Ontario Pension Board

TAKING ACTION!
2005 ANNUAL REPORT

Who we are

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

With more than $14 billion in assets, 33,500 active members, 37,275 pensioners and 4,600 deferred members, the PSPP is one of Canada's largest pension plans. It is also one of the country's oldest pension plans, dating back to the early 1920s.

Our mandate

OPB's mandate is to:

- protect the long-term health of the Plan;
- invest the Plan's assets to meet the pension promise; and
- deliver superior, cost-effective service to our stakeholders.

About the Plan

The Public Service Pension Plan is a defined benefit pension plan. This means retired members receive a pension benefit based on a pre-set formula. That formula takes into account each member's years of service and earnings history with the Plan. To help fund the pension promise, both members and employers make matching contributions to the Plan.

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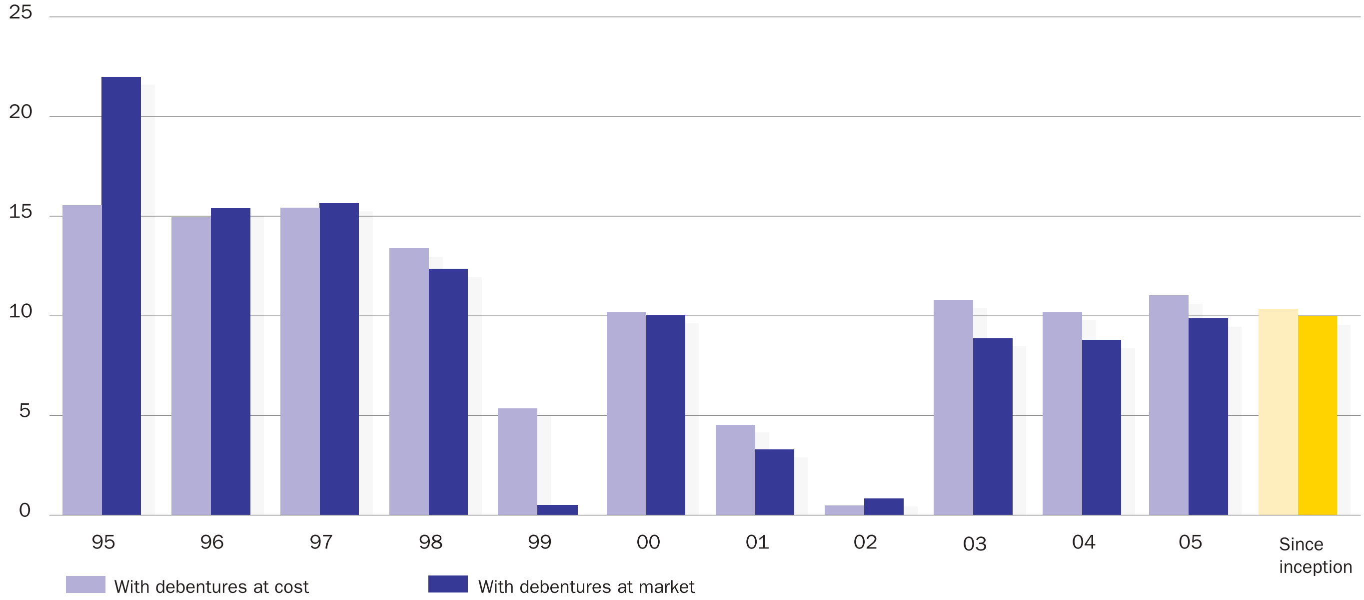
FINANCIAL HIGHLIGHTS

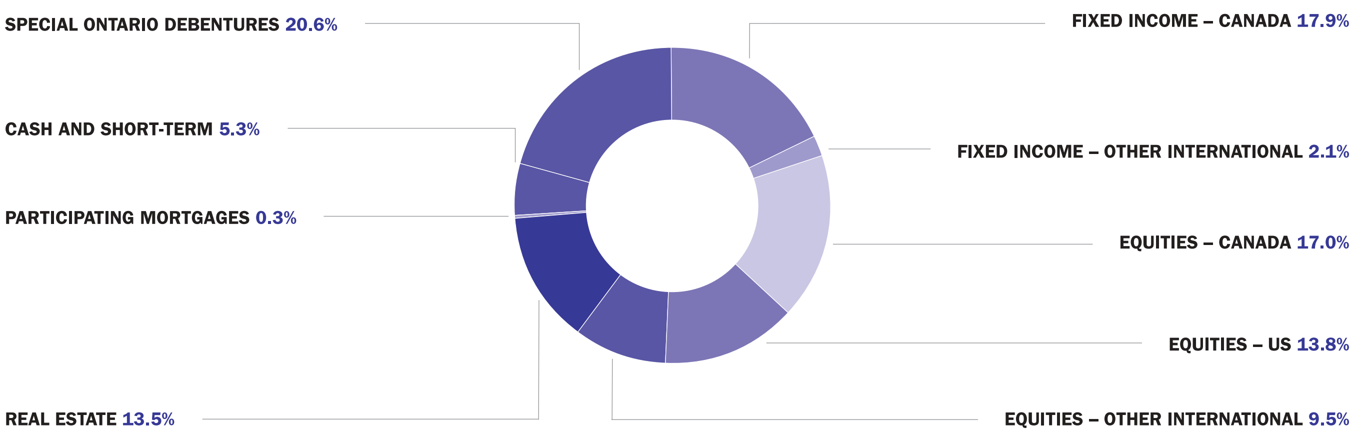
Total Returns

% per annum



Asset Mix

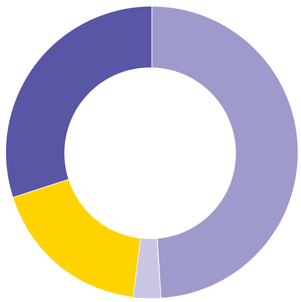
as at December 31, 2005



ADMINISTRATIVE HIGHLIGHTS

Present Value of Pension Benefits*

as at December 31, 2004

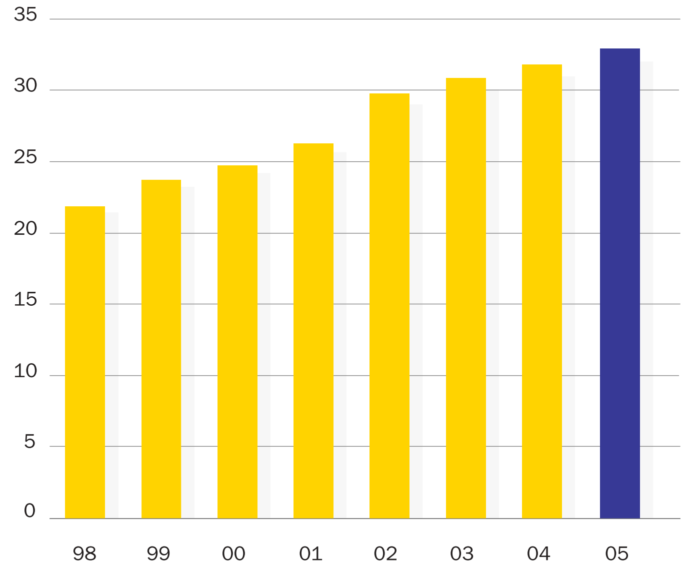


PENSIONERS	$8.4 BILLION	49%
DEFERRED MEMBERS & OTHER	$0.5 BILLION	3%
MEMBERS – FUTURE SERVICE	$3.2 BILLION	18%
MEMBERS – PAST SERVICE	$5.2 BILLION	30%
	$17.3 BILLION	100%

*As reported in the December 31, 2004, actuarial report prepared for management purposes.

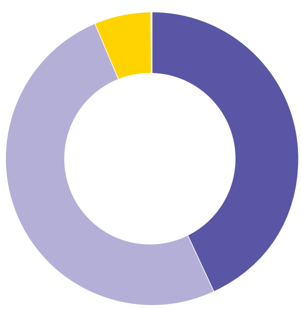
Growth in Membership

thousands of persons



Client Profile

as at December 31, 2005



MEMBERS	33,500
PENSIONERS	37,275
DEFERRED MEMBERS	4,600

Membership in the OPB is on the rise. During 2005, OPB embarked on a number of short- and long-term initiatives aimed at elevating service levels. Some of these initiatives produced immediate improvements; others will help us expand our service capacity over time.

Our Service to Members

	2005	2004
Telephone calls	14,231	15,591
Buybacks of service	1,062	2,191
Pension estimates	925	998
Presentations	35	34
Other cases	38,010	40,159

Our Service to Pensioners

	2005	2004
Telephone calls	17,843	19,613
Information changes	16,091	18,026
Other cases	12,575	10,926

Protecting the pension promise

Like many defined benefit pension plans, the PSPP faces an increasingly difficult pension environment. To protect the PSPP – and promote a healthy environment for all defined benefit pension plans – OPB is taking action.

In 2005, we launched a number of foundation-building initiatives. These initiatives will ensure we have the culture, people and processes needed to protect the pension promise – now and in the future.

With a solid foundation in place, we're moving ahead with an aggressive, new action plan…a plan that will help us maximize performance and make OPB an even stronger, more responsive organization going forward.

Moving forward

Defined benefit (DB) pension plans, including the PSPP, are under pressure. A variety of factors – such as a challenging investment market, low interest rates, legislative complexity, shifting demographics and a general lack of understanding about the value of DB plans – have converged to create a complicated and, at times, difficult environment for DB plans. OPB is responding to these challenges by taking action on three key fronts:

1

Disciplined and astute investing

We are…

- Maintaining our long-term, lower-risk investment philosophy
- Seeking incremental investment returns
- Reviewing our strategic asset allocation, as well as our investment in non-traditional investments (i.e., real estate, private debt and private equity)
- Fortifying our risk-management program

2

Managing better, faster, smarter

We are…

- Reviewing roles and responsibilities within OPB to maximize efficiency and better align people and processes
- Transforming our IT systems to streamline administration, increase accuracy and enhance service
- Ramping up training and development to maximize performance

3

Educating and advocating

We are…

- Building credibility through transparent communications and unbiased counsel to stakeholders
- Educating members and other stakeholders about the value of their PSPP benefits and the defined benefit pension model
- Developing a stakeholder relations plan and strengthening our brand identity
- Working to promote a healthy environment for DB pension plans in Canada

Message from the Chair

The environment in which OPB operates is undergoing change – some of it positive, some of it negative, most of it significant. Certainly, all of it poses challenges to the effective management and governance of the PSPP.

In today's demanding environment, increasingly sophisticated stakeholders are looking for higher levels of service, the Plan's demographics are changing, and – despite strong investment returns – we continue to face a funding shortfall. Overlaying these factors is a general lack of appreciation for the financial and social benefits provided by defined benefit pension plans.

Taking action Against this rapidly changing backdrop, OPB clearly needs to expand its mandate. It's no longer enough to play a purely administrative role – gathering data, collecting and investing contributions, and paying pensions. We need to assume a more proactive leadership role so that we can protect the long-term health and viability of the PSPP and, ultimately, enrich the value proposition for stakeholders.

To ensure OPB is positioned to fulfill this broader mandate, the Board has identified three critical objectives:

1. Reduce the funding gap through incremental investment returns;
2. Boost support and service levels by managing better, faster, smarter; and
3. Protect the Plan by educating stakeholders about the value of the PSPP and advocate for a healthier defined benefit environment.

To achieve these objectives, the Board approved a new tactical business plan that provides a detailed roadmap for the future. 2005 was a base-building year. We carried out a number of initiatives aimed at ensuring we have the culture, people, and processes in place to move forward.

The road ahead OPB has identified various other initiatives that will be carried out over the next three years to achieve our strategic objectives. These initiatives are outlined in more detail in *Taking action!* on page 12.

We are also continuing to make governance a priority. In 2005, the Board approved a *Statement of Governance Principles* and *General By-law.* These touchstone documents define our governance framework and outline how OPB's business affairs are to be conducted across all levels of the organization.

During 2005, the Board undertook a number of other governance-related initiatives. We developed a process for consulting with the Plan Sponsor on Board appointments, established a permanent standing committee on governance and conduct, and began developing an annual self-assessment process to ensure continued best practices.

Working together

Without question, 2005 was both a demanding and rewarding year. I would like to take this opportunity to acknowledge and personally thank the Board's directors for committing their time, expertise and energy to the process.

I would also like to acknowledge some important changes to the Board. Sadly, Patrick Vernon, a highly valued member of the Board, passed away in August. Patrick brought a wealth of experience to the Board. He also played an instrumental role on our Human Resources Committee and made an important contribution to our governance reform initiatives.

On a far brighter note, Anthony Wohlfarth joined the Board in September. Anthony is a national representative for the CAW, where he has held a series of senior positions. He is also a former member of the Canada Employment Insurance Commission. We look forward to sharing his knowledge and experience.

By way of closing, I would like to acknowledge the hard-working members of the OPB staff. If the Board represents the head of the organization, the staff is unquestionably its heart and hands. I want to thank Don Weiss and his staff for continuing to deliver superior service and investment performance – and for helping the Board implement a strategy that will make us an even stronger, more responsive organization.

John Richardson
Chairman

"2005 WAS A BASE-BUILDING YEAR. WE CARRIED OUT A NUMBER OF INITIATIVES AIMED AT ENSURING WE HAVE THE CULTURE, PEOPLE AND PROCESSES IN PLACE TO IMPLEMENT OUR BUSINESS PLAN."

Governance

At OPB, we're committed to good governance.

That means we're committed to ensuring we have the necessary structures and procedures in place to manage, administer and monitor the pension plan based on industry best practices.

We've built a solid governance model based on a well-defined operating structure, high professional standards, and a deep-seated culture of integrity and openness.

The emphasis we place on good governance is rooted in the importance of our mandate – securing and delivering the pension promise to 75,000 members and pensioners *and* protecting the long-term health of the PSPP. To meet this mandate, we've established a solid governance framework that ensures we:

- operate effectively and efficiently,
- prudently invest and manage the Plan's assets,
- protect and promote the best interests of Plan beneficiaries (bearing in mind the interests of all Plan stakeholders), and
- meet applicable legislative requirements.

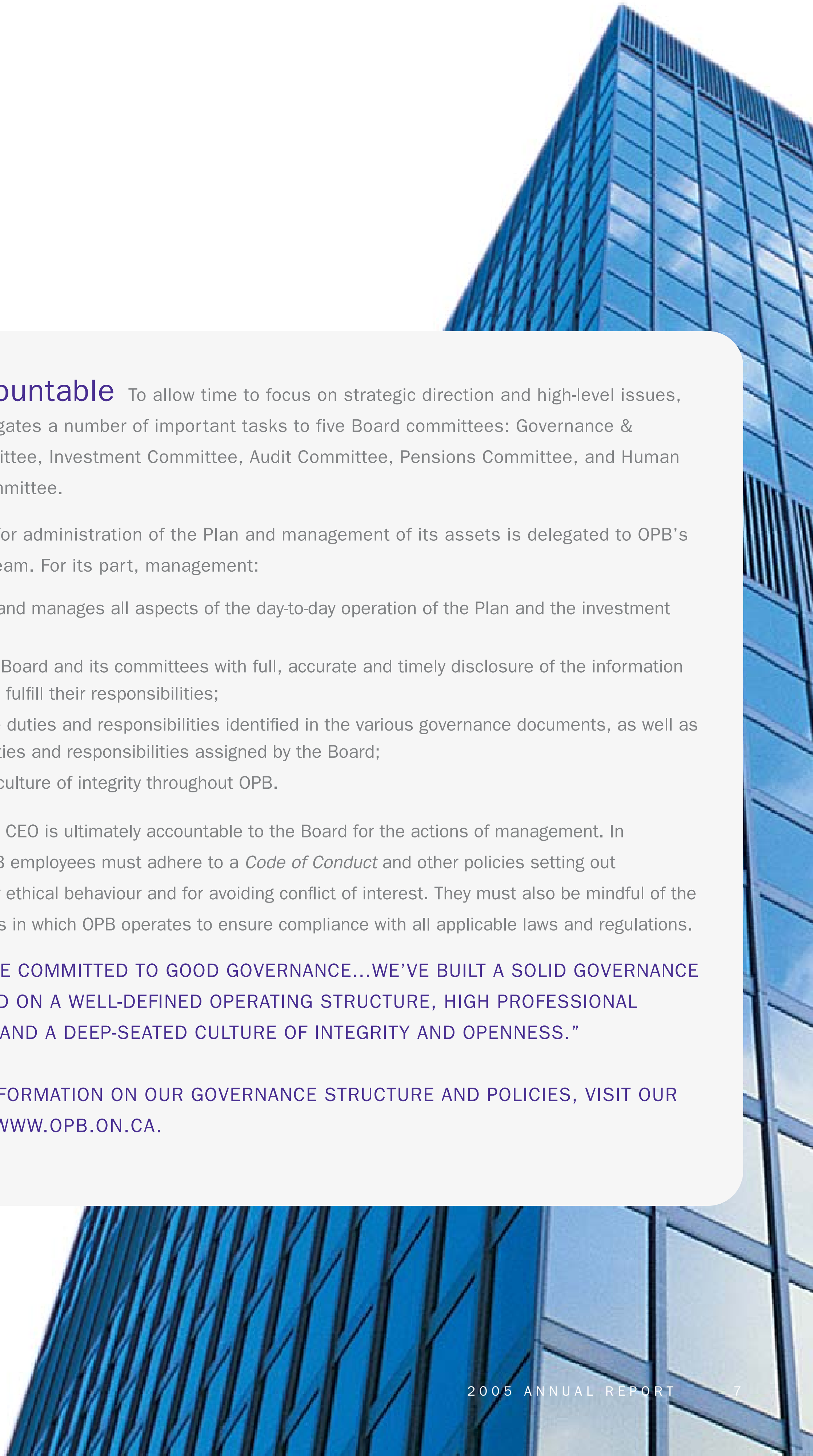
Framework for success

The governance framework within which we operate is supported by a series of defining documents, including a *Statement of Governance Principles, General By-law, Statements of Mandate and Authority,* a *Memorandum of Understanding,* and a *Code of Conduct.*

These documents clearly define our organizational structure, roles and responsibilities, as well as accountability. They also set expectations for ethical behaviour, put in place conflict of interest guidelines, and establish checks and balances on all authority.

OPB itself is governed by a board of directors. Currently, the Board has seven highly dedicated and qualified members, each appointed by the Government of Ontario. Individually, Board members bring a unique perspective and skill set to the table. Collectively, they offer professional expertise in a range of specialties, including investments, pensions, human resources and accounting.

In fulfilling their duties, Board members are directly accountable to the Plan's beneficiaries (i.e., members and pensioners), the Plan Sponsor (the Ontario Government), and the Financial Services Commission of Ontario (the organization that oversees registered pension plans in the province).



Fully accountable

To allow time to focus on strategic direction and high-level issues, the Board delegates a number of important tasks to five Board committees: Governance & Conduct Committee, Investment Committee, Audit Committee, Pensions Committee, and Human Resources Committee.

Responsibility for administration of the Plan and management of its assets is delegated to OPB's management team. For its part, management:

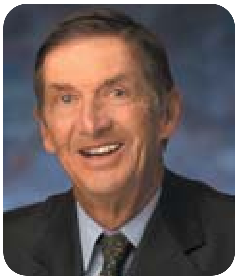
- administers and manages all aspects of the day-to-day operation of the Plan and the investment of assets;
- provides the Board and its committees with full, accurate and timely disclosure of the information necessary to fulfill their responsibilities;
- performs the duties and responsibilities identified in the various governance documents, as well as any other duties and responsibilities assigned by the Board;
- maintains a culture of integrity throughout OPB.

The President & CEO is ultimately accountable to the Board for the actions of management. In addition, all OPB employees must adhere to a *Code of Conduct* and other policies setting out expectations for ethical behaviour and for avoiding conflict of interest. They must also be mindful of the legal parameters in which OPB operates to ensure compliance with all applicable laws and regulations.

"AT OPB, WE'RE COMMITTED TO GOOD GOVERNANCE...WE'VE BUILT A SOLID GOVERNANCE MODEL BASED ON A WELL-DEFINED OPERATING STRUCTURE, HIGH PROFESSIONAL STANDARDS, AND A DEEP-SEATED CULTURE OF INTEGRITY AND OPENNESS."

FOR MORE INFORMATION ON OUR GOVERNANCE STRUCTURE AND POLICIES, VISIT OUR WEBSITE AT WWW.OPB.ON.CA.

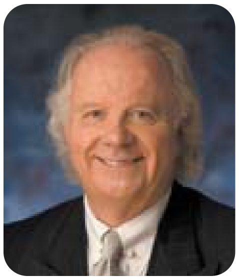
Board of Directors



John E. Richardson [3,4,5C,8]

A former Deputy Chairman of London Insurance Group Inc., Chairman, President and CEO of Wellington Insurance Company, President of Great Lakes Power, and partner with Ernst & Young LLP.

APPOINTED TO THE BOARD ON FEBRUARY 6, 2002.



J. Urban Joseph, O.C.[4,8C]

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.

Hugh G. Mackenzie [5,6,7C]

Currently a principal with Hugh Mackenzie and Associates, an economic consulting firm. Over a 30-year period, he has held a variety of positions in the private sector and all three levels of government, and has been involved in public policy development.

APPOINTED TO THE BOARD ON DECEMBER 4, 2002.

Debbie L. McKenna [5,6C,8]

Currently, Chief Administrative Officer for the Ontario Provincial Police Association, where she has worked for more than 25 years as an expert in pension policy and financial management.

APPOINTED TO THE BOARD ON DECEMBER 17, 1997.

LEGEND

1 Deceased August 3, 2005
2 Appointed September 1, 2005
3 Board Chair
4 Audit Committee Member
4C Audit Committee Chair
5 Investment Committee Member
5C Investment Committee Chair
6 Pensions Committee Member
6C Pensions Committee Chair
7 Governance Committee Member
7C Governance Committee Chair
8 Human Resources Committee Member
8C Human Resources Committee Chair

Vincenza Sera [5,7]

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' experience in investment banking.

APPOINTED TO THE BOARD ON SEPTEMBER 17, 2004.

Mary Tate [4C,6,7]

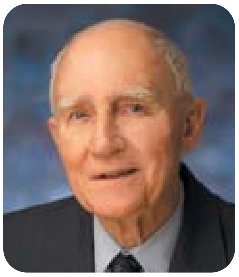
Currently, Assistant Deputy Minister of the ServiceOntario Registration Division of the Ministry of Government Services – a position she has held since February 2003. She has more than 20 years' experience in the Ontario Public Service.

APPOINTED TO THE BOARD ON NOVEMBER 20, 2002.

Anthony Wohlfarth [2,4,6]

Currently a national representative for the CAW, where he has held a series of senior positions. He is also a former member of the Canada Employment Insurance Commission.

APPOINTED TO THE BOARD ON SEPTEMBER 1, 2005.



G. Patrick H. Vernon [1]

Former associate counsel with McCarthy Tétrault LLP. Previously served on the board of directors of the Munich Reinsurance Company of Canada and Mizuho Bank Canada, a wholly-owned subsidiary of a major Japanese bank. Mr. Vernon passed away in August 2005.

APPOINTED TO THE BOARD ON OCTOBER 1, 2001.

Message from the President & CEO

Our environment is changing...

...and so are we. Like many successful organizations, OPB is evolving to better address current and future challenges. With a new senior executive team and a new, multi-year strategic plan now in place, we believe we have the capacity and the direction needed to meet these challenges head on.

Investing for results

Clearly our biggest challenge remains the funding shortfall. That said, solid investment returns enabled us to reduce the funding shortfall at year-end 2005 to approximately $600 million – a sizeable, although manageable amount. As of December 31, 2005, the Plan was about 97% funded.

Despite the extremely challenging investment environment of recent years, our prudent, long-term approach to investing continues to produce superior results. In 2005, we earned 11.83%, up from 10.18% in 2004 and 10.77% in 2003. With a 10-year average return of 9.61%, we rank among the leaders of Canada's public sector plans.

We firmly believe that our astute and disciplined investment strategy remains one of the best ways to protect the pension promise. To achieve incremental investment returns in what we expect will continue to be a challenging investment environment, we are:

- maintaining our emphasis on capital preservation and risk minimization;
- conducting a review of our asset allocation strategy to ensure our asset mix continues to provide optimum returns and meet our unique cash-flow needs; and
- examining opportunities for investment in non-traditional assets (i.e., real estate, private debt and private equity).

During 2005, we focused on increasing our real estate holdings to 15% of the pension fund's total assets. With the addition of three major real estate holdings, our real estate portfolio now makes up almost 14% of total assets. Overall, the real estate portfolio generated a return of 17.79% for the year.

Managing for success

While eliminating the funding shortfall remains a critical objective, we continued to take action on two other important fronts – improving service delivery and educating stakeholders about the exceptional value delivered by the PSPP.

To that end, OPB embarked on several short- and long-term initiatives in 2005, each aimed at helping us manage better, faster and smarter. Some of these initiatives produced immediate service improvements; others will help us expand our service capacity and responsiveness over time.

As a first step under our “better, faster, smarter” initiative, we began a detailed review of all positions within OPB. This review will allow us to streamline decision-making, eliminate overlap, and better align people and processes with our strategic objectives. We also started a detailed gap analysis of our business processes and information technology. The results of this analysis are being used to map the processes and technology needed to meet service and productivity goals going forward.

In addition, we reviewed and made changes to the methodologies and assumptions used to value the Plan’s assets and liabilities. The purpose of these changes was to ensure that our valuations provide a more up-to-date and meaningful picture of the Plan’s financial status, enabling us to react more quickly to changes in our funded position.

Protecting the Plan

Across the country and globally, support for the defined benefit (DB) pension plan model has been undermined by widespread funding shortfalls, legislative complexities and misinformation. OPB believes it is in the long-term interest of our stakeholders – and society in general – to ensure that there is broad coverage of Canadians by employer-sponsored DB plans. Accordingly, OPB is using its position and expertise to educate stakeholders – including members, pensioners and the Plan Sponsor – about the value of the PSPP.

Overall, 2005 was a base-building year. The steps we took during the year have laid the solid foundation we need to build a stronger, more responsive organization. I want to thank the Board for sharing and supporting the vision of a sound and healthy Plan and a strong and vibrant OPB. I also want to thank OPB staff for their commitment and effort in making that vision a reality.

Donald D. Weiss
President & CEO

“DESPITE A CHALLENGING INVESTMENT ENVIRONMENT, OUR PRUDENT, LONG-TERM APPROACH TO INVESTING CONTINUES TO PRODUCE SUPERIOR RESULTS.”

“WITH A NEW TEAM AND A NEW, MULTI-YEAR STRATEGIC PLAN, WE HAVE THE CAPACITY AND THE DIRECTION WE NEED TO MEET EMERGING CHALLENGES.”

Taking action!

At OPB, we are committed to overcoming emerging challenges, protecting the long-term health of the PSPP and, where it makes good sense, capitalizing on new opportunities. In response to that commitment, OPB has identified three strategies for action:

1. Disciplined and astute investing
2. Managing better, faster, smarter
3. Educating and advocating for the PSPP and the DB model

Each of these strategies is outlined in more detail on the following pages.

① Disciplined and astute investing

OPB IS COMMITTED TO MAINTAINING ITS LONG-STANDING EMPHASIS ON CAPITAL PRESERVATION AND RISK MINIMIZATION – A STRATEGY THAT HAS PROVEN HIGHLY SUCCESSFUL IN THE PAST. THAT SAID, WE RECOGNIZE THE NEED TO REVIEW AND ADJUST OUR ASSET ALLOCATION STRATEGY IF WE ARE TO GENERATE THE INCREMENTAL INVESTMENT RETURNS NEEDED TO HELP DISCHARGE THE FUNDING SHORTFALL.

In 2005...

- We expanded our real estate holdings by 35% – to approximately $1.9 billion – with three significant acquisitions.
- We achieved a return of 11.83%.

Going forward...

- In early 2006, OPB will appoint a new Senior Vice-President, Investments, to replace Robert Kay, who is retiring.
- We will conduct an asset/liability study in 2006. The study's results will be used to review our strategic asset allocation.
- An experience study will be conducted in 2006 to ensure that the demographic and economic assumptions used to value the Plan reflect our actual experience.

Managing better, faster, smarter

KNOWLEDGEABLE MEMBERS ARE DEMANDING MEMBERS. TO THEIR CREDIT, OUR INCREASINGLY SOPHISTICATED STAKEHOLDERS ARE DEMANDING MORE AND BETTER INFORMATION AND UNPRECEDENTED SERVICE LEVELS. TO MEET THESE GROWING EXPECTATIONS – AND SERVE OUR STAKEHOLDERS BETTER – WE NEED TO MANAGE BETTER, FASTER AND SMARTER. WE ARE COMMITTED TO DOING JUST THAT.

In 2005...

- We reviewed all management positions with a three-pronged objective to streamline decision-making, increase accountability, and achieve greater collaboration.
- We introduced a new operating model that places responsibility for key client-service functions with one team. The new model will lead to faster, more efficient case handling.
- We began a detailed gap analysis of our business processes and information technology. Based on our findings, we are mapping the processes and technology needed to meet client-service demands and productivity goals.
- We reviewed and changed the methodologies and assumptions used to value the Plan's assets and liabilities. As a result of these changes, reporting transparency has been enhanced and OPB is better positioned to react quickly to changes in the funded status of the Plan.
- We began preparations for a detailed training-needs analysis to ensure our employees have the skills and competencies needed to maximize performance.
- We have transformed our governance structure, policies and processes to ensure OPB continues to be governed based on industry best practices. A series of defining documents were created to clearly define organizational structure, set expectations for ethical behaviour, and establish checks and balances on power and authority. We also developed a process for consulting with the Plan Sponsor on Board appointments, established a permanent standing committee on governance and conduct, and began developing an annual self-assessment process to ensure continued best practices.

2

Going forward…

- We will formalize protocols and response standards for handling client service requests.
- A review of roles and responsibilities will be expanded to all positions within OPB to identify opportunities for increased efficiency.
- Members, pensioners and participating employers will be surveyed to identify service gaps and refocus service delivery.
- Technology improvements will be phased in over the next three years, while improvements in business processes will be phased in over the next three to five years. These initiatives will give OPB employees the "tools" they need to transform the service experience.
- An enhanced business continuity plan will be implemented to ensure that key client services can continue in the event of a disaster or business interruption.
- A comprehensive risk management review will be conducted and an updated risk management plan will be rolled out in 2007–2008.
- The Board will adopt a formal annual self-assessment process to ensure governance best practices are being followed.

3

Educating and advocating

DESPITE THEIR OBVIOUS FINANCIAL AND SOCIAL BENEFITS, DB PENSION PLANS ARE UNDER PRESSURE. THERE ARE GROWING CONCERNS OVER THE FUNDING OF DB PLANS. AT THE SAME TIME, THERE IS A GENERAL LACK OF APPRECIATION FOR THE VALUE DELIVERED BY DB PLANS AND A LACK OF UNDERSTANDING OF THE RISKS ASSOCIATED WITH THE DEFINED CONTRIBUTION MODEL. AT OPB, WE BELIEVE WE HAVE A RESPONSIBILITY – AND THE EXPERTISE NECESSARY – TO CHAMPION A HEALTHY ENVIRONMENT FOR DB PLANS.

In 2005...

- We continued to build trust and credibility among our stakeholders through transparent communications and unbiased counsel.
- We provided members and other stakeholders with ongoing communications about the value and advantages of their PSPP benefit and the DB model.
- We held a series of focus groups with members, pensioners and key stakeholders to determine client perceptions.
- We conducted a number of stakeholder presentations aimed at building a better understanding of the value and security of PSPP benefits and informing stakeholders about the steps being taken to address the challenges the Plan faces.

Going forward...

- We will use focus group results to build a stronger "brand" identity and develop a comprehensive stakeholder relations plan.
- We will continue to play an active role in promoting a healthy pension environment in Canada.

Shrinking the shortfall

Last year, we told you that OPB faced a $749 million funding shortfall. While the shortfall is due largely to factors that lie beyond our immediate control – namely, a challenging investment environment in 2001 and 2002, historically low interest rates and changing demographics – managing that shortfall remains a top priority for us. In the past year, we've managed to reduce the deficit to an estimated $600 million (the exact figure will not be known until the December 31, 2005, actuarial valuation has been completed).

While there is no denying that $600 million is a significant number, the shortfall is manageable. To put it (and keep it) in perspective, the Plan is still about 97% funded.

We also continue to earn strong investment results. In 2005, our real rate of return (i.e., our return after inflation) was 9.68%, well above the 3.65% real rate of return needed to fund the benefits being earned.

To help protect the pension promise, we are looking to achieve incremental investment returns. It is estimated that even a 0.25% increase in returns will, if sustained over the long term, significantly strengthen the funded position of the Plan.

That said, incremental returns are unlikely to result in a quick resolution of the funding shortfall. The shortfall must be addressed when, as required, the December 31, 2005 valuation is filed with the regulators. For our part, OPB has presented the Plan Sponsor (the Government of Ontario) with the information and analysis it needs to decide how best to manage the shortfall going forward. That includes a recommendation to amend the *Public Service Pension Act* to bring the solvency reporting requirements for the PSPP in line with the *Pension Benefits Act*. The Plan Sponsor is expected to make a decision in 2006.

Improving Plan valuations

For management purposes, the OPB conducted an actuarial valuation as at December 31, 2004. In conjunction with the preparation of this report, we undertook a review of our valuation methodologies. The purpose of the review was to improve reporting transparency and enhance our ability to react quickly to changes in the funded status of the PSPP.

As a result of our review:

- We have eliminated the use of asset smoothing. This means we will no longer smooth investment gains and losses over a four-year period.
- We have recommended to the Plan Sponsor that a reserve policy be established. Such a policy would address the treatment of funding excesses, if and when they develop.
- We now link the interest rate used to discount the cash flow from Special Province of Ontario Debentures to our valuation interest rate.
- We have changed our valuation methodology to reflect the higher lump-sum values being paid to terminated members as a result of lower interest rates and a change in the calculation basis prescribed by pension legislation.

We believe these changes will better position us to manage and protect the long-term health of the PSPP.

Financial Review

This financial review highlights the significant events in 2005 that affected OPB's results of operations and financial position.

A fold-out section at the beginning of this report includes statistics related to the Plan.

INVESTMENTS

OPB achieved a 11.83% return in 2005, compared with 10.18% in 2004. Since its launch in 1990, OPB has produced an average annual rate of return of 10.45%. That translates into a real rate of return (i.e., the rate of return in excess of inflation) well above the 3.65% that's needed to meet the Plan's benefit obligations (i.e., liabilities).

Asset mix

OPB uses asset mix to minimize risk through investment diversification. (OPB's asset mix is analyzed in detail in Note 4 to the financial statements.) The Plan's assets are divided among three key investment categories:

- Marketable securities
- Special Province of Ontario Debentures
- Real estate and mortgages

Marketable Securities – The marketable securities portfolio – which is made up of equities, bonds and cash equivalents – represents 65.6% of our investment portfolio. In 2005, the marketable securities portfolio returned 10.75%, compared with 9.00% in 2004.

Our marketable securities are managed by eight fund managers. Fund managers have the discretion – within the mandates set by OPB – to adjust investment exposure to particular securities, industries or geographic sectors, and to hold cash if they believe market conditions warrant.

Our fund managers have a broad mandate. That said, OPB works closely with managers to ensure that they understand and follow our long-term, capital-preservation approach to investing.

Special Province of Ontario Debentures – Special Province of Ontario Debentures (the “Debentures”) were issued to OPB by the province as an initial funding mechanism when the PSPP was established as a separately funded plan in 1990. These Debentures provide a stable cash flow of over $500 million annually to pay pensions. OPB intends to hold these Debentures to maturity; all of them will mature over the next nine years (see page 42 for a maturity schedule).

Because the Debentures are being held to maturity, they are presented at cost in the financial statements, and rates of return are reported on that basis. However, OPB recognizes that other plans use a market-based value on similar items. To provide comparative numbers, OPB has estimated a market value of $3.813 billion (compared to $2.922 billion cost), and the five-year review on page 24 shows rates of return with the Debentures at market. The returns for Debentures at cost and at market can be expected to converge over time.

Our Debenture holdings returned 12.08% on a cost-value basis in 2005, compared to 12.00% in 2004.

Real Estate and Mortgages – At year-end 2005, OPB’s real estate portfolio had a net value of $1.9 billion, representing 13.5% of the Fund’s net investments.

Real estate continues to be an effective investment for OPB. The portfolio returned 17.79% in 2005, up from 13.08% in 2004. The average annual rate of return for the portfolio since 1994 – when OPB made its first real estate purchase – now stands at 10.56%. The real estate portfolio, which is made up of retail shopping centres and office and industrial buildings, provides an important source of monthly cash flow for OPB.

During 2005, OPB also reported a $155.8 million increase in the appraised value of OPB’s real estate holdings (see Note 6 to the financial statements). Property appraisals are performed annually by external professional appraisers. The increased appraised value of the portfolio is attributable to high market demand from Canadian and foreign investors, the result of persistently low interest rates.

During the year, OPB made three significant real estate acquisitions:

- In March, OPB purchased several high-quality properties, including seven industrial properties in Halifax’s Burnside Park, two retail properties in Halifax, and a retail property in Edmonton. These quality properties added 609,000 square feet to our real estate portfolio.
- In August, OPB acquired a portfolio of four power centres – Aberdeen Village in Kamloops, Christy’s Corner in Edmonton, Gaetz Crossing in Red Deer, and Portland Place in Calgary. Representing approximately 550,000 square feet of fully leased space, this acquisition boosted our presence in the Alberta real estate market.
- In November, OPB purchased the Erin Mills portfolio. This collection of industrial properties is made up of 58 buildings in three Mississauga industrial parks and represents 2.9 million square feet of best-in-class industrial space.

With these recent acquisitions, OPB’s real estate portfolio now has more than 11 million square feet of leasable retail, office, and light industrial space in major markets across the country.

OPB initially invested $36.3 million in participating mortgages. Undeveloped lands in the Greater Toronto Area are held as security and have been appraised well in excess of the amounts outstanding. These mortgages accrue a base interest and are designed to earn a share of profits generated over the next several years as the lands are sold or developed.

Financial Review *(continued)*

FINANCIAL POSITION

The Funded Position of the Plan

A funding basis valuation that was prepared for management purposes as at December 31, 2004 disclosed a funding shortfall of $850 million (compared to $749 million as at December 31, 2003). In conjunction with the 2004 funding valuation, projections to December 31, 2005 (the date of the next filed valuation) were made so that the Plan Sponsor could begin planning how to address the funding shortfall. Those projections initially indicated that the funding shortfall as at December 31, 2005 would be about $750 million or less. The funding shortfall as at December 31, 2005 is now estimated at around $600 million, due to strong investment performance during the latter part of 2005.

Valuation Methods

The OPB uses two distinct methods to measure the financial position of the Plan on a going concern basis: a funding basis valuation and an accounting basis valuation. Each valuation method serves a different purpose, and both are performed by an independent actuary appointed by OPB's Board of Directors.

- Funding basis valuation: The objective of the funding basis valuation is to determine if the Plan will have sufficient assets to meet its future pension obligations – as they come due – based on the Plan's features and existing contribution rates.

  A funding basis valuation takes into account projected benefits based on service earned up to the valuation date, as well as the benefits that will be earned by existing members for service in the future. At the same time, assets reflect future member and employer contributions.

  By law, a funding basis valuation must be prepared and filed with regulatory authorities at least once every three years. That said, OPB conducts a funding basis valuation every year for management purposes. The funding basis valuation conducted as at December 31, 2005 will be filed with regulators in 2006.

- Accounting basis valuation: Each year, OPB is required to calculate its actuarial liabilities on a best-estimate basis for the purpose of preparing its financial statements. The Canadian Institute of Chartered Accountants prescribes the methodology to be used. Under this approach, the Plan's liabilities are based on projected benefits for service earned up to the valuation date. In other words, liabilities do not reflect any benefits members may earn for service in the future, and the assets do not reflect any future contributions.

Both valuation methods require making long-term assumptions about demographic and economic experience – such as when members will retire, how long members will live, how well investments will perform, and inflation rates.

For each valuation, the actuary analyzes the differences between the long-term assumptions used and the Plan's actual experience. These differences – referred to as "experience gains" or "experience losses" – can affect the Plan's financial position. In other words, they can result in assets and liabilities being higher or lower than expected.

The calculations for both valuation methods are based on the fair value of the assets. That said, an actuarial adjustment is sometimes applied to the fair value, so that the valuation of the assets is consistent with the valuation of the actuarial liabilities (see Note 8 to the financial statements for details).

The most significant difference between the accounting basis valuation and the funding basis valuation is the prescribed cost allocation method. The accounting basis valuation does not include the excess of the present value of future service accruals over the present value of future member and matching employer contributions, whereas the funding valuation reflects this excess. At the end of 2005, the excess amounted to approximately $610 million. This represents most of the difference as at December 31, 2005 between the estimated shortfall of $600 million under the funding basis valuation and the surplus of $124 million under the accounting basis valuation.

Changes to Valuation Methodologies and Assumptions

OPB is committed to transparency and consistency in its valuations. During 2004 and 2005, we conducted a review of our methodologies and assumptions with a view to better achieving that commitment. This review led to a number of changes in the way OPB values the assets and liabilities of the Plan. These changes included:

- Eliminating asset smoothing
- Adjusting the interest rate used to value the Special Province of Ontario Debentures
- Adjusting the interest rate used to value the Plan's liabilities
- Revising the methodology used to value termination benefits

These changes have been applied to both the funding basis valuation and the accounting basis valuation that are used to determine the Plan's financial position. (See page 16 for an update on the Plan's funded position.) Some of these changes resulted in a restatement of the financial position of the Plan as reported in our 2004 annual report.

Eliminating Asset Smoothing – OPB presents the Plan's assets at fair market value. In the past, like many other plans, OPB adjusted these values when conducting actuarial valuations. The value was adjusted using a "smoothing" technique that recognized realized and unrealized investment gains and losses over a four-year period. OPB has discontinued the use of smoothing with its 2005 financial statements. Eliminating smoothing will provide OPB with a more up-to-date and meaningful picture of the Plan's financial status and will enable OPB to better manage and protect the long-term health of the Plan. (The effects of this change are detailed in Note 8 to the financial statements.)

Adjusting the Interest Rate Used to Value the Special Province of Ontario Debentures – In order to determine the value of assets for valuation purposes, the Special Province of Ontario Debentures are restated by valuing future cash flows in today's dollars using an assumed interest rate (this is known as discounting). The difference between the original and adjusted value is referred to as the "actuarial asset value adjustment." In 2005, OPB changed the discount rate so that the basis used to value the Debentures is more consistent with the basis used to value the Plan's liabilities. (The effects of this change are detailed in Note 8 to the financial statements.)

Adjusting the Interest Rate Used to Value the Plan's Liabilities – The interest rate used to value the Plan's liabilities has been reduced to reflect a change in our investment return assumption. The annual investment return assumption has been reduced to 6.15% from 6.25% to provide for an implicit recognition of operating expenses. Because our annual inflation rate assumption remains unchanged at 2.50%, our annual real rate of return assumption now stands at 3.65%, down from 3.75%. This change, which has been applied prospectively, increased the Plan's accrued pension liability by $185.1 million.

Revising the Methodology Used to Value Termination Benefits – Lower interest rates and, in 2005, a change in the calculation basis prescribed by pension legislation have significantly increased the payments being made to members of the Plan who terminate employment and elect to transfer lump-sum values out of the Plan. As such, the valuation methodology has been changed to reflect this additional obligation. This change, which has been applied prospectively, increased the Plan's accrued pension liability by $118.8 million.

Financial Review *(continued)*

Net Investment Income

Prolonged strength in the Canadian equity and real estate markets allowed us to boost investment income in 2005. Bond and Debenture income was sustained, while the weakness of the U.S. dollar continued to challenge the overall returns.

After deducting investment and custodial fees of $17.0 million ($15.4 million in 2004), the Fund reported net investment income of $1.502 billion, up from $1.210 billion in 2004. Investment fees are the fees paid to investment fund managers. Custodial fees are the fees paid to financial institutions that hold the Fund's securities for safekeeping.

The details of OPB's investment income are set out in Note 6 to the financial statements.

Contributions

Contribution income was higher in 2005, primarily due to a return to normal contribution levels for the entire year. (In 2004, the first two months of the year were at reduced contribution levels.) In addition, there was a 3% increase in Plan membership in 2005. Contribution rates are set by the Plan Sponsor. See Note 2b to the financial statements for details on contribution rates; see the inside front cover for membership statistics.

Transfers from Other Plans, and Termination Payment and Transfers

The day-to-day business of the Plan includes the transfer of benefits between pension plans. Many transfers arise because employees move to or from a position that is covered by the PSPP or OPSEU Pension Plan. In 2005, there were 865 transfers into the PSPP from the OPSEU Pension Plan, compared to 804 in 2004. At the same time, there were 166 transfers from the PSPP to the OPSEU Pension Plan, compared to 280 in 2004. The PSPP also allows members to transfer past service in or out of the Plan.

Members leaving the plan who elect to receive a commuted value payment instead of a deferred pension are included in termination payments. In 2005, there were 1,050 members terminating their membership, compared to 1,250 in 2004.

Pensions Paid

While the number of pensioners declined in 2005, the average pension was higher. This is due in part to the 1.7% Escalation Factor (i.e., inflation protection adjustment) that was granted to retirees on January 1, 2005. OPB now pays $62.5 million in pensions each month. In 2005, only 45% of this cash came from contributions, while a substantial part came from investment income. OPB takes cash flow requirements into account when determining where and how the Fund's assets should be invested.

Pensioner statistics are provided on the inside front cover.

"SINCE ITS LAUNCH IN 1990, OPB HAS PRODUCED AN AVERAGE ANNUAL RATE OF RETURN OF 10.45%."

"REAL ESTATE CONTINUES TO BE AN EFFECTIVE INVESTMENT FOR OPB. THE PORTFOLIO RETURNED 17.79% IN 2005, UP FROM 13.08% IN 2004."

"TO PROMOTE CONSISTENCY AND TRANSPARENCY, AND TO HELP US REACT MORE QUICKLY TO CHANGES IN THE FUNDED STATUS OF THE PLAN, OPB HAS CHANGED THE METHODOLOGIES AND ASSUMPTIONS USED TO VALUE THE PLAN'S ASSETS AND LIABILITIES."

Operating Expenses

Operating expenses are the expenses incurred by OPB to operate and manage the PSPP. In 2005, the number of individual members, pensioners and deferred members served by OPB increased by 1% to 75,375. Operating expenses for 2005 were $19.5 million, compared to $17.5 million in 2004. In addition, the OPB paid $17.0 million in investment management and custodial fees. This means total expenses for 2005 were $36.5 million – or 26 cents for every $100 of assets.

CHANGES IN NET ASSETS

(in millions of dollars)		**2005**		2004
Net investment income	**$**	**1,502.2**	$	1,210.7
Contributions		**340.7**		308.5
Transfers from other plans		**93.5**		81.7
Termination payments and transfers to other plans		**(43.3)**		(55.6)
Pensions paid		**(750.1)**		(743.5)
Operating expenses		**(19.5)**		(17.5)
Total increase in net assets	**$**	**1,123.5**	$	784.3

Five-Year Review

(in millions of dollars)	**2005**	2004	2003	2002	2001
Opening assets	**$ 13,068.3**	$ 12,284.0	$ 11,489.6	$ 11,945.1	$ 11,951.2
Investment income	**1,502.2**	1,210.7	1,201.2	41.8	517.7
Regular contributions	**340.7**	308.5	270.9	135.2	130.2
Transfers from other plans	**93.5**	81.7	108.4	144.5	103.0
	1,936.4	1,600.9	1,580.5	321.5	750.9
Pension payments	**750.1**	743.5	728.5	721.2	695.9
Terminations	**43.3**	55.6	41.2	42.1	45.7
Operating expenses	**19.5**	17.5	16.4	13.7	15.4
	812.9	816.6	786.1	777.0	757.0
Closing assets	**$ 14,191.8**	$ 13,068.3	$ 12,284.0	$ 11,489.6	$ 11,945.1

						Cumulative Since Inception
Annual rate of return:						
With Special Debentures at cost	**11.83%**	10.18%	10.77%	0.48%	4.52%	10.45%
With Special Debentures at market	**9.61%**	8.80%	8.87%	0.85%	3.31%	9.95%

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, 2004 on a funding basis, as described in Note 8 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, 2005 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, 2004 on a funding basis was based on membership data provided by the OPB as at December 31, 2004.

Using the same data as provided by the OPB for the funding valuation of the PSPP, we have prepared a valuation of the liabilities as of December 31, 2004 on the basis of the accounting methodology required by the Canadian Institute of Chartered Accountants Handbook, Section 4100, as disclosed in Note 8, and extrapolated the liabilities to December 31, 2005. The valuation was based on assumptions that reflect the OPB's best estimates as of December 31, 2005 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 the OPB as of December 31, 2004 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
Fellow, Canadian Institute of Actuaries

James C.C. Koo
Fellow, Canadian Institute of Actuaries

February 17, 2006

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 the OPB.

The Board of Directors ("Board") is ultimately responsible for the consolidated financial statements of the OPB. The 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.

Donald D. Weiss
President & CEO

Darla S. Sycamore
Darla S. Sycamore, CA
Director, Finance

February 17, 2006

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 surplus (deficit) of the Ontario Pension Board ("OPB") as at December 31, 2005, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus (deficit) for the year then ended. These consolidated financial statements are the responsibility of the 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 financial position of the OPB as at December 31, 2005 and the results of its operations and the changes in its financial position, accrued pension benefits and surplus (deficit) for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Toronto, Canada
February 17, 2006

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus (Deficit)

As at December 31 *(in thousands of dollars)*		2005		2004 (Restated see Note 8)
Assets				
Investments (Note 4)	$	**14,351,197**	$	13,107,476
Contributions receivable (Note 7)		**41,120**		37,560
Capital assets (Note 5)		**1,160**		1,369
Total assets		**14,393,477**		13,146,405
Liabilities				
Investment-related liabilities (Note 4)		**179,106**		54,720
Accounts payable and accrued charges		**12,635**		12,260
Income taxes withheld on pension payments		**9,908**		9,568
Contributions payable		**–**		1,500
Total liabilities		**201,649**		78,048
Net assets available for benefits		**14,191,828**		13,068,357
Actuarial asset value adjustment (Note 8)		**606,523**		714,766
Actuarial value of net assets available for investments		**14,798,351**		13,783,123
Accrued pension benefits and surplus				
Accrued pension benefits		**14,674,380**		13,893,721
Surplus (deficit)		**123,971**		(110,598)
Total benefits and surplus (deficit)	$	**14,798,351**	$	13,783,123

See accompanying notes

On behalf of the Board:

John E. Richardson
Director

Mary Tate
Director

Consolidated Statement of Changes in Net Assets Available for Benefits

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

	2005	2004
Increase in net assets		
Net investment income (Note 6)	**$ 1,502,231**	$ 1,210,687
Contributions (Note 7)	**340,704**	308,545
Transfers from other plans	**93,502**	81,691
Increase in net assets	**1,936,437**	1,600,923
Decrease in net assets		
Pensions paid	**750,107**	743,485
Termination payments and transfers	**43,352**	55,599
Operating expenses (Note 9)	**19,507**	17,528
Decrease in net assets	**812,966**	816,612
Net increase in net assets for the year	**1,123,471**	784,311
Net assets, at beginning of year	**13,068,357**	12,284,046
Net assets, at end of year	**$ 14,191,828**	$ 13,068,357

See accompanying notes

Consolidated Statement of Changes in Accrued Pension Benefits

For the year ended December 31 *(in thousands of dollars)*		2005		2004
Accrued pension benefits, at beginning of year	$	**13,893,721**	$	12,713,633
Increase in accrued pension benefits				
Interest on accrued pension benefits		**856,193**		835,808
Benefits accrued				
Service accrual		**321,459**		283,647
Transfer of assets from other plans		**93,502**		81,691
Past service buybacks		**9,744**		13,967
Change in actuarial assumptions		**303,826**		422,724
Change in *Income Tax Act* maximum pension		**18,426**		–
Experience losses		**–**		285,224
Changes in valuation methodology		**–**		56,112
Total increase		**1,603,150**		1,979,173
Decrease in accrued pension benefits				
Benefits paid		**793,460**		799,085
Experience gains		**29,031**		–
Total decrease		**822,491**		799,085
Net increase in accrued pension benefits		**780,659**		1,180,088
Accrued pension benefits, at end of year	$	**14,674,380**	$	13,893,721

See accompanying notes

Consolidated Statement of Changes in Surplus (Deficit)

For the year ended December 31 *(in thousands of dollars)*		2005		2004 (Restated see Note 8)
Surplus (deficit), at beginning of year	$	**(110,598)**	$	581,725
Increase in net assets available for benefits		**1,123,471**		784,311
Change in actuarial asset value adjustment		**(108,243)**		(75,350)
Increase in actuarial value of net assets available for benefits		**1,015,228**		708,961
Net increase in accrued pension benefits		**(780,659)**		(1,180,088)
Net increase (decrease)		**234,569**		(471,127)
Surplus (deficit), at end of year	$	**123,971**	$	(110,598)

See accompanying notes

Notes to 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 *("PSP Act")* 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") are stated in Schedule 1 to the *PSP Act.* The 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 *PSP Act.*

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 *PSP Act.* Under the PSPP, contributions are made by the members and the employers. 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"). Member contributions are 6.2% of the salary on which contributions to CPP are made and 8% on the balance of salary. The 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 which exceeds *Income Tax Act* limits are 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 amounts received under 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. 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 equals at least 80 years ("Factor 80"). The Factor 80 program ended on March 31, 2002. The PSPP was again amended to permit those members who are deemed to be surplus by their employer to retire upon attaining the Factor 80. To qualify, certain conditions must be satisfied by both the employer and the member. The program is scheduled to expire March 31, 2006. OPP officers are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) Death Benefits
Benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner.

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 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

a) 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.

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 of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) Principles of Consolidation
The accounts of the wholly-owned subsidiary, OPB Realty Inc., are included on a consolidated basis.

c) Investments
Investments are stated at fair value, including accrued income. 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 that, together with accrued interest or discount earned, approximates fair value.
(ii) Bonds and real estate debt are valued at quoted market prices where available. For those instruments where 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) Special Province of Ontario Debentures, which are non-marketable, are recorded at cost.
(iv) Equities are valued at quoted market prices.
(v) Real estate, consisting primarily of income-producing properties, is valued at estimated fair value determined annually by independent appraisals. The purchase price plus closing costs approximate the fair value of properties acquired and held for less than six months.
(vi) Participating mortgages are recorded at cost, subject to an annual assessment of recoverable value based on independent appraisals of the securitized properties.

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 charged to income. Dividend income is recognized on the ex-dividend date. Income from participating mortgages is accrued at the rate stated in the instrument and any participation income is recorded when realized. Net investment income 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.

d) Contributions
Contributions from members and employers which are due to the PSPP at year-end are recorded as receivable. Transfers and purchases of prior service are recorded after cash is received and the case is processed.

e) Pensions
Payments of pensions, refunds and transfers are recorded in the year in which they are made.

Notes to Consolidated Financial Statements *(continued)*

f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization 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

g) 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 value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end.

NOTE 4 Investments

As at December 31		2005		2004
(in thousands of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Cash and short-term investments				
Canada	**$ 511,114**	**$ 510,791**	$ 862,107	$ 863,536
United States and other international	**233,212**	**235,025**	62,507	63,759
	744,326	**745,816**	924,614	927,295
Fixed income				
Special Province of Ontario Debentures	**2,922,442**	**2,922,442**	3,108,555	3,108,555
Bonds				
Canada	**2,532,134**	**2,469,132**	2,097,250	2,013,640
Other international	**302,906**	**316,010**	304,206	264,607
	5,757,482	**5,707,584**	5,510,011	5,386,802
Equities				
Canada	**2,405,466**	**1,510,786**	2,229,175	1,549,519
United States	**1,962,253**	**1,910,987**	1,630,338	1,573,603
Other international	**1,341,706**	**1,139,764**	1,343,800	1,153,005
	5,709,425	**4,561,537**	5,203,313	4,276,127
Real estate	**2,076,816**	**1,746,713**	1,413,131	1,238,872
Participating mortgages	**41,773**	**41,773**	39,956	39,956
Investment-related receivables				
Pending trades	**13,846**	**13,846**	16,451	16,451
Forward exchange contracts, net	**7,529**	**–**	–	–
	21,375	**13,846**	16,451	16,451
Total investments	**14,351,197**	**12,817,269**	13,107,476	11,885,503
Investment-related liabilities				
Real estate debt	**159,922**	**149,526**	–	–
Pending trades	**19,184**	**19,184**	19,475	19,475
Forward exchange contracts, net	**–**	**–**	35,245	–
	179,106	**168,710**	54,720	19,475
Net Investments	**$ 14,172,091**	**$ 12,648,559**	$ 13,052,756	$ 11,866,028

a) Asset Mix

The Fund's asset mix is maintained within the following ranges:

Canadian equity	10% to 20%
Non-Canadian equity	20% to 30%
Real estate	5% to 15%
Total equity and real estate	35% to 65%
Bonds	35% to 65%
Short term	0% to 10%
Total fixed income	35% to 65%

The Fund's long-term asset mix policy is as follows:

Equity	50%
Fixed income	50%

This asset mix was adopted after evaluating the risk characteristics of alternative policies, considering the liquidity requirements of the Fund and the economic assumptions employed for actuarial valuation purposes.

b) Investment Risk

The Public Service Pension Fund (the "Fund") is subject to risks that could impact its cash flows, income, and assets available to meet benefit obligations. Investment risk management is the process of understanding the risks associated with the Fund and its operating environment, and the strategies for dealing with those risks.

OPB has adopted a 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 Fund.

(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, and that addresses the impact on benefit obligations. Duration and weighting for the fixed income portfolio is actively managed. See the Schedule of Fixed Income Maturities for further information.

(ii) Credit Risk – The Fund is exposed to the risk of loss arising from a default or insolvency of a securities issuer. As at December 31, 2005, the Plan's greatest credit exposure is with the Province of Ontario, with Special Debentures valued at $2.922 billion and bonds and short-term investments valued at $317 million. At December 31, 2005, 98% of bonds held had at least an "A" rating.

(iii) Foreign Currency Risk – Exposure arises from the Plan's holdings of foreign currency denominated investments. Fluctuations in the value of the Canadian dollar against foreign currencies can have an impact on the fair value of investments. As at December 31, 2005, the Plan had investments in foreign currencies. In Canadian dollars, the net currency exposure is as follows:

(in thousands of dollars)

Currency		
Canadian Dollar	**$ 11,036,407**	**77.9%**
United States Dollar	**2,186,938**	**15.4**
Euro	**369,030**	**2.6**
British Pound Sterling	**286,723**	**2.0**
Japanese Yen	**172,482**	**1.2**
Swiss Franc	**60,406**	**0.4**
Other	**60,105**	**0.5**
	$ 14,172,091	**100.0%**

Notes to Consolidated Financial Statements *(continued)*

The OPB has entered into various forward exchange contracts to limit exposure to foreign currency fluctuations. The total fair value of contracts payable is $1.271 billion (2004 – $1.207 billion) and the total fair value of contracts receivable is $1.279 billion (2004 – $1.172 billion).

(iv) 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 of sales of investments, and member and employer contributions. The largest single source of cash was the interest and principal payments from the Special Province of Ontario Debentures, which provided $529.9 million (2004 – $533.5 million) to the Fund.

c) Cash and Short-term Investments

		2005		2004
(in thousands of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Canada				
Cash	**$ 14,099**	**$ 14,099**	$ 5,465	$ 5,465
Short-term notes and treasury funds	**464,709**	**464,386**	806,525	807,954
Term deposits	**30,839**	**30,839**	48,166	48,166
Accrued interest	**1,467**	**1,467**	1,951	1,951
	$ 511,114	**$ 510,791**	$ 862,107	$ 863,536
United States and other international				
Cash	**$ 8,580**	**$ 8,580**	$ 4,436	$ 4,436
Short-term notes and treasury funds	**176,034**	**177,473**	10,605	10,821
Term deposits	**28,247**	**28,247**	34,201	34,719
Pooled funds	**19,902**	**20,276**	13,255	13,773
Accrued interest	**449**	**449**	10	10
	$ 233,212	**$ 235,025**	$ 62,507	$ 63,759

d) Fixed Income and Equities

The Special Province of Ontario Debentures are recorded at their aggregate cost of $2.922 billion (2004 – $3.109 billion). By discounting cash flows based on year-end market yields of comparable bonds, a value of $3.813 billion (2004 – $4.180 billion) could be determined. There are currently 11 Special Province of Ontario Debentures maturing over the next nine years with a weighted average interest rate of 12.10% (2004 – 12.07%).

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

		2005		2004
(in thousands of dollars)	**Fair Value**	**Cost**	Fair Value	Cost
Bonds – Canada	**$ 208,384**	**$ 208,551**	$ 138,246	$ 135,554
Equities – Canada	**137,132**	**90,361**	125,659	99,022
Equities – United States	**8,029**	**8,113**	34,201	34,719

See the schedules of Fixed Income Maturities and Investments over $35 Million Fair Value for further information.

e) Real Estate

(in thousands of dollars)	2005 Fair Value	2005 Cost	2004 Fair Value	2004 Cost
Real estate properties	$ 2,040,769	$ 1,710,666	$ 1,377,960	$ 1,203,701
Other assets	36,047	36,047	35,171	35,171
Total assets	2,076,816	1,746,713	1,413,131	1,238,872
Debt on real estate properties	(159,922)	(149,526)	–	–
Net investment in real estate	$ 1,916,894	$ 1,597,187	$ 1,413,131	$ 1,238,872

Debt includes mortgages and other secured debt with various terms to maturity up to 2018 and a weighted average interest rate of 6.61%. Each debt instrument is secured by a specific asset.

The following schedule shows the total principal payments related to these mortgages:

(in thousands of dollars)	
2006	$ 20,121
2007	4,899
2008	11,174
2009	33,735
2010	7,646
2011 and thereafter	71,951

f) Securities Lending
At year-end, approximately $815 million (2004 – $891 million) of the Fund's securities were on loan to third parties. Pursuant to a securities lending agreement, the Fund's custodian arranges the loans and the Fund earns a fee. The custodian follows strict lending criteria and over-collateralizes the loans with comparable securities.

NOTE 5 Capital Assets

As at December 31 (in thousands of dollars)	2005 Cost	2005 Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Leasehold improvements	$ 2,067	$ 1,519	$ 548	$ 614
Furniture and fixtures	1,031	643	388	253
Computer equipment	2,163	1,939	224	502
Total capital assets	$ 5,261	$ 4,101	$ 1,160	$ 1,369

Notes to Consolidated Financial Statements *(continued)*

NOTE 6 Net Investment Income

For the year ended December 31 *(in thousands of dollars)*	**2005** Investment Income[1]	**2005** Realized Gain (Loss)	**2005** Unrealized Gain (Loss)	**2005** Total	2004 Investment Income[1]	2004 Realized Gain (Loss)	2004 Unrealized Gain (Loss)	2004 Total
Cash and short-term investments								
Canada	**$ 21,625**	**$ (2,135)**	**$ 1,751**	**$ 21,241**	$ 15,840	$ (9,514)	$ 1,057	$ 7,383
United States and other international	**3,232**	**74,813**	**42,214**	**120,259**	1,334	24,187	(20,667)	4,854
	24,857	**72,678**	**43,965**	**141,500**	17,174	14,673	(19,610)	12,237
Fixed income								
Special Province of Ontario Debentures	**343,800**	**–**	**–**	**343,800**	362,084	–	–	362,084
Bonds								
Canada	**120,762**	**36,069**	**(20,607)**	**136,224**	111,561	15,118	10,247	136,926
Other international	**11,188**	**10,509**	**(52,703)**	**(31,006)**	13,038	2,723	4,133	19,894
	475,750	**46,578**	**(73,310)**	**449,018**	486,683	17,841	14,380	518,904
Equities								
Canada	**42,624**	**228,798**	**215,025**	**486,447**	37,171	104,534	218,835	360,540
United States	**35,483**	**(5,794)**	**(5,469)**	**24,220**	41,976	6,386	(47,919)	443
Other international	**35,841**	**108,856**	**11,147**	**155,844**	40,429	42,241	81,172	163,842
	113,948	**331,860**	**220,703**	**666,511**	119,576	153,161	252,088	524,825
Real estate	**114,977**	**–**	**145,448**	**260,425**	105,793	–	62,541	168,334
Participating mortgages	**1,817**	**–**	**–**	**1,817**	1,822	–	–	1,822
Total investment income	**$ 731,349**	**$ 451,116**	**$ 336,806**	**$1,519,271**	$ 731,048	$ 185,675	$ 309,399	$1,226,122
Investment management and custodial fees				**(17,040)**				(15,435)
Net investment income				**$1,502,231**				$1,210,687

[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.

a) Interest Income

For the year ended December 31 *(in thousands of dollars)*	2005	2004
Cash and short-term investments		
Canada		
Cash	$ 1,281	$ 882
Short-term notes and treasury funds	19,088	14,319
Term deposits	1,256	639
	$ 21,625	$ 15,840
United States and other international		
Cash	$ 52	$ 56
Short-term notes and treasury funds	1,242	738
Term deposits	1,938	540
	$ 3,232	$ 1,334

Earnings from pooled short-term investment funds are included with short-term notes and treasury funds. Canadian bond interest includes $11.169 million (2004 – $9.232 million) from pooled bond funds.

b) Dividend Income

Canadian dividend income includes $1.083 million (2004 – $0.741 million) from pooled equity funds. United States dividend income includes $90 thousand (2004 – nil) from pooled equity funds.

c) Real Estate

The following is selected information from the operations of the subsidiary OPB Realty Inc.:

For the year ended December 31 *(in thousands of dollars)*	2005	2004
Revenue		
Rental	$ 211,275	$ 192,339
Other income	5,121	4,524
	216,396	196,863
Expenses		
Operating expenses	84,330	77,879
General, administrative and other	15,408	14,121
	99,738	92,000
Operating income, before interest	116,658	104,863
Interest expense	2,964	–
Net operating income	113,694	104,863
Appraisal adjustment	155,844	62,127
Fair value adjustment on debt	(10,396)	–
	145,448	62,127
Net income of OPB Realty Inc.	$ 259,142	$ 166,990

Notes to Consolidated Financial Statements *(continued)*

d) Investment Management and Custodial Fees

For the year ended December 31 *(in thousands of dollars)*		**2005**		2004
Portfolio fund management	**$**	**13,904**	$	12,671
Custody		**1,750**		1,476
Real estate		**1,083**		999
Consulting		**303**		289
	$	**17,040**	$	15,435

NOTE 7 Contributions

For the year ended December 31 *(in thousands of dollars)*		**2005**		2004
Members				
Current service	**$**	**166,863**	$	148,260
Prior service		**6,337**		9,312
		173,200		157,572
Employers				
Current service				
Regular contributions		**167,288**		153,488
PSSBA transfer		**(8,352)**		(9,998)
Long Term Income Protection		**5,161**		2,830
		164,097		146,320
Prior service		**3,407**		4,653
		167,504		150,973
Total contributions	**$**	**340,704**	$	308,545

The contribution requirements are set out in the *PSP Act* and summarized in Note 2.

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

Contributions receivable represent members’ and employers’ contributions due as well as estimated receivables for members receiving benefits on LTIP and for the matching portion of buybacks billed to the employer. The portions receivable from members and employers are set out in the following table:

As at December 31 *(in thousands of dollars)*		**2005**		2004
Members	**$**	**14,685**	$	13,348
Employers		**26,435**		24,212
Total contributions receivable	**$**	**41,120**	$	37,560

NOTE 8 Accrued Pension Benefits

a) Accounting Basis

The consolidated financial statements include the actuarial value of net assets and accrued pension benefits as at December 31, 2005 and 2004, which are based on actuarial calculations as of these dates in accordance with the recommendations of The Canadian Institute of Chartered Accountants ("CICA") as set out in Section 4100 of the CICA Handbook.

These standards require that the obligation for accrued pension benefits be calculated using the projected benefit method pro-rated on services and management's best estimate assumptions.

The accounting basis valuation at December 31, 2005 is computed by reference to the data used for a December 31, 2004 valuation for management purposes computed on a funding basis. Amounts are extrapolated to compute the liability for accrued pension benefits as at December 31, 2005. In computing this amount no account is taken for new entrants to the Plan in 2005.

(i) Actuarial Assumptions – The assumptions used for accounting purposes, following the CICA recommendations, reflect management's best estimates of future events. They include such non-economic assumptions as mortality and retirement rates as well as economic assumptions such as investment returns and inflation.

The key economic assumptions used for accounting purposes in 2005 and 2004 are as follows:

	2005	2004
Investment return	**6.15%**	6.25%
Inflation	**2.50%**	2.50%
Real rate of return	**3.65%**	3.75%
Salary increases	**3.50%**	3.50%
	+promotional scale	+promotional scale

(ii) Actuarial Asset Value Adjustment – The actuarial asset value adjustment increases or decreases the financial statement carrying values of certain assets to an actuarial basis. For the OPB, only one adjustment is made – an adjustment to bring the Special Province of Ontario Debentures to a discounted cash flow basis. For 2005, this adjustment is $606.5 million (2004 restated – $714.8 million).

In 2005, OPB amended its policy on the discount rate used in the adjustment. The actuarial investment return is now used in order to maintain consistency with the valuation of the Plan's liabilities, which is based on long-term assumptions. Previously, a current market rate of similarly timed government bonds was used for the accounting basis. The 2004 comparative results have been restated to reflect this new policy.

Prior to 2005, the actuarial smoothing adjustment recognized realized and unrealized gains and losses on investments over a four-year period. In 2005, OPB discontinued the use of asset smoothing. Asset values now fully reflect the effect of all realized and unrealized gains and losses on investments in the year in which they occur. The 2004 comparative results have been restated to reflect this new policy.

Notes to Consolidated Financial Statements *(continued)*

(iii) Impact on Financial Statements – The following table shows the effect of the above-noted policy changes upon the 2005 and 2004 financial position:

As at December 31 *(in thousands of dollars)*	2005	2004
Actuarial value asset adjustment, prior to policy changes	$ (74,298)	$ 612,028
Change to discounting approach for Special Province of Ontario Debentures	(283,730)	(356,899)
Elimination of actuarial smoothing	964,551	459,637
Actuarial value asset adjustment, after policy changes	**$ 606,523**	$ 714,766
Deficit, prior to policy changes	$ (556,850)	$ (213,336)
Change to discounting approach for Special Province of Ontario Debentures	(283,730)	(356,899)
Elimination of actuarial smoothing	964,551	459,637
Surplus (deficit), after policy changes	**$ 123,971**	$ (110,598)

b) Funding Basis

The funding of the PSPP is based on methods required under the *PSP Act.* The *Pension Benefits Act (Ontario)* 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.

A funding valuation as at December 31, 2002 was filed with the Financial Services Commission of Ontario ("FSCO"). That valuation disclosed an actuarial surplus of $25 million. The next mandatory filing is for December 31, 2005 and must be submitted to FSCO no later than September 30, 2006.

In 2005 a funding valuation was prepared for management purposes as at December 31, 2004. That valuation disclosed a funding shortfall of $850 million (December 31, 2003 – $749 million). This shortfall is attributable to investment and demographic experience losses and changes in actuarial methodologies and assumptions.

Similar to the accounting basis, the funding basis valuation performed as at December 31, 2004 also eliminated the use of asset smoothing in its calculations.

NOTE 9 Operating Expenses

For the year ended December 31 *(in thousands of dollars)*	2005	2004
Salaries and benefits	$ 10,415	$ 9,938
Agency services	340	554
Office premises and operations	3,173	2,747
Computer and professional services	4,041	2,974
Depreciation and amortization	580	581
Communications	466	432
Board remuneration	145	83
Audit fees	195	70
Travel	77	73
Registration and filing fees	75	76
Total operating expenses	**$ 19,507**	$ 17,528

a) Audit Fees

Fees for services provided by the firm of Ernst & Young LLP include:

For the year ended December 31 *(in thousands of dollars)*		**2005**		2004
Audit and related services provided directly to				
Ontario Pension Board	**$**	**195**	$	70
Audit and related services provided to OPB Realty Inc.		**153**		145
Total fees	**$**	**348**	$	215

NOTE 10 Compensation

Compensation to the senior management team includes base salary, bonuses, insured benefits and supplementary retirement incentives. Compensation totals for the five highest-paid members of the senior management team were as follows:

For the year ended December 31, 2005		Base Salary		Bonus		Taxable Benefits & Allowances[1]		Total
1. Donald D. Weiss, President & CEO	$	304,930	$	100,000	$	6,317	$	411,247
2. Mark J. Fuller, Executive Vice-President, Pensions		279,519		87,656		2,205		369,380
3. Robert F. Kay, Senior Vice-President, Investments		223,718		56,260		1,967		281,945
4. Linda Bowden, Senior Vice-President, Corporate Services		199,221		62,475		1,904		263,600
5. Peter Shena, Vice-President, Policy & Research		164,985		41,391		4,341		210,717

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

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

The President & CEO and the Executive Vice-President, Pensions, 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 bonuses from the pension entitlement calculation. The SERP is an unregistered arrangement that is non-contributory and not funded.

NOTE 11 Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Schedule of Fixed Income Maturities

As at December 31 *(in thousands of dollars)*		2005 Fair Value	2005 Effective Yield %		2004 Fair Value	2004 Effective Yield %
Special Province of Ontario Debentures						
0 – 1 year	$	141,575	11.16 – 13.33	$	129,159	11.05 – 13.33
1 – 5 years		1,039,540	12.79 – 15.38		945,312	11.16 – 15.38
5 – 10 years		1,571,324	10.38 – 11.55		1,854,319	10.38 – 13.33
Accrued interest		170,003			179,765	
		2,922,442			3,108,555	
Bonds						
Canada						
0 – 1 year		87,742	3.01 – 9.76		157,064	2.99 – 8.49
1 – 5 years		638,743	2.81 – 7.75		493,545	2.99 – 9.13
5 – 10 years		936,085	3.93 – 8.15		791,652	3.90 – 8.10
> 10 years		638,679	3.03 – 6.93		499,961	2.87 – 7.14
PH&N Bond Fund: 1 – 35 years		208,384	4.40		138,246	4.19
Accrued interest		22,501			16,782	
		2,532,134			2,097,250	
Other international						
0 – 1 year		64,083	2.00 – 7.29		41,305	4.93
1 – 5 years		151,334	2.63 – 6.86		145,651	3.63 – 7.11
5 – 10 years		40,951	2.67 – 6.38		56,587	2.65 – 5.73
> 10 years		41,972	3.95 – 6.47		53,877	4.41 – 4.79
Accrued interest		4,566			6,786	
		302,906			304,206	
	$	5,757,482		$	5,510,011	

Investments over $35 Million Fair Value

As at December 31, 2005 *(in thousands of dollars)*	Maturities	Coupon %	Fair Value[1]
Cash and short-term investments			
Canada			
Government of Canada			$ 344,186
Other International			
Government of France			41,136
Fixed income			
Special Province of Ontario Debentures[2]	2006 – 2014	10.38 – 15.38	2,752,439
Bonds:			
Canada			
Government of Canada	2006 – 2033	2.75 – 10.25	879,767
Province of Ontario	2006 – 2035	3.21 – 9.50	304,633
Phillips, Hager & North High Grade Corporate Bond Fund	2006 – 2040	3.70 – 7.78	208,384
Province of Quebec	2006 – 2036	4.00 – 7.75	111,036
Royal Bank of Canada	2014 – 2053	4.18 – 7.10	44,576
Woodbine Entertainment Group	2011	8.58	42,576
Canadian Imperial Bank of Commerce	2008 – 2014	4.40 – 5.89	42,068
Sun Life Financial Inc.	2015 – 2035	4.80 – 6.65	40,859
Bank of Montreal	2009 – 2020	4.30 – 6.90	39,740
Power Corporation	2011 – 2033	6.14 – 7.11	39,587
Manulife Financial Corporation	2011 – 2016	5.70 – 6.70	38,229
Other International			
U.K. Treasury	2006 – 2013	5.00 – 8.00	151,380
Federal Republic of Germany	2006 – 2034	2.00 – 5.62	59,598
Government of France	2006 – 2025	3.00 – 6.00	42,834
Real estate			
OPB Realty Inc. (holding company, 100% owned)			1,904,268
Participating mortgages	2009 – 2019	5.00	36,331

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

[2] At cost.

Investments over $35 Million Fair Value *(continued)*

(in thousands)	Shares/Units[3]		Fair Value[3]
Equities			
Canada:			
Royal Bank of Canada	1,634	$	148,383
Manulife Financial Corporation	2,133		145,647
EnCana Corporation	2,372		124,654
Toronto-Dominion Bank	2,018		123,385
Sceptre Small Capitalization Equity Pooled Fund	141		123,323
Bank of Nova Scotia	2,532		116,817
Power Corporation of Canada	2,588		83,176
Bank of Montreal	1,178		76,588
Canadian Imperial Bank of Commerce	980		74,851
Canadian National Railway Company	752		70,054
Suncor Energy Inc.	902		66,157
Alcan Inc.	1,274		60,865
Telus Corporation	1,214		57,228
Teck Cominco Limited	860		53,355
Petro-Canada	1,134		52,910
Rogers Communications Inc.	1,054		51,862
Talisman Energy Inc.	779		47,985
BCE Inc.	1,673		46,615
Nexen Inc.	831		46,043
Great-West Lifeco Inc.	1,406		43,168
Thomson Corporation	981		38,904
United States:			
American International Group Inc.	758		60,432
Pfizer Inc.	1,989		54,192
General Electric Co.	1,261		51,622
Wal-Mart Stores Inc.	913		49,913
Procter & Gamble Co.	655		44,290
Emerson Electric Co.	427		37,260
Microsoft Corp.	1,166		35,612
Exxon Mobil Corp.	539		35,380
Other International:			
Total SA	138		40,298
Royal Dutch Shell PLC	825		39,504

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

CORPORATE DIRECTORY

Officers

Donald D. Weiss
President & CEO

Mark J. Fuller
Executive Vice President & COO

Linda J. Bowden
Senior Vice-President, Corporate Services

Robert F. Kay
Senior Vice-President, Investments

Peter Shena
Vice President, Policy & Communications

Thomas Choi
Vice-President, IT Services and Project Management Office

Darla S. Sycamore
Treasurer & Director, Finance

Management

Stuart Anderson
Manager, Project Management Office

Anne Catherall
Director, Human Resources

Armand de Kemp
Controller

Veronica Harris
Manager, Member Services

Mark A. Henry
Director, Policy & Procedures

Peter Johnson
Director, Client Services

Karen Kojima
Manager, Investment Finance

John Konas
Manager, Pensioner Services
& Acting Manager, Data Quality

Kimberly Norton
Director, Administrative & Board Services

Siva Sivanesan
Manager, Procedures

F.J. (Jim) Wyseman
Manager, IT Services

Ontario Pension Board

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2005 ANNUAL REPORT

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Anne Catherall
Director, Human Resources

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