



ONTARIO PENSION BOARD

“Setting the right course”

2002

Report To Members

OPB is dedicated to
providing
the 30,400 members it
serves with efficient
administration and prudent
investing.

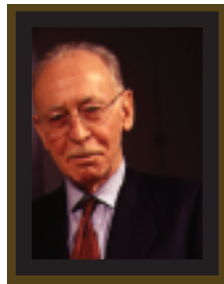
Our 2002 Report to
Members highlights
administration and
investment achievements
and performance
during the past year.



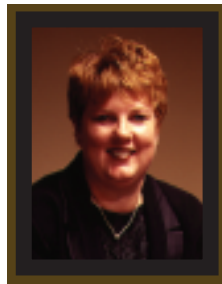
Donald D. Weiss
Chairman & CEO



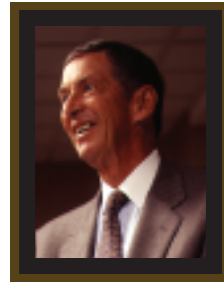
Leonard Lu
President



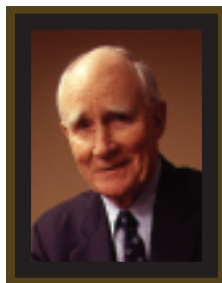
Geoffrey H. Collins
Vice Chairman
Chair, Investment
Committee



Debbie L. McKenna
Chair,
Pension Policy Committee



John E. Richardson
Chair,
Audit Committee



G. Patrick H. Vernon
2003 Chair,
Human Resources
Committee



William J. Fisher
2002 Chair,
Human Resources
Committee

Governance

The Ontario Pension Board (OPB) administers the pension plan for more than 73,000 members and pensioners, both active and deferred, who are or were employed by the Province of Ontario (“the Province”) and certain of its agencies. Pensions are one hundred percent guaranteed by the Province. The provisions of the Plan are set out in the Public Service Pension Act (the “PSPAct”). As sponsor of the Plan, the Province determines the benefit payments and contribution levels based upon periodic valuations by external actuaries.

The OPB is governed by a Board of Directors (“the Board”). The Board establishes policy and supervises the administration of the Plan and its investment activities. The staff of OPB is responsible for managing and carrying out its daily activities.

The Board has adopted Conflict of Interest guidelines governing the conduct of Board members and OPB staff. Individuals are required to act in the best interests of OPB without reference to any outside responsibilities. Four committees of the Board receive reports from staff and external advisors and make recommendations to the Board as a whole; they address Audit, Investment, Human Resources and Pension Policy.

The Board ensures that the Plan complies with all relevant federal and provincial legislation, principally the PSPAct, the Pension Benefits Act (Ontario) and the Income Tax Act (Canada).

Highlights

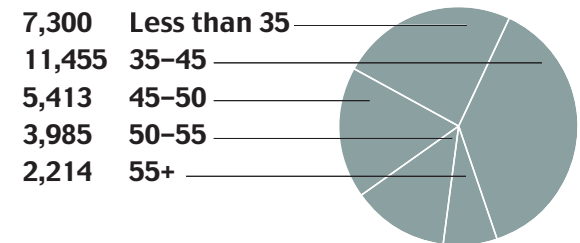
The PSPPlan is a fully indexed plan, which is subject to a limit of eight percent inflation protection in any one year, with any excess carried forward.

Members and employers enjoyed a contribution reduction equivalent to four percent of salaries. This reduction expired November 30, 2002.



Age Distribution of Active Members

as at December 31, 2002



A Message from the Chairman, Donald D. Weiss and the President, Leonard Lu

The Plan achieved a positive rate of return on investment of 0.5 percent during 2002. Last year was a difficult one for pension fund managers worldwide. The median return for all Canadian pension funds was a negative 5.1 percent. Our return was in the first quartile of Canadian pension fund performance.

OPB's investment philosophy has proven to be sound during the difficult economic climate of the last few years. We take a conservative disciplined approach to investing. Our primary focus is on meeting our real return objectives in the long term and less on short-term benchmarks such as the movement of market indices. These principles have served us well. Since its inception, the Plan has earned a return of 10.34 percent. Over the last 10 years, we earned a return of 9.86 percent, with no negative returns in our 13-year history. We believe that OPB is well positioned to continue to provide steady, long-term investment performance.

This report provides more information on how we invest your contributions and our approach to investing.

OPB is also committed to delivering a high quality of service to its members, pensioners and employer sponsors at a reasonable cost. We work diligently to continuously improve our processes for efficiency and effectiveness. Our aim is to meet your requirements on an accurate and timely basis and our customer satisfaction rate remains high.

In 2002, the OPB enhanced its quality management systems and successfully achieved certification of the Member Enrolment process to the International Standard ISO 9001:2000. This builds upon our e-communications (website services) certification in 2001. All companies currently registered to one of the 1994 series standards are required to migrate to the current standard, ISO 9001:2000, by December 15, 2003. The OPB is already registered to this new standard, demonstrating commitment to current management systems practices in support of our stakeholder services.

Our staff is ready to serve you promptly and efficiently. Your feedback is always welcome.



Donald D. Weiss
Chairman and Chief Executive Officer



Leonard Lu
President

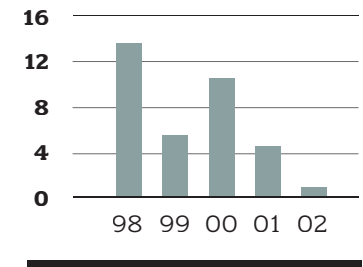
Investment Review

Investment Performance OPB's investment objective is to optimize return on investments commensurate with an acceptable risk to reward balance and a disciplined approach with an emphasis on capital preservation. OPB achieved a positive rate of return in 2002. Our return was 0.5 percent compared with 4.5 percent in 2001.

Despite the current challenging market conditions, since the inception of the OPB in 1990, our average annual rate of return has been 10.3 percent. Over the same period the consumer price index increased by 2.2 percent.

Total Investment Returns

percent per annum



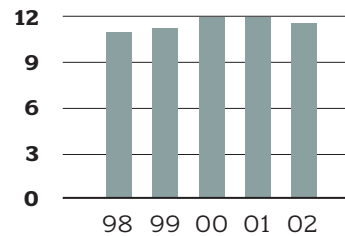
Going forward it may be difficult and indeed, unrealistic to maintain the double-digit returns that were experienced in the last 13 years.

Asset Mix Policy OPB determines its asset mix using various factors such as the design of benefits, the ratio of members to pensioners, long-term capital market prospects and the related risk tolerance levels of plan participants. OPB does not use derivative instruments to synthesize investment categories. The Plan is limited to a foreign content of 30 percent of the book value of its investments.

Currently, investments are grouped into three categories: Externally Managed; Special Province of Ontario Debentures; and Real Estate.

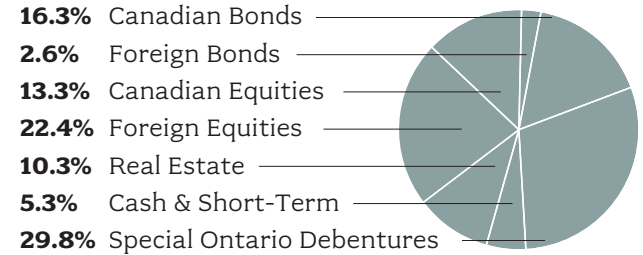
Portfolio Assets

billions of dollars



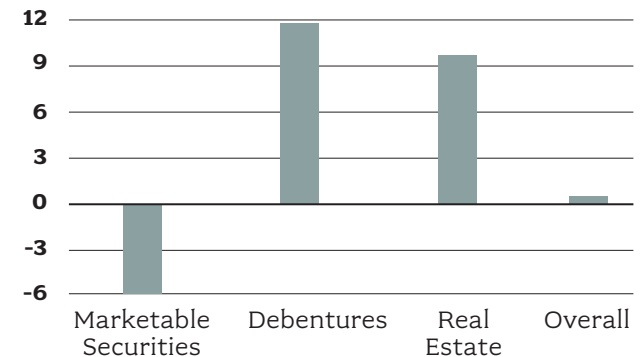
Asset Mix

as at December 31, 2002



Returns By Asset Class

percent: Year 2002



Externally Managed Our marketable security portfolio of equities and bonds is managed by eight portfolio managers. Fund managers have discretion within their contract guidelines to adjust exposure to particular securities, industries or geographic sectors, and asset classes.

We do not require adherence to the movement of particular indices (commonly referred to as 'benchmarks'). The use of benchmarks in managing a portfolio could lead to an over emphasis on short-term results to the detriment of long-term performance to meet future pension liabilities.

Fund managers' mandates closely reflect OPB's approach to long-term value investing and the managers are required to adhere closely to this strategy.

Special Province of Ontario Debentures The Special Province of Ontario Debentures were provided to the Plan as a funding mechanism when it was first formed in 1990. They are not marketable. It has always been our intention to hold the Debentures to maturity since they provide consistent, secure high rates of return as well as cash flow.

Real Estate OPB invests primarily in income-producing real estate to provide stable, long-term returns. Our real estate portfolio includes wholly owned regional shopping centres and office buildings in eight major Canadian cities. Early in 2002, we added significantly to our office portfolio with the acquisition of One Queen Street East in Toronto. We appraise the properties annually to provide an up-to-date measurement of annual returns.

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

Financial Position of the Plan There is a statutory obligation to perform an independent actuarial valuation of assets and liabilities to determine how well the Plan is funded. This is required at least every three years. An excess of assets over liabilities indicates a surplus. An excess of liabilities over assets indicates a deficit. The objective is to provide that over the long term there will be sufficient assets in the fund to meet the Plan's obligations.

Our funding surplus was \$408 million at December 31, 2001, the date of our last actuarial valuation. As at December 31, 1999, we reported a funding surplus of \$335 million. In August 2000, our sponsor extended certain plan enhancements to members at a cost of \$329 million. Enhancements included contribution rate reductions that expired in November 2002, the planned date of expiry.

Five Year Review

	1998	1999	2000	2001	2002
<i>(in millions of dollars)</i>					
Opening Assets	10,037.3	10,973.9	11,196.0	11,951.2	11,945.1
Investment Income	1,309.9	569.0	1,111.0	517.7	41.8
Regular Contributions	199.4	200.8	176.5	130.2	135.2
Unfunded Liability					
Payments	114.7	121.3	106.1	—	—
Transfers	8.5	38.1	143.2	103.0	144.5
	1,632.5	929.2	1,536.8	750.9	321.5
Pension Payments	630.2	648.9	669.6	695.9	721.2
Terminations	55.3	47.0	100.3	45.7	42.1
Operating Expenses	10.4	11.2	11.7	15.4	13.7
	695.9	707.1	781.6	757.0	777.0
Closing Assets	10,973.9	11,196.0	11,951.2	11,945.1	11,489.6
Rate of Return:					
Annual Percent	13.4	5.4	10.2	4.5	0.5

Board Committees

Audit

John E. Richardson*
Geoffrey H. Collins
Donald D. Weiss

Investment

Geoffrey H. Collins*
Debbie L. McKenna
Donald D. Weiss

Human Resources

William J. Fisher*
Debbie L. McKenna
G. Patrick H. Vernon
Donald D. Weiss

Pension Policy

Debbie L. McKenna*
William J. Fisher
Donald D. Weiss

* Chair

Officers

Donald D. Weiss
Chairman & CEO

Leonard Lu
President

Mark J. Fuller
Executive Vice President

Robert F. Kay
*Senior Vice President
Investments*

Linda J. Bowden
*Vice President
Corporate Services*

Antonia Evagelou
*Vice President
Plan Administration*

Peter Shena
*Vice President
Pension Policy & Research*

Darla S. Sycamore
*Treasurer & Director,
Finance*

Senior Management

Joseph A.P. Farrugia
*Director, Planning &
Information Technology*

Sheila A. Fish
*Director, Member & Pensioner
Services*

Mark A. Henry
Director, Operational Policy

Peter M.T. Johnson
Controller

Karen Kojima
*Manager, Treasury &
Investment Accounting*

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