2009 | ANNUAL REPORT

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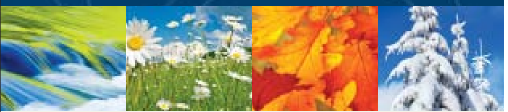
Your Pension. Our Promise.




OPB

Your Pension. Our Promise.



OPB
Your Pension. Our Promise.

About OPB

Who we are

Ontario Pension Board ("OPB") is the administrator of the 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 $16 billion in assets, 41,298 members, 35,829 pensioners and 3,863 deferred members, the PSPP is one of Canada's largest pension plans. It is also one of the country's oldest pension plans, successfully delivering the pension promise since the early 1920s.

Who we serve

OPB serves:

- PSPP members, pensioners and employers ("clients"), 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 the financial security of its members. Retired members receive a pension benefit based on a pre-set (defined) formula. That 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 reasonably stable and affordable, and
4. Deliver superior, cost-effective service to clients and stakeholders so that they can maximize their participation in the Plan.

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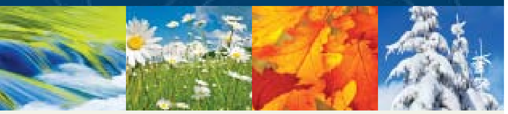

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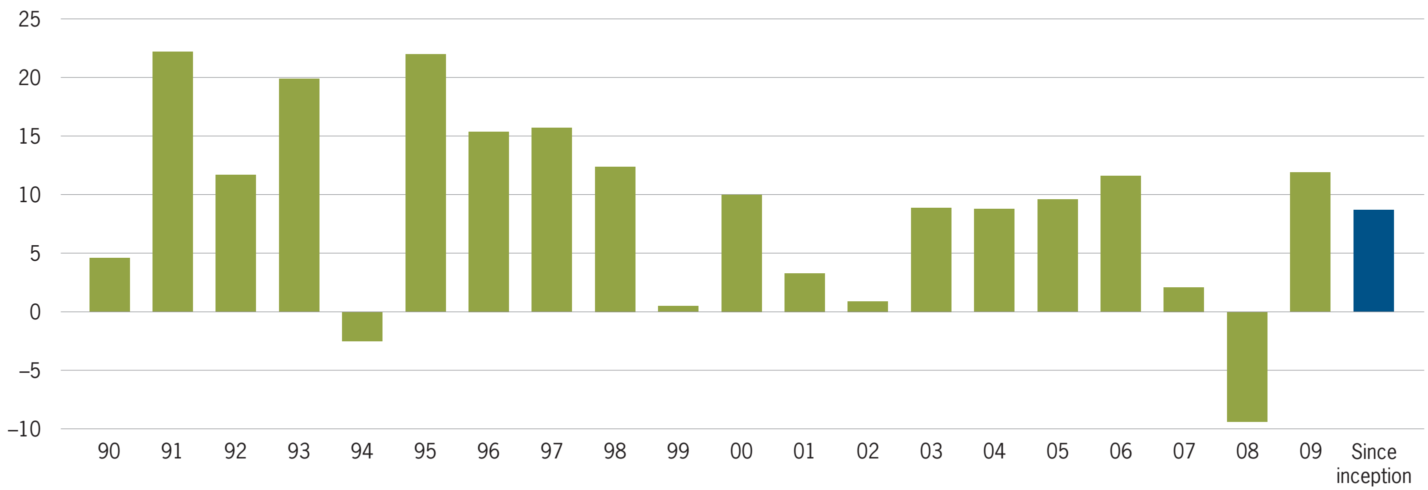
Investment highlights

OPB is one of the few pension plans to achieve a positive cumulative investment return over the last two years of economic and market turmoil. We have implemented a long-term strategy within a clear framework of investment values and staged it to respond to and anticipate the dramatic changes in markets and economies.

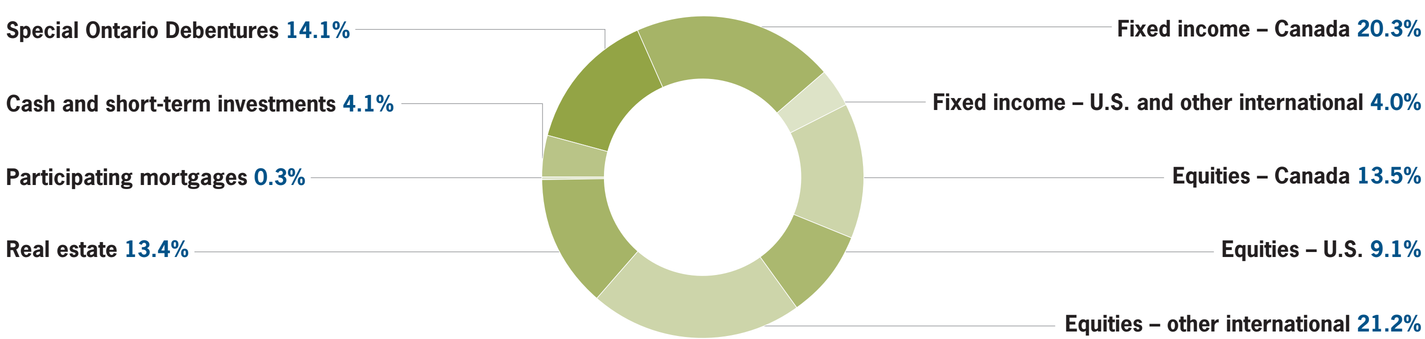
Total returns

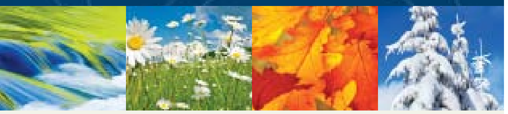
(% per annum)



Asset mix

(as at December 31, 2009)





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Client service highlights

In 2009 we continued our program of continuous improvement for client and stakeholder services. We launched two new online services: a buyback calculator and a pension estimator. These tools allow members to explore their buyback options and retirement scenarios online, using their real time pension data. See our Scorecard for more information about our 2009 strategic initiatives.

Service to members

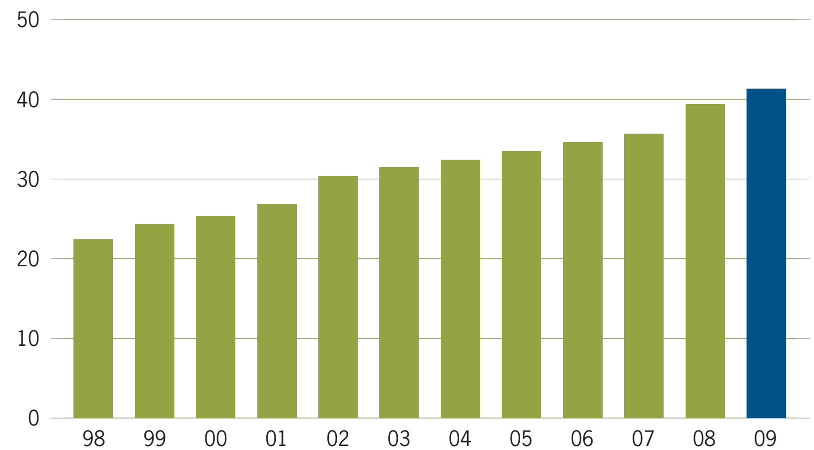
	2009	2008	2007
Telephone calls	**18,872**	21,154	17,996
Buyback services	**5,188**	3,302	1,519
Pension estimates	**1,965**	1,402	1,070
Presentations	**165**	130	104

Service to pensioners

	2009	2008	2007
Telephone calls	**17,411**	21,096	18,870

Growth in membership

(thousands of persons)



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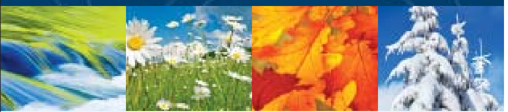

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2009: Growth…to deliver on our promise

Overview

In 2009, OPB earned investment returns of 11.9% and is now approaching 93% funded. This success speaks to our strategies, our people and our systems – all of which have positioned us well to accomplish our goal of maintaining the financial health of the Plan for the long term.

Solid strategy – disciplined and astute investing

In late 2007, we adopted a long-term investment strategy to increase our allocation to equities, particularly global equities. It is part of an investment strategy that we expect will generate additional returns and assist in maintaining reasonable and stable contribution levels. We have implemented the long-term strategy within a clear framework of investment values and staged it to respond to and anticipate the dramatic changes in markets and economies. This risk-managed approach to investing demonstrates our long-standing emphasis on capital preservation.

One strategy, two years, two tactics – results that speak for themselves.

2008…As the global capital markets collapsed, we made the tactical decision to defer the move toward more equities and raised the liquidity levels of the Fund. The result is that at the end of the year when industry losses averaged –18%, ours were –9.4%. We had preserved more than $1 billion in asset value. However, throughout this period, we remained confident that our long-term strategy was sound and should be implemented when the time was right to help us generate investment returns.

2009…In the first half of 2009, we decided to begin deploying cash accumulated in 2008 into equities. Implementing these elements of the long-term strategy continued throughout the year.

The result was a return of 11.9% for the year and a small positive return over the two-year period.

These results show that our investment management approach and strategy are sound. Even more importantly, it underscores the benefit of astute risk management and assessment of economic and market conditions in times of significant market difficulty. We work at being proactive. Our investment decision-making approach and values helped us manage risk and continue to deliver on our promise.

The financial health of the Plan improved significantly during 2009 and it is now approximately 93% funded based on the market value of assets (because OPB does not use asset smoothing, OPB's 2009 investment experience is fully reflected in the Plan's funded status and is based on a going concern valuation, which assumes the Plan will continue to operate indefinitely). While there remains a funding shortfall after this difficult two-year period, the shortfall is manageable and the Plan is well positioned to return to full funding over the medium term if markets generate reasonable returns.

Fiscal responsibility

Investment returns are important – but they are just part of the story of managing OPB's $16 billion in assets.

Strategic and responsible management of the Plan's expenses are also important. In 2009, OPB reduced overall pension administration operating expenses to well below 2008 levels. At the same time, we continued to invest in developing and growing our investment team and enhancing our investment risk management framework.

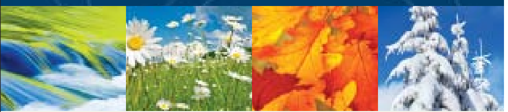
We reduced our pension administration operating expenses primarily by delaying some pension administration projects, freezing base pay for most members of the management team in 2009 and 2010, and reducing their incentive pay for 2009.

Client and stakeholder satisfaction

Despite reducing our pension administration operating expenses, we continued to make significant improvements in our services to clients and stakeholders. New online services are giving clients an opportunity to explore their pension options. For example, members can now use a secure link to real-time pension data to do their own buyback and pension estimate calculations online.

Clients have provided very positive feedback about this "anytime, anywhere" access to information. It has also freed staff to spend more time helping clients understand complex issues and discuss important decisions relating to their pension.

As we enter 2010, our clients and stakeholders can be confident that OPB is capable of delivering on our promise.



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Message from the Chair

Over the past two years, we have experienced dramatic volatility in global markets and considerable uncertainty in economic conditions. We are pleased that our pension and investment strategies have proved robust enough to provide guidance through these turbulent times, resulting in OPB being one of the few pension plans to emerge from this two-year period with a positive investment return.

M. Vincenza Sera
Chair

Focus on investment strategy

The chaotic markets have reinforced our confidence in the strategy for OPB's investments area and we made further progress to strengthen the internal competencies of this area. To successfully manage OPB's $16 billion defined benefit pension plan, we must invest for the future in critical areas, even during economically difficult periods. We continued to hire experienced, talented investment professionals who can make an immediate impact on our portfolio and to equip them with the systems and risk management infrastructure needed to help meet OPB's goals.

We also significantly diversified our complement of external managers as well as our asset management strategies. This resulted in increased investment management fees during 2009, which will continue to grow in 2010. We are deliberately increasing our allocations to global and North American equities, and although the investment management fees are higher than for fixed income investments, we expect much higher investment returns from these equities over the long term and are confident that they will make a major contribution to the Plan over time.

Managing responsibly

Fiscal responsibility and accountability is, and always has been, a core value at OPB.

As part of our ongoing commitment to good governance, OPB conducted an exhaustive review of our policies and procedures relating to procurement practices to ensure that they embodied our values of transparency, accountability, and efficiency as well as providing the best results for our stakeholders. The comprehensive and rigorous review began in 2008 and resulted in the Board, approving, in early 2009, a revised corporate procurement policy that will ensure that we live up to the highest standards expected of us.

Cost containment was another important theme during 2009. Throughout this period, OPB had to balance cost constraint measures, introduced to deal with the economic environment, while continuing to provide service that exceeds expectations. In 2009, we reduced our overall pension administration operating expenses to well below 2008 levels.

Your pension. Our promise. Protecting the long-term health of the PSPP is our primary focus.

We continue to live our values. In response to the economic environment, we scaled back compensation for most members of the management team. Base pay for senior management has been unchanged since 2008 and will be frozen through 2010. Incentive payments were reduced by 30% to 40%, such that total cash compensation for 2009 was 10% below 2008 levels. The President and CEO demonstrated exemplary leadership and commitment by voluntarily returning 14% of his 2008 incentive award in recognition of the extremely challenging economic environment and its impact on our clients and stakeholders. Staffing levels were frozen in all areas other than the investment area.

Protecting the Plan

Your Pension. Our Promise. Protecting the long-term health of the PSPP is our primary focus. That is why we spent considerable time this year working with the Plan Sponsor (the Government of Ontario) to develop a formal funding policy for the Plan. The policy will establish guidelines aimed at ensuring the Plan's assets are sufficient, over the long term, to meet its pension obligations. Our priority is to work with the Plan Sponsor to finalize the policy this year.

Creating confidence in our Board and management team

We are constantly striving to improve our corporate governance. Annually we make improvements to enhance our stewardship of the Plan. In 2009, we implemented a Performance Management Program to allow the Board to evaluate progress against our strategic plan in an efficient and timely manner.

To ensure that there is always the optimal balance of experience and talent around the boardroom table, OPB regularly updates the Board Member Skills/Needs Analysis when seeking out new Board members. In 2009, we were pleased to welcome Peggy Gilmour to the Board. We look forward to contributions from Peggy as she brings 25 years of experience in the financial services industry, a skill set that is especially invaluable during this time of increased emphasis on risk management.

2009 was Mark Fuller's first year as President & CEO of OPB. Mark provided steady leadership through a volatile year. Despite compensation cutbacks and cost containment strategies, Mark and his team remained highly motivated and proactive in moving ahead with strategies to ensure the fiscal vitality of the PSPP and delivering quality service to our clients and stakeholders.

The Board is unanimously supportive of Mark and his executive team as we navigate these challenging times.

M. Vincenza Sera | Chair

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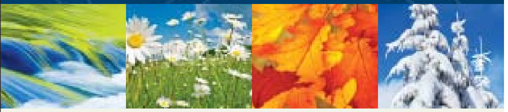


Board of Directors

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 all our clients and stakeholders. For information and details on OPB's governance structure, please visit the Governance section of OPB's website.

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.

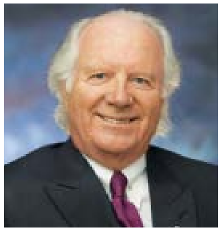
Appointed to the Board on September 17, 2004.

Appointed as Chair on July 1, 2007.

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.



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.

Patricia Li

Assistant Deputy Minister in the Ministry of Health and Long-Term Care. 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.

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.

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.

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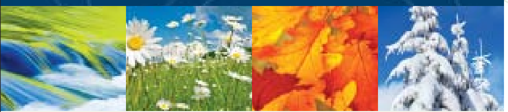

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Lynn A. Clark

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 of 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.

Anthony Wohlfarth

Currently the Executive Director of the Carleton 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.

M.E. (Peggy) Gilmour

Peggy is a Chartered Accountant and senior finance executive with over 25 years experience in the Financial Services sector. Peggy held executive roles in finance and risk management in both the banking and insurance industries. She is a member of the Institute of Corporate Directors and has attained her ICD.D designation.

Appointed to the Board on August 12, 2009.

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Message from the President

We deliver the greatest value to our clients and stakeholders when we steward the PSPP well through difficult periods. As our results demonstrate, we have delivered excellent value through 2008 and 2009.

Mark J. Fuller
President & CEO

These last two years have indeed been among the most difficult of times for pension plans.

There were the obvious challenges – record market and economic declines in 2008 and continued high levels of uncertainty for both the capital markets and the global economy throughout 2009. Even as we entered 2010, the uncertainty remained high.

But there have been other challenges too – persistently low interest rates, growing challenges to the defined benefit pension model, financial restraint, and high levels of criticism about financial responsibility at government agencies. Trust in the financial services industry has been severely damaged by the revelation of poor risk management practices that led to the financial crisis and ultimately the "great recession."

Our role as stewards is to anticipate that over the long term we will continue to face challenging situations like these. Solid strategies developed in the past have helped the Plan weather the last two years. It's our job to ensure we continue to have equally effective strategies to protect the Plan against the full impact of possible future scenarios.

However, the focus cannot be just about managing risk. We need to be equally successful at identifying opportunities and capitalizing on them for the long-term vitality of the Plan.

Strategies to support our long-term focus

Ultimately, we are totally committed to two long-term goals:

- To maintain and deliver Plan benefits at affordable and reasonably stable contribution levels and
- To provide outstanding service to all our members, pensioners and stakeholders.

We define success as managing the Plan in such a manner that we are able to meet the expectations of each client and stakeholder over the long term.

That requires consistently astute management and relentless vigilance. More curve balls will be thrown our way in the future. There is simply no room for complacency in managing people's retirement security.

We measure our financial results. It's equally important to measure the success, effectiveness and return on our management initiatives.

We have developed and adopted a multi-year strategic plan focused on ensuring that every part of OPB is working to achieve our goals. Our annual business plans are built around this strategic plan and we track our progress based on four strategies:

- Disciplined and astute investing
- Unmatched service excellence
- Outstanding stakeholder relations
- Educate and advocate

Over the last two years we have made substantial progress. Our focus for the next few years will be on the *Disciplined and astute investing* and *Unmatched service excellence* strategies.

This means we will be investing in the organization and our people.

Holding leadership accountable

We measure our financial results. It's equally important to measure the success, effectiveness and return on our management initiatives.

In 2008, the Board approved a Performance Management Program to do just that. It helps us track our progress on the strategic plan and evaluate whether our efforts are generating the intended benefits for our clients and stakeholders. There is work still to be done, but our clients and stakeholders are already realizing the benefits.

For example, during 2008 and 2009, we continued to build our internal investment expertise, which is essential to generating strong investment returns and managing investment risk.

New initiatives to benefit clients

In 2009, we continued our program of continuous improvement for client and stakeholder services. For example, two new online services were launched, which allow members to explore their buyback options and retirement scenarios online, using real-time pension data. For 2010, we will continue to add new online services to allow our clients and stakeholders to complete basic transactions online.

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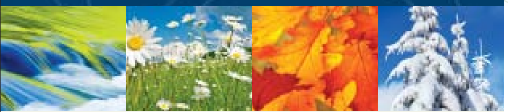

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Solid strategies developed in the past have helped the Plan weather the last two years. It's our job to ensure we continue to have equally effective strategies to protect the Plan against the full impact of possible future scenarios.

My perspective on our people

It's been a privilege to have had the opportunity and the responsibility to lead OPB through a challenging year. It's been a year of successes that would not have been possible without an extremely strong and capable team of employees.

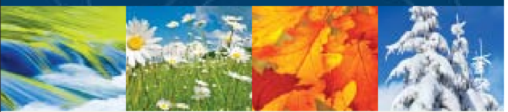
At the end of 2009, Linda Bowden, our Senior Vice-President, Operations, retired after a distinguished, 20-year career at OPB. I thank Linda for the enormous contribution she made to OPB, our clients and stakeholders.

During the year, we strengthened the executive team significantly. Duncan Webb joined us as our Senior Vice-President, Finance, and we welcomed Glenn Hubert and Jill Pepall as our Vice-Presidents of Private Debt and Public Markets, respectively.

I would like to acknowledge and thank the management team who responded with grace and the highest level of professionalism in the face of significant reductions to their personal compensation and to budget-restraint measures. And I am very fortunate, as well, to benefit from the counsel and support of an expert and highly engaged Board of Directors.

Finally, I am also very proud of the OPB employees who have proved their dedication throughout the challenges of the past two years and who have helped us achieve so many successes.

Mark J. Fuller | President & CEO



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President's Q&A

With the progress made in 2009 in reducing the funding shortfall, we are now in a better position than many other pension plans, both in the public and private sectors.

President's Q&A corner

We received many positive comments about this feature last year – I'm pleased to bring it back this year. If you have any suggestions about questions for next year, please email them to feedback@opb.ca.

What was the funded status of the Plan at the end of 2009?

Following the market meltdown of 2008, we entered 2009 approaching 90% funded. But in the rebound that followed in world markets, our investment returns of almost 12% helped us narrow the gap. The Plan is now approximately 93% funded based on the market value of assets (because OPB does not use asset smoothing, OPB's 2009 investment experience is fully reflected in the Plan's funded status and is based on a going concern valuation, which assumes the Plan will continue to operate indefinitely). We won't know the exact funded status until the valuation is completed later this year. We have entered 2010 on solid ground and we will continue to focus on improving the Plan's funded status.

Is that a big gap in the funded status? Should I worry?

As a member of the PSPP, the benefits you've earned to date are fully protected. Our goal is to keep the Plan funded at 100%. The market collapse of 2008 had a negative impact on the funding of many defined benefit pension plans, including ours. With the progress made in 2009 in reducing the funding shortfall, we are now in a better position than many other pension plans, both in the public and private sectors. However, we still have work to do to get the Plan back to fully funded status. OPB has also had previous points where economic conditions caused the Plan's funding to drop below 100%. We have successfully managed through market downturns and funding shortfalls before.

What happens to the benefits I have already earned if the Plan has a shortfall?

As a member or pensioner of the Plan, the benefits you have earned to date are protected under the *Pension Benefits Act* and the terms of the Plan.

As a member, could my contributions rise because of the shortfall at the end of 2009?

It's difficult to say what *will* happen, but here's the process.

By law, we must file the Plan's funding valuation with Ontario's pension regulator at least once every three years and the Plan Sponsor (the Ontario government) must address any shortfall under a filed valuation. An important decision we will make in 2010 is when to file our next valuation. We are required by law to do so by the end of September 2011, based on the valuation at December 31, 2010.

There is simply no room for complacency in managing people's retirement security.

However, we can file earlier, in 2010, based on the valuation at December 31, 2009. In any event, if there is a shortfall when we file, the Plan Sponsor must put in place a plan to address the shortfall. OPB provides advice, guidance and recommendations to the Plan Sponsor with respect to the timing of filing and the development of the plan to eliminate the shortfall. The options available are: special payments by the Plan Sponsor and participating employers, contribution increases for Plan members, a decrease of benefits for future service, or any combination of the above. For example, when OPB was created and assigned responsibility for administering the Plan in 1990, the Plan had a large initial unfunded liability. The Plan was returned to fully funded status over the ensuing several years through a combination of higher-than-expected investment returns and Plan Sponsor special payments. After a long-term funding study in 2008 revealed that the cost of the benefits under the Plan had increased, member and employer contributions were increased to pay for that increased cost. These two examples serve to illustrate the range of outcomes that are possible when funding challenges must be addressed.

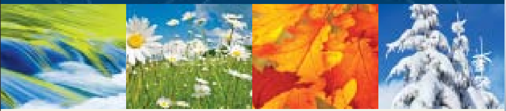
Why have investment expenses increased significantly?

While we have restrained spending in all other areas of the organization, we have made a deliberate decision to continue spending in the investments area. We feel investing in our investments area is necessary to achieve the long-term returns needed to fund the Plan. We are continuing to build a strong team of investment professionals and provide them with the infrastructure and risk management framework they need to successfully invest the Plan's assets. We also continue to transition to a new asset mix which attracts higher investment management fees. However, we expect to generate investment income over the long term many times the increase in the investment expenses.

What did you do to provide better service to Plan members and stakeholders in 2009?

We took a number of steps to provide responsive, personalized service to our clients in 2009. For example, we:

- Delivered an exciting new level of secure web services, including an online calculator for buyback cost quotes and a pension estimator that members can use to estimate their pensions at retirement;
- Automated and improved our service to set up survivor pensions;
- Newly outsourced and improved our pensioner payroll system to ensure pensions are set up and start paying benefits quickly and smoothly; and
- Further expedited the buyback process to improve turnaround time for processing buyback quotes.



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Managing risk, managing returns

In the world of investing, the reality is "no risk, no reward." Here's how your Plan manages growth and risk to meet the pension promise.

Market risk: The potential to experience losses due to the change in value of the assets in which your money is invested. In most cases, investments with higher risks offer the opportunity to achieve higher returns.

Investing to meet the pension promise

A defined benefit pension plan promises to pay a specific ("defined") benefit to retired employees at a future date. To meet this commitment, a plan must be structured to reach the right balance between contributions, investment returns and benefits. And this must be done well, year after year. For example, a plan must maintain an adequate level of contributions. It must then invest these contributions wisely. The benefit of striking this balance is that it provides for stable contribution rates and secure benefits.

When the retirement income of thousands of people is at stake, pension plans must walk a fine line. On one side, if the plan pursues higher investment returns, it runs a higher risk of losing money. This is called market risk.

But if a plan does not take some market risk – aiming for higher returns – it could face another kind of risk: the risk that it may not achieve the returns necessary to meet its pension obligations. The result is that contributions may need to rise and/or future benefits may need to decrease.

Volatility risk: The risk to the value of a portfolio due to unpredictable changes in the value of the underlying assets in the portfolio.

Plan demographics: The characteristics of a pension plan's total membership, including the number of active members, pensioners and deferred pensions and the distribution of those members by factors such as age, service, salary, and pension amount.

Strategic asset allocation: A process that sets and follows a base policy for the long-term asset mix for an investment portfolio to meet a pension plan's obligations while taking into consideration expected returns and risks.

In fact, returns cannot be generated without a risk of loss or volatility risk. Both can result in short- to medium-term funded status volatility. The key is building an investment portfolio that strikes a balance between desired returns and an acceptable level of risk. Every pension plan will define this balance differently, depending on their plan demographics (which include a number of factors, such as the ratio of active contributing plan members to those collecting a pension and the age profile of those groups), the plan's investment philosophy, as well as investment principles and approach.

At OPB, our ultimate objective is twofold:

1. To protect the long-term vitality of the Plan.
2. To keep benefits and contributions stable and affordable.

To achieve these objectives, we rely on our investment returns to deliver a substantial portion of the Plan's funding – as is the case with all defined benefit pension plans.

How do we choose investments for your Plan?

Choosing your Plan's long-term asset mix is the most important decision our investment team makes. The right mix of investments helps us achieve higher returns while maintaining a strong, disciplined focus on risk management. The process of choosing this mix is called strategic asset allocation.

As administrator of the PSPP, OPB works to achieve growth within an acceptable level of risk by applying tight risk management practices consistent with prudent investing. We do this by identifying investment opportunities that we believe have the growth potential to produce attractive returns and then applying our investment values to assess whether the opportunities are consistent with OPB's risk parameters.

We believe the investment portfolio should be designed to mitigate the risk of:

- The development of a deep, long-term funding shortfall, which is the number one risk to the Plan's stakeholders, and
- Significant medium-term volatility in the funded status of the Plan.

Capital preservation: An investment strategy focused on preventing the loss of an investment's total value.

Asset mix: The percentage of an investment portfolio that is invested in each asset class, including equities (stocks), fixed income (bonds), cash and real estate.

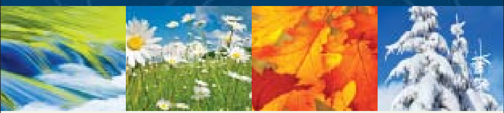
Diversification: A strategy designed to manage risk when investing by choosing a wide mix of investments.

As a result, capital preservation is a key objective of our investment strategy. This approach is designed to moderate the impact of significant market downturns on the funded status of the Plan. It also means a lower risk tolerance for OPB's portfolio. We saw this approach work to our advantage in 2008, as capital markets around the world collapsed. Of course, there is a trade-off: we are not likely to achieve the highest returns when markets rise. But we believe this trade-off is in the best interest of all our stakeholders in the long term – as this approach protected us from the deep losses experienced by so many other pension plans in 2008.

We also believe that diversification is one of the most important tools we have to manage risk. With a mix of investments we spread the risk of losses, and the opportunity for higher returns, across many types of assets (for example, equities, bonds, and real estate). Getting the right asset mix is vital.

We also focus on investing the Plan's assets in high-quality, highly liquid equity and fixed income investments. A well-diversified, high-quality and highly liquid portfolio can help us withstand the ups and downs of the market and is designed to minimize funded status volatility.

Our priority is to keep the Plan strong and affordable over the long term so that our members can enjoy a financially secure retirement.



Steady progress: our scorecard for 2009

During 2009, we continued to make progress on our strategic objectives. In particular, we focused our attention on improving the online services we offer clients and stakeholders. Also, as the global economic environment began to recover, we resumed the implementation of our investment strategy.

On the pension administration side, we restrained our operating expense growth and came in well below budget in 2009 – and even below 2008 levels.

On the investment side, we made a deliberate decision to continue to build our investments area. The result was an increase in operating expenses on the investment side for 2009 over 2008. Overall, though, OPB finished the year under budget.

Even while restraining costs and managing expense levels, we made significant progress on our investment strategy as well as key client service initiatives aimed at improving turnaround times and enhancing the services we offer to our clients. Our scorecard below summarizes these initiatives and explains how they benefit our clients and stakeholders.

Service improvements

WHAT WE DID	WHY WE DID IT	LOOKING AHEAD
Launched new secure online tools in the e-services section of our website: **• Calculator for buyback cost estimates** **• Pension estimator** **These tools give members, "anywhere, anytime," access to their pension information and allow them to conduct their own pension calculations within a secure online environment.**	With the new online buyback estimator, members can see how a purchase of past service can impact their pension at retirement – this puts the buyback decision and its cost into proper perspective. The pension estimator gives members the option of selecting their preferred retirement dates and their anticipated earnings growth to generate personalized pension estimates based on their data.	We are currently developing secure online transactions and expect to introduce basic transactions (such as *change of address*) in 2010. By providing clients with the ability to perform simple transactions online, staff will be able to provide more personalized, one-on-one service to clients, walking them through and providing guidance on more complicated pension matters and decisions.
Automated and improved our service for the setup of survivor pensions.	• Simplifies the process for a surviving spouse to receive benefits at a time of loss and stress. • Frees up staff to engage in detailed, sophisticated conversations with clients about their pension questions, concerns, options and decisions.	Having achieved tremendous improvements in turnaround time with the automation we have already introduced, we continue to look for more opportunities to automate and improve our other client service processes. By automating elements of these processes, our staff can spend more time having one-on-one conversations with clients about their pension entitlements and options.
Implemented a new automated pensioner payroll system.	This new payroll system speeds up the issuing of payments to clients because it: • Improves the flexibility, efficiency and effectiveness of the monthly pension payroll run. • Enhances the ability to produce off-cycle payments for new pensions that require immediate payment of arrears and replacement payments.	

Protecting the Plan

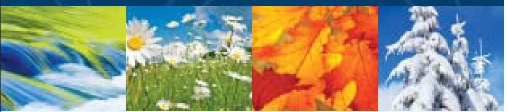
WHAT WE DID	WHY WE DID IT	LOOKING AHEAD
Worked with the Plan Sponsor on the development of a formal funding policy for the Plan.	The policy establishes guidelines aimed at ensuring the Plan's assets (contributions by members, participating employers, and the Plan Sponsor and investment returns) are sufficient – over the long term – to meet its pension obligations.	We will continue to work with the Plan Sponsor with the aim of finalizing this funding policy in 2010.

Disciplined and astute investing

WHAT WE DID	WHY WE DID IT	LOOKING AHEAD
Resumed implementation of strategic asset allocation. We transitioned the Plan to a more global orientation.	Positions the Plan to achieve better long-term investment performance by taking advantage of opportunities in foreign markets and different asset classes.	We will continue to transition the Plan to the target strategic asset allocation.
We introduced specialty managers and strategies into the fixed income portfolio.	Enables the Plan to supplement our fixed income returns, moderate risk, and seek higher returns in non-traditional asset classes.	

Educate and advocate

WHAT WE DID	WHY WE DID IT	LOOKING AHEAD
Conducted more than 160 presentations, customized for specific member and employer groups as well as stakeholders. **Learn about our presentations.**	To provide our members and employers with detailed information and advice on available benefits, life event options and pre-retirement timelines. Positions OPB to provide guidance to members to make good decisions regarding their pension options.	We will continue to provide customized presentations to our clients and stakeholders that focus on their specific areas of interest or concern.
We had a major influence on pension reform, with the government adopting: **• Our divestment transfer solution in its recent package of pension reforms.** **• Our recommended changes to rules for dividing pensions on breakdown of a marriage in new pension legislation.**	Helps ensure that our members have a voice – and their interests are considered – as the province brings forward new pension reforms.	Our first priority is the long-term vitality of the PSPP. Our advocacy objective is to ensure that there is a secure system in place for all Ontarians to retire with adequate income.



Financial review

Financial highlights

Plan performance

OPB's primary investment objective is to maximize returns, within an acceptable risk framework.

After a difficult year for the markets in 2008, the Plan's overall investment performance for the year ending December 31, 2009, was 11.9%, compared with a loss of 9.4% in 2008.

As a result of these positive returns, net assets of the Plan increased by $1.44 billion in 2009, compared to a decline of $1.77 billion in 2008. This increase is a result of the turnaround in the financial markets that led to positive returns in the plan's public equities portfolio, the real estate portfolio, and an overall gain in the fixed income portfolio.

Plan Asset Mix

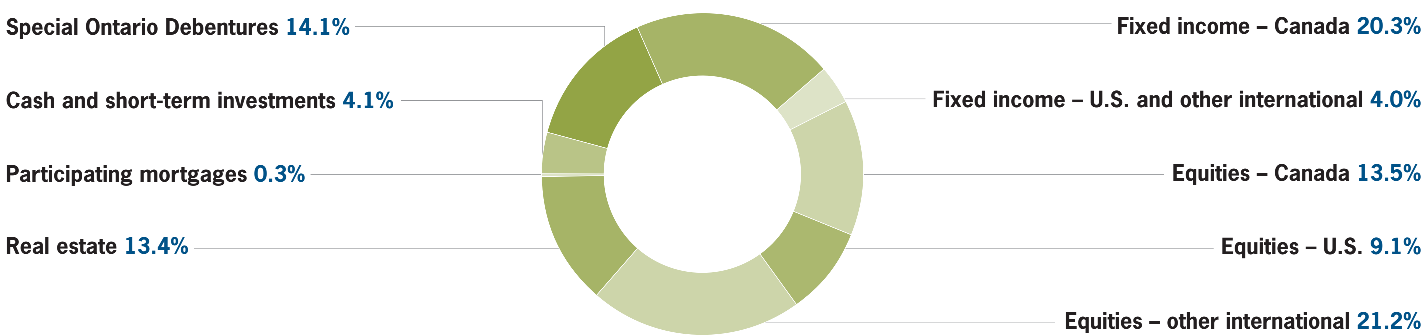
OPB's asset mix is made up of:

- interest-bearing investments – cash, short-term investments, special debentures, marketable and non-marketable fixed income investments,
- public equities, and
- real estate.

The table below summarizes OPB's asset mix at December 31, 2009.

Asset mix

(as at December 31, 2009)



Interest-bearing investments

OPB's interest-bearing investments, which accounts for about 42.5% of the Plan's net investments, include:

- cash and short-term investments,
- non-marketable Province of Ontario Debentures ("Special Debentures"), and
- marketable and non-marketable fixed income products.

Cash and short-term investments – OPB's cash and short-term holdings at year-end 2009 were $652 million (or 4.1% of net investments), down from $878 million (or 6.0% of net investments) a year earlier. Cash on hand was reduced as we began to deploy our holdings into the market as the recovery unfolded in 2009.

Special Debentures – The non-marketable Special Debentures, valued at $2.3 billion (compared to $2.7 billion in 2008), were issued to the Plan by the Province of Ontario as an initial funding mechanism when the PSPP was established as a separately funded plan in 1990. In 2009, they provided $514 million in cash flow, compared to $539 million in 2008.

Marketable and non-marketable fixed income – Canadian fixed income, valued at $3.3 billion ($2.9 billion in 2008), returned 7.6% during 2009, compared to 4.8% in 2008. Canadian fixed income continues to make up the largest segment of OPB's interest-bearing investments.

International fixed income, valued at $635 million ($949 million in 2008), generated a return of –3.8% in 2009. This was down from 29.5% in 2008.

Public equities

Equity markets around the world rallied in 2009. OPB made gains throughout the public equities portfolio in 2009 – a stark contrast to the losses suffered by all pension plans globally in 2008.

The Plan's Canadian equity portfolio reported a gain of 29.0% in 2009 (up from –31.3% in 2008). At year-end, the market value of the Plan's Canadian equities stood at $2.2 billion, up from $1.6 billion at year-end 2008.

The Plan's U.S. equity portfolio reported a gain of 6.9% for the year (up from –20.3% in 2008), resulting in an increase of $100 million (all returns are stated in Canadian dollars). As of December 31, 2009, the plan's U.S. equity portfolio declined to $1.5 billion (compared to $1.9 billion a year earlier) as assets were deployed to the international equity portfolio.

The Plan's international equity portfolio improved over 2009, reporting a year-end result of 18.3% (up from –34.2% in 2008). That represents a gain for the year of $498 million, compared to –$713 million in 2008. The market value of the Plan's international equities as of December 31, 2009, was $3.4 billion, compared to $1.5 billion at year-end 2008.

Real estate

OPB's real estate portfolio is comprised of direct holdings in quality Canadian real estate (with virtually no debt) and participating mortgages.

The portfolio includes approximately 11.5 million square feet of retail, light industrial and office space in major centres across Canada (see page 62 for a list of rental properties owned by OPB). At year-end 2009, based on square footage, retail properties accounted for 63.8% of the portfolio's income-producing properties, while industrial properties accounted for 30.4% and office space 5.8%.

Rental income from properties provides an important source of monthly cash flow for the Plan. Ongoing objectives for the portfolio include:

- continued rental income growth,
- enhanced credit quality of tenants, and
- capital preservation.

The real estate portfolio's overall return for the year was 6.9%, compared to –1.3% in 2008. Since 1994, when OPB made its initial investment in real estate, the portfolio has generated an average annual return of 9.5%.

OPB's properties are appraised annually by independent appraisers and marked to the appraised value. The market value of OPB's real estate portfolio (including participating mortgages) at year-end 2009 stood at $2.2 billion, compared to $2.1 billion a year earlier.

Contributions

The amount of money flowing into the Plan increased in 2009. Contributions for the year totalled $528 million, up from $488 million in 2008. The increase can be attributed to three key factors:

- an increase in contribution rates, effective January 1, 2009,
- increases in the salaries of members, and
- increases in the number of members.

In 2009, phase one of the two-phase contribution rate increase was implemented. This increase arose out of the comprehensive long-term funding study that was conducted in 2008 which found that the cost of providing a dollar of pension benefit had gone up since contributions were last set in 1990.

Effective January 1, 2010, the second phase will have been implemented as well. The rates for 2009 and 2010 are illustrated below.

For 2009, the contribution rates for members and employers was:

- 6.4% of a member's salary below the Year's Maximum Pensionable Earnings ("YMPE"), and
- 8.75% of a member's salary above the YMPE.

The new rate means that the average member will contribute approximately 7.8% of his or her yearly salary, up from 7.1% in 2008. These contributions are matched by the employer. OPP officers contribute an additional 2% to fund their 50/30 early retirement provision.

Effective January 1, 2010 contributions for members and employers will be:

- 6.4% of a member's salary below the Year's Maximum Pensionable Earnings ("YMPE"), and
- 9.5% of a member's salary above the YMPE.

The increase is a proactive step that will strengthen the Plan's funding position over the long term.

Additionally, the Plan Sponsor is making annual special payments of $3.8 million over 15 years to pay down this shortfall. The Plan Sponsor was required to contribute an additional $41.2 million in 2009 to cover the cost of benefits earned in 2009 over the combined member and employer matching contributions.

Pensions paid

The amount of monthly pension payment flowing out of the Plan was higher in December 2009, relative to December 2008. Payments in December 2009 totalled $69.8 million, up 3.4% from $67.5 million in December 2008. A significant portion of this increase can be attributed to a 2.5% Escalation Factor (inflation protection adjustment) applied to pensions on January 1, 2009. The remainder can be attributed to a higher average pension for new pensioners.

Expenses

Operating costs

Plan operating costs include:

- **investment fees –** these include investment management, transaction and custodial fees, and
- **operating expenses –** these include expenses incurred by OPB to operate and manage the Plan, including its investments.

The total cost of operating the Plan in 2009 – including investment fees and operating expenses – was $67.5 million, or 42 cents for every $100 of net assets. This compares to $62.6 million, or 43 cents per $100 of net assets, in 2008.

During the past few years, OPB has made a significant investment aimed at enhancing the service experience for our clients and stakeholders – which has led to a number of important service improvements. Despite the cost of those improvements, our operating costs are still competitive with peer plans of our size. 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. Looking forward, we will continue to invest where appropriate to ensure clients and stakeholders receive optimum value. For example, although we have put a freeze on staffing levels outside our investment area, we will continue to augment our investment team to ensure we have the expertise and capacity needed to carry out our long-term investment strategy.

Investment fees

Investment fees were higher in 2009. Fees for 2009 totalled $34.0 million, compared to $29.5 million in 2008 (21 cents per $100 in net assets in 2009, and 20 cents per $100 in net assets for 2008).

Investment fees, in proportion to assets, are expected to rise due to an ongoing investment in the internal and external expertise and capacity required to implement the Plan's broader investment strategy.

Operating expenses for the investment operations for 2009 totalled $8.5 million, up from $6.1 million in 2008.

Operating expenses

Operating expenses for the pension operations for 2009 totalled $25.1 million, down from $27.0 million for 2008.

Financial position

OPB conducts two valuations. The funding basis valuation is used to ensure that there are sufficient assets in the Plan to meet the Plan's obligations. This is the actuarial valuation that OPB uses to manage the Plan since it is the valuation used to determine the contributions to the Plan and the valuation that is filed with the regulatory authorities as required. The accounting basis valuation is used to report the financial position of the Plan for purposes of the financial statements. This valuation is prepared in accordance with the Canadian Institute of Chartered Accountants Handbook.

Both valuations provide a best estimate of the Plan's accrued pension liabilities and both are performed by an independent actuary appointed by OPB's Board of Directors.

Funding basis valuation results

The funding basis valuation prepared as of December 31, 2007 was filed with the regulatory authorities. The next actuarial valuation that is required to be filed with the regulatory authorities will be as of December 31, 2010. Under the December 31, 2007 funding basis valuation there was a funding shortfall of $37 million.

The positive returns in 2009 will have an impact on the funding shortfall in the Plan. However, the impact won't be known until a funding basis valuation prepared as of December 31, 2009 is completed in mid-2010. It is important to remember that pension plans are designed to operate over an extended period of time and that, in the shorter term, fluctuations in funded status are to be expected. The goal is to ensure the Plan remains fully funded over the longer term.

Accounting basis valuation results

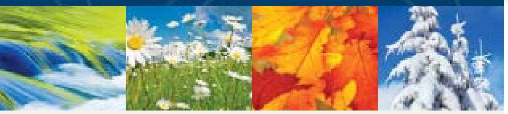
For purposes of the accounting basis valuation, the Plan liabilities have been calculated as of December 31, 2008, the date of the last completed actuarial valuation, and extrapolated to December 31, 2009, assuming that experience during 2009, such as inflation, salary increases, retirement ages, and termination and mortality rates, matched the actuarial assumptions. The liabilities are then compared to the actual market value of assets as of December 31, 2009 to determine the Plan's financial position as of December 31, 2009 for purposes of the financial statements.

The accounting basis valuation as of December 31, 2009, shows a deficit of $1.33 billion (see "Note 8 Deficit" on page 48). At year-end 2008, the accounting basis valuation showed a deficit of $2.70 billion. The year-over-year change is primarily attributable to the positive returns and change in rate of return assumptions in 2009.

Five-year review

(in millions of dollars)		**2009**		2008		2007		2006		2005
Opening net assets	**$**	**14,607**	$	16,379	$	16,421	$	15,052	$	14,113
Investment income (loss)		**1,690**		(1,552)		307		1,703		1,317
Contributions		**528**		487		452		425		341
Transfers from other plans		**166**		207		82		85		94
		2,384		(858)		841		2,213		1,752
Pension payments		**837**		810		789		766		750
Terminations		**77**		71		67		56		43
Operating expenses		**34**		33		27		22		20
		948		914		883		844		813
Closing net assets	**$**	**16,043**	$	14,607	$	16,379	$	16,421	$	15,052

	2009	2008	2007	2006	2005	Cumulative since inception
Annual rate of return	**11.9%**	(9.4%)	2.1%	11.6%	9.6%	8.7%



Actuaries' opinion to the directors of the Ontario Pension Board

Hewitt Associates was retained by the Ontario Pension Board ("OPB") to prepare the following actuarial valuations of the Public Service Pension Plan ("PSPP"):

- An actuarial valuation as at December 31, 2008 on a funding basis, as described in Note 7 of these consolidated financial statements, prepared in accordance with the *Public Service Pension Act* and applicable pension legislation.
- An actuarial valuation as at December 31, 2009 for purposes of these consolidated financial statements, prepared in accordance with the Canadian Institute of Chartered Accountants Handbook, Section 4100.

The actuarial valuation of the PSPP as at December 31, 2008 on a funding basis was based on membership data provided by OPB as at December 31, 2008.

Using the same data as provided by OPB for the funding valuation of the PSPP, we have prepared a valuation of the liabilities as of December 31, 2008 on the basis of the accounting methodology required by the Canadian Institute of Chartered Accountants Handbook, Section 4100, as disclosed in Note 7, and extrapolated the liabilities to December 31, 2009. The valuation as at December 31, 2009 was based on assumptions that reflect OPB's best estimates of future events such as future rates of inflation, future retirement rates and future rates of return on the pension fund. The amounts are set out in the Consolidated statement of changes in accrued pension benefits.

We hereby certify that, in our opinion:

- The data provided to us by OPB as of December 31, 2008 are sufficient and reliable;
- The actuarial assumptions used are, in aggregate, appropriate for the purposes of each valuation; emerging experience differing from the assumptions will result in gains or losses which will be revealed in future valuations; and
- The methods used are appropriate for purposes of each valuation and are consistent with the applicable regulatory requirements.

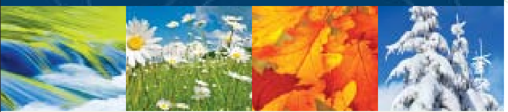
Our valuations have been prepared, and our opinions given, in accordance with accepted actuarial practice.

HEWITT ASSOCIATES

Allan H. Shapira

Allan H. Shapira
Fellow, Canadian Institute of Actuaries

February 26, 2010



Management's responsibility for financial reporting

The consolidated financial statements of the Ontario Pension Board ("OPB") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these consolidated financial statements are in accordance with Canadian generally accepted accounting principles. Of necessity, many amounts in the financial statements must be based on the best estimates and judgement of management with appropriate consideration as to materiality. Financial information presented throughout this 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 are safeguarded against unauthorized use or disposition, and proper records are maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout OPB.

The Board of Directors ("Board") is ultimately responsible for the consolidated financial statements of OPB. OPB's Audit Committee assists in this responsibility by reviewing the consolidated financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

Mark J. Fuller
President & CEO

Duncan Webb, CA
Senior Vice-President, Finance

February 26, 2010

Auditors' report to the directors of the Ontario Pension Board

We have audited the consolidated statement of net assets available for benefits, and accrued pension benefits and deficit of Ontario Pension Board ("OPB") as at December 31, 2009 and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in deficit for the year then ended. These consolidated financial statements are the responsibility of OPB's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 deficit of OPB as at December 31, 2009 and the changes in its net assets available for benefits, accrued pension benefits and deficit for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
February 26, 2010

Chartered Accountants
Licensed Public Accountants

Consolidated statement of net assets available for benefits, and accrued pension benefits and deficit

As at December 31 *(in thousands of dollars)*	**2009**	2008
Assets		
Investments (Note 4)	**$ 16,041,189**	$ 14,828,127
Investment-related receivables (Note 4)	**3,599,807**	2,516,261
Contributions receivable (Note 5)	**54,800**	48,731
Capital assets (Note 6)	**4,081**	4,748
Total assets	**19,699,877**	17,397,867
Liabilities		
Investment-related liabilities (Note 4)	**3,619,237**	2,757,855
Accounts payable and accrued charges	**23,024**	20,722
Income taxes withheld on pension payments	**10,491**	10,625
Contributions payable	**3,915**	1,597
Total liabilities	**3,656,667**	2,790,799
Net assets available for benefits	**$ 16,043,210**	$ 14,607,068
Accrued pension benefits and deficit		
Accrued pension benefits (Note 7)	**$ 17,374,215**	$ 17,311,935
Deficit (Note 8)	**(1,331,005)**	(2,704,867)
Total accrued pension benefits and deficit	**$ 16,043,210**	$ 14,607,068

See accompanying notes

On behalf of the Board:

M. Vincenza Sera
Chair

J. Urban Joseph
Vice-Chair

OPB
Your Pension. Our Promise.

Consolidated statement of changes in net assets available for benefits

For the year ended December 31 *(in thousands of dollars)*	**2009**	2008
Investment operations		
Net investment income (loss) (Note 9)	**$ 1,690,540**	$ (1,551,919)
Operating expenses – investment operations (Note 11)	**(8,502)**	(6,051)
Net investment operations	**1,682,038**	(1,557,970)
Pension operations		
Contributions (Note 10)	**527,953**	487,534
Transfer from other plans	**165,644**	206,659
Pension payments	**(837,256)**	(810,133)
Termination payments and transfers	**(77,175)**	(70,553)
Operating expenses – pension operations (Note 11)	**(25,062)**	(27,031)
Net pension operations	**(245,896)**	(213,524)
Net increase (decrease) in net assets for the year	**1,436,142**	(1,771,494)
Net assets, at beginning of year	**14,607,068**	16,378,562
Net assets, at end of year	**$ 16,043,210**	$ 14,607,068

See accompanying notes

Consolidated statement of changes in accrued pension benefits

For the year ended December 31 *(in thousands of dollars)*	**2009**	2008
Accrued pension benefits, at beginning of year	**$ 17,311,935**	$ 16,315,393
Increase in accrued pension benefits		
Interest on accrued pension benefits	**1,160,028**	997,552
Benefits accrued		
Service accrual	**475,359**	468,871
Transfer of service from other plans	**165,644**	206,659
Past service buybacks	**20,750**	15,066
Experience losses	**59,898**	198,450
Total increase	**1,881,679**	1,886,598
Decrease in accrued pension benefits		
Benefits paid	**914,431**	880,686
Change in actuarial assumptions (Note 7)	**904,968**	9,370
Total decrease	**1,819,399**	890,056
Net increase in accrued pension benefits	**62,280**	996,542
Accrued pension benefits, at end of year	**$ 17,374,215**	$ 17,311,935

Consolidated statement of changes in deficit

For the year ended December 31 *(in thousands of dollars)*	**2009**	2008
Excess (deficit), at beginning of year	**$ (2,704,867)**	$ 63,169
Net increase (decrease) in net assets available for benefits	**1,436,142**	(1,771,494)
Net increase in accrued pension benefits	**(62,280)**	(996,542)
Net increase (decrease)	**1,373,862**	(2,768,036)
Deficit, at end of year	**$ (1,331,005)**	$ (2,704,867)

See accompanying notes

OPB
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Notes to the consolidated financial statements

Note 1 Public Service Pension Act

Effective January 1, 1990, the Province of Ontario ("Province") enacted the *Public Service Pension Act*, 1990 (*"PSPAct"*) to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan ("PSPP" or the "Plan") are stated in Schedule 1 to the *PSPAct*. Ontario Pension Board ("OPB") is the administrator of the PSPP.

Note 2 Description of PSPP

The following is a brief description of the PSPP. For more complete information, reference should be made to the *PSPAct*.

a) General

The PSPP is a contributory defined benefit pension plan. Membership is mandatory for most employees who satisfy the eligibility requirements provided in the *PSPAct*. Under the PSPP, both the members and the employers make contributions. The PSPP is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency (Registration Number 0208777) as a registered pension plan not subject to income taxes.

b) Contributions

The PSPP is integrated with the Canada Pension Plan ("CPP"). Starting January 2009, contribution rates increased to 6.4% of the salary on which contributions are made to the CPP and 8.75% on the balance of the salary, increasing to 9.5% effective January 2010. Employers contribute matching amounts.

Ontario Provincial Police ("OPP") officers are required to contribute to the PSPP an additional 2% of salary, which is matched by the employer. These additional contributions are used to fund the 50/30 unreduced early retirement provision available to OPP officers.

Contributions from members and employers are remitted to the OPB. The portion of these contributions that exceeds *Income Tax Act* limits is transferred to the Province's Public Service Supplementary Benefits Account ("PSSBA").

c) Pensions

A pension is payable at age 65 (or at age 60 for some members with pre-1966 pension credits) based on the number of years of credit in the PSPP multiplied by 2% of the average salary during the best consecutive 60-month period, less an offset for integration with the CPP at age 65. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 ("Factor 90") or when the member reaches age 60 and has 20 or more years of credit. In the 1990s, the Province amended the PSPP to provide for an enhanced early retirement opportunity for members of the Plan whose age and service in the Plan total at least 80 years ("Factor 80"). The Factor 80 program ended on March 31, 2002. The PSPP was amended to permit those members who are deemed to be surplus by their employer to retire upon attaining Factor 80. To qualify, certain conditions must be satisfied by both the employer and the member. The surplus program expired March 31, 2006. OPP officers are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

Notes to the consolidated financial statements (continued)

d) Death benefits

Upon the death of the member or pensioner, benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate.

e) Disability pensions

Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPP. The amount of the disability pension is dependent on years of credit and average salary.

f) Termination payments

Members terminating employment before age 55 who are eligible for a deferred pension may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to transfer to another pension plan, or to purchase a life annuity.

g) Escalation of benefits

Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

Note 3 Summary of significant accounting policies

Basis of presentation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and present the position of the PSPP as a separate entity independent of the employers and Plan members.

a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts on the statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in excess (deficit) during the reporting period. Actual results could differ from those estimates.

b) Principles of consolidation

The consolidated accounts of OPB include the accounts of its wholly-owned subsidiaries. All significant balances and transactions between OPB and its subsidiaries have been eliminated on consolidation.

Notes to the consolidated financial statements (continued)

c) Investments

Investments are stated at fair value, including accrued income. For traded investments, fair value is 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.

Fair value of investments is determined as follows:

(i) Short-term money market securities are recorded at cost, which, together with accrued interest or discount earned, approximates fair value.

(ii) Special Province of Ontario Debentures (the "Special Debentures"), bonds and real estate debt are valued at quoted market prices, where available. For those instruments for which quoted market prices are not available, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

(iii) Equities are valued at quoted market prices at closing.

(iv) Pooled fund values are supplied by the fund administrators based upon fair value quotations.

(v) Derivative financial instruments consisting of foreign exchange forward contracts are recorded at fair value using year-end market prices.

(vi) Real estate, consisting primarily of income-producing properties, and participating mortgages are valued at estimated fair value determined annually by independent appraisals. The purchase price approximates the fair value of properties acquired and held for less than six months.

Investment transactions are recorded as of the trade date, which is the date upon which the substantial risks and rewards have been transferred. Interest and real estate income from operations are recognized on an accrual basis. Since real estate is valued on a fair value basis, depreciation and amortization are not recorded. Dividend income is recognized on the ex-dividend date. Revenue from real estate includes amounts earned from tenants related to lease agreements for its revenue-producing properties, including property tax and operating cost recoveries. Gains on the sale of properties are recognized when OPB has transferred to the purchaser the significant risks and rewards of ownership of the property, the purchaser has made a substantial commitment demonstrating its intent to honour its obligation, and collection of any additional consideration is reasonably assured. Income from participating mortgages is accrued at the rate stated in the instrument, and any participation income is recognized on an accrual basis. Net investment income (loss) also includes realized gains and losses from the sale of investments and unrealized gains and losses determined from the change in the difference between cost and fair value at year-end, including appraisal adjustments on real estate valuations and fair value adjustments on real estate debt. Transaction costs are expensed as incurred.

Notes to the consolidated financial statements (continued)

d) Accrued pension benefits

The value of accrued pension benefits is based on an actuarial valuation prepared by an independent firm of actuaries. This valuation uses the projected benefit method pro-rated on service and management's best estimate of various economic and non-economic assumptions.

e) Contributions

Contributions due to the PSPP at year-end are recorded as receivable. Transfers into the Plan and purchases of prior service are recorded after cash is received and the transfer or purchase transaction is completed.

f) Pension payments

Payments of pensions, refunds and transfers out of the Plan are recorded in the year in which they are made.

g) Capital assets

Capital assets are carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	3 years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	10 years

h) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. The fair values of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end.

i) Changes in accounting policies

In 2009, OPB adopted amendments to the recommendations of the Canadian Institute of Chartered Accountants ("CICA") contained within CICA Handbook Section 3862, "Financial Instruments – Disclosures." These amendments enhance disclosures about fair value measurement, including the relative reliability of the inputs used in those measurements, as well as liquidity risk. In terms of fair value measurement, the standard establishes a three-level hierarchy based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The expanded disclosures are contained in Note 4.

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Notes to the consolidated financial statements (continued)

Note 4 Investments

As at December 31 (in thousands of dollars)	2009 Fair value	2009 Cost	2008 Fair value	2008 Cost
Cash and short-term investments				
Canada	**$ 466,429**	**$ 468,125**	$ 917,671	$ 917,917
United States and other international	**121,845**	**121,965**	77,889	77,429
	588,274	**590,090**	995,560	995,346
Fixed income				
Special Province of Ontario Debentures	**2,265,655**	**1,888,831**	2,686,017	2,182,659
Bonds				
Canada	**3,258,728**	**3,197,948**	2,884,486	2,877,508
United States and other international	**635,325**	**627,146**	949,348	838,011
	6,159,708	**5,713,925**	6,519,851	5,898,178
Equities				
Canada	**2,168,986**	**1,694,276**	1,611,976	1,603,983
United States	**1,455,791**	**1,427,568**	1,939,235	2,200,432
Other international	**3,399,191**	**3,166,713**	1,526,732	2,003,015
	7,023,968	**6,288,557**	5,077,943	5,807,430
Real estate	**2,223,201**	**1,918,795**	2,191,469	1,883,707
Participating mortgages	**46,038**	**29,298**	43,304	27,906
Total investments	**16,041,189**	**14,540,665**	14,828,127	14,612,567
Investment-related receivables				
Pending trades	**24,774**	**24,774**	16,415	16,415
Forward exchange contracts	**3,575,033**	**3,596,932**	2,499,846	2,467,810
	3,599,807	**3,621,706**	2,516,261	2,484,225
Investment-related liabilities				
Real estate debt	**83,393**	**79,597**	124,104	113,332
Pending trades	**18,178**	**18,178**	21,717	21,717
Forward exchange contracts	**3,517,666**	**3,596,932**	2,612,034	2,467,810
	3,619,237	**3,694,707**	2,757,855	2,602,859
Net investments	**$ 16,021,759**	**$ 14,467,664**	$ 14,586,533	$ 14,493,933

Notes to the consolidated financial statements (continued)

a) Asset mix

Investments are allocated to and maintained in major asset classes within acceptable ranges with target allocation as follows:

	2009 target	2008 target
Cash and short-term investments	**2%**	2%
Bonds	**38%**	38%
Total interest-bearing instruments	**40%**	40%
Equity		
Canadian	**11%**	11%
International	**36%**	36%
Total equity	**47%**	47%
Canadian real estate	**13%**	13%
Total equity and real estate	**60%**	60%

Investments in certain other asset classes are allowable, subject to Board approval.

b) Financial instruments risk

The Plan is subject to financial risks as a result of its investing activities that could impact its cash flows, income, and assets available to meet benefit obligations. These risks include market risk (including interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. OPB manages these risks in accordance with its Statement of Investment Policies and Procedures, which prescribes the asset mix policy, diversification requirements, performance expectations, limits on individual investments, valuation standards, and guidelines for the management of the Plan.

Market risk – Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices. Market risk is comprised of the following:

(i) Interest rate risk – Interest rate risk refers to the effect on the fair value of the Plan's assets and liabilities due to fluctuations in market interest rates. The value of the Plan's investments is affected by short-term changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates and inflation. The Plan has established an asset mix policy that balances interest-sensitive investments with other investments. OPB's fixed income investments have the most significant exposure to interest rate risk. Duration and weighting for the fixed income portfolio are actively managed. Modified duration is a measure of the sensitivity of the price of a fixed income instrument to a change in interest rates. Given the Fund's modified duration of 5.31 years at December 31, 2009, a parallel shift in the yield curve of +/–1% would result in an impact on the net investments of $302.1 million, with all other variables held constant. In practice, actual results may differ materially from this sensitivity analysis. See the schedule of Fixed income maturities for further information.

Notes to the consolidated financial statements (continued)

(ii) Foreign currency risk – Foreign currency exposure arises from the Plan holding foreign exchange denominated investments and entering into contracts that provide exposure to currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can have an impact on the fair value of investments. The Plan hedges a portion of its foreign currency exposure through the use of foreign exchange forward contracts, which are accounted for at fair value. Total currency exposure, impact of foreign exchange forward contracts and the net currency exposure are as follows:

As at December 31 *(in thousands of dollars)*	**2009** Gross exposure	**2009** Foreign exchange contracts receivable	**2009** Foreign exchange contracts payable	**2009** Net exposure	2008 Net exposure
United States dollar	**$ 2,281,794**	**$ 571,227**	**$ (1,511,074)**	**$ 1,341,947**	$ 1,730,559
Euro	**1,262,506**	**227,745**	**(1,079,152)**	**411,099**	398,062
British pound sterling	**438,815**	**6,353**	**(235,099)**	**210,069**	150,957
Japanese yen	**170,640**	**267**	**(30,553)**	**140,354**	139,466
Swiss franc	**167,156**	**–**	**(43,830)**	**123,326**	99,057
Other	**984,334**	**5,679**	**(23,131)**	**966,883**	51,407
Total foreign	**5,305,245**	**811,271**	**(2,922,839)**	**3,193,678**	2,569,508
Canadian dollar	**10,653,759**	**2,763,762**	**(594,827)**	**12,822,694**	12,017,025
	$ 15,959,004	**$ 3,575,033**	**$ (3,517,666)**	**$ 16,016,372**	$ 14,586,533

The impact of a 1% absolute change in foreign exchange rates compared to the Canadian dollar, holding all other variables constant, is 1% of the net exposure of the impacted currency, or $31.9 million in total for all foreign currencies, as at December 31, 2009.

(iii) Other price risk – Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. An absolute change in the fair value of OPB's investments which are exposed to other price risk will have a direct proportional impact on the fair value of the investments. OPB's investments in equities have the most significant exposure to other price risk. The impact of a 1% absolute change in the price of an investment, holding all other variables constant, is 1% of the net exposure of the impacted investment, or $70.2 million, as at December 31, 2009.

Credit risk – The Plan is exposed to the risk of loss arising from a default or insolvency of a securities issuer. As at December 31, 2009, the Plan's greatest credit exposure is with the Province of Ontario, with Special Debentures valued at $2.266 billion (2008 – $2.686 billion) and bonds and short-term investments valued at $401 million (2008 – $645 million). At December 31, 2009, 87% (2008 – 96%) of bonds held had at least an "A" rating.

Notes to the consolidated financial statements (continued)

Liquidity risk – Liquidity risk is the risk that the Plan has insufficient cash flows to meet its pension obligations and operating expenses as they become due. Cash sources include investment income, proceeds from the sales of investments, and member and employer contributions. The largest sources of cash during the year were the interest and principal payments from the Special Debentures, which provided $514 million (2008 – $539 million) to the Plan.

c) Cash and short-term investments

As at December 31 *(in thousands of dollars)*	2009 Fair value	2009 Cost	2008 Fair value	2008 Cost
Canada				
Cash	**$ 29,692**	**$ 29,692**	$ 4,071	$ 4,071
Short-term notes and treasury funds	**435,036**	**436,732**	910,529	910,775
Term deposits	**–**	**–**	1,102	1,102
Accrued interest	**1,701**	**1,701**	1,969	1,969
	$ 466,429	**$ 468,125**	$ 917,671	$ 917,917
United States and other international				
Cash	**$ 24,784**	**$ 24,784**	$ 4,921	$ 4,921
Short-term notes and treasury funds	**19,599**	**19,719**	24,051	23,591
Term deposits	**77,461**	**77,461**	48,907	48,907
Accrued interest	**1**	**1**	10	10
	$ 121,845	**$ 121,965**	$ 77,889	$ 77,429

d) Fixed income and equities

The Special Debentures are recorded at an estimated market value of $2.266 billion (2008 – $2.686 billion) by discounting cash flows based on year-end market yields of comparable bonds. There are currently six Special Debentures maturing over the next five years with a weighted average interest rate of 11.32% (2008 – 11.56%).

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Notes to the consolidated financial statements (continued)

Included in the fixed income and equities totals are the following amounts related to pooled funds:

As at December 31 *(in thousands of dollars)*	2009 Fair value	2009 Cost	2008 Fair value	2008 Cost
Equities – Canada	**$ 41,348**	**$ 37,139**	$ 110,238	$ 165,605
Equities – United States	**9,069**	**8,445**	1,291	1,249
Equities – Other international	**227,623**	**260,386**	252,695	333,484

See the schedules of Fixed income maturities and of Investments over $20 million for further information.

e) Real estate

As at December 31 *(in thousands of dollars)*	2009 Fair value	2009 Cost	2008 Fair value	2008 Cost
Real estate properties	**$ 2,225,385**	**$ 1,920,979**	$ 2,194,793	$ 1,887,031
Other assets, net	**(2,184)**	**(2,184)**	(3,324)	(3,324)
Total assets	**2,223,201**	**1,918,795**	2,191,469	1,883,707
Debt on real estate properties	**(83,393)**	**(79,597)**	(124,104)	(113,332)
Net investment in real estate	**$ 2,139,808**	**$ 1,839,198**	$ 2,067,365	$ 1,770,375

Debt includes mortgages and other secured debt with various terms to maturity up to 2018 and a weighted average interest rate of 6.42% (2008 – 6.55%), against which specific real estate properties are pledged as collateral.

Notes to the consolidated financial statements (continued)

The following schedule shows the total principal payments related to this debt:

For the year ended December 31 *(in thousands of dollars)*	
2010	$ 7,646
2011	16,843
2012	2,551
2013	23,095
2014	29,462
2015 and thereafter	3,813

f) Securities lending

At year-end, $283 million (2008 – $835 million) of OPB's securities were on loan to third parties. Pursuant to a securities lending agreement, OPB's custodian arranges the loans and OPB earns a fee. The custodian follows strict lending criteria and over-collateralizes the loans with securities that had credit ratings equal to or better than the securities loaned. OPB does not employ cash collateral in its securities lending program. At year-end, $299 million of securities were held as collateral, providing a 5.4% cushion against market and credit risks.

g) Fair values

CICA Handbook Section 3862 requires disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds; hedge funds; Government of Canada, provincial and other government bonds; Canadian corporate bonds; and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes private equity investments and securities that have liquidity restrictions.

Notes to the consolidated financial statements (continued)

The following table presents as at December 31, 2009, the level within the fair value hierarchy for each of the financial assets and liabilities measured at fair value. The table excludes accrued income, other assets, and other liabilities that are valued at their carrying amount, which represents a reasonable approximation of fair value due to their short-term nature.

As at December 31, 2009 *(in thousands of dollars)*	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Short-term investments				
Canada	$ –	$ 306,909	$ –	$ 306,909
United States and other international	–	97,061	–	97,061
Fixed income				
Special Province of Ontario Debentures	–	2,160,394	–	2,160,394
Bonds				
Canada	–	3,354,329	5,830	3,360,159
United States and other international	–	620,397	381	620,778
Equities				
Canada	2,122,613	255,288	550	2,378,451
United States	1,445,073	–	–	1,445,073
Other international	3,184,120	–	–	3,184,120
Participating mortgages	–	37,596	–	37,596
Forward exchange contracts	–	3,575,033	–	3,575,033
	$ 6,751,806	$ 10,407,007	$ 6,761	$ 17,165,574
Financial liabilities				
Real estate debt	$ –	$ (83,393)	$ –	$ (83,393)
Forward exchange contracts	–	(3,517,666)	–	(3,517,666)
	$ –	$ (3,601,059)	$ –	$ (3,601,059)

There were no significant transfers between levels 1, 2, and 3 during the year ended December 31, 2009.

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Notes to the consolidated financial statements (continued)

The following table presents a reconciliation of all level 3 assets and liabilities measured at fair value for the year ended December 31, 2009.

(in thousands of dollars)	**Fair value as at January 1, 2009**	**Acquisitions**	**Change in unrealized gains**	**Fair value as at December 31, 2009**
Financial assets				
Bonds				
Canada	**$ –**	**$ 5,823**	**$ 8**	**$ 5,831**
Equities				
Canada	**–**	**550**	**–**	**550**
United States	**–**	**380**	**–**	**380**
	$ –	**$ 6,753**	**$ 8**	**$ 6,761**

Note 5 Contributions receivable

As at December 31 *(in thousands of dollars)*	**2009**	2008
Members	**$ 22,361**	$ 19,498
Employers	**32,439**	29,233
Total contributions receivable	**$ 54,800**	$ 48,731

Note 6 Capital assets

As at December 31 *(in thousands of dollars)*	**Cost**	**Accumulated depreciation**	**2009 Net book value**	2008 Net book value
Computer equipment	**$ 2,431**	**$ 1,607**	**$ 824**	$ 1,178
Furniture and fixtures	**2,374**	**420**	**1,954**	2,137
Leasehold improvements	**1,433**	**130**	**1,303**	1,433
Total capital assets	**$ 6,238**	**$ 2,157**	**$ 4,081**	$ 4,748

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Notes to the consolidated financial statements (continued)

Note 7 Accrued pension benefits

a) Accounting basis

The value of accrued pension benefits of $17.374 billion (2008 – $17.312 billion) is an estimate of pension benefit obligations accrued to date for members and pensioners. The accounting valuation uses the projected benefit method (pro-rated on service), as is required under Canadian generally accepted accounting principles. Under this method, the accrued pension benefits are based on service earned up to the reporting date. The accrued pension benefits as at December 31, 2009 are computed by extrapolating data used for the December 31, 2008 funding valuation.

Actuarial assumptions – The actuarial assumptions used in determining the value of accrued pension benefits reflect management's best estimate of future economic and non-economic events. The primary economic assumptions, as at December 31, are:

	2009	2008
Investment return	**6.75% to December 31, 2018 6.25% thereafter**	6.15%
Inflation	**2.50%**	2.50%
Real rate of return	**4.25% to December 31, 2018 3.75% thereafter**	3.65%
Salary increases	**3.50% +promotional scale**	3.50% +promotional scale

The non-economic assumptions include mortality, withdrawal and retirement rates. In 2008, changes were made in the assumptions on retirement rates for certain employee groups and the methodology for applying retirement, termination and pre-retirement mortality rates.

Notes to the consolidated financial statements (continued)

b) Funding basis

The funding valuation of the PSPP is based on methods required under the *PSPAct* and the *Pension Benefits Act (Ontario) ("PBA")*. The *PBA* and the *Income Tax Act* require that an actuarial funding valuation of the PSPP be completed and filed with the regulatory authorities at least every three years. The most recent filing was a funding valuation as at December 31, 2007, prepared by Hewitt Associates, which disclosed a funding shortfall of $37 million.

Changes prescribed under the *PBA* require minimum funding requirements to be determined using the unit credit actuarial cost method. As a result, the actuarial cost method used for the December 31, 2008 funding valuation was changed from the aggregate cost method to the unit credit cost method. The change transferred a portion of the past service cost incurred by the Plan into current service cost, resulting in additional employer contributions that have been reclassified as employer current service contributions in addition to the matching contributions prescribed by the *PSPAct*. These additional contributions are included in Note 10.

A funding valuation was prepared for management purposes as at December 31, 2008. That valuation disclosed a funding shortfall of $1.999 billion.

The funding valuation is used as a basis for funding and Plan design decisions.

Note 8 Deficit

In these financial statements, the amount by which net assets available for benefits is less than the accrued pension benefits is represented by the deficit, which as at December 31, 2009 was $1.331 billion (2008 – $2.705 billion).

Differences between the accounting and funding valuation results may arise due to such factors as variances between estimated and actual data, economic and demographic assumptions or conditions, actuarial methodology, and subsequent events.

Notes to the consolidated financial statements (continued)

Note 9 Net investment income (loss)

For the year ended December 31 *(in thousands of dollars)*	**2009** Investment income[1]	Realized gain (loss)	Unrealized gain (loss)[2]	Total	2008 Investment income[1]	Realized gain (loss)	Unrealized gain (loss)[2]	Total[2]
Cash and short-term investments								
Canada	**$ 13,099**	**$ (4,237)**	**$ (1,451)**	**$ 7,411**	$ 32,429	$ 10,579	$ (227)	$ 42,781
United States and other international	**181**	**(15,729)**	**168,975**	**153,427**	1,987	3,355	(137,785)	(132,443)
	13,280	**(19,966)**	**167,524**	**160,838**	34,416	13,934	(138,012)	(89,662)
Fixed income								
Special Province of Ontario Debentures	**220,133**	**–**	**(126,534)**	**93,599**	255,056	–	(40,284)	214,772
Bonds								
Canada	**140,869**	**31,648**	**53,802**	**226,319**	142,415	(16,314)	6,134	132,235
United States and other international	**30,656**	**38,260**	**(103,157)**	**(34,241)**	38,845	3,650	128,783	171,278
	391,658	**69,908**	**(175,889)**	**285,677**	436,316	(12,664)	94,633	518,285
Equities								
Canada	**55,255**	**7,549**	**466,717**	**529,521**	43,789	8,789	(772,859)	(720,281)
United States	**46,065**	**(235,544)**	**289,421**	**99,942**	56,526	(358,917)	(189,748)	(492,139)
Other international	**69,192**	**(280,225)**	**708,761**	**497,728**	66,192	(187,684)	(591,146)	(712,638)
	170,512	**(508,220)**	**1,464,899**	**1,127,191**	166,507	(537,812)	(1,553,753)	(1,925,058)
Real estate	**154,594**	**–**	**(6,522)**	**148,072**	150,249	–	(177,001)	(26,752)
Participating mortgages	**2,734**	**–**	**–**	**2,734**	1,332	–	(543)	789
Total investment income (loss)	**$ 732,778**	**$ (458,278)**	**$1,450,012**	**$1,724,512**	$ 788,820	$ (536,542)	$ (1,774,676)	$ (1,522,398)
Investment fees				**(33,972)**				(29,521)
Net investment income (loss)				**$ 1,690,540**				$ (1,551,919)

[1] Investment income includes interest on cash and short-term investments, fixed income and participating mortgages, dividend income on equities, and real estate operating income.

[2] Unrealized gain (loss) on cash and short-term investments includes foreign exchange contracts.

Notes to the consolidated financial statements (continued)

a) Interest income

For the year ended December 31 *(in thousands of dollars)*	**2009**	2008
Cash and short-term investments		
Canada		
Cash	**$ 1,385**	$ 2,984
Short-term notes and treasury funds	**11,669**	27,944
Term deposits	**45**	1,501
	$ 13,099	$ 32,429
United States and other international		
Cash	**$ 19**	$ 127
Short-term notes and treasury funds	**(6)**	323
Term deposits	**168**	1,537
	$ 181	$ 1,987

Earnings from pooled short-term investment funds are included with short-term notes and treasury funds. There were no pooled bond funds in 2009 (2008 pooled bond fund interest – $14.164 million).

b) Dividend income

Canadian dividend income includes $1.357 million (2008 – $817 thousand) from pooled equity funds. United States dividend income includes $186 thousand (2008 – $59 thousand) from pooled equity funds. Other international dividend income includes $5.316 million (2008 – $7.223 million) from pooled equity funds.

Notes to the consolidated financial statements (continued)

c) Real estate

The following is selected information from OPB's real estate operations for income-producing properties:

For the year ended December 31 *(in thousands of dollars)*	**2009**	2008
Revenue		
Rental	**$ 267,277**	$ 259,622
Other income	**6,579**	6,123
	273,856	265,745
Expenses		
Operating expenses	**98,889**	94,609
General, administrative and other	**14,836**	14,249
	113,725	108,858
Operating income, before interest	**160,131**	156,887
Interest expense	**6,552**	7,838
Net operating income	**153,579**	149,049
Unrealized gain (loss)		
Appraisal adjustment	**(24,217)**	(169,018)
Fair value adjustment on debt	**6,977**	(7,983)
	(17,240)	(177,001)
Transaction costs	**(153)**	(375)
Net income (loss)	**$ 136,186**	$ (28,327)

Notes to the consolidated financial statements (continued)

d) Investment fees

For the year ended December 31 *(in thousands of dollars)*		**2009**		2008
Portfolio fund management	**$**	**20,684**	$	17,428
Transaction costs		**9,564**		7,787
Custody		**2,058**		1,714
Real estate		**1,666**		2,408
Consulting		**–**		184
	$	**33,972**	$	29,521

Transaction costs include commissions and fees on trades. Additional transaction costs included in real estate expense total $294 thousand (2008 – $782 thousand).

Note 10 Contributions

For the year ended December 31 *(in thousands of dollars)*		**2009**		2008
Members				
Current service	**$**	**234,654**	$	208,436
Prior service		**15,877**		11,729
		250,531		220,165
Employers				
Current service				
Regular contributions		**234,706**		208,263
PSSBA transfer		**(14,641)**		(10,764)
For members receiving Long Term Income Protection benefits		**7,528**		6,424
Prior service		**4,873**		3,337
		232,466		207,260
Sponsor Payments				
Special Payments		**3,756**		3,757
Additional current service		**41,200**		56,352
		44,956		60,109
Total contributions	**$**	**527,953**	$	487,534

The contribution requirements are set out in the *PSPAct* and summarized in Note 2(b).

Notes to the consolidated financial statements (continued)

Members who are receiving benefits on Long Term Income Protection ("LTIP") have their contributions to the PSPP paid by their employers.

The Province, as sponsor of the Plan, contributed $3.756 million (2008 – $3.757 million) in Special Payments in 2009 towards the funding shortfall identified in the filed funding valuation as at December 31, 2007. In 2009, the Province made $41.200 million (2008 – $56.352 million) in additional employer current service contributions.

Note 11 Operating expenses

Pension operations

For the year ended December 31
(in thousands of dollars)

	2009	2008
Staffing costs	$ 13,540	$ 13,438
Staff development and support	645	954
Office premises and operations	3,101	3,160
Information technology and project management	4,875	5,637
Professional services	1,273	2,164
Communication	512	619
Depreciation	718	701
Board remuneration	102	113
Audit	296	245
	$ 25,062	$ 27,031

Investment operations

For the year ended December 31
(in thousands of dollars)

	2009	2008
Staffing costs	$ 4,674	$ 3,319
Staff development and support	129	184
Office premises and operations	1,664	605
Information technology and project management	645	672
Professional services	899	783
Communication	128	149
Depreciation	216	114
Board remuneration	68	75
Audit	79	150
	$ 8,502	$ 6,051

Notes to the consolidated financial statements (continued)

For the year ended December 31 *(in thousands of dollars)*	2009	2008
Audit and related services provided to Ontario Pension Board	$ 86	$ 98
Audit and related services provided to real estate operations	201	185
Total fees	**$ 287**	$ 283

Note 12 Compensation

Compensation to the senior management team includes base salary, incentives, insured benefits and supplementary retirement incentives. Compensation totals, excluding retirement benefits, for the President & CEO and all Senior Vice-Presidents:

For the year ended December 31	Year	Base salary	Incentives[1]	Taxable benefits and allowances[2]	Total
Mark J. Fuller, President & CEO[3]	2009	$ 398,631	$ 87,170	$ 11,381	$ 497,182
	2008	398,321	121,300	11,403	531,024
	2007	332,648	140,242	11,304	484,194
Linda J. Bowden, Senior Vice-President, Operations	2009	321,772	53,981	10,082	385,835
	2008	314,224	95,854	10,078	420,156
	2007	258,617	85,180	10,009	353,806
R. Paul Edmonds, Senior Vice-President,	2009	266,086	44,639	14,547	325,272
Corporate Affairs and General Counsel[4]	2008	208,775	66,055	11,617	286,447
Peter Shena, Senior Vice-President, Stakeholder Relations	2009	266,477	44,855	14,547	325,879
and Pension Policy	2008	258,995	75,098	13,513	347,606
	2007	201,257	55,548	5,175	261,980
Anne-Marie Thomas, Senior Vice-President, Investments	2009	321,772	53,981	14,618	390,371
	2008	321,586	95,854	15,194	432,634
	2007	297,490	97,960	11,357	406,807
Duncan Webb, Senior Vice-President, Finance[5]	2009	280,575	50,156	13,640	344,371

[1] Incentives earned in 2008 and 2009 were paid in March of the following year.

[2] Includes life insurance, car allowance and parking.

[3] For 2008, the Board of Directors approved an incentive of $141,300 for Mr. Fuller. During 2009, Mr. Fuller, at his own initiative, reduced his 2008 incentive and repaid $20,000, leaving an incentive of $121,300.

[4] Start date of March 17, 2008.

[5] Start date of January 19, 2009.

Notes to the consolidated financial statements (continued)

Compensation for the President & CEO is approved by the Board. Compensation for the Senior Vice-Presidents is approved by the Human Resources Committee of the Board. Incentives are performance based.

The above-noted individuals are entitled to benefits from both the PSPP and the PSSBA.

The President & CEO; the Senior Vice-President, Operations; the Senior Vice-President, Investments; the Senior Vice-President, Corporate Affairs and General Counsel; and the Senior Vice-President, Stakeholder Relations and Pension Policy also participate in a Supplemental Executive Retirement Plan ("SERP") that provides additional retirement benefits equal to 1.5% of the best five-year average annual base salary for each year of service with the Ontario Pension Board. All the other provisions of the SERP mirror the provisions of the PSPP, including the exclusion of incentives from the pension entitlement calculation. The SERP is an unregistered arrangement that is non-contributory and not funded.

Note 13 Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in 2009.

Supplementary information

Fixed income maturities

As at December 31 *(in thousands of dollars, except %)*	2009 Fair value	2009 Current yield %	2008 Fair value	2008 Current yield %
Special Province of Ontario Debentures				
0–1 year	**$ 238,773**	**11.85**	$ 229,608	11.82
1–5 years	**1,921,622**	**8.38–9.84**	1,807,031	8.06–11.10
5–10 years	**–**	**–**	526,290	9.59
Accrued interest	**105,260**		123,088	
	2,265,655		2,686,017	
Bonds				
Canada:				
0–1 year	**30,508**	**2.70–7.94**	177,257	3.12–7.12
1–5 years	**1,223,800**	**1.00–10.83**	977,997	1.72–8.52
5–10 years	**937,727**	**3.71–15.28**	825,639	2.85–9.03
>10 years	**1,039,996**	**3.58–7.87**	877,362	2.03–10.50
Accrued interest	**26,697**		26,231	
	3,258,728		2,884,486	
United States and other international:				
0–1 year	**2,617**	**4.22–4.43**	894	1.67
1–5 years	**192,239**	**2.78–13.06**	404,346	2.88–5.16
5–10 years	**320,853**	**0.62–12.71**	292,344	3.40–11.32
>10 years	**104,749**	**4.38–13.29**	232,694	3.97–13.38
Accrued interest	**14,867**		19,070	
	635,325		949,348	
Total fixed income	**$ 6,159,708**		$ 6,519,851	

Supplementary information (continued)

Investments over $20 million

As at December 31, 2009 *(in thousands of dollars, except %)*	Maturities	Coupon %		Fair value[1]
Cash and short-term investments				
Canada:				
Province of Ontario			$	89,898
Government of Canada				78,410
Royal Bank of Canada				70,123
Province of New Brunswick				39,428
Canadian Imperial Bank of Commerce				34,016
Toronto-Dominion Bank				32,693
Billets of QCPN				23,398
Bank of Nova Scotia				21,973
Other international:				
Rabobank				39,107
Fixed income				
Special Province of Ontario Debentures	2010–2014	10.38–13.33	$	2,265,655
Bonds				
Canada:				
Government of Canada	2010–2041	1.00–10.35	$	871,418
Province of Ontario	2011–2037	3.95–9.50		318,991
Province of Quebec	2012–2038	4.50–9.38		169,171
Bank of Nova Scotia	2010–2108	3.03–7.80		131,992
Toronto-Dominion Bank	2011–2108	2.05–7.24		119,175
Royal Bank of Canada	2011–2053	4.58–7.18		110,073
Canadian Imperial Bank of Commerce	2010–2108	3.05–10.25		93,888
Bank of Montreal	2011–2023	4.55–6.69		78,304
Wells Fargo Financial Corporation Canada	2011–2015	3.97–6.05		70,511
Sun Life Financial Inc.	2011–2108	4.80–7.90		53,455
Manulife Financial Corporation	2012–2108	4.90–7.41		49,541
Province of British Columbia	2012–2037	4.10–8.75		47,356
Ontario Hydro	2012–2040	3.13–7.35		45,649
Greater Toronto Airports Authority	2011–2034	4.40–7.10		43,055

[1] Excludes accrued income, includes guaranteed instruments issued by subsidiaries/agencies.

Supplementary information (continued)

Investments over $20 million (continued)

As at December 31, 2009
(in thousands of dollars, except %)

	Maturities	Coupon %	Fair value[1]
Bonds			
Canada: (continued)			
TransCanada Corp.	2013–2039	4.65–8.29	$ 41,556
407 International Inc.	2011–2040	4.65–7.00	36,448
Enbridge Inc.	2016–2039	4.49–7.22	35,958
Loblaw Companies Limited	2013–2036	4.85–7.10	32,835
Thomson Reuters	2011–2016	5.20–6.00	30,866
EnCana Corporation	2012–2018	4.30–5.80	29,891
GE Capital Canada	2011–2037	4.38–6.25	28,736
Union Gas	2011–2038	4.64–6.65	27,237
HSBC	2010–2021	4.00–7.78	24,574
Province of Manitoba	2012–2038	3.05–7.75	24,496
Great-West Lifeco Inc.	2018–2067	5.69–6.67	23,606
Altalink LP	2012–2036	5.02–5.43	22,746
Province of Saskatchewan	2014–2040	4.25–6.40	22,625
CU Inc.	2014–2039	5.03–6.80	22,555
CHS (CAMH) Partnership	2041	7.05	21,750
Canadian Tire Corporation	2015–2035	4.95–5.65	20,353
United States and other international:			
Government of France	2012–2025	3.00–6.00	153,744
Government of Ireland	2012–2014	3.90–4.00	123,728
Kingdom of Belgium	2015	8.00	58,295
Government of United Kingdom	2019–2030	4.50–4.75	39,370
Federal Republic of Germany	2028–2034	4.75–5.63	29,381
JPMorgan Chase & Co.	2015	3.88	23,474
Morgan Stanley	2012–2017	4.50–4.90	22,914
Real estate			
OPB Realty Inc. (holding company, 100% owned)			$ 2,183,185
Participating mortgages	2019	5.00	37,596

[1] Excludes accrued income, includes guaranteed instruments issued by subsidiaries/agencies.

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Supplementary information (continued)

Investments over $20 million (continued)

As at December 31, 2009
(in thousands, except shares/units)

	Shares/Units[2]	Fair value[2]
Equities		
Canada:		
Royal Bank of Canada	2,453	$ 138,367
Toronto-Dominion Bank	1,908	125,852
Bank of Nova Scotia	2,282	112,304
Talisman Energy Inc.	4,655	91,654
Canadian Natural Resources Limited	1,166	88,625
Canadian National Railway Company	1,136	65,165
Suncor Energy Inc.	1,656	61,627
Manulife Financial Corporation	3,114	60,195
EnCana Corporation	1,616	55,125
Research In Motion Limited	766	54,438
Canadian Imperial Bank of Commerce	787	53,617
Potash Corporation of Saskatchewan, Inc.	440	50,300
SNC-Lavalin Group Inc.	893	48,206
Thomson Reuters Corporation	1,401	47,547
Cenovus Energy Inc.	1,792	47,501
Goldcorp Inc.	1,073	44,387
Jarislowsky Fraser Special Equity Pooled Fund	2,016	41,348
Great-West Lifeco Inc.	1,535	41,266
Rogers Communications Inc.	1,208	39,474
Shoppers Drug Mart Corporation	836	37,942
Power Corporation of Canada	1,223	36,627
Enbridge Inc.	656	31,905
Shaw Communications Inc.	1,396	30,261
Nexen Inc.	1,134	28,609
Teck Resources Ltd.	746	27,484
TransCanada Corp.	723	26,149
Canadian Tire Corporation	451	25,911
Metro Inc.	609	23,879
Kinross Gold Corporation	1,128	21,842
Cresent Point Energy Corp.	542	21,419
Molson Coors Canada Inc.	427	20,297
TELUS	588	20,068

[2] Includes all share classes and American Depository Receipts.

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Supplementary information (continued)

Investments over $20 million (continued)

As at December 31, 2009
(in thousands, except shares/units)

	Shares/Units[2]	Fair value[2]
Equities (continued)		
United States:		
Exxon Mobil Corp.	493	$ 35,210
Johnson & Johnson	517	34,942
Amazon.com, Inc.	210	29,677
Pfizer Inc.	1,507	28,745
Procter & Gamble Co.	401	25,488
Microsoft Corp.	729	23,303
Intel Corporation	1,083	23,159
Apple Inc.	104	23,077
AT&T Inc.	769	22,603
Wells Fargo & Co.	795	22,481
Google Inc.	34	21,983
JPMorgan Chase & Co.	497	21,703
Merck & Co., Inc.	548	20,993
Other international:		
Leith Wheeler International Pool Fund	17,064	213,940
Petroleo Brasileiro	2,688	99,796
Samsung	289	78,168
Banco Santander	2,738	47,561
Roche Hldg AG Genusscheine	232	41,394
Vale	1,560	40,602
Taiwan Semiconductor Mfg Co.	3,210	38,501
China Mobile Ltd.	3,705	36,487
Vodafone Group	14,818	36,049
Bayer	413	34,939
BNP Paribas	410	34,438
E.ON AG	722	31,606
Gazprom Oao	1,171	30,657
Koninklijke Philips Electronic	947	29,467
Teva Pharmaceutical	451	26,554
BP Plc	2,587	26,281

[2] Includes all share classes and American Depository Receipts.

Supplementary information (continued)

Investments over $20 million (continued)

As at December 31, 2009
(in thousands, except shares/units)

	Shares/Units[2]		Fair value[2]
Equities			
Other international: (continued)			
BHP Billiton Plc	758	$	25,606
Mitsubishi Corp.	3,721		25,509
Rio Tinto	443		25,428
Oil Co Lukoil	424		24,954
Standard Chartered	928		24,739
Novartis	429		24,569
Infosys Technologies	411		23,808
Total SA	341		23,100
Zurich Financial Services	100		23,034
HSBC Hldgs	1,895		22,745
Atlas Copco AB	1,456		22,504
Nestlé	440		22,393
Telefonica	759		22,290
Eni	819		21,921
Itau Unibanco Holding	919		21,724
Intesa Sanpaolo	4,693		21,583
Sanofi-Aventis	253		20,978
Lyxor Intl Asset Management	1,298		20,767
Reckitt Benckiser Group Plc	364		20,701
Petrochina	16,204		20,418
Tenaris	452		20,188
Swire Pacific	1,588		20,182

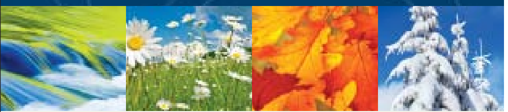
[2] Includes all share classes and American Depository Receipts.

Supplementary information (continued)

Real estate properties

As at December 31, 2009
(in thousands of square feet)

	Location	Area
Retail		
Hillside Centre	Victoria	429
Brentwood Town Centre	Burnaby	539
Lougheed Town Centre	Burnaby	658
Aberdeen Village Centre	Kamloops	104
Christy's Corner	Edmonton	111
Marlborough Mall	Calgary	534
Portland Place	Calgary	149
Gaetz Avenue Crossing	Red Deer	177
St. Vital Centre	Winnipeg	929
Pen Centre	St. Catharines	1,037
Pickering Town Centre	Pickering	895
Carlingwood Shopping Centre	Ottawa	526
Halifax Shopping Centre	Halifax	527
Halifax Shopping Centre Annex	Halifax	419
2003 Gottingen Street	Halifax	25
215 Chain Lake Drive	Halifax	72
West End Mall	Halifax	183
		7,314
Office		
Marlborough Professional Bldg.	Calgary	51
One Queen Street East/20 Richmond Street East	Toronto	502
Halifax Office Complex	Halifax	114
		667
Industrial		
Mississauga Industrial	Mississauga	2,887
Burnside Industrial Park	Halifax	498
Wright Place	Halifax	107
		3,492
Total properties		**11,473**



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Directory of key personnel

Officers

Mark J. Fuller
President & CEO

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

Peter Shena
Senior Vice-President, Pensions and Stakeholder Relations

Anne-Marie Thomas
Senior Vice-President, Investments

Duncan D. Webb
Senior Vice-President, Finance

Anne Catherall
Acting Vice-President, People and Corporate Business Resources

Thomas Choi
Vice-President, IT Services and Enterprise Solutions

Glenn Hubert
Vice-President, Private Debt

Jill Pepall
Vice-President, Public Markets

John Watson
Acting Vice-President, Client Services

Brian Whibbs
Vice-President, Real Estate