MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of the Ontario Teachers' Pension Plan have been prepared by management, which is responsible for the integrity and fairness of the data presented, including the many amounts which must, of necessity, be based on estimates and judgements. The accounting policies followed in the preparation of these consolidated financial statements conform with Canadian generally accepted accounting principles. Financial information presented throughout the annual report is consistent with the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets safeguarded and proper records maintained. These controls include quality standards in hiring and training of employees, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by internal audit programs which are subject to scrutiny by the external auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in its responsibilities by the Audit and Actuarial Committee, consisting of five directors who are not officers or employees of the plan administrator. In addition, the committee reviews the recommendations of the internal and external auditors for improvements in internal control and the action of management to implement such recommendations. In carrying out its duties and responsibilities, the committee meets regularly with management and with both the external and internal auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. This committee reviews the consolidated financial statements and recommends them for approval by the Board.

The plan's external auditors, Deloitte & Touche LLP, have conducted an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express the opinion in their Report to the Administrator. The external auditors have full and unrestricted access to the Audit and Actuarial Committee to discuss their audit and related findings as to the integrity of the plan's financial reporting and the adequacy of internal control systems.

C. Lamoureux

CLAUDE LAMOUREUX
President and Chief Executive Officer

Andrew Jones

ANDREW JONES
Vice-President, Finance

February 12, 2003

AUDITORS' REPORT TO THE ADMINISTRATOR

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Teachers' Pension Plan as at December 31, 2002 and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus of the Plan as at December 31, 2002 and the changes in its net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

CHARTERED ACCOUNTANTS

Toronto, Canada
February 12, 2003

ACTUARIES' OPINION

Mercer Human Resource Consulting was retained by the Ontario Teachers' Pension Plan Board (the "Board") to perform an actuarial valuation of the assets and the going concern liabilities of the Ontario Teachers' Pension Plan (the "Plan") as at December 31, 2002, for inclusion in the Plan's financial statements. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the Board.

The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Ontario Teachers' Pension Plan as at December 31, 2001;
- methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements;
- real and nominal interest rates on long-term Canada bonds at the end of 2002;
- assumptions about future events (for example, future rates of inflation and future retirement rates) which have been communicated to us as the Board's best estimate of these events; and
- information obtained from The Ontario Ministry of Labour and published reports on negotiated wage settlements in the 2001/02 and 2002/03 school years.

The objective of the financial statements is to fairly present the financial position of the Plan on December 31, 2002 as a going concern. This is different from the statutory valuation (the actuarial valuation required by the *Teachers' Pension Act* and the *Pension Benefits Act (Ontario))*, which uses actuarial methods prescribed by the *Teachers' Pension Act* to establish a prudent level for future contributions.

While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent the Board's best estimate of future events and market conditions at the end of 2002, and while in our opinion these assumptions are reasonable, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions are, in aggregate, appropriate for the purposes of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

LESTER J. WONG, F.C.I.A

MALCOLM P. HAMILTON, F.C.I.A.

February 12, 2003

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND SURPLUS

as at December 31, 2002

($ millions)	2002	2001
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (note 2)	**$89,087**	$91,911
Receivable from the Province of Ontario (note 3)	**1,324**	1,280
Receivable from brokers	**82**	407
Cash	**124**	54
Fixed assets	**5**	7
	90,622	93,659
Liabilities		
Investment-related liabilities (note 2a)	**23,650**	23,791
Due to brokers	**640**	288
Accounts payable and accrued liabilities	**119**	124
	24,409	24,203
Net assets available for benefits	**66,213**	69,456
Actuarial asset value adjustment (note 4)	**9,644**	2,973
Actuarial value of net assets available for benefits	**$75,857**	$72,429
ACCRUED PENSION BENEFITS AND SURPLUS		
Accrued pension benefits (note 5)	**$73,665**	$65,431
Surplus	**2,192**	6,998
Accrued pension benefits and surplus	**$75,857**	$72,429

ON BEHALF OF THE BOARD:

Chair

Board Member

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

for the year ended December 31, 2002

($ millions)	2002	2001
Net assets available for benefits, beginning of year	**$69,456**	$73,121
Investment operations		
Investment loss (note 7)	**(1,411)**	(1,739)
Investment expenses (note 12a)	**(105)**	(123)
Net investment operations	**(1,516)**	(1,862)
Member service operations		
Contributions (note 10)	**1,383**	1,312
Benefits (note 11)	**(3,076)**	(3,080)
Member service expenses (note 12b)	**(34)**	(35)
Net member service operations	**(1,727)**	(1,803)
Decrease in net assets	**(3,243)**	(3,665)
Net assets available for benefits, end of year	**$66,213**	$69,456

CONSOLIDATED STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

for the year ended December 31, 2002

($ millions)	2002	2001
Accrued pension benefits, beginning of year	**$65,431**	$58,556
Increase in accrued pension benefits		
Interest on accrued pension benefits	**4,081**	3,617
Benefits accrued	**1,742**	1,683
Changes in actuarial assumptions (note 5a)	**5,276**	(641)
Changes in plan provisions (note 5b)	**–**	4,692
Experience losses (note 5c)	**211**	604
	11,310	9,955
Decrease in accrued pension benefits		
Benefits paid (note 11)	**3,076**	3,080
Net increase in accrued pension benefits	**8,234**	6,875
Accrued pension benefits, end of year	**$73,665**	$65,431

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS

for the year ended December 31, 2002

($ millions)	2002	2001
Surplus, beginning of year	**$ 6,998**	$10,224
Decrease in net assets available for benefits	**(3,243)**	(3,665)
Change in actuarial asset value adjustment (note 4)	**6,671**	7,314
Increase in actuarial value of net assets available for benefits	**3,428**	3,649
Net increase in accrued pension benefits	**(8,234)**	(6,875)
Surplus, end of year	**$ 2,192**	$ 6,998

DESCRIPTION OF PLAN

The following description of the Ontario Teachers' Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the *Teachers' Pension Act* (the TPA) as amended.

a) General The Plan is governed by the TPA. It is a contributory defined benefit pension plan co-sponsored by the Province of Ontario (the Province) and Plan members, represented by the Ontario Teachers' Federation (the OTF). The terms of the Plan are set out in the Partners' Agreement.

The Plan is registered with the Financial Services Commission of Ontario and under the *Income Tax Act (Canada)* (registration number 0345785) as a Registered Pension Plan not subject to income taxes.

The Plan is administered and the investments are managed by the Ontario Teachers' Pension Plan Board (the Board). Under the TPA, the Board is constituted as a corporation without share capital to which the *Corporations Act (Ontario)* does not apply.

b) Funding Plan benefits are funded by contributions and investment earnings. Contributions are made by active members of the Plan and matched by the Province and designated private schools and organizations. The determination of the value of the benefits and required contributions is made on the basis of periodic actuarial valuations.

c) Retirement pensions A retirement pension is available based on the number of years of credited service, the average of the best five annual salaries and the age of the member at retirement. A member is eligible for a reduced retirement pension from age 55, or age 50 provided the member ceased to be employed in education after June 29, 2001. An unreduced retirement pension is available at age 65 or at any age if the member has 35 years' credit or if the sum of a member's age and qualifying service equals 90, or 85 provided the member ceased to be employed in education after May 31, 1998.

d) Disability pensions A disability pension is available at any age to a disabled member with a minimum of 10 years of qualifying service. The type of disability pension is determined by the extent of the disability.

e) Death benefits Death benefits are available on the death of an active member and may be available on the death of a retired member. The benefit may take the form of a survivor pension, lump sum payment or both.

f) Escalation of benefits Pension benefits are adjusted annually for inflation at 100% of the Consumer Price Index, subject to a limit of 8% in any one year with any excess carried forward.

g) Retirement Compensation Arrangement The Retirement Compensation Arrangement (RCA) has been created by agreement between the co-sponsors as a supplementary plan to provide the members of the Plan with benefits that, due to limitations imposed by the *Income Tax Act (Canada)* and its regulations, cannot be provided under the Registered Pension Plan. Because the RCA is a separate trust, the net assets available for benefits and accrued benefits of the RCA are not included in these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation These financial statements present the financial position and the results of operations of the Plan and are prepared in accordance with Canadian generally accepted accounting principles.

The financial statements of wholly owned subsidiary companies are consolidated as part of the Plan's financial statements. The Plan's financial statements include its proportionate share of the fair value of assets, liabilities and operations of investments in significant joint ventures.

Certain comparative figures have been reclassified to conform with the current year's presentation.

b) Investments and investment-related receivables and liabilities

Fair Value Investments and investment-related receivables and liabilities are stated at fair value. Fair value 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.

Where ascertainable, fair values are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not ascertainable, fair values are derived using methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate.

Trade-date reporting Purchases and sales of investments and derivative contracts are recorded as of the trade date (the date upon which the substantial risks and rewards have been transferred).

Investment income Dividend income is recognized based on the ex-dividend date and interest income, and real estate income is recognized on the accrual basis as earned. Investment income also includes realized and unrealized gains and losses. Since real estate income is determined on a fair value basis, a charge for depreciation and amortization is excluded.

c) Foreign currency translation Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the year-end date. Income and expenses are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included in investment income.

d) Accrued pension benefits The value of accrued pension benefits and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made as at the start of the year and then extrapolated to year-end. It uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation date, of various economic and non-economic assumptions.

e) Use of estimates In preparing these financial statements, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, related income and expenses and related disclosures.

2. INVESTMENTS

The Plan invests directly or through derivatives in fixed income, equities and inflation-sensitive investments in accordance with its policy of asset diversification. The purpose of such diversification is to minimize the likelihood of an overall reduction in surplus and maximize the opportunity for gains across the investment portfolio.

a) Investments[1] before allocating the effect of derivative contracts and investment-related receivables and liabilities

The schedule below summarizes the Plan's investments, including net accrued interest and dividends of $494 million (2001 – $429 million), before allocating the effect of derivative contracts and investment-related receivables and liabilities, as at December 31:

($ millions)	2002		2001	
	Fair Value	**Cost**	Fair Value	Cost
Fixed Income				
Debentures	**$14,261**	**$11,064**	$15,071	$11,687
Bonds	**11,181**	**10,890**	16,436	16,094
Money-market securities	**9,735**	**9,802**	3,661	3,651
Alternative investments[2]	**3,961**	**3,072**	3,348	2,602
	39,138	**34,828**	38,516	34,034
Equity				
Publicly traded				
Canadian	**9,439**	**8,485**	12,326	9,930
United States	**3,469**	**3,996**	2,703	2,575
Non-North American	**5,400**	**6,370**	6,988	6,669
Non-Publicly traded				
Canadian	**1,489**	**1,421**	1,172	1,065
United States	**704**	**949**	894	893
Non-North American	**990**	**1,189**	964	1,086
	21,491	**22,410**	25,047	22,218
Inflation-sensitive investments				
Real estate (note 6)	**12,054**	**11,056**	12,026	11,132
Real-rate products				
Canadian	**5,184**	**4,227**	5,363	4,866
United States	**1,149**	**909**	1,765	1,516
Infrastructure and timber	**1,000**	**963**	37	37
	19,387	**17,155**	19,191	17,551
	80,016	**74,393**	82,754	73,803
Investment-related receivables				
Securities purchased under agreements to resell	**5,726**	**5,701**	6,099	6,088
Cash collateral deposited under securities borrowing arrangements	**272**	**270**	–	–
Derivative-related, net	**3,073**	**1,231**	3,058	1,332
Investments	**89,087**	**81,595**	91,911	81,223
Investment-related liabilities				
Securities sold under agreements to repurchase	**(10,913)**	**(10,862)**	(10,847)	(10,816)
Securities sold but not yet purchased				
Fixed income	**(4,037)**	**(3,935)**	(4,805)	(4,734)
Equities	**(259)**	**(276)**	–	–
Real estate (note 6)	**(4,774)**	**(4,297)**	(4,771)	(4,500)
Derivative-related, net	**(3,667)**	**(369)**	(3,368)	(397)
	(23,650)	**(19,739)**	(23,791)	(20,447)
Net investments (note 2c)	**$65,437**	**$61,856**	$68,120	$60,776

[1] For additional details, refer to the schedule of Investments Over $50 million on page 55.
[2] Comprised of hedge funds, managed futures accounts and fund-of-funds programs.

b) Derivative contracts Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, commodities, indices, interest rates or currency rates. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges. The Plan utilizes derivatives to manage its asset mix and foreign currencies exposure. Derivatives are also utilized in value added programs in a manner consistent with the Plan's investment objectives.

Notional amounts of derivative contracts represent the volume of outstanding transactions and do not represent the potential gain, loss or net exposure associated with the market or credit risk of such transactions. Rather, they serve as the basis upon which the returns from, and the fair value of, the contracts are determined.

The following schedule summarizes the notional amounts and fair value of the Plan's derivative contracts held as at December 31:

($ millions)			2002		2001	
			Notional	Fair Value	Notional	Fair Value
Equity and Commodity Derivatives						
Swaps			$15,261	$ (736)	$17,718	$ (811)
Futures			2,535	24	1,006	(2)
Options:						
	Listed	– purchased	8	1	105	11
		– written	1	(2)	307	(32)
	OTC	– purchased	548	58	486	112
		– written	908	(61)	666	(164)
				(716)		(886)
Interest Rate Derivatives						
Swaps			24,004	(506)	20,971	(732)
Futures			21,977	(6)	55,656	(13)
Options:						
	Listed	– purchased	2,918	7	1,393	1
		– written	3,733	(6)	2,728	(3)
	OTC	– purchased	5,867	119	6,933	52
		– written	4,022	(113)	5,076	(45)
				(505)		(740)
Currency Derivatives						
Swaps			510	(43)	562	(46)
Forwards			52,246	(119)	47,164	216
Options:						
	OTC	– purchased	7,569	37	3,541	58
		– written	588	(19)	3,207	(37)
				(144)		191
Credit Derivatives						
Credit default swaps		– purchased	338	51	37	35
		– written	405	(4)	187	(1)
Total return swaps			644	(35)	652	(15)
				12		19
Other Derivatives						
Volatility/variance swaps			1,920	(136)	905	3
Dividend swaps			107	1	–	–
				(135)		3
				(1,488)		(1,413)
Less: Net cash collateral paid under derivative contracts				894		1,103
Net fair value of derivative contracts				$ (594)		$ (310)

The net fair value of derivative contracts as at December 31 on the previous page is represented by:

($ millions)	2002	2001
Derivative-related receivables	$ 3,062	$ 2,742
Cash collateral paid under derivative contracts	968	1,126
Derivative-related liabilities	(4,550)	(4,155)
Cash collateral received under derivative contracts	(74)	(23)
	$ (594)	$ (310)

The derivative contracts on the previous page mature within one year except for the following, which have a weighted average maturity (in years) as follows:

	2002		2001	
	Notional ($ millions)	Weighted Average Maturity (years)	Notional ($ millions)	Weighted Average Maturity (years)
Equity and commodity derivatives				
Swaps	$ 824	1.5	$ 1,638	1.7
OTC options	–	–	42	2.2
Interest rate derivatives				
Swaps	20,122	8.0	19,002	6.6
OTC options	3,873	5.0	4,591	3.1
Currency derivatives				
Swaps	434	5.0	483	5.2
Forwards	2,560	1.2	1,638	1.4
Credit derivatives				
Credit default swaps	661	3.3	155	2.6
Total return swaps	643	4.6	648	5.1
Other derivatives				
Volatility/variance swaps	649	1.8	536	2.6
Dividend swaps	107	3.0	–	–

c) Investment asset mix The Plan has a policy asset mix of approximately 50% equities, 20% fixed income and 30% inflation-sensitive investments. At December 31, 2001, the Plan's policy asset mix was approximately 60% equities, 10% fixed income and 30% inflation-sensitive investments.

The Plan's investments, after allocating the effect of derivative contracts and investment-related receivables and liabilities, as at December 31 are summarized below:

	2002		2001	
	Effective Net Investments at Fair Value ($ millions)	Asset Mix (%)	Effective Net Investments at Fair Value ($ millions)	Asset Mix (%)
Fixed income				
Bonds	$13,800	21%	$ 7,562	11%
Alternative investments and relative value strategies	2,516	4	2,797	4
Money market	1,853	3	1,066	2
Debt on real estate properties (note 6)	(4,214)	(7)	(4,340)	(6)
	13,955	21	7,085	11
Equity				
Canadian	13,430	21	17,062	25
United States	6,657	10	10,514	15
Non-North American	11,529	18	13,765	20
	31,616	49	41,341	60
Inflation-sensitive investments				
Real estate, net (note 6)	11,494	18	11,595	17
Real-rate products	5,918	9	6,978	10
Commodities	1,483	2	1,085	2
Infrastructure and timber	971	1	36	–
	19,866	30	19,694	29
Total net investments	$65,437	100%	$68,120	100%

d) Interest rate risk The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to long-term market interest rates as well as expectations for salary escalation.

The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher contribution rates required to meet pension obligations. As at December 31, 2002, holding the inflation and salary escalation assumptions constant, a 1% decrease in the assumed long-term real rates of return would result in an increase in the pension liabilities of approximately 14% (2001 – 13%).

After giving effect to the derivative contracts and investment-related receivables and liabilities discussed in note 2b, a 1% increase in nominal interest rates would result in a decline in the value of the fixed-income securities of 5.7% (2001 – 7.4%). Similarly, a 1% increase in real interest rates would result in a decline in the value of the real rate securities of 16% (2001 – 16%).

e) Credit risk At December 31, 2002, the Plan's most significant concentration of credit risk is with the Government of Canada and the Province of Ontario. This concentration relates primarily to the holding of $13.2 billion of Government of Canada issued securities and $14.3 billion of non-marketable Province of Ontario debentures, a receivable from the Province of $1.3 billion and future provincial funding requirements of the Plan.

The Plan limits derivative contract credit risk by dealing principally with counterparties that have a credit rating of A or higher, and by utilizing an internal credit-limit monitoring process, as well as through the use of credit mitigation techniques such as master netting arrangements (which provide for certain rights of offset) and obtaining collateral where appropriate.

f) Foreign currency risk Foreign currency exposure arises from the Plan's holdings of foreign currency-denominated investments and related derivative contracts.

As a component of its asset-mix policy, the Plan uses a currency overlay program to hedge approximately 50% of its foreign currency policy allocation to certain Non-North American equities. The Plan also takes trading positions in foreign currencies with the objective of adding value. The Plan's net foreign currency exposure in Canadian dollars after giving effect to the related policy hedge and trading positions, as at December 31, is as follows:

($ millions)	2002				2001
Currency	Policy Exposure	Policy Hedge	Trading	Net Exposure	Net Exposure
United States dollar	$ 7,963	$ –	$ (5,224)	$ 2,739	$10,800
Euro	3,684	(1,929)	2,445	4,200	4,256
British Pound sterling	2,828	(1,429)	298	1,697	1,469
Japanese yen	2,590	(1,303)	(1,024)	263	173
Swiss franc	912	(475)	178	615	659
Swedish krona	225	(136)	206	295	230
Other	1,279	–	58	1,337	1,330
	$19,481	$ (5,272)	$ (3,063)	$11,146	$18,917

g) Securities lending The Plan lends securities as a means of generating incremental income or supporting other investment strategies. As at December 31, 2002, the Plan's investments included loaned securities with a fair value of $4,337 million (2001 – $3,178 million). The fair value of securities collateral received in respect of these loans was $4,513 million (2001 – $3,301 million).

h) Securities collateral Securities with a fair value of $644 million (2001 – $350 million) have been deposited or pledged with various financial institutions as collateral or margin.

3. RECEIVABLE FROM THE PROVINCE OF ONTARIO

The receivable from the Province consists of required matching contributions and interest thereon.

($ millions)	2002	2001
Contributions receivable	$ 1,255	$ 1,217
Accrued interest receivable	69	63
	$ 1,324	$ 1,280

The receivable from the Province consists of $677 million, which was received in January 2003, and $647 million to be received in 2004.

4. ACTUARIAL ASSET VALUE ADJUSTMENT

The actuarial value of net assets available for benefits is determined by reference to market trends consistent with assumptions underlying the valuation of accrued pension benefits. The adjustment represents an accumulated deferred net loss, being the unamortized difference between the actual and management's best estimate of return on the Plan's equity investments (including real estate, commodities, alternative investments, infrastructure and timber). Annual returns that are in excess of (gains) or below (losses) management's best estimate of returns are amortized over five years. The change in actuarial asset value adjustment for the year was $6,671 million (2001 – $7,314 million).

Fixed-income securities are valued at fair value on a basis consistent with the discount rate used to value the Plan's accrued pension benefits, and therefore do not give rise to the need for an adjustment to net assets.

The following schedule summarizes the composition of the actuarial asset value adjustment as at December 31:

	Unamortized (gains)/losses		Unamortized (gains)/losses to be recognized in			Unamortized (gains)/losses
($ millions)	**2002**	2003	2004	2005	2006	2001
1998	**$ –**	$ –	$ –	$ –	$ –	$ (258)
1999	**(1,342)**	(1,342)	–	–	–	(2,684)
2000	**448**	224	224	–	–	671
2001	**3,933**	1,311	1,311	1,311	–	5,244
2002	**6,605**	1,651	1,651	1,651	1,652	–
	$ 9,644	$ 1,844	$ 3,186	$ 2,962	$ 1,652	$ 2,973

5. ACCRUED PENSION BENEFITS

a) Actuarial assumptions The actuarial assumptions used in determining the value of accrued pension benefits of $73,665 million (2001 – $65,431 million) reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality, withdrawal rates and retirement rates. The primary economic assumptions include the discount rate, salary escalation rate and the inflation rate. The discount rate is set at the market rate, as at the valuation date, of debt obligations with characteristics similar to the Plan's liabilities. The inflation rate is the difference between the yield, as at the valuation date, on Government of Canada long-term nominal bonds and Government of Canada long-term real-return bonds. The salary escalation rate incorporates the inflation-rate assumption and long-term expectation of growth in real wages. A summary of the primary economic assumptions, as at December 31, is as follows:

	2002	2001
Discount rate	**5.90%**	6.30%
Salary escalation rate	**3.05%**	2.90%
Inflation rate	**2.05%**	1.90%

The main economic assumptions were changed as a result of changes in capital markets during 2002. These changes resulted in a net increase in the value of accrued pension benefits of $5,276 million (2001 – $2,857 million decrease). In 2001, changes were made to the assumed post-retirement mortality rates to anticipate future improvements in mortality, the retirement rates and the contribution limit. These changes increased the value of accrued pension benefits by $2,216 million, resulting in a net decrease in the value of accrued pension benefits of $641 million.

b) Plan provisions No material amendments were made to the Plan in 2002. The Plan was amended effective April 1, 2001 by the Ontario Teachers' Federation to incorporate changes arising out of an agreement reached by the Partners on April 18, 1998. The main changes having a direct effect on the actuarial valuation of the Plan were the provision of a permanent 85 factor for unreduced early retirement, lowering the age for eligibility for a reduced retirement pension to 50 from 55 and a reduction in the offset for CPP benefits from 0.6% to 0.45% (which increases the benefit paid from 1.4% to 1.55% for compensation below the CPP earnings ceiling and 2% above). The 2001 Plan amendments resulted in a net increase in accrued pension benefits of $4,692 million in 2001.

c) Experience gains and losses Experience losses of $211 million (2001 – $604 million) arose from differences between the actuarial assumptions and actual results.

6. INVESTMENT IN REAL ESTATE

a) Investment in real estate The Plan's investment in real estate, which are comprised of real estate-related investments that are either owned or managed on behalf of the Plan by The Cadillac Fairview Corporation Limited, a wholly owned subsidiary company, as at December 31 is as follows:

($ millions)	2002		2001	
	Fair Value	**Cost**	Fair Value	Cost
Assets[1]				
Real estate properties[2]	**$11,183**	**$10,212**	$11,065	$10,217
Investments	**641**	**600**	663	617
Other assets	**230**	**244**	298	298
Total assets	**12,054**	**11,056**	12,026	11,132
Liabilities				
Debt on real estate properties	**4,214**	**3,876**	4,340	4,102
Other liabilities	**560**	**421**	431	398
Total liabilities	**4,774**	**4,297**	4,771	4,500
Net investment in real estate	**$ 7,280**	**$ 6,759**	$ 7,255	$ 6,632

[1] As at December 31, 2002, U.S. dollar assets have been hedged by way of a foreign currency forward contract for a notional amount of $2,826 million with a fair value of $(18) million (2001 – nil).

[2] The Plan has entered into agreements to sell its interest in 13 shopping centres for proceeds of $1,300 million.

b) Real estate income The Plan's real estate income for the year ended December 31, is as follows:

($ millions)	2002	2001
Revenue		
Rental	$ 1,692	$ 1,640
Investment	12	4
	1,704	1,644
Expense[1]		
Property operating	709	670
Management	61	57
Other	17	20
	787	747
Operating income (note 7)	917	897
Interest expense (note 7)	(289)	(308)
	628	589
Realized gain	64	24
Unrealized (loss)/gain	(102)	131
Net real estate income	$ 590	$ 744

[1] Included in expenses are audit fees of $1.2 million (2001 – $1.5 million) paid to the auditors of the real estate portfolio.

7. INVESTMENT LOSS

a) Investment loss before allocating the effect of derivative contracts Investment loss, before allocating the effect of derivative contracts and before allocating the realized and unrealized net losses, for the year ended December 31, is as follows:

($ millions)	2002	2001
Fixed income interest		
Debentures	$ 1,301	$ 1,349
Money-market securities	98	165
Bonds	904	602
Swap interest expense	(636)	(1,025)
Real estate interest expense (note 6b)	(289)	(308)
	1,378	783
Equity dividend income		
Canadian equity	249	267
United States equity	70	50
Non-North American equity	353	289
	672	606
Inflation-sensitive investment income		
Real estate operating income (note 6b)	917	897
Real-rate products		
Canadian	186	202
United States	63	125
Infrastructure and timber	48	–
	1,214	1,224
	3,264	2,613
Net loss on investments[1]	(4,675)	(4,352)
Investment loss	$ (1,411)	$ (1,739)

[1] Includes unrealized net losses of $3,176 million (2001 – $3,418 million).

b) Investment loss Investment (loss)/income by asset class, after allocating the effect of the derivative contracts and net (losses)/gains, including foreign currency gains of $31 million (2001 – $190 million loss), for the year ended December 31, is as follows:

($ millions)	2002	2001
Fixed income	$ 1,601	$ 523
Canadian equity	(991)	(799)
United States equity	(1,951)	(624)
Non-North American equity	(2,571)	(2,624)
Inflation-sensitive investments	2,501	1,785
	$ (1,411)	$ (1,739)

8. INVESTMENT RETURNS AND RELATED BENCHMARK RETURNS

Investment returns and related benchmark returns by investment asset class for the year ended December 31 are as follows:

	2002		2001	
	Investment Returns	Investment Benchmark Returns	Investment Returns	Investment Benchmark Returns
Fixed income[1]	8.6%	5.1%	10.1%	9.2%
Canadian equity	(7.7)	(12.4)	(6.8)	(12.6)
United States equity	(22.0)	(22.7)	(3.7)	(6.5)
Non-North American equity	(16.0)	(16.5)	(13.1)	(16.5)
Inflation-sensitive investments	13.2	12.0	4.9	2.1
Total Plan	(2.0)%	(4.8)%	(2.3)%	(5.3)%

[1] Includes our currency policy hedge, internal relative value strategies and alternative investments.

Investment returns have been calculated in accordance with the acceptable methods set forth by the Association for Investment Management and Research and the Pension Investment Association of Canada.

The Plan identifies benchmarks to evaluate the performance of the investment management process. The performance of each asset class is measured against a benchmark that simulates the results of the markets in which the managers invest, except for inflation-sensitive investments, which are generally measured against an inflation-related benchmark.

The total return of the Plan is measured against a Canadian dollar-denominated composite benchmark produced by aggregating Canadian dollar-equivalent returns from each of the policy asset class benchmarks, using the Plan's asset-mix policy weights. The total plan return incorporates the Plan's tactical asset allocation decisions and debt on real estate properties. In 2001, return on real estate debt was included in the inflation-sensitive asset class.

9. FUNDING POLICY

Statutory actuarial valuations are prepared periodically in accordance with the *Teachers' Pension Act* to determine the funding requirements of the Plan. Active members are currently required to contribute 7.3% of the portion of their salaries covered by the Canada Pension Plan and 8.9% of salaries above this level. Aggregate member contributions are matched by the Province and other employers.

The actuarial methods used to determine statutory pension liabilities are different from those used to calculate the amounts disclosed in these financial statements. The statutory valuations use an actuarial valuation method that is prescribed in the *Teachers' Pension Act,* which takes into account benefits to be earned and contributions to be made after the valuation date for members of the Plan as at the valuation date.

The last statutory valuation as at January 1, 2002 disclosed a funding surplus of $1,872 million. At a minimum, statutory valuations of the Plan must be prepared every three years.

10. CONTRIBUTIONS

($ millions)	2002	2001
Members		
Current service	$ 643	$ 613
Optional credit	21	15
	664	628
Province of Ontario		
Current service	626	608
Interest	50	47
Optional credit	14	10
	690	665
Other employers	11	10
Transfers from other pension plans	18	9
	29	19
	$ 1,383	$ 1,312

11. BENEFITS

($ millions)	2002	2001
Retirement pensions	$ 2,770	$ 2,468
Death benefits	141	130
Commuted value transfers	104	412
Disability pensions	33	31
Refunds	19	16
Transfers to other plans	9	23
	$ 3,076	$ 3,080

12. ADMINISTRATIVE EXPENSES

a) Investment expenses

($ millions)	2002	2001
Salaries, incentives and benefits	$ 56.3	$ 49.7
External investment management fees	16.4	43.8
Premises and equipment	9.1	8.1
Custodial fees	6.9	6.3
Professional and consulting services[1]	9.6	5.6
Information services	6.0	5.0
Communication and travel	3.3	2.7
Statutory audit fees	0.5	0.5
Other	1.1	1.1
Recovery of Goods and Services Tax	(3.8)	–
	$ 105.4	$ 122.8

[1] Included in professional and consulting services are other audit related fees of $0.1 million (2001 – $0.1 million) and non-audit related fees of $0.1 million (2001 – nil) that were paid to the auditors of the Plan.

b) Member Services expenses

($ millions)	2002	2001
Salaries, incentives and benefits	$ 21.2	$ 23.0
Premises and equipment	8.5	7.1
Professional and consulting services	1.7	1.9
Communication and travel	1.7	1.9
Board and committee remuneration	0.3	0.3
Statutory audit fees	0.2	0.2
Other	0.9	0.7
Recovery of Goods and Services Tax	(1.0)	–
	$ 33.5	$ 35.1

c) Remuneration of the board and committee members In 2002 each Board member received an annual retainer of $6,000, plus $6,000 as a member of the Investment Committee. The Board Chair received an additional retainer of $12,500 and the Chairs of the Investment, Audit & Actuarial and Governance Committees received additional retainers of $3,000 each.

Fees for all Board and committee meetings and other eligible meetings attended are $500. Board meeting fees are typically combined with Investment Committee fees at $1,000 per day. The Chair of the Benefits Adjudication Committee receives an additional fee of $500 for each Benefits Adjudication hearing or committee meeting attended, to a maximum of six per annum.

Directors receive no additional benefits other than normal expenses for travel, meals and accommodation, as required.

d) Executive compensation The compensation table represents disclosure of base salary, annual bonus, long-term incentives and other compensation earned in 2000, 2001 and 2002 by the Chief Executive Officer and the four other most highly compensated executives, excluding subsidiary companies.

Name and Principal Position	Year	Base Salary	Annual Bonus[1]	Long-term Incentive Plan[2]	Group Term Life Insurance	Other Compensation
Claude Lamoureux	**2002**	**$422,000**	**$567,600**	**$973,400**	**$ 885**	**$ 9,620[3]**
President and CEO	2001	410,769	543,400	957,400	1,017	9,600
	2000	389,169	504,500	790,100	1,119	9,600
Robert Bertram	**2002**	**326,115**	**624,000**	**618,100**	**684**	**14,323[4]**
Executive VP	2001	316,538	554,600	876,200	784	14,125
Investments	2000	302,800	404,000	627,000	870	13,962
Leo de Bever	**2002**	**220,900**	**444,200**	**417,600**	**463**	**4,271[5]**
Senior VP, Research	2001	215,308	425,100	560,300	533	–
and Economics	2000	193,523	280,900	318,300	533	–
Neil Petroff	**2002**	**220,299**	**434,100**	**364,900**	**462**	**–**
Senior VP, Int'l Equity	2001	214,846	419,600	629,400	532	–
Indices, Fixed Income &	2000	196,130	338,500	451,900	561	–
Alternative Investments						
Morgan McCague	**2002**	**212,769**	**398,400**	**393,500**	**446**	**–**
Senior VP, Quantitative	2001	206,154	391,000	565,000	510	4,000[5]
Investments	2000	186,384	323,800	460,000	533	–

[1] Bonuses for investment professionals are based on a combination of total fund, asset class, and individual performance, measured in dollars of value added above benchmarks. Performance versus benchmark is measured over four annual performance periods. Bonuses for other executive staff are based on achievement of annual corporate and divisional objectives.

[2] The program is based on four-year performance periods. Initial grants are adjusted by the four-year total fund rate of return and by a performance multiplier, based on total fund and asset class dollar value added over a composite benchmark.

[3] Automobile allowance.

[4] Includes an automobile allowance of $8,000 per annum plus unused vacation cashout.

[5] Unused vacation cashout.

e) **Retirement Benefits** Executive employees of the Ontario Teachers' Pension Plan participate in the Public Service Pension Plan (PSPP) and the Public Service Supplementary Benefits Account (SBA). These plans combined provide indexed pension benefits equal to 2% of the executive's best five-year average annual base salary for each year of service, less a Canada Pension Plan integration formula. Benefits under these combined plans are capped by the base salary reached at the maximum pension contribution permitted under the *Income Tax Act (Canada)* regulations. Benefits provided under the PSPP and SBA, combined, are summarized in the chart below:

	Years in Service			
Average Pensionable Earnings	**15**	**20**	**25**	**30**
$150,000	$40,975	$ 54,633	$ 68,292	$ 81,950
200,000	55,975	74,633	93,292	111,950
250,000	70,975	94,633	118,292	141,950
278,557	79,542	106,056	132,570	159,084
300,000	79,542	106,056	132,570	159,084
350,000	79,542	106,056	132,570	159,084

Executives earning 2002 annual salaries in excess of $278,557 also participate in a non-registered, unfunded Supplemental Employee Retirement Plan (SERP). This plan provides non-indexed retirement benefits equal to 2% of the executive's best three-year average annual salary for each year of service, less the initial annual pension to which the executive is entitled under the combined PSPP and SBA.

For executives at the Executive Vice-President level and above, average annual salary includes a percentage of annual incentive, building at 20% per year to 100%, after 2003.

For executives at the Senior Vice-President level, having attained the age of 55, average annual salary includes a percentage of annual incentive, building at 10% per year to 50%, after 2003.

The total cumulative future liability for the SERP plan accrued at December 31, 2002 was $3.1 million.

13. RETIREMENT COMPENSATION ARRANGEMENT

The Retirement Compensation Arrangement (RCA) was established pursuant to an agreement between the Province of Ontario and the Ontario Teachers' Federation (the co-sponsors). It provides to the members of the Plan certain benefits that would have been provided under the Registered Pension Plan, but for amendments made to the *Income Tax Act (Canada)* and its Regulations that restrict benefits that may be provided under a registered plan for periods of service after 1991.

The RCA is administered under a trust separate from the assets of the Registered Pension Plan. The Board has been appointed by the co-sponsors to act as the trustee of the RCA.

Because the RCA is a separate trust, the net assets available for benefits and the value of accrued benefits and deficiency, referred to below, have not been included in the accompanying financial statements of the Registered Pension Plan.

The RCA is funded on a pay-as-you-go basis from a portion of the contributions made to the Board by teachers, the Province of Ontario and designated private schools and organizations. The portion is based on a rate determined periodically by the Board's independent actuary in a manner that is expected to be sufficient to pay the benefits over the next 12 months. Due to the funding policy adopted by the co-sponsors, the assets will continue to be substantially less than the liabilities.

In addition, because it is difficult to predict the benefits expected to be paid over the next 12 months, it may be possible that assets may be insufficient to pay the benefits. In such a case, the payment of benefits will be temporarily suspended and contributions raised in order to fund the payments that are due under the RCA.

A summary of the financial statements for the RCA as at December 31 is as follows:

($ thousands)	**2002**	2001
Statement of Net Assets Available for Benefits and Accrued Benefits and Deficiency:		
Net assets available for benefits		
Assets	**$ 2,695**	$ 2,383
Liabilities	**(546)**	(320)
	$ 2,149	$ 2,063
Accrued benefits and deficiency		
Accrued benefits	**$ 474,670**	$ 361,480
Deficiency	**(472,521)**	(359,417)
	$ 2,149	$ 2,063
Statement of Changes in Net Assets Available for Benefits:		
Contributions	**$ 1,422**	$ 1,363
Investment income/(loss)	**5**	(11)
	1,427	1,352
Benefits paid	**1,238**	1,021
Expenses	**103**	60
	1,341	1,081
Increase in net assets	**$ 86**	$ 271

The actuarial assumptions used in determining the value of accrued benefits are consistent with the assumptions used in the Plan except that the assumed discount rate has been adjusted to reflect the impact of the 50% refundable tax under the RCA.

The estimate of the value of accrued benefits is highly sensitive to salary increases, both actual and assumed. Any changes to the salary assumptions will have a significant impact on the liabilities for future benefits. In addition, significant uncertainty exists in projecting the liabilities of the RCA due to changes in the number of future participants as well as changes to the income tax regulations relating to pensions.

14. COMMITMENTS

The Plan has committed to enter into investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2002, these potential commitments totalled $5,047 million (2001 – $4,564 million).

15. SUBSEQUENT EVENT

On February 11, 2003, the Plan signed an agreement with the shareholders of Maple Leaf Sports and Entertainment Ltd. (MLSE) to increase its equity interest in MLSE from 49% to 58% through the conversion of its existing shareholder advances and the exercise of warrants attached to its existing common equity interest.

INVESTMENTS OVER $50 MILLION

as at December 31, 2002

Fixed Income

($ millions)	Maturity	Coupon (%)	Fair Value	Cost
Government of Canada bonds	2003–2033	3.50–12.75	$7,082	$7,040
Securities purchased under agreements to resell	2003–2003	0.15–3.04	5,725	5,701
Canadian corporate bonds	2003–2085	0.00–12.50	3,355	3,226
Canadian treasury bills	2003–2003	0.00–2.78	2,458	2,453
International corporate bonds	2003–2013	0.00–10.00	1,142	1,117
Commercial paper	2003–2003	2.77–3.00	954	952
Provincial bonds	2003–2016	4.88–8.75	808	799
Discount instruments	2003–2003	2.8–2.96	226	224
Term deposits	2003–2003	2.50–2.73	96	96
Securities sold under agreements to repurchase	2003–2003	0.85–3.10	(10,913)	(10,862)

Inflation-Sensitive Investments

($ millions)	Maturity	Coupon (%)	Fair Value	Cost
Inflation Indexed Notes	2026–2029	3.88–4.25	$2,379	$2,018
Real-return Canada bonds	2003–2031	0.00–4.25	2,189	1,749
Real-return Canadian Corporate bonds	2016–2039	5.29–5.33	895	595
Real-return Province of Quebec bonds	2026–2026	4.50–4.50	321	264
United States TIPS	2009–2028	3.63–3.88	279	260
Index-linked mortgages	2018–2040	4.63–5.55	272	249

Province of Ontario Debentures

($ millions)

Maturity Date	Coupon (%)	Fair Value	Cost
2003–2007	9.82–15.38	$ 6,812	$ 5,573
2008–2012	10.11–15.38	7,117	5,159
Total debentures net of accrued		13,929	10,732
Accrued interest		332	332
Total		$14,261	$11,064

INVESTMENTS OVER $50 MILLION

as at December 31, 2002

Corporate Shares

(millions)

Security Name	Shares	Fair Value
Nexen Inc.	19.7	$675.4
Capital International Emerging Countries Fund	13.9	522.1
Shoppers Drug Mart Corporation	20.5	503.6
Maple Leaf Foods Inc.	42.7	467.9
Royal Bank of Canada	7.5	433.3
BCE Inc.	13.6	387.5
Bank of Nova Scotia, The	6.8	359.0
Macquarie Infrastructure Group	114.8	326.4
Macerich Company, The	5.5	269.6
Bank of Montreal	6.1	254.4
EnCana Corporation	4.8	233.8
Alcan Inc.	4.7	219.1
Sun Life Financial Services of Canada Inc.	8.0	214.8
WestJet Airlines Ltd.	12.4	200.9
Toronto-Dominion Bank, The	5.5	188.3
Macdonald, Dettwiler and Associates Ltd.	8.1	181.2
Canadian Imperial Bank of Commerce	3.9	168.1
Canadian National Railway Company	2.4	156.4
Magna International Inc.	1.8	154.2
Manulife Financial Corporation	4.3	147.9
Barrick Gold Corporation	5.8	141.0
TransCanada PipeLines Limited	5.5	125.4
Petro-Canada	2.5	121.4
Suncor Energy, Inc.	4.7	115.6
Talisman Energy Inc.	2.0	112.8
Telefonos de Mexico SA	27.6	109.6
Nortel Networks Corporation	42.6	107.3
Canadian Natural Resources Ltd.	2.2	104.3
Fording Inc.	3.2	104.0
Inco Limited	2.8	95.8
Placer Dome Inc.	5.3	95.4
Thomson Corporation, The	2.2	94.4
Canada Life Financial Corporation	2.3	91.7
Southern Cross FLIERS Trust	1.0	91.3
ENI S.p.A.	3.4	84.5
National Bank of Canada	2.6	84.4
FleetBoston Financial Corporation	2.2	84.1
UBS AG	1.1	81.5
J.P. Morgan Chase & Co.	2.1	81.3

(millions)

Security Name	Shares	Fair Value
Imperial Oil Ltd.	1.8	$78.9
Royal Bank of Scotland Group plc	2.0	77.0
Enbridge Inc.	1.8	76.3
Telefonica, S.A.	4.8	76.2
Power Corporation of Canada	2.1	75.2
Biovail Corporation	1.8	74.7
Nestlé SA	0.2	73.0
Autoroutes du Sud de la France	1.8	70.1
Portugal Telecom, SGPS, S.A.	6.4	69.5
Verizon Communications Inc.	1.1	67.6
Akzo Nobel N.V.	1.3	67.4
ING Groep N.V.	2.5	67.2
CP Railway Limited	2.1	65.9
Baker Hughes Incorporated	1.3	65.5
Telecom Corporation of New Zealand Limited	17.4	65.2
Molson Inc.	1.9	64.7
Quebecor World Inc.	1.8	64.4
Citigroup Inc.	1.2	64.1
Sprint Corporation	4.0	63.8
Swiss Reinsurance Company	0.6	61.6
SBC Communications Inc.	1.4	61.6
Lloyds TSB Group plc	5.3	60.1
Total Fina ELF SA	0.3	59.5
Prudential Financial, Inc.	1.3	59.0
CP Ships Limited	2.8	58.7
Power Financial Corporation	1.6	57.7
Hewlett-Packard Company	2.1	57.5
Washington Mutual, Inc.	1.0	56.7
HSBC Holdings plc	3.3	56.3
Telus Corporation	3.3	56.2
Exelon Corporation	0.6	53.8
Microsoft Corporation	0.7	53.2
Abitibi-Consolidated Inc.	4.4	53.0
Swire Pacific Limited	8.7	52.7
Schering-Plough Corporation	1.5	52.3
Smiths Group plc	2.9	51.9
E. I. du Pont de Nemours and Company	0.8	51.7
Zurich Financial Services AG	0.3	51.1
CRH plc	2.6	50.4

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

INVESTMENTS OVER $50 MILLION

as at December 31, 2002

Real Estate Portfolio

Property	Total Square Footage (in thousands)	Effective % Ownership
Canadian Regional Shopping Centres		
Aberdeen Mall, Kamloops	462	100%
Cataraqui Town Centre, Kingston	580	50%
Champlain Place, Dieppe	816	100%
Chinook Centre, Calgary	1,175	100%
Cornwall Centre, Regina	497	100%
Don Mills Shopping Centre, Toronto	420	100%
Eastgate Square, Hamilton*	558	100%
Erin Mills Town Centre, Mississauga	799	50%
Fairview Mall, Toronto	879	50%
Fairview Park Mall, Kitchener	746	100%
Fairview Pointe Claire, Montreal	1,020	50%
Georgian Mall, Barrie	513	100%
Hillcrest Mall, Richmond Hill	592	100%
Intercity Shopping Centre, Thunder Bay*	453	100%
Le Carrefour Laval, Montreal	1,243	100%
Les Galeries D'Anjou, Montreal	1,013	50%
Les Promenades St. Bruno, Montreal	1,084	100%
Lime Ridge Mall, Hamilton	813	100%
Market Mall, Calgary	724	50%
Markville Shopping Centre, Markham	981	100%
Masonville Place, London	686	100%
McAllister Place, St. John	468	100%
Midtown Plaza / Village, Saskatoon	662	100%
New Sudbury Centre, Sudbury*	497	100%
Pacific Centre, Vancouver	1,390	100%
Polo Park Mall, Winnipeg	1,202	100%
Regent Mall, Fredericton	476	100%
Richmond Centre, Richmond	487	100%
Rideau Centre, Ottawa	734	31%
Sherway Gardens, Toronto	980	100%
The Promenade, Toronto	680	50%
Toronto Eaton Centre, Toronto	1,624	100%
Victoria Eaton Centre, Victoria	409	100%
Woodbine Centre, Toronto	685	60%

Property	Total Square Footage (in thousands)	Effective % Ownership
Canadian Office Properties		
77 Bloor Street West, Toronto	383	100%
Granville Square, Vancouver	410	100%
Pacific Centre Office Complex, Vancouver	1,553	100%
Shell Centre, Calgary	683	50%
Simcoe Place, Toronto	823	25%
Toronto Dominion Centre Office Complex, Toronto	4,423	100%
Toronto Eaton Centre Office Complex, Toronto	1,895	100%
Waterfront Centre, Vancouver	409	100%
Yonge Corporate Centre, Toronto	669	50%
U.S. Regional Shopping Centres		
Broward Mall, Fort Lauderdale, Florida*	1,000	100%
Dover Mall, Dover, Delaware*	835	100%
Galleria at White Plains, White Plains, New York*	885	100%
Gwinnett Place, Duluth, Georgia	1,248	33%
Kitsap Mall, Silverdale, Washington	716	49%
Lakewood Center, Lakewood, California	2,011	49%
Los Cerritos Center, Cerritos, California	1,290	49%
Northpark Mall, Ridgeland, Mississippi*	958	100%
Redmond Town Center, Redmond, Washington	1,119	49%
Stonecrest Mall, Atlanta, Georgia	1,300	33%
Stonewood Center, Downey, California	937	49%
The Esplanade, Kenner, Louisiana*	911	100%
Town Center at Cobb, Kennesaw, Georgia	1,273	33%
Washington Square, Tigard, Oregon	1,239	49%

* Sold subsequent to December 31, 2002

Private Companies and Partnerships

Absolute Return Fund, Limited
Active Value Capital L.P.
Active Value Pledge Fund L.P.
Altalink L.P.
Arrowstreet Global Opportunities Offshore Fund, Ltd.
BAI Acquisition Limited Partnership
Baillie Gifford Emerging Markets Fund
BC European Capital VI
BC European Capital VII
BDC Offshore Fund II Ltd.
Belvedere Fund Limited
D.E.Shaw Composite International Fund I
DLJ Merchant Banking Partners II, L.P.
Friedrich Grohe AG
Hancock Timber Resource Group
Heartland Industrial Partners, L.P.
Hermes U.K. Focus Fund III L.P.
III Fund, Ltd.
Luscar Energy Partnership
Macquarie Airports Group Limited
Maple Leaf Sports & Entertainment Ltd.
Maple Partners Financial Group Inc.
Morgan Stanley Real Estate Fund III International L.P.
Osprey Media Holdings, Inc.
Palmetto Fund Ltd.
RH Fund 2, L.P.
RIII Funding Ltd.
Sanitec Group
Schroder Asian Properties L.P.
Southern Cross Airports Corporation Holdings Limited
Trimac Corporation

ELEVEN-YEAR REVIEW

for the year ended December 31

($ billions)	**2002**	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
CHANGE IN ASSETS											
Income											
Investment income	**$(1.41)**	(1.74)	6.21	10.12	5.14	7.25	7.44	5.66	0.53	5.91	2.15
Contributions											
Members/transfers	**0.68**	0.64	0.62	0.63	0.61	0.59	0.62	0.64	0.73	0.69	0.71
Province of Ontario	**0.70**	0.68	0.66	0.66	0.65	0.65	0.67	0.67	0.70	0.71	0.74
– special payments	**–**	–	–	0.13	0.49	0.46	0.15	–	–	–	0.44
Total Income	**(0.03)**	(0.42)	7.49	11.54	6.89	8.95	8.88	6.97	1.96	7.31	4.04
Expenditures											
Benefits paid	**3.08**	3.08	2.54	2.28	2.10	1.80	1.52	1.26	1.13	1.00	0.92
Investment expenses	**0.10**	0.12	0.10	0.09	0.07	0.06	0.04	0.03	0.03	0.02	0.01
Member service expenses	**0.03**	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.02	0.02
Distribution of gain	**–**	–	–	–	–	–	–	–	–	0.33	–
Total Expenditures	**3.21**	3.24	2.67	2.40	2.20	1.89	1.59	1.32	1.19	1.37	0.95
(DECREASE) INCREASE IN NET ASSETS	**(3.24)**	(3.66)	4.82	9.14	4.69	7.06	7.29	5.65	0.77	5.94	3.09
NET ASSETS											as at December 31
Investments											
Fixed income	**$13.96**	7.09	13.32	17.30	11.48	10.28	10.62	12.51	11.41	17.57	19.01
Equities – Canadian	**13.43**	17.06	17.74	19.89	17.61	19.43	17.37	12.22	9.94	7.51	3.22
Equities – Foreign	**18.19**	24.28	23.14	21.76	24.02	19.96	16.01	12.29	10.71	7.04	3.25
Inflation-sensitive											
– Commodities	**1.48**	1.09	2.10	1.09	0.40	0.13	–	–	–	–	–
– Real estate	**11.49**	11.59	6.20	2.82	1.58	1.56	1.27	0.93	0.69	0.61	0.45
– Infrastructure	**0.97**	0.03	–	–	–	–	–	–	–	–	–
– Real-rate products	**5.92**	6.98	9.55	4.24	3.02	1.60	1.07	1.06	0.65	0.55	0.46
Net investments	**65.44**	68.12	72.05	67.10	58.11	52.96	46.34	39.01	33.40	33.28	26.39
Receivable from											
Province of Ontario	**1.32**	1.28	1.25	1.25	1.23	1.26	1.29	1.31	1.34	1.36	1.32
Other assets	**23.86**	24.26	13.15	7.04	5.39	8.54	3.29	1.59	0.62	0.04	0.07
Total assets	**90.62**	93.66	86.45	75.39	64.73	62.76	50.92	41.91	35.36	34.68	27.78
Liabilities	**(24.41)**	(24.20)	(13.33)	(7.08)	(5.56)	(8.27)	(3.48)	(1.76)	(0.88)	(0.96)	(0.01)
Net assets	**66.21**	69.46	73.12	68.31	59.17	54.49	47.44	40.15	34.48	33.72	27.77
Smoothing reserve	**9.65**	2.97	(4.34)	(8.32)	(4.79)	(5.58)	(4.42)	(1.91)	(0.25)	(2.95)	(0.41)
Actuarial value of net assets	**75.86**	72.43	68.78	59.99	54.38	48.91	43.02	38.24	34.23	30.77	27.36
Accrued pension benefits	**73.67**	65.43	58.56	52.11	48.64	44.46	41.83	38.74	36.85	34.00	30.78
Surplus (Deficiency)	**$ 2.19**	7.00	10.22	7.88	5.74	4.45	1.19	(0.50)	(2.62)	(3.23)	(3.42)
PERFORMANCE (percent)											for the year ended December 31
Rate of return	**(2.0)**	(2.3)	9.3	17.4	9.9	15.6	19.0	16.9	1.7	21.7	8.9
Benchmark	**(4.8)**	(5.3)	5.3	17.6	11.9	15.6	18.1	17.2	(0.3)	20.5	8.0
Long-term goal	**8.9**	5.2	7.7	7.1	5.5	5.2	6.7	6.2	4.7	6.2	6.6

CORPORATE DIRECTORY

President and Chief Executive Officer

Claude Lamoureux

Investments

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Active Equities

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

International Equity Indices, Fixed Income and Alternative Investments

Neil Petroff, Senior Vice-President
Bruce Ford, Vice-President
Ron Mock, Vice-President
Sean Rogister, Vice-President

Quantitative Investments

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

Research and Economics

Leo de Bever, Senior Vice-President
Russ Bruch, Vice-President
Wayne Kozun, Vice-President
Barbara Zvan, Vice-President

Teachers' Merchant Bank

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Mark MacDonald, Vice-President
Dean Metcalf, Vice-President
Lee Sienna, Vice-President
Rosemary Zigrossi, Vice-President

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Allan Reesor, Executive Vice-President
and Chief Information Officer

Client Services

Rosemarie McClean, Vice-President

MIS Member Services

Phil Nichols, Vice-President

Audit Services

Peter Maher, Vice-President

Finance

Andrew Jones, Vice-President

Human Resources and Public Affairs

John Brennan, Vice-President

Law

Roger Barton, Vice-President,
General Counsel and Secretary

The Cadillac Fairview Corporation Limited

L. Peter Sharpe
President and Chief Executive Officer

Business Innovation and Technology Services

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Scot Adams, Senior Vice-President
and Chief Technology Officer

Finance and Taxation

Ian MacKellar, Executive Vice-President
and Chief Financial Officer

Investments

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Legal

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General Counsel and Secretary
Sandra Hardy, Senior Vice-President,
Corporate Legal

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David Handley, Senior Vice-President
John Sullivan, Senior Vice-President

Portfolio Operations

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Michael Whelan, Senior Vice-President, GTA
Linda Gray, Senior Vice-President, Ontario
Alan Carlisle, Senior Vice-President, United States
Ron Wratschko, Senior Vice-President, Western Canada

Human Resources

Grant Clark, Senior Vice-President

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

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