TEACHERS'™ PENSION PLAN ONTARIO

2007 Report to Members

Keeping the promise. Facing the challenge.

Highlights

- Earned $4.7 billion in 2007
- Beat the fund's composite benchmark by more than 2%
- Preliminary funding valuation shows a $12.7 billion shortfall under the current Funding Management Policy
- Shortfall results from the cost of future pensions growing more quickly than plan assets
- Plan sponsors must file a balanced valuation with regulators by September 2008

Message from the CEO

Succeeding Claude Lamoureux is a daunting task. By every measure – service delivery, asset growth, staff development, corporate conduct and international acclaim – Claude oversaw the creation of a world-renowned organization.

My job is to build upon his legacy and to responsibly manage all of these assets so they continue to serve future generations. In addition, my staff and I will continue working closely with the plan sponsors – the Ontario Teachers' Federation (OTF) and the provincial government – to better position the plan to meet ongoing funding challenges.

Positive investment returns

Although the past year was a trying one for Canadian investors, I am pleased to report that the plan's investment portfolio continued to grow, with $108.5 billion in net assets at December 31, 2007, compared to $106.0 billion at the end of 2006.

The fund generated $4.7 billion in investment income despite the adverse impact on foreign investments of the rising Canadian dollar, negative fallout in international credit markets from the U.S. subprime mortgage crisis, and the collapse of Canada's market for non-bank asset-backed commercial paper (ABCP).

Our 4.5% rate of return exceeded the 2.3% total fund benchmark. Although we outperformed our benchmark, poor market conditions in general meant our returns fell short of the amount required to match the growth of the plan's liabilities. Continued market turbulence could also impact our performance in 2008.

High marks for Member Services

Our Member Services team has again scored top marks for plan administration: a 9 out of 10 in member service satisfaction ratings. Last year, we further developed the technology essential for efficient and effective information processing. This allows our front-line staff to use their knowledge to help members understand complex pension rules and make informed decisions, as explained on page 6.

This report describes our 2007 investment and service performance and explains the plan's funding position at January 1, 2008.

Jim Leech, President and CEO, took over from now retired Claude Lamoureux in December 2007, after leading Teachers' Private Capital for the past six years.

Preliminary valuation shows shortfall

Notwithstanding the fund's 2007 investment growth, the preliminary funding valuation conducted as of January 1, 2008, shows a $12.7 billion shortfall between the plan's assets and its liabilities (the cost of future pensions). This valuation is based on the plan's current Funding Management Policy, adopted by the OTF and Ontario government, and the valuation assumptions approved by the pension plan's board.

The board, the OTF and the government are discussing the preliminary shortfall in preparation for the next required filing of the funding valuation. A balanced funding valuation must be filed with the provincial regulator by September 30, 2008, showing the plan is likely to have enough money to cover the cost of future pensions for all current members. When there is a shortfall, the OTF and the government can increase contributions, reduce future benefits or use a combination to bring the plan back into balance. (Pensions being paid to retirees and the value of pension benefits already earned by working teachers are protected by law.)

Ongoing funding concerns are largely the result of continuing low real interest rates combined with the challenge of managing a mature plan – a challenge that defined benefit pension plans worldwide are facing. This plan has a low ratio of working-to-retired members (1.6 to 1) and pays out more money annually than it collects (the plan paid $4.0 billion in pension benefits and received $2.1 billion in contributions from teachers and the government in 2007).

DECLINING RATIO OF WORKING-TO-RETIRED MEMBERS

	1970	*1990*	*2008*
Contributing members per retiree	10:1	4:1	1.6:1
Future contributions as a percentage of plan assets[1]	93%	42%	26%
Increase in contribution rate required if assets decline by 10%	**0.56%**	**1.9%**	**4.4%**

[1]Assuming the plan is fully funded

Due to the declining teacher-to-pensioner ratio, a smaller proportion of the plan's members bear responsibility for keeping the plan fully funded. The low ratio of contributing teachers to retirees makes it more difficult to overcome any future funding shortfalls with contribution increases alone.

Plan maturity has two important impacts: 1) it becomes more difficult to use contribution increases alone to offset insufficient investment returns that may cause funding shortfalls (as the table above shows); and therefore, 2) it reduces the amount of investment risk we can take to earn the returns required to pay pensions.

Seeking higher returns means assuming greater risk. However, the low ratio of working teachers to pensioners restricts our ability to increase returns by taking on more risk. If financial markets should fall significantly, it would be difficult, if not impossible, to make up the difference through higher contributions alone. In recent years, we have changed our asset mix to reduce risk, but this approach also reduces the fund's potential to earn returns over the long term – and for a pension plan, it is the long-term performance that counts most.

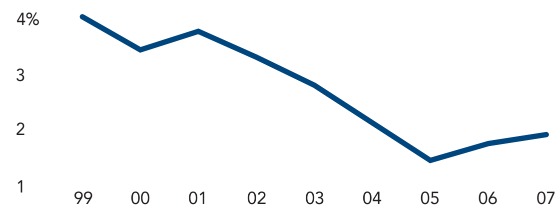
We have addressed these competing concerns as much as possible by finding new ways to make the plan's money work harder. But, the facts remain: this year's preliminary valuation shows another funding shortfall (despite contribution increases introduced to address the 2005 shortfall) and achieving the investment returns required to match growing pension costs is more difficult with the plan's lower risk tolerance.

ASSETS REQUIRED FOR A TYPICAL $40,000 PENSION

Real Interest Rate	*Amount Required*[1]
2.0%	$855,000
3.0%	$745,000
4.0%	$660,000
5.0%	$585,000

[1] For retirement at age 58

REAL INTEREST RATES



When real interest rates are low, bonds yields are low. As a result, the cost of future pensions is higher because the pension plan needs more money today to earn the value of pensions to be paid in the future.

Studies completed in 2007

Keeping the pension promise made to plan members is a goal we share with the plan sponsors – the OTF and the Ontario government. Over the past year, we worked together on two major research projects by: 1) conducting a member survey on contributions and benefits; and 2) commissioning an expert panel to review independently the assumptions used for the plan's funding valuations.

The survey's full results are available on our website. To recap, survey participants said they would be willing to pay an average maximum of 12.3% of their base earnings to preserve their current pension package. Of the three options offered, making cost-of-living increases conditional on the plan's financial health (with the understanding that inflation protection would resume when the plan could afford it) was their preferred option to address funding shortfalls if contributions were already at their maximum preferred level. More research is being conducted on this option, which has been used by other Canadian pension plans.

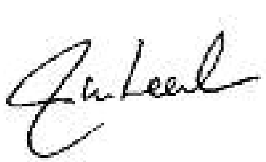
The panel completed a thorough analysis of the plan's valuation assumptions and recommended strengthening the life expectancy assumption to reflect members' increasing longevity. The plan sponsors may consider the findings of the survey and expert panel as they look at the options to resolve funding concerns. We look forward to working with the plan sponsors on a clear set of measures that will guide their future decisions: when to increase and decrease contributions, and when to address future benefits to keep the plan fully funded over the long term.

In conclusion

Dealing with the shortfall will be a challenge for the plan sponsors. But with the challenge comes the opportunity to work together on changes that will benefit the plan's members for generations to come.

On behalf of the board and management team, I extend our appreciation to Tom O'Neill and Raymond Koskie who resigned in 2007. Succeeding them are Sharon Sallows, a partner in Ryegate Capital Corp., and Bill Swirsky, a former executive of the Canadian Institute of Chartered Accountants.

I look forward to reporting to you next year on our progress in keeping the pension promise and facing the mature plan challenge.



Jim Leech
President and Chief Executive Officer

Investment Performance

Our investment team earned $4.7 billion in 2007, achieving a solid 4.5% return amid difficult market conditions.

The summer's credit crunch was the defining issue for our performance in 2007, as it was for many other investors. Our public equities and bonds did well during the first half of the year, but reversed course in late June and July.

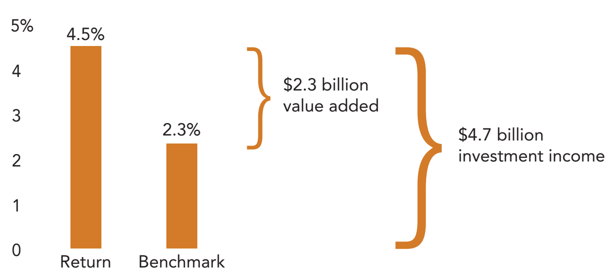
Although we had not invested directly in the types of investments that gave rise to what is now known as the subprime mortgage crisis, we did have some indirect exposure through other investments. In addition, the value of some of our fixed income investments has been impacted materially by the global credit crisis. More broadly, the resulting market instability in the fourth quarter hurt the performance of all our fixed income and public equities portfolios, and is expected to continue in 2008.

Because we report foreign investment returns in Canadian dollars, the rise of the Canadian dollar against most other currencies also had a significant impact on the fund's 2007 performance. Although many of the fund's non-Canadian assets fared well, the strengthening dollar meant that their gains were diminished in the conversion to our home currency.

While market forces are beyond our control, we can influence our performance relative to the markets. Private equity, real estate and infrastructure assets led the fund's $2.3 billion outperformance of its benchmark in 2007. For more information on our investment performance, benchmarks and related matters, please visit our website.

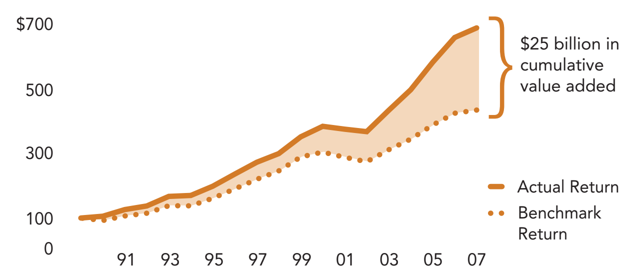
Beating benchmarks helps pay pensions

FUND RETURN COMPARED TO BENCHMARK
(as at December 31, 2007)



We generated $2.3 billion more than the markets in which we invest. We benchmark ourselves against the performance of standard indexes including the S&P/TSX Composite and S&P 500. This extra income was enough to pay 64,000 pensions in 2007.

INVESTMENT GROWTH
($100 invested in 1990)



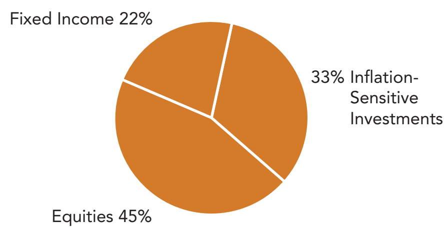
Almost one-quarter of the fund's growth since 1990 has been generated by consistently outperforming market benchmarks. The fund would be worth $25 billion less today if our performance had not exceeded market growth.

INVESTMENT PERFORMANCE

(percent)	***2007***	*2006*	*4-year*	*10-year*	*Since 1990*
Rate of return	4.5	13.2	12.3	9.7	11.4
Total fund benchmark	2.3	9.4	8.7	7.1	8.5
Value added above benchmark *($ billions)*	$2.3	$3.4	$12.3	$20.5	$25.0

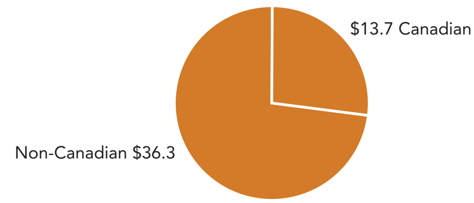
Strong market performance since 1990 has helped generate an average annual return of 11.4%. We do not expect markets to repeat this level of performance in the future.

ASSET-MIX POLICY
(for the year ended December 31, 2007)



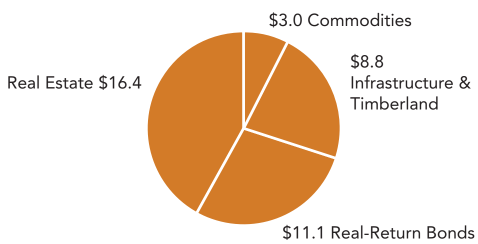
Returns from equities are more volatile than other assets we hold. Due to the plan's maturity, we have lowered our allocation to equities to reduce the risk of a loss that would have to be covered by increasing contribution rates or reducing benefits for future service.

EQUITIES: $50.0 BILLION
(as at December 31, 2007) ($ billions)



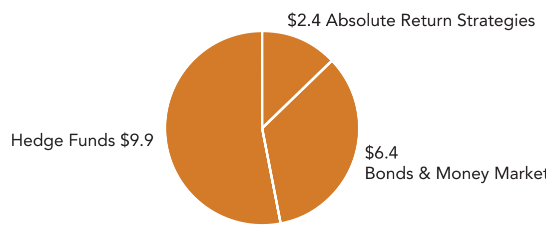
This asset class continues to be our largest, although we reduced the allocation to equities in our asset-mix policy in 2004. Teachers' Private Capital, valued at $9.0 billion at year end, is included in this asset class.

INFLATION-SENSITIVE INVESTMENTS: $39.3 BILLION
(as at December 31, 2007) ($ billions)

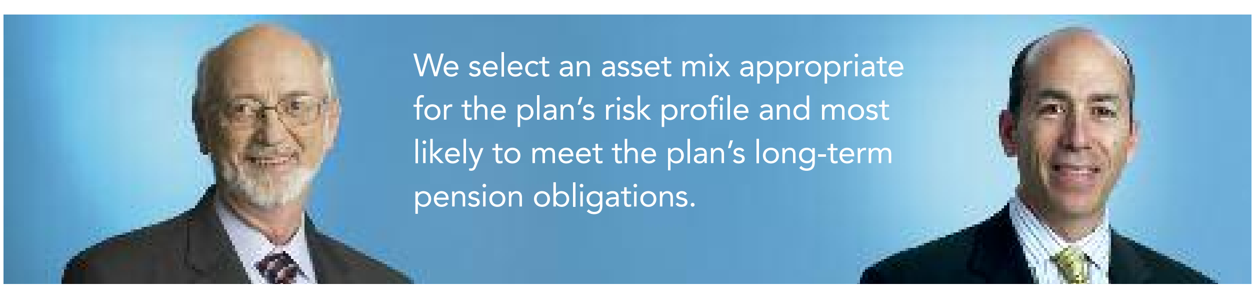


These investments provide stable cash flows linked to inflation, acting as a hedge against the cost of paying inflation-protected pensions.

FIXED INCOME: $18.7 BILLION
(as at December 31, 2007) ($ billions)



This asset class uses traditional bonds and money-market securities, as well as absolute return strategies (hedge funds and currency hedges) to generate extra value.



Robert Bertram
Executive Vice-President, Investments

Neil Petroff
Group Senior Vice-President, Investments

Member Services Performance

Plan membership continues to grow as pensioners live longer. This changing demographic has a direct influence on our business goals and long-term strategy.

We are committed to providing Ontario's working and retired teachers with prompt, reliable pension services and information. And, in 2007, members gave us high marks for our service performance.

9
out of
10

The Quality Service Index is a measurement of service satisfaction. Our 9.0 rating is based on surveys with members conducted by a third party using a scale of zero to 10.

Excellence =

More customization: Providing services that are more proactive and tailored to the individual needs of our members

More choice: Giving members more choice about how they prefer to receive information (i.e., print or online)

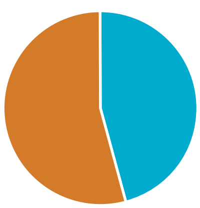
More counselling: Helping members navigate complex pension rules and make informed decisions by explaining options that make sense for their individual situations

$e=mc^3$

We have redefined our service delivery strategy and (with apologies to Einstein) dubbed it $e=mc^3$. With more members using services available on *i*Access™ Web, our secure member website, we are turning our attention over the next five years to tailoring services to individual needs.

HOW WE SERVE MEMBERS

(for the year ended December 31, 2007)

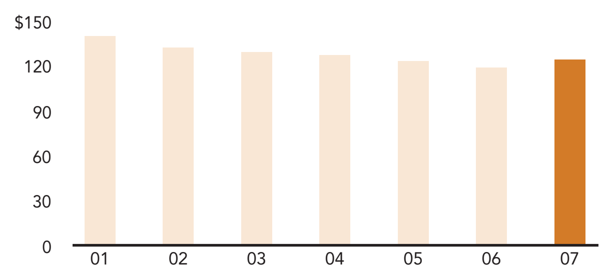


Includes:
- 101,700 telephone calls
- 52,700 additional processes
- 13,900 service requests by e-mail

Includes:
- 75,100 pension estimates
- 34,900 personal information updates
- 32,900 e-statement viewings
- 3,100 pension applications

COST PER MEMBER SERVED

(for the year ended December 31)



In its latest report, Cost Effectiveness Measurement (CEM) ranked us third internationally for service quality in comparison to 54 pension plans around the world.

We challenge ourselves every year to improve service levels while managing costs. The cost per member served was $123 last year compared to $138 in 2001.

We direct our efforts to providing outstanding services to our members, through our professional staff and our convenient and secure member website, *i*Access™ Web.

Rosemarie McClean
Senior Vice-President, Member Services

Major Investments

(as at December 31, 2007)

Bonds and real-return investments

($ billions)

Government of Canada bonds	$16.2
Canadian and international corporate bonds	10.2
Canadian inflation-sensitive bonds, notes and mortgages	7.9
Province of Ontario debentures and provincial bonds	6.1
International government and real-return bonds and debt	5.9
Commercial paper and bank notes	4.8
Canadian treasury bills	1.6

Real estate managed by subsidiary

($ billions)

The Cadillac Fairview Corporation Limited	$16.4

Top 10 real estate holdings

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

Top 10 private companies and partnerships

Bernstein Global Long/Short Equity Portfolio L.P.
Birmingham International Airport
Canary Wharf Group plc
CTVglobemedia Inc.
GCT Global Container Terminals Inc.
Hancock Timber Resource Group
Maple Leaf Sports & Entertainment Ltd.
Orbis Sicav Global Equity Fund
Resource Management Service Inc.
Scotia Gas Networks PLC

Our largest investments are in real estate and Canadian government bonds.

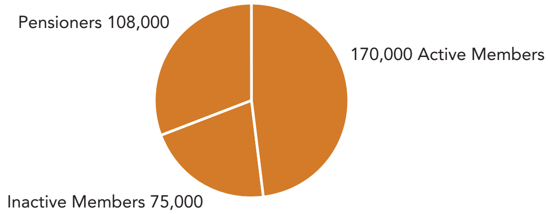
For a list of equities and trust units valued at more than $50 million, please visit www.otpp.com > Investments > Major Investments.

Corporate shares/units

Security Name (millions)	*Shares*	*Fair Value*
BCE Inc.	50.8	$2,032.9
Nexen Inc.	53.7	1,724.4
Deutsche Telekom AG	46.6	1,010.1
Northumbrian Water Group plc	135.1	916.2
Macquarie Infrastructure Group	285.5	774.3
Transurban Group	115.8	714.3
Maple Leaf Foods Inc.	42.7	634.5
Royal Bank of Scotland Group, plc	66.5	579.8
Multiplan Empreendimentos Imobiliários S.A.	51.3	541.3
Eni S.p.A.	14.2	514.3
Royal Utilities Income Fund	40.3	434.0
MMX Mineracao e Metalicos SA	0.8	395.9
Microsoft Corporation	8.9	313.2
Samsung Electronics Co., Ltd.	0.5	290.5
Nippon Telegraph and Telephone Corporation	0.1	279.4
Manitoba Telecom Services Inc.	5.7	267.7
MacDonald, Dettwiler and Associates Ltd.	6.1	252.8
Hitachi, Ltd.	34.3	252.4
Intel Corporation	8.9	234.9
Sumitomo Mitsui Financial Group, Inc.	0.03	224.8
Sanofi-Aventis	2.4	217.0
Bayerische Motoren Werke AG	3.5	212.4
Pfizer Inc.	9.4	211.5
Unilever N.V.	5.8	210.0
Petroleo Brasileiro S.A.	1.9	209.8
Nestlé SA	0.5	205.7
Idea Cellular Limited	58.8	204.3
Canadian National Railway Company	4.2	195.0
Siemens AG	1.1	179.8
Total SA	2.4	172.9*
Akzo Nobel N.V.	2.1	163.0
Manulife Financial Corporation	4.0	162.7
Royal Bank of Canada	3.2	161.4
Mitsubishi UFJ Financial Group, Inc.	17.2	158.7
Johnson & Johnson	2.4	156.1
Goldcorp Inc.	4.5	153.8
Citigroup Inc.	5.1	147.6
EnCana Corp.	2.2	145.7
HSBC Holdings plc	8.6	144.0
Portugal Telecom, SGPS, SA	10.7	138.0
Kobenhavns Lufthavne A/S	0.3	137.9
Research In Motion Limited	1.2	134.6
Vodafone Group Plc	35.9	134.0
Novartis AG	2.5	133.2
International Business Machines Corporation	1.2	130.6
Suncor Energy, Inc.	1.2	129.3
Bank of Nova Scotia	2.5	128.1
Barrick Gold Corporation	3.1	128.0
GlaxoSmithKline plc	4.9	124.8
Potash Corporation of Saskatchewan Inc.	0.9	124.5
TD Ameritrade Holding Corp.	6.3	124.0

*Includes fair market value of STRIP securities

MEMBER PROFILE
(as at December 31, 2007)



We began paying pensions to 5,200 new retirees in 2007. The number of pensioners has nearly tripled since 1990; there are 2,300 pensioners in their 90s and 83 who are 100 years old or older.

Contact us

Our complete 2007 Annual Report and audited financial statements are available on our website at www.otpp.com. If you would like a print copy, please contact us.

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

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

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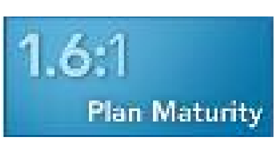
Ce bulletin est disponsible en français. April 2008

TEACHERS' PENSION PLAN
ONTARIO

More information at www.otpp.com:

Top 10 questions relating to the funding shortfall and our 2007 investment performance are available online.

Annual Meeting Webcast – view it live on April 11, 2008 or see the archive after the event



Plan Maturity – find out how it impacts the pension plan

Corporate profile

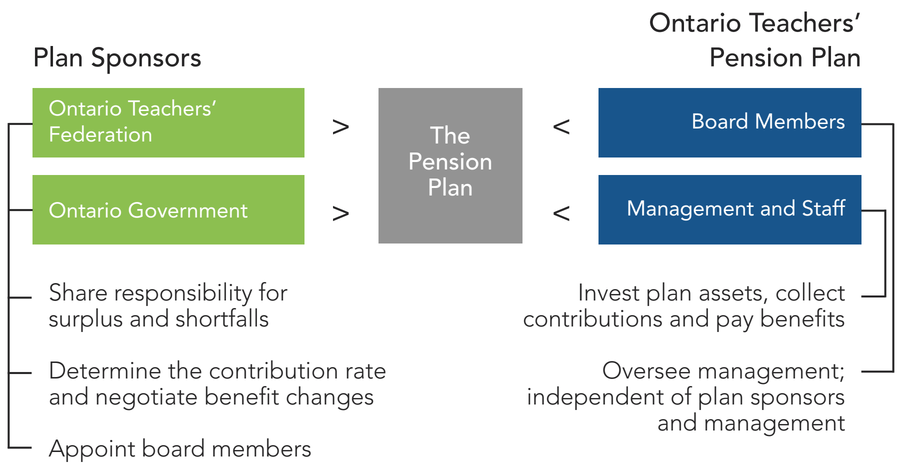
The Ontario Teachers' Pension Plan was created for Ontario teachers in 1917. In 1990, the Ontario government established an independent corporation with the authority to invest the plan's assets in financial markets and administer pensions.

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

Today, the Ontario Teachers' Pension Plan is the largest single-profession pension plan in Canada with $108.5 billion in net assets at December 31, 2007. We administer the pension benefits of Ontario's 170,000 elementary and secondary school teachers and 108,000 pensioners. The plan has one of the largest payrolls in Canada and paid out $4.0 billion in pension benefits in 2007.

Teachers' 700 employees are responsible for setting and implementing investment strategies for the plan's assets and for delivering immediate, personalized services to members in keeping with our vision:

Outstanding service today, retirement security tomorrow.



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

Return undeliverable Canadian addresses to: PM# 40062973

Ontario Teachers' Pension Plan
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