Transparency >

2005 Annual Report

TEACHERS' PENSION PLAN ONTARIO

> > > > Clarity

OVERVIEW	STRATEGY	VALUE	PERFORMANCE
An analysis of the market and economic landscape	An articulation of the strategy and structure required to compete/perform within this landscape	An explanation of the organization's critical risks, resources, capabilities and relationships and how they are managed to deliver on its strategy	The non-financial and financial outcomes of the organization's corporate activity

This year we have adopted a new format for our Annual Report. This framework has been adopted by many companies as a useful way of providing readers with a transparent and clear view of strategy, value and performance.

2005 Highlights

STRATEGY	PERFORMANCE
Investments To beat the fund's composite benchmark and maximize investment returns, while assuming a reasonable level of risk, to pay teachers' pensions >	Exceeded the fund's benchmark for the sixth consecutive year while assuming a reasonable level of risk As at December 31, 2005: > 17.2% annual return > $14.1 billion investment income > $3.6 billion value-added above benchmark – 1-year > $11.1 billion value-added above benchmark – 4-year
Member Services To provide Ontario teachers and pensioners with prompt, reliable pension information and services >	264,000 members continue to rate our services highly: 9.2 out of 10 > Costs per member declined 4% > Workflow processes updated > Proactive buybacks introduced > Web offerings expanded
Report on the Plan To provide transparent reporting on the financial position and performance of the plan for stakeholders >	Net assets grew by $11.8 billion in 2005 to $96.1 billion. The cost of benefits earned grew more, largely due to declining real interest rates. On a financial statement basis, the deficit* as at December 31, 2005 was $21.8 billion, based on the actuarial valuation assumptions. *The deficit, shown on a financial statement basis, is different from the funding shortfall (see page 54).*

See page 14 for a detailed review of Investments

See page 34 for a detailed review of Member Services

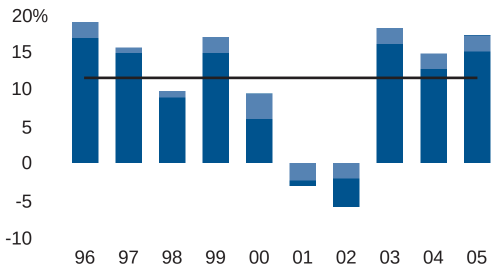
See page 44 for a detailed Report on the Plan

See pages 54–57 for Funding Valuation information

	Since 1990	10 year	4 year	2004	2005
Rates of return *(percent)*	11.7	11.4	11.6	14.7	**17.2**
Benchmark *(percent)*	8.9	9.2	7.7	10.6	**12.7**
Dollars value-added above benchmarks *($ billions)*	19.3	15.0	11.1	3.0	**3.6**

RATES OF RETURN

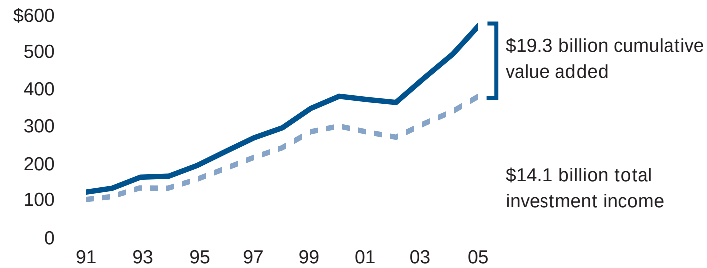
(for the year ended December 31) (percent)



10-year Average: 9.3% real rate of return
11.4% nominal rate of return

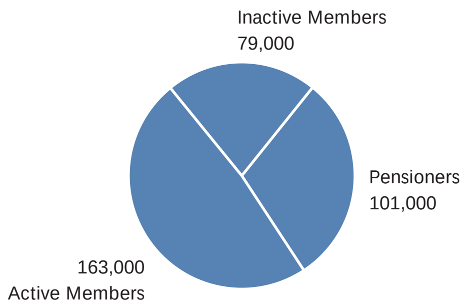
INVESTMENT GROWTH

($100 invested in 1990)



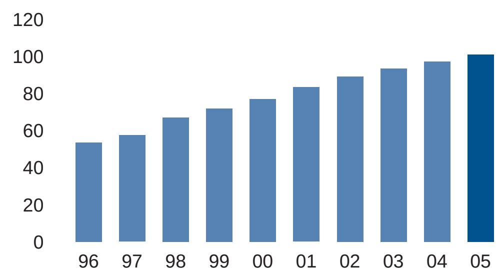
Actual Returns Benchmark

MEMBER PROFILE



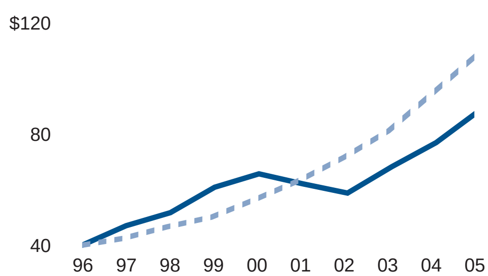
NUMBER OF PENSIONERS

(as at December 31) (thousands)



NET ASSETS VS COST OF FUTURE BENEFITS

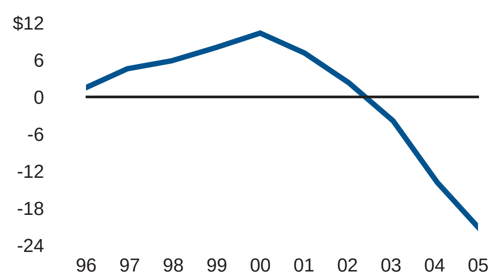
(as at December 31, 2005) ($ billions)



Net Assets Cost of Future Benefits

SURPLUS VS DEFICIT

(as at December 31, 2005) ($ billions)



Who We Are and What We Do

THE ONTARIO TEACHERS' PENSION PLAN (TEACHERS') IS MANDATED TO DO THREE THINGS:

Invest the plan's assets	Collect contributions and pay members' benefits	Report the plan's funding status to the plan sponsors

The pension plan was created for Ontario teachers in 1917. Until 1990, the plan was restricted to investing in non-marketable Government of Ontario debentures. In 1990, the Ontario government created the Ontario Teachers' Pension Plan Board as an independent corporation with authority to invest all assets in financial markets, report on the plan's funding status, administer the pension plan, and pay members and their survivors the benefits promised.

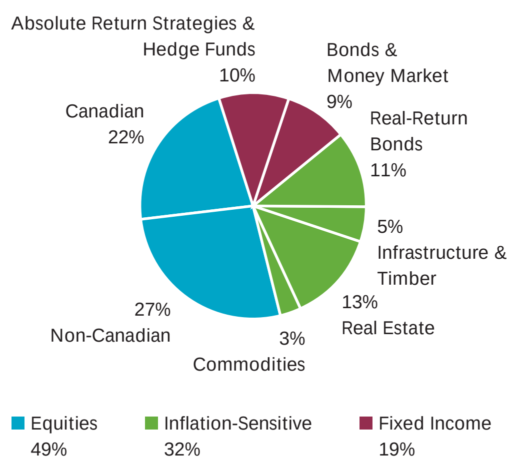
At year-end 2005, we managed $96.1 billion in assets, compared with $84.3 billion a year earlier. We administer the pensions of Ontario's 163,000 elementary and secondary school teachers and 101,000 retired teachers. Teachers' has one of the largest payrolls in Canada, paying out a total of $3.6 billion in 2005. We employ about 575 people at our office in Toronto and another 1,500 work across Canada at our real estate subsidiary, Cadillac Fairview.

See page 18 for a discussion of our investment strategy >

See page 38 for a discussion of our Member Services strategy >

ACTUAL ASSET MIX

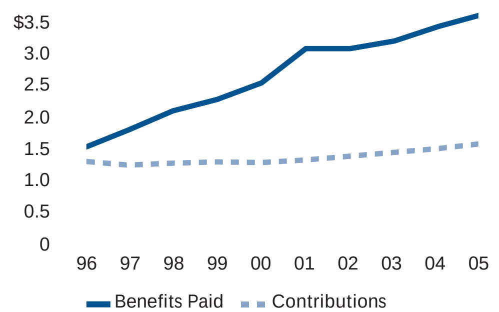
(as at December 31, 2005)



We have a diversified portfolio created to match the long-term obligations of the plan. We invest the pension fund with a long-term focus.

CONTRIBUTIONS RECEIVED VS PENSIONS PAID

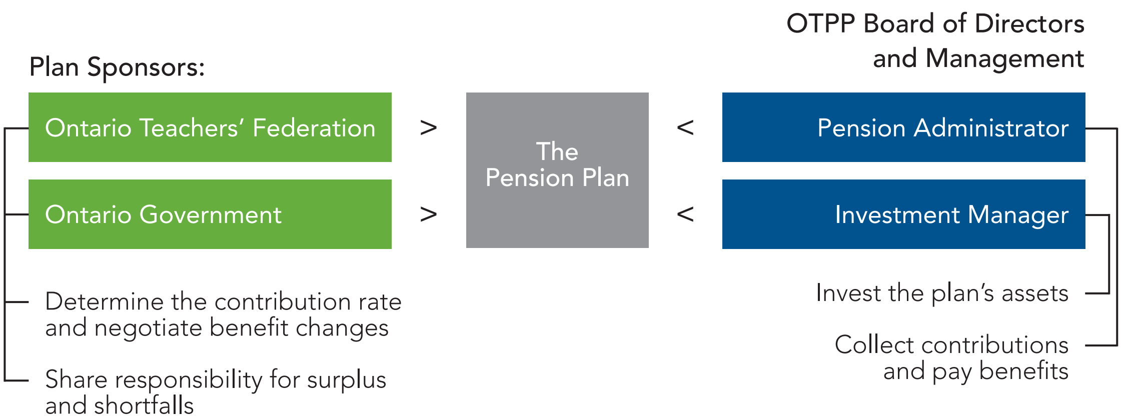
(for the year ended December 31) ($ billions)



We paid $3.6 billion in pension benefits in 2005, more than double the amount we received in contributions. In administering the pension plan, we strive to achieve outstanding service to members, providing accurate, timely, personal and attentive service in a cost-effective way.

Governance structure

The pension plan, a defined benefit plan, is co-sponsored by the Ontario government through the Ministry of Education, and the Ontario Teachers' Federation.



The plan sponsors are responsible for two key decisions: (A) what pension benefits the plan will provide and (B) the contribution rate needed to ensure the plan's benefits are fully funded over the long term.

A six-member Partners' Committee, with equal representation from the Ontario government and the Ontario Teachers' Federation, reports to the plan sponsors. It is responsible for recommending changes to benefits and the contribution rate when the plan has a surplus or shortfall.

A nine-member board of directors (four directors appointed by each sponsor and a chair chosen jointly) oversees administration and investment management policy and performance. The board oversees management and, by law, must act in the best interests of plan members and their beneficiaries. The board also advises the sponsors (through their Partners' Committee), about the plan's funding status, which is determined annually by an independent actuary hired by the board.

< *See pages 46 & 48 for details on our governance practices*

Chair's Report

The 575 employees of Ontario Teachers' Pension Plan have once again risen to the challenge and delivered outstanding results to the members they serve. Thanks to their investment acumen, they managed to stay within their prescribed limits of risk, exceed market benchmarks and outperform other similar pension plans. In addition, their unwavering approach to member service was once again recognized with high satisfaction levels, even though a number of major changes were implemented during the past year.

With a considerable history of investment and service excellence, it would be easy to become complacent and take such results for granted. The board of directors thinks that it is important to step back, however, and remind readers of this annual report that such performance becomes increasingly difficult to achieve as world markets tighten, interest rates remain at historically low levels and service demands continue to increase. As daunting a thought as it is, the fact remains that this plan has become the standard against which other similar Canadian pension plans are measured; and the team's continuing ability to sustain, and even improve their performance, is remarkable.

As you will see discussed below, at the same time as this performance was being turned in, difficult decisions were being considered by the two plan sponsors – the Ontario Teachers' Federation and the Ontario government – who ultimately are responsible for the financial health of the pension plan. Jointly, they determine plan benefits and contribution rates. The board of directors is responsible for acceptable assumptions that drive the funding valuation.

Dealing with the funding shortfall

Over the past three years, the plan has been showing a growing funding shortfall. Although Teachers' management and board of directors are not responsible for plan changes, we do assist the sponsors by providing them with information and perspective as they deliberate on plan amendments to solve the funding shortfall.

The sponsors face difficult decisions. The funding shortfall is highly sensitive to the rate of return assumed in the funding valuation. It also is sensitive to the level of benefits, especially those such as indexation, the age of retirement and the level of the benefits relative to average compensation received during one's working years.

With contributions accounting for a declining share of the plan's assets, the plan is what is considered a "mature plan". By the end of 2005, the ratio of active teachers contributing to the plan to pensioners collecting benefits from the plan was 1.6:1. This ratio is going to continue to decline in the future, with a 1:1 relationship expected within the next 15 to 20 years. What is the implication of this declining ratio of contributors to collectors? Quite simply put, it means that contributions are not sufficient to cover the risk inherent in investing the plan's assets, and attention will have to turn to revising benefits.

During the last five years, employers in every country in the world with defined benefit plans have faced funding shortfalls. Relatively few have dealt with the issues successfully so far, however. There is no "one solution" to this problem, because no two plans are identical. Each has a liability structure derived from a distinct labour force with different mortality, salary and benefits structures, which, together with other attributes, create a duration and term structure unique to each plan. As a result, one cannot judge the degree of conservatism in a plan by comparing funding valuation rates alone.

Forecasting returns is one of the most difficult decisions to make because of the many variables that have to go into the estimate – far more, for example, than are involved in estimating economic growth. That is the reason for some countries' shift in focus away from rate-of-return assumptions; they are focusing instead on which party should bear the risk if the funding rate assumption proves to be too optimistic.

At the end of 2005, we assumed a long-term average rate of return of 5.10%, minus long-term average inflation of 2.60%, which yields a real return of 2.50%.

This rate is viewed as conservative. But, as I mentioned earlier, the plan offers better benefits than most, and those benefits represent an unconditional promise. Consequently, the entire risk of a too-optimistic forecast of future returns is borne by the new teachers and taxpayers and generations after them. Such a plan could become ever less attractive to our teachers of tomorrow.

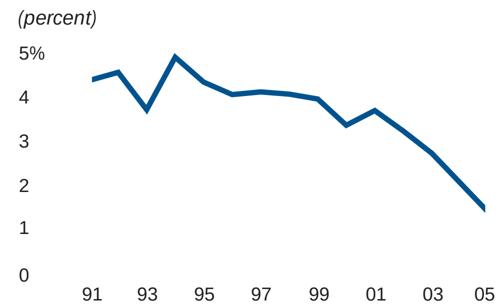
Only time (i.e., decades) will tell whether the funding rate assumption was too high or too low. If the assumption was too conservative, then the plan would collect more contributions than required by a generation of teachers, and there would be surplus in the plan to distribute in the future. If the assumption was too liberal, then the plan would not collect as much as was required by a generation of teachers, who by then would be retired, and the plan would be in a deficit position. This would create intergenerational inequity, placing undue financial strain on young and future plan members, as well as taxpayers, who would have to increase their contributions to fund the resulting deficit.

Estimating long-term returns

See Funding Valuation page 55 >

The 2.50% long-term real (over and above inflation) rate is at the low end of the assumptions being adopted by major Canadian pension funds. Many funds have been assuming long-term real returns in the high-three-percent to low-four-percent range. These calculations make a tremendous difference in determining funding surpluses or shortfalls. In Teachers' case, a presumed long-term real rate of 4.10% (as opposed to 2.50%) would eliminate almost all of the $31.9 billion funding shortfall as shown at 2005 year end.

REAL INTEREST RATES



While the small single-digit investment returns may seem overly conservative, experience has shown that achieving high real returns consistently is not possible. According to the book "Triumph of the Optimists", over the period 1900 to 2000, only seven of 16 countries achieved a real investment return of 4%, assuming an asset mix of 60% equity and 40% fixed income. Over the past 15 years, Teachers' real investment returns have been very strong, with an average real rate of return of 10.1% per year. History in Canada and elsewhere tells us this rate is not sustainable.

While many argue that the real rates on Canadian bonds are at the very low end of what is realistic, we should not forget that these rates also are used to value our assets – and other countries, such as the U.K., have even lower real rates.

If the sponsors get the contribution and benefit levels wrong, it will become increasingly difficult to close the deficit gap. A relatively smaller group of working teachers will be left to support the plan through their contributions, with a growing group of retired teachers and their survivors dependent on plan benefits.

As I said, the sponsors' decisions are not easy ones. Our hope is that the decisions they make this year will not make future decisions even more difficult.

Board changes

The past year has seen changes in our board membership as well as new leadership for two key committees.

Gary Porter stepped down as a director, effective December 31, 2005. As Chair of the Investment Committee and a member of the Audit and Actuarial Committee, Gary has been an important and respected contributor to the business of the board for 15 years, and we thank him for his service.

We have recently welcomed two new directors: Helen Kearns in June 2005 and Raymond Koskie in January 2006. Both bring valuable experience and expertise to the board, as you can see on page 49, where board members' backgrounds and responsibilities are detailed.

In line with these changes, effective January 1, 2006 Eileen Mercier became Chair of the Investment Committee and Carol Stephenson became Chair of the Human Resources and Compensation Committee, replacing myself.

One director vacancy remains.

This is a strong board, composed of individuals who understand the importance of good governance and have the experience and depth of expertise to bring a high standard of oversight to the responsibility of managing Teachers' affairs. It is a pleasure to serve with them.

Robert W. Korthals
Chair
March 9, 2006

President's Report

The pension industry is under greater scrutiny and pressure to perform than ever before. Even so, Teachers' continues to outperform benchmarks and the performance of most other pension plans, both in investment returns and service delivery.

We are not complacent, however. We are well aware that with a time horizon of more than 70 years, we must remain diligent.

Our record speaks well for our team's performance against our strategies. We continue to add significant value to the fund by successfully executing our investment strategies. And members continue to rate us highly for the level of service we provide.

Member Services streamlines work

Last year, Member Services began one of its most ambitious and challenging projects in years – changing the way work flows through our organization. Most of 2005 was spent gathering information, developing and building the new system. Now we are focused on implementation and improvement. The project team identified about 85 business processes that occur when a member requests service. Our goal is to devise more straightforward processes to manage these tasks, all with the aim of improving our service to plan members.

See page 35 for more information >

This comes as the pensioner population continues to increase. In the summer of 2005, we welcomed our 100,000th pensioner. Today, a retiring teacher can expect to collect a pension for about 30 years.

More working teachers are becoming directly connected to us online and are being served in real time. In 2005, Teachers' was a winner in the Benefits Canada communications awards, in the category of "Best Online Strategy". We won for the ease of use and quality of our interactive, online annual pension statement, which is available to those members who have registered for *i*Access Web. Over 67,000 members now have registered for this secure website service.

The bottom line for Member Services was a composite score of 9.2 (out of 10) on our Quality Service Index (QSI), which measures member satisfaction. Even though we made significant workflow changes in 2005, we maintained the QSI levels achieved in the previous year. Please see more details from our Senior Vice-President, Member Services, Rosemarie McClean, in her report starting on page 34.

Investment performance beats benchmark

When it comes to pension plan investments, after taking risk into account, only three things matter: Performance. Performance. And Performance.

In 2005, our investment managers produced a one-year total return of 17.2%. This compares with our composite benchmark of 12.7% and is the sixth straight year we have beaten market standards. In 2005, we added $3.6 billion in value (above benchmark) to the fund, and the total extra value added for the past four years is $11.1 billion. The investment team has achieved these results by diligently managing our risk, diversifying our portfolio and being nimble and flexible enough to take advantage of opportunities when they arise. This is the real benefit of having a total fund active management style (versus a passive index-only style) and a qualified, in-house investment team.

< *See page 26 for more information*

Although equities – public and private – attract the most public attention, we must not lose sight of the fact that they comprise less than half of our policy asset mix, at 45% of the total as of 2005 year end. The remaining 55% was split between our inflation-sensitive assets (e.g., income-producing real estate, real-return bonds, commodities, and infrastructure and timber) with 33%, and fixed income investments (e.g., absolute return strategies, alternative investments and Canadian and Ontario government bonds) with 22%. We believe that over the long term, this diversified portfolio, based on the level of risk we are willing to accept, will help generate the level of real returns the plan needs to pay future pensions.

During the year, we continued to increase our investment in infrastructure and private capital. Infrastructure includes such assets as electrical and gas transmission systems, oil pipelines, toll highways, power generation and water supply services. These industries often have high barriers to entry for new competitors and offer healthy, stable returns that can be well matched to the plan's pension liabilities. Our infrastructure investments now are approaching our traditional private capital investments in the overall percentage of funds invested in the plan.

A full report on our investment strategies and activities from Bob Bertram, our Executive Vice-President, Investments, starts on page 14 in the Management's Discussion and Analysis.

We continue to make good progress as part of the Canadian Coalition for Good Governance (CCGG), in raising corporate governance standards in Canada. We do this because it drives good corporate performance and shareholder value creation. The CCGG has created a set of tools for board compensation committees to help evaluate executive compensation plans and improve disclosure. The CCGG is also promoting separate votes for each director to ensure shareholders really do elect directors. The Coalition estimates that in 2005 more than half of companies owned by Coalition members were "well-governed" compared to less than a third in 2002.

The funding dilemma remains

See Funding Valuation page 55 >

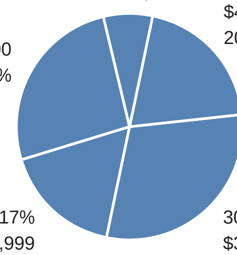
While 2005 has been another year of achievement for Teachers', there is reason for concern. Faced with a $31.9 billion (on a funding basis) shortfall at the end of 2005 under current assumptions, the issue of plan funding remains our primary cause for concern.

ASSETS REQUIRED TO FUND A TYPICAL PENSION OF $40,000 AT RETIREMENT AT AGE 58

Real Interest Rates	*Rounded Value of Pension*
2.0%	$820,000
3.0%	$715,000
4.0%	$635,000
5.0%	$565,000

CURRENT PENSION LEVELS

(as at December 31, 2005) (percent of pensioners)



The average annual pension for all current pensioners is $35,000.

There are no painless solutions to this problem, but it certainly would be less painful to deal with the dilemma today in order to ensure success tomorrow.

At Teachers' we believe that the most prudent way forward is realistic valuation assumptions and a contribution rate increase by the plan sponsors, in conjunction with a lower level of inflation protection, at least for future service. However, contribution rates and pension benefits are not our decision. They are decisions of the sponsors.

As Chair Robert Korthals has explained in his message, the plan sponsors have been carefully considering different options for reducing or eliminating the plan's deficit. Their well-considered action is critical to the successful elimination of the shortfall, and we look forward to their decision.

In the meantime, we pledge to continue to diligently manage the investment performance of the fund and to deliver excellent service to members.

C Lamoureux

Claude Lamoureux
President and Chief Executive Officer
March 9, 2006

Management's Discussion and Analysis

OVERVIEW	STRATEGY	VALUE	PERFORMANCE
An analysis of the market and economic landscape	An articulation of the strategy and structure required to compete/ perform within this landscape	An explanation of the organization's critical risks, resources, capabilities and relationships and how they are managed to deliver on its strategy	The non-financial and financial outcomes of the organization's corporate activity

Our objective is to present readers with a view of the pension plan and the pension fund through the eyes of management, by interpreting the material trends and uncertainties that are affecting results and financial condition. As well as historical information, this MD&A contains forward-looking statements regarding management's objectives, outlook and expectations. These statements involve risks and uncertainties and our actual results will likely differ from those anticipated. Key elements of the plan's consolidated financial statements are explained and should be read in conjunction with those statements.

We are using this new format to provide a clearer view of Teachers' goals, strategies and performance.

Investments

To beat the fund's composite benchmark and maximize investment returns, while assuming a reasonable level of risk, to pay teachers' pensions

At the beginning of the year, assets looked fully priced and the U.S. Federal Reserve was raising interest rates. We expected single-digit returns. But as the year progressed, interest rates remained low, risk and credit spreads declined in all areas and asset prices pushed higher than we expected. As a result, we closed 2005 with a 17.2% rate of return on investments: 4.5% above our benchmarks. In other words, the fund was well paid for its investment risks in 2005.

Bob Bertram
Executive Vice-President, Investments

Market Overview

Throughout 2005, interest rates were very low and the opportunity to find value was limited, given that most assets were richly priced. However, given our asset mix and the individual investment decisions of the fund's asset managers, we were able to achieve a much higher return than would have been possible by pursuing a passive management strategy.

The investment environment

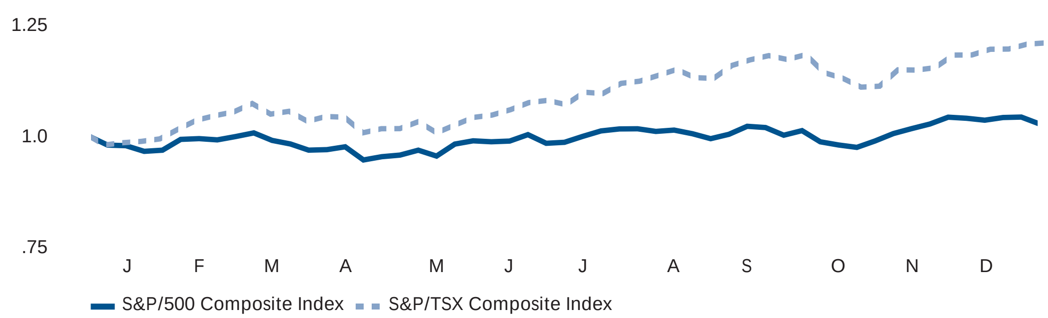
How did the financial market perform in 2005?

Canada's stock market returned 24% last year, as its energy-rich components were boosted by a 50% gain in the price of oil. In contrast, the S&P/500 eked out 1.6% total return and the NASDAQ lost 1.8%, both in Canadian dollars.

The much higher than expected gain in energy and other commodity prices provided significant stimulus to the Canadian economy, and also took the Canadian dollar to a 14-year high.

Low and stable inflation in both Canada and the rest of the world resulted in modest returns in fixed income markets. The Canadian bond market provided only modest returns through 2005, and the market as measured by the Scotia McLeod Canadian Universe Index returned 5.7%. Global long-term interest rates were further constrained, in the face of robust global growth, by an excess of savings globally, as well as strong demand from pension funds, which needed assets to better match their long-term liabilities. Consequently, real, inflation-adjusted interest rates are well below their long run levels, which substantially increased our pension liabilities.

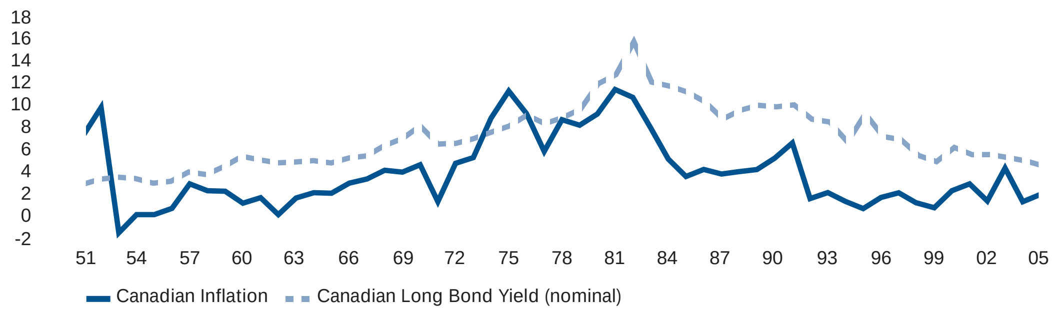
MONTHLY EQUITY RETURNS FOR CANADA AND THE U.S.



What is the outlook for bonds and equities?

Low and stable inflation lies at the core of expectations of asset returns for the next few years. The ability of central banks throughout the industrialized world to first lower inflation and then maintain it at a much lower level than prevailed through the 1970s and 1980s has gained widespread credibility and acceptance. Investors now are assuming that monetary policy everywhere will protect them against inflation, so they no longer demand an inflation premium in any financial asset. The powerful bull markets of the 1980s and 1990s are unlikely to be repeated in either fixed income or equities.

CANADIAN INTEREST AND INFLATION RATES



Looking forward to the next 10 years, we are confident that major central banks will continue to maintain their stable, low-inflation policies. The Bank of Canada's 2.0% target for inflation is fairly close to that of other central banks. The consensus long-term inflation forecast across the major industrial countries is roughly 2.0%. In an environment of low and stable inflation, we should expect low nominal equity and bond returns over the long term because their valuation cannot rise further without an additional decline in inflation, which is unlikely.

The following chart shows Canadian equity and bond real returns, after inflation, for the past five decades.

AVERAGE RETURN (PERCENT) LESS INFLATION

(10-year periods)	*1956–65*	*1966–75*	*1976–85*	*1986–95*	*1996–05*	***1956–05***
Canadian equity	7.1	-1.2	8.3	4.9	8.7	**5.5**
Canadian long bond	0.4	-2.5	2.7	8.4	7.3	**3.2**
Average inflation rate	1.9	5.8	7.8	3.2	2.1	**4.1**

Despite the modest long-term return outlook (and as you will see on page 20), we have a record of adding considerable value through the pursuit of active management strategies and investment in non-traditional assets. We continue to search for additional value by investing in private equity, infrastructure, commodities, hedge funds and real estate, where we believe we can add returns above those of traditional asset classes. About 40% of our investment portfolio is now dedicated to categories other than stocks and bonds. These investment categories have performed well for the fund (see page 27).

The regulatory environment

End of Canadian foreign content rule eliminates expenses

We welcomed the removal by the Canadian government in early 2005 of the 30% maximum that could be invested by pension funds outside Canada. Rather than having to rely heavily on derivatives and other tools to allow us to obtain investment exposure above the 30% ceiling, we can now do it directly. This regulatory change will reduce our investment costs.

We also welcomed the federal Finance Department's decision late in the year to reduce personal income taxes on corporate common share dividends and to leave taxation of income trusts untouched.

Goals and Strategies

Our overall investment goal for the plan is to beat the fund's composite benchmark and maximize investment returns. Why? So we can continue to pay teachers the pensions they have earned.

STRATEGIES FOR MEETING OUR INVESTMENT GOALS:		
To select an asset mix that is most likely to meet the long-term obligations of the plan	To outperform the markets in which we invest	To minimize losses to the overall fund by carefully managing risk

Selecting the best long-term asset mix to pay pensions

The cornerstone for the management of the pension fund is choosing a policy asset mix that is most likely to meet the long-term return requirements of the pension plan with a moderate level of risk. The board of directors determines the policy asset mix and reviews it annually, making modifications periodically in light of changing circumstances.

At the end of 2004, the board approved a change to our policy asset mix, reducing the target weighting of public and private equity to 45% of assets from 50%, while increasing the target weighting in fixed income to 22% of assets from 20% and inflation-sensitive investments to 33% from 30%. This is the second time we have taken a policy decision to reduce our exposure to equities in the past three years. Nonetheless, equities remain the single largest component of our assets.

The board gives management discretion to adjust each weighting by up to 5% up or down to take advantage of opportunities that may arise.

Why asset mix is critical

We look at the size of the plan's liabilities and how long they will be paid, and try to match the cost of future pensions to the best set of assets to pay teachers' pensions over the long term.

Our asset-liability model incorporates long-term historical data and current economic outlooks along with decisions made by the sponsors on contribution and benefits levels. We use it to assess the long-term risk and return trade-offs of allocating different proportions of assets to real-return and nominal bonds, domestic and international equities, real estate, commodities, currencies and infrastructure. Every year, we review expected market conditions and establish an asset-mix policy that exposes the fund to a combination of assets we believe will give it the best return in the economic conditions at a moderate level of risk.

We also strive to match assets and liabilities to reduce the negative impact of inflation by finding solid investments with a correlation to inflationary trends. Teachers' pensions include 100% inflation protection (up to 8% per year with a carryover to future years). This accounts for about 25% of the total cost of providing pensions so it is very important to keep up with inflation in our investment returns.

Because of this annual adjustment for inflation, our ideal pension asset has a risk-free real investment return higher than inflation as measured by the consumer price index (CPI). For teachers starting today, contributions will finance pensions if they can be invested at a guaranteed return of over CPI+5% from day of deposit until the last pension payment is made to this group of teachers, as long as 70 years from now.

One asset that guarantees an inflation-protected return for decades into the future is a Government of Canada 30-year Real-Return Bond (RRB). At year end, this bond yielded CPI+1.45%, down from CPI+2.8% in 2002. This is far short of what is needed to match the growth of future benefits at current contribution rates. In fact, the longer that real long-term interest rates stay low, the more difficult it is for investment returns to match the growth in the pension plan's liabilities. Because a return of CPI+5% is the threshold for meeting our future liabilities, we must add inflation-sensitive assets such as infrastructure, which can offer the opportunity for higher returns.

POLICY ASSET MIX

(as of December 31, 2005)	*Asset Mix %*	*Management's Discretion %*
Equities	45	40–50
Inflation-sensitive	33	28–38
Fixed income	22	17–27

Asset mix is implemented by establishing market index exposure to various asset classes.

Outperforming markets in which we invest

Once asset-mix positions are in place, we attempt to maximize returns and add value greater than the performance of the markets in which we invest. First, we use a total fund management style that encourages the sharing of information and movement of capital among asset classes and portfolios to earn the best risk-adjusted returns available. Portfolio managers are rewarded for optimizing total assets, not just their own portfolios.

We endeavour to add value to the asset-mix policy by over- or underweighting asset classes or foreign currencies during the year based on fundamental and quantitative analysis. We do this while ensuring our investment risk at both the overall fund and individual portfolio levels is managed within allowable ranges set by the board.

RATES OF RETURN COMPARED TO BENCHMARKS

(percent)	*1-Year Return*	*1-Year Benchmark*	*4-Year Return*	*4-Year Benchmark*
Fixed income & Absolute return strategies	15.3	11.8	13.9	9.0
Equities	17.9	14.7	8.5	5.8
Canadian equity	31.7	24.1	17.9	12.1
Non-Canadian equity	8.3	8.0	1.9	1.3
Inflation-sensitive investments	17.5	10.0	14.1	9.7
Real estate	21.3	6.2	14.7	6.5
Real-return bonds	13.3	13.1	14.3	13.9
Infrastructure & timber	15.6	6.2	16.8	6.5
Commodities	21.6	21.6	14.2	14.5
Total Plan	17.2	12.7*	11.6	7.7*

**Composite benchmark weighted by the policy asset mix.*

BENCHMARKS ARE WEIGHTED TO FORM COMPOSITE BENCHMARKS

Fixed income & Absolute return strategies	Scotia Capital Treasury Bills (91 days) Custom Canada Bond Universe Custom Currency Policy Hedge CPI plus 4%
Equities	S&P/TSX Composite S&P 500 Morgan Stanley Capital International (MSCI) Europe, Asia and Far East, Emerging Markets MSCI All Country World (excluding Canada) Custom Non-Canadian National
Inflation-sensitive investments	Scotia Capital Real-Return Bond Custom U.S. Treasury Inflation-Protected Securities Goldman Sachs Commodities CPI plus 4%

Our objective for the overall fund is to outperform the composite benchmark. To achieve this we consistently search for value in our investments – buying securities, derivatives, or assets that we believe have been undervalued in the longer term by other market participants.

As explained on page 7, declining interest rates and our modest expectations for equities and bond markets are making it more difficult to meet the pension plan's long-term funding requirements. In response to this, we have been looking for new ways to maximize returns while decreasing the fund's risk exposure, including absolute return strategies; active management; and corporate governance activism.

Absolute return strategies
Absolute return strategies are a diverse set of strategies ranging from long-short equities programs to fixed-income arbitrage strategies. The aim is to achieve "absolute returns" – that is, returns with a low or negative correlation to public equity and fixed-income markets. We use these strategies to generate positive investment returns regardless of upward or downward movement of financial markets. Long-short strategies are primarily concentrated in the equity and fixed-income markets since they are largely self-financing with the sale of securities on the short side financing the purchase on the long side.

Active management
We actively manage about half of our investments. Active management means selecting securities we believe are undervalued, as well as under- or overweighting various asset classes relative to our asset-mix policy, as opposed to passive management, or simply "buying the index". Our active management goal is to outperform benchmarks and add value.

Corporate governance activities
Teachers' plays an activist role in the corporate governance of the companies in which we invest. Why? Simply because we expect these companies to do their best to create long-term shareholder value; we maintain that if corporate governance is compromised, shareholder value is compromised.

> *www.OTPP.com*
> *Governance*
> *Proxy Votes*

Among the key governance issues we tackled in 2005:

- Change-of-control provisions that allow any form of equity compensation to vest automatically upon a change in the ownership structure. We do not believe that changing from a corporate form of ownership to an income trust constitutes a change of control.
- Allowing option holders to vote. We believe that only shareholders, who have money at risk, should have the right to vote.
- Rolling maximum stock option plans, i.e., those that do not fix the maximum number of shares that can be subject to other forms of equity compensation. We believe that the maximum number of shares that can be subject to options or other equity compensation should be fixed.

We post our proxy votes in advance in the Governance section of our website.

What level of risk is needed to achieve investment return targets?

Risk plays an integral role in our investing activities. We need to take on risk to generate investment income, but also need to protect the fund from undue losses. Recognizing the importance of risk, we spend considerable resources on ensuring that the level of risk we take is appropriate.

While we strive to add value over benchmarks, we are also concerned about trying to minimize losses in the fund. This is critical when there are economic downturns and the performance benchmarks are negative as they were in 2001 and 2002. In recent years, we have added investment strategies that will help us have better returns in future economic downturns; however, it may mean we will fall a little behind the benchmark in times of strong growth. It is a trade-off we feel is in the best interests of plan members.

Managing for Value

There are many issues and variables our investment team must consider and balance in establishing our priorities and executing our investment strategy. Driving this at all times, of course, is our fiduciary duty to our members to manage the investment fund in the best interests of present and future plan members and their survivors.

THE FOLLOWING FOUR KEY PERFORMANCE DRIVERS ENABLE MANAGEMENT TO IMPLEMENT THE STRATEGY:			
Expertise	Culture	Responsible board	Risk management

Expertise: Top talent is key

The most important factor in our success is our ability to attract and retain innovative and effective investment professionals.

Since 2001, and despite growing pressures in the labour market, our annual turnover level has consistently been at or below 10% for investment and investment support professionals. Competitive compensation linked to asset class and total fund performance, and expanded training and development programs help us retain high-calibre employees.

As skill sets for our positions have become increasingly specialized, we find that the investment talent we are seeking is often not readily available in the market. We continue to expand our student recruitment programs – both through on-campus recruiting and co-op opportunities – to grow and develop our own talent internally. We have developed valuable relationships with universities across Canada to attract exceptional graduates matching our hiring needs.

Compensation is a critical element in retaining talent

Each year, the board of directors reviews compensation policy for investment professionals, including performance-based incentive components, based on independent research and recommendations provided by Towers Perrin, a leading compensation consulting firm. The independent reviews are undertaken to ensure that our incentive plans remain competitive within the investment industry and that we contain the risk of losing our top people, as competition for the best performers can be fierce.

Investment incentive programs measure four-year performance results to ensure investment managers are motivated and compensated in a manner that benefits our long-term goals and strategies. Under the total investment incentive compensation plans, 1.8% of the extra value created in 2005 was paid out in annual bonuses and long-term incentives to the investment managers who created that value.

Innovation and creativity are essential

As one of Canada's largest pension funds, we have the resources and opportunities for our managers to set high standards in investment management.

Historically we have been early adopters of alternative investment strategies, in the development of risk management techniques and in the use of technology to aid decision-making. Employees have the opportunity to take on new responsibilities and broaden their expertise by moving within their departments or divisions.

Commitment to continuous learning

Inherent in our culture is a commitment to continuous learning. We offer extensive access to training and development opportunities. Our growing in-house professional development program, Teachers' EDGE, is tailor-made to meet the needs of our investment teams, linking learning to real business goals and strategies.

We also sponsor candidates taking university level courses and supported 50 employees enrolled in the Chartered Financial Analyst (CFA) program in 2005.

Responsible board: Good governance is critical to strong performance

The board of directors is responsible under the *Teachers' Pension Act* for the management of the pension fund. The board has delegated the investment of the assets of the plan to the Chief Executive Officer, subject to limits, and he in turn has the power to delegate appropriately.

The Investment Committee was established to assist the board in fulfilling its responsibilities as manager of the pension fund. It is responsible for overseeing and reviewing the investment policies, risks and asset mix, approving annual performance objectives for the investment portfolios and considering all transactions that exceed management's discretionary limits.

Risk: We manage risk carefully

At Teachers', understanding risk is an extremely important part of our culture. As part of the investment process, investment managers are as concerned about the potential for loss from an investment as they are about how much could be earned. Investment managers perform detailed analysis on the potential outcomes of their decisions.

We also have a team that focuses exclusively on risk management. This team concentrates on the ultimate risk facing the plan – the risk that our assets will be significantly lower than the benefits owed to members. Funding risk can emanate from assets as well as liabilities. The most important liability risk is a decline in real interest rates (a 1% decline in real interest rates increases liabilities by 22% on a funding basis and 17% on a financial statement basis). The biggest asset risk is a decline in equity markets. The risk management team reviews the economic conditions for the different asset classes, and maintains a comprehensive asset-liability model and detailed risk system to understand the long-term dynamics of the plan. This is used to provide information to the plan sponsors, to modify the policy asset mix and in the determination of the risk budget for value-added strategies.

Risk budgeting seeks the combination of active and market risk strategies that have the best chance of success based on the history and prospects of various markets, and our assessment of the quality of our active programs and the rate at which these programs can grow. Risk is budgeted to each department, which set their value-added targets for the following year. We rely on the ability of our managers within each department to select above-average assets and strategies compared to investing in market indices. If these efforts are unsuccessful, the value lost detracts from the market index returns. Negative results, even from good managers, can be expected in about one in four years. The positive results in the last six years were unusual and yielded nearly three times the return we expected to generate from taking active risk.

With the risk system, we measure how much money we could lose within each portfolio, series of portfolios, across departments, across asset classes and finally at the total fund level with a given probability. These risk calculations are also completed relative to the plan's liabilities and/or benchmarks. We compare the observed risk values to those budgeted. Thus the risk system provides the fund with the flexibility to examine and compare a wide range of strategies and different asset classes. It also enables us to calculate the benefits of diversification across portfolios, strategies, departments and asset classes.

The investment strategy section on our website describes the risks that concern us most and gives more details on how we manage these and other risks such as foreign currency volatility, corporate bond default and liquidity.

> *www.OTPP.com*
> *Investments*
> *Strategy/ Risk Management*

Performance

We have described the three strategies employed by our investment division to meet our goal of maximizing returns, as well as the overall management principles employed. Following is a report on our deployment against our investment strategies and how the plan fared as a result.

STRATEGY	MANAGING FOR VALUE	PERFORMANCE
Search for the value that allows us to outperform benchmarks >	Hire and retain professionals who work together effectively in a culture of investment innovation and creativity balanced with discipline; employ responsible corporate governance; and manage risk effectively >	Beat the fund's composite benchmark by 4.5%, which equates to $3.6 billion value-added (bringing 4-year value-added total to $11.1 billion)

Consolidated return was 17.2% versus 12.7% benchmark

We generated $14.1 billion in investment income in 2005, compared to $10.8 billion in 2004. Net assets rose to $96.1 billion from $84.3 billion at year-end 2004.

Beating the one- and, more importantly, the four-year benchmarks for each asset class is our investment goal. The chart on page 27 shows our performance against these benchmarks for a total value-added of $3.6 billion representing 4.5% performance over benchmarks in 2005.

As the chart shows, our investment managers have delivered performance greater than composite benchmark performance, not only in the past year, but also over the longer term. Over the past four years, this outperformance has produced $11.1 billion in additional value. The additional value created by these managers has exceeded the contributions made by members and the government, and designated private schools and organizations over the past four years, by $5.2 billion.

Asset mix results

NET INVESTMENTS		
(as at December 31, 2005)	*($ billions)*	*Percentage of Total Fund*
Equities	**$46.0**	**49%**
Canadian	20.2	22%
Non-Canadian	25.8	27%
Inflation-sensitive	**$30.4**	**32%**
Real estate	12.5	13%
Real-return bonds	10.5	11%
Infrastructure & timber	4.8	5%
Commodities	2.6	3%
Fixed income	**$18.4**	**19%**
Absolute return strategies & hedge funds	9.5	10%
Bonds & money market	8.9	9%
Net investments	**$94.8**	**100%**

PERFORMANCE SUMMARY (2005)	*1-Year Return %*	*1-Year Benchmark %*	*Value Added ($ billions)*	*4-Year Return %*	*4-Year Benchmark %*	*Value Added ($ billions)*
Equities	**17.9**	**14.7**	**$1.2**	**8.5**	**5.8**	**$4.1**
Canadian	31.7	24.1	1.1	17.9	12.1	3.4
Non-Canadian	8.3	8.0	0.1	1.9	1.3	0.7
Inflation-sensitive	**17.5**	**10.0**	**2.0**	**14.1**	**9.7**	**4.1**
Real estate	21.3	6.2	1.6	14.7	6.5	3.2
Real-return bonds	13.3	13.1	0.0	14.3	13.9	0.1
Infrastructure & timber	15.6	6.2	0.4	16.8	6.5	0.8
Commodities	21.6	21.6	0.0	14.2	14.5	0.0
Fixed income[1]	**15.3**	**11.8**	**0.7**	**13.9**	**9.0**	**3.2**
Total Fund[2]	**17.2**	**12.7**[3]	**$3.6**	**11.6**	**7.7**	**$11.1**

[1] *Fixed income includes bonds and money-market securities, as well as absolute return strategies and hedge funds.*

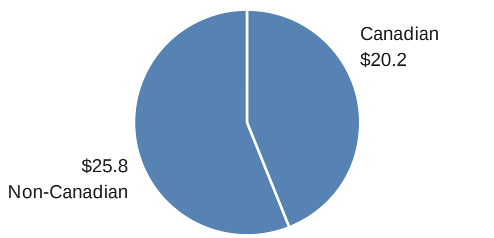
[2] *Total fund return includes the investment planning committee returns, which are not attributed to any asset class.*

[3] *Composite benchmark weighted according to our asset-mix policy.*

See page 87 for a list of our major investments >

EQUITIES

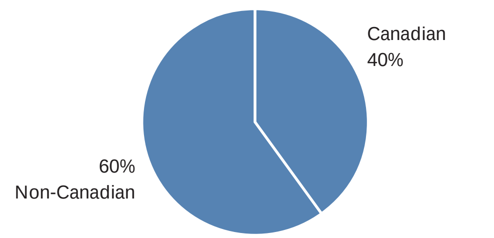
(as at December 31, 2005) ($ billions)



Canadian equities include stocks and the Teachers' Private Capital portfolio.

PRIVATE EQUITY

(as at December 31, 2005)



Teachers' Private Capital had $6.0 billion in investments at year end.

Equities

Equities remained the largest single portion of total assets, with $46.0 billion invested at year end compared to $39.9 billion at December 31, 2004.

We invest in public equities in two major ways: (1) stock market indices and (2) active management, including large-scale strategic relationship investments. A large part of our equity portfolio is invested in stock market indices, most of which we manage actively.

Over the past six years, we have developed the ability internally to manage portfolios that invest in public companies around the world. Previously, we focused on Canadian companies and used external managers to gain exposure to foreign markets. This shift toward internal management has been successful. The results for our internal portfolios have outpaced those of our external managers, and the majority of our investments in public companies now are managed in-house. Our global perspective has provided us with many more opportunities to create value.

For the past 14 years, our most profitable investments have been those in which we acquire a large stake in a public company and work with the company to create long-term value. We call these our "relationship investments".

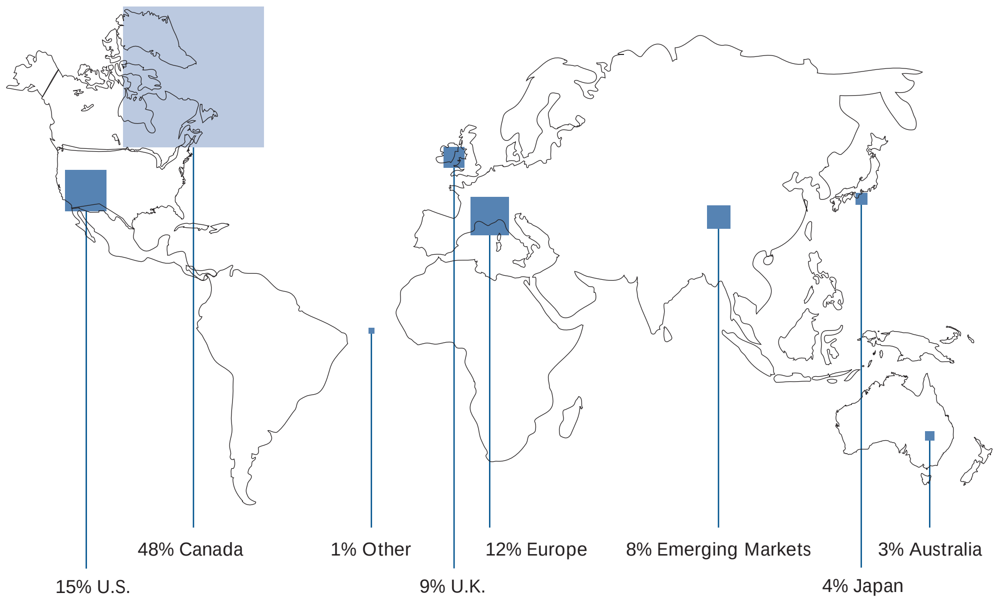
Canadian equities

In 2005, 59% of Canadian equities were actively managed – through enhanced index and quantitative strategies, active selection and private equity – reflecting our commitment to search for value beyond index holdings.

Relationship investments, which are key to our ongoing goal of performing above benchmark, were valued at approximately $5 billion at the end of 2005. They fall into three broad categories: (1) financial partnerships, where we invest in or with leading public companies as a business partner (2) special situations, in which we acquire large equity positions in public companies as opportunities arise and (3) value investing, where we invest in undervalued companies and play a hands-on role in improving performance. These strategies showed their worth in 2005, with investments in Fording Canadian Coal Trust and Nexen Inc., made in 2003 and 2001 respectively, producing especially strong returns.

STOCKS BY GEOGRAPHIC REGION

(as at December 31, 2005)



We have diversified holdings around the world (includes stocks held in other asset classes).

As a public pension plan, we are uniquely positioned with the expertise and ability to make significant direct investments, without constraints common to other institutional investors, including restrictive mandates, shorter time horizons and agency conflicts. In addition, we can leverage the plan's broader resources, including our fixed income, public trading and private capital groups, to give our partners objective capital markets perspectives and complete financing solutions.

Teachers' Private Capital outperformed its benchmark by 7.2% in 2005 with a one-year rate of return of 31.4%, adding $335 million in value. At year end, Teachers' Private Capital had $6.0 billion in investments, compared to $4.3 billion in 2004. Over the past four years, private equity has delivered a rate of return of 23.8%, compared to 12.2% for its benchmark.

We continue to make funds available to private capital activities as we search for value beyond public equity markets. We work independently or with partners in direct private equity, mezzanine debt transactions and venture capital. Although Teachers' Private Capital initially invested only as a minority shareholder with partners, as the fund has grown, we have moved to assume control positions. Private equity investing generates substantial value and we believe it is a strong and viable alternative to public equity markets. Among the asset acquisitions in 2005 were:

- CFM Corporation, a leading manufacturer of fireplaces and barbecues;
- Alliance Laundry Holdings, a manufacturer of industrial washers and dryers;
- Doane Pet Care, the world's largest private label pet food company;
- National Bedding Co., the maker of Serta® mattresses; and
- GCAN, a Canadian specialty property and casualty insurance company.

Non-Canadian equities
Our non-Canadian equities, including the U.S., Europe, Asia, Far East (EAFE) and emerging markets, are managed through a combination of active strategies, by both internal and external managers and are backed by the use of derivative-based index funds. Of the total non-Canadian equities at year end 2005 of $25.8 billion, the amount in index funds was $12.5 billion or 48%.

Inflation-sensitive investments

Investments that tend to correlate closely with changes in inflation act as a hedge against increases in the cost of future benefits. Over the past few years, inflation-sensitive investments in real estate, real-return bonds, commodities, and infrastructure and timber have played a more important role in meeting our performance objectives and decreasing risk.

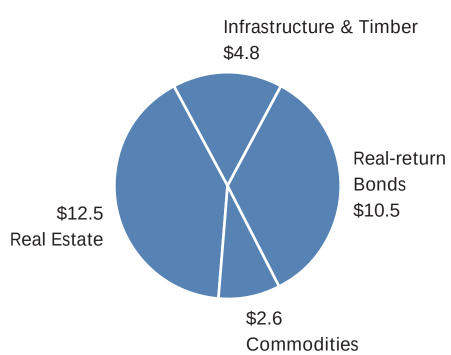
Infrastructure and timber investments provide stable long-term returns, strongly linked to inflation. Within less than four years, infrastructure and timber has grown to comprise 5% of our investments and now includes toll roads, airports, pipelines, electrical generation, transmission facilities and timberlands. Among our acquisitions in 2005 is Intergen NV. As the power from its 10 plants in the U.K., Netherlands, Mexico, the Philippines, China and Australia is largely sold under long-term contracts, this investment should produce stable cash flows well-suited to our growing infrastructure portfolio.

Real-return bonds pay a return that is indexed to inflation, measured by the consumer price index (CPI). Real-return bond investments include, among others, 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.

Real estate assets totalled $12.5 billion at year end. Managed by our wholly owned subsidiary, The Cadillac Fairview Corporation Limited, real estate is the largest component of our inflation-sensitive investments. Our aim is to maintain a well-balanced portfolio of retail and office properties that provides dependable cash flows.

INFLATION-SENSITIVE INVESTMENTS

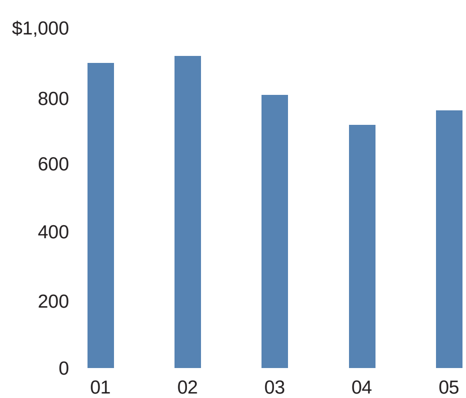
(as at December 31, 2005) ($ billions)



Investments with a strong correlation to inflation changes are a good match for inflation-protected pensions.

INCOME FROM REAL ESTATE

(before debt costs)
(for the year ended December 31) ($ millions)



Lower income resulted from rental property sales since 2002.

At year end, the occupancy rate of the retail space was 95%, while the office occupancy rate was 92% compared to industry averages of 90% and 92% respectively.

Real estate is considered a good fit for the pension plan because it provides strong, predictable income and is a good hedge against inflation.

Commodities investments totalled $2.6 billion at the end of 2005 compared to $2.1 billion a year earlier. We invest in commodities through enhanced index agreements linked to the Goldman Sachs Commodity Index. Our one-year return in commodities was 21.6%, as energy investments provided strong returns. The return matched the benchmark. On a four-year basis, commodities earned 14.2%.

Fixed income and Absolute return strategies

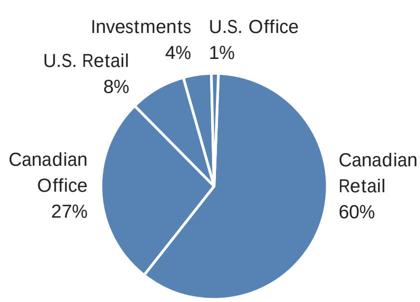
We have a number of different types of investments in this category: absolute return strategies, including hedge funds and our currency hedge, as well as the traditional fixed-income investments in government and corporate bonds and money-market securities.

In 2005, we employed $9.5 billion in absolute return strategies, compared to $11.2 billion in 2004.

Our goal is to generate positive returns regardless of movements in the markets for the asset classes in which we invest. Many of these investments use little net capital (we use a balanced combination of long and short positions on companies, industries or investment styles). To the extent that they use net capital, they are expected to generate money-market returns, plus a return on allocated risk capital. As such, they are included in the fixed-income asset class and their money-market exposure contributes to the funds' overall interest rate risk.

REAL ESTATE PORTFOLIO

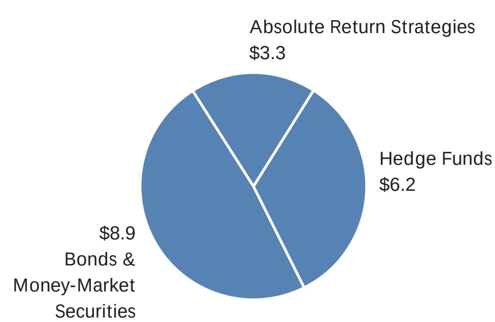
(as at December 31, 2005)



Cadillac Fairview continues to focus the portfolio on high-quality properties.

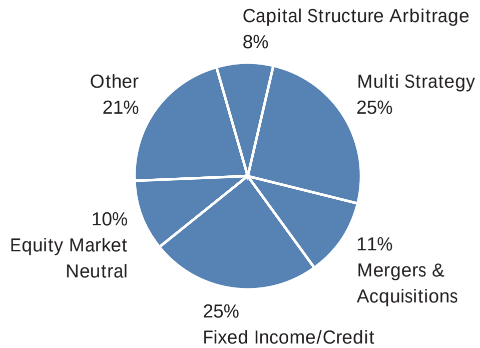
FIXED INCOME

(as at December 31, 2005) ($ billions)



HEDGE FUNDS BY STRATEGY

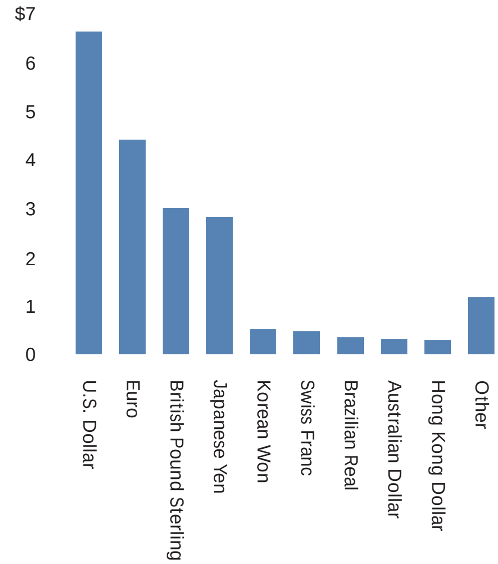
(as at December 31, 2005)



Investments in 180 externally managed hedge funds totalled $6.2 billion at year end.

NET CURRENCY EXPOSURE

(as at December 31, 2005) ($ billions)



We hedge our exposure to foreign currencies to reduce the impact of currency fluctuations on the value of our foreign investments.

Some absolute return strategies aim to capture tactical opportunities to extract extra returns from under- or overweighting various asset classes. In 2005, these tactics resulted in $220 million of value added. For example, we were long, or overweight, on Japanese equities and short, or underweight, on U.S. equities by selling U.S. and buying Japanese investment instruments.

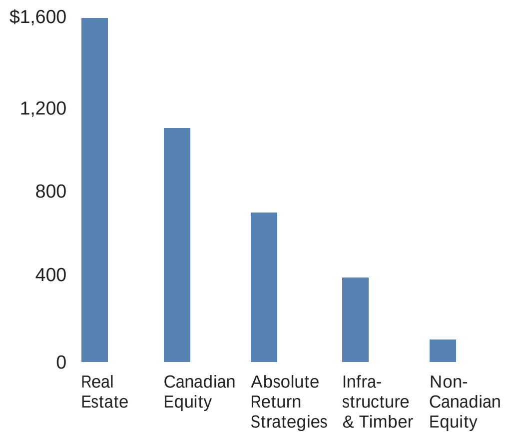
We also include investments in more than 180 externally managed hedge funds valued at $6.2 billion at the end of 2005 (compared to $4.5 billion at the end of 2004). We manage these investments both directly and in fund-of-funds structures designed to earn market-neutral value-added returns consistently, while diversifying risk across many managers and multiple strategies and styles. These hedge fund investments added $140 million in value in 2005.

Bonds and money-market securities provide us with a regular stream of income. Investment income from bonds and money-market investing totalled $1.4 billion in 2005 and 2004. Real estate debt, valued at $3.7 billion at year end, the same as 2004, is subtracted from the fixed-income asset class.

At year end, we had $610 million in credit portfolios compared to $560 million in 2004, with the addition of new emerging market strategies and an increase in North American high-yield corporate securities. We use these strategies to diversify our bond portfolio, adding to the tools we utilize to enhance returns overall in the fixed-income asset class.

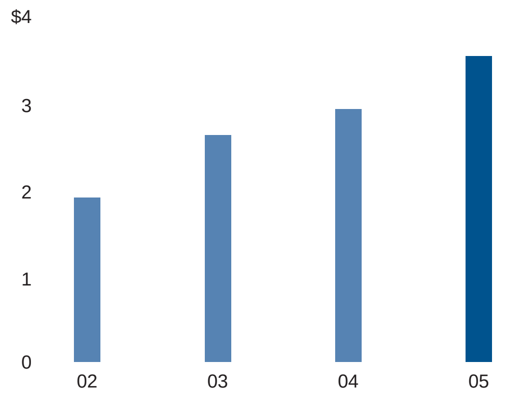
MAJOR SOURCES OF VALUE ADDED

(for the year ended December 31, 2005) ($ millions)



VALUE ADDED ABOVE BENCHMARKS

(for the years ended December 31) ($ billions)



Total fund value added

Since 2001, our investment income has totalled $34.9 billion; that total includes $11.1 billion earned above market benchmarks, also known as value added. The graphs above illustrate the total value added that has resulted from our various investment strategies.

Investment costs

Total investment management costs were $205 million, compared to $187 million in 2004. This is equivalent to 23 cents per $100 of average net assets, compared to 24 cents in 2004. These costs exclude the commissions paid when trading securities, and management and performance fees for private equity and other externally managed funds. However, all such costs are included in determining investment returns.

Risk management results

In addition to selecting the best asset mix to pay pensions, we believe that increased use of active management will be instrumental in the ongoing success of the plan. Over the past five years, the fund has increased the proportion of assets that are actively managed, and with this increase there has been a corresponding increase in the risk budget approved by the board. While the risk budget (risk with respect to the investment benchmark) has increased, the actual level of total risk (risk with respect to funding liabilities) has declined since 2000, as a result of: (1) reducing our equity weighting in our asset-mix policy and (2) the greater use of asset diversification.

> *www.OTPP.com*
> *Investments*
> *Strategy/ Risk Management*

Member Services

To provide Ontario teachers and pensioners with prompt, reliable pension information and services

Our achievements in 2005 position us well for continued member service improvements in 2006. Technology, workflow changes and enhanced web offerings were all designed to improve the quality and efficiency of the service we can offer members while effectively managing our costs. We also are committed to continuing to anticipate our members' needs by reaching out to them more proactively.

Rosemarie McClean
Senior Vice-President, Member Services

Overview

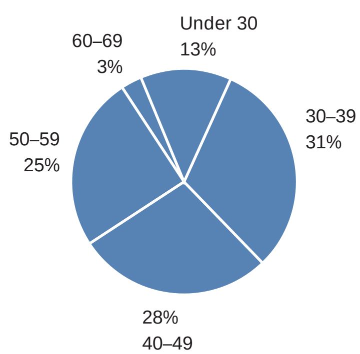
Teachers' is committed to providing Ontario's active and retired teachers with prompt, reliable pension services and information. We collect contributions on behalf of members, administer payments and provide information in person, by phone, letter and e-mail. We also offer a comprehensive website and a range of printed materials, including newsletters.

The demographics of plan members affect our business and strategy to provide outstanding, immediate service to active teachers and pensioners. Every year, service levels increase and we are constantly looking for cost-effective ways to manage the increasing workloads.

More pensioners than ever

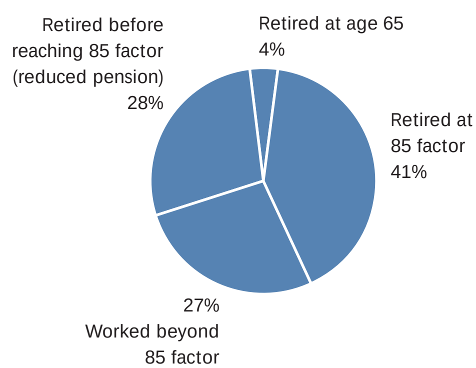
Teachers are retiring earlier than they did 15 years ago and living longer. The average age at retirement is 57 with an expected 29 years on pension, compared to age 58 in 1990. Average life expectancy at retirement is 86. There are 58 pensioners over 100 and 2,200 in their nineties. Not only do we have more pensioners than ever before, but the broad age range of plan members means that we need to offer services over a longer time period and in a number of different ways.

TEACHERS BY AGE

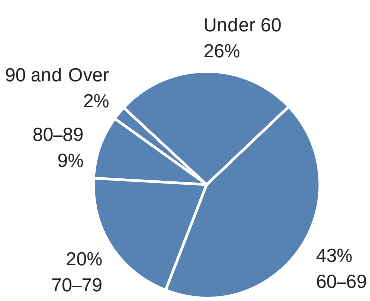


WHEN TEACHERS RETIRE

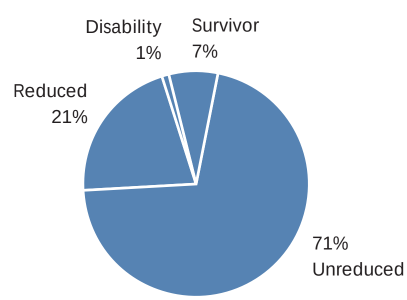
(averaged since 1999)



PENSIONERS BY AGE



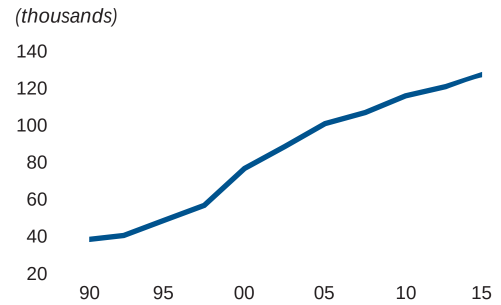
PENSIONER PROFILE



The average age of pensioners is 67. Almost 50% are between the ages of 55 and 64.

Over the next 10 years, we expect that 45,000 teachers will retire and that the number of pensioners will continue to grow.

PAST AND PROJECTED PENSIONERS



Volumes continue to increase

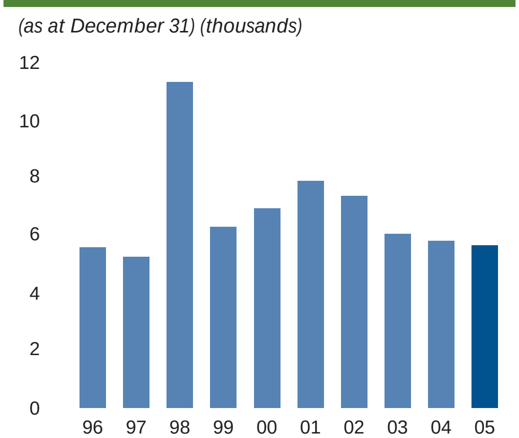
Approximately 10,500 teachers entered the profession in 2005 and the number of pensioners has grown every year since 1990. We added 5,700 new pensioners to the pension payroll in 2005, ending the year with 101,000 pensioners in the plan. The average pension for a teacher retiring at the 85 factor was $39,600 in 2005.

With this growth comes an increase in the volume of communications with members and the processing involved in collecting contributions from employers.

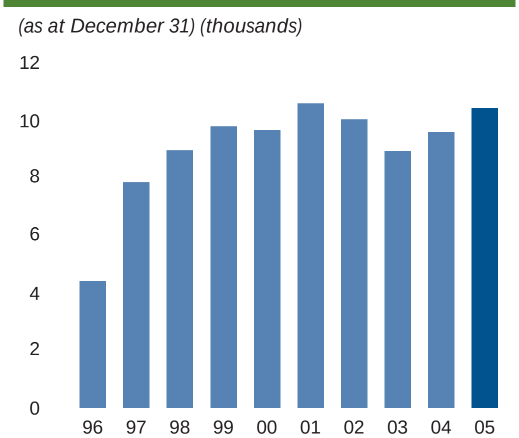
We are responsible for one of the largest payrolls in Canada and paid out $3.6 billion in pension benefits in 2005. We collected $1.6 billion in contributions from the government and 163,000 teachers working at 200 school boards and private employers.

Because we have the technology and systems in place, we can ensure timely and complete service to members, even during the peak enquiry times of May and June (80% of all teachers retire at the end of the school year).

NUMBER OF NEW PENSIONERS



NUMBER OF NEW TEACHERS



Changing technology presents opportunities and challenges

Managing and measuring the pace of the adoption of online services is a critical issue for Member Services. Ease of use of these services is paramount to our success. In response to feedback from teachers, we continue to actively adopt new communication technologies, while ensuring that members who prefer more traditional communication channels continue to be served effectively.

As members have adapted and become more comfortable with receiving information online, we have been able to offer new, more direct and timely services, such as:

- *i*Access Web, a secure portion of our website where members can check on their personal pension accounts at any time. By the end of 2005, 67,000 members had registered for *i*Access Web;
- Online multi-media presentations describing services and options;
- Timely, electronic filing of member data from employers; and
- The ability to buy back service or initiate the retirement process online.

On the other hand, members still value highly the ability to phone or meet in person with our pension benefit specialists to discuss their personal pension issues and alternatives.

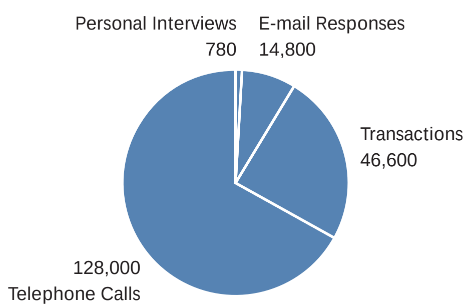
Strategy and Structure

Our overall objective is to provide immediate and outstanding service to pension plan members. We strive to constantly improve the level of service we provide.

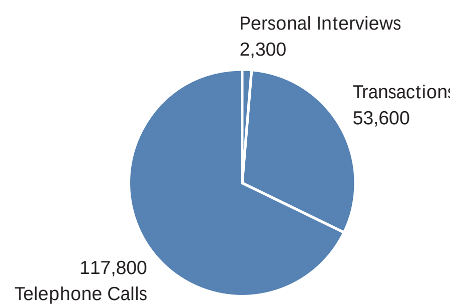
WE HAVE THREE BROAD SERVICE GOALS:		
To implement strategies to serve more members quickly	To obtain accurate and up-to-date service data for members through rigorous systems and processes	To deliver high-quality service in a cost-effective manner

To track our performance, we use an independent company to survey members who have recently completed a transaction with our staff and ask them to rate their service satisfaction on a scale of 0 to 10. They also randomly survey a sample of teachers and pensioners and ask them to rate their satisfaction with the quality of our electronic and printed communications. The resulting Quality Service Index (QSI) rating is weighted 75% toward service and 25% toward communications. These ratings are used to evaluate performance, guide service improvement initiatives and reward our employees.

SERVICES TO MEMBERS



2005



2000

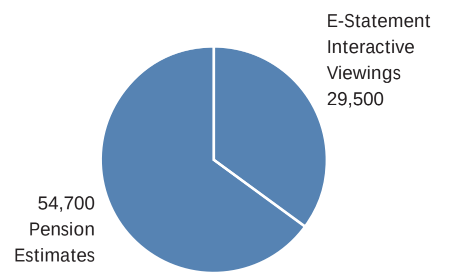
New technologies improve service

We use technology to enhance and personalize interactions with members as well as to facilitate immediate service, manage costs and improve efficiency.

As mentioned, more members are becoming directly connected online and in real time through our secure website, *i*Access Web, so they can check on their personal pension accounts at any time of the day or night.

In 2005, we were a winner in the eighth annual Benefits Canada communications awards, in the category of "Best Online Strategy". We won for the ease of use and quality of our interactive, online annual personal statement of benefits, which is available to members who have registered for *i*Access Web. The e-statement contains the same information as the print version, but also offers many useful interactive features including a custom tool that allows users to build their own retirement scenarios and compare them. The information is up-to-the-minute as a member signs in. After the most recent statement, our contact centre reported the fewest calls ever asking for clarification following an annual statement mailing.

SELF-SERVICE ACTIVITIES



We are communicating and acting more proactively

We are working on a project to identify member communication preferences. Do members like to get e-mail or regular mail? What time of the day should we call them? How do they feel about receiving calls in the evening? We are enhancing our database to better customize the type and nature of the services we provide to members.

We also are making proactive use of the scope of the data that employers provide. If we know a member is planning a maternity leave, for example, we can send her a package – before she even requests one. The package would outline her options on continuing to build pension credits while she is away from the classroom.

To ensure the data we get about plan members is accurate, we are working with school boards and other employers to audit the information they send to us. We are also asking the finance officers at employers to certify the data, much like public companies now certify their financial results, to increase their focus on the reliability of the data. Comprehensive, accurate data allows us to reduce the number of costly mistakes and inconvenience for our members.

Another proactive initiative is our program to track down "inactive" members who have lost touch with the plan. These members usually have been teachers for only a short while before deciding to pursue a different career. They have contributed to the plan but have lost touch and do not have adequate length of service to receive a pension. In 2005, we paid refunds to 8,500 former teachers, averaging $870 each. At the end of 2005 we had 79,000 inactive members, compared to 88,000 at the end of 2004.

However, there are limits to the information technology resources available, so we have to prioritize our goals and initiatives. Essentially, we try to choose those projects that we believe will have the most impact on member satisfaction for the resources expended.

Managing for Value

Four key elements are paramount in our drive to continuously improve our ability to anticipate and meet members' needs quickly, accurately and cost-effectively: staff and supplier expertise; service levels; appropriate technology and streamlined processes.

THE FOLLOWING FOUR KEY PERFORMANCE DRIVERS ENABLE MANAGEMENT TO IMPLEMENT THE STRATEGY:			
Expertise	Service	Technology	Processes

Continuous improvement

To achieve our goal of continually improving the level of service we offer plan members, we foster a culture of openness and responsiveness. We emphasize training and use technology to deliver information more quickly, personally and cost-effectively.

To provide members with high standards of service we strive to:

- Hire the best people, seeking those with talent, a service orientation, empathy, friendliness and communication skills. This is accomplished through aptitude and mathematics testing, as well as a comprehensive interview process.
- Provide extensive orientation and then continuous training. New front-line staff receive a full year of training before dealing with member transactions on their own. Existing pension specialists receive regular personal coaching sessions to improve their service skills so they can meet members' needs. They spend approximately nine days per year in continuous pension education and technical training on our evolving electronic services.
- Survey members regularly and use their feedback to make improvements. We also benchmark ourselves against other plans in Canada, North America and around the world.
- Nurture a team-based approach, focusing the efforts of a number of departments on the same goals and annual objectives. We have a minimum of hierarchy and rely on agile, empowered, self-directed service teams and individuals.
- Link compensation and individual performance to key departmental and organizational goals.
- Manage technology resources. Each spring we set the objectives for the next year as a team. With everyone aware of the priorities, we can schedule and allocate resources appropriately to the projects with the most added value.
- Continue to focus on managing costs effectively. In 2005 our cost per member declined 4% from 2004. The cost per member includes over 5,000 inactive members who received refunds in 2004 and 8,500 who so benefited in 2005, almost 70% above our goal for the year.

New workflow will reduce costs, accelerate turnaround time

A key objective in 2005 was to implement a new way of processing member requests for information and services. We upgraded our systems and built in customized intelligence to automate more processes and create efficiencies between departments.

The purpose of this extensive project is to improve our turnaround time for answering member requests. During the 2005 transition year (which required additional staff training), we maintained our service levels and have established targets for 2006 to increase the number of member requests we can answer immediately.

Performance

We measured our 2005 performance against our strategic goals for service, accuracy and costs.

Composite Quality Service Index (QSI) stays constant

Our average composite Quality Service Index (QSI) rating remained steady in 2005 at 9.2.

The table on this page indicates the key areas for which QSI ratings are calculated. In addition, we measure our performance against national and international rankings and benchmarks prepared by independent associations, publications and consulting organizations.

QSI UPDATE

(as at December 31)	***2005***	*2004*
Corporate QSI	**9.2**	9.2
Service QSI (75%)	**9.3**	9.3
Communications QSI (25%)	**8.8**	8.9

The QSI is a measurement of service satisfaction based on surveys of members by a third party, using a scale of 0–10.

Statistical highlights

In 2005, we collected $1.6 billion in contributions from the government and 163,000 teachers working at 200 school boards and private employers. We paid $3.6 billion in pension and termination benefits, an increase of 5.6% over 2004, including first-time pensions to 5,000 newly retired teachers.

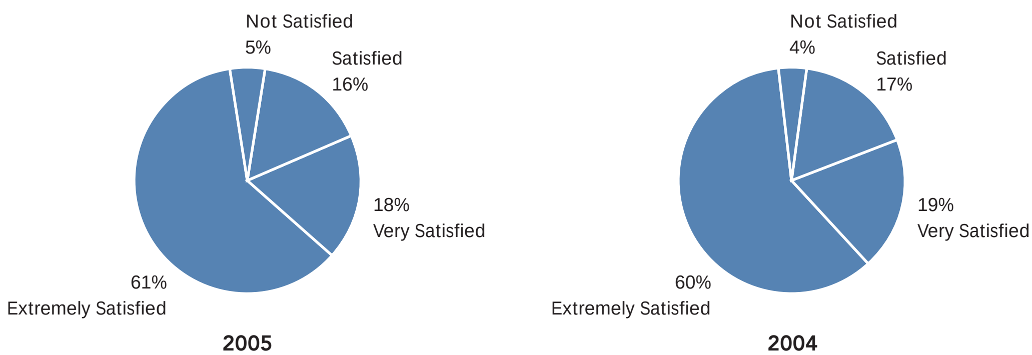
www.OTPP.com <
Pension Info <
iAccess Web <

We fulfilled 190,000 member requests, compared to 196,000 in 2004 and dealt with 128,000 telephone inquiries, 6.0% less than a year earlier. Our website, www.otpp.com, had 810,000 visitors, an increase of 67% from 2004. Our secure member website, *i*Access Web, had 168,000 sessions.

Service ratings compared to other pension plans

We take part each year in an independent Cost Effective Measurement (CEM) study that evaluates the costs and services available at 61 pension plans around the world. We are evaluated as part of the whole group and within a peer sub-group consisting of 15 plans with comparable membership size. In 2005, we had the second highest total service level score overall. Our services rated first for mass communications, including websites, electronic delivered services, newsletters and annual statements, and services to employers (mainly school boards, in our case). The #1 plan's per member costs are twice as high as ours; therefore, we believe that a #2 ranking reflects the best relative value for our members.

QSI SERVICE RATINGS



We worked closely with employers throughout 2005 to reduce response times. We also worked together to complete the Historical Data Quality project; members now can rest assured that all of the historical data we have on file is accurate and complete.

Expense management

Holding the line on costs is a responsibility we take seriously. While service ratings are critical to our performance, we also seek to be as efficient as possible in achieving the results that give us high ratings. In 2005, our services were provided at a cost of $122 per member, compared to $127 in 2004, largely as a result of our focus on cost reduction and an increase in the number of members served.

Our 2006 costs are projected to remain flat compared to 2005.

The CEM study mentioned earlier also compares our costs to our peer group. Our annual service cost is above the median of this group, primarily because we are responsible for providing services directly to members. Many other pension plans in the study do not provide services to members directly. They are partially administered by employers, reducing the cost to the pension plan of providing services.

Report on the Plan

To provide transparent reporting on the financial position and performance of the plan for stakeholders

In our quest for good governance, we strive to provide our stakeholders with transparent reporting. We continuously monitor ourselves against corporate best practices, including controls, governance and overall transparency. As a result, we implemented a number of new initiatives in 2005, which you will see outlined in this section.

Robert W. Korthals
Chair

David McGraw
Vice-President and Chief Financial Officer

Claude Lamoureux
President and Chief Executive Officer

Overview

There is tremendous global pressure on organizations today to deliver results from within a framework of transparent and ethical operations. We are part of this drive, as we press companies in which we invest to deliver shareholder value. We also follow our own advice, with board governance, internal controls and enterprise risk management in implementing corporate best practices.

Strategy

The following strategies ensure we reflect corporate best practices in reporting and governance.

THE FOLLOWING THREE STRATEGIES FRAME OUR PERFORMANCE:		
Transparent reporting	Controls and risk management	Good governance

Managing for Value

THE FOLLOWING PERFORMANCE DRIVERS ALLOW US TO IMPLEMENT THE STRATEGIES NOTED ABOVE:		
Print and online internal and external publications Information sessions with stakeholders	Internal control review Annual enterprise risk assessment	Implement and monitor corporate best practices

We strive to proactively implement best practices in the financial management of the plan. Described below are examples of our reporting to management and the board of directors, which illustrate how we manage for value.

Transparent reporting

We strive to provide our stakeholders with transparent reporting. We provide newsletters to over 264,000 members updating them on key plan financial and non-financial information of relevance to them. Our website provides in detail our plan governance practices and facts about our investment strategy and major portfolios. Teachers' executives meet with the co-sponsors periodically to brief them on key issues and report on our performance. In August of each year, the Chair of the plan addresses the Ontario Teachers' Federation Board of Governors. In April of each year, the plan holds its annual meeting, which is open to all members of the plan and the co-sponsors and is webcast.

The board of directors of Teachers' is provided quarterly with a summary of the financial and funding positions of the plan, performance results, risk levels, client satisfaction ratings, key member services statistics, and any other significant events. This assists the board in performing its fiduciary responsibility.

Review of internal controls

As a matter of sound business practice, the Finance division is undergoing an internal control review to document, assess and enhance the design and operational effectiveness of internal controls over financial reporting using the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In 2006, the review will be extended to the other divisions of the organization. The Audit & Actuarial Committee of the board of directors receives regular briefings on the status of this review.

Enterprise risk assessment

On an annual basis, management reports to the board on enterprise risk assessment to assist the board in its responsibility to oversee risk management. The report uses the Enterprise Risk Management – Integrated Framework issued by COSO. Under this framework, risk is characterized as an event or action that will adversely affect the organization's ability to achieve its business objectives. This assessment is designed to provide a comprehensive perspective on the significant internal and external risk exposures of the plan. The 2005 annual assessment revealed no material risks.

Governance practices

Teachers' board of directors is required to act independently of the plan sponsors and management and to make decisions in the best interests of all pension plan beneficiaries.

The board requires management to establish corporate strategy and objectives and both an investment and a financial plan annually and to review progress against these and other objectives.

Both sponsors have successfully attracted top-level directors with appropriate qualifications in investment, finance and accounting, law, business management and technology.

Governance practices are in line with current corporate requirements and best practices, as illustrated on page 48. The Chair and CEO roles are separate. Board committees, including the Audit & Actuarial Committee, are composed only of independent directors. The board conducts a self-assessment annually. The board has also approved a formal code of conduct for all employees and board members and oversees its implementation.

Performance

The following chart offers a snapshot of our performance against specific enablers. As you read through the pages of this section you will see a review of overall plan performance.

VALUE ENABLERS	PERFORMANCE
Regular print and online newsletters to over 264,000 members Print and online Annual Report, Funding Report Report to Members	Communications element of QSI remained steady at 8.8 out of 10
OTPP website	*i*Access Web registrations increased by over 33% from 2004 The redesigned website experienced a 67% increase in visitor sessions in 2005 over 2004
Annual meeting	Annual meeting was webcast to increase accessibility
Review of internal controls and annual assessment of enterprise risk	These were either completed or are on schedule for completion in 2006
Board meeting attendance	Overall board member attendance was 89%

Plan governance practices and disclosure

Following is an overview of our governance disclosure, which underscores our ongoing commitment to transparency.

See page 2 for more information >

Mandate, roles and responsibilities disclosed

www.OTPP.com > About Us/Mandate > Plan Governance

See page 5 >

Independent board of directors

- Each co-sponsor appoints four members to the pension plan's board of directors for staggered two-year terms. They jointly appoint the chair as the ninth member of the board.
- Board is required to act independently of both the co-sponsors and the plan's managers and to make decisions in the best interests of all beneficiaries of the plan.
- Chair and CEO roles are separate.
- The board met 10 times without management present.
- No member of management is a member of the board or any of its committees, including the Audit & Actuarial Committee.
- The board requires the plan's managers to establish corporate strategy and objectives and a financial plan annually and to review progress against these and other objectives.

www.OTPP.com > About Us/Mandate > Plan Governance

See page 49 >

Number of board and committee meetings reported:

- 19 Board and Investment Committee, 3 Governance Committee, 4 Human Resources and Compensation Committee, 7 Audit & Actuarial Committee, and 1 Benefits Adjudication Committee meetings

Committee terms of reference disclosed

Board member orientation, continuing education and self-assessment processes in place and disclosed

Code of business conduct disclosed

www.OTPP.com > About Us/Mandate > Plan Governance

See pages 81–82 >

Board remuneration and management compensation and pension benefits reported

Compensation advisor disclosed

See page 81 >

Non-audit fees paid to auditor disclosed

Accountability

See pages 60–63 >

- The board reports to the plan sponsors on a regular basis and issues this annual report, including audited consolidated financial statements, and an actuarial opinion.
- CEO and CFO certify our annual consolidated financial statements.

Board of Directors

All board members serve on the Investment Committee. Board and committee 2005 attendance was 89%. Individual 2005 attendance is reported below.

Appointed 1996
Attendance 100%

Robert W. Korthals

Former President of
The Toronto-Dominion Bank
Chair of the Board, member of Human Resources & Compensation Committee

Appointed 2005
Attendance 100%

Helen Kearns

President, Kearns Capital Corp.,
Former President, NASDAQ Canada
Former director, Toronto Stock Exchange
*Member of the Benefits Adjudication** and Audit & Actuarial Committees*

Carol Stephenson

Dean of the Richard Ivey School of Business, Former President of both Stentor and Lucent Technologies Canada
Member of the Human Resources & Compensation and Governance Committees*

Appointed 2004
Attendance 96%

Guy Matte

Former Executive Director of l'Association des enseignantes et des enseignants franco-ontariens
Member of the Benefits Adjudication, Audit & Actuarial and Human Resources & Compensation Committees*

Appointed 2002
Attendance 83%

Appointed 2006

Raymond Koskie

Founding partner of the law firm Koskie Minsky, Former member of the Economic Council of Canada
Member of the Human Resources & Compensation and Governance Committees

Appointed 2003
Attendance 91%

Thomas C. O'Neill

Former Chair of PwC Consulting, Fellow of the Institute of Chartered Accountants of Ontario
Member of the Audit & Actuarial and Governance Committees*

Eileen Mercier

Former Senior Vice-President and CFO of Abitibi-Price Inc., Fellow of the Institute of Canadian Bankers
Member of the Investment, Audit & Actuarial and Governance Committees*

Appointed 2004
Attendance 79%

J. Douglas Grant

Former CEO of Sceptre Investment Counsel Ltd., Fellow of the Institute of Chartered Accountants of Ontario, and a Chartered Financial Analyst
Member of the Governance and Human Resources & Compensation Committees*

Appointed 2003
Attendance 81%

One position is vacant
**Committee Chair*
***Committee Vice-Chair*

Legislation update

The Ontario Teachers' Pension Plan is obligated to comply with provincial and certain federal legislation. Changes in 2005 to *Ontario's Pension Benefits Act* (PBA) and *Teachers' Pension Act* (TPA) as well as the federal *Income Tax Act* have impacted the pension plan.

Pension Benefits Act

Two changes to the PBA affected the pension plan in 2005:

1. The recognition of same-sex marriage for spousal benefit purposes: a plan amendment currently is underway to codify the recognition of same-sex marriage for Ontario teachers.
2. Omnibus Bill 18, which establishes jointly sponsored pension plans as a new class of plan: when PBA regulations related to Bill 18 are passed into law (expected in 2006), we expect that funding rules will be consistent across all jointly sponsored pension plans.

One of the changes to the PBA funding rules we are anticipating is recognition that periodic payments to finance pension shortfalls are not practical for jointly sponsored pension plans. Accordingly, we expect that such plans will be permitted to finance shortfalls through contribution rate increases.

Teachers' Pension Act

As a result of the PBA changes in Bill 18 and pending PBA regulations, certain funding provisions of the TPA, the overriding legislation governing the Ontario Teachers' Pension Plan, have been repealed. Future indexing will no longer have to be reflected in the solvency valuation. This equalizes the rules for Teachers' with other pension plans in Ontario.

Income Tax Act

In the 2005 Budget, the federal government increased certain benefit limits applicable to Registered Pension Plans, thereby increasing the amount that can be paid out from such plans. This has the added effect of slightly reducing the pressure on the pension plan's Retirement Compensation Arrangement (RCA). The RCA funds the payment gap that exists when pensions exceed certain *Income Tax Act* limits. Please see *note 15* on page 84 for further details.

Financial statements

Use of estimates

Management uses estimates and assumptions that primarily affect the reported values of assets and liabilities, and related income and expenses. Under Canadian GAAP we are required to make estimates when we account for and report assets, liabilities, investment income and expenses, and to disclose contingent assets and liabilities in our financial statements. We are also required to continually evaluate the estimates that we use. We have discussed the development and selection of critical accounting estimates with the Audit & Actuarial Committee. Significant estimates are used primarily in the determination of accrued pension benefits and the fair value of investments and investment-related liabilities.

Actuarial assumptions used in determining accrued pension benefits reflect management's best estimates of future economic and non-economic factors. The primary economic assumptions include discount rate, salary escalation rate and the inflation rate. The non-economic assumptions include mortality, withdrawal and retirement rates of the members of the plan. The plan's actual experience could differ significantly from these estimates and the differences are recognized as experience gains or losses in future years.

The fair value of investments and investment-related liabilities 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 as at the date of the accompanying financial statements. In determining fair value of investments of real estate, non-publicly traded equities, infrastructure and timber, management and/or appraisers' best estimates are used in selecting the assumptions in the valuation. If these investments were sold, the actual result could be different from the estimated value.

Year-end financial position

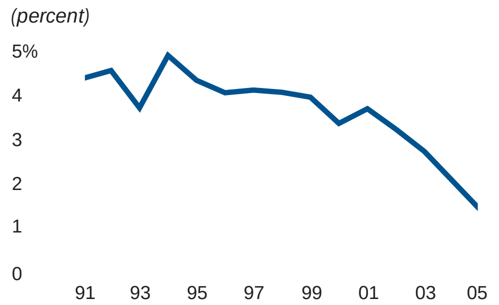
FINANCIAL OVERVIEW

(as at December 31) ($ billions)	***2005***	*2004*
Net assets available for benefits		
Net investments	**$ 94.8**	$ 81.7
Contributions receivable from Province of Ontario	**1.5**	1.4
Other net assets (liabilities)	**(0.2)**	1.2
Net assets	**$ 96.1**	$ 84.3
Financial status		
Net assets	**$ 96.1**	$ 84.3
Smoothing adjustment[1]	**(7.4)**	(1.5)
Actuarially adjusted net assets	**88.7**	82.8
Cost of future pensions	**(110.5)**	(96.7)
Deficit[2]	**$(21.8)**	$(13.9)

[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 the consolidated financial statements). In accordance with accepted actuarial practices, the $7.4 billion smoothing adjustment (actuarial asset value adjustment) consists of net gains to be recognized in future years.

[2] The deficit, shown on a financial statement basis, is different from the funding shortfall (see Funding Valuation commentary for estimated shortfall).

REAL INTEREST RATES



Despite our strong investment performance, the plan was in a deficit position on a financial statement basis at December 31, 2005. The deficit was $21.8 billion, compared to $13.9 billion a year earlier. The deficit illustrates the fact that investment performance alone does not determine the plan's financial position. A continuing reduction in real interest rates increased the plan's estimated future costs in 2005.

Low interest rates' impact on liabilities and assets

To calculate the money needed in the fund today to pay all pensions promised in the future, the plan's actuary uses management's estimates of inflation, wage growth for teachers, and future investment returns. Long-term interest rates are a predictor of future returns, so management uses real long-term interest rates plus a spread of 0.5% to calculate the plan's liabilities. Small changes in these rates can cause large fluctuations in the expected cost of benefits. For instance, a 1% reduction in real interest rates causes a $19 billion increase in the financial statement pension liabilities. When real rates fall as they have over the last five years, the pension liabilities increase dramatically. However, our assets also benefited from the fall in real rates. For instance, a 1% reduction in real interest rates causes the value of our holdings of real-rate products to increase by 17%. For other assets, we can only estimate the impact, and it will vary by the time period chosen. For the period from 1992–2005, the S&P TSX index was estimated to have increased by 10%–11% for each 1% reduction in real interest rates.

Net assets available for benefits

Net assets available for benefits increased $11.8 billion to $96.1 billion from $84.3 billion in 2004. This was due to strong investment returns. After the actuarial smoothing adjustment, net assets increased by $5.9 billion to $88.7 billion. The plan smooths 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 $7.4 billion in gains to be recognized over the next four years.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS		
(for the year ended December 31) ($ billions)	***2005***	*2004*
Income		
Investment income	**$ 14.1**	$10.8
Contributions	**1.6**	1.5
	15.7	12.3
Expenditures		
Benefits	**3.6**	3.4
Operating expenses	**0.3**	0.3
	3.9	3.7
Increase in net assets available for benefits	**$ 11.8**	$ 8.6

In 2005, benefits paid were $3.6 billion and contributions were $1.6 billion. This compares with benefit payments of $3.4 billion and contributions of $1.5 billion in 2004. The increase in payments reflected the addition of 5,000 retirement pensions plus 660 survivor pensions to the pension payroll during the year, as well as a pension cost-of-living increase of 1.7% effective January 1, 2005. The cost-of-living adjustment effective January 1, 2006 is 2.2%.

The contribution rate remained unchanged in 2005. The Ontario government and other employers match these contributions.

Accrued pension benefits

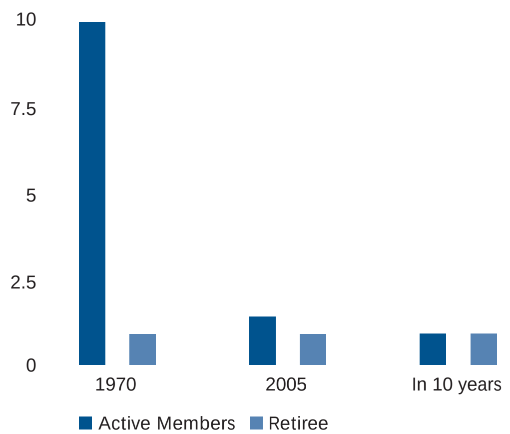
The value of accrued pension benefits (benefits earned to date) increased $13.8 billion to $110.5 billion at year end from $96.7 billion at year-end 2004, as real interest rates continued to decline. The actuarial assumptions used to determine the cost of future pension benefits for financial statement purposes reflect management's best estimates of future investment returns, future inflation, projected teachers' salaries and demographic factors.

ACCRUED PENSION BENEFITS		
(for the year ended December 31) ($ billions)	***2005***	*2004*
Accrued pension benefits, beginning of year	**$ 96.7**	$83.1
Interest on accrued pension benefits	**5.2**	4.7
Benefits accrued	**2.8**	2.3
Benefits paid	**(3.6)**	(3.4)
	101.1	86.7
Changes in actuarial assumptions	**9.5**	10.1
Experience gains	**(0.1)**	(0.1)
Accrued pension benefits, end of year	**$110.5**	$96.7

Ratio of pensioners to teachers continues to increase

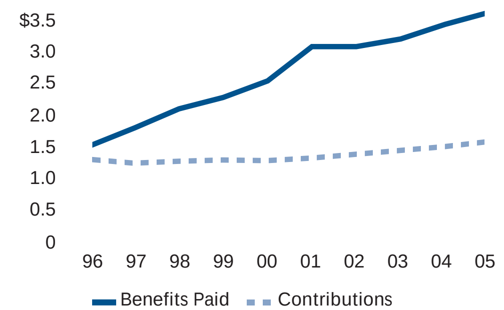
The ratio of the number of actively working teachers who contribute to the plan to the number of pensioners, continues to decrease. In 2005, there were about 1.6 working teachers for each pensioner in the plan. This compares to a ratio of about four teachers to each pensioner 15 years ago. It becomes more difficult to overcome potential funding shortfalls by increasing contributions as the gap continues to close between working teachers and pensioners.

ACTIVE MEMBERS PER RETIREE



CONTRIBUTIONS RECEIVED VS PENSIONS PAID

(for the year ended December 31) ($ billions)

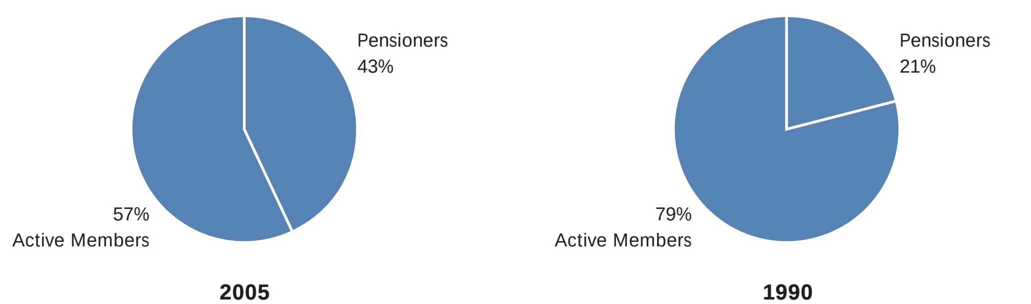


We paid $3.6 billion in pension benefits in 2005, more than double the amount we received in contributions.

The plan has 101,000 pensioners. Future pension costs for this group now represent 43% of the plan's liabilities.

PRESENT VALUE OF FUTURE PENSION COSTS

(as a percentage of the plan's liabilities)



Financial statement valuation compared to the funding valuation

The pension plan's funding status shown in the financial statements indicates the financial health of the pension plan, but it includes only contributions and benefits earned to date by current teachers. It does not include future contributions and the expected cost of pensions earned in the future by current plan members. That information is included in the actuarial valuation for funding purposes, which is the valuation used by the plan's sponsors to assess the need for benefit or contribution rate changes. Neither valuation incorporates the contributions or benefits of future teachers.

Funding valuation

The funding valuation is prepared by an independent actuary to determine the long-term financial health of the plan at current contribution rates.

The Teachers' pension plan is a defined benefit plan with full inflation protection. It promises pensions based on a formula, not by the amount of money contributed. The plan pays 2% per year of service times the average salary of the member's best five years with a reduction for CPP at age 65.

In preparing the funding valuation, the actuary must project the plan's benefit costs and compare them to the current plan assets, then add in future contributions from teachers and the government. The actuary looks ahead to the next 70 years, the period required to fully pay out the costs of future benefits promised to all current plan members.

The actuarial value at January 1, 2006 showed the plan had a shortfall of assets compared to the future cost of benefits. Low interest rates caused the cost of benefits to rise to almost $139.0 billion, leaving a gap or shortfall of $31.9 billion from the current level of actuarial assets. The shortfall has increased $12.5 billion from 2005. Again, the decline of real interest rates was the primary cause. This has impacted most defined benefit pension plans in Canada, causing many to have funding shortfalls and announce contribution increases and/or benefit changes.

Since January 1, 2003, the funding valuation has used a 0.5% higher rate of return assumption than the valuation for financial reporting purposes based on the pension funding management policy, which is set by the sponsors in the Partners' Agreement.

VALUATION ASSUMPTIONS

(as at January 1) (percent)	***2006*[1]**	*2005*[1]	*2004*[2]	*2003*	*2002*	*2001*	*2000*	*1999*
Rate of return	**5.10**	5.85	6.20	6.40	6.30	6.25	6.50	7.50
Inflation rate	**2.60**	2.75	2.35	2.05	1.90	2.20	2.25	3.50
Real rate of return	**2.50**	3.10	3.85	4.35	4.40	4.05	4.25	4.00

[1] *Preliminary assumptions only; valuations not filed with the pension regulator.*

[2] *Valuation not filed with the pension regulator.*

These valuation assumptions change over time, as this chart demonstrates, and are intended to take into account a long time horizon. While actual experience mirrors some assumptions closely, annual stock market returns typically fluctuate much more significantly compared to the assumption and are smoothed over five years.

The historically low real interest rates are one of the primary causes of the funding shortfall the pension plan has experienced for the last three years. Although investment income of the pension fund was $36 billion over the last three years, the plan's liabilities on a funding basis have increased by an estimated $50 billion.

FUNDING VALUATION HISTORY

(as at January)[1] ($ billions)	2006[3]	2005[3]	2004[4]	2003	2002	2001	2000	1999	1998
Net assets	**96.1**	84.3	75.7	66.2	69.5	73.1	68.3	59.1	54.5
Smoothing adjustment	**(7.4)**	(1.5)	3.5	9.7	3.0	(4.3)	(7.3)	(5.1)	(6.0)
Value of assets	**88.7**	82.8	79.2	75.9	72.5	68.8	61.0	54.0	48.5
Future contributions	**18.4**	17.0	15.7	14.7	13.7	14.4	13.4	12.0	12.6
Government special payments[2]	**–**	–	–	–	–	–	–	3.7	8.5
Actuarial assets	**107.1**	99.8	94.9	90.6	86.2	83.2	74.4	69.7	69.6
Future benefits	**139.0**	119.2	101.1	89.1	84.3	76.4	69.8	66.2	62.8
Surplus/(shortfall)	**(31.9)**	(19.4)	(6.2)	1.5	1.9	6.8	4.6	3.5	6.8

[1] *Valuation dates determined by the OTF and the Ontario government (plan sponsors).*

[2] *Payments remitted by the government toward the pre-1990 unfunded liability.*

[3] *Estimated preliminary valuation only; not finalized or filed with the pension regulator.*

[4] *Valuation not filed.*

Using the assumed rate of return and the future contributions for all current plan members, the actuary determines whether the plan's assets today are sufficient to pay all promised pensions in the future. As shown in the chart above, the cost of future benefits is estimated at $139.0 billion, while assets (actuarial assets) are estimated at only $107.1 billion. This leaves the plan with an estimated $31.9 billion shortfall in 2006.

The chart below highlights the gap between future contributions and benefits for future services based on the actuarial assumptions.

FUNDING GAP BETWEEN FUTURE CONTRIBUTIONS AND BENEFITS

(as at January)[1] ($ billions)	2006[2]	2005[2]
Future contributions	**18,354**	17,079
Benefits for future services	**(37,110)**	(29,424)
	(18,756)	(12,345)

[1] *Valuation dates determined by the OTF and the Ontario government (plan sponsors).*

[2] *Estimated preliminary valuation only; not finalized or filed with the pension regulator.*

The *Pension Benefits Act* of Ontario requires the board, as plan administrator, to file a funding valuation of the plan. Under proposed amendments for jointly sponsored pension plans (including the Ontario Teachers' Pension Plan) the sponsors may select either January 1, 2005 or January 1, 2006 as the valuation date. The results of a valuation as of either date will likely differ from those in the adjacent table for several reasons, e.g.:

1. Changes to the *Teachers' Pension Act* and the regulations under the *Pension Benefits Act* will create new funding options;
2. The actuarial assumptions are under review by the board and its actuary; and
3. The results will be based on the actual plan membership as at January 1, 2005, not the membership projected from data a year earlier.

While it is up to the sponsors to select the valuation date, and it is too early to say what the results of the valuation will be, the valuation is likely to reveal a funding deficiency. This will need to be addressed by the sponsors amending the plan effective January 1, 2007, to adopt a series of contribution rate increases or benefits decreases or a combination of the two.

Investments over $50 Million

As at December 31, 2005

Fixed Income and Short-term Investments

Type ($ millions)	*Maturity*	*Coupon (%)*	*Fair Value*	*Cost*
Canadian corporate bonds	2006–2085	0.00–17.10	$ 7,297	$ 7,310
Government of Canada bonds	2006–2037	0.5–10.50	6,259	5,742
Securities purchased under agreements to resell	2006–2006	2.40–3.20	4,286	4,280
Canadian treasury bills	2006–2006	0.00–0.00	2,431	2,420
Commercial paper	2006–2006	2.96–4.78	1,475	1,469
Bank notes	2006–2006	2.99–5.43	584	584
International corporate bonds	2007–2034	4.67–10.50	364	392
Emerging market sovereign debt	2006–2038	3.00–17.75	251	248
Provincial bonds	2008–2034	3.51–6.25	215	209
Securities sold under agreements to repurchase	2006–2006	3.10–3.23	(5,238)	(5,231)

Inflation-sensitive Investments

Type ($ millions)	*Maturity*	*Coupon (%)*	*Fair Value*	*Cost*
Real-return Canada bonds	2021–2036	3.00–4.25	$ 4,546	$ 3,338
Inflation indexed notes	2026–2029	3.88–4.25	2,403	1,712
Real-return Canadian corporate bonds	2016–2039	0.00–5.33	1,573	757
United States treasury inflation protection	2007–2032	2.38–3.88	1,002	1,040
Real-return provincial bonds	2026–2036	2.00–4.50	613	419
Index-linked mortgages	2022–2030	4.63–5.50	300	245

Province of Ontario Debentures

Maturity Date ($ millions)	*Coupon (%)*	*Fair Value*	*Cost*
2006–2008	10.15–15.38	$ 4,559	$ 4,068
2009–2012	10.11–11.40	4,791	3,766
Total debentures net of accrued interest		9,350	7,834
Accrued interest		231	231
Total		$ 9,581	$ 8,065

Corporate Shares/Units

Security Name (millions)	*Shares*	*Fair Value*
Nexen Inc.	30.1	$1,669.0
BCE Inc.	44.9	1,266.5
Fording Canadian Coal Trust	25.7	1,073.9
Maple Leaf Foods Inc.	42.7	649.5
Northumbrian Water Group plc	129.7	649.0
Manulife Financial Corporation	6.5	443.4
Toronto-Dominion Bank, The	7.1	437.2
Royal Bank of Canada	4.6	418.8
Macquarie Infrastructure Group	120.4	377.0
EnCana Corporation	6.7	353.6
Macdonald, Dettwiler and Associates Ltd.	8.1	302.1
Yellow Pages Income Fund	18.2	297.9
Transurban Group	49.5	289.6
Suncor Energy, Inc.	3.4	247.6
Canadian Natural Resources Limited	4.1	234.0
WestJet Airlines Ltd.	18.5	226.9
Samsung Electronics Co., Ltd.	0.3	224.9
Nestlé SA	0.6	218.1
Bank of Montreal	3.4	217.8
Vodafone Group Plc	83.4	213.1
Sun Life Financial Inc.	4.5	210.1
Canadian National Railway Company	2.2	202.6
Bank of Nova Scotia	4.2	197.0
Canon Inc.	2.8	194.5
Royal Bank of Scotland Group plc	5.2	184.4
Alcan Inc.	3.8	183.2
Canadian Imperial Bank of Commerce	2.4	182.9
Sanofi-Aventis	1.8	182.3
Petroleo Brasileiro S.A.	2.6	172.6
Telefonos de Mexico SA de CV	62.2	167.1
Sprint Nextel Corporation	6.1	166.4
CRH plc	4.8	165.3
Shoppers Drug Mart Corporation	3.6	158.9
Pfizer Inc.	5.8	157.9
Talisman Energy Inc.	2.5	156.2
Eni S.p.A.	4.8	153.8
Total SA	0.6	146.9
Petro-Canada	3.1	145.6
JPMorgan Chase & Co.	2.9	135.9
Old Mutual plc	40.0	132.0
Altria Group, Inc.	1.4	127.0
MDS Inc.	6.3	127.0

Corporate Shares/Units

Security Name (millions)	*Shares*	*Fair Value*
Sumitomo Mitsui Financial Group, Inc.	0.01	$126.8
Autoroutes du Sud de la France	1.8	126.8
Wolseley plc	4.8	118.1
ABN AMRO Holding NV	3.8	116.4
Telefonica S.A.	5.9	116.2
Citigroup Inc.	2.0	114.1
Microsoft Corporation	3.7	113.9
UBS AG	1.0	113.0
Barrick Gold Corporation	3.5	112.8
BP plc	8.0	111.9
ING Groep N.V.	2.8	111.8
Akzo Nobel N.V.	2.0	109.3
Kobenhavns Lufthavne A/S	0.3	106.8
Sherritt International Corporation	10.3	104.2
Royal Dutch Shell PLC	2.8	103.4
TransCanada Corporation	2.8	103.0
Takeda Pharmaceutical Company Limited	1.6	101.1
Companhia Vale do Rio Doce	2.2	100.8
E.ON AG	0.8	100.6
Rogers Communications, Inc.	2.0	98.9
UniCredito Italiano SpA	12.3	98.4
Hewlett-Packard Company	2.9	95.9
Southern Cross FLIERS Trust	1.0	95.7
Nortel Networks Corporation	26.9	95.6
Imperial Oil Limited	0.8	95.1
Safeway Inc.	3.4	93.6
National Bank of Canada	1.5	93.6
Research In Motion Limited	1.2	91.8
ConocoPhillips	1.3	90.2
General Electric Company	2.1	87.9
Brookfield Asset Management Inc	1.5	86.8
Osprey Media Income Fund	13.5	85.8
Bank of America Corporation	1.6	85.3
The Jean Coutu Group (PJC) Inc.	6.0	84.3
Bayerische Motoren Werke AG	1.6	82.9
Muenchener Rueckversicherungs-Gesellschaft AG	0.5	82.0
First Data Corporation	1.6	80.9
Falconbridge Limited	2.3	79.5
Freddie Mac	1.0	77.9
Thomson Corporation, The	1.9	76.8
Placer Dome Inc.	2.9	76.3
Volkswagen AG	1.2	75.0

Corporate Shares/Units

Security Name (millions)	*Shares*	*Fair Value*
Cameco Corporation	1.0	$ 74.4
Unilever N.V.	2.2	74.3
Telkom South Africa Limited	3.0	74.1
Repsol YPF, S.A.	2.1	73.0
Time Warner Inc.	3.6	72.6
Kroger Co., The	3.3	72.1
Teck Cominco Limited	1.1	70.2
Husky Energy Inc.	1.1	69.2
Telus Corporation	1.4	68.7
Power Corporation of Canada	2.1	67.6
Power Financial Corporation	2.0	66.6
Enbridge Inc.	1.8	64.8
Merck & Co. Inc.	1.7	64.6
Canadian Pacific Railway Limited	1.3	64.3
Magna International Inc.	0.7	62.1
Shell Canada Limited	1.5	61.6
Bristol-Myers Squibb Company	2.2	59.9
Potash Corporation of Saskatchewan Inc.	0.6	59.3
DaimlerChrysler AG	1.0	58.4
Goldcorp, Inc.	2.3	58.3
Deutsche Telekom AG	2.9	55.9
SAP AG	0.3	55.8
Heineken NV	1.5	55.7
Mitsubishi Estate Company Ltd.	2.3	55.4
Anglo American plc	1.4	54.3
Canadian Tire Corporation, Limited	0.8	53.6
Canadian Oil Sands Trust	0.4	52.9
Hitachi, Ltd.	6.6	52.0
Enerplus Resources Fund	0.9	51.6
AstraZeneca PLC	0.9	50.6

For equities over $20 million, please see our website at: www.otpp.com.

Real Estate Portfolio

Property	*Total Square Footage (in thousands)*	*Effective % Ownership*
Canadian Regional Shopping Centres		
Cataraqui Town Centre, Kingston	608	50%
Champlain Place, Dieppe	813	100%
Chinook Centre, Calgary	1,184	100%
Don Mills Shopping Centre, Toronto	420	100%
Erin Mills Town Centre, Mississauga	770	50%
Fairview Mall, Toronto	878	50%
Fairview Park Mall, Kitchener	744	100%
Fairview Pointe Claire, Montreal	1,018	50%
Georgian Mall, Barrie	465	100%
Hillcrest Mall, Richmond Hill	586	100%
Le Carrefour Laval, Montreal	1,312	100%
Les Galeries D'Anjou, Montreal	1,241	50%
Les Promenades St. Bruno, Montreal	1,066	100%
Lime Ridge Mall, Hamilton	815	100%
Market Mall, Calgary	904	50%
Markville Shopping Centre, Markham	1,018	100%
Masonville Place, London	685	100%
McAllister Place, Saint John	469	100%
Pacific Centre, Vancouver	1,397	100%
Polo Park Mall, Winnipeg	1,224	100%
Regent Mall, Fredericton	486	100%
Richmond Centre, Richmond	487	100%
Rideau Centre, Ottawa	761	31%
Sherway Gardens, Toronto	987	100%
The Bay Centre, Victoria	411	100%
The Promenade, Toronto	691	100%
Toronto Eaton Centre, Toronto	1,588	100%

Real Estate Portfolio

Property	*Total Square Footage (in thousands)*	*Effective % Ownership*
Canadian Office Properties		
77 Bloor Street West, Toronto	382	100%
635 8th Avenue SW, Calgary	276	100%
Encor Place, Calgary	361	100%
Granville Square, Vancouver	409	100%
HSBC Building, Vancouver	398	100%
Pacific Centre Office Complex, Vancouver	1,551	100%
PricewaterhouseCoopers Place, Vancouver	241	100%
Shell Centre, Calgary	684	50%
Simcoe Place, Toronto	826	25%
Toronto-Dominion Centre Office Complex, Toronto	4,426	100%
Toronto Eaton Centre Office Complex, Toronto	1,896	100%
Waterfront Centre, Vancouver	410	100%
Yonge Corporate Centre, Toronto	675	100%
U.S. Regional Shopping Centres		
Kitsap Mall, Silverdale, Washington	715	49%
Lakewood Mall, Lakewood, California	2,087	49%
Los Cerritos Center, Cerritos, California	1,293	49%
Redmond Town Center, Redmond, Washington	1,250	49%
Stonecrest Mall, Atlanta, Georgia	1,171	33%
Stonewood Center, Downey, California	913	49%
Washington Square, Tigard, Oregon	1,241	49%

Private Companies and Partnerships

Active Value Capital L.P.
Alias Systems Holdings Inc.
Alliance Laundry Systems Holdings, LLC
Almatis Premium Alumina
Altalink L.P.
AOT Bedding Holding Corp.
ARC Canadian Energy Venture Fund III
Ares Corporate Opportunities Fund
Arrowstreet Global Opportunities Offshore Fund Ltd.
Ashmore Local Currency Debt Portfolio
Avenue Europe International Ltd
Baillie Gifford Emerging Market Fund
BC European Capital VI
BC European Capital VII
BDC Offshore Fund II Ltd
Bernstein Global Long/Short Equity Portfolio L.P.
Blue Ocean Re Holdings Ltd.
Canary Wharf Group plc
Canyon Value Realization Fund (Cayman) Ltd
Cerberus International Ltd
CFM Corporation
Concordia Capital Ltd
CRC Global Structured Credit Fund Ltd
Crestline Offshore Fund Ltd
Davidson Kempner International Ltd
DE Shaw Composite International Fund
Diamond Castle Partners IV-A, L.P.
Doane Pet Care Enterprises, Inc
DPFM Multi Limited
Emerging Markets Real Estate Ontario Partners II, L.P.
Express Pipeline Ltd.
Gala Group Limited
GCAN Holdings Inc.
GMO Mean Reversion Fund (Offshore) L.P.
Gottex ABL Fund
Grupo Corporativo Ono, S.A.
H2 Credit Partners II Ltd
Hancock Timber Resource Group
HBK Offshore Benefit Plan Fund Ltd
Highland Crusader Fund Ltd.
IIG Trade Finance Partners Ltd.
III Fund Ltd.
InterGen N.V.
International Finance Participation Trust I
JMG Triton Offshore Fund Ltd
Lighthouse V Fund Limited
Luscar Energy Partnership
Macquarie Airports Group Limited
Maple Leaf Sports & Entertainment Ltd.
Maple Partners Financial Group Inc.
MidOcean Partnership
New Ellington Credit Fund Ltd
New Ellington Overseas Ltd
North American Oil Sands Corporation
Northern Star Generation LLC
Oak Hill Contingent Capital Fund Ltd
Palmetto Fund Ltd
Park Square Capital, LLC
Parmalat Dairy & Bakery Inc.
Providence Equity Partners Fund IV
Providence Equity Partners Fund V
Prudential Timber Investments Inc.
Relational Investors LLC
Rhône Offshore Partners II LP
RIII Funding Ltd.
Ritchie Risk-Linked Ltd
SAC Multi-Strategy Fund Ltd
Samsonite Corporation
Schroder Asian Properties L.P.
Scotia Gas Networks PLC
Southern Cross Airports Corporation Holdings Ltd.
The Hillman Group
The Third Hermes UK Focus Fund
Wellspring Capital Partners III L.P.
Western Sydney Orbital Funding Trust
Wind Point Partners V, L.P.
Worldspan L.P.
York Street Capital Partners

Eleven-Year Review

($ billions)	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Change in net assets for the year ended December 31											
Income											
Investment Income	14.09	10.80	11.42	(1.41)	(1.74)	6.21	10.12	5.14	7.25	7.44	5.66
Contributions											
Members/transfers	0.79	0.75	0.71	0.68	0.64	0.62	0.63	0.61	0.59	0.62	0.64
Province of Ontario	0.78	0.75	0.72	0.70	0.68	0.66	0.66	0.65	0.65	0.67	0.67
– special payments	–	–	–	–	–	–	0.13	0.49	0.46	0.15	–
Total Income	15.66	12.30	12.85	(0.03)	(0.42)	7.49	11.54	6.89	8.95	8.88	6.97
Expenditures											
Benefits paid	3.62	3.43	3.20	3.08	3.08	2.54	2.28	2.10	1.80	1.52	1.26
Investment expenses	0.21	0.19	0.16	0.10	0.12	0.10	0.09	0.07	0.06	0.04	0.03
Client service expenses	0.03	0.03	0.03	0.03	0.04	0.03	0.03	0.03	0.03	0.03	0.03
Total Expenditures	3.86	3.65	3.39	3.21	3.24	2.67	2.40	2.20	1.89	1.59	1.32
Increase (Decrease) in Net Assets	11.80	8.65	9.46	(3.24)	(3.66)	4.82	9.14	4.69	7.06	7.29	5.65
Net assets as at December 31											
Investments											
Fixed Income	18.38	13.91	19.38	13.96	7.09	13.32	17.30	11.48	10.28	10.62	12.51
Equities											
– Canadian	20.21	16.80	15.19	13.43	17.06	17.74	19.89	17.61	19.43	17.37	12.22
– Non-Canadian	25.78	23.09	19.13	18.19	24.28	23.14	21.76	24.02	19.96	16.01	12.29
Inflation-Sensitive											
– Commodities	2.65	2.13	1.89	1.48	1.09	2.10	1.09	0.40	0.13	–	–
– Real Estate	12.45	10.90	9.87	11.49	11.59	6.20	2.82	1.58	1.56	1.27	0.93
– Infrastructure & timber	4.77	2.99	1.90	0.97	0.03	–	–	–	–	–	–
– Real-rate products	10.56	11.90	7.07	5.92	6.98	9.55	4.24	3.02	1.60	1.07	1.06
Net Investments	94.80	81.72	74.43	65.44	68.12	72.05	67.10	58.11	52.96	46.34	39.01
Receivable from Province of Ontario	1.50	1.42	1.36	1.32	1.28	1.25	1.25	1.23	1.26	1.29	1.31
Other Assets	20.90	23.17	11.30	23.45	24.26	13.15	7.04	5.39	8.54	3.29	1.59
Total Assets	117.20	106.31	87.09	90.21	93.66	86.45	75.39	64.73	62.76	50.92	41.91
Liabilities	(21.07)	(21.98)	(11.41)	(24.00)	(24.20)	(13.33)	(7.08)	(5.56)	(8.27)	(3.48)	(1.76)
Net Assets	96.13	84.33	75.68	66.21	69.46	73.12	68.31	59.17	54.49	47.44	40.15
Smoothing reserve	(7.44)	(1.54)	3.48	9.65	2.97	(4.34)	(8.32)	(4.79)	(5.58)	(4.42)	(1.91)
Actuarial value of net assets	88.69	82.79	79.16	75.86	72.43	68.78	59.99	54.38	48.91	43.02	38.24
Accrued pension benefits	110.53	96.73	83.12	73.67	65.43	58.56	52.11	48.64	44.46	41.83	38.74
Surplus (Deficit)	(21.84)	(13.94)	(3.96)	2.19	7.00	10.22	7.88	5.74	4.45	1.19	(0.50)
Performance (%) for the year ended December 31											
Rate of return	17.2	14.7	18.0	(2.0)	(2.3)	9.3	17.4	9.9	15.6	19.0	16.9
Benchmark	12.7	10.6	13.5	(4.8)	(5.3)	5.3	17.6	11.9	15.6	18.1	17.2

Historical average long-term goal has been 6.8% since 1990 (goal is CPI+5%).

Design: THE WORKS www.worksdesign.com Prepress & printing: grafikom.MIL

Corporate Directory

Ontario Teachers' Pension Plan

President and Chief Executive Officer
Claude Lamoureux

Audit Services
Peter Maher, *Vice-President*

Finance
David McGraw, *Vice-President and Chief Financial Officer*

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*

Dan Houle, *Vice-President*

Phil Nichols, *Vice-President*

Member Services
Rosemarie McClean, *Senior Vice-President*

Investments
Robert Bertram, *Executive Vice-President*

Asset Mix & Risk
Barbara Zvan, *Vice-President*

Fixed Income
Sean Rogister, Senior Vice-President

Public Equities
Brian Gibson, *Senior Vice-President*

Zev Frishman, *Vice-President*

Tactical Asset Allocation & Alternative Investments
Neil Petroff, *Senior Vice-President*

Wayne Kozun, *Vice-President*

Ron Mock, *Vice-President*

Teachers' Private Capital
Jim Leech, *Senior Vice-President*

Ron Lepin, *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 on this annual report.

Please contact:
Deborah Allan
Director, Communications and Media Relations
Tel: 416.730.5347
E-mail: communications@otpp.com

Ontario Teachers' Pension Plan
5650 Yonge Street, Toronto, Ontario M2M 4H5

Please visit us at:

www.otpp.com

Follow the path below to reach our online Annual Report.

> www.otpp.com > Publications > Financial Reports > Annual Report