Now

is the

future…

Ontario Pension Board 2001 Report to Pensioners

Introduction

OPB is dedicated to providing the 39,300 pensioners it serves with efficient administration of their benefits, on a timely and accurate basis. Our 2001 Report to Pensioners highlights administration and investment achievements and performance during the past year.

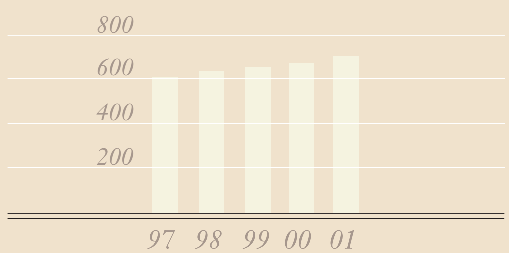
Highlights

Annual pensions are calculated as two percent of the best, consecutive, 60 months average salary, multiplied by the member's number of years of credit in the PSPPlan. The pension is reduced at age 65 for CPP integration.

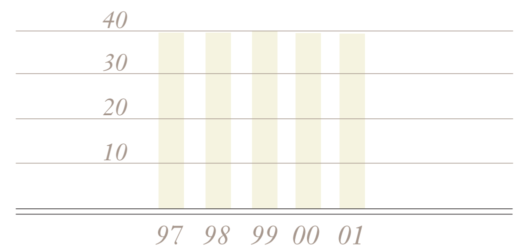
There was an inflation adjustment of three percent for 2002.

The PSPPlan is a fully indexed defined benefit plan, which is subject to a limit of eight percent inflation protection in any one year, with any excess carried forward.

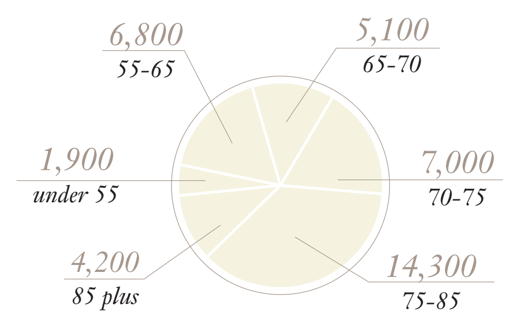
Survivor benefits are payable.



Pension Payroll
millions of dollars



Pensioners
thousands



Age Distribution of Active Pensioners
December 31, 2001

A Message from the Chairman and the President

In 2001, the annual return of your fund was a positive 4.5 percent. This was achieved against a backdrop of poor economic conditions and extreme volatility in the investment markets. In 2000, your fund returned 10.2 percent. Since our inception, in January 1990, we have achieved an annualized rate of return of 11.2 percent — well ahead of actuarial targets for funding of your plan.

On the following pages, we have provided more information on where we invest and our strategy for investing. Our objective is to produce consistent and steady performance over the longer term based on prudent decision-making. This approach has served pensioners well and has protected the integrity of your retirement income within the Plan. Effective January 1, 2002, pensioners received a three percent increase in their pensions as an adjustment for inflation. Pensioners who retired in 2001 receive a prorated adjustment based on the number of months they were on pension in 2001. The adjustment is

based on changes in the Consumer Price Index on average for a 12-month period.

Our goal is to deliver the information and services you require quickly and efficiently. We are committed to providing a high quality of administration and communications at a reasonable cost.

Our staff is our greatest resource. We provide a work environment where staff members are encouraged to improve their skills. For example, we were pleased that 54 percent of our regular employees took the industry recognized Pension Administration Certificate courses in 2001.

During 2001, we received more than 32,900 telephone enquiries from pensioners. To serve you better, we have minimized the average call wait time.

Last year, we launched our new web site (www.opb.on.ca). The web site contains pensioner and member publications and other useful information. We will maintain and enhance the web site for the benefit of all of our stakeholders.

We have instituted a formal quality policy for our staff to follow. In 2001, we became the first major Canadian public service plan to seek certification of a quality management system for a business process. Our e-communications (web) process has been certified as meeting the internationally recognized ISO 9001:2000 standard. In the future, we will seek certification for other parts of our administration activities.

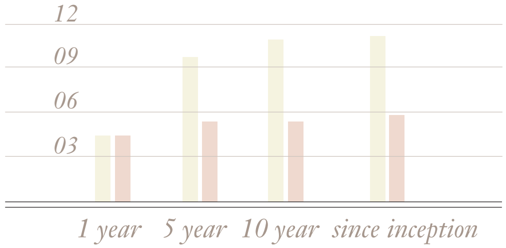
Two other significant initiatives took place last year in support of OPB's administration goals. We became the first major Canadian public service pension plan to conduct a comprehensive analysis of the risks facing the administration side of our business. Our staff worked with an outside consultant to identify the key risks facing our administration operations and to develop a framework for risk mitigation. Risk management is an integral part of our business planning process. Secondly, we commissioned a well-known external consulting firm to review the governance practices concerning our pension administration activities. Their conclusion was that we are among the top ranking pension plans in adhering to generally recognized "best practices."

The consensus of many economic experts is that 2002 is expected to see an improvement in the business climate and investment markets. We believe that OPB is well positioned to continue to provide steady, long-term investment performance. Our staff is ready to serve you promptly and accurately. Your feedback is always welcome.

Donald D. Weiss
Chairman and Chief Executive Officer

Leonard Lu
President

Investment Review



Investment Returns
Actual Return *Return Objective (CPI+3.75%)*

and it's

100%

Guaranteed

INVESTMENTS

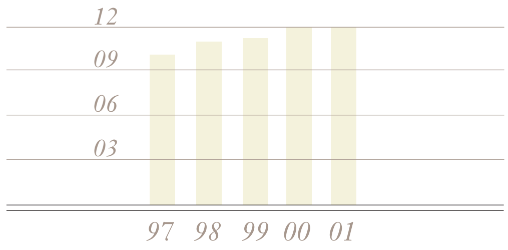
Overall Investment Performance OPB's investment objective is to optimize returns on investments commensurate with an acceptable risk to reward balance. Our goal is to achieve consistent and steady performance over the longer term based on prudent decision-making which reflects our fiduciary responsibilities.

Since the inception of the OPB in 1990, we have enjoyed an average return of 11.2 percent.

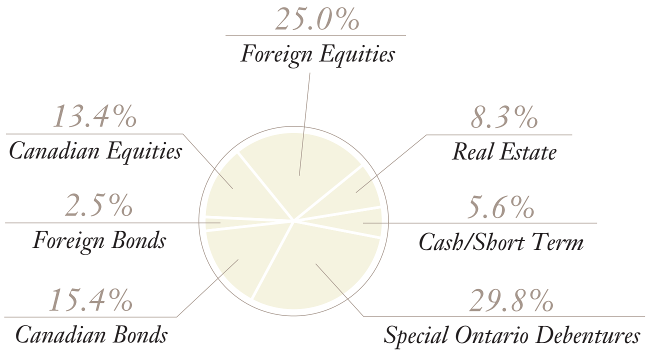
This strong performance exceeds industry benchmarks. The rate of return after inflation for that period was 9.1 percent. In 2001, OPB achieved a return of 4.5 percent. With our Special Province of Ontario Debentures, stated on an approximate market value basis, there would have been an overall return of 3.3 percent. At our last actuarial valuation date (December 31, 1999) our actuaries determined that a real rate of return of 3.75 percent would be required to meet the liabilities of the Plan.

Composition of Investment Portfolio OPB determines its asset mix using various factors such as the design of benefits, the ratio of members to pensioners, long-term capital market prospects and the related risk tolerance levels of Plan participants. It has been our practice to avoid changes in asset mix in reaction to short-term market phenomena. OPB does not use derivative instruments to synthesize investment categories.

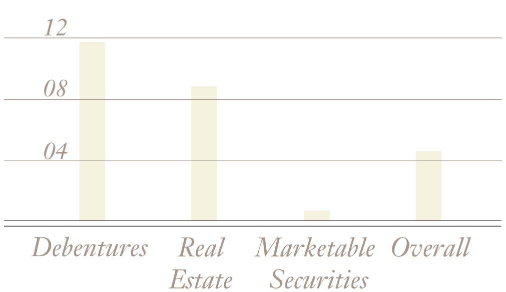
Our investment portfolio has three categories: the Special Province of Ontario Debentures, alternative investments, including real estate, and marketable



Portfolio Assets
billions of dollars



Asset Mix
December 31, 2001



Returns by Asset Class
percent: Year 2001

securities. The Plan is limited to a foreign content of 30 percent of the book value of its investments.

Special Province of Ontario Debentures The Special Province of Ontario Debentures were provided to the Plan as a funding mechanism when it was first formed in 1990. They are not marketable.

It is our intention to hold the Debentures to maturity since they provide a consistent high rate of return as well as cash flow.

Alternative Investments, including real estate OPB invests in income-producing real estate to provide stable long-term returns. Recently, we have identified opportunities to invest in alternative investments, such as private placements. A small portion of our assets will be allocated to this category.

Our real estate portfolio consists of regional shopping centres in eight major Canadian cities. These properties total approximately 5.9 million square feet of gross leasable area.

OPB is required under Canadian generally accepted accounting principles to have an external appraisal for its real estate at least once every three

years. Recently, we have adopted the approach of appraising the properties each year. This provides an up-to-date measurement of annual returns.

Our real estate portfolio has provided OPB with a steady return on invested capital. Since 1994, when we first invested in real estate, we have achieved a return of 9.5 percent on invested capital.

Marketable Securities External fund managers manage the marketable portion of our portfolio. Each fund manager has a specific mandate and broad discretionary authority to act within it. Managers are required to invest in high-grade securities reflecting the Board's objective of optimizing returns within an acceptable level of risk.

We do not require adherence to the movement of particular indices. Fund managers have discretion to adjust exposure to particular securities, industries or geographic sectors if they believe that market movements are not justified by fundamentals.

OPB staff and the Investment Committee of the Board closely monitor the activities of the fund managers, through comprehensive financial reporting and regular performance analysis and reviews.

FUNDING

At least every three years, the Plan is required to perform an actuarial valuation of assets and liabilities to determine how well the Plan is funded. An excess of assets over liabilities indicates a surplus. A surplus is available to our sponsor, the Province of Ontario, to grant any Plan enhancements it considers prudent. Any excess of liabilities over assets is required to be funded by the sponsor and may indicate a future need to increase ongoing contributions. The objective is to provide that over the long haul there will be enough assets in the fund to meet the Plan's obligations.

Our funding surplus was $335 million at December 31, 1999, the date of our last actuarial valuation. In contrast, at December 31, 1996 there was a deficit of $1.775 billion. The positive change resulted primarily from our investment performance that exceeded the assumed rates of return for funding valuations. In August 2000, our sponsor

extended certain plan enhancements to members at a cost of $329 million. Enhancements included contribution rate reductions that will continue until the planned dates of expiry.

Five Year Review

(in millions of dollars)

	1997	1998	1999	2000	2001
Opening Assets	9,143.5	10,037.3	10,973.9	11,196.0	11,951.2
Investment Income	1,367.1	1,309.9	569.0	1,111.0	517.7
Regular Contributions	166.9	199.4	200.8	176.5	130.2
Unfunded Liability Payments	82.5	114.7	121.3	106.1	–
Transfers	3.2	8.5	38.1	143.2	103.0
	1,619.7	1,632.5	929.2	1,536.8	750.9
Pension payments	605.9	630.2	648.9	669.6	695.9
Terminations	109.1	55.3	47.0	100.3	45.7
Admin Expenditures	10.9	10.4	11.2	11.7	15.4
	725.9	695.9	707.1	781.6	757.0
Closing Assets	10,037.3	10,973.9	11,196.0	11,951.2	11,945.1
Rate of Return: Annual Percent	15.4	13.4	5.4	10.2	4.5

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Geoffrey H. Collins
Donald D. Weiss

Investment
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Director, Planning & Information Technology

Sheila A. Fish
Director, Member & Pensioner Services

Peter M.T. Johnson, CA, CFA
Controller

Karen Kojima, CA
Manager, Treasury & Investment Accounting

Project Management, Consultation & Editorial Services: Shew & Skye Ltd.
Design: Pylon
Illustration: P.J. Loughran
Printing: Somerset Graphics Co. Ltd.
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ONTARIO PENSION BOARD
One Adelaide Street East, Suite 1100
Toronto, Ontario
M5C 2X6

Telephone 416-364-8558
www.opb.on.ca