HOOPP

Annual Report 2007

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PRINTABLE VERSION

Healthy Futures

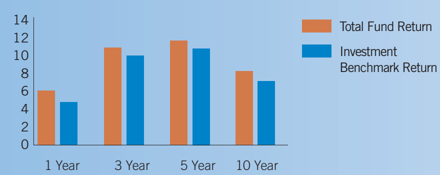
Caring for the financial future of those who care for us

2007 Highlights

HOOPP's investment return of 6.23 per cent pushed the Fund over the $30 billion mark for the first time. It's the 10th straight year HOOPP has beat its investment benchmark.

Read more about 2007 highlights >>

Total Fund vs. Investment Benchmark Returns (%)



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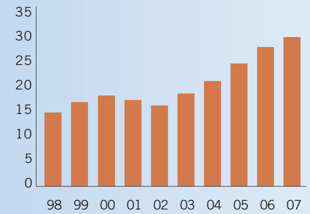
Net Assets ($ billions)



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A Healthy Future

"We're committed to being the best pension plan provider for the healthcare community."

HOOPP is not just some faceless corporation. As an organization, we're committed to being the best pension plan provider for the healthcare community – and we offer a pension plan specifically designed and built for them.

Just like the members they serve, HOOPP employees are part of a dedicated team of caring professionals – and are HOOPP members, too. That means they not only understand what it means to be a member, they have a vested interest in making sure that HOOPP's future is a healthy one...

- At HOOPP, we're very familiar with the healthcare community – and we've tailored our plan accordingly. HOOPP's many features address the unique needs of the province's healthcare workers.
- HOOPP is a defined benefit (DB) pension plan – and proud of it. We firmly believe that the DB pension model offers members a superior benefit and higher level of security than defined contribution (DC) pension plans or other retirement savings options.
- HOOPP was created to serve the hardworking people of Ontario's healthcare community – and that remains our raison d'être. As one of the country's most successful pension plans, our proud past has laid the foundation for an even stronger future.
- Don't underestimate the value of a HOOPP pension. By the time a long-service HOOPP member retires, they'll have built a pension that will replace a substantial portion of their pre-retirement income.

Tailor Made

Over the past 48 years, HOOPP has emerged as one of Canada's biggest and most successful pension plans. We have attracted the participation of 321 healthcare employers across Ontario. Currently, close to a quarter of a million Ontario healthcare workers are depending on HOOPP for their retirement.

At the heart of our success sits a plan designed specifically to address the unique needs of the healthcare sector and its employees. In short, we have taken time to understand what our members want – and we have taken the steps required to deliver on their needs and expectations. Consider the HOOPP advantages:

Valuable benefits

The pension benefits provided by HOOPP are highly valuable. The Plan provides a lifetime retirement income based on a first-class benefits formula that takes into account a member's earnings history and length of service in the Plan. The longer a member belongs to HOOPP, the larger that member's pension will be.

Flexible retirement dates

HOOPP members can retire as early as age 55. Even better, the Plan offers a range of generous early retirement provisions, including:

- a bridge benefit that provides additional pension payments between your early retirement date and age 65, when Old Age Security and unreduced Canada Pension Plan benefits normally begin; and
- an unreduced pension if you retire after reaching age 60, or completing 30 years of eligibility service
- valuable early retirement reductions, based on age and service, if you retire before age 60

Inflation protection

HOOPP's inflation protection feature can help preserve the buying power of a member's pension over time – making every precious dollar count.

Changing employers

Members who move from one HOOPP employer to another can move their pension with them seamlessly – and without interruption. Given that the Plan is offered at 321 healthcare organizations across Ontario, there is a good chance that the next employer will be a HOOPP employer.

Linking service

We recognize that a growing number of HOOPP members work part time – and that many part-time employees work at more than one location. As such, the Plan allows members who work for multiple HOOPP employers at the same time to build a significantly bigger pension by contributing at each workplace.

Tailor Made

Survivor benefits

We also recognize that the need for financial security and protection extends beyond the individual Plan member. We know that there are people who depend on our members for ongoing financial support. With this in mind, the Plan provides a range of valuable survivor benefits – whether the member dies before or during retirement.

Disability benefits

Members who are unable to work for health reasons may be able to build service in the Plan while they are off work – without having to make pension contributions. In the case of a total and permanent disability, those same members may qualify for an immediate unreduced pension.

The Competitive Edge

Defined benefit (DB) pension plans are an integral part of this country's socio-economic fabric. The proof is in the numbers. Approximately 4.6 million working Canadians – more than 14 per cent the nation's population – belong to a DB pension plan. That's more than five times the number who belong to a defined contribution (DC) pension plan.

Given these numbers, it's no surprise that Ontario's Expert Commission on Pensions (which is currently reviewing the province's pension legislation) has identified "the importance of maintaining and encouraging the system of defined benefit pension plans in Ontario" as its number one guiding principle.

As one of the country's biggest and most respected DB pension plans, HOOPP is proud of its lineage. We believe that the DB pension model is fundamentally superior to its DC counterpart. The table below explains why. It provides a simple summary of the two plan types and highlights what we believe to be the key advantages of the DB model.

	DB	DC	The DB advantage
Philosophy	To replace a portion of a member's pre-retirement income with a lifetime pension	To help the member accumulate retirement savings during their active careers.	• HOOPP's goal is income, not savings – and that means much more security for members.
Contributions	Typically, the member and employer contribute a set percentage of the member's salary. Funds are deposited in a pension fund for the benefit of all plan members.	Typically, the member and employer contribute a set percentage of the member's salary. Funds are deposited in a personal account set up in the member's name.	• With a DB plan, all contributions are pooled in one fund, so the investment risk is shared by the membership as a whole. Under a DC plan, the member assumes the full investment risk.
Investment decisions	Investment decisions are made by the professional money managers, based on stringent guidelines established for the plan as a whole.	The individual member must decide how the money is invested, based on a range of available investment options.	• With a DB plan, the member doesn't have to worry about making investment decisions or tracking investments. The investment decisions are made by highly qualified investment professionals.
Income at retirement	The member's retirement income is a percentage of their pre-retirement earnings – the more service they have, the bigger that percentage gets. Once the member starts receiving a pension, they receive it for life.	The money in the member's account is used to buy a lifetime annuity (an income stream). The size of that income will depend on various factors, such as how much has been contributed, the success of the member's investment strategy, and interest rates at the time the member buys an annuity.	• With a DB plan, the member enjoys the peace of mind that comes with knowing their pension will be there… when they need it. • Because the member's DB pension is based on a formula, they can more readily estimate what their future pension will be.

The Competitive Edge

Ancillary benefits	Many DB plans, such as HOOPP, offer valuable "ancillary" benefits, such as: • inflation protection • enhanced early retirement benefits • survivor benefits • disability benefits	At retirement, the member *may* be able to buy a lifetime annuity that includes some ancillary benefits, such as partial inflation protection. However, these extras tend to be extremely expensive, meaning the amount the member receives may have to be reduced to provide for the extras.	• With a DB plan, the ancillary benefits are built in. The member doesn't have to shop around for (and buy) an annuity that includes these features.

There's also a cost advantage with a DB plan like HOOPP for participating employers. HOOPP does the investing, pension administration, actuarial and other filings and more for the employer. And HOOPP's administration cost is a tiny fraction of other financial institutions offering retirement products – we charge no administration fees of any kind.

Building On Our Past

There's also a cost advantage with a DB plan like HOOPP for participating employers. HOOPP does the investing, pension administration, actuarial and other filings and more for the employer. And HOOPP's administration cost is a tiny fraction of other financial institutions offering retirement products – we charge no administration fees of any kind.

Worth the Investment

Make no mistake – a HOOPP pension is a valuable benefit. After all, it's specifically designed to help members replace a portion of their pre-retirement income with a lifetime pension benefit.

A HOOPP member starts building a pension as soon as they start contributing. And the longer they contribute, the bigger that pension will be.

Consider Joanne, a member who joins the Plan at age 30 with a salary of $45,000. Assuming Joanne receives a 3 per cent salary increase each year, and retires at age 60 with 30 years of service in the Plan, she can expect to receive a lifetime HOOPP pension of about $50,100 each year. If Joanne lives to age 81, she would receive a total of $1,130,000 in pension payments (including bridge payments to age 65) – and that's not including any cost of living adjustments she may receive.

The story is just as compelling for part-time workers. John works 20 hours a week and joins HOOPP at age 35 with average annualized earnings of $45,000 (the earnings are based on what John would make if he worked full time). He receives a 3 per cent salary increase each year and retires at age 60 with 12.5 years of contributory service and 25 years of eligibility service in the Plan. Based on these circumstances, John can expect to receive a lifetime pension of about $18,000 annually. Assuming John lives to age 81, he will receive pension payments totaling $406,000 (including bridge payments to age 65), not including any cost-of-living adjustments.

Of course, these examples are for illustrative purposes only. The pension paid to a particular member will depend on his/her personal circumstances (for example, how much they earn, when they retire, and how many years of service they have).

At HOOPP, we can't promise members the golden egg of fairy tale fame. But we can promise the next best thing – the opportunity to build a solid foundation for a financially secure future.

Year in Review

We worked closely with employers and various industry groups to ensure members have continued access to HOOPP, even as the healthcare community evolves.

- **Investment and Funding**
  Despite difficult markets, HOOPP achieved an overall return of 6.23 per cent, beating its investment benchmark for the 10th straight year. While the Fund beat its benchmark by 145 basis points, it fell short of the nominal long term target by 52 basis points. HOOPP ended the year 99 per cent funded.

- **The Plan**
  Implementation of HOOPP's new pension administration system neared completion in 2007. By year-end, core functionality was operational – which enabled HOOPP to generate enhanced member and pensioner statements, and improve service levels by improving case-processing turnaround times.

- **Healthcare Initiative**
  We worked closely with employers and various industry groups to ensure members have continued access to HOOPP, even as the healthcare community evolves.

- **Employee Excellence**
  HOOPP implemented a talent management framework that provides clear direction for attracting, mentoring, developing, managing, and retaining the high-performance, knowledge-based employees we need to succeed in today's increasingly complex pension environment.

2007 Highlights

Investment and Funding – A Changing Landscape

- Despite difficult markets, the Fund achieved an overall return of 6.23 per cent, beating its investment benchmark by 145 basis points. This marks the 10th straight year that HOOPP has surpassed its benchmark. The Fund's return fell short of the nominal long-term target by 52 basis points.

- As of December 31, 2007, net assets available for benefits stood at $30 billion, while liabilities (the future benefits owing to members based on service earned to date) stood at $28.7 billion.

- HOOPP's real estate and private equity portfolios both posted robust returns in 2007 – earning 22.65 per cent and 17.49 per cent respectively. The Fund's equity and fixed income portfolios also reported positive returns (before currency conversion for foreign equity holdings), despite softening markets.

- Proactive decision-making positioned HOOPP to sidestep a number of investment challenges, including the collapse of the U.S. sub-prime mortgage market and turmoil in the asset-backed commercial paper market. Thanks largely to foresight and HOOPP's investment policy, the Plan had:
  - no direct exposure to sub-prime mortgages
  - no holdings in non-bank issued asset-backed commercial paper

- Likewise, effective hedging strategies helped mitigate the impact of currency exchange losses generated by a soaring Canadian dollar.

- In 2007, HOOPP was able to:
  - hold member and employer contribution rates at 2008 levels until the end of 2009
  - provide all pensioners (including survivors) with a cost of living adjustment equal to 75 per cent of the increase in the consumer price index – the increase of 1.79 per cent was applied April 1, 2008

- The Plan's planned move toward a liability-driven investment approach continued to build momentum. This progressive approach to investing is designed to help HOOPP maintain a suitable balance between risk and return – and to protect and grow the Plan's assets in line with its liabilities.

- HOOPP changed its asset mix policy, setting new targets for the general allocation of assets. The new targets – which support the Plan's move toward liability driven investing – better align investment risk with pension liabilities. In particular, the new targets significantly reduce the Plan's exposure to equity investments, while increasing the Plan's exposure to other less risky investments. The Plan reduced the level of risk in HOOPP's investment portfolio.

- The development and implementation of improved investment technology continued. The new technology includes an integrated data and performance management system that supports investment decision-making, and will enhance risk management capabilities.

2007 Highlights

The Plan – New Service Options

- A 1.79 per cent cost of living adjustment in respect of 2007 was applied to all pensions on April 1, 2008. This adjustment was applied to all pensions – deferred pensions not yet in pay, and pensions received by retirees or surviving spouses.

- For the first time, HOOPP sent all annual pension statements directly to members' homes. This shift to "home-delivery" is a positive step towards improved service – members get statements directly, instead of through their employers as before.

- In an ongoing effort to improve member communications, HOOPP revamped the annual statements sent to members. The new, easy-to-read, personalized format is designed to help members better understand the value of their benefit.

- HOOPP also re-worked its pension payment schedule to ensure pensioners receive their pension when they expect it – that is, by the first of each month. Except for January 1, when the first day of the month falls on a Sunday or holiday, payments are now deposited on the last business day of the previous month.

- HOOPP relaunched its website. The new-look site features a fresh design, easier-to-understand content, and simpler navigation. The enhancements reflect the results of user focus groups, a detailed analysis of site usage, and a review of 60 other pension sites.

- Members and employers can now access "fillable" forms on the website. Users can now complete select forms directly from their computers before printing and submitting them. The fillable forms will soon be replaced by true online transactions via the hoopp.com website. Subject to rigorous testing, these online services should be available beginning in late 2008.

- HOOPP moved closer to completing the implementation of its new pension administration system. By year-end, core functionality was operational. As well, a large case backlog was eliminated through the hard work of the Plan's administration team. The new system, which has been rolled out in phases, will automate 80 per cent of HOOPP transactions and provide clients with a range of important online services.

- While automation promises to create new efficiencies, HOOPP service still has a human face. In 2007, the Plan's administration team continued to provide meaningful support to members:
  - 77,363 member and pensioner calls were answered, an increase of 13,514 over 2006
  - 443 onsite member presentations were conducted, as well as 53 one-on-one sessions with members
  - 307 employer information sessions were held

2007 Highlights

Healthcare Initiative – Era of Change

- HOOPP continues to monitor change in the healthcare environment – and to respond to that change when it serves the best interests of our members. For example, during 2007, we:
  - secured the participation of all 14 Local Health Integration Networks (the new government bodies charged with planning, integrating and funding healthcare services in Ontario)
  - worked with various industry groups to ensure that members will continue to have access to HOOPP, even as their employment relationships change due to restructuring

- HOOPP presented a detailed submission to Ontario's Expert Commission on Pensions. The commission, which is due to report in 2008, was established to review Ontario's pension legislation – with an eye to supporting the province's system of defined benefit pension plans. HOOPP's submission focused on three key areas of concern: portability of benefits, funding rules, and the treatment of multi-employer pension plans (such as HOOPP).

- During 2007, the Plan embarked on a number of initiatives aimed directly at helping members (and non-members) better appreciate the value of HOOPP. Specifically, we:
  - implemented a formal program designed to increase the number of "informational" interaction between HOOPP and its stakeholders
  - launched an awareness campaign, "Because Life Isn't A Fairy Tale," featuring posters and brochures, to make part-time workers better aware of the advantages of joining HOOPP – more than 4,000 posters and brochures were distributed in the first phase of the campaign
  - stepped up efforts to educate governments about the socio-economic value of defined benefit pension plans
  - reached out to new healthcare organizations to ensure they understand the benefits of offering HOOPP to their employees
  - used speaking engagements to develop external awareness of HOOPP and champion the importance and value of defined benefit pension plans

- Intent on better addressing members' changing needs and circumstances, HOOPP also continued its formal client research program. This program, which has included focus groups and quarterly surveys, is being used to measure client satisfaction, improve service levels, and enhance stakeholder communications.

2007 Highlights

Employee Excellence - Leveraging Talent

- HOOPP produced a detailed document outlining its strategic focus through 2009. This document clearly identifies strategic priorities, challenges, supporting initiatives and expected results.

- To ensure it attracts and retains team members with the skill sets needed to carry out complex, knowledge-based work, HOOPP developed a robust talent management framework. This new framework provides direction for attracting, mentoring, developing, managing and retaining key team members in an increasingly competitive labour market.

- Recognizing that the Plan's ability to meet future strategic objectives will depend largely on employee talent and motivation, HOOPP:
  - introduced a succession planning strategy
  - launched a series of employee training initiatives

- HOOPP moved forward with the introduction of its Balanced Scorecard initiative. This initiative gives HOOPP team members a clear line of sight between job expectations and organizational objectives.

Chairs' Letter

2007 – Another strong year

HOOPP had another strong year in 2007, ending the year 99 per cent funded, with assets at an all-time high of $30 billion. At a time when difficult investment markets are causing other plans to consider benefit cuts or contribution rate increases, HOOPP is well-positioned to secure the pension promise for the healthcare community.

HOOPP is within one per cent of fully funded status. This is the result of excellent investments – including double-digit returns for four of the last five years. As well, the Board's quick action in the past has stabilized our benefit and contribution levels.

It was another year of accomplishment for our Board of Trustees, which features equal representation from the Ontario Hospital Association and four unions – the Ontario Nurses' Association, the Canadian Union of Public Employees, the Ontario Public Service Employees' Union, and the Service Employees International Union.

In 2007, the Board was able to:

- provide all pensioners (including those receiving survivor pensions) with a 1.79 per cent cost of living increase for 2007, applied April 1, 2008
- hold contribution rates stable – at 2004 levels – until the end of 2009, and
- move into less risky investments

The Board successfully launched a part time awareness campaign in 2007, with the aim of better explaining the value of joining HOOPP to part-time employees through posters, brochures, web copy, and an online survey.

In addition, to help focus its long-term planning for the future, the Board took part in a successful retreat in 2007.

Given that the 250,000 healthcare workers who depend on us for benefits is an aging population – the average member is 47 – HOOPP is taking steps to make sure we find the right level of risk for our investments, since so many members will soon be depending on their pensions. With the help of new systems in our Investments area, we're moving to a "liability driven" investment approach. With fingertip access to all our investment data – be it held via stocks, derivatives, or through private equity – this new technology will help to ensure our investment strategy carries a suitable level of risk given current asset levels and projected liabilities. In short, by better managing pension assets to liabilities, we will be better positioned to protect and grow our assets – and secure the pension promise.

Influencing change

The Board has been keeping a close eye on changes in healthcare. Simply put, the provincial government's Health Transformation Agenda is changing the way healthcare is funded in Ontario and will ultimately change the way healthcare is delivered.

Chairs' Letter

To ensure that HOOPP continues to support the interests of healthcare workers and employers, we're taking concrete action. We want to ensure that HOOPP continues to be the pension plan of choice for Ontario's healthcare community. And we want to ensure our members continue to have access to the best pension possible – even as their employment relationships change.

In addition to managing change in the healthcare environment, HOOPP must deal with a changing pension environment. This complex and highly regulated environment poses a number of tax, funding and administrative challenges for defined benefit pension plans, such as HOOPP. We intend to meet those challenges head on.

To that end, HOOPP stepped up its advocacy efforts in 2007. In October, we presented a detailed submission to Ontario's Expert Commission on Pensions outlining our concerns with how certain existing pension legislation does not meet the needs of the healthcare community. Specific concerns included portability – the need for members to be able to continue to grow their pension benefits if they change jobs or even pension plans, and ensuring that the legislation – including such topics as solvency and windup rules – is appropriate for a multi-employer pension plan like HOOPP.

Focused on our members

In 2007, our new pension administration system achieved core functionality, leading to improved benefit processing turnaround times. We're already seeing improvements, captured by our quarterly surveys, in the satisfaction of members, pensioners, and employers.

Our new system produced, for the first time, annual COLA statements for our pensioners, and member annual statements for active members.

And we're hoping that adding service options via the web, to be rolled out later in 2008, will make dealing with HOOPP even easier.

Looking ahead

Despite the ongoing changes faced by the healthcare sector and the investment community, HOOPP remains on a firm footing. Going into 2008, we have the benefit of a strong financial position, an excellent governance structure, a clear vision for the future, and a talented and dedicated team. In short, we're well-positioned to rise above the many challenges that lie ahead – and, in the process, help shape the future of defined benefit plans in Canada.

The healthcare and pension environments in which we operate may be in a state of flux, but our commitment to the pension promise remains steadfast.

Marcia Gillespie
Chair

Kelly Butt
Vice-Chair

President's Letter

2007 was a year of steady and meaningful progress.

In summary, it was a year in which we continued to reduce our funding shortfall, outperformed our investment benchmarks, and saw assets climb above the $30-billion mark, a new record. It was also a year in which our long-standing commitment to the use of effective technologies began to yield improved service levels, enhanced investment results and reduced investment risk.

Successes aside, 2007 was not without its challenges. While we faced a difficult investment market and continuing change in the healthcare sector, we did so with our members' interests squarely in mind – and with positive results.

Managing the risk

In terms of the investment environment, 2007 was a difficult year. A soaring Canadian dollar, volatile equity and credit markets and low interest rates combined to create an extremely challenging investment climate.

Nevertheless, HOOPP continued to generate value-added returns – outperforming its investment benchmark for the 10th straight year. Overall, the Fund's total return was 6.23 per cent. Although this figure is down from the double-digit returns of 2006 and 2005, it would have been significantly lower if not for prudent investment strategies that allowed us to:

- avoid turmoil related to the sub-prime mortgage market
- bypass non-bank asset-backed commercial paper in favour of less risky investments, and
- minimize currency exchange losses through the use of effective hedging strategies

To strike an appropriate balance between risk and return – one that protects the Plan's assets and reflects future liabilities – HOOPP is moving forward with a liability-driven approach to investing. The move to liability-driven investing is not a destination, it's a journey – one that requires the best people, policies, and systems. During 2007, HOOPP made considerable progress on that journey. Specifically, we:

- adjusted our asset mix policy, reducing our exposure to equity markets and increasing our exposure to the historically less volatile bond and real estate markets
- reduced our reliance on external investment managers, bringing the management of more funds in-house – a move that will help us reduce investment costs and risk
- continued to develop investment technology that will support and strengthen our liability-driven approach to investment

Elevating service

On the client service side, we moved significantly closer to full implementation of our new pension administration system. In fact, during 2007, we achieved functionality for all core pension transactions, which allowed us to:

- generate new, easy-to-read annual statements for members
- improve client service by speeding transaction turnaround times

President's Letter

The new system, which has been rolled out in phases, automates 80 per cent of HOOPP pension transactions. When fully implemented, the system will give our clients direct access to a wide range of web-based services. These online services will mark a major move toward a new service delivery model – a model that will significantly reduce the administrative work employers currently handle on behalf of HOOPP. We expect to start rolling these services out in late 2008. But as always, will ensure any new technology is rigorously tested before it is rolled out.

Embracing change

While we have continued to address funding, investment and client service issues, we have also kept one eye focused on the changes affecting the healthcare sector. During 2007, we took a series of proactive steps to protect member access to HOOPP and ensure we remain the pension plan of choice for the healthcare sector. For example, we:

- monitored the healthcare environment for trends that could impact HOOPP stakeholders
- interacted with stakeholders – via meetings, focus groups and research – to ensure that we understand their needs and the impact of any change
- worked with stakeholders to ensure pension issues are addressed (and fully understood) during any restructuring, and
- worked closely with the signatories of the HOOPP Trust Agreement to ensure that we are all moving toward a common goal – securing the pension promise

Change in the healthcare sector is not new. What is new is the extent of the change and the impact it will have on our stakeholders. At HOOPP, we're working hard on behalf of members and participating employers to do what we can to smooth the way.

"Caring for the financial future of those who care for us" truly reflects the dedication and caring spirit of our employees. We saw that spirit several times in 2007 – through the development of a Vision Map that showed HOOPP's long history of rising to challenges, a video for our Board that showed our team's commitment to service, and through the incredible success of our annual United Way campaign.

Moving forward

To ensure we continue to employ the committed and caring employees we need to meet the challenges that lie ahead, HOOPP introduced both a talent management framework and a succession planning strategy during 2007.

Securing the pension promise in an ever-changing environment is no easy task. And, no doubt, the road ahead will have some bumps and interesting twists and turns. But with a dedicated team in place, a strong financial base to work from, and a carefully crafted strategy to reach our destination, we are ready – together – to climb the ladder to the next level.

John Crocker
President & CEO

HOOPP Annual Report 2007

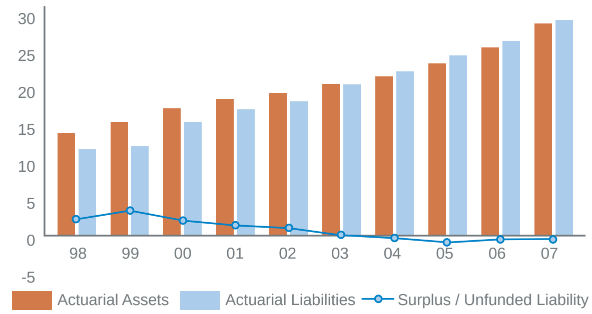
At-a-Glance

During 2007, HOOPP continued to work towards integration of its funding policy and investment strategy – a multi-year initiative designed to optimize market and minimize operational risks.

Funding management – Despite difficult financial markets, HOOPP ended the year 99 per cent funded. In 2007, HOOPP was able to

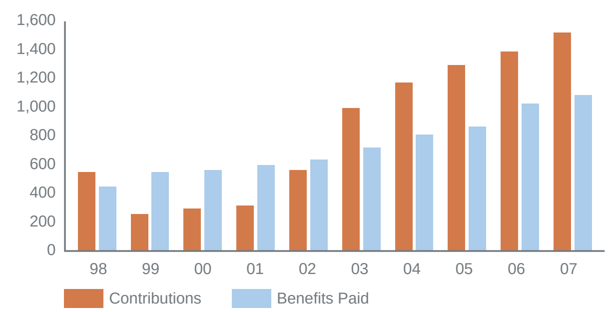
- hold contribution rates stable
- provide a cost-of-living adjustment for pensioners
- reduce the risk in the HOOPP investment portfolio

Summary of Financial Position
($billions)



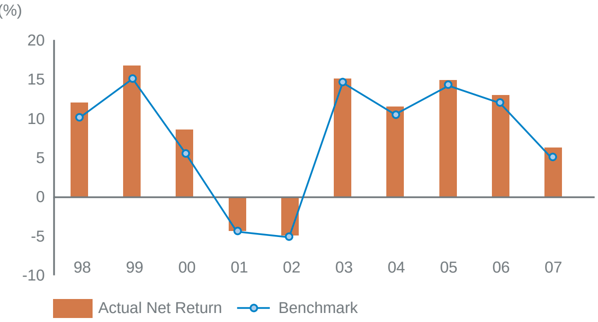
Investment management – HOOPP is moving to a liability-driven investment approach. With this approach, the exposures and cash flows of pension liabilities are integrated with investment policies. This approach – along with advanced technology – will help to ensure our investment strategy carries an appropriate level of risk; one that helps the Fund maintain sufficient assets to ensure payment of benefits owed to our members. The first step in this direction was to adjust the target asset mix in 2007 to 46 per cent equity and equity oriented exposure and 54 per cent fixed income exposure from 60 per cent and 40 per cent respectively.

Contributions vs. Benefits Paid
($millions)



Investment performance – Despite a challenging investment climate, HOOPP continued to generate value-added returns – outperforming its benchmark for the 10th straight year. While the Plan achieved a total Fund return of 6.23 per cent, beating its benchmark of 4.78 per cent by 145 basis points, it fell short of the nominal long term return target of 6.75 per cent by 52 basis points.

Actual Net Return vs. Benchmark
(%)



Contributions vs. pension benefits – Total Plan contributions climbed to $1,519 million in 2007, up 10.39 per cent or $143 million over 2006. At the same time, the total of pension-related payments for the year climbed to $1,079 million – a year-over-year increase of 5.89 per cent or $60 million.

Risk management – During 2007, HOOPP continued to work towards integration of its funding policy and investment strategy – a multi-year initiative designed to optimize market and minimize operational risks.

Overview – Introduction

At HOOPP, our primary objective is to secure the pension promise.

We have a strong tradition of providing a first-rate defined benefit pension plan to Ontario's healthcare community. HOOPP is one of the largest defined benefit pension plans in the country.

As a defined benefit pension plan, we provide our members with a secure retirement income based on a formula that takes into account a member's earnings history and length of service in the Plan. Once members start receiving a pension, they receive it for life. That's our promise – the "pension promise." This formula is designed to provide HOOPP members, over their careers, with a very significant replacement of their pre-retirement earnings once they retire.

As of December 31, 2007, the Plan was 99 per cent funded. In other words, our total assets were just shy of those needed to meet all of our pension obligations. Other pension plans are facing more significant funding shortfalls.

During 2007, we took a number of steps to help us achieve a fully funded position and, equally important, to maintain that position over the long term.

- Through the use of active management strategies, we overcame difficult investment markets to achieve an overall Fund return of 6.23 per cent – beating our investment benchmark for the tenth straight year. The Fund return fell short of the nominal long term return target of 6.75 per cent by 52 basis points.

- We are moving toward a liability-driven investment approach. This approach is designed to help us maintain an appropriate balance between risk and return – and to protect and grow the Fund's assets in line with the Plan's future liabilities.

- We adjusted our asset mix policy, setting new targets. The new targets:
  - support our move toward liability-driven investing
  - reduce the Fund's exposure to equity markets, while increasing exposure to other less risky investments
  - better align assets with future cash flow requirements, and
  - more effectively protect against inflation

- We continued with the development and implementation of improved investment technology. This includes an integrated data and performance management system that supports investment decision-making, and will enhance risk management capabilities.

- We lowered our long-term investment return assumption for the second year in a row. Adopting a lower, more conservative investment return assumption aligned with the investment risk level set by the HOOPP Board of Trustees.

This section of the report – Management's Discussion & Analysis (MD&A) – provides a more detailed look at these key events and the impact they had on the Plan.

Overview – Year-end Financial Position

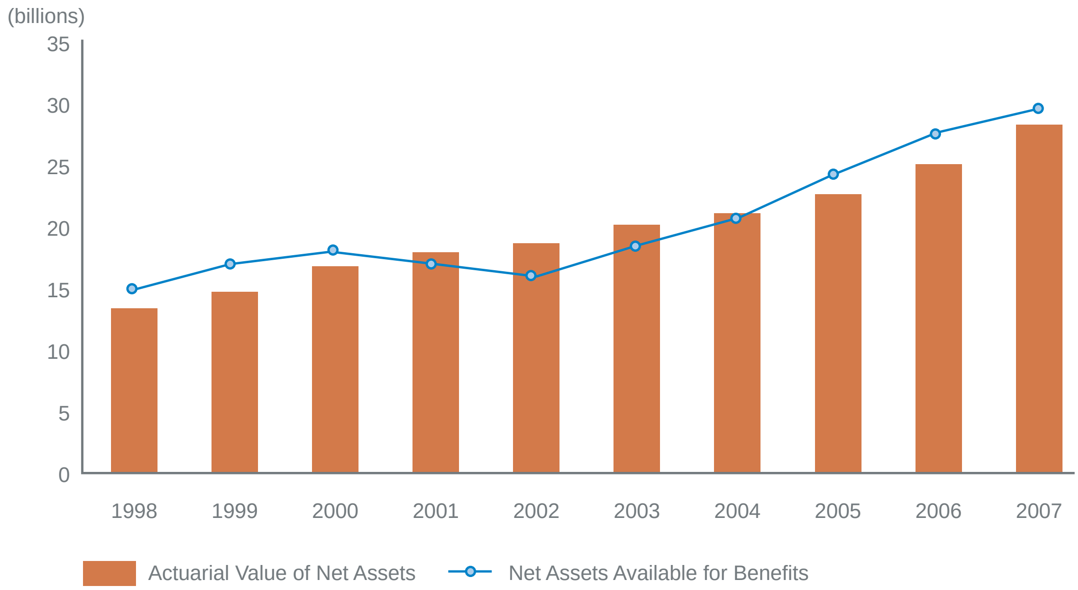
Despite difficult markets, HOOPP ended the year 99 per cent funded. This means the Plan's total assets, on a five-year "smoothed" actuarial basis, are just shy of those needed to cover all of its current and future pension liabilities, based on pensions earned to date.

Net assets

As of December 31, 2007, net assets available for benefits stood at $30 billion, up from $27.9 billion at year end 2006. This increase can be attributed to investment gains and positive pension cash flow. (Positive pension cash flow occurs when the total of contributions and benefit transfers flowing into the Plan exceeds the total of pension payments and benefit transfers flowing out of the Plan).

For funding purposes, net assets available for benefits are adjusted based on a technique which uses a five-year average of previous year-end asset values, all extrapolated to the end of 2007. This adjustment helps to minimize the impact of short-term market volatility in any one year. This actuarial or "smoothed" value of net assets stood at $28.4 billion as of December 31, 2007, up from $25.2 billion at year end 2006.

Actuarial Value of Net Assets vs. Net Assets Available for Benefits



Overview – Year-end Financial Position

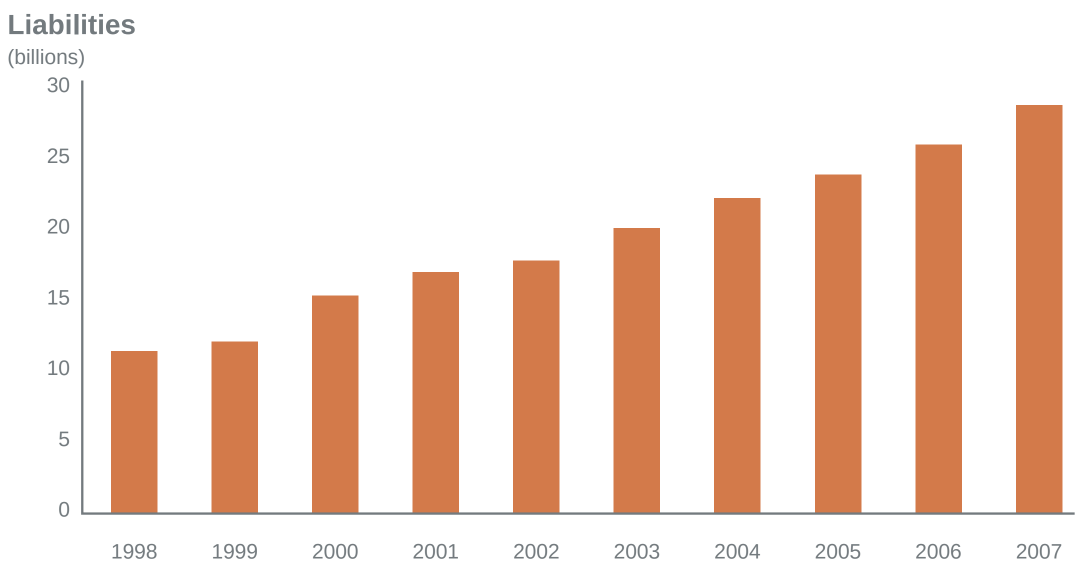
Pension liabilities

The Plan's accrued pension liabilities (the current value of future benefits owing to members based on service earned to date) stood at $28.7 billion at December 31, 2007, up from $25.8 billion at year-end 2006.

Accrued Pension Benefits Correction

HOOPP recently discovered that certain membership data elements used in the preparation of actuarial valuations of the 2004, 2005 and 2006 valuation have been misinterpreted. This means HOOPP's reported financial/funded position for each of those years was overstated by approximately 1 to 2 per cent. This impact is more than offset by HOOPP's recent sound investment returns, and will have no impact on either benefits or contribution rates.

For full details, please see Note 13 in the Consolidated Financial Statements.



Stable position

In 2007, HOOPP was able to

- announce it will hold contribution rates stable until the end of 2009
- provide a cost-of-living adjustment for all pensioners equal to 75 per cent of the increase in the consumer price index
- reduce the risk in the HOOPP investment portfolio

Overview – Year-end Financial Position

While HOOPP is 99 per cent funded other pension plans are facing more significant funding shortfalls. That said, it's important to keep in mind that the Plan's funding status can quickly change, depending on economic, market or demographic experience. To mitigate the impact of this change HOOPP has begun moving to a liability driven approach to investing – this means our investment team focuses on generating investment returns above the level required to fund the benefits being earned by Plan members while closely considering the risk of a particular asset relative to the Plan's liabilities.

HOOPP's Board will continue to monitor the Plan's funded position closely – and will take a proactive, considered and consultative approach to enhance and protect the Plan's funded status.

Funding Management – Introduction

Operating a defined benefit pension plan like HOOPP requires balancing assets and liabilities.

- Assets equal the current value of the contributions collected and invested to pay pensions.
- Liabilities equal the current value of the Plan's benefit obligations.

When a pension plan's assets exceed its liabilities, it's fully funded. However, when a pension plan's liabilities exceed its assets, the plan has a shortfall, and is not fully funded.

At year end 2007, HOOPP's liabilities exceeded its assets by about one per cent. Relatively speaking, that is a very modest gap that we fully expect to close over time.

To close the gap, while maintaining an acceptable balance between assets and liabilities, HOOPP needs to ensure its:

- investment strategy and the resulting returns match the Plan's funding needs
- contribution rates are set at an appropriate level
- benefit levels are sustainable

At the same time, however, HOOPP needs to ensure that the Plan remains affordable for both members and participating employers. That means keeping contributions at reasonable levels and – to the extent possible – keeping contribution rates stable from one year to the next.

Balancing assets and liabilities requires a high level of expertise and technology. It also requires making certain educated assumptions about future economic, market and demographic trends.

Funding Management – Determining the Funded Status

Pension plans operate with an extended time horizon. After all, the benefits earned by members today may not start to be paid out for many years – in some cases, 30 or more years. With this in mind, pension plans need to manage their assets and liabilities with a view to the future.

Valuing assets

Like most pension plans, HOOPP uses market prices to determine the current value of its assets. In other words, the value of an individual asset is based on what that asset could be sold for in the current investment market.

Once the market value of assets has been determined, an "actuarial smoothing technique" is applied, which takes into account the market value of assets at the previous four year-ends, all of which are extrapolated to the end of 2007. This process minimizes the impact of market volatility in any one year and helps the Plan avoid making decisions based on short-term market fluctuations.

Valuing liabilities

The value of the Plan's obligations are calculated using the "projected accrued benefit method," prorated on service. This means that HOOPP calculates how much money must be invested today to pay – in the future – the benefits members have earned, based on the pension service earned up to the date the obligations are calculated.

To calculate liabilities, HOOPP takes into account any benefits that existing members will "grow into" as they earn more service (such as the early retirement bridge benefit).

HOOPP also makes a number of assumptions about future economic, market and demographic conditions. For example, assumptions are made about:

- when members will retire (or leave the Plan)
- how long members will live once they retire
- how much members' salaries will grow
- The return HOOPP will get on its investments

These assumptions and economic forecasts are reviewed at least annually to ensure they remain appropriate in the face of evolving economic, market and demographic conditions.

Determining funded status

The funded status of the Plan is simply the ratio of the Plan's total assets to its liabilities.

- If the Plan's assets exceed its liabilities, then it should have enough money to meet future financial obligations. This means the Plan is fully funded.

- If the Plan's liabilities exceed its assets, the plan has a shortfall, and is not fully funded.

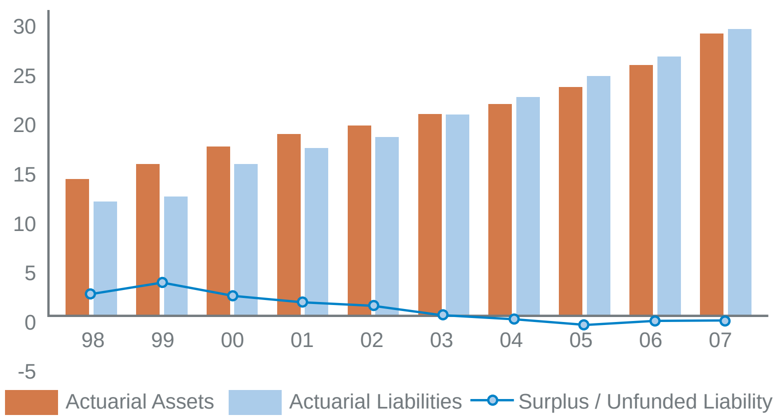
Funding Management – Determining the Funded Status

In 2007, HOOPP was able to

- announce it will hold contribution rates stable until at least 2009
- provide a cost-of-living adjustment for all pensioners equal to 75 per cent of the increase in the consumer price index
- reduce the risk in the HOOPP investment portfolio

Summary of Financial Position

($billions)



Funding Management – Contributions vs. Pension Benefits

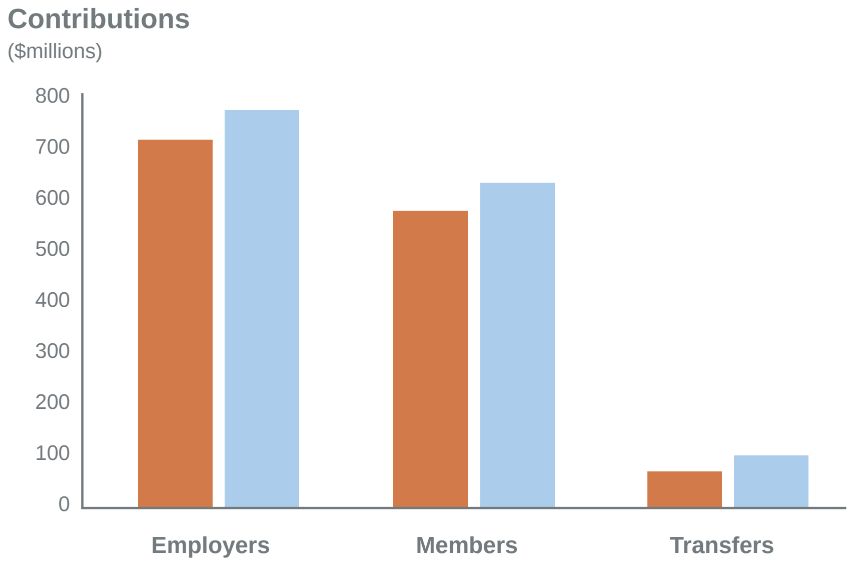
Contributions

All active Plan members and their participating employers are required to make contributions to the Plan. Plan contributions during 2007 totalled $1,519 million – up $143 million (or 10.39 per cent) from 2006.

This increase is largely due to salary increases in the healthcare industry and growth in membership.

Of the total contributed in 2007:

- 51 per cent was from participating employers
- 42 per cent was from members
- 7 per cent resulted from transfers into the Plan



Funding Management – Determining the Funded Status

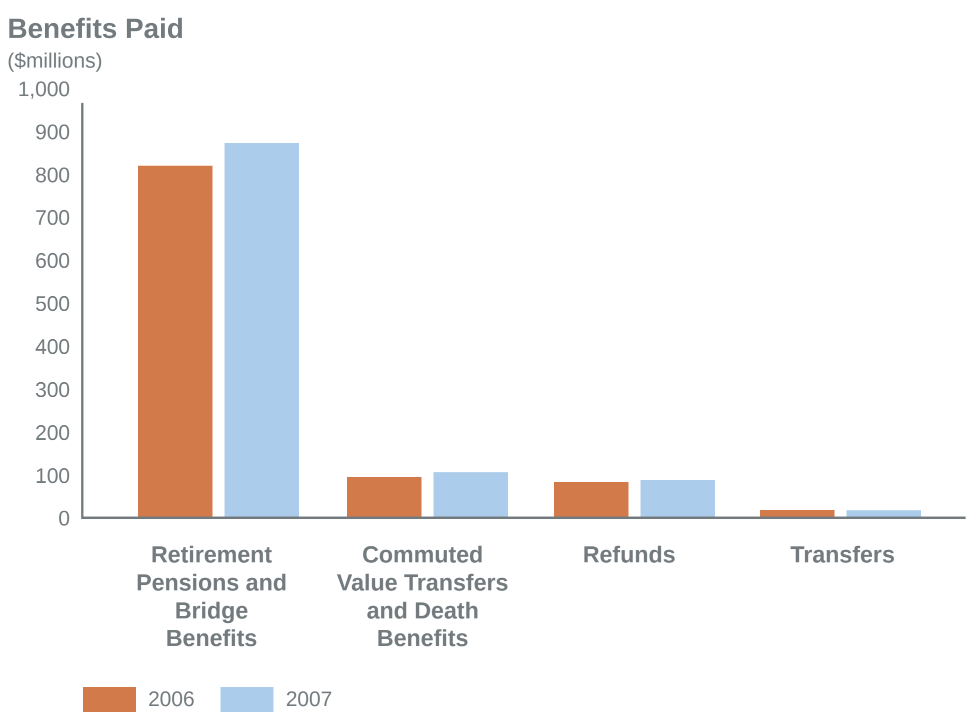
Pensions and benefits paid

Pension-related payments totalled $1,079 million in 2007, an increase of $60 million or 5.89 per cent over 2006.

Of that total:

- 81 per cent was paid to pensioners in the form of monthly benefits
- 9 per cent was paid to terminating members (or the beneficiaries of deceased members) in the form of commuted value transfers (i.e., a lump-sum cash payout)
- 8 per cent was paid to terminating members (or the beneficiaries of deceased members) in the form of contribution refunds
- 2 per cent was transferred to other pension plans

The total of pension-related payments can be expected to grow each year as more members retire.



Investment Management – Introduction

For HOOPP, like other defined benefit pension plans, the true measure of investment success is our ability to cover the Plan's current and future liabilities (in other words, meet our pension benefit obligations). While we still continue to measure our performance against our peers and appropriate industry benchmarks, what really counts is securing the pension promise.

With this over-riding obligation in mind, HOOPP focuses on a liability-driven approach to investing. With this approach, our investment team focuses on generating investment returns above the level required to fund the benefits being earned by Plan members while closely considering the risk of a particular asset relative to the Plan's liabilities.

In short, liability-driven investing is about more than simply maximizing returns; it's about achieving the best possible returns within acceptable risk parameters, given the Plan's pension obligations.

During 2007, HOOPP estimated that to meet its future pension obligations and operating expenses it must – over the long term – achieve a nominal long term return target of 6.75 per cent (or a real rate of return of 4.50 per cent after adjusting for inflation of 2.25 per cent). The Fund's return of 6.23 per cent for the year ended 2007 fell short of the target by 52 basis points. At the end of 2007, HOOPP lowered this investment return assumption by 25 basis points for future periods, which was consistent with the Plan's move toward a more risk-averse investment strategy.

To achieve this target, HOOPP employs a variety of investment strategies – each of which supports the liability-driven investment approach. Details on some of these strategies are outlined in this section of the report.

Investment Management – Active Management

The assets of the Fund are actively managed. In other words, HOOPP employs a number of investment strategies and techniques (such as asset allocation, hedging, derivatives and others) both to:
- improve the Fund's long-term investment returns, and
- insulate the Fund from exposure to inappropriate levels of risk

Most of the Fund's assets are managed by internal investment professionals who are employed by HOOPP. However, external managers who work for asset-management firms are used for special mandates, such as non-North American equities. Externally managed assets must be invested in accordance with the investment guidelines, restrictions and mandates established by HOOPP.

During 2007, HOOPP revamped its business strategy for non-North American equities, which had been a consistently underperforming area of the portfolio. As part of this change in strategy, HOOPP reduced its use of external managers. This change resulted in a significant cost savings, and was consistent with the asset mix policy change that saw HOOPP reduce its exposure to equities. At year-end 2007:

- Approximately 93 per cent of the Fund's assets were managed by internal investment professionals (up from 85 per cent at year-end 2006).

- Approximately 7 per cent of the Fund's assets – primarily foreign equity investments – were managed by external investment professionals (down from 15 per cent at year-end 2006).

Investment Management – Asset Mix Strategy

The Fund has exposure to equities (such as common stocks), equity oriented holdings (such as private equity and real estate) and fixed income instruments (such as bonds, treasury bills and cash) through direct and indirect (derivative instruments) holdings. The proportion of equities, equity oriented and fixed income assets in concert with derivative exposures – referred to as the asset mix – is an important part of the Fund's investment strategy. It allows the Fund to pursue gains in select markets while, at the same time, spreading the risk across different types of assets.

The ratio of exposure the Fund has to equities, equity oriented and fixed income assets is set out in the Fund's asset mix policy, which HOOPP updated in 2007 to better align with HOOPP's liability profile. Under the revised policy, the ratio was changed from 60 per cent equities and equity oriented / 40 per cent fixed income to 46 per cent equities and equity oriented / 54 per cent fixed income. This can be achieved using a combination of physical assets and/or derivatives to achieve similar exposure. This change, which significantly reduces the Fund's overall risk exposure, is consistent with HOOPP's approach toward liability-driven investing.

The change will also help ensure that the type and liquidity of assets held align better with the Plan's future cash flow requirements.

The transition to the new asset mix policy began in 2007 and should – depending on the availability of quality investments – be completed in 2008. Transitioning is being managed through a combination of:

- direct investment (e.g., holding actual securities)
- indirect investment (e.g., gaining exposure to certain securities through derivative strategies)

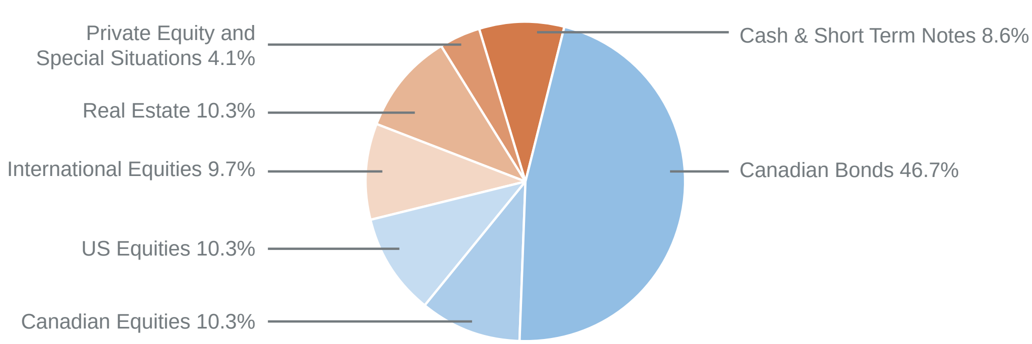
Once the transitioning is complete, HOOPP's asset mix policy allows for a departure from the 46/54 split by plus or minus 3 per cent. This departure is permitted to:

- accommodate changes in the value of investments within a given portfolio
- take advantage of strengths or weaknesses in specific market segments

At December 31, 2007, the actual asset mix was approximately 44.7 per cent (59.4 per cent in 2006) equities and equity oriented, and 55.3 per cent (40.6 per cent in 2006) fixed income.

Fund Mix

(%)



Investment Management – Asset Mix Strategy

Fund Mix
(including the effect of Derivatives)

($ Millions)	2007			2006		
Asset type		$	%		$	%
Cash and short-term securities	$	2,577	8.6%	$	833	3.0%
Canadian bonds		13,917	46.7%		10,413	37.6%
Canadian equities		3,070	10.3%		4,836	17.4%
U.S. equities		3,063	10.3%		4,003	14.4%
International equities		2,883	9.7%		4,014	14.5%
Real estate		3,061	10.3%		2,592	9.3%
Private equity & special situations		1,222	4.1%		1,041	3.8%
Total	$	29,793	100.0%	$	27,732	100.0%

Investment Management – Derivatives

Over the last several years, HOOPP has built up a competency in the use of derivatives to implement active management programs more efficiently and construct investment portfolios.

By incorporating derivatives into carefully designed investment strategies, HOOPP can efficiently:

- manage foreign exchange risks
- implement defensive strategies to reduce risks within portfolios
- manage and rebalance asset mix
- generate value-added investment returns
- more effectively match assets to liabilities (reducing the prospect of funding shortfalls)

For example, it is often more efficient and cost-effective to carry out asset mix adjustments using a derivative than it is to buy or sell the securities underlying that derivative. This is because a derivative:

- has significantly lower transaction costs
- is more liquid than the underlying securities

Investment Management – Currency Hedging

HOOPP uses currency hedging to offset a potential change in the value of a foreign investment caused by currency fluctuations. (Currency fluctuations are a factor when the value of a foreign investment is converted back into Canadian dollars.)

In simple terms, currency hedging reduces or eliminates the risk associated with currency fluctuations. It does this by converting some or all of an investment's foreign currency exposure (based on the currency in which an investment is denominated) back into Canadian dollars (the currency in which HOOPP benefit payments are made) at a fixed rate of exchange.

This conversion is managed through the use of contracts that:

- lock in the price for a future currency purchase or sale
- transfer the currency risk to another investor

Under HOOPP's currency policy:

- 50 per cent of any foreign equity exposure must be hedged back into Canadian dollars
- 100 per cent of any foreign fixed income exposure must be hedged back into Canadian dollars

During 2007, currency hedging had a significant impact on the bottom line. This is because HOOPP was able to use currency hedging to moderate the impact of a rising Canadian dollar. As an example, U.S. equities ended the year positive in U.S. dollars, but slightly negative when converted to Canadian dollars. Without hedging, the results would have been even more negative.

Investment Management – Socially Responsible Investment

HOOPP has a fiduciary duty to maximize – over the long term and within acceptable risk parameters – the Fund's overall value. HOOPP's commitment to socially responsible investing is consistent with this obligation. We believe that companies adhering to effective social, environmental and ethical standards are likely to be better managed and more successful over the longer term.

With these factors in mind, HOOPP:

- takes into account a company's social, environmental and ethical principles when making investment decisions
- encourages reasonable disclosure of social, environmental, and ethical performance when voting proxies
- may enter discussions with companies where it feels that improved disclosure practices are required to reasonably assess the prospects for long-term shareholder value

In assessing a company's social, environmental and ethical standards, HOOPP is guided by:

- the principles embodied in the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- The Coalition for Environmentally Responsible Economies (CERES) principles; CERES is a coalition of environmental, investor and advocacy groups that works with companies to achieve environmental improvement)

Investment Performance – Introduction

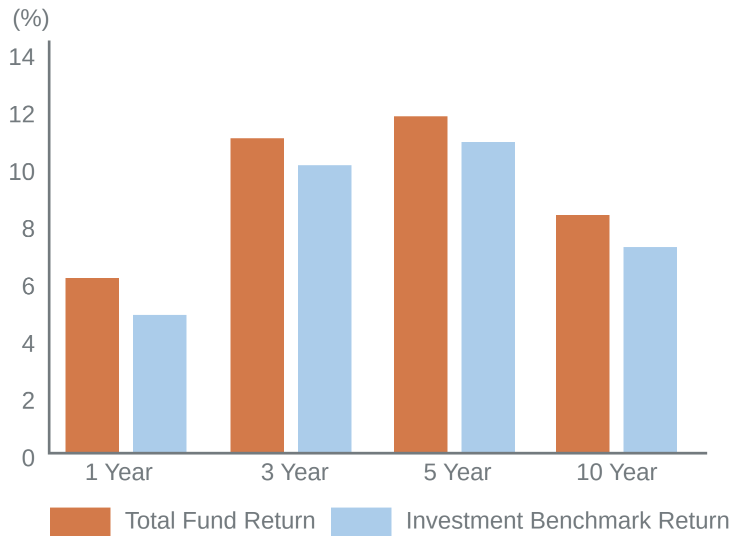
A soaring Canadian dollar, volatile equity markets and low interest rates combined to create a challenging investment climate during 2007. Nevertheless, HOOPP continued to generate value-added returns – outperforming its investment benchmark for the 10th straight year.

Overall, the Fund's total return was 6.23 per cent. While this figure is down from the double-digit returns of 2006 and 2005, it would have been much lower if not for prudent investment strategies that enabled us to:

- avoid turmoil related to the collapse of the sub-prime mortgage market and direct exposure to asset-backed commercial paper (ABCP) investments, and
- minimize currency exchange losses through the use of derivative strategies.

While the Fund outpaced its investment benchmark by 145 basis points, it fell short of the nominal long-term return target of the Plan by 52 basis points.

Total Fund vs. Investment Benchmark Returns



On the heels of a stellar performance of 2006, the Fund's real estate and private equity portfolios continued to produce strong results in 2007. Real estate was the top performing asset class, generating a return of 22.65 per cent. The private equity portfolio returned 17.49 per cent return, despite the negative currency exchange impacts from foreign investments valued in foreign currencies.

What would otherwise have been a good year for the Fund's public equity portfolios was dampened by the strong Canadian dollar. Positive returns in non-North American markets were negative in Canadian dollar terms.

Fixed income performance exceeded value-added targets. Absolute returns in the fixed income markets were modest in 2007, however the active management and strategies employed by HOOPP's derivatives and fixed-

Investment Performance – Equities

Canadian equities

HOOPP's Canadian equities exposure generated a return of 11.06 per cent in 2007. That compares with a return of 19.82 in 2006 and falls shy of the portfolio benchmark – the S&P/TSX60 Total Return Index – by 8 basis points.

Markets got off to a strong start in the first half of 2007, with the S&P/TSX60 reaching an all-time high. However, fall-out from a troubled U.S. sub-prime mortgage market, as well as a faltering U.S. economy, triggered a correction that started in July and spilled over into August. Markets managed to rally in the third quarter only to fall again and finish the year on a volatile note.

Stock selection – particularly in the financial, technology and consumer sectors – detracted from portfolio returns, while derivative strategies added to returns.

Asset category	HOOPP return – net of fees (%)	Benchmark return (%)	Benchmark
Canadian Equities	11.06	11.14	S&P/TSX60 Total Return Index

U.S. equities

Following nearly five strong years, U.S. markets stumbled in 2007. A sell-off in July and August wiped out gains made during the first half of the year. Markets rebounded in the third quarter, but then faltered again in the fourth quarter.

Favourable stock selection and successful derivative strategies both added value to HOOPP's portfolio. However, a strong Canadian dollar (relative to the U.S. dollar) pushed returns into negative territory. Before currency conversion, the portfolio had a return of 7.00 per cent, beating the benchmark by 1.51 per cent. However, the currency adjusted return (after converting gains back into Canadian dollars) was -8.06 per cent. (In terms of total Fund returns, the impact of this currency adjustment was muted by active overlay strategies that saw 50 per cent of the portfolio's currency exposure hedged back into Canadian dollars.)

Asset category	HOOPP return (in Canadian dollars – net of fees) (%)	Benchmark return (%)	Benchmark
U.S. Equities	-8.06	-9.57	S&P 500 Total Return Index

During 2007, HOOPP brought the remainder of its externally-managed U.S. equities in-house. The portfolio's mid-capitalization stocks, which accounted for about one per cent of HOOPP's total assets, were managed by two external managers. Moving these assets in-house will help reduce investment management costs and is consistent with a policy decision to reduce the Fund's equity exposure.

Investment Performance – Equities

International equities

While there continues to be strength in the underlying economies of key global markets, many markets were affected by the weakening U.S. economy. There were, however, exceptions. The Chinese market set new records, with the Shanghai index rising by 97 per cent. The Bovespa, Brazil's main stock market, climbed 40 per cent during the year.

The currency adjusted return was -3.95 per cent, or 179 basis points shy of the benchmark. (Again, the impact of this currency adjustment, in terms of total Fund returns, was offset by active overlay strategies that saw 50 per cent of the portfolio's currency exposure hedged back into Canadian dollars.)

Asset category	HOOPP return (in Canadian dollars – net of fees) (%)	Benchmark return (%)	Benchmark
International equities – external	-3.95	-2.16	Morgan Stanley Capital International All Country World Index Blend Total Return Index

Investment Performance – Real Estate

Heading into 2007, indicators pointed to a more challenging year for HOOPP's real estate portfolio. Despite those early indicators, however, the portfolio turned in a strong performance. The portfolio outperformed its estimated benchmark by 6.7 per cent (or 670 basis points), generating a total return of 22.65 per cent.

Continued strength in the real estate portfolio can be attributed to a combination of:

- a well-established and disciplined development program
- improved occupancy levels (reaching an unprecedented 97 per cent)
- better-than-expected cash flows
- lower-than-expected expenses, and
- robust valuation gains

HOOPP focuses on building a real estate portfolio that is balanced and diversified by type of property and geographic location. To this end, HOOPP has – over the years – acquired a mix of retail, commercial and industrial properties across the country.

During the first half of 2007, efforts to acquire new properties were fettered by a shortage of sensible buying opportunities. However, the pace picked up in the second half of the year as the credit crisis took hold, reducing competition for quality properties. By year end, HOOPP had made several acquisitions, including:

- three existing industrial properties (two in Montreal and one in Toronto)
- a 75 per cent interest in the Mayflower Mall, the market-dominant retail shopping centre in Sydney, N.S., and
- select land for future industrial development in Bolton, Cambridge, Halifax, and Montreal
- On the development side, HOOPP:
- started construction on a new shopping centre in Toronto (a co-venture with a partner)
- completed the construction of a new industrial building in Halifax, now fully leased, and began construction on one other
- continued with the construction of three industrial buildings in Milton that will be ready for occupancy in early 2008
- completed and leased 600,000 square feet of industrial buildings in Calgary's Eastlake District
- completed the construction and lease-up of the Centrium office tower in downtown Calgary (a co-venture project), and
- commenced construction of Phase IV of Westpoint, an industrial complex in Edmonton

Investment Performance – Real Estate

HOOPP, as part of its focus on liability driven investing, has revised its asset mix to include a higher allocation towards real estate investments. Real estate is shown to have a high positive correlation with inflation, thus providing an effective hedge against inflation-sensitive elements of the Plan's liability exposure. At year end, real estate accounted for about 10.3 per cent of the Fund's total assets.

As of December 31, 2007, the total value of net equity in HOOPP's real estate portfolio stood at $3.06 billion, up 18.12 per cent from $2.59 billion at year-end 2006.

Asset category	HOOPP return – net of fees (%)	Benchmark return (%)	Benchmark
Real estate	22.65	15.95	Investment Property Databank (IPD)

Investment Performance – Private Equity and Special Situtations

HOOPP's private equity investment activities are directed by HOOPP Capital Partners, a successful team that provides absolute returns that complement HOOPP's other investment activities. The team is now entering its tenth year.

Activity in the large leveraged buy-out market slowed significantly in 2007 as the credit environment reduced support for such transactions. In fact, some proposed high-profile transactions involving public companies were abandoned altogether.

By contrast, smaller and lower-profile segments of the private equity industry remain well positioned for continued activity. Going forward, it is expected that the private equity industry focus will be on business-driven rather than finance-driven investment. These conditions play towards HOOPP Capital Partners' traditional entrepreneurial strengths.

When making investment choices, HOOPP Capital Partners typically focuses on situational, company and management-specific factors – rather than sector themes and ever-changing public market conditions. Nonetheless, HOOPP Capital Partners is keenly aware of the overarching impact of capital markets, currencies and economic conditions.

During 2007, the portfolio's investment performance was broad-based, generating a return of 22.7 per cent (before currency adjustments). This return is exceptional given that a significant portion of the portfolio's $1.22 billion in assets is newly invested. Even after currency adjustments, the return was a respectable 17.49 per cent – resulting in investment profits of $181 million. (The overall impact of this currency adjustment was muted outside of this portfolio by active overlay strategies at the HOOPP level that saw 50 per cent of the portfolio's currency exposure hedged back into Canadian dollars.)

Returns were essentially cash-based. This is because the portfolio's carrying value remains slightly below cost, reflecting an appropriately modest assessment of investment carrying values.

Asset category	HOOPP return – net of fees and foreign exchange (%)	Benchmark return (%)	Benchmark
Private equity and special situations	17.49	6.75	Total Plan Funding Target

The carrying value of the portfolio at December 31, 2007 was $1.22 billion. At 4.1 per cent of the total Fund, the private equity portfolio finished the year slightly overweight against the 3.5 per cent neutral policy allocation.

Investment Performance – Fixed Income

HOOPP sidestepped much of the volatility that impacted bond and money markets in 2007. It managed this through a series of proactive trading strategies, including:

- going into 2007 with an underweight position in credit and maintaining this position throughout 2007
- avoiding direct exposure to • non-bank asset-backed commercial paper (ABCP) in favour of less risky investments
- positioning its portfolio to avoid turmoil in the sub-prime mortgage market that triggered a credit crisis
- stepping up bond-financing activities in response to higher financing spreads

For the purpose of reporting results, HOOPP divides its fixed income investments into four basic types:

- Canadian universe bonds
- Canadian long bonds
- real return bonds
- short-term money market

Canadian universe and long bonds

Despite volatility in the bond market, HOOPP's universe bond portfolio, which includes exposure to derivatives, reported a value-adding gain of 0.61 per cent during 2007, while its long bond portfolio returned 3.41 per cent, 0.03 per cent less than its benchmark.

Asset category	HOOPP return – net of fees (%)	Benchmark return (%)	Benchmark Plan and investment expenses
Canadian universe bonds	4.29	3.68	DEX Universe Bond Index
Canadian long bonds	3.41	3.44	DEX Long Bond Index

To manage its Canadian universe and long bond portfolios, HOOPP uses a two-step approach. In short, it:

1. constructs a portfolio that tracks a relevant index (the DEX Universe Bond Index for Canadian bonds and the DEX Long Bond Index for long bonds)
2. enhances returns through the use of active overlay strategies (strategies that use derivatives to change the Plan's exposure to certain assets, without actually having to buy or sell those assets).

Investment Performance - Fixed Income

Real return bonds

HOOPP's real return bond portfolio is a passively managed portfolio. (In other words, the manager does not actively decide which securities to hold; instead, the portfolio mirrors the make-up of a chosen index.)

Because real return bonds pay a rate of return equal to the rate of inflation *plus* a premium, this portfolio provides a hedge against any inflation- or interest-rate-related increase in the Plan's benefit liabilities.

For 2007, the portfolio returned 2.12 per cent. The benchmark for this portfolio is its rate of return – in other words, it is benchmarked against itself.

Short-term money market

At December 31, 2007, HOOPP's economic exposure to short term money represented 8.6 per cent of total assets.

HOOPP maintains a money market portfolio so that it:

- has cash on hand to meet liquidity needs (i.e., pay monthly benefits and Plan expenses)
- any non-direct investments made using derivatives are backed by money market assets

The returns on money market assets used to back derivative strategies are measured against the benchmark for the investment tactic being replicated.

During 2007, credit spreads widened significantly in response to the sub-prime crisis and the problems in the asset backed commercial paper (ABCP) market. HOOPP's Investments team did not invest in ABCP; it was felt the sector was simply too risky, given the uncertain nature of the backing assets. As a result, market liquidity diminished significantly and the focus for investing shifted toward government securities, including provincial government bonds and Canadian government agency bonds.

To enhance returns, HOOPP made use of derivative overlays in higher quality credits and indices.

Plan and Investment Expenses

Plan Expenses

Plan expenses increased in 2007, climbing to $48 million from $44 million in 2006, an increase of 9.1 per cent. This increase was due largely to a concerted and final effort to bring HOOPP's new pension administration system up to full functionality.

The new pension administration system is being leveraged to provide meaningful service enhancements that will ultimately lead to further efficiencies.

Cost per member

HOOPP uses cost per member (CPM) to measure the efficiency of delivering pension services. Tracking and analyzing CPM allows HOOPP to continually monitor costs over time. The chart below shows HOOPP's CPM since 2003:

Year	**2003**	**2004**	**2005**	**2006**	**2007**
CPM*	$161	$171	$195	$194	$202

*calculated as Plan expenses divided by the total number of members at year end

The slight increase in CPM from 2006 was mainly due to costs incurred for the pension administration system implementation, which was partially offset by the increase in membership. HOOPP expects the CPM to level off over the next few years as the Plan realizes efficiencies from the new pension administration system and enhanced client service delivery.

Investment Expenses

On the investment side, expenses for the year were higher - $52 million compared to $47 million in 2006, an increase of 10.6 per cent.

Higher costs associated with managing a growing pool of assets, as well as ongoing expenditures related to the development of investment management systems, were offset somewhat by significantly lower external management fees (the result of a reduced reliance on external managers).

Plan and Investment Expenses

Investment operating costs

Investment operating costs (IOC) is a measure used by the investment industry to gauge the efficiency of investment processes. The chart below shows HOOPP's IOC since 2003, measured in basis points (bps):

Year	2003	2004	2005	2006	2007
IOC*	17.8 bps	17.8 bps	18.4 bps	18.6 bps	18.1 bps

*calculated as Investment expenses divided by the Net Investments at year end

The decrease in IOC from 2006 was mainly due to the increase in the Fund size which more than offset the increase in expenses. HOOPP expects the IOC to increase slightly over the next few years as new investment systems are implemented.

Risk Management and Controls – Introduction

Risk management is a key part of good governance and a cornerstone of any successfully managed pension plan.

Like any financial enterprise, HOOPP, as a defined benefit pension plan, faces risks on several fronts. To effectively manage those risks on behalf of Plan participants, HOOPP is creating a comprehensive risk management framework that encompasses:

- funding risk management
- investment risk management
- operational risk management

This section of the report outlines some of the many strategies, procedures and tools that HOOPP uses (or is developing) to manage risk – and to help ensure the Plan's continued success.

Risk Management and Controls – Funding Risk Management

Living up to its pension obligations, current and future, is HOOPP's number one priority. But it is by no means our only priority. On the funding side, we're also committed to:

- keeping contribution rates at reasonable levels, so the Plan remains affordable
- keeping contribution rates stable, so that members and participating employers can budget accordingly

To help achieve these important objectives, HOOPP has implemented and advanced a number of funding risk management safeguards. For example:

- HOOPP conducts a funding valuation each year to gauge the Plan's assets and liabilities (pension obligations). As part of the valuation process, HOOPP works with an independent actuarial advisor to prepare projections of its future funding requirements.

- HOOPP has established a detailed funding policy that:
  - provides a framework for making informed funding decisions
  - sets "trigger" points that flag potential adjustments to contribution and/or benefit levels

While these are important safeguards, risk management is an ongoing process. HOOPP lowered its long-term investment return assumption in 2007. Adopting a lower, more conservative investment return assumption is consistent with the Plan's move toward a more risk-averse investment strategy.

We also moved ahead with the implementation of a multi-year funding and risk management program designed to:

- improve the quality and availability of funding data
- better measure and manage funding risk
- bring investment strategies more in line with funding needs

The Board will – as it has in the past – take a proactive, considered and consultative approach to any price or benefit changes needed to address funding concerns.

Risk Management and Controls – Investment Risk Management

Looking after $30 billion is a major responsibility – and one that HOOPP takes seriously. Securing the pension promise depends on it. But given that the majority of HOOPP pension benefits are funded from investment earnings, rather than through contributions, we need to protect the money and make it grow.

To help protect the Plan's assets while earning a reasonable rate of return, we've implemented – and continue to develop – a wide range of risk-management strategies and tools. For example, during 2007, we:

- Continued to move toward a liability-driven investment approach. This approach will help to ensure our investment strategy carries a suitable level of risk – one that allows us to both protect and grow the Fund's assets.

- Changed the asset mix policy. The new policy supports the Fund's liability-driven investment approach by reducing exposure to equity markets in favour of historically less volatile bond and real estate markets.

- Implemented hedging strategies using derivatives to modify the risk profile of the Fund and its equity holdings.

- Continued with the development and implementation of improved investment technology. This includes an integrated data and performance management system that:
    - synthesizes information from multiple sources to produce value-added data
    - supports investment decision-making

- Moved forward with a multi-year initiative to build an asset and liability modelling and risk measurement system to further enhance our risk management capabilities

As part of its ongoing risk management procedures, HOOPP regularly reviews its:

- *Statement of Investment Principles (SIP)*, which defines the Plan's investment return objectives and risk tolerances based on total Plan liabilities
- *Statement of Investment Policies & Procedures (SIP&P)*, which provides broad investment guidelines for the investment of HOOPP assets
- *Investment Policies & Guidelines (IP&G)*, which:
    - sets benchmarks and value-added investment objectives
    - places limits on where money can be invested
    - establishes guidelines for determining the value of different assets

Risk Management and Controls – Operational Risk Management

In addition to funding and investment risk, HOOPP faces a number of operational risks related to the day-to-day governance and administration of the Plan. While it is impossible to predict let alone preclude every operational risk, HOOPP has – based on industry best practices – taken a number of key steps to protect the Plan and its stakeholders:

- HOOPP's Board conducts an annual review of its governance structure and procedures.

- The Plan has a number of policies in place designed to minimize operational risk, such as:
  - a code of business conduct
  - a policy governing confidentiality and disclosure of information
  - a whistle-blower protection policy
  - conflicts of interest policies
  - a privacy policy

- HOOPP has a regularly tested business continuity plan in place. This rigorous plan is designed to ensure that HOOPP can – in the event of a disaster – recover its critical systems at an off-site location and carry on core business functions (including the processing and payment of pensions).

- During 2007:
  - HOOPP introduced a succession planning strategy to ensure it has the knowledge-based talent it needs going forward
  - moved forward with comprehensive reviews of its internal controls and compliance processes

Advocacy

Where appropriate, HOOPP represents the interests of its membership through various advocacy efforts. Through these efforts, HOOPP seeks to:

- better serve Plan members and pensioners (and, when appropriate, other stakeholders)
- play a role in the development of public policy affecting the Plan
- bring to light areas where pension, investment or other reform is needed

During 2007, HOOPP delivered its submission to Ontario's Expert Commission on Pensions. The mandate of the commission is to look at the viability, security and sustainability of pensions in Ontario, specifically including defined benefit plans.

In its submission, HOOPP focused on three key issues:

1. *Portability* – The submission asserts that members need the ability to protect the value of their pension when moving from one employer, or pension plan, to another.

2. *Solvency funding rules* – The submission argues that the existing solvency funding rules, as they apply to multi-employer pension plans (MEPPs) like HOOPP, are excessive and onerous.

3. *Rules governing MEPPs* – The submission points out that existing pension legislation is designed for single-employer pension plans and, as such, does not adequately meet the unique roles and needs of MEPP plan administrators, participating employers and members.

Industry Standards

International Financial Reporting Standards

In 2006, the Accounting Standards Board announced Canada's intention for all publicly accountable enterprises to adopt International Financial Reporting Standards in place of Canadian Generally Accepted Accounting Principles. While the final verdict is still out on timelines for this change, as well as how pension plans like HOOPP will be impacted, HOOPP is working proactively to address the issue through discussions with other pension plans, regulators, and standard-setters to assess implications.

Trade Matching

HOOPP's Investment Finance Operations aims to achieve the standards set forth by The Canadian Capital Markets Association as outlined in the National Instrument 24-101. HOOPP employs appropriate policies and procedures to ensure efficient and timely settlement of institutional trades.

Glossary

Basis point
A unit of measurement used to quantify investment returns or interest rates. A basis point is equal to one one-hundredth of a percentage point (0.01 per cent).

Benchmark
An "investment benchmark" is the index or mix of indices representative of the asset class against which a portfolio manager's investment performance is evaluated. For example, the investment benchmark for HOOPP's Canadian equity portfolio is the S&P/TSX60 Total Return Index.

Bonds
A security representing a loan to a government or company. Bonds have a maturity date, which is the agreed-upon date the loan is to be repaid in full.

Derivatives
A derivative is a financial contract (between two or more parties) whose terms and conditions are based on one or more underlying assets (stocks, bonds, commodities, currencies, etc.). An example is an option, which gives the buyer the right, but not the obligation, to buy or sell an asset at a set price on or before a given date.

DEX Universe Bond Index
The DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. It includes approximately 995 securities. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value.

DEX Long Term Bond Index
The DEX Long Term Bond Index is designed to measure total return for the Canadian investment-grade long-bond market, covering approximately 250 bonds with a term to maturity of more than 10 years.

Economic exposure
Reflects HOOPP's total investment in a certain type of asset, including:
- direct investment through actual assets held
- indirect exposure through derivative strategies

Emerging markets
The financial markets of developing countries.

Equity
A security representing partial ownership in a company. Stocks are equities. Large-cap equities are the stocks issued by larger companies. Mid-cap equities are the stocks issued by mid-sized companies.

Glossary

Equity Oriented
Investments in private equity and real estate.

Hedging
Reducing or offsetting a pre-existing risk exposure by making a financial transaction (often using derivatives).

Investment Property Databank
This index is designed to measure the performance of institutionally owned and managed properties in Canada.

Liability-driven investing
An approach to portfolio construction and management which explicitly integrates the exposures and cash flows of pension liabilities in formulating investment policies.

Long bonds
Bonds with a term to maturity of more than 10 years.

Morgan Stanley Capital International All Country World Index Blend Total Return Index
This is a composite index of equities listed on exchanges in developed and emerging markets throughout the world, including the U.S. and Canada.

Publicly Accountable Enterprises
According to the International Accounting Standards Board, an entity has public accountability if:
- it has issued (or is in the process of issuing) debt or equity instruments in a public market, or
- it holds assets in fiduciary capacity for a broad group of outsiders, such as a bank, insurance company, securities broker/dealer, pension fund, mutual fund, or investment bank

Real return bonds
These are bonds that provide a rate of return that is adjusted for inflation. This feature helps protect the 'buying power' of the initial investment, regardless of the inflation rate. Real return bonds tend to be issued by the federal government.

Risk mitigation
Risk mitigation is the application of systems to reduce the amount of loss from the potential future occurrence of an event.

Russell Mid-cap Total Return Index
This is a composite index that measures the performance of 800 U.S. corporations with market capitalization between approximately U.S. $1 billion and U.S. $18 billion. The average market capitalization is approximately U.S. $7.5 billion.

Glossary

S&P/TSX60 Total Return Index
Standard & Poor's index of 60 Canadian stocks. Most Canadian index derivatives use this index as a reference price.

S&P 500 Total Return Index
This Standard & Poor's composite index is made up of 500 U.S. stocks and is used as a benchmark for the U.S. large-cap equity portfolios.

Total Plan Funding Target
This is the average annual rate of return the Fund needs to earn over the longer term to ensure Plan assets are sufficient to pay all benefits and expenses (assuming the Plan's actuarial assumptions reflect emerging economic, market and demographic experience).

Universe bonds
These are bonds listed on the DEX Universe Bond Index.

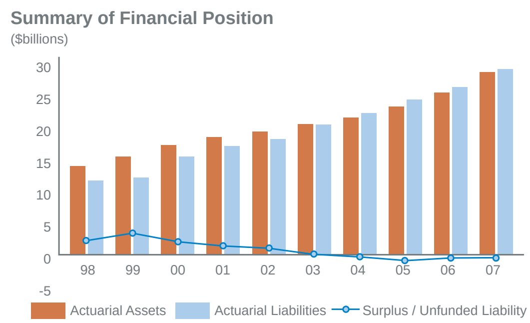
A unit of measurement used to quantify investment returns or interest rates. A basis point is equal to one one-hundredth of a percentage point (0.01 per cent).

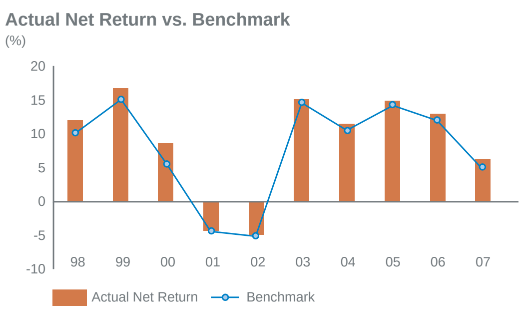
Financials

Highlights

"Despite a challenging investment climate, HOOPP continued to generate value-added returns – outperforming its benchmark for the 10th straight year."

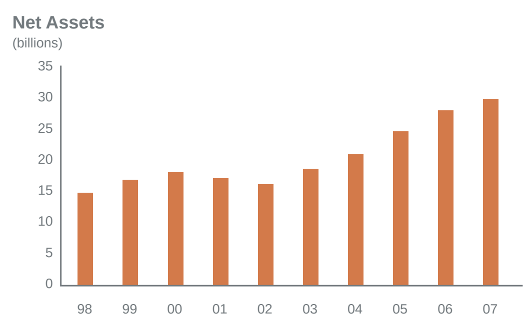
During 2007, HOOPP was able to set 2009 contribution rates at the 2008 rates. HOOPP provided a cost of living adjustment for pensioners equal to 75 per cent of the increase n the 2007 consumer price index. At year end, the Plan was 99 per cent funded.





In 2007, the Plan achieved a total Fund return of 6.23 per cent, beating its benchmark for the 10th consecutive year.

As of December 31, 2007, net assets available for benefits stood at $30 billion, up from $27.9 billion at year end 2006. This can be attributed to investment gains and positive pension cash flow (i.e., the total of contributions and benefit transfers flowing into the Plan exceeded the total of pension payments and benefit transfers flowing out of the Plan). For funding purposes, net assets available for benefits are adjusted based on a technique which uses a five-year average of previous year-end asset values, all extrapolated to the end of 2007. This adjustment helps to minimize the impact of short-term market volatility in any one year.



($ Billions)	**As at Dec. 31, 2007**	**As at Dec. 31, 2006**	**Change**
Net assets	**$30.0**	**$27.9**	**$2.1**
Actuarial asset value adjustment [note 1(e)]	**(1.6)**	**(2.7)**	**1.1**
Actuarial value of net assets	**28.4**	**25.2**	**3.2**
Accrued pension benefits	**28.7**	**25.8***	**2.9**
Surplus/(unfunded liability) [note 9(a)]	**(0.3)**	**(0.6)***	**0.3**

*Restated [note 13]

Consolidated Financial Statements

Management's Responsibility For Financial Reporting

The consolidated financial statements of the Hospitals of Ontario Pension Plan (HOOPP) have been prepared by management and approved by the Board of Trustees. Management is responsible for the contents of the consolidated financial statements and other sections of the annual report.

HOOPP maintains appropriate processes to ensure the integrity and fairness of the data presented and that relevant and reliable information is produced. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and comply with the financial reporting requirements of the Pension Benefits Act of Ontario. These consolidated financial statements include certain amounts that are based on management's estimates and judgments. The significant accounting policies used and which management believes are appropriate for HOOPP are described in note 1 to the consolidated financial statements. The financial information presented throughout the annual report is consistent with that found in the consolidated financial statements.

Management's systems of internal control and procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include an organizational structure that provides a well-defined division of responsibilities, accountability for performance and the timely communication of policies and guidelines throughout the organization.

The Board of Trustees is ultimately responsible for approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. Reporting to the Board of Trustees, the Audit and Finance Committee assists the Board in performing its responsibilities regarding the organization's audit, financial information, and internal controls. The Audit and Finance Committee reviews and recommends approval of the consolidated financial statements to the Board.

PricewaterhouseCoopers LLP was appointed the independent external auditors by the Board upon the recommendation of the Audit and Finance Committee. The auditor has conducted an independent examination of the consolidated financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and procedures as they consider necessary to express an opinion in their Auditors' Report. The external auditor has full and unrestricted access to management and the Audit & Finance Committee to discuss any findings arising from the audit in relation to the integrity of the Plan's financial reporting and the adequacy of internal control systems.

JOHN A. CROCKER
President & Chief Executive Officer

DAVID G. HAYTER, CMA
Senior Vice-President, Finance and Chief Financial Officer

April 2, 2008

Consolidated Financial Statements

Actuaries' Opinion

Towers Perrin Inc. was retained by the Board of Trustees for the Hospitals of Ontario Pension Plan (the Plan) to perform an actuarial valuation of the assets and the going concern liabilities of the Plan as at December 31, 2007. This valuation is for the purpose of inclusion in the Plan's consolidated financial statements, and is prepared in accordance with Section 4100 of the Canadian Institute of Chartered Accountants Handbook.

We have undertaken such a valuation and provided the Board with our related actuarial report. As this valuation was undertaken for purposes of the Plan's consolidated financial statements under Section 4100 of the Canadian Institute of Chartered Accountants Handbook, it might not be appropriate for other purposes and should not be relied upon or used for any other purpose.

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

- Member's demographic data provided by the Hospitals of Ontario Pension Plan as at December 1, 2007 and members' pay data which was provided as at December 31, 2006, all of which was projected to December 31, 2007 using management's estimates of experience for the intervening periods;
- Methods prescribed by the Canadian Institute of Chartered Accountants for pension plan financial statements; and
- Assumptions about future events (for example, future rates of inflation and future rates of return on the pension fund) which, having been developed by Plan management and Towers Perrin, have been adopted by Plan management as its best long-term estimate of future events.

Changes have been made to the actuarial assumptions since the previous valuation for the purpose of the Plan's consolidated financial statements at December 31, 2006 as described in the notes to the consolidated financial statements. The valuation of the Plan's assets was based on financial information provided by the Hospitals of Ontario Pension Plan.

The objective of the consolidated financial statements is to fairly present the financial position of the Plan as at December 31, 2007 as a going concern. While the actuarial assumptions used to estimate liabilities for the Plan's consolidated financial statements are reasonable in our opinion, the Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any difference between the actuarial assumptions and future experience will emerge as gains or losses in future valuations, and will affect the financial position of the Plan, and the contributions required to fund it, at that time.

We have reviewed the data used for the valuation, and have made tests of reasonableness and consistency and, in our opinion, the data is sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation and the assumptions are appropriate for the purposes of the valuation.

Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

Towers Perrin Inc.

Stephen P. Bonnar
Fellow, Canadian Institute of Actuaries

Gerald F. Schnurr
Fellow, Canadian Institute of Actuaries

April 2, 2008

Consolidated Financial Statements

Auditors' Report

To the Members of the Hospitals of Ontario Pension Plan

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and deficit of the Hospitals of Ontario Pension Plan (the Plan) as at December 31, 2007, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in deficit for the year then ended. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficit of the Plan as at December 31, 2007 and the changes in its net assets available for benefits, changes in accrued pension benefits and changes in deficit for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada

April 2, 2008

Consolidated Financial Statements

Consolidated Statement Of Net Assets Available For Benefits and Accrued Pension Benefits And Deficit

As at December 31

($ millions)		2007		2006 as restated - see Note 13
NET ASSETS AVAILABLE FOR BENEFITS				
Assets				
Investments (note 2)	**$**	**52,661**	$	41,385
Investment related receivables (note 2)		**2,511**		1,571
Amounts receivable (note 3)		**232**		200
Other assets		**6**		6
		55,410		43,162
Liabilities				
Investment related liabilities (note 2)		**25,379**		15,224
Other liabilities		**29**		24
		25,408		15,248
Net assets available for benefits		**30,002**		27,914
Actuarial asset value adjustment (note 1f)		**(1,650)**		(2,709)
Actuarial value of net assets available for benefits	**$**	**28,352**	$	25,205
ACCRUED PENSION BENEFITS AND DEFICIT				
Accrued pension benefits (note 8b)	**$**	**28,683**	$	25,808
Deficit		**(331)**		(603)
Accrued pension benefits and deficit	**$**	**28,352**	$	25,205

See *Description of Plan and accompanying notes to financial statements*

On behalf of the Board of Trustees

KELLY BUTT
Vice-Chair of the Board

RONALD MEREDITH-JONES
Chair, Audit & Finance Committee

MARCELLE GOLDENBERG
Trustee

Consolidated Financial Statements

Consolidated Statement of Changes in Net Assets Available for Benefits

Year ended December 31

($ millions)		**2007**		2006
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS				
Investment Operations				
Investment income (note 4)	**$**	**1,748**	$	3,136
Operating expenses - investment (note 7)		**(52)**		(47)
		1,696		3,089
Plan Operations				
Contributions (note 5)		**1,519**		1,376
Benefits (note 6)		**(1,079)**		(1,019)
Operating expenses - plan (note 7)		**(48)**		(44)
		392		313
Net increase in net assets available for benefits		**2,088**		3,402
Net assets available for benefits, beginning of year		**27,914**		24,512
Net assets available for benefits, end of year	**$**	**30,002**	$	27,914

See *Description of Plan and accompanying notes to financial statements*

Year ended December 31

Consolidated Statement of Changes in Accrued Pension Benefits

($ millions)		2007		2006 as restated - see Note 13
CHANGES IN ACCRUED PENSION BENEFITS				
Accrued pension benefits, beginning of year	**$**	**25,808**	$	23,749
Increase in accrued pension benefits				
Interest on accrued benefits		**1,616**		1,522
Benefits accrued		**1,270**		1,153
Changes in actuarial assumptions (note 8c)		**1,008**		890
Estimated experience loss/(gain) (note 8e)		**96**		(142)
Data correction (note 13)		**-**		(24)
Changes in plan provisions (note 8f)		**2**		1
		3,992		3,400
Decrease in accrued pension benefits				
Benefits paid (note 6)		**1,079**		1,019
Data adjustment experience gain (note 8d)		**38**		322
		1,117		1,341
Net increase in accrued pension benefits		**2,875**		2,059
Accrued pension benefits, end of year	**$**	**28,683**	$	25,808

See *Description of Plan and accompanying notes to financial statements*

Consolidated Statement of Changes in Deficit

Year ended December 31

($ millions)	2007	2006 as restated - see Note 13
CHANGES IN DEFICIT		
Deficit, beginning of year	**$ (603)**	$ (896)
Increase in net assets available for benefits	**2,088**	3,402
Change in actuarial asset value adjustment	**1,059**	(1,050)
Increase in actuarial value of net assets available for benefits	**3,147**	2,352
Net increase in accrued pension benefits	**(2,875)**	(2,059)
Deficit, end of year	**$ (331)**	$ (603)

See Description of Plan and accompanying notes to financial statements

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Description of Plan

The following description of the Hospitals of Ontario Pension Plan Trust Fund (HOOPP or the Plan) is a summary only. An exact and complete description of the Plan provisions can be found in the *Hospitals of Ontario Pension Plan Text*, the official Plan document.

a) General

The Plan is a contributory defined benefit multi-employer pension plan, established under an Agreement and Declaration of Trust (as amended) for the benefit of eligible employees of participating employers.

HOOPP is registered with the Financial Services Commission of Ontario (FSCO), and with the Canada Revenue Agency (CRA). The Plan's Registration Number is 0346007.

In conjunction with its Registered Pension Plan (RPP), HOOPP operates a Retirement Compensation Arrangement (RCA). The RCA is administered as part of the overall Plan, but its assets are held in a segregated account.

b) Funding

Plan benefits are funded by contributions and investment earnings. The Plan's funding policy aims to secure the pension promise and achieve long-term stability in contribution rates for both employers and members. Actuarial funding valuations are conducted to determine pension liabilities and the funded position and contribution rates of the Plan.

Under the terms of the Plan, contributions are set to cover the total annual cost of benefits. This includes the current service cost of benefits (with recognition of the administrative expenses of HOOPP), plus special payments required to amortize unfunded liabilities and solvency deficiencies, less any surplus amortization amounts.

c) Contributions

Contributions are determined in accordance with provisions of the Plan Text, and on the recommendation of the Plan's actuary. Since 2004, members have contributed at 6.9 percent of annualized earnings up to the respective year's maximum pensionable earnings (YMPE), and 9.2 percent of annualized earnings above the respective year's YMPE. The YMPE is a figure set annually by the federal government and used to calculate Canada Pension Plan (CPP) contributions and benefits. Employers contributed 126.0 percent of member contributions during the period. Contribution rates will remain unchanged for 2008 and 2009.

d) Pensions

The formula used to calculate a HOOPP retirement pension takes into account a member's contributory service, average annualized earnings, and the average YMPE. Members can receive an unreduced pension at the earlier of age 60 or as soon as they have completed 30 years of Plan membership, provided they are at least 55 years old. Members are eligible to retire at age 55, usually with a reduced pension.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Members who retire early will receive a bridge benefit until age 65 or death, whichever occurs first. The bridge benefit is designed to supplement a member's basic HOOPP pension until age 65 when CPP benefits normally begin. An early retirement transition benefit, which provides an additional supplement, payable until age 65, is also available to retiring members who by the end of 2005 had met certain eligibility requirements.

Members who choose to retire after the normal retirement age of 65 receive an upward adjustment in recognition of the fact that they have chosen to retire later.

e) Disability Pensions

A disability pension is available at any age to a disabled member who has at least two years of Plan membership and meets other eligibility requirements. A disability pension is based on the member's contributory service accrued to the date of disability retirement.

f) Death Benefits

Death benefits may be available to a surviving spouse or designated beneficiary upon the death of a member. Depending upon eligibility requirements, the benefit may be paid in the form of a surviving pension or lump sum payment.

g) Portability from the Plan

Members with more than two years in the Plan shall be entitled to receive a deferred pension. They may also opt to transfer the commuted value of the benefit out of HOOPP to another pension plan or registered retirement vehicle, subject to locking-in provisions and certain age restrictions.

Members with less than two years in the Plan shall be entitled to a refund of their own contributions with interest.

Members wanting to transfer their contributions or benefits from another registered pension plan to HOOPP can do so providing the transfer meets all eligibility requirements.

h) Inflation Protection

Retirement pensions earned for service through the end of 2005 are annually adjusted by an amount equal to 75 percent of the previous year's increase in the consumer price index (CPI), to a maximum CPI increase of 10 percent. Thereafter, annually the Board has the authority to provide ad hoc indexing for all service earned, up to 100 percent of the previous year's increase in CPI, depending on the Plan's financial status as well as other factors. For retirements and deferred retirements occurring in 2006 and 2007, the Board has granted ad hoc indexation equal to 75 percent of each of the 2006 and 2007 CPI increase, to a maximum CPI increase of 10 percent. Therefore, all current retirees and deferred annuitants will receive indexation at 75% of the 2006 and 2007 CPI increases in respect of all service.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

i) Retirement Compensation Arrangement

The Retirement Compensation Arrangement (RCA) was established to provide supplementary pension benefits to members whose earnings result in a pension that exceeds the maximum pension permitted under the *Income Tax Act* for Registered Pension Plans. These supplementary benefits, as described in note 10, are funded partially from contributions and investment earnings in the RCA fund.

j) Income Taxes

The Plan is both an RPP as defined in the Income Tax Act and an RCA. The RPP component is generally exempt from income taxes for contributions and investment income earned. Funds received and income earned in the RCA are taxable. Depending on the contributions received, benefit payments made, and investment income earned through the RCA, a portion of taxes may be refundable and are disclosed in note 3 as recoverable refundable withholding tax on contributions.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 1. Summary of Significant Accounting Policies

The consolidated financial statements of the Plan reflect the financial position and the changes in its net assets available for benefits. These consolidated statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and comply with the requirements of CICA Handbook Section 4100 (Pension Plans). Certain comparative amounts have been reclassified to conform to the current year's presentation. The significant accounting policies followed in the preparation of these consolidated financial statements are summarized below.

a) Principles of Consolidation

The consolidated financial statements include the assets, liabilities and the changes in net assets of HOOPP and its wholly owned investment subsidiaries, as well as its proportionate share of the fair value of assets, liabilities, and other operations resulting from real estate joint ventures, after elimination of all inter-company transactions and balances.

b) Valuation of Investments

Investments are stated at fair value. Fair value represents the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Fair values of investments are determined as follows:

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

ii. Bonds are valued based on market quotes using the average of the bid and ask prices. Where quoted year-end prices are not available, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

iii. Equities owned and sold short are valued at year-end quoted market prices.

iv. Securities sold under agreements to repurchase, all of which mature within 90 days, are treated as collateralized borrowing transactions and are recorded at cost. Accrued interest on repurchase agreements is included in interest expense as part of net investment income.

v. Private equities are valued based on estimated fair values determined using appropriate valuation techniques, and management's best estimates.

vi. Real estate, consisting primarily of income-producing properties, is generally valued based on latest appraisal values determined at least once every two years by accredited external appraisers. Investments are typically carried at cost in the year of acquisition, as an approximation of fair value, unless specific and conclusive reasons exist to change the value.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

vii. Exchange-traded derivatives are based on quoted market prices. For non exchange-traded derivatives where quoted market values are not readily available, appropriate valuation techniques are used to determine fair value.

c) Investment Transactions and Income

Investment transactions, including gains and losses realized upon dispositions, are recognized on a trade-date basis. Investment income, comprising interest income and expense, and real estate operating income net of expenses, is recorded on an accrual basis; dividend income is recognized on the ex-dividend date. Unrealized gains and losses on investments represent the change in the difference between the cost-based values and the fair values of investments at the beginning and end of each year.

On October 1, 2007, the Emerging Issues Committee (EIC) approved EIC-168 "*Accounting by Pension Plans for Transactions Costs*", requiring Pension Plans to expense transaction costs, i.e. acquisition costs, in the period in which they are incurred. HOOPP adopted this new requirement in 2007 but no adjustments have been made to the financial statements as the amounts are immaterial for financial reporting purposes.

d) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Income and expenses are translated into Canadian dollars at the rate of exchange prevailing on the dates of the transactions. The realized gains and losses arising from these transactions are included in realized gains and losses on the sale of investments. Unrealized gains and losses on translation are included in the change in unrealized gains and losses on investments.

e) Accrued Pension Benefits

Accrued pension benefits are determined based on an actuarial valuation prepared by an independent actuarial consulting firm. The year-end valuation of accrued pension benefits is based on data extrapolated to the current valuation date of December 31, 2007. The valuation uses the projected accrued benefit actuarial cost method pro-rated on service and management's estimate of certain future events.

f) Actuarial Asset Value Adjustment

The actuarial value of net assets available for benefits has been determined in a manner that reflects long-term market trends consistent with assumptions underlying the actuarial present value of accrued pension benefits.

This value has been determined by taking an average of the current market value of net assets and the market values for the four preceding years brought forward with interest at the asset valuation rate and adjusted for contributions, benefit payments, and administrative expenses.

The impact of this adjustment is to decrease the net assets available for benefits by $1,650 million (2006: decrease $2,709 million). This is a common actuarial practice and has the effect of stabilizing the contribution rates of the Plan during periods of short-term market volatility.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

g) Contributions

Contributions from members and employers are recorded on an accrual basis. Contributions for past service purchases and transfers are recorded when received.

h) Benefits

Benefit payments to members and pensioners are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in the accrued pension benefits.

i) Use of Estimates

In the preparation of these consolidated financial statements, management uses estimates and assumptions based on current available information. Such estimates and assumptions may affect the reported amounts of assets and liabilities, revenue and expenses, accrued pension benefits and related disclosures. Actual results could differ from those estimates.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 2. investments

The investment objective of the Plan is to earn an average rate of return that exceeds its long-term funding target by employing appropriate asset mix policies and risk diversification strategies. The nominal long-term return target of the Plan during the year was 6.75 percent.

a) Summary of Investments

The following schedule summarizes the fair value and cost of the Plan's investments before allocating the market exposure related to derivative financial instruments, as at December 31:

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

($ millions)	2007 Fair Value	2007 Cost	2006 Fair Value	2006 Cost
Fixed Income				
Cash and short term securities	**$ 508**	**$ 506**	$ 639	$ 639
Bonds				
Canadian	**32,258**	**31,819**	23,358	22,853
Non-Canadian	**10,183**	**10,904**	6,602	6,383
	42,949	**43,229**	30,599	29,875
Equity				
Canadian	**767**	**964**	441	560
Non-Canadian	**3,845**	**3,632**	5,933	4,937
	4,612	**4,596**	6,374	5,497
Equity-Oriented				
Real estate	**3,878**	**2,774**	3,371	2,575
Private equity and special situations	**1,222**	**1,338**	1,041	1,165
	5,100	**4,112**	4,412	3,740
Total investments	**52,661**	**51,937**	41,385	39,112
Investment related receivables				
Receivables from derivative financial instruments (note 2cii)	**1,566**	**-**	892	-
Securities purchased under resell agreements	**348**	**348**	-	-
Pending trades	**184**	**183**	354	353
Accrued investment income	**413**	**413**	325	325
	2,511	**944**	1,571	678
Investment related liabilities				
Obligations related to securities sold short	**(16,056)**	**(14,018)**	(12,872)	(10,480)
Liabilities from derivative financial instruments (note 2cii)	**(1,326)**	**(2)**	(649)	31
Real estate mortgages	**(817)**	**(817)**	(779)	(765)
Securities sold under repurchase agreements	**(6,600)**	**(6,600)**	(613)	(613)
Pending trades	**(525)**	**(524)**	(264)	(263)
Obligations related to securities lending	**-**	**-**	(7)	(7)
Accrued liabilities	**(55)**	**(55)**	(40)	(40)
	(25,379)	**(22,016)**	(15,224)	(12,137)
Net investments	**$ 29,793**	**$ 30,865**	$ 27,732	$ 27,653

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

b) Risk Management

Fundamental to the risk management process is the understanding of risks associated with all areas of the Plan's business and its operating environment, and the articulation of strategies for dealing with those risks.

The Plan's investment portfolio is subject to risks that could adversely affect its cash flows, net assets available for benefits, and income.

The Plan controls investment – related risks through its Statement of Investment Policies and Procedures (SIP&P) and Investment Policies and Guidelines (IP&G), which prescribe a long-term debt-equity asset mix policy; require portfolio investment diversification; set guidelines on investment categories; and limit exposure to individual investments, major asset classes, geographic markets and currency. Derivatives are utilized to manage credit and market exposures.

Interest Rate Risk

Interest rate risk is the risk that the market value of the Plan's investments will fluctuate due to changes in market interest rates. It arises from the potential variation in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's investments and investment related receivables and liabilities are affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are influenced by expectations of long-term inflation and salary escalation, as well as long-term rates of return on investments.

Guidelines on the weighting and duration for the fixed income portfolio and related derivative positions are set and monitored to manage the Plan's interest rate risk.

The remaining terms to contractual maturity or repricing dates, whichever dates are earlier, of interest-bearing investments (including those which back derivative instruments) as at December 31 are as follows:

($ millions, except %)	2007					2006	
Interest Bearing Instruments	**Within 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Total**	**Effective Yield**	**Total**	**Effective Yield**
Short-term securities	$435	-	-	$435	5.59%	$527	3.97%
Canadian bonds*							
Federal bonds	51	$3,312	$3,765	7,128	4.26%	4,225	4.21%
Provincial and municipal bonds	2,060	5,962	5,284	13,306	3.75%	9,235	3.61%
Real return bonds	-	-	1,685	1,685	1.48%	1,304	1.36%
Corporate bonds	2,529	6,253	1,209	9,991	5.17%	8,594	4.48%
	4,640	15,527	11,943	32,110	4.19%	23,358	3.92%
Non-Canadian bonds	2,006	6,133	2,044	10,183	5.35%	6,602	5.22%
	$7,081	$21,660	$13,987	$42,728	4.48%	$30,487	4.20%

** Net of Canadian bonds sold short of $148 million [2006: $nil]*

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Currency Risk

Currency risk is the risk that the value of the Plan's investments will fluctuate due to changes in foreign exchange rates. The Investment Policies and Guidelines require that the Plan's foreign currency exposure on equity and equity-oriented investments be approximately 50% hedged, fixed income investments be 100% hedged and currency exposures on derivative positions be hedged. This is accomplished by entering into foreign currency forward contracts or swaps for the purchase or sale of foreign currencies.

The Plan's investments by currency of risk including related derivative financial instruments, as at December 31, are as follows:

(Canadian dollar, Millions)	**2007**			2006
		Net Foreign	**Net**	Net
Currencies	**Exposure**	**Hedge**	**Exposure**	Exposure
Canada	$14,762	$11,641	$26,403	$23,526
United States	11,534	(10,077)	1,457	2,115
Euro	1,723	(1,050)	673	580
Other European	742	(203)	539	612
Japanese	463	(217)	246	335
Other Pacific	235	(94)	141	194
Emerging Markets	334	(0)	334	370
	$29,793	$ -	$29,793	$27,732

Credit Risk

Credit risk is the risk that a loss could arise from a securities issuer being unable to meet its financial obligations. Credit risk is mitigated by adherence to investment policy limits on credit ratings and exposure to individual corporate entities and derivative counterparties. The Plan may have fixed income exposure to below investment grade issues arising from credit rating downgrades, which may be hedged by utilizing credit default swaps from financial institutions rated A and higher. Management may also enter into credit default swap arrangements where no credit rating downgrades have occurred.

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all securities traded in the market. The Plan enters into short positions, where it agrees to sell securities which it does not already own. The risk associated with short positions is that the Plan could be required to purchase the securities at a market price which exceeds the agreed upon sale price. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the investment policy, and to utilize derivative financial instruments to mitigate the impact of market risk.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Securities Lending and Collateral Received

To enhance the portfolio return, the Plan lends securities to approved borrowers. Credit risk associated with the securities lending program is mitigated by requiring the borrower to provide daily securities collateral with market values exceeding the market value of the loaned securities. The securities lending program also includes transactions with cash as collateral. The cash is reinvested in short-term money market securities and expected to earn a rate of return in excess of the net rebate paid to the securities borrower. As at December 31, the fair value of loaned securities was $378 million (2006: $598 million). Collateral received associated with securities lending totaled $407 million (2006: $629 million) comprised of securities worth $407 million (2006: $622 million) and cash of $nil (2006: $7 million).

Securities Borrowing and Collateral Lodged

The Plan borrows securities from financial institutions for securities that have been sold short for yield enhancement strategies. Fixed income securities deposited or pledged with various financial institutions as collateral or margin totaled $16,881 million (2006: $13,778 million) for securities borrowing, $385 million (2006: $340 million) for futures, $750 million (2006: $2,328 million) for other derivative obligations, and $32 million (2006: $nil) for repurchase agreements.

c) Derivative Financial Instruments

Derivatives are financial contracts, the value of which is derived from the value of underlying assets, interest rates, indices, or exchange rates.

The Plan's investment objectives for the use of derivatives are to enhance returns by facilitating changes in the investment asset mix to enhance equity and fixed income portfolio returns, and to manage financial risk. Derivatives are only permitted if their value is based on some component of equities, bonds, or money market instruments, and not on any other asset class.

i) Derivative Product Types

Foreign exchange forward contracts

A foreign exchange forward contract is a customized agreement negotiated between two parties to buy or sell a specific amount of a foreign currency at a price specified at origination of the contract, with settlement at a specified future date. Forward contracts are used to modify the Plan's exposure to currency risk.

Foreign exchange, equity and bond options

An option contract is a contractual agreement under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) at or until a specified future date a specified amount of a particular financial instrument at a predetermined price. The seller receives a premium from the purchaser for this right. Options are bought and sold to manage the exposures of market risk to a particular financial instrument without directly purchasing or selling the underlying security.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Caps and floors
An interest rate cap is a series of call options on the specified reference interest rate. The buyer receives payment at maturity if the reference interest rate is above the agreed strike rate. An interest rate floor is a series of put options on the specified reference interest rate. The buyer receives payment at maturity if the reference interest rate is below the agreed strike rate.

Equity swaps
An equity swap is a contractual agreement between two parties to exchange a series of cash flows based on the return of an equity or an equity index return. One party typically agrees to pay a floating interest rate in return for receiving the equity return. Equity swaps are used for yield enhancement purposes and also to adjust exposures to particular indices without directly purchasing or selling the securities which comprise the index.

Interest rate swaps
An interest rate swap (including cross currency swap) is a contractual agreement between two parties to exchange a series of fixed or floating cash flows in the same currency or different currencies based on the notional amount. Interest rate swaps are used to manage interest rate exposures and cross currency swaps are used to manage both interest rate and currency exposures.

Credit default swaps
A credit default swap is a contractual agreement between two parties where the buyer of the protection pays a premium to the seller in exchange for payment of the notional amount from the seller against delivery of the related/relevant debt securities if a credit event such as a default occurs. Instead of physical settlement, credit default swaps can also be cash settled. Credit default swaps are bought and sold to promote credit diversification and for risk mitigation.

Variance swaps
A variance swap is a contractual agreement to exchange cash flows based on the difference in volatility of two underlying rates, such as exchange rates, interest rates or stock indices.

Bond and equity futures contracts
Futures contracts involve an agreement to buy or sell a standardized amount of bonds or equity indices, at a predetermined future date and price, in accordance with terms specified by a regulated futures exchange and are subject to daily cash margining. These types of derivatives are used to efficiently modify exposures without actually purchasing or selling the underlying assets.

ii) Derivative Related Credit Risk

Credit risk is the risk of loss in the event the counterparty to a transaction defaults, or otherwise fails to perform under the terms of a contract. Credit risk exposure for derivative financial instruments is measured by the positive fair value of the contractual obligations with the counterparties, less any collateral or margin received, as at the reporting date. To manage this risk, contracts can only be transacted on a regulated exchange or with counterparties with a minimum credit rating of A, as determined by a recognized credit rating agency. In addition,

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

the Plan utilizes an internal credit-limit monitoring process and has master netting arrangements (which provide for certain rights of offset) in place and the right to obtain collateral. For futures contracts, credit risk exposure is negligible, as the contracts are transacted over an exchange as opposed to with an individual counterparty. All derivative contracts currently held by HOOPP have daily, quarterly or semi-annual resets.

The following schedule summarizes the notional, fair value and credit exposure of the Plan's derivatives position, as at December 31:

($ millions)	2007				
	Notional Value*		Fair Value		Credit Risk
Derivative Financial Instruments	**Long**	**Short**	**Assets**	**Liabilities**	**Exposure**
Foreign exchange forward contracts	$ 4,939	$ 4,939	$ 41	$ (51)	$ 41
Options					
Foreign exchange	125	125	1	-	1
Caps and floors	50		-	-	-
Equity	363	366	503	(444)	503
Bond	-	-	-	-	-
Swaps					
Equity	19,624	2,507	168	(430)	168
Interest rate	12,984	2,685	724	(297)	724
Credit default	6,287	6,363	128	(91)	128
Variance	28	26	1	(8)	1
Futures contracts					
Equity	7,163	3,803	-	(5)	-
TOTAL	$ 51,563	$ 20,814	$ 1,566	$ (1,326)	$ 1,566

($ millions)	2006				
	Notional Value*		Fair Value		Credit Risk
Derivative Financial Instruments	Long	Short	Assets	Liabilities	Exposure
Foreign exchange forward contracts	$ 3,243	$ 3,243	$ 16	$ (79)	$ 16
Options					
Foreign exchange	51	51	-	(3)	-
Caps and floors	50	-	-	-	-
Equity	28	27	16	(46)	16
Bond	-	-	-	-	-
Swaps					
Equity	14,327	900	681	(9)	681
Interest rate	13,486	2,501	134	(410)	134
Credit default	6,000	3,799	42	(87)	42
Variance	11	9	3	(2)	3
Futures contracts					
Equity	7,796	643	-	(13)	-
TOTAL	$ 44,992	$ 11,173	$ 892	$ (649)	$ 892

**Notional values represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged, and are therefore not recorded as assets or liabilities in these consolidated financial statements. Notional amounts do not represent the level of financial risk, nor the potential gain or loss arising from these instruments.*

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

The following schedule provides the notional values for the Plan's derivative positions by term to maturity:

($ millions) Derivative Financial Instruments by Term to Maturity (Notional Values)	2007 Within 1 year Long	Within 1 year Short	1 to 5 years Long	1 to 5 years Short	Over 5 years Long	Over 5 years Short
Foreign exchange forward contracts	$ 4,939	$ 4,939	$ -	$ -	$ -	$ -
Options						
Foreign exchange	125	125	-	-	-	-
Caps and floors	-	-	50	-	-	-
Equity	362	365	1	2	-	-
Bond	-	-	-	-	-	-
Swaps						
Equity	19,624	2,506	-	-	-	-
Interest rate	3,718	562	7,781	1,734	1,485	390
Credit default	853	1,914	3,634	3,102	1,800	1,346
Variance	28	26	-	-	-	-
Futures contracts						
Equity	7,163	3,803	-	-	-	-
TOTAL	$ 36,812	$ 14,240	$ 11,466	$ 4,838	$ 3,285	$ 1,736

($ millions) Derivative Financial Instruments by Term to Maturity (Notional Values)	2006 Within 1 year Long	Within 1 year Short	1 to 5 years Long	1 to 5 years Short	Over 5 years Long	Over 5 years Short
Foreign exchange forward contracts	$ 3,243	$ 3,243	$ -	$ -	$ -	$ -
Options						
Foreign exchange	51	51	-	-	-	-
Caps and floors	-	-	50	-	-	-
Equity	27	25	1	2	-	-
Bond	-	-	-	-	-	-
Swaps						
Equity	14,327	900	-	-	-	-
Interest rate	3,280	405	9,456	2,033	750	63
Credit default	1,434	912	3,565	2,616	1,001	271
Variance	11	9	-	-	-	-
Futures contracts						
Equity	7,796	643	-	-	-	-
TOTAL	$ 30,169	$ 6,188	$ 13,072	$ 4,651	$ 1,751	$ 334

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 3. Amounts Receivable

($ millions)		**2007**		2006
Contribution receivable				
Employers	**$**	**62**	$	57
Members		**49**		45
Recoverable refundable withholding tax on contributions		**121**		98
	$	**232**	$	200

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 4. Investment Income

a) Investment income, before allocating the effect of derivative contracts and realized and unrealized gains and losses to asset classes, for the year ended December 31 is as follows:

($ millions)		**2007**		2006
Fixed Income				
Cash and short-term securities	**$**	**36**	$	28
Bonds				
Canadian[1]		**1,156**		931
Non-Canadian		**460**		255
		1,652		1,214
Equity				
Canadian		**8**		7
Non-Canadian		**1,500**		730
		1,508		737
Equity-oriented				
Net real estate operating income (note 4b)		**180**		153
Private equity and special situations		**38**		28
		218		181
		3,378		2,132
Net realized gains/(losses) on investments[2]		**(479)**		1,476
Net change in unrealized losses on investments[3]		**(1,151)**		(472)
Total investment income	**$**	**1,748**	$	3,136

[1]Net of interest expense related to securities sold under repurchase agreements of $94 million [2006: $18 million]
[2]Includes net realized gains on derivatives of $892 million [2006: $1,460 Million]
[3]Includes net change in unrealized losses on derivatives of $3 million [2006: $233 million]

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

b) Real estate income

The Plan's real estate income for the year ended December 31, 2007 is as follows:

($ millions)	**2007**	2006
Rental revenue	**$ 408**	$ 365
Property operating & other expenses	**(189)**	(172)
Operating income	**219**	193
Mortgage interest	**(39)**	(40)
Net real estate operating income	**$ 180**	$ 153

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 5. Contributions

($ millions)	**2007**	2006
Employers	**$ 782**	$ 718
Members		
Regular	**621**	570
Others	**11**	13
Transfers from other plans	**105**	75
	$ 1,519	$ 1,376

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 6. Benefits

($ millions)	2007	2006
Retirement pension and bridge benefits	**$ 877**	$ 824
Commuted value transfers and death benefits	**101**	98
Refunds	**86**	80
Transfers to other plans	**15**	17
	$ 1,079	$ 1,019

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 7. Operating Expenses

($ millions)	**2007**	2006
Investment:		
Administration	**32**	26
External investment fees	**15**	17
Legal, actuarial and other professional fees *	**3**	2
Custodial	**2**	2
	52	47
Plan:		
Administration	**37**	33
Legal, actuarial and other professional fees *	**11**	11
	48	44
	$ 100	$ 91

** Includes fees paid or due to the auditors pertaining to statutory audit fees of $295,000 [2006:$295,000] and audit-related fees of $108,000 [2006:$20,000]*

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 8. Accrued Pension Benefits

a) Accrued Pension Benefits

Accrued pension benefits are based on management's assumptions as described in note 8(c) and include an implicit provision for expenses. The Plan provisions considered in the valuations were those in effect at the valuation dates.

b) Actuarial Methodology for Financial Reporting

For the determination of the actuarial present value of accrued pension benefits as at December 31, 2007, an actuarial valuation was conducted by Towers Perrin Inc. The valuation uses the projected accrued benefit method (pro-rated on service) with respect to all benefits and assumes that the Plan will continue on a going-concern basis. The data used in the valuation was based on member's demographic data provided by the Hospitals of Ontario Pension Plan as at December 1, 2007 and members' pay data which was provided as at December 31, 2006, all of which was projected to December 31, 2007 using management's estimates of experience for the intervening periods. The earnings estimates were determined based on 2006 experience and estimate assumptions.

Using this method and data, the accrued pension benefits at December 31, 2007 were $28,683 million (2006: $25,808 million).

c) Actuarial Assumptions

Estimates used for financial reporting purposes reflect management's expectations of long-term economic and demographic conditions. To determine the accrued pension benefits as at December 31, 2007 and December 31, 2006, the following economic assumptions were analyzed and reviewed by management and the Plan's actuarial advisors for reasonability and approved by the Board for financial reporting purposes:

December 31	2007	2006
Rate of return(1)	6.00%(2)	6.25%
Rate of price inflation	2.25%	2.25%
Real interest rate(1)	3.75%(2)	4.00%
Salary escalation rate	4.75%	4.75%

(1)Net of allowance for expenses of 0.40% [2006: 0.40%]
(2)Changes from actuarial assumptions used in the previous year resulted in an actuarial loss of $1,008 million [2006: loss of $890 million]

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

d) Data Adjustment Experience Gains and Losses

Data adjustment experience gains and losses represent the difference in accrued pension benefits based on using projected data versus actual data, including any change in pension benefits payable on a year over year basis. Projected data is used for determining the accrued pension benefits. Once actual data is available a subsequent valuation is conducted on the same basis. The difference in results is the data adjustment experience gain or loss and is recorded in the year in which it is measured. The 2007 data adjustment resulted in an experience gain of $38 million (2006: experience gain of $322 million).

e) Estimated Experience Gains and Losses

Estimated experience gains and losses represent the change in accrued pension benefits due to the difference between actual economic and demographic experience and expected experience. During 2007, there was an estimated experience loss of $96 million (2006: gain of $142 million).

f) Plan Provisions

As discussed under the Description of the Plan, the Board has the authority to provide ad hoc indexing for retirements and deferred retirements for service after 2005. For 2007, the Board granted 75 percent of the 2007 CPI increase, to a maximum CPI increase of 10 percent. This resulted in an increase in the Plan's accrued pension benefits of approximately $2 million.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 9. Funding Valuation (Regulatory Filing Valuation)

In accordance with the *Pension Benefits Act of Ontario* and the *Income Tax Act* (Canada) and *Regulations*, an actuarial valuation is required to be filed at least every three years to estimate the Plan's surplus or deficit, and to determine the Plan's funding requirements. The last actuarial valuation for regulatory funding purposes was prepared by Towers Perrin Inc., as at December 31, 2006, and a copy of this valuation was filed with the Financial Services Commission of Ontario and CRA.

The funding valuation method used to determine the Plan's pension liabilities is the projected accrued benefit actuarial cost method (pro-rated on service). Under this method, pension liabilities are determined by calculating the actuarial present value of benefits based on the projected final average earnings. The actuarial present value of benefits is then pro-rated to determine the actuarial current service cost of benefits, a portion of which is covered by member contributions.

The economic and demographic assumptions used for regulatory funding valuations can vary from those used to determine amounts disclosed for financial statement purposes. The funding valuation may use actuarial assumptions that are more conservative since the primary purpose of the funding valuation is to promote benefit security. These actuarial assumptions are recommended by the external actuary, in consultation with management, to ensure there is sufficient funding to meet all long-term liability requirements. The economic assumptions used for the previous year's regulatory funding valuation are as follows:

Rate of return	**6.25%**
Rate of price inflation	**2.25%**
Real interest rate	**4.00%**
Salary escalation rate	**4.75%**

The most recent regulatory funding valuation conducted as at December 31, 2006 disclosed actuarial assets of $25,205 million with accrued pension liabilities of $25,454 million, resulting in a deficit of $249 million. This funding valuation also confirmed that the Plan is fully funded on a solvency basis.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 10. Retirement Compensation Arrangement

The Retirement Compensation Arrangement (RCA) is a seamless arrangement and is funded by the overall investment portfolio of the Plan, but assets are segregated under a separate account from the assets of the Registered Pension Plan (RPP). It allows members to accrue pension benefits and to remit contributions that exceed those amounts permitted under the Income Tax Act (Canada) for an RPP.

The RCA is partially funded from employer contributions and from investment earnings on those contributions. The allocation of contributions to the RCA and RPP is based on a rate determined periodically by management in a manner that is expected to be sufficient to pay the benefits as they fall due. The pension benefits are payable under the terms and conditions of the Plan.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 11. Commitments

As part of normal business operations, the Plan enters into commitments related to the funding of investments. The Plan has committed to purchase limited partnership units, which will be funded over the next several years in accordance with the terms and conditions agreed to. The Plan has also made commitments to invest in real estate. As at December 31, 2007, these commitments totaled $714 million and $593 million respectively (2006: $598 million and $346 million respectively). The Plan has also committed to purchasing services relating to the pension administration system extending to the year 2023 at approximately $3 million per annum.

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 12. Guarantees and Indemnifications

Guarantees comprise contracts requiring the guarantor to make payment where the guaranteed party fails to perform under an obligating agreement; indirect guarantees of the indebtedness of another party whereby that party has failed to pay its indebtedness; and indemnification agreements that require the indemnifying party (guarantor) to make payments to the indemnified party (guaranteed party).

Guarantees

Certain of the Plan's derivative instruments meet the accounting definition of a guarantee when believed to be related to an asset, liability or equity security held by the counterparty at the inception of the contract. The Plan indirectly guarantees the underlying reference obligations when it sells credit protection, i.e. it commits to compensate the counterparty in the event of a default in the reference obligation. Written options provide the counterparty with the right, but not the obligation, to purchase or sell a specific amount of a financial instrument at the price specified in the option agreement. The nature of these contracts makes it impossible to determine the maximum potential exposure. The notional amount, fair value and the term to maturity of the credit default swaps and options entered into by the Plan is disclosed in Note 2c(ii).

Indemnifications

According to the Agreement of Declaration of Trust, HOOPP indemnifies its trustees against certain claims that may be made against them. In addition, HOOPP may in certain circumstances in the course of investment activities, agree to indemnify a counterparty. Under the terms of these arrangements, HOOPP may be required to compensate the counterparties for costs incurred because of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the range of indemnification and the contingent nature of the liabilities in such agreements, prevent HOOPP from making a reasonable estimate of the maximum amount that would be required to pay all such indemnifications. At December 31, 2007, the amount recorded as a liability for claims under these arrangements was $nil (2006: $nil).

Notes to Consolidated Financial Statements (For the year ended December 31, 2007)

Note 13. Accrued Pension Benefits Correction

HOOPP recently discovered that certain of its membership data elements used in the preparation of its actuarial valuations for each of the 2004, 2005 and 2006 valuation years have been misinterpreted. The effect of this has been an underestimation of HOOPP liabilities by amounts of $323 million for the 2004 valuation year, $330 million for the 2005 valuation year, and $354 million for the 2006 valuation year. This has had a corresponding impact on HOOPP's financial statements for each of these financial years (since HOOPP's financial statements are prepared based on its actuarial valuations). As a result, HOOPP's reported financial/funded position for each of the 2004, 2005 and 2006 financial years has been overstated by an amount of approximately 1 to 2%.

HOOPP filed with the Financial Services Commission of Ontario (FSCO) valuation reports for the 2005 and 2006 financial years based on the misinterpreted data. However, HOOPP has not made any changes to its contribution rates and only modest Plan benefit changes based on the 2004, 2005 or 2006 valuations, and HOOPP's contribution level throughout these years was sufficient to meet all regulatory funding requirements even with corrected valuation results.

Following is a table illustrating the effect of the corrections for each of the 2004, 2005 and 2006 valuations as well as HOOPP's funded position in 2007:

	2007	2006		2005		2004	
($ millions)		Restated	Original	Restated	Original	Restated	Original
Actuarial value of net assets available for benefits	$ 28,352	$ 25,205	$ 25,205	$ 22,853	$ 22,853	$ 21,308	$ 21,308
Accrued pension benefits	28,683	25,808	25,454	23,749	23,419	21,858	21,535
Deficit	(331)	(603)	(249)	(896)	(566)	(550)	(227)
Financial/Funded position	99%	98%	99%	96%	98%	97%	99%

Significant Investments

Investments with market value exceeding $100 million (gross securities less short sales) as at December 31, 2007 (excluding derivative exposures):

($ Millions)	Maturity Date	Coupon Rate %	Fair Value
Fixed Income			
Federal Bonds	2009 - 2037	3.55 - 9.00	$ 3,858
Provincial & Municipal Bonds	2008 - 2045	3.21 - 11.00	8,584
Real Return Bonds	2031 - 2041	2.00 - 4.50 Plus CPI *	1,587
Corporate Bonds			
Anglo Irish Bank	2009 - 2010	4.82 - 4.92	399
Australia & New Zealand Bank	2008	5.013	163
American Express	2012	4.99	192
Bank of Ireland	2010	4.99	100
Bank of Montreal	2009 - 2012	4.88 - 5.14	568
Bank of Nova Scotia	2009	5.20	134
Bank of Scotland PLC	2010	4.69 - 4.90	525
Citigroup	2010 - 2011	4.74 - 5.16	795
Credit Suisse	2009	5.23	101
Daimler Chrysler	2008	4.10 - 4.35	328
Ford Credit	2008	6.75	153
GMAC LLP	2009	6.12 - 6.21	103
Goldman Sachs Group	2009	4.96	239
Honda Canada	2010	4.88	100
HSBC Bank	2008	4.63 - 4.74	310
Kleros	2042	5.41	288
Santander International	2009 - 2010	4.69 - 4.70	547
SLM Corp.	2011	5.05	251
UBS AG	2009	5.14	264
Wells Fargo Co.	2012	5.18	196
Westpac Banking	2009	4.84	145
Transocean Inc.	2009	5.34	216
			6,116

*CPI – Consumer Price Index

Significant Investments

($ Millions)	No. of Shares (in millions)	Fair Value
Canadian Equities		
ACE Aviation Holdings Inc	5.8	$164.7

($ Millions)	No. of Shares (in millions)	Fair Value
Non-Canadian Equities		
Altria Group Inc	2.0	$129.5
Clear Channel Communications I	3.0	103.4
Fannie Mae	3.0	119.7
iShares MSCI Pacific ex-Japan	0.7	111.1
SLM Corp	9.5	191.0
Wynn Resorts Ltd	1.0	115.4

Private Equities

Investment Partnership (2006) LP

Teranet Income Fund

	Ownership
Real Estate Properties (net of respective mortgages)	
Pensionfund Properties Ltd.	
Coquitlam Shopping Centre	42%
HOOPP Realty Inc.	
Telus Plaza	100%

Ten-Year Review

TEN YEAR REVIEW
For the year ended December 31

($ millions)	**2007**	2006	2005	2004	2003	2002	2001	2000	1999	1998
		as restated - see Note 13	as restated - see Note 13	as restated - see Note 13						
CHANGE IN NET ASSETS										
Increase in net assets										
Net investment income/(loss)	**$ 1,748**	$ 3,136	$ 3,095	$ 2,135	$ 2,393	$ (845)	$ (799)	$ 1,471	$ 2,463	$ 1,586
Contributions										
Employers	**782**	718	685	633	532	297	172	158	138	316
Members	**632**	583	554	514	435	244	137	130	109	227
Transfers	**105**	75	42	15	15	11	10	6	7	5
Total Increase/(Decrease)	**3,267**	4,512	4,376	3,297	3,375	(293)	(480)	1,765	2,717	2,134
Decrease in net assets										
Benefits	**1,079**	1,019	856	807	712	634	586	561	561	445
Investment & Plan operating expenses	**100**	91	85	70	64	57	54	52	46	33
Total Decrease	**1,179**	1,110	941	877	776	691	640	613	607	478
NET INCREASE/(DECREASE) IN NET ASSETS	**$ 2,088**	$ 3,402	$ 3,435	$ 2,420	$ 2,599	$ (984)	$ (1,120)	$ 1,152	$ 2,110	$ 1,656
NET ASSETS										
Investments										
Fixed income	**$ 42,949**	$ 30,599	$ 24,678	$ 16,980	$ 10,831	$ 8,408	$ 9,808	$ 8,442	$ 5,899	$ 5,883
Equity	**4,612**	6,374	6,012	5,421	5,548	5,518	5,326	7,696	9,658	7,663
Equity-Oriented	**5,100**	4,412	3,350	2,853	2,608	2,406	2,265	2,033	1,542	1,287
Investment related receivables	**2,515**	1,571	1,425	949	770	504	353	293	97	156
	55,176	42,956	35,465	26,203	19,757	16,836	17,752	18,464	17,196	14,989
Amounts Receivable	**232**	200	179	145	113	67	43	33	28	53
Other assets	**6**	6	12	8	11	9	8	6	4	-
Total Assets	**55,414**	43,162	35,656	26,356	19,881	16,912	17,803	18,503	17,228	15,042
Investment related liabilities	**(25,383)**	(15,224)	(11,120)	(5,262)	(1,210)	(839)	(747)	(330)	(207)	(137)
Other liabilities	**(29)**	(24)	(24)	(17)	(14)	(15)	(14)	(11)	(11)	(5)
Total Liabilities	**(25,412)**	(15,248)	(11,144)	(5,279)	(1,224)	(854)	(761)	(341)	(218)	(142)
NET ASSETS	**$ 30,002**	$ 27,914	$ 24,512	$ 21,077	$ 18,657	$ 16,058	$ 17,042	$ 18,162	$ 17,010	$ 14,900
Actuarial asset value adjustment	**(1,650)**	(2,709)	(1,659)	231	1,471	2,766	946	(1,322)	(2,033)	(1,378)
Actuarial value of net assets	**28,352**	25,205	22,853	21,308	20,128	18,824	17,988	16,840	14,977	13,522
Accrued pension benefits	**28,683**	25,808	23,749	21,858	20,113	17,814	16,756	15,102	11,946	11,333
SURPLUS / (DEFICIT)	**$ (331)**	$ (603)	$ (896)	$ (550)	$ 15	$ 1,010	$ 1,232	$ 1,738	$ 3,031	$ 2,189

Investment vs. Benchmark Returns

(Unaudited)

The one-year returns for investment and the related benchmark, by investment portfolio, are as follows:

Year ended December 31

	2007		2006	
Rate of return (net of fees)	**Investment Returns %**	**Benchmark Returns %**	Investment Returns %	Benchmark Returns %
Fixed Income				
Short-term securities	**4.95**	**4.43**	4.44	3.97
Bonds				
Canadian	**4.29**	**3.68**	3.89	4.06
Long bonds	**3.41**	**3.44**	3.77	4.08
Real returns	**2.12**	**2.12**	(2.30)	(2.30)
Equity				
Canadian	**11.06**	**11.14**	19.82	19.16
Non-Canadian	**(6.13)**	**(5.89)**	19.91	20.74
Equity-oriented				
Real estate	**22.65**	**15.95**	27.91	18.24
Private equity	**17.49**	**6.75**	16.01	7.00
Net Investments *	**6.23**	**4.78**	12.79	11.88

* *Includes derivative related return enhancement strategies*

The Plan identifies benchmarks to evaluate the investment management performance. The performance of each asset class is measured against benchmarks that simulate the results based on the investment strategies employed by the investment managers identified for the asset class.

The total Plan return is measured against a Canadian dollar-denominated composite benchmark produced by aggregating returns from each of the policy asset class benchmarks.

Governance

"Trustees are required – by law – to act in the best interests of Plan beneficiaries as a whole."

HOOPP is governed by an independent Board of Trustees made up of 16 voting members. Eight trustees are appointed by the Ontario Hospital Association and eight by four major unions representing the majority of Plan members, including the:

- Ontario Nurses' Association (ONA)
- Canadian Union of Public Employees (CUPE)
- Ontario Public Service Employees' Union (OPSEU)
- Service Employees International Union (SEIU)

The Board is responsible for overseeing all aspects of the Plan and the HOOPP Trust Fund. Among its many duties, the Board:

- sets contribution levels
- establishes investment policy
- monitors investment performance
- approves annual operating budgets

In carrying out their duties, Trustees are required – by law – to act in the best interests of Plan beneficiaries as a whole. And, in keeping with best practices, HOOPP's Board conducts an annual review of its approach to governance.

Day-to-day responsibility for the overall leadership and management of the Plan, including the Trust Fund, has been delegated to HOOPP's President & CEO.

Board of Trustees and Committees

Trustees (as of Dec. 31, 2007)
Marcia Gillespie
Benefits Counsellor, Ontario Public Service Employees' Union (OPSEU), was the Chair for 2007.

Kelly Butt
Appointed to the Board by the Ontario Hospital Association (OHA), was Vice-Chair for 2007.

HOOPP's Board of Trustees is made up of 16 voting members. Eight trustees are appointed by the OHA and four unions each appoint two trustees. The unions are the Ontario Nurses' Association (ONA), the Canadian Union of Public Employees (CUPE), the Ontario Public Service Employees' Union (OPSEU), and the Service Employees International Union (SEIU). There can be two non-voting pensioner observers on the Board. The other members of the Board are:

David Alexander
Director, Grey Bruce Health Services and Director South Bruce Grey Health Centre

Dan Anderson
Director and Chief Negotiator for the Ontario Nurses' Association

Lesley Bell
Chief Executive Officer, Ontario Nurses' Association

Warren Chant
Chief Executive Officer, Leamington District Memorial Hospital

Helen Fetterly
Secretary-Treasurer, Ontario Council of Hospital Unions, (Canadian Union of Public Employees)

Marcelle Goldenberg
Executive Vice-President, SEIU Local 1.ON

Susan (Sally) Lewis
Vice-President, Performance Excellence, Trillium Health Centre

Deborah Menzies
Benefits Steward, SEIU Local 1.ON

Ronald Meredith-Jones
Past Chair
Toronto Rehabilitation Institute

Scott Potts
Senior Vice-President Corporate Services
Thunder Bay Regional Hospital

Louis Rodrigues
First Vice-President, Ontario Council of Hospital Unions, (Canadian Union of Public Employees)

James Sanders
President, Local 142, Ontario Public Service Employees' Union

Greg Shaw
Vice-President Strategic Human Resources Management
Ontario Hospital Association

Deepak Shukla
Past Chair, Board of Directors, Markham Stouffville Hospital

At December 31, 2007 there was one pension observer[1] on the Board, **Joyce Bailey**, former President of the Wellesley Hospital.

Executive

President & CEO

John A. Crocker, President & CEO

Executive Team

Reno Bugiardini
Senior Vice-President, Information Technology & Facilities

George B. Buse
Senior Vice-President, Plan Operations

David Hayter
Senior Vice-President, Finance & Chief Financial Officer

Victoria S. Hubbell
Senior Vice-President, Strategic Planning & Employee Services

Jim Keohane
Senior Vice-President, Investments & Chief Investment Officer

David L. Miller
General Counsel & Senior Vice-President, Governance

Senior management

Michael Catford
Vice-President, Real Estate

Sue Henderson
Vice-President, Investment Operations & Accounting

Paul Kirk
Vice-President, Short Term & Foreign Exchange

David Long
Vice-President, Derivatives & Fixed Income

Andrew Moysiuk
Managing Partner, HOOPP Capital Partners

Carmela Pappas
Vice-President, Client Services

Jeff Rabb
Vice-President, Risk & Compliance

Jeffrey Wendling
Vice-President, Public Equities

Professional advisors

Actuary
Towers Perrin Inc.

Auditors
PricewaterhouseCoopers LLP

Investments
Lea B. Hansen, Eric Kirzner, Karen R. Shoffner, Valter Viola

Legal
Cavalluzzo Hayes Shilton McIntyre & Cornish LLP