Your Pension. Our Promise.

2008 REPORT TO MEMBERS AND PENSIONERS

OPB

Your Pension. Our Promise.

Who we are

Ontario Pension Board ("OPB") administers your Public Service Pension Plan ("PSPP" or the "Plan") – a major defined benefit pension plan sponsored by the Government of Ontario. Our membership base is made up of certain employees of the provincial government and its agencies, boards and commissions.

With more than $14.5 billion in assets, 38,000 active members, 36,150 pensioners and 5,000 deferred members, the PSPP is one of Canada's largest pension plans. It is also one of the country's oldest pension plans, dating back to the early 1920s.

Who we serve

OPB serves:

- you – our PSPP members and pensioners,
- employers, and
- other key stakeholders (the Plan Sponsor, bargaining agents and taxpayers).

About your Plan

The PSPP is a defined benefit pension plan that is designed to enhance your financial security. Retired members receive a pension benefit based on a pre-set (defined) formula, and that benefit is payable for life. The formula takes into account each member's earnings history and years of service with the Plan. To fund the pension promise, both members and employers make contributions to the Plan.

Our promise

OPB's promise is fourfold:

1. protect the long-term vitality of the Plan,
2. invest the Plan's assets to maximize returns within acceptable risk parameters,
3. keep contribution levels and benefits stable and affordable, and
4. deliver superior, cost-effective service to clients and stakeholders.

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Your Pension. Our Promise.

Protecting the promise

"Protecting the pension promise." These words took on new meaning for OPB in 2008. Preserving capital and prudently managing risk became our focus in this year of economic difficulty. While we were not immune to the effects of steep market declines, we want you to know that our approach shielded the Plan from the worst of the storm. And, as a member or pensioner of the PSPP – a defined benefit pension plan – you can take comfort in knowing that the pension benefits you've earned are secure.

In the face of growing economic uncertainty, we deferred plans to increase our holdings in equities and foreign markets until the financial markets have stabilized. Instead, we continued to lay the groundwork for future changes in our asset allocation and maintained our emphasis on preserving value and managing risk. It was the right course.

Our significant investment in high-quality government bonds and real estate helped us surpass the industry average for investment performance and preserve an estimated $1 billion in asset value – value that would have vanished had we not outperformed the industry average. At the same time, our strong cash holdings have left us well positioned to take advantage of quality investment opportunities as markets begin to recover.

Strong and affordable

Difficult markets have affected the funded status of virtually every pension plan, including the PSPP. As a result, an increase in our funding shortfall is to be expected. However, it's important to note that we have successfully navigated through market downturns and funding shortfalls in the past.

Over time, we expect a gradual market recovery and for investment returns to have a positive impact on the shortfall. Until then, we will continue to take the strategic steps necessary to manage the shortfall and keep the Plan strong and affordable.

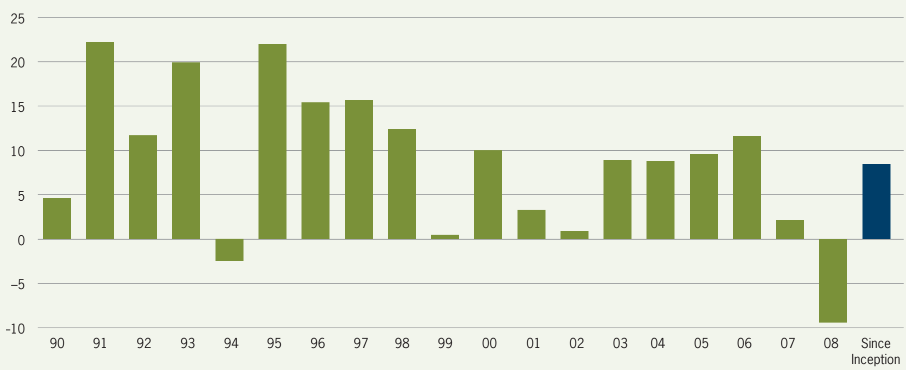
Despite ongoing economic challenges, we remain confident about the future. We are still well positioned to fulfill our number one objective – helping you build a financially secure retirement.

Financial highlights

OPB's continued focus on capital preservation and prudent risk management enabled the Plan to finish the year with an investment performance of –9.4%. Although negative, this result compares favourably with most Canadian pension plans, which produced an average result of about –16%.

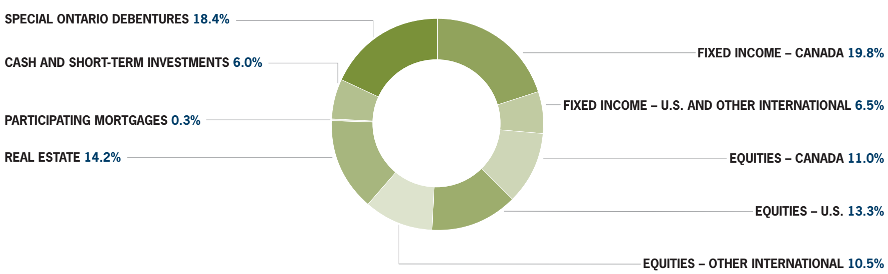
TOTAL RETURNS

% per annum



ASSET MIX

as at December 31, 2008

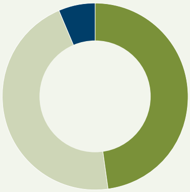


Client service highlights

OPB continued to move forward with strategic initiatives aimed at improving your service experience with us, as well as improving cost-effectiveness. For example, we reduced turnaround times for buyback quotes and provided online access to key personal information.

CLIENT PROFILE

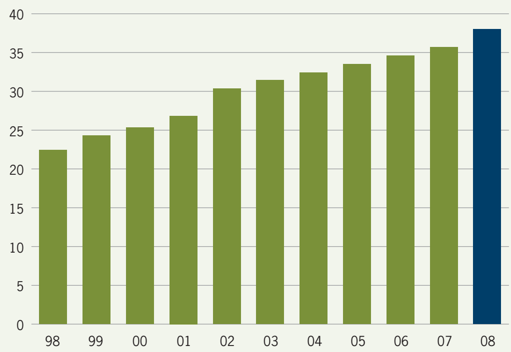
as at December 31, 2008



MEMBERS	38,000
PENSIONERS	36,150
DEFERRED MEMBERS	5,000

GROWTH IN MEMBERSHIP

thousands of persons



SERVICE TO MEMBERS

	2008	2007	2006
Telephone calls	**21,154**	17,996	16,295
Buybacks of service	**3,302**	1,519	1,285
Pension estimates	**1,402**	1,070	1,140
Presentations	**130**	104	37

SERVICE TO PENSIONERS

	2008	2007	2006
Telephone calls	**21,096**	18,870	19,366

M. Vincenza Sera
Chair

Message from the Chair

During 2008, the Board stayed focused on OPB's core values in a year that brought both significant challenge and significant opportunity. OPB successfully managed a change in leadership, completed a long-term funding study, navigated a worsening investment climate, and committed to making good governance even better.

Successful succession

One of the most important decisions of a Board is its choice of chief executive officer ("CEO"). Don Weiss stepped down as OPB's CEO on December 31, 2008, having announced in late 2007 his intention to retire. As part of OPB's succession plan, Mark Fuller was appointed president on January 1, 2008 and, following a careful review process, was appointed president and CEO on January 1, 2009.

During his first year as president, Mark successfully guided OPB through one of the most challenging investment years on record. At the same time, he took steps to strengthen OPB's capabilities in key strategic areas, including finance, corporate affairs and investment.

The Board congratulates Mark on his appointment and extends its appreciation to Don for his valuable contribution to OPB's growth and change.

Protecting the Plan

At OPB, delivering on the pension promise is our top priority. Central to that effort is managing the Plan's funded status. During 2008, OPB completed a long-term funding study to determine if contribution levels would meet future benefit obligations. The study found that the cost of providing a dollar of pension benefit has gone up in recent years, largely due to changing economic and demographic trends (e.g., a low interest rate environment, members are living longer).

To deal with the higher cost, the Plan Sponsor elected to increase contribution levels for both members and employers, while maintaining its commitment to current benefit levels – a move supported by OPB's Board. It's important to emphasize that the increase was due to systemic issues and not the recent economic climate. (For more information about the contribution rate change, visit www.opb.ca)

Economic realities

The events of 2008 confirmed that OPB's long-term strategic plan is the right one. More specifically, it confirmed that we need to continue investing in the organization, where it makes sense, to: build an investment team with bench strength, strengthen our risk management framework, and develop the infrastructure needed to provide you with the support and advice you need to maximize the value of your participation in the Plan.

In light of the economic reality that surrounds us, we are also taking steps where we can to constrain costs. For example, we've put a freeze on staffing levels, with the exception of our investment area, and are holding management compensation at 2008 levels.

Making good governance better

Over the years, OPB has built its success on a foundation of good governance. It's a solid foundation on which to build, through our commitment to continuous improvement. That's why in 2008, we developed and implemented a governance improvement plan designed to uphold the highest principles of integrity, transparency, accountability, efficiency, and superior performance. For example, OPB now participates in an independent program that benchmarks our performance and cost efficiency with industry peers.

If good governance is the foundation for success, effective risk management is a critical cornerstone – a point that was driven home in 2008, when effective risk management enabled us to deliver investment performance well above the average.

During 2008, OPB continued to invest in a corporate-wide risk-management initiative. As part of this initiative, we implemented a number of controls and processes to protect the Plan. We also hired internal expertise to help deal with the risks emerging from a changing investment environment and our evolving investment strategy.

On behalf of the Board, I want to thank Mark, his management team, and OPB's dedicated staff for successfully guiding the PSPP through it all.

M. Vincenza Sera, Chair

Board of Directors

M. Vincenza Sera (Chair)

Managing Director of the Financial Institutions Group, Investment Banking for National Bank Financial from 1992 to 2004. Served as co-head of the Canadian Financial Institutions Group ("FIG") practice at Putnam Lovell NBF from 2003 to 2004. She has more than 20 years of experience in investment banking.

Appointed to the Board on September 17, 2004.

Appointed as Chair on July 1, 2007.

J. Urban Joseph, O.C. (Vice-Chair)

Vice Chairman of Toronto-Dominion Bank from 1992 to 1996. During his career with the bank, which began in 1952, he held a number of positions, including Executive Vice President of the Human Resources Division.

Appointed to the Board on July 1, 2004.

Appointed as Vice-Chair on July 1, 2007.

M. David R. Brown

A former managing principal at Eckler Ltd., a leading Canadian actuarial consulting firm. During a career spanning more than 40 years, David has consulted to pension clients in both the private and public sectors, served on the Pension Commission of Ontario, and held numerous positions with professional organizations.

Appointed to the Board on October 25, 2006.

Lynn A. Clark

Founding principal of L.A. Clark Consulting, an independent consulting and research organization that focuses on pension and investment issues. Lynn has more than 20 years experience in the investment banking and pension arena, and is a former member of the Industry Task Force on Pension Governance.

Appointed to the Board on October 5, 2006.

Lisa Hillstrom

Executive Officer, Pension and Benefits, Ontario Provincial Police Association from April 2006 to present. As Executive Officer for the OPP Association, she provides bereavement counseling, retirement counseling, and assistance to members with insured benefit appeals, LTIP, WSIB and return to work issues. During her career, she has held several positions in the Pension and Benefit field with the Ontario Public Service. Immediately prior to joining the OPP Association, she held the position of Benefit Advisor, Ontario Shared Services, managing the Benefit Unit servicing the OPP, Ministry of Community Safety and Correctional Services.

Appointed to the Board on February 13, 2008.

Patricia Li

Assistant Deputy Minister in the Ministry of Culture. During her career, she has held a series of progressively more responsible management positions in the Ontario Public Sector, practised public accounting, and worked for several national retail corporations.

Appointed to the Board on October 1, 2007.

Hugh G. Mackenzie

Principal in his own economic consulting business and a Research Associate of the Canadian Centre for Policy Alternatives. He has worked for over 30 years in the trade union and non-profit sectors, as well as in all three levels of government. He is a member of the board of the Atkinson Charitable Foundation and the Ontario Teachers' Pension Plan board.

Appointed to the Board on December 4, 2002.

Anthony Wohlfarth

Currently the Executive Director of the Carlton University Academic Staff Association ("CUASA"). Previously, he was national representative for the CAW, where he has held a series of senior positions. From 2000 to 2005, he was Commissioner (Workers) with the EI Commission. He has 25 years of diverse experience in the fields of pensions and employee benefits. Tony also participates in Director's College, co-sponsored by the Conference Board of Canada and DeGroote School of Business at McMaster University.

Appointed to the Board on September 1, 2005.

Mark J. Fuller
Chief Executive Officer

Straight talk with the CEO

In a year of deepening global economic crisis, concerns about pension plans became front page news and a hot topic of communication. As a result, we know you may be concerned about the future of your PSPP pension. We want to address your concerns with direct answers to the most pressing questions we've been asked.

Q How did volatility in the stock markets affect OPB's 2008 investment performance?

A > While most of the world's stock markets fell by 30% or more, our conservative investment strategy and focus on capital preservation shielded the Plan from the worst of the market meltdown. As a result, we ended the year with a loss of 9.4%.

Q How did OPB's performance compare to those of other pension plans?

A > The industry numbers aren't all in yet, but it looks like our result was as good – or better – than most other pension plans. Industry analysts estimate that the average Canadian defined benefit pension plan lost about 16% in 2008. Our 9.4% loss puts us well above the average.

Q What impact did investment results have on the funded status of the Plan?

A > The difficult markets affected the funded status of virtually every pension plan. The PSPP was no exception. We are currently conducting a valuation to determine the funded status of the Plan at year-end 2008. The full impact of the market downturn won't be known until that valuation is complete; however, we anticipate it will show the Plan was about 90% funded as of December 31, 2008. Although this shortfall is significant, we've successfully managed through market downturns and funding shortfalls before.

As a member of the PSPP, you can take comfort in knowing that the benefits you've earned to date are secure. As a pensioner of the PSPP, your pension benefit crystallized the day you retired – which means your pension benefit is guaranteed for your lifetime.

Q Does this mean my contributions will go up or that my benefits will be reduced?

A > First of all, as a member of the PSPP, you can take comfort in knowing that the benefits you've earned to date are secure. As a pensioner of the PSPP, your pension benefit crystallized the day you retired – which means your pension benefit is guaranteed for your lifetime.

Under current pension law, we must file a funding valuation with Ontario's pension regulator at least once every three years. Any shortfall identified in that valuation must be addressed by the Plan Sponsor. The Plan Sponsor can choose to make special payments, increase regular member and employer contributions, decrease benefits for future service, or any combination of the above. The next valuation we file with the regulator will be based on our funded status at year-end 2010 – two years from now. In the meantime, OPB is looking at measures we can take to help reduce the shortfall. These include advocating for funding relief, continuing to implement our investment strategy, and reassessing the discount rate used for our funding valuation (to ensure it reflects that investment strategy). It's worth noting that the two-phase contribution rate increase announced in late 2008, which is being rolled out in 2009 and 2010, was *not* initiated because of our 2008 investment results. It was initiated as a result of the long-term funding study, to address an increase in the cost of providing a dollar of pension benefit due to changing demographic and economic trends. For more information about the contribution rate change, visit www.opb.ca

Q How does the funded status of the PSPP compare to other pension plans?

A > That's a difficult question to answer. Here's why. The funded status represents the ratio of Plan assets to Plan liabilities. However, different plans use different methods and assumptions to value their assets. As a result, comparing the funded status of one plan to another can be like comparing apples to oranges. What we can tell you is that if other plans valued their assets the same way, the PSPP's funded status would compare favourably. (For additional details on how funded status is determined, see "Funding the pension promise" on page 16.)

Q What will OPB's investment strategy be into 2009 and beyond?

A > We expect economic instability and market volatility to continue through 2009. During that period, we will continue to exercise caution – recognizing the value of our capital preservation approach to investing. As we see signs that market conditions are beginning to stabilize, we will resume rolling out our expanded asset allocation strategy. This will include deploying cash into capital markets and redirecting investment into new asset classes and markets offering higher, long-term rates of return. We will continue to take a proactive and deliberate approach to risk control – one that combines the use of sound judgment and investment expertise, supported by comprehensive financial modeling.

Q What steps is OPB taking to contain costs?

A > Over the past few years, OPB has made a significant investment aimed at enhancing the service experience for our clients and stakeholders. That investment, which is now paying off, has led to a number of important service improvements (see "Our scorecard for 2008" on page 12 for details). Despite our investment in service improvements, our operating costs are still among the lowest for similar plans of the same size. All that said, we are mindful of the need to manage expenses – particularly in these tough economic times. To that end, we are taking a number of steps to contain costs, including limiting compensation, curtailing strategic initiatives, and cutting back on travel.

We introduced a number of improvements to our client and stakeholder services. For example, we significantly reduced turnaround times for buyback quotes and began offering advice to members facing buyback and transfer decisions. We also moved forward with the introduction of e-services.

Q What client service improvements did OPB make in 2008?

A > We introduced a number of improvements to our client and stakeholder services. For example, we significantly reduced turnaround times for buyback quotes and began offering advice to members facing buyback and transfer decisions. We also moved forward with the introduction of e-services. Members and pensioners now have online access to important personal information about their pension. In addition, we assigned dedicated staff to assist participating employers in doing business with OPB, and conducted our first employer survey to guide future service improvements. (For additional information on service improvements see "Our scorecard for 2008" on page 12.)

Q Many organizations have been forced to depart from their strategic plans as a result of market events. Is this the case for OPB?

A > No. We remain fully committed to our multi-year strategic plan – a plan focused on delivering the pension promise, protecting the long-term vitality of the Plan, and ensuring clients and stakeholders get maximum value from their participation in the Plan. In fact, if anything, the events of 2008 have confirmed that we are moving in the right direction. But, given the uncertainty that has gripped the world economy, we need to proceed with a careful eye on expense control and cost containment. That means we may need to ease up on the ambitious pace with which we've been implementing some strategic initiatives.

Your Pension. Our Promise.

Our scorecard for 2008

At OPB, we're on a mission . . . to protect the long-term vitality of your Plan, maximize returns within acceptable risk parameters, keep contribution levels and benefits stable and affordable, and deliver superior, cost-effective service. Each year, we make significant inroads, and 2008 was no exception. Against a backdrop of economic turmoil, we continued to move forward on several fronts.

Service improvements

WHAT WE DID IN 2008	WHY WE DID IT	WHAT'S AHEAD
Implemented new client service technology	To reduce turnaround times for common transactions and respond more quickly to your requests. As an example, turnaround times for routine buyback quotes were cut from 30 days to 48 hours.	Planned service improvements include • providing assistance and advice with buyback decisions and • streamlining the retirement process to make it more efficient and member-friendly.
Accelerated our web-services strategy	Part of an ongoing initiative to provide you with personalized information and advice. Members now have convenient, online access to annual pension statements; pensioners have online access to T4s and escalation (cost-of-living) letters.	Expanded web services, including advanced online calculators, the ability to submit forms online, and the ability to update personal information (such as address) online while ensuring state-of-the-art security and privacy.
Piloted a personalized approach to assist members transferring benefits between pension plans	To provide divesting OPP and CTAR members with the proactive, personalized information and advice required to make informed decisions and get maximum value from their participation in the Plan.	Expanding access to personalized assistance and advice for a wider array of transactions.

Protecting the Plan

WHAT WE DID IN 2008	WHY WE DID IT	WHAT'S AHEAD
Conducted a long-term funding study	To protect the long-term financial vitality of the Plan by ensuring contribution rates are sufficient to fund pension benefits. The study found that the cost of funding a dollar of pension benefit has gone up due to changing demographic and economic trends. Based on the study's results, the Plan Sponsor decided to implement a modest contribution increase for both employers and members.	Partnering with the Plan Sponsor to develop a formal funding policy for the PSPP. This document will establish guidelines aimed at ensuring the Plan's assets are sufficient – over the long term – to meet its pension obligations.

Educate and advocate

WHAT WE DID IN 2008	WHY WE DID IT	WHAT'S AHEAD
Provided the Ontario government with an innovative solution for dividing pensions upon marriage breakdown	To promote a fair and equitable process for dividing pension assets when a marriage breaks down. In October 2008, the provincial government adopted legislation enabling the OPB solution – a solution that dramatically simplifies the process and reduces legal costs for all parties.	Continuing to initiate and support efforts to strengthen the environment for DB pension plans and encourage broader DB coverage for Canadians. More specifically, we will: • ask the Ontario government to ease funding requirements for DB plans in the wake of 2008's unprecedented financial market declines and • make recommendations to the federal government on pension reform (we believe that positive change at the federal level will support positive change at the provincial level).
Prepared a formal response to the final report of the Ontario Expert Commission on Pensions	To promote positive change in the wake of the report and to propose measures aimed at addressing the key funding, governance, and regulatory challenges facing DB plans today. The response was submitted to Ontario's Minister of Finance in early 2009.	

Astute and disciplined investment

WHAT WE DID IN 2008	WHY WE DID IT	WHAT'S AHEAD
Deferred full implementation of our investment strategy and supplemented risk management controls	A response designed to • protect the Plan from the full extent of adverse market conditions, • position the Plan to seize long-term return opportunities as markets recover, and • solidify our risk management framework.	A continuing focus on capital preservation through this period of market volatility. As market conditions begin to stabilize, we will look to deploy cash holdings into long-term capital markets and pursue strategies designed to generate higher returns over the long term.
Continued to lay the foundation required to effectively implement our investment strategy	To ensure we have the investment expertise and capacity required to • invest in a broader range of asset classes, • expand our investment in select high-growth regions around the world, and • generate value-added returns. During 2008, OPB expanded its in-house investment expertise, built new partnerships with external investment managers and advisors, and strengthened its investment risk management framework.	

Funding the pension promise

Keeping track of the financial health of the Plan

Investment returns can have a significant impact on the funded status of a pension plan (as can inflation, salary increases, demographic shifts, interest rates, and contribution rates).

OPB is currently conducting an actuarial valuation to determine the funded status of the PSPP. While the results won't be known until that valuation is completed in mid-2009, we anticipate it will show that the funded status of the Plan as of December 31, 2008 was approaching 90% (this figure is based on the assumption the Plan will continue to operate indefinitely).

Although this shortfall is significant, it's important to keep in mind four important points:

1. OPB has successfully managed through market downturns and shortfalls before.
2. A valuation provides a "snapshot" of a pension plan's funded status at a specific point in time. The reality is, however, pension plans are designed to operate indefinitely; after all, you may still be collecting your pension 30 or 40 years from now.
3. The funding position of a pension plan will fluctuate over time – particularly in times of volatile investment markets. Our goal is to ensure the Plan remains fully funded over the long term.
4. The next valuation we file with the regulator will be based on our funded status at year-end 2010 – two years from now. In the meantime, OPB is looking at measures to improve the funded status between now and then.

The funding position of a pension plan will fluctuate over time – particularly in times of volatile investment markets. Our goal is to ensure the Plan remains fully funded over the long term.

Defining the difference

Another point to keep in mind is that different pension plans use different methods to determine the actuarial value of their assets (the actuarial value of assets is a key factor used to determine the funded status of a pension plan).

The method used by OPB recognizes 100% of any market gains or losses in the year they occur. For example, the full amount of our 2008 investment loss will be recognized in our funded status as of December 31, 2008.

Some plans use a different method called "smoothing." Smoothing spreads the recognition of gains or losses over an extended period – typically three to five years. For example, only a fraction of any investment losses incurred in 2008 would be reflected in any funding valuation prepared as of December 31, 2008; the rest would be carried forward and reported in future years. As a result, the funded status of these plans after a year of steep market declines may *appear* stronger than it would for plans that don't use smoothing.

Why we don't use smoothing

OPB made a conscious decision to move away from asset smoothing in 2005. We believe that an unsmoothed approach gives us a more precise snapshot of our financial position at a given point in time – allowing OPB and the Plan Sponsor to respond more quickly to funding challenges. We also believe it provides you with greater transparency, because market gains and losses are reflected in the funded status right away.

At OPB, ensuring the Plan remains strong and affordable is our top priority. With that in mind, we will continue to monitor the funding situation closely and will explore and take all appropriate steps to deliver the pension promise and protect the long-term vitality of the Plan.

A tradition of good governance

At OPB, we're proud of our commitment to good governance. Our well-defined operating structure, high professional standards, and deep-seated culture of integrity and openness support performance excellence on behalf of you and our stakeholders.

At the foundation of OPB's governance framework is a series of documents that clearly define our governance structure, practices and responsibilities. These include a Statement of Governance Principles, General By-law, Code of Conduct, Conflict of Interest and Confidentiality Policy, and Memorandum of Understanding.

OPB's Board of Directors holds ultimate responsibility for the Plan. Members of the Board are appointed by the Government of Ontario, but include nominees put forward by bargaining agents representing members of the Plan. Board members offer professional expertise on a range of specialties. The Board has six regularly scheduled meetings each year and additional meetings as required.

To free up time to focus on strategic direction and high-level issues, the Board delegates tasks to five Board Committees. These include a Governance and Conduct Committee, Investment Committee, Audit Committee, Pensions Committee, and Human Resources Committee. Each committee – through its chair – reports directly to the Board. Each Board committee meets on a regular basis.

Day-to-day administration of the Plan and management of the Plan's assets is delegated to OPB's management team. The president and CEO is ultimately accountable to the Board for the duties and responsibilities of management.

For additional details on OPB's governance structure, go to OPB's website at **www.opb.ca**

Financial review

2008 Investment strategy

OPB's primary investment objective is to maximize returns, within an acceptable risk framework. To help realize this objective, OPB invests in a range of asset classes, including:

- interest-bearing investments,
- public equities, and
- real estate.

In late 2007, OPB's Board of Directors approved an investment strategy designed to increase the Plan's weighting in equity investments, expand its investment in high-growth regions of the world, and broaden its range of asset classes and strategies. Heading into 2008, however, declining market conditions prompted us to defer full implementation of this investment strategy and to maintain our focus on capital preservation. The decision to defer full implementation of the investment strategy was the right one – shielding the Plan from the worst of the economic downturn.

Investment performance

The Plan's overall investment performance for the year ending December 31, 2008, was –9.4%, down from 2.1% in 2007. (Comparative returns for 2007 have been restated with Special Debentures at market value.)

After deducting investment fees, the Plan reported a net investment loss of $1.55 billion – reflecting one of the worst years for investors in more than half a century. That compares to net investment income of $307 million in 2007.

Net assets declined by $1.77 billion in 2008, compared to a decline of $42 million in 2007. This reflects a sharp contraction in the value of the Plan's public equities portfolio, a more modest decline in the value of the real estate portfolio, and an overall gain in the fixed income portfolio.

Interest-bearing investments > OPB's interest-bearing investments include:

- *Cash and short-term investments* – OPB's cash and short-term holdings at year-end 2008 stood at $1.0 billion (or 6.8% of assets), up from $0.97 billion (or 5.9% of assets) a year earlier. Cash holdings will allow us to continue implementing our broader investment mandate and take advantage of quality investment opportunities as markets begin to recover.
- *Special Debentures* – Special Debentures provided $539 million in cash flow in 2008, compared to $536 million in 2007. Over the years, these non-marketable debentures have provided the Plan with a stable cash flow for paying pensions.
- *Marketable bonds* – Canadian bonds returned 4.8% during 2008, compared to 3.2% in 2007. Non-Canadian bonds generated a strong return of 29.5% (compared to a loss of 4.7% in 2007) largely due to the decline in the Canadian dollar.

Public equities > Equity markets around the globe fell sharply in 2008, with most of the major markets dropping by 30% or more. Year-over-year returns for OPB's equity portfolios reflected those steep declines.

The Canadian equity portfolio reported a loss of 31.3% (compared to a gain of 9.3% in 2007), while the U.S. equity portfolio reported a loss of 20.3% (compared to a loss of 12.4% in 2007). The international equity portfolio was the hardest hit, reporting a loss of 34.2% (compared to a loss of 4.1% in 2007).

Real estate > OPB's real estate portfolio had an overall result of –1.3% for the year (compared to 10.4% in 2007). Since 1994, when OPB made its initial investment in real estate, the portfolio has generated an average annual return of 10.1%. OPB's real estate portfolio includes more than 11 million square feet of retail, light industrial and office space in major centres across Canada. Rental income from properties provides an important source of monthly cash flow for the Plan.

Contributions

The amount of money flowing into the Plan increased in 2008. Contributions for the year totalled $488 million, up from $452 million in 2007. The increase can be attributed to three key factors: an increase in Plan membership, regular salary increases for members, and a spike in past service purchases. A $3.8 million payment from the Province of Ontario was used to pay down the funding shortfall reported as of December 31, 2007. An additional $56.3 million was contributed by the Province of Ontario to cover the cost of benefits earned in 2008 over the combined member and employer matching contributions.

Pensions paid

The amount of monthly pension payments flowing out of the Plan was higher in December 2008, relative to December 2007. Payments in December 2008 totalled $67.5 million, up 2.6% from $65.8 million in December 2007. Much of the increase is due to a 1.8% Escalation Factor (inflation protection adjustment) applied to pensions in payment.

Operating costs

The total cost of operating the Plan in 2008 – including investment fees and operating expenses – was $62.6 million, up from $59.2 million in 2007. Investment fees, including fund management fees and custody fees for safekeeping the Plan's securities, were $29.5 million; operating expenses, including expenses incurred by OPB to operate and manage the PSPP, were $33.1 million. The overall increase in operating expenses is due to an ongoing investment in the new client service information system and the professional expertise needed to implement our multi-year action plan.

Five-year review

(in millions of dollars)	2008
Opening assets	$ 16,379
Investment income (loss)	(1,552)
Contributions	487
Transfers from other plans	207
	(858)
Pension payments	810
Terminations	71
Operating expenses	33
	914
Closing assets	$ 14,607

Annual rate of return	(9.4%)

	2007	2006	2005	2004	
	$ 16,421	$ 15,052	$ 14,113	$ 13,393	
	307	1,703	1,317	1,147	
	452	425	341	308	
	82	85	94	82	
	841	2,213	1,752	1,537	
	789	766	750	744	
	67	56	43	56	
	27	22	20	17	
	883	844	813	817	
	$ 16,379	$ 16,421	$ 15,052	$ 14,113	

					Cumulative Since Inception
	2.1%	11.6%	9.6%	8.8%	8.5%

Directory of key personnel

Officers

Mark J. Fuller[1]
President and Chief Executive Officer

Linda J. Bowden
Senior Vice-President, Operations

Paul Edmonds
Senior Vice-President, Corporate Affairs, and General Counsel

Peter Shena
Senior Vice-President, Stakeholder Relations and Pension Policy

Anne-Marie Thomas
Senior Vice-President, Investments

Duncan D. Webb[2]
Senior Vice-President, Finance

Thomas Choi
Vice-President, IT Services and Enterprise Solutions

1. Mark Fuller was appointed as President on January 1, 2008 and as President and Chief Executive Officer on January 1, 2009. In late 2007, Don Weiss announced plans to retire from his position as President and Chief Executive Officer. He stepped down as President on December 31, 2007 and as Chief Executive Officer on December 31, 2008.
2. Duncan Webb was appointed Senior Vice-President, Finance, on January 19, 2009.

Your Pension. Our Promise.

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