0	12.6	14.5	14.3
Funding commitments[2]	**–**	–	–	–	–	3.7	8.5	8.4	8.4
Actuarial assets	**94.9**	90.6	86.2	83.2	74.4	69.7	69.6	61.2	52.1
Future accrued benefits	**101.1**	89.1	84.3	76.4	69.8	66.2	62.8	60.5	50.6
Surplus (deficit)	**$ (6.2)***	1.5	1.9	6.8	4.6	3.5	6.8	0.7	1.5

1 *Valuation dates determined by co-sponsors*
2 *Payments committed by the government toward the pre-1990 unfunded liability*
* *Interim valuation*

10-Year Outlook

Our longer-term investment strategy is based on plausible working assumptions about the next decade. The following presents some of those assumptions.

We expect Canadian and U.S. Gross Domestic Product (GDP) real growth to average 3% per year over the next 10 years. As baby boomers start to retire, labour force growth will slow and skilled labour shortages may develop in many professions.

CPI inflation should average around 2% in North America over the next few years, but could accelerate thereafter if governments elect to use debt to finance the rising cost of health and other public services in support of an aging population.

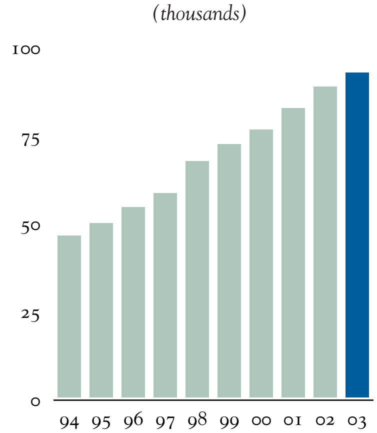
The U.S. dollar has dropped in value against most major currencies over the last few years. The next shift will likely be appreciation of key emerging market currencies relative to those of Europe and North America. China and India now compete in many global markets with products of high quality, produced in great volume, and at low cost. If history is a guide, currencies will adjust to erode some of this export price advantage, which will increase Asian affordability of resource imports needed to sustain high economic growth.

At 2.8%, the risk-free real interest rate on Government of Canada bonds is lower than it has been over the last decade, but considerably higher than the 2% average bond return after inflation recorded for North America and Europe over the last 100 years. We expect real rates to stay at or marginally below the 3% trend rate of GDP growth.

Over the 20th century, stocks returned approximately CPI+6.5% in Canada and the United States. Careful analysis of the historical record suggests that future long-term compound equity returns may outperform bonds by 2.5%.

Equity returns may be considerably lower over the next ten years. In the 1990s, North American equities returned more than CPI+10%. Following the market crash and the 2003 rebound, U.S. equity markets in particular seem to us to be overpriced. Historically, that has meant mediocre returns in the subsequent decade, causing us to expect little difference between average stock and bond market returns.

Number of Pensioners
(thousands)



The number of pensioners has increased from 46,000 to 93,000 over the past decade.

Investments *over* $50 Million

As at December 31, 2003

Fixed Income and Short-term Investments

($ millions)	*Maturity*	*Coupon (%)*	*Fair Value*	*Cost*
Government of Canada bonds	2004–2033	3.00–12.00	$ 9,423	$ 9,318
Canadian corporate bonds	2005–2085	0.00–11.50	3,512	3,462
Canadian treasury bills	2004–2004	0.00–2.71	2,286	2,275
Securities purchased under agreements to resell	2004–2004	0.50–2.72	1,740	1,743
Commercial paper	2004–2004	2.74–2.83	770	768
U.S. government agency bonds	2033–2033	5.50–5.50	393	389
International corporate bonds	2005–2011	3.21–10.00	345	395
Provincial bonds	2005–2033	2.85–7.75	345	332
Discount and interest-bearing notes	2004–2004	0.95–2.82	225	224
United States treasury bonds	2006–2031	0.00–9.88	188	203
Securities sold under agreements to repurchase	2004–2004	0.90–2.77	(2,211)	(2,214)

Inflation-Sensitive Investments

($ millions)	*Maturity*	*Coupon (%)*	*Fair Value*	*Cost*
Real-return Canada bonds	2005–2036	0.00–4.25	$3,552	$2,868
Inflation indexed notes	2026–2029	3.88–4.25	2,055	1,712
Real-return Canadian corporate bonds	2016–2039	5.29–5.33	1,027	595
Real-return provincial bonds	2026–2026	4.50–4.50	355	265
Index-linked mortgages	2018–2040	4.63–5.55	278	243

Province of Ontario Debentures

($ millions)

Maturity Date	*Coupon (%)*	*Fair Value*	*Cost*
2004–2008	10.15–15.38	$ 7,207	$5,899
2009–2012	10.11–11.40	5,103	3,766
Total debentures net of accrued		12,310	9,665
Accrued interest		298	298
Total		$12,608	$9,963

Convertible and Exchangeable Debentures

($ millions)

Security Name		*Par Value*	*Fair Value*
PDFB Investments Inc.	3.25% due March 12, 2018	$ 89.1	$ 63.9

Investments *over* $50 Million

As at December 31, 2003

Corporate Shares/Units

(millions) Security Name	*Shares*	*Fair Value*
Nexen Inc.	19.5	$ 918.5
Fording Canadian Coal Trust	13.0	609.8
Shoppers Drug Mart Corporation	17.5	525.5
Maple Leaf Foods Inc.	42.7	448.6
Capital International Emerging Countries Fund	9.6	444.5
YPG LP	35.3	409.9[1]
Macquarie Infrastructure Group	120.4	402.8
WestJet Airlines Ltd.	12.5	354.4
BCE Inc.	10.4	305.0
Royal Bank of Canada	4.8	296.4
Bank of Nova Scotia	4.3	284.9
Bank of Montreal	5.0	269.7
Alcan Inc.	3.8	232.5
Toronto-Dominion Bank, The	5.0	216.4
Transurban Group	48.2	209.0
Canadian Imperial Bank of Commerce	3.0	192.5
Macdonald, Dettwiler and Associates Ltd.	8.1	191.7
Sun Life Financial Inc.	5.4	174.0
Sobeys Inc.	5.1	168.8
Nortel Networks Corporation	30.7	168.4
Manulife Financial Corporation	4.0	166.7
EnCana Corp	3.0	152.3
Barrick Gold Corporation	5.1	150.1
Canadian National Railway Company	1.6	128.8
Suncor Energy, Inc.	3.5	114.7
Nestlé SA	0.4	113.2
Placer Dome Inc.	4.9	112.6
TransCanada Corporation	4.0	111.9
Petro-Canada	1.7	109.8
Southern Cross FLIERS Trust	1.0	109.2
Macquarie Airports	56.0	98.7
Microsoft Corporation	2.6	91.4
Canadian Natural Resources Ltd.	1.3	87.1
Thomson Corporation, The	1.7	80.1
Autoroutes du Sud de la France	1.8	79.6
FleetBoston Financial Corporation	1.4	79.1
CRH plc	3.0	79.0
Telefonos de Mexico SA	29.8	78.4
Citigroup Inc.	1.2	78.1
Inco Limited	1.4	78.1[2]
Talisman Energy Inc.	1.1	$ 77.5
Eni S.p.A.	3.2	76.8
Samsung Electronics Co., Ltd.	0.2	76.4
Sherritt International Corporation	10.8	76.3
UBS AG	0.9	76.2
Nokia Oyj	3.4	75.3
Vodafone Group Plc	23.2	74.9
Magna International Inc.	0.7	74.9
National Bank of Canada	1.7	72.5
Verizon Communications Inc.	1.6	71.9
Royal Bank of Scotland Group plc	1.9	71.7
Great-West Lifeco Inc.	1.6	69.6
Akzo Nobel N.V.	1.4	68.4
Power Corporation of Canada	1.4	67.7
American International Group, Inc.	0.8	64.6
Marks & Spencer Group plc	9.4	63.9
Time Warner Inc.	2.7	63.9
Kimberly-Clark Corporation	3.0	63.8
Imperial Oil Ltd.	1.1	61.3
CP Railway Limited	1.6	59.7
HSBC Holdings plc	2.9	58.2
Total SA	0.2	57.1
Molson Inc.	1.6	57.0
Enbridge Inc.	1.1	56.6
ING Groep N.V.	1.9	55.7
Hewlett-Packard Company	1.9	55.4
Power Financial Corporation	1.1	53.7
Portugal Telecom, SGPS, S.A.	4.1	53.5
Kinross Gold Corporation	5.1	53.2[2]
Telefonica S.A.	2.5	53.0
Telecom Corporation of New Zealand Limited	11.6	52.9
ConocoPhillips	0.6	52.6
Baker Hughes Incorporated	1.2	51.8
Abitibi-Consolidated Inc.	4.9	50.8
Hitachi, Ltd.	6.5	50.7
Bayerische Motoren Werke AG	0.8	50.6
Sprint Corporation	3.6	50.4

[1] *Exchangeable for Yellow Pages Income fund units.*

[2] *Includes warrants.*

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

www.OTPP.com
>
Investments
>
List of Investments

Investments *over* $50 Million

As at December 31, 2003

Real Estate Portfolio

Property	*Total Square Footage (in thousands)*	*Effective % Ownership*
Canadian Regional Shopping Centres		
Cataraqui Town Centre, Kingston	579	50%
Champlain Place, Dieppe	815	100%
Chinook Centre, Calgary	1,181	100%
Cornwall Centre, Regina	559	100%
Don Mills Shopping Centre, Toronto	418	100%
Erin Mills Town Centre, Mississauga	798	50%
Fairview Mall, Toronto	879	50%
Fairview Park Mall, Kitchener	744	100%
Fairview Pointe Claire, Montreal	1,018	50%
Georgian Mall, Barrie	514	100%
Hillcrest Mall, Richmond Hill	586	100%
Le Carrefour Laval, Montreal	1,293	100%
Les Galeries D'Anjou, Montreal	1,228	50%
Les Promenades St. Bruno, Montreal	1,070	100%
Lime Ridge Mall, Hamilton	814	100%
Market Mall, Calgary	724	50%
Markville Shopping Centre, Markham	991	100%
Masonville Place, London	686	100%
McAllister Place, St. John	469	100%
Midtown Plaza/Village, Saskatoon	658	100%
Pacific Centre, Vancouver	1,394	100%
Polo Park Mall, Winnipeg	1,197	100%
Regent Mall, Fredericton	483	100%
Richmond Centre, Richmond	487	100%
Rideau Centre, Ottawa	738	31%
Sherway Gardens, Toronto	984	100%
The Bay Centre, Victoria	410	100%
The Promenade, Toronto	680	50%
Toronto Eaton Centre, Toronto	1,626	100%
Woodbine Centre, Toronto	685	60%
Canadian Office Properties		
77 Bloor Street West, Toronto	383	100%
Encor Place, Calgary	362	100%
Granville Square, Vancouver	410	100%
Pacific Centre Office Complex, Vancouver	1,552	100%
Pricewaterhouse Coopers Place, Vancouver	241	100%
Shell Centre, Calgary	683	50%
Simcoe Place, Toronto	823	25%
Toronto Dominion Centre Office Complex, Toronto	4,423	100%
Toronto Eaton Centre Office Complex, Toronto	1,894	100%
Waterfront Centre, Vancouver	410	100%
Yonge Corporate Centre, Toronto	672	100%
U.S. Regional Shopping Centres		
Kitsap Mall, Silverdale, Washington	715	49%
Lakewood Mall, Lakewood, California	1,975	49%
Los Cerritos Center, Cerritos, California	1,291	49%
Redmond Town Center, Redmond, Washington	1,249	49%
Stonewood Center, Downey, California	939	49%
Washington Square, Tigard, Oregon	1,239	49%

Private Companies and Partnerships

Absolute Return Fund, Limited
Active Value Capital L.P.
Active Value Pledge Fund L.P.
Altalink L.P.
Ames True Temper
ARC Canadian Energy Venture Fund 2
Arrowstreet Global Opportunities Offshore Fund, Ltd.
Ashmore Local Currency Debt Portfolio
Baillie Gifford Emerging Market Fund
BC European Capital VI
BC European Capital VII
BDC Offshore Fund II Ltd.
Cantrel & Cochrane
DLJ Merchant Banking Partners II, L.P.
Express Pipeline Limited Partnership
Express Pipeline Ltd
Friedrich Grohe AG
GMO Mean Reversion Fund (Offshore) L.P.
Hancock Natural Resource Group Inc.
Hancock Timber Resource Group
Heartland Industrial Partners, L.P.
III Fund Ltd.
International Finance Participation Trust
Luscar Energy Partnership
Macquarie Airport Group Limited
Maple Leaf Sports & Entertainment Ltd.
Maple Partners Financial Group Inc.
MidOcean Partnership
Morgan Stanley Real Estate Fund III International L.P.
Osprey Media Holdings Inc
Palmetto Fund Ltd
Providence Equity Partners Fund IV, L.P.
Relational Investors LLC
RIII Funding Ltd.
Samsonite Corporation
Sanitec Group
Schroder Asian Properties L.P.
Southern Cross Airports Corporation Holdings Limited
Tellediffusion France SA
The Third Hermes UK Focus Fund
Trimac Corporation
Western Sydney Orbital Funding Trust
Worldspan L.P.

Eleven-Year Review

($ billions)	**2003**	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Change in Net Assets											*for the year ended December 31*
Income											
Investment income	**$ 11.42**	(1.41)	(1.74)	6.21	10.12	5.14	7.25	7.44	5.66	0.53	5.91
Contributions											
Members/transfers	**0.71**	0.68	0.64	0.62	0.63	0.61	0.59	0.62	0.64	0.73	0.69
Province of Ontario	**0.72**	0.70	0.68	0.66	0.66	0.65	0.65	0.67	0.67	0.70	0.71
– special payments	**–**	–	–	–	0.13	0.49	0.46	0.15	–	–	–
Total Income	**12.85**	(0.03)	(0.42)	7.49	11.54	6.89	8.95	8.88	6.97	1.96	7.31
Expenditures											
Benefits paid	**3.20**	3.08	3.08	2.54	2.28	2.10	1.80	1.52	1.26	1.13	1.00
Investment expenses	**0.16**	0.10	0.12	0.10	0.09	0.07	0.06	0.04	0.03	0.03	0.02
Client service expenses	**0.03**	0.03	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02
Distribution of gain	**–**	–	–	–	–	–	–	–	–	–	0.33
Total Expenditures	**3.39**	3.21	3.24	2.67	2.40	2.20	1.89	1.59	1.32	1.19	1.37
Increase (Decrease) in Net Assets	**$ 9.46**	(3.24)	(3.66)	4.82	9.14	4.69	7.06	7.29	5.65	0.77	5.94
Net Assets											*as at December 31*
Investments											
Fixed income	**$ 19.38**	13.96	7.09	13.32	17.30	11.48	10.28	10.62	12.51	11.41	17.57
Equities – Canadian	**15.19**	13.43	17.06	17.74	19.89	17.61	19.43	17.37	12.22	9.94	7.51
Equities – Foreign	**19.13**	18.19	24.28	23.14	21.76	24.02	19.96	16.01	12.29	10.71	7.04
Inflation-sensitive											
– Commodities	**1.89**	1.48	1.09	2.10	1.09	0.40	0.13	–	–	–	–
– Real estate	**9.87**	11.49	11.59	6.20	2.82	1.58	1.56	1.27	0.93	0.69	0.61
– Infrastructure	**1.90**	0.97	0.03	–	–	–	–	–	–	–	–
– Real rate products	**7.07**	5.92	6.98	9.55	4.24	3.02	1.60	1.07	1.06	0.65	0.55
Net Investments	**74.43**	65.44	68.12	72.05	67.10	58.11	52.96	46.34	39.01	33.40	33.28
Receivable from Province of Ontario	**1.36**	1.32	1.28	1.25	1.25	1.23	1.26	1.29	1.31	1.34	1.36
Other assets	**11.30**	23.45	24.26	13.15	7.04	5.39	8.54	3.29	1.59	0.62	0.04
Total assets	**87.09**	90.21	93.66	86.45	75.39	64.73	62.76	50.92	41.91	35.36	34.68
Liabilities	**(11.41)**	(24.00)	(24.20)	(13.33)	(7.08)	(5.56)	(8.27)	(3.48)	(1.76)	(0.88)	(0.96)
Net Assets	**75.68**	66.21	69.46	73.12	68.31	59.17	54.49	47.44	40.15	34.48	33.72
Smoothing reserve	**3.48**	9.65	2.97	(4.34)	(8.32)	(4.79)	(5.58)	(4.42)	(1.91)	(0.25)	(2.95)
Actuarial value of net assets	**79.16**	75.86	72.43	68.78	59.99	54.38	48.91	43.02	38.24	34.23	30.77
Accrued pension benefits	**83.12**	73.67	65.43	58.56	52.11	48.64	44.46	41.83	38.74	36.85	34.00
(Deficit) Surplus	**$ (3.96)**	2.19	7.00	10.22	7.88	5.74	4.45	1.19	(0.50)	(2.62)	(3.23)
Performance *(percent)*											*for the year ended December 31*
Rate of return	**18.0**	(2.0)	(2.3)	9.3	17.4	9.9	15.6	19.0	16.9	1.7	21.7
Benchmark	**13.5**	(4.8)	(5.3)	5.3	17.6	11.9	15.6	18.1	17.2	(0.3)	20.5
Long-term goal	**7.0**	8.9	5.2	7.7	7.1	5.5	5.2	6.7	6.2	4.7	6.2

Corporate Directory

President and Chief Executive Officer
Claude Lamoureux

Audit Services
Peter Maher, Vice-President

Finance
Andrew Jones, Vice-President

Human Resources and Public Affairs
John Brennan, Vice-President

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

Information & Technology
Russ Bruch, Vice-President and Chief Information Officer
Phil Nichols, Vice-President

Member Services
Rosemarie McClean, Vice-President

Investments
Robert Bertram, Executive Vice-President

Active Equities
Brian Gibson, Senior Vice-President
Zev Frishman, Vice-President

International Equity Indices, Fixed Income and Alternative Investments
Neil Petroff, Senior Vice-President
Bruce Ford, Vice-President
Ron Mock, Vice-President
Sean Rogister, Vice-President

Quantitative Investments
Morgan McCague, Senior Vice-President
Marcus Dancer, Vice-President

Research and Economics
Leo de Bever, Senior Vice-President
Wayne Kozun, Vice-President
Ron Lepin, Vice-President
Barbara Zvan, Vice-President

Teachers' Merchant Bank
Jim Leech, Senior Vice-President
Mark MacDonald, Vice-President
Dean Metcalf, Vice-President
Lee Sienna, Vice-President
Rosemary Zigrossi, Vice-President

The Cadillac Fairview Corporation Limited
L. Peter Sharpe, **President and Chief Executive Officer**

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

Investments
Andrea M. Stephen, **Executive Vice-President**

General Counsel and Secretary
Peter Barbetta, **Executive Vice-President**

Office and Retail Development
Michael Kitt, **Executive Vice-President**

Portfolio Operations
Tony Grossi, **Executive Vice-President**

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

Please contact:

Lee Fullerton
Director, Communications and Media Relations
Tel: 416.730.5347
E-mail: communications@otpp.com