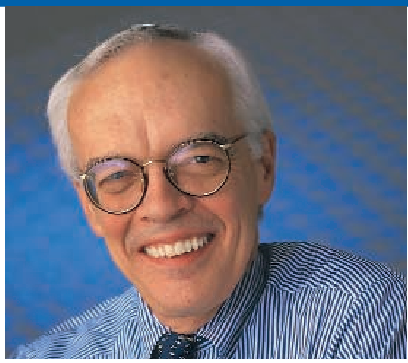
Report to members 2000

Teachers' Pension Plan Board
Ontario

APRIL 2001



CLAUDE LAMOUREUX
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Financial markets were highly volatile in 2000, a trend we expect to continue. Despite the less reliable investment climate, the pension plan enjoyed another strong year in 2000. The total fund return was 9.3 percent, increasing the value of net assets to $73.1 billion at year end.

> "The rate of return over 10 years averaged 13.8%"

Since 1990, strong stock markets around the world have helped the fund grow faster than the increase in the cost of future pension benefits. However, what has really made the difference are deliberate decisions that allowed us to do better than the market.

Over the past decade we have gained exposure to foreign markets through equity-based derivatives and partnerships with external managers to earn value-added returns from active equity selection. We have built one of the largest merchant banks in Canada to earn premium returns from private equity markets. We have introduced innovative portfolio management techniques to earn above-market returns from equity and fixed-income index funds. Most recently, we purchased The Cadillac Fairview Corporation, making us one of the largest Canadian owners of North American real estate.

BEST-EVER VALUE ADDED

These and other initiatives paid off handsomely in 2000, with portfolio managers achieving $2.6 billion in value added. This amount is the difference between the total fund return of 9.3 percent and the 5.3 percent return for the composite benchmark. All this confirms the importance of actively managing the asset base and rewarding investment managers for their effort.

Looking back at the value added to the fund over the last four years, the investment team averaged 13 percent against a benchmark of 12.5 percent. Since inception, they averaged 13.1 percent, beating the benchmark of 10.7 by 2.4 percent. In dollar terms, that means our investment team has created $6 billion in value added since 1990.

I want to congratulate our entire investment team for their professionalism, foresight and innovation to meet the growing needs of the pension plan with value added investment income. It has been, and continues to be, a job well done.

Highlights

AVOIDING UNDUE LOSS

The emphasis on maximizing returns also means trying to avoid unnecessary losses when markets turn for the worse. It is difficult, of course, for a large investment fund to predict short-term trends. Nevertheless, the pension board is attentive to prudent opportunities.

A good example in 2000 concerned technology stocks. Going into the year, we believed that most technology stocks were overvalued. The pension board took proactive action by reducing its technology holdings in Canadian and American stocks. As a result, we avoided substantial losses that would otherwise have occurred.

Managing Our Technology Exposure

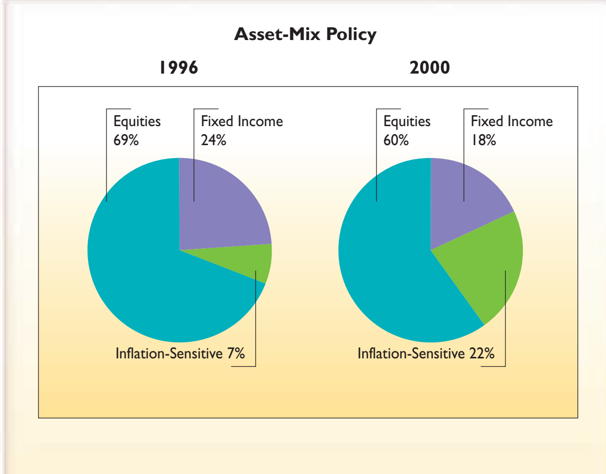
(percent)	Q1	Q2	Q3	Q4
Technology Stocks % of TSE 300 Index	31.1	41.5	38.4	26.0
% Underweight in our portfolios	3.4	4.8	5.8	3.6

We reduced our exposure to technology stocks as a percentage of the TSE 300 Index throughout 2000.

PROTECTING THE FUND

Finding ways to add value by maximizing returns without incurring undue loss is a priority in view of the increasing number of pensioners. Since the mid-1990s, we have modified our investment approach to meet the changing needs of the pension plan.

Our asset mix continues to shift from equities and bonds to inflation-sensitive assets, especially commercial real estate properties, real-rate bonds and commodities. These investment classes have been chosen specifically for their ability to rise in value with inflation, mitigating the long-term cost impact of inflation on growing liabilities, and safeguarding the fund if current expectations of lower returns from investment in stocks over the next decade are realized.



The asset-mix policy has changed over the past five years as we strive to better match assets that react to inflation with the indexed nature of pension benefits.

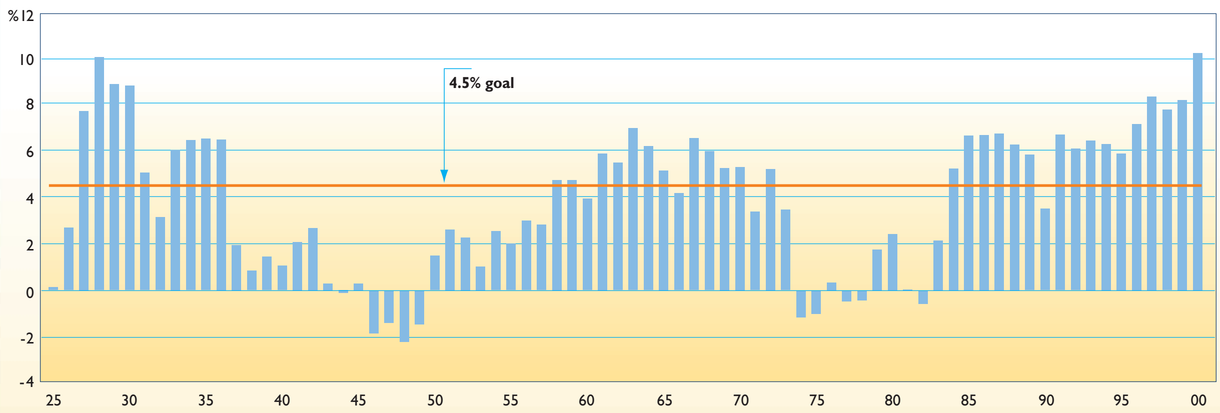
Increased risk In future, we expect modest real rates of return from stock and bond markets compared with the past 10 years. If history repeats itself, low or negative real-rate returns are possible over multiple years, as the chart on page 3 illustrates. We are more concerned now about the impact of short-term market volatility on our ability to keep contributions stable than we were 10 years ago.

Funding Surplus

($ Billions) (at January 1)	2001	2000
Net assets	**$73.1**	$68.3
Smoothing reserve	**4.3**	7.3
Value of assets	**68.8**	61.0
Future contributions	**14.4**	13.4
Actuarial assets	**83.2**	74.4
Future benefits	**76.4**	69.8
Surplus (deficit)	**6.8**	4.6
Used for benefit improvements	**6.2**	—
Remaining Surplus (April 2001)	**0.6**	4.6

Most of the surplus was used in April 2001 to improve benefits, including a permanent 85 factor.

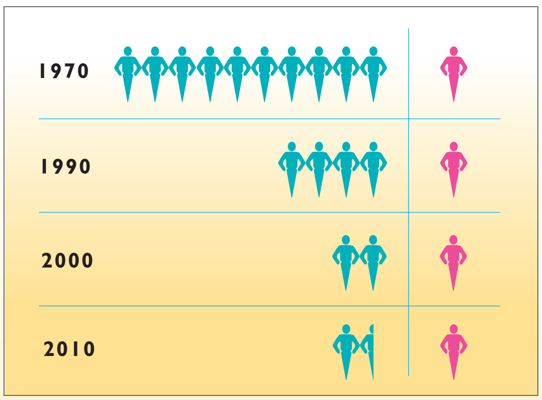
Real Returns of Canadian Stocks and Bonds Portfolio



This chart tracks the rolling 10-year average real rate performance (after inflation) of an index-based portfolio consisting of two-thirds Canadian stocks and one-third Canadian bonds. The portfolio would reach our long-term investment target of 4.5% less than half the time.

Changing profile The profile of the plan has changed leaving fewer contributors while the number of teachers on pension continues to grow. Ten years ago, future contributions were sufficient to cover about one-third of future benefits. Today, those contributions would only cover 19 percent.

Active Members vs. Pensioners



With only two active members for every pensioner today, there are half as many contributors per retiree as there were 10 years ago.

We assure plan members that the pension board is committed to maximizing investment returns so that asset values have a better chance of keeping pace with the rising value of promised pensions.

STRIVING FOR EFFICIENCY

In seeking above-average investments, as well as providing timely and personalized member services, we strive to be an efficient organization. Last year, it cost $133 million to operate the pension board. Ongoing administrative costs were $106 per member. Investment expenses at 14 cents per $100 of net assets were low compared with many other institutional investors.

ACKNOWLEDGEMENTS

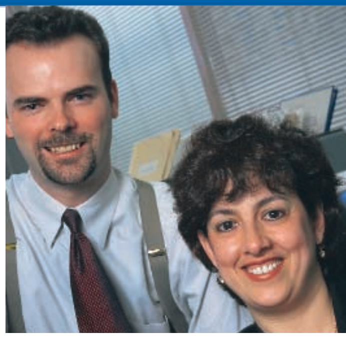
Our bi-annual employee survey showed that the pension board continues to be an attractive place to work. The positive attitudes and professionalism of staff are behind our standing as one of the consistent top investment performers in the pension fund industry as well as our highest-ever customer satisfaction rating from teachers and retirees. We remain committed to doing an even better job in the future.

C Lamoureux

CLAUDE LAMOUREUX

PRESIDENT AND CHIEF EXECUTIVE OFFICER

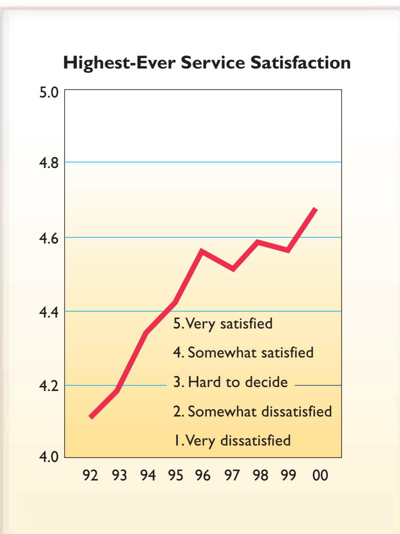
OUTSTANDING SERVICE TODAY...



"Over 60 pension benefits specialists are ready to answer your questions"

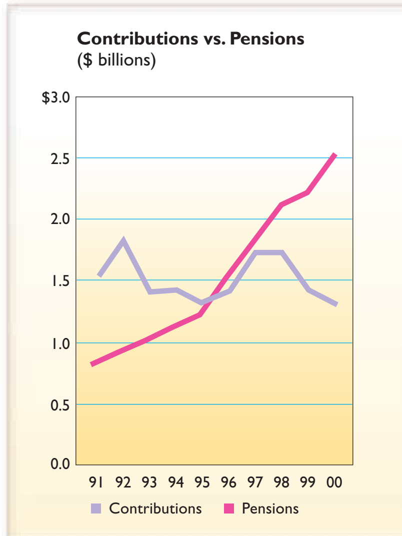
Member Services Volumes

	2000	1999
Telephone calls	**94,296**	78,654
Purchase of credit	**12,541**	18,021
Pension inceptions	**7,034**	6,397
Pension estimates	**5,880**	6,331
Changes to survivor benefits	**3,358**	3,455
Termination estimates	**2,512**	2,736
Death benefits	**2,656**	2,713
Plan transfers	**2,019**	2,208
Marriage breakdown calculations	**806**	836
Commuted value payouts	**761**	612

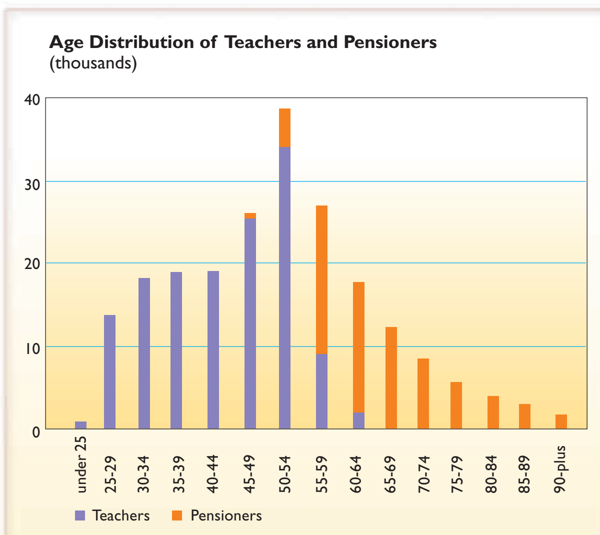


Our commitment to providing outstanding immediate and personalized service to all plan members and pensioners earned us the highest-ever satisfaction rating in 2000.

We are a customer-focused organization with a broad mandate that covers dozens of benefit entitlements and we serve more than 300,000 clients. Our services extend far beyond calculating and paying pensions; we respond to the ever-changing needs of our plan members and pensioners.



The gap between contributions and pension payments continues to widen. In 2000, 153,000 teachers and the government contributed $1.3 billion and we paid out $2.5 billion in benefits.

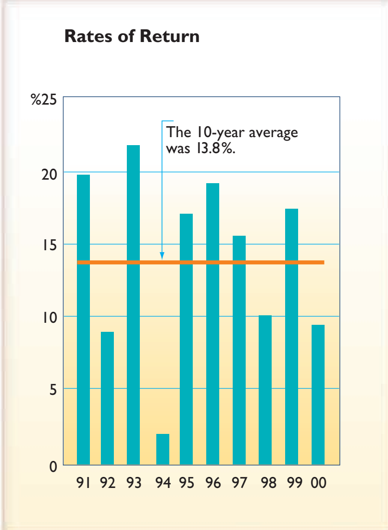


Over the past 10 years, retirees in their 50s have increased as a percentage of the pensioner population. We expect 50,000 retirements over the next decade.

AS AT DECEMBER 31	**2000**	1999
Investment Performance		
Net assets ($ billions)	**$73.1**	68.3
Rate of return on investments (%)		
Annual	**9.3%**	17.4%
Composite benchmark	**5.3**	17.6
Four-year average	**13.0**	15.4
Four-year benchmark	**12.5**	15.8

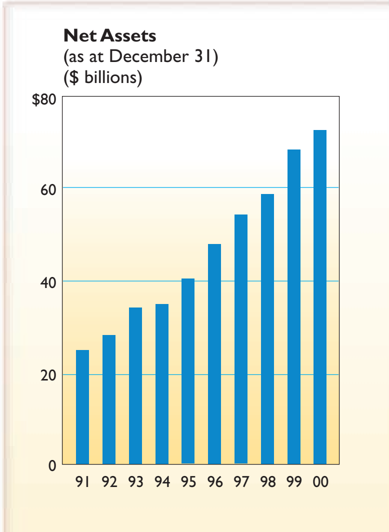
Average annual compound rates of return (%)

	1 yr	4 yr	5 yr	10 yr	SINCE INCEPTION
Our return	9.3	13.0	14.2	13.8	13.1
Benchmark	5.3	12.5	13.6	12.7	10.7

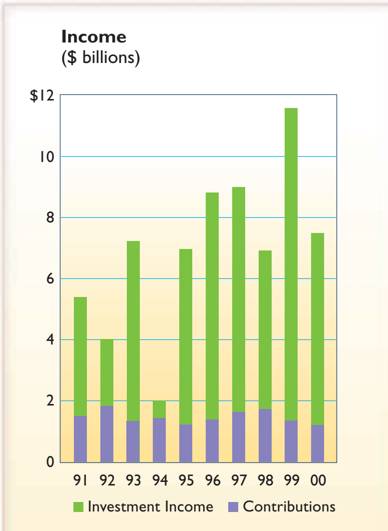


Rates of Return Compared to Benchmarks

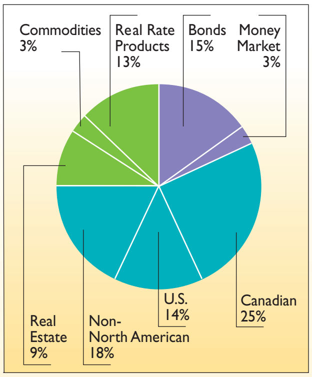
(percent)	Investment returns	Benchmark return	Composite Benchmark
Fixed income and short-term securities	15.6	13.7	Scotia Capital Treasury Bills (91 days) Scotia Capital Canada Universe Scotia Capital Long Bond
Canadian equity	13.5	7.4	TSE 300
U.S. equity	(4.1)	(5.5)	S&P 500
Non-North American equity	(8.5)	(13.5)	Morgan Stanley EAFE, EMF National Index
Inflation-sensitive	19.9	18.0	Scotia Capital Real Return Bond Custom US Treasury Inflation-Protected Securities Goldman Sachs Commodities CPI plus 4%
Total Plan	9.3	5.3	Benchmark weighted by the policy asset mix



"Our 95 investment professionals created $2.6 billion in extra value in 2000"

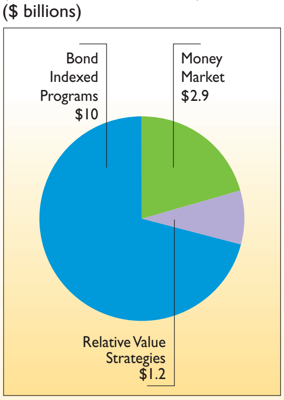


Asset Mix
(as at December 31, 2000)



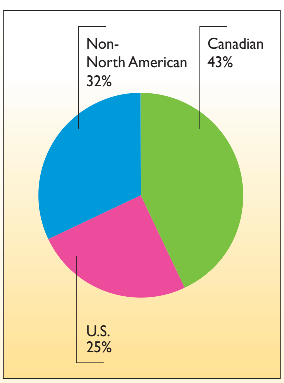
Fixed Income 18% Equities 57%
Inflation-Sensitive Investments 25%

Fixed Income
(as at December 31, 2000)
($ billions)

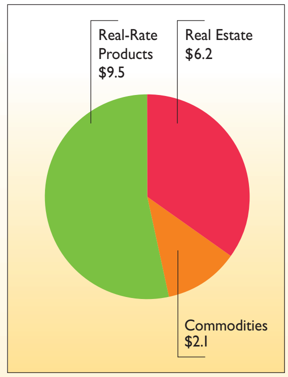


The fixed-income group manages $14.1 billion in assets.

Equities
(as at December 31, 2000)



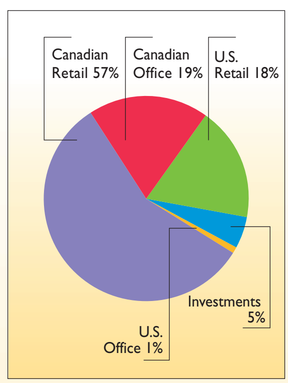
Inflation-Sensitive Investments
(as at December 31, 2000)
($ billions)



To better match inflation-indexed pensions, we are building up ownership of inflation-sensitive investments.

"Ensuring teachers' retirement income for the 21st century"

Real Estate Portfolio
(as at December 31, 2000)



Our plan is to increase ownership of high-quality office buildings and large shopping centres in North America.

Top 40 Investments

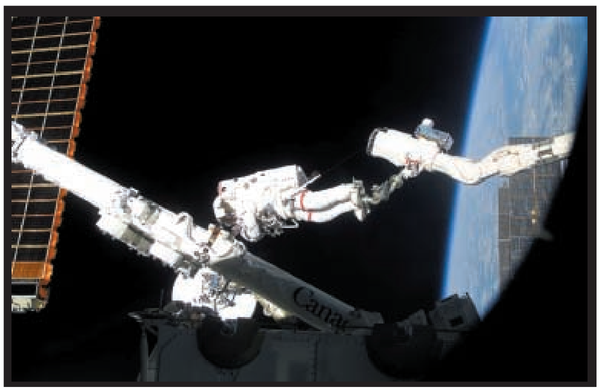
AS AT DECEMBER 31, 2000

Security Name	(Millions) Shares	Fair Value ($ Billions)
Government of Canada Bonds		$9.3
Cadillac Fairview Corporation (real estate subsidiary)		6.2
Real return Canada bonds (plus inflation)		3.1
Canadian T-bills		1.8
Nortel Networks Corporation	37.8	1.8

Security Name	(Millions) Shares	Fair Value ($ Millions)
Nexen Inc.	21.4	791.4
Hwy 407 Real-return corporate bonds		722.0
Power Corp Convertible Debentures		529.8
Royal Bank of Canada	9.4	476.7
Toronto-Dominion Bank, The	8.4	366.4
Encal Energy Ltd.	31.1	331.6
Bank of Montreal	4.2	328.4
BCE Inc.	7.6	328.1
Bank of Nova Scotia, The	7.5	326.1
Manulife Financial Corporation	6.8	317.8
AT&T Canada Inc.	6.9	299.7
Maple Leaf Foods Inc.	37.9	299.2
Enron Corp.	2.2	279.1
Canadian Imperial Bank of Commerce	5.7	263.3
Sun Life Financial Services of Canada Inc.	6.2	248.7
Alcan Aluminium Limited	4.7	242.4
Canadian Pacific Limited	5.5	234.5
Petro-Canada	5.1	194.1
WestJet Airlines Ltd.	8.3	192.8
Alberta Energy Company Ltd.	2.6	184.9
Celestica Inc.	2.2	177.3
Talisman Energy Inc.	2.8	155.6
Bombardier Inc.	6.3	146.7
Barrick Gold Corporation	5.9	145.3
Thomson Corporation, The	2.5	144.8
Suncor Energy Inc.	3.6	136.1
Gulf Canada Resources Limited	17.8	135.9
Canadian National Railway Company	3.1	135.5
TELUS Corporation	2.9	117.9
TransCanada PipeLines Limited	6.6	112.9
HSBC Holdings	5.0	110.2
Total Fina SA	0.6	109.3
Ballard Power Systems Inc.	1.1	103.3
Canadian Natural Resources Limited	2.4	101.6
Maple Leaf Sports and Entertainment		(undisclosed)

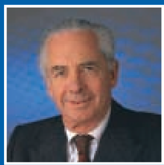
Note: For a complete list of companies, please see our web site at www.otpp.com.

News



In April 2001, we purchased 10 million shares ($14 a share) of MacDonald Dettwiler and Associates, famous for building robotics such as Canadarm. We now own 29% of this company, bringing ownership of the Canadarm back to Canada.

Board of Directors



ROBERT W. KORTHALS
Former President of the Toronto-Dominion Bank
Chair of the Board and Chair of Human Resources and Compensation Committee

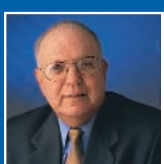
JALYNN H. BENNETT
President of Jalynn H. Bennett & Associates Ltd., a consulting firm specializing in strategic planning and organizational development
Chair of the Investment Committee and member of the Governance Committee

GEOFFREY W. CLARKSON
Fellow of the Institute of Chartered Accountants of Ontario and former senior partner with Ernst & Young
Chair of the Benefits Adjudication Committee and member of the Audit and Actuarial Committee

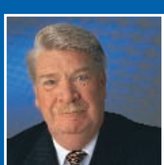
ANN FINLAYSON
Journalist, speaker, freelance editor and consultant, author of three books, including *Whose Money is it Anyway? The Showdown on Pensions* (1988)
Member of the Audit and Actuarial Committee

LUCY G. GREENE
Former Vice-President of Human Resources with Sun Life Assurance Company of Canada
Chair of the Governance Committee and Vice-Chair of the Benefits Adjudication Committee

JOHN S. LANE
Former Senior Vice-President of Investments for Sun Life Assurance Company of Canada, and a Chartered Financial Analyst
Member of the Audit and Actuarial Committee



RALPH E. LEAN, Q.C.
Senior partner with the law firm Cassels Brock & Blackwell in Toronto
Member of the Governance Committee



DAVID J. LENNOX
Former Secretary of the Ontario Public School Teachers' Federation, former school principal
Chair of the Audit and Actuarial Committee

GARY PORTER
Chartered accountant and founding partner of the accounting firm Porter Hétu International, and a past president of the Certified General Accountants Association of Ontario
Member of the Audit and Actuarial and Governance Committees

All board members serve on the Investment and the Human Resources and Compensation Committees.

Corporate Profile

The Ontario Teachers' Pension Plan Board is responsible for the future retirement income of 153,000 elementary and secondary school teachers, 77,000 retired teachers and their survivors, and 92,000 former teachers with entitlements in the plan. The plan is sponsored by a partnership between the Ontario government and the plan members, represented by the Ontario Teachers' Federation. The co-sponsors negotiate the use of surplus and have an equal say in the plan's design, including changes in benefits.

The pension board's current asset-mix policy is 60 percent equities, including shares in public and private companies and equity-return derivative contracts; 22 percent inflation-sensitive assets such as real estate, real-rate bonds and commodities; and 18 percent fixed-income securities, largely federal and provincial government bonds.

To Contact Us

A copy of the 2000 Annual Report, containing full audited financial statements, is on our web site under www.otpp.com. If you would like a copy of this report, contact us.

We welcome your comments and suggestions for this Report to Members, as well as other aspects of our communications program.

Communications Department
Ontario Teachers' Pension Plan Board
5650 Yonge Street
Toronto, Ontario M2M 4H5
Toll-free: 1-877-812-7989
Local: 416-228-5900
e-mail: communications@otpp.com

Web Site: www.otpp.com