HOOPP Healthcare of Ontario Pension Plan

2009 Annual Report

50 YEARS OF SERVING OUR MEMBERS

The HOOPP 2009 Annual Report was produced by HOOPP's CEO office, Investment Management, Finance, and Legal divisions with the assistance of the Communications team.

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HOOPP at 50

The number one reason HOOPP has been a leading pension plan provider in the Ontario healthcare community for the last 50 years is a simple one: members know that, once they start their pension, it will continue for life.

Pensioner **Carol Lee** was able to retire with her husband to Manitoulin Island and says that, with a HOOPP pension, they're able to meet their month-to-month expenses.

"A HOOPP pension gives me the freedom to actually be retired," she says.

It's little wonder that this freedom makes members the envy of others.

Member **Elfriede Schmidt** says, "Every time someone asks me where I work, they say, 'Oh, you've got that really good retirement plan - lucky you!' Of course, I know they're right."

Schmidt, however, isn't the only one who considers herself lucky.

Shawn Gihuly, director of finance at London Health Sciences Centre, has often reminded younger employees how fortunate they are to be a part of a defined benefit plan like HOOPP – yet another reason why HOOPP is the pension provider of choice among employers.

"This type of plan is increasingly difficult to come by," he says. "I remind them (employees) that I do not lose too much sleep at night thinking about the wide swings in the stock market since HOOPP is strong relative to other plans and is funded appropriately."

1960: HOOPP's original location on St. Clair W, Toronto

Shouldering the investment risk is something that HOOPP employees take very seriously – because they're HOOPP members as well. And it's this vested interest that counts as one of the many reasons why, when seeking jobs elsewhere, a lot of members seek employment at organizations that offer HOOPP.

Gail Fitzgibbon, a HOOPP pensioner, says, "I worked at two separate locations - one with a hospital and then with a children's treatment centre - and my pension was transferred without any problems or penalty and it just continued to grow."

It's with people like Fitzgibbon in mind – healthcare workers who find themselves not only working at hospitals throughout their career, but in the broader healthcare community of Ontario – that HOOPP ushers in its 50th year of service with a new name to better reflect its continued growth: Healthcare of Ontario Pension Plan.

While HOOPP has always covered nearly all of the hospitals in Ontario, more than half of its participating employers are actually other health-related organizations like Family Health Teams, Community Health Centres, Nurse-Practitioner-Led clinics, food services and laundry services.

With the new, more reflective name, HOOPP continues to stand by its mandate: to provide a financially secure retirement for all healthcare workers.

The HOOPP Advantage

Dave Eagan, who works at the University Health Network, is looking forward to his retirement in the near future.

“HOOPP is allowing me and my family to focus on our lives without financial fear of the future,” he says. “I am comfortable and content to let the good people at HOOPP do what they do best.”

Over 250,000 healthcare workers across Ontario can rely on their HOOPP pension no matter what the financial climate is like.

Here are the many advantages of being a HOOPP member:

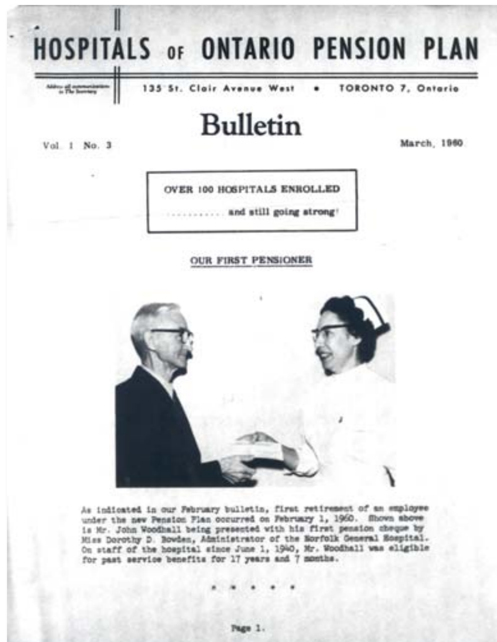
A Lifetime Retirement Income

When **Janis Craig** retired five years ago, she knew that, as a HOOPP member, once she started receiving a pension, it was for life.

“HOOPP lives up to my expectations of retirement pension as I am able to do lots in retirement without worry of funds running short. As I turn 61 in January, I will be going into my sixth year of retirement and am looking forward to more carefree retirement living. I must admit when this recession hit us I was a little concerned as to how I would be financially but had no worries as I received my pension as usual,” she says.

The longer a member belongs to HOOPP, the larger that pension will be. HOOPP's competitive benefit formula takes into account members' earnings history and length of service in the Plan.

Craig counsels, “For future retirees look forward to your future with no concerns.”



HOSPITALS OF ONTARIO PENSION PLAN

135 St. Clair Avenue West • TORONTO 7, Ontario

Bulletin

Vol. 1 No. 3 March, 1960

OVER 100 HOSPITALS ENROLLED

.... and still going strong!

OUR FIRST PENSIONER

As indicated in our February bulletin, first retirement of an employee under the new Pension Plan occurred on February 1, 1960. Shown above is Mr. John Woodhall being presented with his first pension cheque by Miss Dorothy D. Bowden, Administrator of the Norfolk General Hospital. On staff of the hospital since June 1, 1940, Mr. Woodhall was eligible for past service benefits for 17 years and 7 months.

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Page 1.

1960: John Woodhall becomes HOOPP’s first pensioner

The Choice of Retiring Early

Anne Young, a pensioner, is grateful that with HOOPP she had the option of retiring early.

She says, "If I had not been able to take retirement at 55 years I would have missed the last three years of life together with my husband."

Those who work in the healthcare sector only know too well the high demands of working in the field – so it's little wonder that many Plan members choose to retire as early as age 55. HOOPP recognizes this and offers valuable early retirement provisions such as an unreduced pension at age 60 (or earlier for those with 30 years of service at retirement) and a bridge benefit that's payable to early retirees until they reach age 65.

1972: HOOPP's former home at the OHA Centre

Inflation Protection

Every dollar counts - especially as members retire earlier and live longer. HOOPP's inflation protection feature safeguards the buying power of every pension dollar.

"As a single individual, my family members never have to worry about my monthly pension, knowing I receive a regular infusion of funds into my bank account and – even better – that it is tied to the consumer price index," pensioner **Irene Williams** says.

Transfers and Portability

Most healthcare workers work at several employers throughout their entire career.

Member **Fergus Griffin** says, "I know that in my own case and in the case of other members I have spoken with, you can take comfort in the flexibility that members are afforded in being able to move to another healthcare institution without interruption to building towards your retirement goals!"

Because HOOPP is a multi-employer plan, it's easy for members to grow their pension as they move from one HOOPP employer to the next.

Survivor Benefits

HOOPP understands that loved ones make up an integral part of life and that some of those loved ones depend on Plan members for income security.

HOOPP's valuable survivor benefits are available whether the member dies before or during retirement.

Disability Benefits

"I don't know where I'd be today if it wasn't for HOOPP's disability pension after my unfortunate triple bypass followed by an unexpected cardiac arrest," says **Ron Maracle**.

Should the unthinkable happen and a disability leaves a member unable to work for extended periods of time, he or she may be able to build service in the Plan without having to make pension contributions. Those who are totally and permanently disabled may qualify for an immediate unreduced pension.

50 Years: The History of HOOPP

Ever since its creation in 1960, HOOPP has been helping to build the foundation for financially secure retirements for pensioners like **Patricia Moe**.

"Whenever anyone asks me if I am worried financially about the future, I tell them no – HOOPP takes care of me," Moe says. "I am so blessed to be able to live my retirement worry free."

Currently serving 167,500 members at 348 employers, HOOPP continues to expand with the growing healthcare sector and helps provide retirement income to 85,200 pensioners and deferred pensioners.

For 50 years, HOOPP has been helping members to achieve that "worry free retirement." Here's a look at how HOOPP has evolved over the years with its primary goal of delivering the pension promise:

1960: The Ontario Hospital Association (OHA) launches HOOPP. The Plan has 71 participating employers, fewer than 10,000 members, several hundred pensioners, and $8.7 million under investment. John Woodhall is the first person to receive a pension from HOOPP.

1968: Survivor pension introduced.

1974: Pension formula increased.

1979: Inflation protection offered (on ad hoc basis).

1980: HOOPP Trust Fund tops the $1 billion mark; HOOPP has 250 employers, more than 60,000 members, and 12,000 pensioners.

1988: Lifetime benefit vesting allowed after two years, improved early retirement reductions available at age 55 (with an unreduced pension available at age 60)

1989: HOOPP records transferred to modern mainframe computer system

1989: HOOPP records transferred to modern mainframe computer system.

1990: HOOPP Trust Fund tops the $5 billion mark.

1993: HOOPP officially becomes a separate organization, administered by an independent Board of Trustees with equal representation from the OHA and four major unions representing Plan members – the Ontario Nurses Association, the Canadian Union of Public Employees, the Ontario Public Service Employees' Union, and Service Employees International Union.

1998: Improved 1.5 and 2 per cent lifetime pension formula, improved early retirement features, and more.

2005: There are 148,000 members, 72,000 pensioners and 336 employers; the Fund tops the $24.5 billion mark.

2006: For the first time, the spouse of a retiree could receive a spousal pension on the death of a retired member, provided the member chooses that option and certain conditions are met.

2008: An online transactional site is rolled out to employers. HOOPP Employer Secure Environment (ESE) provides a new, secure method for handling some of the most common transactions online.

2009: In her first public speech as the new health minister of Ontario, Deb Matthews offered a "shout out to HOOPP," praising the organization for the excellent manner in which it is handling the pension benefits of more than 250,000 Ontarians. The year also saw HOOPP's 250,000th member join the Plan and, later in 2009, HOOPP payments to pensioners topped the $1 billion mark, on an annualized basis, for the first time. HOOPP Connect, a transactional website for members and pensioners, allows them to access their pension information, perform inquiries and transact online.

2010: HOOPP celebrates its 50th year of operations, and changes its name to Healthcare of Ontario Pension Plan – a name that better reflects the community HOOPP serves.

50 YEARS OF SERVING OUR MEMBERS

The Defined Benefit Advantage

Because HOOPP is a defined benefit (DB) plan, its Plan members didn't have to worry about their pension while navigating their way through a financially uncertain year.

As one of Canada's biggest DB plans, HOOPP is proud that it continued to preserve the pension promise, guaranteeing a lifetime benefit upon retirement.

Gary Chalk, executive director of Public Affairs & Development at Brant Community Healthcare System, says, "Prior to joining HOOPP, I worked in the private sector and did not enjoy the benefit of a retirement plan. As I approach my retirement, I have begun to appreciate the value of having professionals working on my behalf to ensure my post-working years are all they can and should be. Thank you HOOPP!"

Member **Jerry Hanimyan** agrees.

“I think HOOPP is one of the most trustworthy pension plans. It seems that this plan is in the hands of people that know how to survive the good and the bad financial times,” he says.

HOOPP firmly believes that the DB pension model is more secure than its defined contribution (DC) counterpart and the table below offers a simple summary of why HOOPP believes the DB model is fundamentally superior:

	DB	DC	The DB Advantage
Philosophy	Members are rewarded for long service with a lifetime retirement income.	Members accumulate retirement savings as they work.	The security of a steady income rather than savings.
Contributions	Typically, 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, 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.	In DB plans, employers shoulder some or all of the investment risk. Under a DC plan, members take on all the investment risk.
Investment Decisions	Professional money managers make the investment decisions based on strict guidelines established for the plan as a whole.	Members have to decide how their money is invested, usually based on a range of available investment options.	With a DB plan, members don't have to worry about making investment decisions or tracking investments because highly qualified investment professionals are doing it for them.
Income at retirement	Retirement income is a percentage of the member's pre-retirement earnings - so the longer the member works, the bigger that percentage will be. Once members start receiving their 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 the member has contributed, the success of the investment strategy, and interest rates when the member buys an annuity. The member does not know what the pension will be until it’s time to start collecting it.	With a DB plan, members can estimate, in advance, what their pension will be. Benefits are pre-defined - members know what they are going to receive.
Ancillary benefits	Many DB plans offer additional benefits such as: • inflation protection • enhanced early retirement benefits • disability benefits • survivor benefits	At retirement, members may be able to buy a lifetime annuity that includes some ancillary benefits such as inflation protection - but these extras tend to be relatively expensive, which reduces the amount they'll have available to provide an income stream.	With a DB plan, the ancillary benefits are built in and members don't have to worry about the additional cost of shopping around for an annuity that includes them.

Portrait of a Pensioner

Since HOOPP pensions are paid for life, Plan members don't have to worry about their retirement savings running out.

Linda Matthews, who retired from Peterborough Regional Health Centre in 2007, says, "My relationship with HOOPP started when I was 26 years old. Through the years, my retirement plans were safely entrusted to HOOPP, and I was spared any worry. Now retired at 55, I am enjoying my freedom. Thanks HOOPP for making this possible!"

HOSPITALS OF ONTARIO PENSION PLAN

135 St. Clair Avenue West • TORONTO 7, Ontario

Bulletin

Vol. 2. No. 2 February, 1961

A NEW RECORD?

When 70 year-old William Craig leaves the Collection Department of the Ottawa Civic Hospital this year, he will carry with him into retirement not only a probable Canadian record of 54 years continuous service in one hospital--but a comfortable pension as well. Mr. Craig joined the office staff of the old Rideau Street Hospital in 1907, soon after arriving from England. He has been there ever since, though in 1924 Rideau Street combined with St. Luke's to form what is now the Ottawa Civic.

He is understandably enthusiastic about the new Hospitals of Ontario Pension Plan which was recently introduced for Ottawa Civic employees and is shown in our photograph, third from left, signing up for the Plan. Wishing him well, are Sydney G. Anderson, Assistant Administrator; Miss Pauline Rivoire and W. K. Derraugh, Director of Staff Relations.

1961: William Craig retired with an amazing 54 years continuous service at Ottawa Civic Hospital

Remember: a HOOPP member starts building a pension as soon as contributions start - and the longer a member contributes, the bigger that pension will be.

Here's an example:

Giovanni was a maintenance worker at a hospital and has just retired at age 60, with 30 years of service in the Plan and average annualized earnings of $45,000. His lifetime pension is $20,000 per year. If he lives to age 81, he would receive a total of $460,000 in pension payments (including bridge payments to age 65) - and that's not including any cost of living adjustments he may receive. That's almost six times the $79,000 in contributions he made to HOOPP over his career!

Part-timers who opt to join the Plan can expect a similarly compelling retirement scenario. Amira, a nurse, just retired at age 60, with 12.5 years of contributory service and 25 years of eligibility service in the Plan. Her average annualized earnings are $60,000.

Amira will receive a lifetime pension of just over $12,000 every year. If she lives to age 81, she will receive pension payments totalling $270,000 (including bridge payments to age 65), not including any cost of living adjustments. That's about six times the $45,000 she paid into HOOPP during her career!

Both of these examples are for illustrative purposes only but they show how the pension paid to a member depends on personal circumstances such as how much they earn, when they retire, and how many years of service they have.

With HOOPP, members are not alone in working towards their financial goals. HOOPP provides an excellent foundation for retirement.

Year in Review

HOOPP has four major strategic initiatives. Here's what we did in support of each of them during 2009.

Favourably Funded Position

- In a year where others faced financial uncertainty, HOOPP saw strong investment results with contribution rates remaining stable through until 2011. HOOPP ended the year 102 per cent funded.

Plan Operational Excellence

- The continued use of HOOPP's new online transaction systems translated into faster turnaround times with over 50,000 transactions by employers on HOOPP ESE by year-end with thousands of users signing up on the member site, HOOPP Connect, to access their annual statements online.

Growth and Retention

- The Defined Benefit Symposium in January and the Stakeholder Symposium in October have helped to raise HOOPP's profile with Queen's Park. A total of 18 new employers joined HOOPP in 2009, and talks continue with prospective employers. The increased media presence with John Crocker's appearances on BNN and an interview with the Globe and Mail, have brought greater exposure and awareness to the Plan.

Employer of Choice

- With a dedication to developing leadership, HOOPP has partnered with the Rotman School of Management to create talent management programs devoted to honing the wide variety of skill sets available through HOOPP's employees.

1980: HOOPP Fund reaches $1 billion

2010: HOOPP pays out $1 billion in benefits each year

President's Message

What a difference a year makes!

Just over a year ago, investors faced a real "doom and gloom" environment, as large companies teetered into bankruptcy and the investment markets fell. What a difference a year makes!

At the end of 2009, the HOOPP Fund has grown by 15.18 per cent, reaching an all-time high of $31.1 billion. And unlike those depending on RRSPs or defined contribution plans for their retirements, the volatile markets did not cost HOOPP members a single penny of benefits or a single moment of worry. That's the strength of the defined benefit model, with its formula-based benefit – and speaks well to the stability of multi-employer pension plans.

The rebound of the HOOPP Fund, and the strengthening of our funded position, is only part of the story of 2009. This was the year that HOOPP solidified its transition from being an insular organization to one of influence in the pension and healthcare fields. We raised our profile through increased government relations, public symposium events, media relations, and a strong marketing effort.

Why, after 50 years, have we made this change? Because it's essential to HOOPP's future.

There have been many changes in how healthcare is delivered in recent years – and the changes provide a great opportunity for HOOPP to tell its story.

We need to make sure that all the new healthcare organizations that are being created are aware of HOOPP and its benefits, and the important role HOOPP can play in attracting and retaining healthcare workers.

2009 was also a year of great achievements on the client service delivery front. We are now seeing the positive benefits of our multi-year pension system upgrade project, as web-based services are becoming ever more popular with our clients. Thousands of members and pensioners have signed up for HOOPP Connect, our web-based service, and are able to view statements online. Members can obtain immediate retirement estimates. Everyone can access and update their personal data, 24/7.

Employers are enjoying HOOPP ESE – Employer Secure Environment. More than 50,000 transactions were carried out on ESE in 2009, transactions that would have once required a paper form to be signed, then mailed or faxed to HOOPP. Now, with a few keystrokes, the same transaction can be done electronically.

John Crocker
President & CEO

We can look back at 2009 with a sense of accomplishment and pride. The Plan has returned to fully funded status. On the client service side, we are reaching out to our members in new and more effective ways. We are securing the pension promise for the more than 250,000 members and pensioners who depend on us.

HOOPP's new tagline is "See your future. Now." To me, this sums up HOOPP nicely – a dependable benefit that carries with it the promise of a lifetime pension. As we all celebrate HOOPP's 50th year of service, it's great to know that a solid foundation has been built for a long, prosperous future.

John Crocker
President & CEO

Chairs Message

Celebrating our 50th year of delivering the pension promise

The year 2010 will mark HOOPP's 50th anniversary – that's half a century of providing pension benefits to Ontario healthcare workers.

Marcelle Goldenberg
Chair in 2009

Back in 1960, HOOPP was a couple of filing cabinets in a small back office at the Ontario Hospital Association's old St. Clair Ave. headquarters in Toronto. Today, we serve more than a quarter of a million members and pensioners, over 300 healthcare employers, and deliver more than $1 billion a year in pension payments. We currently have more than $31 billion in assets.

We're jointly run by a Board featuring equal representation from the OHA 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.

We've come a long way since 1960, when our very first pensioner, John Woodhall, received HOOPP's first-ever pension cheque of $70.

As we celebrate 50 years, we do so with a new look and a new name – the Healthcare of Ontario Pension Plan.

While we are proud of our hospital heritage, these days the H in HOOPP stands for all of healthcare. The new name is more inclusive, since thousands of our members work at more than 150 non-hospital employers.

Ronald Meredith-Jones
Vice-Chair in 2009

In 2009, the Board spent much time considering a strategy for 2010-12 that builds on the work started in our 2007-2009 strategy and focuses on four strategic imperatives – Favourably Funded Position, Plan Operational Excellence, Growth and Retention, and Employer of Choice.

At the end of 2009, we are fully funded. We feel it is important for our members and employers to have a strongly funded plan, one that has stable contribution rates. We are pleased that our solid funded position in 2009 allowed us to keep contribution rates the same until at least the end of 2011 – and has allowed us to provide all pensioners with a COLA increase effective April 1, 2010.

Our Plan Operational Excellence strategy builds on the multi-year pension administration system replacement project. We're looking to deal more directly with members, relieving our employers of some of the administrative burden related to HOOPP.

Through Growth and Retention, we will promote the value of a HOOPP benefit, to make sure emerging healthcare organizations, the government, and other stakeholders are aware of its importance as a health human resources tool.

And through our Employer of Choice program, we will continue to develop leaders from within the organization, growing our own people into future roles and boosting the pride they feel in the work we all do. On behalf of the Board of Trustees, we want to thank the excellent staff of HOOPP who work very diligently to secure the pension promise for all of our members.

It's a solid future – one that we can all be proud of – as HOOPP enters its second half century.

Marcelle Goldenberg
Chair of the Board

Ronald Meredith-Jones
Vice-Chair of the Board

Favourably Funded Position

- Investors saw one of the biggest rallies in history in 2009. HOOPP ended the year with double-digit gains of 15.18 per cent, offsetting the loss of 11.96 per cent in 2008. HOOPP was 102 per cent funded by the end of 2009, compared to 97 per cent funded in 2008.
- As of Dec. 31, 2009, net assets available for benefits stood at $31.1 billion.
- HOOPP's equity and fixed-income portfolios posted solid returns. Canadian equities were up 34.42 per cent, U.S. equities were up 27.98 per cent, and Non-North American equities were up 13.23 per cent. Universe bonds and Canadian long bonds were up 6.31 and 5.06 per cent respectively. Corporate credit was up 4.41 per cent, and real return bonds were up 14.5 per cent.
- Private equities reported a return of 5.83 per cent and the carrying value of the portfolio stood at $1.5 billion, up from $1.25 billion at year end 2008. Due to the poor economy, HOOPP's real estate portfolio reported returns in 2009 of -5.09 per cent – the first year of negative returns since 1993 after five years of double-digit returns.
- In 2009, HOOPP was able to:
  - keep contribution rates for members and employers at the same level with employers continuing to contribute $1.26 for every dollar that members contribute
  - provide all pensioners with a 0.99 per cent cost of living adjustment on April 1, 2010 (the adjustment is equal to 75 per cent of the previous year's consumer price index (CPI)). From December 2008 to December 2009 the CPI increased by 1.32 per cent
- HOOPP's asset mix strategy:
  - supported the move towards liability driven investing

  - reduced the Fund's exposure to equity markets, while increasing exposure to long term bonds, real return bonds and real estate
  - better aligned assets with future cash flow requirements, and
  - provided the Plan with more effective protection against inflation

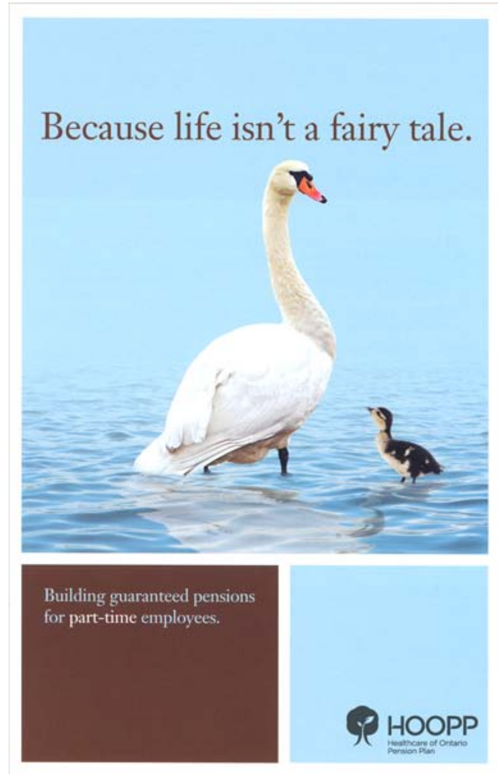
Plan Operational Excellence

- Each month, hundreds of members continue to try out the popular Buyback Estimator on hoopp.com to see how much it will cost to buy back service. In fact, in the first nine months of this year, over 12,000 estimates were produced.
- In 2009, more than 50,000 transactions were processed on the online transactional site for employers – HOOPP Employer Secure Environment (ESE), which was rolled out in late 2008 to allow employers to handle major pension transactions such as enrolment, termination and retirement online.
- Thousands of members and pensioners have taken advantage of HOOPP Connect, a secure online site that allows them to connect to their pension information and annual statement as well as to perform inquiries and transactions online at their convenience.
- In 2009, the Plan's administration team continued to provide excellent service to our members with client satisfaction scores rating high for timeliness, accuracy and consistency. In 2009:
  - 77,070 member and pensioner calls answered
  - 633 onsite member presentations were conducted to 10,229 members
  - 597 employer information sessions were held

Growth and Retention

- In 2009, HOOPP continued its government relations and stakeholder outreach program to reinforce the valuable role HOOPP plays in attracting and retaining Ontario's healthcare human resources. Specifically, HOOPP has continued to bring this message to decision makers through a variety of programs and events:
  - In December, an awareness event was held at Queen's Park to help increase education efforts with MPPs about HOOPP and the socioeconomic value of defined benefit pension plans.
  - Continued its marketing campaign, which led to the addition of 18 new employers to the plan.
  - Rolled out the third phase of the awareness campaign, "Because Life Isn't a Fairy Tale," which featured posters and brochures educating part-time employees with the important message borrowed from the story of the ugly duckling: the ugly truth is that it takes time to grow your investments into a beautiful thing. A HOOPP pension can provide a happy ending to this tale. In addition to this campaign, 30 sign-up sessions were held at 19 locations throughout Ontario.

- In January with its DB Symposium and in October with its Stakeholder Symposium, HOOPP broadened its discussion on HOOPP’s role in healthcare, health human resources and the economy.
- In October, HOOPP’s President & CEO John Crocker appeared alongside pension expert Keith Ambachtsheer and CUPE’s national president, Paul Moist, on “Headline” on Business News Network (BNN), to talk about the state of pension coverage in Ontario, plus HOOPP's low investment costs and valuable, formula-driven benefit.
- HOOPP is working directly with community-based healthcare associations to quantify the pension gap and develop innovative solutions to support integrated healthcare provision. As part of this work, HOOPP is working with partners to survey healthcare employers.
- Keeping members’ changing needs and circumstances a high priority, HOOPP continued its formal client research program to measure client satisfaction, improve service levels, and enrich stakeholder communications.



Part-time workers can build a valuable pension. HOOPP has actively campaigned to get part-timers into the Plan

Employer of Choice

- In order for HOOPP’s membership to receive the best service possible, in terms of how contributions are invested and the level of client service they receive, HOOPP invests in the development of its people.
- HOOPP’s employees are the Plan’s most important resource. Many changes have taken place in the human resources area, including leadership training in partnership with the Rotman School of Management, resilience training, a community outreach program for women in poverty, and programs focused on the health and wellness of the team. HOOPP cares about its employees.
- HOOPP hosts many staff events, provides excellent compensation and benefits, and has a strong HR team with great people, policies and systems. The HR programs, joined by 15 new initiatives in 2009, are supportive of the core values and culture of HOOPP.

- Moving forward, HOOPP will continue to create an optimal work environment where employees are supported and are able to achieve work-life balance. HOOPP will not only promote the well-being of the staff, but will aim to increase levels of job satisfaction.
- HOOPP will build a culture of individual and collective accountability and performance. Opportunities for professional growth and development will continue to be offered. HOOPP will leverage efforts to make the organization better-known, strengthening its reputation as an organization that has it right – one that is supportive of its employees and seen broadly as an Employer of Choice.
- In this way, HOOPP can ensure that our clients and stakeholders benefit from the time taken to develop our people to their maximum potential.

Management's Discussion and Analysis of Operations (MD&A)

At a glance

Funding management – HOOPP posted strong returns in 2009, allowing the Plan to achieve fully funded status. As of December 31, 2009, the Plan was 102 per cent funded, up from 97 per cent funded at the end of 2008. This has allowed HOOPP to:

- keep a commitment to hold contribution rates and benefits stable until at least the end of 2011, and
- provide a cost of living adjustment for all pensioners on April 1, 2010

Investment management – HOOPP's conservative asset mix – developed following a strategic decision in 2007 – put the Plan in a good position to weather the major weakness in financial markets in 2008 and early 2009. In the latter stages of the market sell-off, asset mix decisions to increase the weighting in equities and credit allowed the Plan to take advantage of the recovery in the markets after March 2009 – one of the biggest rallies in history, which followed one of the biggest sell-offs in history.

Investment performance – In 2009, the steady recovery of the financial markets, after the March lows, led to strong returns in HOOPP's equities and fixed income portfolios, as well as positive growth in the private equity portfolio. HOOPP experienced double-digit gains of 15.18 per cent, more than offsetting a loss of 11.96 per cent in 2008. HOOPP beat its investment benchmark of 9.77 per cent by 541 basis points.

Contributions vs. pension benefits – Total Plan contributions climbed to $1,634 million in 2009, up 5.22 per cent or $81 million from 2008. At the same time, the total of pension-related payments for the year grew to $1,159 million – a year-over-year increase of 1.4 per cent or $16 million. For the first time in HOOPP's history, the pensions paid to retirees – on an annualized basis – exceeded the $1 billion mark.

Risk management – During 2009, HOOPP continued to work towards full integration of its funding policy and investment strategy. This multi-year initiative is designed to minimize market and operational risks through improved technology to better meet the Plan's long-term funding requirements.

Overview – Introduction

In 2009, following the major sell-off in the financial markets which ended in March, investors saw one of the biggest rallies in history. The steady recovery of the financial markets led to strong returns in HOOPP's equity and fixed income portfolios, as well as positive growth in the private equities portfolio. HOOPP experienced double-digit gains of 15.18 per cent, more than offsetting a loss of 11.96 per cent in 2008. HOOPP surpassed its investment benchmark of 9.77 per cent by 541 basis points.

At year end, the Plan's assets rose to $31.1 billion, up from $26.7 billion in 2008.

HOOPP invests for the long term, not for year-over-year results. In the last decade, HOOPP's compound rate of return has been 5.79 per cent which has added value of $13.1 billion for members and pensioners. As of December 31, 2009, the Plan was 102 per cent funded, versus 97 per cent funded in 2008, allowing the Board to keep contribution and benefit levels the same for the membership.

During 2009, HOOPP took a number of steps to meet its ongoing commitment to deliver on the pension promise to the more than 250,000 members who depend on the Plan for pension benefits.

HOOPP continued the shift to liability driven investing (LDI), reducing funding volatility by maintaining a suitable balance between risk and return. This investment strategy protects and grows the Fund's assets in line with the Plan's liabilities.

HOOPP's conservative asset mix policy played a role in the Plan's results in 2009, as it put the Plan in a good position to weather the financial market weakness early in the year. Later in 2009, asset mix decisions to increase the weighting of equity and credit allowed the Plan to benefit from the recovery in financial markets.

Typically, HOOPP's asset mix strategy:

- supports the move toward LDI
- reduces the Fund's exposure to equity markets, while increasing exposure to long term bonds, real return bonds and real estate
- better aligns assets with future cash flow requirements, and
- provides the Plan with more effective protection against inflation

HOOPP continued a multi-year project to develop new investment technology. This includes a fully integrated data and performance management system that supports investment decision-making, helping HOOPP better mitigate investment-related risk.

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

Overview – Year end financial position

As of December 31, 2009, HOOPP was 102 per cent funded, compared to 97 per cent funded in 2008. This means the Plan's assets, on a five-year "smoothed" basis, were approximately $536 million more than the amount needed to fund the full cost of current and future pension liabilities (based on pensions earned to date).

Adding perspective

While fully recognizing the significance of this year's strong performance, it is important to also consider a longer-term perspective. Defined benefit pension plans like HOOPP are designed to operate over the long term. Pensions earned today may not be paid for 20 or more years.

HOOPP's Board will continue to monitor market conditions and the funded position of the Plan closely, and will take a proactive, considered and consultative approach to ensuring the Fund is favourably funded.

Because of that favourably funded status, HOOPP's Board has committed to:

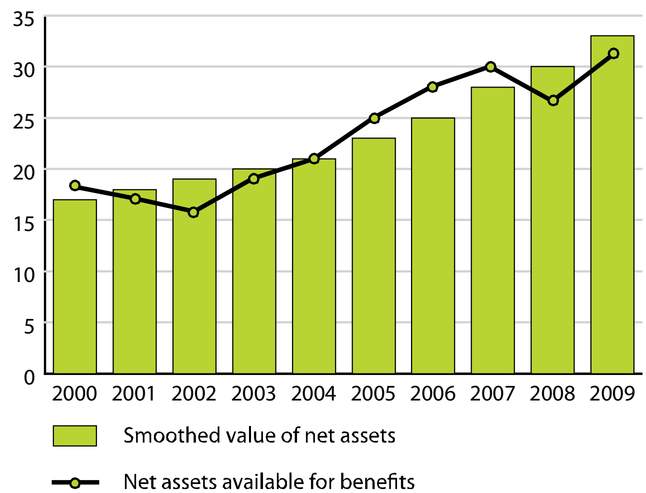
- holding contribution rates and benefits stable until at least the end of 2011, and
- providing a 0.99 per cent cost of living adjustment for all pensioners on April 1, 2010 (the adjustment is equal to 75 per cent of the 1.32 per cent increase in the consumer price index from December 2008 to December 2009).

Net assets

The recovery of the markets benefited the Fund, with net assets available for benefits ending the year at $31.1 billion, up from $26.7 billion at year end 2008.

Consistent with industry practice and for funding purposes, HOOPP applies a "smoothing" adjustment to net assets, which adjusts the value of the assets based on the average of the five previous year-end asset values extrapolated with cash flows and assumed rates of return to year end 2009. This adjustment has a moderating effect on investment gains or losses in a given year. The "smoothed" value of net assets as of December 31, 2009, was $32.6 billion, up from $30.3 billion at year end 2008.

Smoothed Value of Net Assets vs. Net Assets Available for Benefits ($ billions)

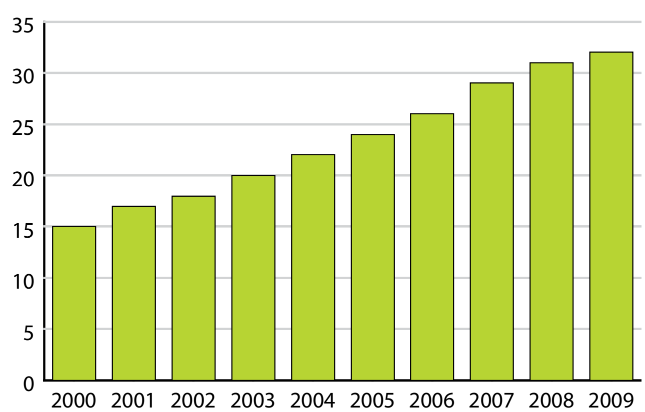


Smoothing means that the losses of 2008 will continue to be factored into the next three years of smoothing adjustments.

Pension liabilities

As of December 31, 2009, the Plan's total pension liabilities (the total value of future benefits owing to members based on service earned to date) were $32 billion – compared to $31.2 billion at year end 2008. This increase is attributed to a growth in HOOPP membership and the impact of inflation on member salaries, which is partially offset by changes to long-term assumptions.

Pension Liabilities ($ billions)



Funding management – Introduction

Retiring HOOPP members receive a pension based on a formula that takes into account their earnings history and years of service in the Plan. To ensure these payments can be provided, a balance is struck – over the long term – between 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 total pension obligations.

When assets equal or exceed liabilities, a plan is fully funded. When liabilities exceed assets, a plan is underfunded (in other words, there may not be enough money to immediately meet all of a plan's future benefits payable).

Maintaining a balance between assets and liabilities requires expertise, supporting technology, and educated assumptions about future economic, market and demographic trends.

Even with best efforts, the balance between assets and liabilities can change, due to a number of factors including:

- lower-than-expected investment returns
- interest rate fluctuations, and
- changing demographics (such as mortality and termination rates)

Going into 2009, HOOPP was 97 per cent funded, with a three per cent shortfall. Thanks in part to solid, double digit gains in 2009, the Plan finished the year 102 per cent funded.

The Board is committed to ensuring HOOPP remains affordable for members and participating employers. This means maintaining contributions at reasonable levels and keeping rates stable from one year to the next.

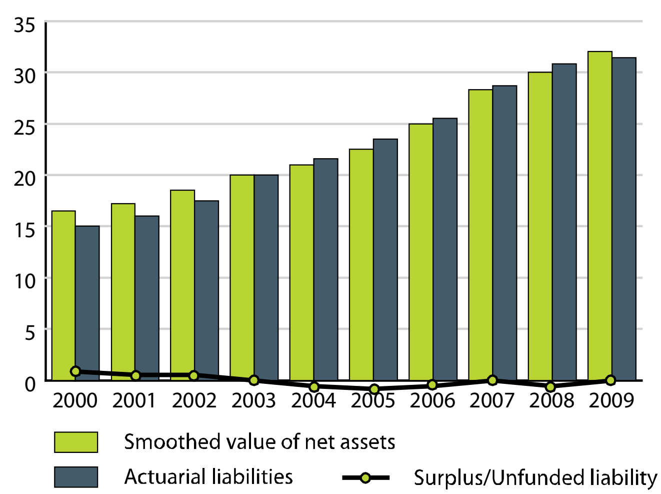
Funding management – Determining the funded status

Under current pension law, HOOPP is required to determine the funded status of the Plan at least once every three years and file the results with the Financial Services Commission of Ontario. However, in the interest of proactive funding management, HOOPP's practice is to measure the funded status on an annual basis.

Determining funded status

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

Summary of Financial Position
($ billions)



Valuing assets

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

Valuing liabilities

The value of the Plan's pension obligations is calculated using the "projected accrued benefit method." 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 earnings history and pension service earned up to the date the obligations are calculated.

To value future 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:

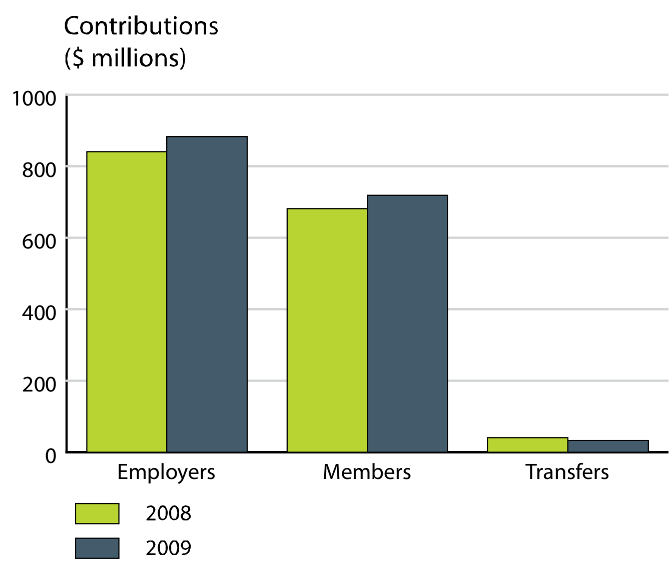
- when members will retire (or leave the Plan)
- how long members will live once they retire
- how much members' salaries will grow, and
- the return HOOPP will earn on its investments

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

Funding management – Contributions vs. pension benefits

Contributions

All active Plan members and their participating employers are required to contribute to HOOPP. In 2009, members contributed 6.9 per cent of annualized earnings up to the year's maximum pensionable earnings ($46,300) and 9.2 per cent of annualized earnings at or above that level. Employers contributed 126 per cent of what members contributed.



During 2009, contributions to HOOPP totalled $1,634 million – up $81 million (or 5.22 per cent) from 2008. This increase is largely due to:

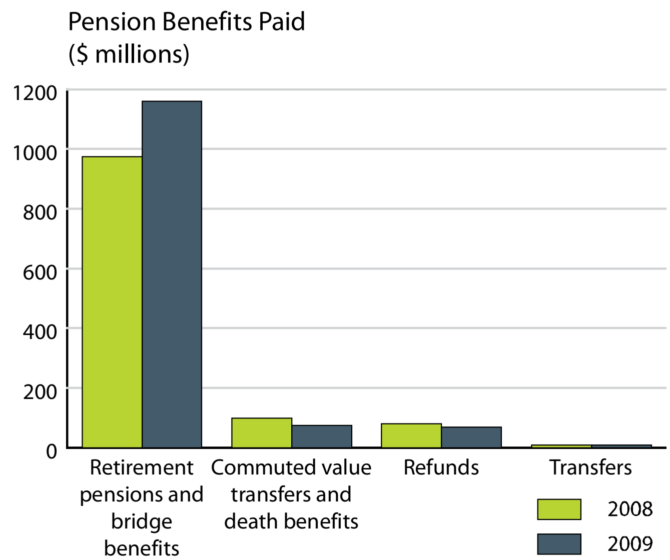
- salary increases in the healthcare industry due to inflation, and
- growth in membership over 2008 levels

Of the total contributed in 2009:

- 54 per cent was from participating employers
- 44 per cent was from members, and
- 2 per cent resulted from transfers into the Plan by new members

Pension benefits paid

Pension-related payments in 2009 totalled $1,159 million – up $16 million (or 1.4 per cent) from 2008. For the first time, the pensions paid to retirees – on an annualized basis – exceeded the $1 billion mark.



This increase is largely due to:

- an increase in the number of retirees, and
- the cost of living adjustment

Of the pension-related benefits paid out in 2009:

- 85 per cent was paid to pensioners in the form of monthly benefits
- 7 per cent was paid to non-vested terminating members (or their beneficiaries) in the form of contribution refunds
- 6 per cent was paid to terminating members (or the beneficiaries of deceased members) in the form of commuted value transfers (lump-sum cash payments or transfers), and
- 2 per cent was transferred to other pension plans

Retirement pensions are expected to grow each year as HOOPP's membership grows, and a larger number of members retire.

Investment management – Introduction

For HOOPP, like other defined benefit pension plans, the underlying objective is to preserve the pension promise. Given the importance of that promise, HOOPP needs to ensure the Plan's investment strategy aligns with funding and cash flow requirements.

To that end, HOOPP uses a liability driven investing (LDI) approach which uses the Plan's liabilities as the primary reference point in assessing risk and return objectives of a particular investment.

While HOOPP still measures investment manager performance against industry benchmarks the most important measure of success is meeting the Plan's pension obligations.

To meet the Plan's estimated pension obligations, HOOPP must – over the long term – achieve a nominal return of at least 6.5 per cent (or a real rate of return of 4.25 per cent after adjustment for an assumed inflation rate of 2.25 per cent. HOOPP exceeded that target in 2009, producing a return of 15.18 per cent.

Investment management – Active management

HOOPP's assets are actively managed in-house by professional money managers with the goal of achieving a long-term Fund return of 6.5 per cent annually.

Managers apply a range of investment strategies and techniques (including asset allocation, security selection, hedging, and derivatives) to:

- maximize the Fund's long-term investment returns, and
- maintain risk exposures within acceptable limits

The techniques capitalize on HOOPP's strategic advantages. HOOPP:

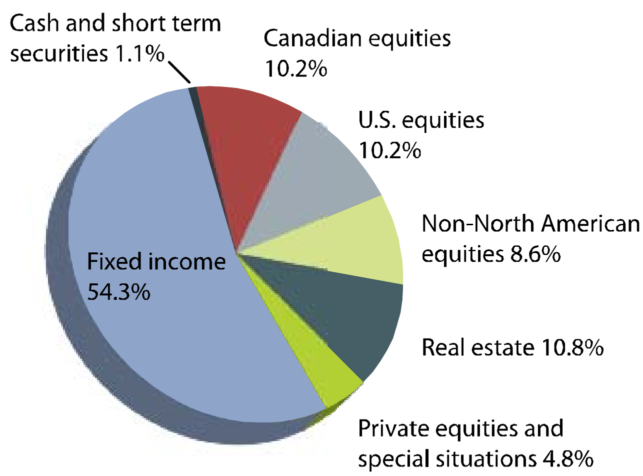
- invests for the long term
- has a large balance sheet
- focuses on credit-worthy investments
- has low liquidity requirements
- is non-taxable
- uses derivatives

HOOPP also looks for skewed return distributions – investments with big return potential, but small potential for loss.

Investment management – Asset mix strategy

HOOPP's conservative asset mix – developed following a strategic decision in 2007 – put the Plan in good position to weather the major weakness in financial markets in 2008 and early 2009. In the latter stages of the market sell-off, asset mix decisions to increase the weighting in equities and credit allowed the Plan to take advantage of the financial markets recovery which occurred after the lows in March 2009. Indeed, one of the biggest rallies in history followed one of the biggest sell-offs in history.

Asset Mix



In the latter part of 2007, HOOPP introduced a significant change to its asset mix policy. As part of this change, the Plan's asset mix target was recalibrated from 60 per cent equities and equity oriented holdings / 40 per cent fixed income, to

46 per cent equities and equity oriented holdings / 54 per cent fixed income. This shift was designed to reduce the Plan's overall risk exposure by more effectively matching assets with liabilities.

The transition to the new asset mix target was completed in late 2007, spurred on by concerns about weakening markets. Swift redeployment of assets was made possible through a combination of:

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

In 2009, the Fund regained $4.4 billion in asset value, and experienced positive returns for the two-year period starting in 2008 and ending in 2009.

HOOPP's asset mix policy allows for a departure from the target by plus or minus 5 per cent. This departure is permitted to:

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

As of December 31, 2009, the actual asset mix, with the effect of derivatives, was 44.6 per cent equities and equity oriented holdings, and 55.4 per cent fixed income.

Investment management – Derivatives

HOOPP uses derivatives as part of a carefully planned investment strategy to:

- implement active management programs more efficiently, and
- help mitigate investment risk

Using derivatives gives HOOPP added flexibility for:

- managing and rebalancing asset mix
- reducing transaction costs
- increasing liquidity
- managing foreign exchange risks
- implementing defensive strategies to reduce risks within portfolios
- generating value-added investment returns, and
- matching assets to liabilities more effectively (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. For full details on how HOOPP uses derivatives please refer to Note 3 of the Consolidated Financial Statements.

When HOOPP employs derivative strategies to replicate the returns in various asset classes, the actual assets that underlie those derivative strategies are invested in short term government and investment grade corporate short-term securities. In this case when measuring portfolio performance, the return on the portfolio is determined by combining the return on the derivative contract with the return on the underlying short-term securities, and this combined return is compared to the appropriate benchmark return for the asset class.

Other measures used to minimize the risks associated with derivatives include:

- conducting an independent valuation of each derivative contract
- ensuring HOOPP has the liquidity required to honour obligations
- closely monitoring the total outstanding value of contracts with counterparties, and
- fully enforcing HOOPP's right to counterparty collateral

Investment management – Currency hedging

Fluctuations in currency values can have a large impact on investment returns. Any time HOOPP invests in foreign markets, currency fluctuations impact the value of those investments when they are converted back into Canadian dollars. To help reduce the risk associated with currency fluctuations, HOOPP employs currency hedging.

Currency hedging converts 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 paid) using contracts that:

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

In late 2009, HOOPP's Board changed its currency hedging policy so that 100 per cent of all foreign currency exposure must be hedged back into Canadian dollars.

Investment management – Socially responsible investing

Socially responsible investing involves the integration of environmental, social and ethical factors in the selection and management of investments. While fully committed to achieving the highest returns within acceptable risk parameters, HOOPP applies the basic principles of socially responsible investing to all of its investment activities.

Specifically, HOOPP:

- takes into account a company's social, environmental and governance issues when making investment decisions
- encourages reasonable disclosure of social, environmental, and ethical performance when voting proxies, and
- may enter discussions with companies to request greater disclosure where it feels that such disclosure is 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 Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and

- the principles of the Coalition for Environmentally Responsible Economies (CERES) principles, which is a coalition of environmental, investor and advocacy groups that works with companies to achieve environmental improvement

Investment performance – Introduction

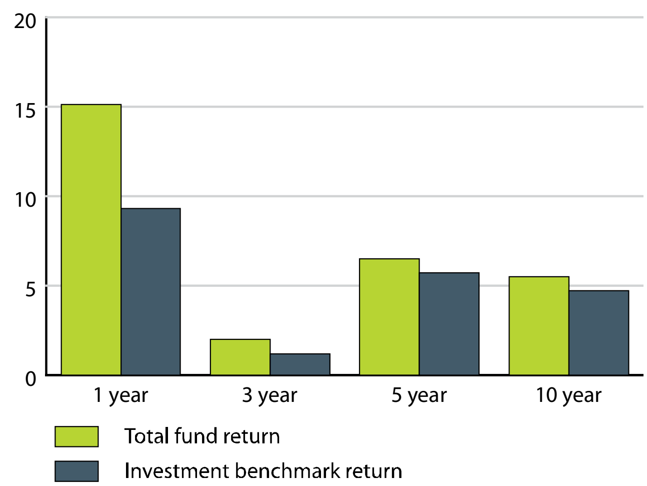
HOOPP experienced double-digit gains of 15.18 per cent in 2009, more than offsetting losses of 11.96 per cent in 2008.

HOOPP surpassed its funding target return rate of 6.5 per cent by 8.68 per cent, and beat its investment benchmark of 9.77 per cent by 541 basis points.

At year end, the Plan's assets rose to $31.1 billion, up from $26.7 billion at year end 2008.

HOOPP's conservative asset mix strategy helped offset some of the effects of the downturn of 2008, holding the Plan in a defensive position as the value of equities fell.

Total Fund vs. Investment Benchmark Returns (%)



The increase in fair value of short-term government and investment grade corporate debt securities held as backing assets for certain derivative strategies increased the performance of the Fund for 2009 by 3.29 per cent. This gain offset the loss of 2.98 per cent in 2008 due to active management.

These debt securities are fully funded through asset sales incorporated as part of this strategy and the debt securities are intended to be held to maturity as part of the strategy. Fair value accounting, as applied to these strategies, does not recognize the offsetting appreciated value of the cash raised through asset sales which funds the purchase of these debt securities. The net effect is that investment performance from 2008 was pushed out into future periods as credit markets returned to normal and the debt securities matured.

Absolute return strategies

HOOPP internally manages a number of absolute return strategies. The objective of these strategies is to contribute income to the Fund independent of the markets. This is achieved by using combinations of physical securities and derivatives to ensure only residual investment risk remains. Income will emerge over the term of the investments. The absolute return strategies contributed 0.98 per cent to the Fund's overall return.

The rally of 2009

As the year began, it seemed that the greatest sell-off in history had not fully played out. Both the S&P 500 Index and the S&P/TSX60 Index were still in negative territory at the end of February.

There were fears that the economy was in recession – and some feared there would be further bank failures, a collapse of the financial system, and a depression.

An unprecedented, massive, worldwide financial stimulus helped stabilize the economy. Talk of a financial system collapse ended and the markets began to rally.

The Fund's public equity portfolio reported significant gains. Canadian equities were up 34.42 per cent, U.S. equities were up 27.98 per cent, and Non-North American equities – now completely managed in-house by HOOPP – were up 13.23 per cent. All return rates are net of fees.

The fixed income asset class also had a positive year, reporting returns in the Canadian universe bonds and Canadian long bonds portfolios of 6.31 per cent and 5.06 per cent respectively. Real return bonds returned 14.50 per cent. Bolstered by recovery in the credit markets, the corporate credit portfolio reported a gain of 4.41 per cent.

The private equity portfolio finished the year with positive gains of 5.65 per cent. The real estate market, feeling the effects of the economic downturn, posted returns of -5.09 per cent – the portfolio's first negative return since 1993.

Investment performance – Equities

2009 started off with the S&P/TSX60 Index at a low level, as was the S&P 500 Index in the United States, mainly as a result of fears in the financial sector. As the year unfolded, international stimulus programs were implemented, bringing some calmness and confidence back to the markets.

HOOPP's equity portfolio reported strong gains in 2009.

Canadian equities

HOOPP's Canadian equities portfolio reported a return of 34.42 per cent (net of fees) on the year – outperforming its benchmark, the S&P/TSX60, which had returns of 31.96 per cent. By comparison, the portfolio returned -30.63 per cent in 2008 (beating its benchmark by 54 basis points) and 11.06 per cent in 2007 (shy of its benchmark by 8 basis points).

Asset category	HOOPP return – net of fees (%)	Benchmark return	Benchmark
Canadian Equities	34.42	31.96	S&P/TSX60 Total Return Index

U.S. equities

At the start of 2009, the U.S. faced many problems in the banking and financial sectors. These issues began to be resolved as the year progressed, and HOOPP was able to take advantage when the market rallied.

The portfolio return, after converting back into Canadian dollars, was 27.98 per cent – the rise of the Canadian dollar against the U.S. dollar helped to improve the return rate. (HOOPP policy requires that

100 per cent of any foreign equity, equity oriented or fixed income exposure be hedged back into Canadian dollars.)

Asset category	HOOPP return (in Canadian dollars – net of fees) (%)	Benchmark return (in Canadian dollars) (%)	Benchmark
U.S. Equities	27.98	28.23	S&P 500 Total Return Index

Non-North American equities

Banking problems internationally – including the nationalization of several banks in the U.K. – made the prospects for non-North American investments look bleak at the start of the year. As was the case in Canada and the U.S., however, the effects of international stimulus packages helped to calm fears of a deeper crisis.

The return for HOOPP's non-North American equity portfolio, after converting back into Canadian dollars, was 13.23 per cent or 285 basis points more than the benchmark. The performance of the Canadian dollar relative to other international currencies had a slightly negative effect on the result.

In 2009, HOOPP brought the management of the International Equities portfolio in-house.

Asset category	HOOPP return (in Canadian dollars – net of fees) (%)	Benchmark return (in Canadian dollars) (%)	Benchmark
Non-North American Equities	13.23	10.38	MSCI All-Country World Index plus a custom benchmark for internally managed funds

Investment performance – Real estate

A weak economy, job losses, reduced occupational demand and increasing vacancy rates added up to a poor year in the real estate industry.

HOOPP's real estate portfolio delivered a return of -5.09 per cent in 2009, its first year of negative returns since 1993. The portfolio missed its benchmark by 411 basis points. Real estate is cyclical in nature, and the negative returns in 2009 follow five straight years of double-digit gains.

Asset category	HOOPP return – net of fees (%)	Benchmark return (%)	Benchmark
Real estate	-5.09	-0.98	Investment Property Databank (IPD)

The underperformance of the HOOPP real estate portfolio relative to the benchmark is largely a result of HOOPP valuing its portfolio more conservatively than the benchmark. In 2009, the average capitalization rate applied to the HOOPP portfolio was 7.5 per cent. This compares to a 6.9 per cent average capitalization in the Investment Property Databank index. The lower capitalization rate in the IPD index is a result of more aggressive property valuations being applied at some of the larger contributing funds. At similar valuation levels, the HOOPP portfolio would have exceeded the index return. HOOPP would expect that this valuation difference will come back into alignment in future periods and will result in a recovery of the underperformance.

In November, the Telus Tower at 25 York St., Toronto, was officially opened. The 780,000 sq. ft. 30-storey office tower is one of the biggest single holdings in the HOOPP real estate portfolio, and was 84 per cent pre-leased at completion.

Another highlight for 2009 was the completion of Cross Roads, a 220,000 sq. ft. mixed-use (office and retail) complex at 507 W. Broadway in Vancouver. The complex, which was nearly 100 per cent let upon completion, was built by HOOPP and a pension fund partner.

Some of the strengths of HOOPP's real estate portfolio include:

- the relative strength in the Canadian real estate market
- portfolio diversification by type of property and region
- a disciplined development program focused on quality commercial properties
- avoiding exposure to leveraged deals
- zero exposure to the troubled U.S. real estate market
- maintenance of good tenant relationships
- steady cash flows, and
- prudent expense management

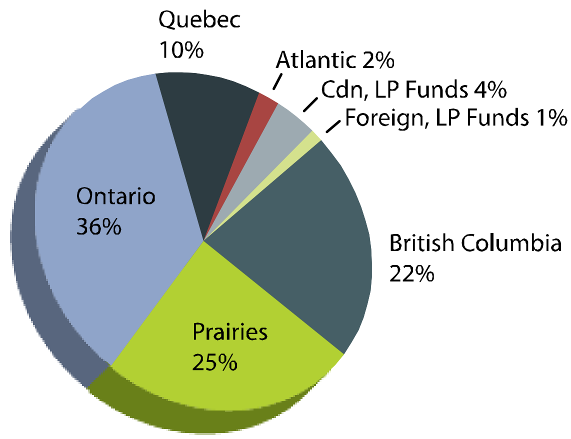
When HOOPP revised its asset policy in 2007 it increased its target real estate allocation from 8 per cent to 12.5 per cent of total fund assets. At the beginning of 2009, HOOPP was overweight in real estate, and for that reason, did not make any significant acquisitions for much of the year. There were signs, by the end of the year, that the correction was ending, and more projects began coming up for bid.

On the development side, HOOPP continued construction of the 226,000 sq. ft. AeroCentre V in Mississauga, phases 8 and 9 of the Willingdon Business Park in Vancouver and a large industrial complex in Milton.

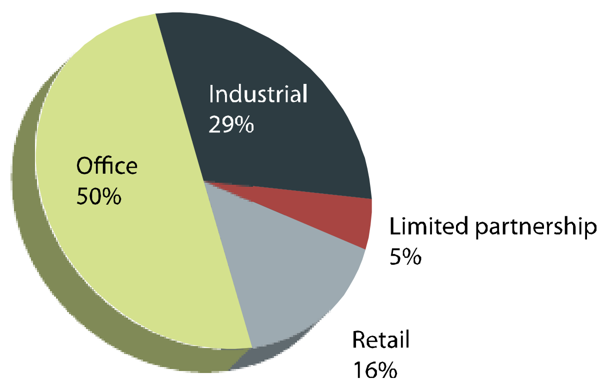
HOOPP also participates in several non-domestic real estate investment funds: two U.K. funds, two pan-European funds, and one Mexican fund. These funds represent about one per cent of the portfolio's total holdings.

At year end, real estate accounted for 10.8 per cent of the Fund's total assets, below its asset mix target of 12.5 per cent. Total value of net equity in the portfolio stood at $3.3 billion, versus $3.5 billion at year end 2008.

Real Estate Portfolio Composition by Region



Real Estate Portfolio Composition by Sector



Investment performance – Private equity and special situations

HOOPP's private equity investment activities are conducted by an experienced team of professionals operating with the name HOOPP Capital Partners.

The Managing Partner of HOOPP Capital Partners is the longest serving leader of a private equity program within an institution in Canada.

Characteristics of HOOPP's private equity activities include:

- a focus on established private equity markets in Canada, the U.S. and Western Europe
- an emphasis on innovative, medium-sized businesses that offer growth potential, and
- a successful history with both limited partnership and direct investment arrangements.

The portfolio generated a return of 5.83 per cent for the year, which in context of only a nominal negative return during the year in 2008 means the portfolio has served HOOPP well during a period of considerable stress within the broader private equity community.

Asset category	HOOPP return – net of fees and foreign exchange (%)	Benchmark return (%)	Benchmark
Private equity and special situations	5.83*	6.50	Total Plan Funding Target

**Approximately 11 per cent before foreign exchange impacts.*

At year end, the carrying value of the portfolio stood at $1.5 billion, up from $1.25 billion a year earlier. At 4.8 per cent of the total Fund, the private equity portfolio has scope for growth and is well positioned for investment opportunities of all sizes.

Investment performance – Fixed income

2009 was a positive year for HOOPP's fixed income portfolio.

HOOPP's asset mix strategy supports a strong position in fixed-income investments, because they provide solid cash flow with a low level of risk. In 2009, HOOPP finished the year with 55.4 per cent of its assets invested in the fixed income portfolio.

One of the key drivers of performance in 2009 was the improvement of credit market conditions. HOOPP took a number of steps in order to benefit as market conditions normalized, including increasing HOOPP's position in provincial government bonds when their price, relative to Canadian bonds, fell.

The portfolio grew slightly near the beginning of the year, when the Investment Committee decided to reduce HOOPP's exposure to non-North American equities and increase exposure in fixed income.

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

- Canadian universe bonds
- Canadian long bonds
- Corporate credit
- Real return bonds
- Short-term securities

Canadian universe and long bonds, and corporate credit

These portfolios, which include exposures through derivatives, added value overall in 2009. HOOPP's universe bond portfolio, reported a return of 6.31 per cent, while its long bond portfolio returned 5.06 per cent.

The corporate credit portfolio was up 4.41 per cent.

Asset category	HOOPP return – net of fees (%)	Benchmark return (%)	Benchmark
Canadian universe bonds	6.31	3.42	DEX All Government Universe Bond Index
Canadian long bonds	5.06	2.78	DEX All Government Long Term Bond Index
Corporate credit	4.41	4.04	CDX.NA.IG Index, 5 year

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

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

Real return bonds

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

For 2009, the portfolio returned 14.50 per cent, beating its benchmark of 13.98 per cent.

Asset category	HOOPP return – net of fees (%)	Benchmark return (%)	Benchmark
Real return bonds	14.50	13.98	DEX Canada Real Return Bond Index

Short-term securities

HOOPP maintains a short-term securities portfolio so that it has cash on hand to:

- meet liquidity needs (pay monthly benefits and Plan expenses), and
- provide a source of collateral for investments made using derivatives

As of December 31, 2009, HOOPP's economic exposure to short-term money represented 1.1 per cent of total assets.

The short-term securities portfolio maintains a mix of government, corporate and financial bonds.

To enhance returns, HOOPP uses derivative overlays in higher quality credits and indices. These derivative overlays are backed by short-term securities. The returns on those assets are measured against the benchmark for the credit or indices being replicated.

Operating expenses

HOOPP's 2009 operating costs were $131.3 million, up $42.3 million or 47.5 per cent from 2008. The increase relates to significant investments in systems and strategic initiatives in 2009 as well as higher incentive compensation costs as markets rebounded from 2008 lows.

HOOPP's operating expenses are significantly lower than those of other organizations that offer retirement benefits. Retail mutual funds often have administrative fees of 250 basis points or higher. HOOPP's operating costs, expressed in basis points, work out to just 32.5 basis points.

2009 was a particularly active year for HOOPP. A large investment was made in a multi-year project to implement a new investment management system. The new system is critical in enabling HOOPP to complete its transition to liability driven investing (LDI) using state of the art technology. The new systems will automate many manual processes and open up new investment possibilities for the HOOPP team.

Investments were also made in leveraging the new technology to improve Plan administration processes and build additional client service delivery options. Finally, HOOPP invested in its healthcare strategy – developing a government relations program, actively pursuing new business, and marketing the benefits of the Plan to prospective members.

From a cost savings perspective 2009 was a very successful year for HOOPP. In 2009 HOOPP completed its multi-year strategy to move all externally managed assets in-house to be managed by our internal investment team. The result has been significant savings to HOOPP – external manager fees were down 31.2 per cent or $2.5 million from 2008, and down 67.6 per cent from the 2006 high of $17.3 million. These savings have not come at the expense of Fund returns as HOOPP continues to experience positive returns against benchmarks. No external manager fees will be incurred in 2010. Similarly, in 2009 HOOPP replaced an outsourced pension payment system with a more cost-effective internal solution providing the Plan with greater control over payments, reducing operational risk and saving HOOPP hundreds of thousands of dollars annually.

Risk management and controls – Introduction

Risk management is a critical part of preserving the pension promise.

HOOPP has comprehensive risk systems in place to manage the various operational and investment risks facing a pension plan the size of HOOPP. Continued investment in these resources is a cornerstone for the evolution of HOOPP. This section of the report highlights the policies, procedures, protocols, and tools that form the basis of that strategy.

Risk management and controls – Funding risk management

The primary focus of funding risk management is ensuring HOOPP is able to meet its current and future benefit obligations. At the same time, however, HOOPP is committed to doing what it can to keep contribution rates stable – so that the Plan remains affordable and members and participating employers can budget for the future.

To help achieve these important objectives, HOOPP continued to push ahead with a multi-year risk management initiative aimed at:

- improving the quality and availability of funding data
- measuring and managing funding risk more effectively, and
- aligning investment strategies more closely with its pension liabilities – the benefits owed to members (through liability-driven investing)

Other risk management measures adopted by HOOPP include:

- HOOPP's funding policy framework for making informed funding decisions and setting the most appropriate "trigger" points for managing the need to make potential adjustments to contribution and/or benefit levels
- developing and implementing a prudent asset mix strategy that reduces HOOPP's overall risk exposure and better aligns the Plan's assets with short and long-term pension obligations
- conducting valuations each year to benchmark the Plan's assets and pension liabilities (pension obligations) – as part of the valuation process, HOOPP works with an independent actuarial advisor to prepare projections of the Plan's future funding requirements

HOOPP's Board will continue to take a proactive, considered and consultative approach to any price or benefit changes needed to address capital or funding concerns.

Risk management and controls – Investment risk management

Achieving the investment returns needed to fund members' pension benefits while safeguarding the value of the Plan's assets is a complex balancing act. It starts with identifying and assessing those investment risks, and then determining the appropriate means of managing that risk while achieving the long-term rates needed to keep costs and benefits stable.

While the Plan continually develops and refines its risk-management tools, the strategic focus in 2009 continued to be wider implementation of liability driven investing (LDI). This approach to portfolio construction and management measures risk tolerance on the basis of Plan liabilities and cash flow requirements.

During 2009, HOOPP:

- Continued with its more conservative asset mix policy. The new targets (set in 2007) support the Fund's move towards an LDI approach by reducing exposure to equity markets in favour of real estate and fixed income investments, which historically are less volatile in relation to liabilities.
- Used derivatives to construct portfolios that more efficiently and effectively align assets to liabilities.
- Continued with the development and implementation of state of the art investment management systems, which among other functionality will better generate performance data to support value-added investment decision making. Work included:
    - Completing a project to develop and install new asset-liability management software. This powerful new risk management tool helps HOOPP determine the optimum asset mix based on different economic scenarios and the Plan's pension obligations.

- Moving forward with a multi-year initiative to build a comprehensive risk measurement system.
- Completing the implementation of a new order management system for the trading of equities and government bonds.
- Continuing the implementation of a new portfolio management and accounting system. To be operational in 2010, this system will capture all bond, equity and derivatives trades electronically for more efficient data management and analysis. The new system will allow for more timely and accurate reporting.
- The implementation of a new automated derivative pricing system was completed. The system allows HOOPP's derivative portfolio to be priced automatically, enabling more effective management of counterparty credit risk.
- Launching an initiative to create software that will enable external real estate managers to import data directly into HOOPP's asset management system – so that analytical reports can be generated more quickly.
- Developing an automated profit and loss system that will allow HOOPP to monitor results more efficiently on a daily basis. The system is expected to be operational in 2010.

In keeping with risk management best practices, HOOPP also regularly reviews its investment policies:

- 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, and
- 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

Operational risk management aims to identify the risks inherent in the day-to-day operations of an organization, determine their causes, and develop appropriate mitigation strategies.

In an ongoing effort to protect the Plan and its stakeholders, HOOPP has taken the following actions to mitigate a variety of operating risks:

- A fraud policy, which complements the Plan's existing whistle-blower protection policy, helps to emphasize the roles and responsibilities of employees throughout the organization in the mitigation of fraud risk.
- An Internal Controls and Audit group supports the expansion and strengthening of HOOPP's systems of internal controls. Its primary purpose is to audit or test HOOPP's internal controls systems – with a focus in areas of higher risk – and thereby identify areas to be strengthened.
- Reviewing the Plan's pension administration systems and administrative practices to ensure proper risk management controls are in place.

- Working with development teams to ensure effective controls are incorporated in new investment management systems currently being deployed.
- A new Operational Risk and Control department is responsible for ensuring that a robust and sustainable internal control framework is in place across Finance functions and activities, including those that drive financial reporting.

These initiatives were conducted against a backdrop of existing operational risk management practices:

- The Plan has a fully tested business continuity plan in place. In 2009, considerable effort was placed on H1N1 pandemic readiness – training, communication, scenario planning and a pandemic test were among the activities carried out. The disaster recovery and business continuity plans are designed to ensure 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). Critical elements of the plans are tested at least once a year.
- HOOPP's Board regularly reviews its governance structure and procedures. The Plan has policies that clearly define:
    - a code of business conduct
    - confidentiality and disclosure of information, and
    - whistle-blower protection

Advocacy

As a large and respected pension plan, HOOPP has a responsibility to safeguard the interests of members. With this in mind, HOOPP will, where appropriate:

- play a role in the development of public policy that affects the Plan, and
- bring to light areas where pension, investment or other reform is needed

During 2009, HOOPP:

- provided a formal response to the Ontario Ministry of Finance on the findings of the Ontario Expert Commission on Pensions
- presented its position to the Standing Committee on Social Policy concerning the pension-related issues regarding marriage breakdown addressed in Ontario's Bill 133
- continued activities in support of changes to the federal investment regulations, which it believes have been unduly restricting the type of investments pension plans can hold – this is an ongoing initiative
- along with a coalition of its jointly-sponsored pension plan (JSPP) peers, HOOPP has been advocating for a solvency funding exemption for JSPPs, which is one of the recommendations made by the Ontario Expert Commission on Pensions

Industry standards

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board (AcSB) announced Canada's intention for all publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles (GAAP).

In 2008, pension plans were given a reprieve from adopting IFRS and allowed to continue to prepare financial statements in accordance with current Canadian accounting standards. During 2009, the AcSB proposed changes to the current Canadian accounting standards to incorporate certain aspects relating to IFRS. The revised standards are expected in 2010.

Glossary

Basis point	A unit of measurement used to quantify investment returns. 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.
CDX.NA.IG Index	The CDX.NA.IG Index is a broad measure of Corporate Credit. Returns are calculated daily and are based on 125 equally weighted names.
Corporate Credit	Derivative overlay strategy used to get exposure to corporate credit markets using credit derivatives.
Credit Spreads	The difference in value between two options. It occurs when the value of an option being sold exceeds the value of an option being bought. An option is a derivative product.
Derivatives	A derivative is a 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 All Government Universe Bond Index	The DEX All Government Universe Bond Index is designed to be a broad measure of the Canadian government fixed income market. 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 All Government Long Term Bond Index	The DEX All Government Long Term Bond Index is designed to measure total return for the Canadian government long-bond market, with a term to maturity of more than 10 years.
DEX Canada Real Return Bond Index	The DEX Canada Real Return Bond Index is designed to be a measure of Government of Canada bonds that pay you a rate of return that is adjusted for inflation. 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.

Economic exposure	Reflects HOOPP's total investment in a certain type of asset, including: • direct investment through actual assets held • indirect investment 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.
Hedging	Reducing or offsetting a pre-existing risk exposure by making a financial transaction (often using derivatives).
Equity Oriented	Investment in private equity and real estate.
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 that explicitly integrates the exposure and cash flows of pension liabilities in formulating investment policies.
Long bonds	Bonds with a term to maturity of more than 10 years.
MCSI All Country World Index	This is a composite index of equities listed on exchanges in developing 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 a 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 a 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.
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.

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.
Yield curve	A line graph that plots the relationship between returns and maturity dates for a set of similar bonds at a given point in time.

Consolidated Financial Statements

Management's Responsibility for Financial Reporting

The consolidated financial statements of the Healthcare of Ontario Pension Plan (formerly Hospitals of Ontario Pension Plan) (the Plan) have been prepared by management and approved by the Board of Trustees (the Board).

Management is responsible for the integrity and fairness of the information presented, including amounts, which must, out of necessity, be based on best estimates and judgments. These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and comply with the financial reporting requirements of the Pension Benefits Act of Ontario. The significant accounting policies are disclosed in note 1 to the consolidated financial statements and the financial information presented throughout the annual report is consistent with that found in the consolidated financial statements.

Systems of internal control and supporting procedures have been established and maintained to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. These controls include an organizational structure that provides a well-defined division of responsibilities, a corporate code of conduct, accountability for performance and the timely communication of policies and guidelines throughout the organization.

Ultimate responsibility for the consolidated financial statements rests with the members of the Board. The Audit & Finance Committee, consisting of four members, assists the Board in its responsibilities by reviewing recommendations from the external auditor regarding improvements in internal control over financial reporting. The Audit & Finance Committee meets regularly with management and the external auditor to review the scope and timing of the audit, findings and recommendations for improvement, to satisfy itself that it has appropriately discharged its responsibilities. The Audit & Finance Committee reviews the consolidated financial statements and recommends them for approval to the Board.

The Plan's external auditor, PricewaterhouseCoopers LLP, was appointed by the Board and is directly responsible to the Audit & Finance Committee. The auditor has full and unrestricted access to management and the Audit & Finance Committee to discuss their audit approach and any findings arising from the audit relating to the integrity of the Plan's financial reporting process and the adequacy of internal control systems. The Plan's external 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.

John A. Crocker
President & Chief Executive Officer

April 8, 2010

John Riviere
Senior Vice-President, Finance and
Chief Financial Officer

Actuaries' Opinion

Towers Watson ULC (formerly Watson Wyatt Canada ULC) (Towers Watson) was retained by the Board of Trustees for the Healthcare of Ontario Pension Plan (formerly Hospitals of Ontario Pension Plan) to perform an actuarial valuation of the Plan as at December 31, 2009. The purpose of this valuation is to determine the going concern liabilities and value of assets for inclusion in the Plan's consolidated financial statements 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 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 results of the valuation disclosed total going concern liabilities of $32,020 million in respect of service accrued to December 31, 2009 and a smoothed asset value of $32,556 million determined at the same date.

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

- members' demographic data provided by HOOPP staff as at November 1, 2009 and members' pay data which was provided as at December 31, 2008, all of which was projected to December 31, 2009, using management's estimates of experience for the intervening periods;
- the benefits specified by the terms of the Plan including an adjustment of 0.99% which will become effective April 1, 2010 in respect of all pensioners' and deferred vested members' benefits; and
- assumptions about future events (for example, economic factors such as future rates of inflation and returns on the pension fund, as well as demographic factors) which were developed by Plan management in consultation with Towers Watson and have been adopted by Plan management.

Changes have been made to the actuarial assumptions affecting the actuarial liabilities since the previous valuation for the purpose of the Plan's consolidated financial statements at December 31, 2008, as described in the notes to the consolidated financial statements.

The smoothed value of the Plan's assets was based on financial information provided by HOOPP staff and the asset smoothing method adopted by Plan management which smoothes out short term market fluctuations.

We have reviewed the data used for the valuation, and have made tests of reasonableness and consistency.

In our opinion,

- the data are sufficient and reliable for the purpose of the valuation;
- the assumptions adopted are, in aggregate, appropriate for the purpose of the valuation;
- the methods employed in the valuation are appropriate for the purpose of the valuation; and

- this valuation has been completed in accordance with our understanding of the requirements of Section 4100 of the Canadian Institute of Chartered Accountants Handbook.

Nonetheless, differences between future experience and our assumptions about such future events will result in gains or losses which will be revealed in future valuations.

Our valuation was prepared and our opinions given in accordance with accepted actuarial practice in Canada.

Towers Watson ULC

Ian Markham	**Laura Newman**
Fellow, Canadian Institute of Actuaries	Fellow, Canadian Institute of Actuaries

April 8, 2010

Auditors' Report

To the Members of the Healthcare of Ontario Pension Plan (formerly Hospitals of Ontario Pension Plan)

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus/(deficit) of the Healthcare of Ontario Pension Plan (formerly Hospitals of Ontario Pension Plan) (the Plan) as at December 31, 2009, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus/(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 surplus/(deficit) of the Plan as at December 31, 2009 and the changes in its net assets available for benefits, changes in accrued pension benefits and changes in surplus/(deficit) for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario
April 8, 2010

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

As at December 31

($ millions)	**2009**	2008
Assets		
Investments (note 2)	**$ 55,940**	$ 53,813
Investment related receivables (note 2)	**2,971**	3,135
Amounts receivable (note 7)	**265**	265
Other assets	**10**	7
	59,186	57,220
Liabilities		
Investment related liabilities (note 2)	**28,011**	30,463
Other liabilities	**59**	25
	28,070	30,488
Net assets available for benefits	**31,116**	26,732
Actuarial asset value adjustment (note 1)	**1,440**	3,529
Actuarial value of net assets available for benefits	**$ 32,556**	$ 30,261
Accrued pension benefits (note 11)	**$ 32,020**	$ 31,244
Surplus/(Deficit)	**536**	(983)
Accrued pension benefits and surplus/(deficit)	**$ 32,556**	$ 30,261

See Description of Plan and accompanying notes to financial statements

On behalf of the Board Of Trustees

Marcelle Goldenberg RW Gladstone

Marcelle Goldenberg
Chair of the Board

Ronald Meredith-Jones
Vice-Chair of the Board

Wayne Gladstone
Chair, Audit & Finance Committee

Consolidated Statement of Changes in Net Assets Available for Benefits

Year ended December 31

($ millions)	**2009**	2008
Investment Operations		
Investment income/(loss) (note 4a)	**$ 4,040**	$ (3,591)
Operating expenses - investment (note 10)	**(93)**	(50)
	3,947	(3,641)
Plan Operations		
Contributions (note 8)	**1,634**	1,553
Benefits (note 9)	**(1,159)**	(1,143)
Operating expenses - plan (note 10)	**(38)**	(39)
	437	371
Net increase/(decrease) in net assets available for benefits	**4,384**	(3,270)
Net assets available for benefits, beginning of year	**26,732**	30,002
Net assets available for benefits, end of year	**$ 31,116**	$ 26,732

Consolidated Statement of Changes in Accrued Pension Benefits

Year ended December 31

($ millions)	**2009**	2008
Accrued pension benefits, beginning of year	**$ 31,244**	$ 28,683
Increase in accrued pension benefits		
Interest on accrued benefits	**1,887**	1,772
Benefits accrued	**1,559**	1,430
Changes in plan provisions (note 11)	**3**	1
	3,449	3,203
Decrease in accrued pension benefits		
Changes in actuarial assumptions (note 11)	**1,413**	-
Benefits paid (note 9)	**1,159**	1,143
Estimated experience gains/(losses) (note 11)	**101**	(501)
	2,673	642
Net increase in accrued pension benefits	**776**	2,561
Accrued pension benefits, end of year	**$ 32,020**	$ 31,244

See Description of Plan and accompanying notes to financial statements

Consolidated Statement of Changes in Surplus/(Deficit)

Year ended December 31

($ millions)	**2009**	2008
Deficit, beginning of year	**$ (983)**	$ (331)
Increase/(decrease) in net assets available for benefits	**4,384**	(3,270)
Change in actuarial asset value adjustment	**(2,089)**	5,179
Increase in actuarial value of net assets available for benefits	**2,295**	1,909
Net increase in accrued pension benefits	**(776)**	(2,561)
Surplus/(Deficit), end of year	**$ 536**	$ (983)

See Description of Plan and accompanying notes to financial statements

Notes to Consolidated Financial Statements

For the year ended December 31, 2009

Description of Plan

Effective January 1, 2010, the Hospitals of Ontario Pension Plan changed its name to Healthcare of Ontario Pension Plan.

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

General

The Plan is a contributory defined benefit jointly-sponsored pension plan, where earnings and years of service define members' benefits. The Plan was established under an Agreement and Declaration of Trust (as amended) for the benefit of eligible employees of participating employers.

A Board of Trustees (the Board) which consists of 16 voting members governs HOOPP. The Ontario Hospital Association (OHA) appoints 8 trustees, while four unions namely, 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) each appoints two trustees. Each trustee has a legal obligation to administer the Plan in the best interests of all its participants, regardless of their union or other affiliation.

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

In conjunction with its Registered Pension Plan (RPP), HOOPP operates a Retirement Compensation Agreement (RCA). The RCA is administered as part of the overall Plan, but its assets are held in a segregated account. The RCA provides 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. Additional information on the RCA is disclosed in note 13.

Funding

Plan benefits are funded by contributions and investment earnings. The Board'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 HOOPP's administrative expenses), plus special payments required to amortize unfunded liabilities and solvency deficiencies, less any surplus amortization amounts.

Retirement pensions

A retirement pension is based on the member's contributory service, the highest average annualized earnings during any consecutive five-year period, and the three-year average year's maximum pensionable earnings (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 be at least 55 years old. Members are eligible to retire at age 55, usually with a reduced pension.

Members who retire early will receive a bridge benefit until age 65 or death, whichever occurs first. The bridge benefit supplements 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 had met certain eligibility requirements by the end of 2005.

Members who choose to work beyond age 65 can continue to earn benefits until November 30 of the calendar year in which the member turns age 71.

Disability benefits

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 earned to the date of disability retirement with no reduction for early pension commencement and no entitlement to a bridge benefit.

Alternatively, a disabled member may elect to continue to earn benefits until age 65.

Death benefits

A death benefit 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.

Portability

Members who terminate employment 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.

Inflation protection

Retirement pensions are adjusted annually by an amount equal to 75 per cent of the previous year's increase in the Consumer Price Index (CPI) for all contributory service earned through to the end of 2005. Depending on the Plan's financial status and other factors, the Board can approve an annual increase above the guaranteed level up to 100 per cent of the increase in the previous year's CPI.

For retirements and deferred retirements occurring after 2005, the Board may approve an annual increase of up to 100 per cent of the increase in CPI in respect of pensions earned for service after 2005.

In all cases, the increases in CPI are limited to an annual maximum of 10 per cent.

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 is disclosed in note 7 as recoverable refundable withholding tax on contributions.

Note 1: Summary of Significant Accounting Policies

Basis of presentation

These consolidated statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and comply with the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 4100, Pension Plans.

Certain comparative amounts have been reclassified to conform to the current year's presentation. The significant accounting policies used in the preparation of these consolidated financial statements are summarized below.

Consolidation

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

Changes in accounting policies

Financial Instruments—Disclosures

In 2008, HOOPP adopted CICA's new accounting standard, Section 3862, Financial Instruments – Disclosures. In 2009, further changes were made to this standard, which require classification of financial assets and financial liabilities into three levels based on the methods and assumptions used to determine their fair values. These levels, which are referred to as the fair value hierarchy, reflect the significance and observability of the inputs used in making the fair value measurements. The new standard became effective for HOOPP for the fiscal year ended December 31, 2009. The new disclosure is presented in Note 2.

Investments

Investments, investment related receivables and investment related liabilities are recorded on a trade date basis when the substantial risks and rewards of ownership have been transferred and are stated at fair value. Fair value is 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.

The trade price is normally used to measure fair value, if it exists. When the trade price is not available, management utilizes appropriate and industry accepted valuation techniques to determine fair value. The valuation techniques include discounted cash flows, earnings multiples, prevailing market rates for comparable instruments with similar characteristics and/or in similar industries, pricing models and management's best estimates. Inputs used to determine fair values include contractual cash flows and interest rates, interest rate discount curves, credit spreads and volatilities. The output of any model is an approximation of a fair value that cannot be determined with certainty and valuation techniques employed may not fully reflect all factors relevant to the positions held. Valuations are therefore adjusted, where appropriate, to allow for additional factors such as counterparty credit risk, model risk and liquidity risk.

The fair values of investments are determined as follows:

i. Short-term securities are recorded at cost or amortized cost, which together with accrued interest is an approximation for fair value.
ii. Bonds are valued based on quoted mid-market prices obtained from independent, multi-contributor third party pricing sources. Where quoted prices are not available, fair values are calculated using discounted cash flows based on current market yields on comparable securities, as appropriate.
iii. Commercial loan fair values are calculated using discounted cash flows based on current market yields on comparable securities, as appropriate.
iv. Equities are valued at quoted closing market prices.
v. Securities sold under repurchase agreements, all of which mature within 90 days, are treated as collateralized borrowing transactions and are recorded at cost, which together with accrued interest is an approximation for fair value.
vi. Investments in private equities and special situations include investments held directly and through ownership in limited partnership funds. These investments are valued using market quotes, values provided by the funds' General Partners under limited partnership agreements (unless a specific and conclusive reason exists to vary from the value provided by the General Partner) or through the use of industry accepted valuation techniques. In the year of acquisition, cost is used as an approximation for fair value, unless there is evidence of a significant change in value.
vii. Real estate investments, consisting primarily of income-producing properties, are valued at estimated fair values based on periodic appraisals determined by accredited external appraisers. In the year of acquisition, cost is used as an approximation for fair value, unless there is evidence of a significant change in value. Mortgages held on real estate investments are valued using discounted cash flows based on current market yields on comparable securities.
viii. Exchange-traded derivatives are valued based on quoted closing market prices. For other derivatives, where quoted closing prices are not available, appropriate valuation techniques and pricing models are used to estimate fair value.

Investment income recognition

Investment income generally consists of interest and dividend income as well as realized and unrealized gains and losses.

Interest and dividend income includes interest income, which is reported net of interest expense related to securities sold under repurchase agreements, net dividend income, recognized on ex-dividend date, net real estate operating income and transaction costs. Interest income is recognized on an accrual basis. Certain management and performance fees related to real estate and private equity investments are expensed as incurred and reported as a component of total investment income. Transaction costs are incremental costs attributable to the acquisition, issue or disposal of an investment, and are expensed as incurred and reported as a component of total investment income.

The change in unrealized gains and losses on investments represent the difference between the cost-based values and the estimated fair values of investments year-over-year. Realized gains and losses on investments are recognized upon disposition.

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 trade date of the transaction. 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.

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, 2009. The valuation uses the projected accrued benefit actuarial cost method and management's estimate of certain future events.

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.

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.

Contributions

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

Benefits

Benefit payments to members and pensioners, commuted value payments and refunds to former members, and transfer payments to other pension plans are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in the accrued pension benefits.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions based on information available as at the date of the financial statements. Such estimates and assumptions may affect the reported amounts of assets and liabilities, revenue and expenses, accrued pension benefits and related disclosures. Significant estimates are used primarily in the determination of accrued pension benefits and the fair value of investments. Actual results could differ from those estimates.

Future accounting changes

The Canadian Accounting Standards Board (AcSB) confirmed January 1, 2011 as the date International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly accountable enterprises. In 2008, Pension Plans were given a reprieve from adopting IFRS and continue to prepare financial statements in accordance with Section 4100 Pension Plans, under Canadian GAAP. In July 2009, the AcSB issued an exposure draft proposing changes to the current Section 4100, with comments from the pension industry due by October 31, 2009. The AcSB plans to issue final standards for pension plans in the first quarter of 2010.

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 6.50 per cent.

In accordance with the CICA's accounting standard, Section 3862, Financial Instruments – Disclosures, HOOPP is required to classify financial assets and financial liabilities, which are measured at fair value as at December 31, 2009, using a fair value hierarchy based on the methods and assumptions used to determine their fair values. The fair value hierarchy gives highest priority to quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The fair value hierarchy has the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification for each investment is determined based on the lowest level input that is significant to the investment's fair value in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement requires judgment and factors specific to the financial asset or financial liability being considered. Determining whether an input is observable also requires considerable judgment. Observable data is considered to be market data that is readily available, regularly distributed and updated, easily corroborated and obtained from independent sources that are actively involved in that particular market.

Investments that are classified as Level 1 include actively traded equity investments and exchange traded derivatives. These investments are valued at quoted, unadjusted, closing market prices.

Investments that are classified as Level 2 include federal, municipal and corporate bonds and over-the-counter derivatives. For these investments, fair values are either derived from a number of prices that are provided by independent price sources or from pricing models that use observable market data such as swap curves, credit spreads and volatilities.

Management's judgment is that there were no significant transfers between Level 1 and Level 2 during 2009. This is based on the fact that the methods and assumptions used to determine the fair values of these financial assets and financial liabilities were not changed significantly throughout the year.

Investments that are classified as Level 3 include real estate and private equity investments, some derivatives and some fixed income instruments. For these investments, trading activity is infrequent and fair values are derived using valuation techniques. The significant inputs used in the pricing models are either not observable or assumptions are made about significant inputs.

The Plan's investments, presented by the currency in which they are denominated and before allocating the market exposure related to derivative financial instruments, are as follows:

	2009						2008	
($ millions)	**Level 1**	**Level 2**	**Level 3**	**No Level [2,3]**	**Total Fair Value**	**Cost**	Fair Value	Cost
Fixed Income								
Cash	$ 36	$ -	$ -	$ -	**$ 36**	**$ 36**	$ 65	$ 65
Short term securities	-	106	-	-	**106**	**106**	47	47
Bonds								
Canadian	-	38,197	804	-	**39,001**	**38,260**	32,738	32,523
Non-Canadian	-	9,536	201	-	**9,737**	**9,959**	12,390	11,545
Commercial loans [(1)]								
Canadian	-	-	-	-	**-**	**-**	50	50
Non-Canadian	-	-	277	-	**277**	**288**	900	657
	36	47,839	1,282	-	**49,157**	**48,649**	46,190	44,887
Equity								
Canadian	251	-	-	-	**251**	**232**	142	179
Non-Canadian	598	40	-	-	**638**	**638**	1,762	2,205
	849	40	-	-	**889**	**870**	1,904	2,384
Equity-Oriented								
Real estate								
Canadian	-	-	4,371	-	**4,371**	**3,657**	4,414	3,259
Non-Canadian	-	-	31	-	**31**	**67**	55	53
Private equity and special situations								
Canadian	-	-	637	-	**637**	**670**	439	584
Non-Canadian	-	-	855	-	**855**	**991**	811	895
	-	-	5,894	-	**5,894**	**5,385**	5,719	4,791
Total investments	**885**	**47,879**	**7,176**	**-**	**55,940**	**54,904**	53,813	52,062
Investment related receivables								
Receivables from derivative financial instruments (note 3)	2	948	69	-	**1,019**	**13**	1,754	60
Securities purchased under resell agreements [(2)]	-	-	-	336	**336**	**336**	-	-
Cash collateral pledged related to securities borrowing (note 5) [(3)]	-	-	-	509	**509**	**509**	296	296
Pending trades [(3)]	-	-	-	734	**734**	**729**	656	656
Accrued investment income [(3)]	-	-	-	373	**373**	**373**	429	429
	2	948	69	1,952	**2,971**	**1,960**	3,135	1,441
Investment related liabilities								
Obligations related to securities sold short (note 5)	(14,336)	(397)	-	-	**(14,733)**	**(14,197)**	(10,734)	(13,921)
Liabilities from derivative financial instruments (note 3)	-	(1,162)	(151)	-	**(1,313)**	**-**	(4,241)	(61)
Real estate mortgages	-	-	(863)	-	**(863)**	**(855)**	(877)	(866)
Securities sold under repurchase agreements [(2)]	-	-	-	(10,357)	**(10,357)**	**(10,357)**	(14,337)	(14,337)
Pending trades [(3)]	-	-	-	(628)	**(628)**	**(625)**	(185)	(185)
Cash collateral received related to securities lending (note 5) [(3)]	-	-	-	(38)	**(38)**	**(38)**	-	-
Accrued liabilities [(3)]	-	-	-	(79)	**(79)**	**(79)**	(89)	(89)
	(14,336)	(1,559)	(1,014)	(11,102)	**(28,011)**	**(26,151)**	(30,463)	(29,459)
Net Investments	**$ (13,449)**	**$ 47,268**	**$ 6,231**	**$ (9,150)**	**$ 30,900**	**$ 30,713**	$ 26,485	$ 24,044

(1) The 2008 comparative amounts were classified as bonds in the 2008 financial statements.

(2) Securities purchased under resell agreements and securities sold under repurchase agreements are recorded at amortized cost, which together with accrued interest, is an approximation for fair value. These financial assets and financial liabilities are not categorized by level in the fair value hierarchy.

(3) These balances do not represent financial assets or financial liabilities for which a fair value hierarchy classification is required.

The following table presents the changes in fair value measurement for financial instruments included in Level 3 during the year end December 31, 2009:

Changes in Fair Value Measurement for Instruments in Level 3 *($ millions)*	**Fair Value Dec 31, 2008**	**Total realized gains / (losses) included in net income (1)**	**Total unrealized gains / (losses) included in net income (1)**	**Purchases and issues**	**Sales and settlements**	**Transfers in and / or out (1)**	**Fair Value Dec 31, 2009**
Real estate							
Canadian	4,414	-	(324)	286	(5)	-	4,371
Non-Canadian	55	-	(52)	28	-	-	31
Private equity and special situations							
Canadian	439	(3)	115	130	(44)	-	637
Non-Canadian	811	4	(60)	132	(32)	-	855
Bonds							
Canadian	2,645	1	(173)	283	(311)	(1,641)	804
Non-Canadian	1,539	9	(128)	42	(439)	(822)	201
Commercial loans							
Canadian	50	-	-	104	(154)	-	-
Non-Canadian	900	(148)	(114)	276	(637)	-	277
Real estate mortgages	(877)		3	(44)	55	-	(863)
Receivables from derivative financial instruments (note 3)	196	81	(208)	-	-	-	69
Liabilities from derivative financial instruments (note 3)	(316)	(91)	256	-	-	-	(151)

(1)Transfers in to Level 3 are assumed to occur at the end of the reporting period and transfers out of Level 3 are assumed to occur at the beginning of the reporting period.

For financial instruments included in Level 3, management's judgment is that changing one or more of the inputs to a reasonably possible alternative assumption would not change the fair value significantly.

Note 3: Derivative Financial Instruments

Derivative financial instruments are financial contracts whose value is derived from an underlying asset, index, interest rate, or exchange rate.

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 may be used on all of HOOPP's permitted asset classes.

The Plan utilizes the following derivative financial instruments:

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 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.

Bonds and equity index 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 modify exposures efficiently without actually purchasing or selling the underlying asset.

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) a financial instrument at a predetermined price, on or before a specified future date. The seller receives a premium from the purchasers for this right. The various option agreements are interest rate options and swaptions, foreign currency options, equity options and options on credit derivatives. Options are used to manage the exposures of market risks.

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.

Swaps

Swaps involve contractual agreements between two counterparties to exchange a series of cash flows. HOOPP utilizes the following swap instruments:

- Equity swaps are agreements between two parties to exchange a series of cash flows based on the return of an equity, a basket of equities or an equity index. 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 to adjust exposures to particular indices without directly purchasing or selling the securities that comprise the index.
- Interest rate swaps (including cross currency swaps) are agreements 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 are agreements between two parties where the buyer of the credit 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 used to promote credit diversification and for risk mitigation.
- Variance swaps are agreements between two parties to exchange cash flows on payment date based on the difference between the realized volatility and a strike volatility rate of the underlying instruments.

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

Derivative Financial Instruments	**2009**				2008			
	Notional Value (1)		**Fair Value (2)**		Notional Value (1)		Fair Value (2)	
($ millions)	**Long**	**Short**	**Assets**	**Liabilities**	Long	Short	Assets	Liabilities
Foreign exchange forward contracts	$ 2,515	$ 2,515	$ 19	$ (3)	$ 1,901	$ 1,901	$ 24	$ (61)
Futures contracts								
Equity	1,802	58	2	-	2,976	5	26	-
Bond	-	219	-	-	-	605	1	-
Options								
Foreign exchange	26	26	-	-	183	183	-	-
Caps and floors	50	-	-	-	50	-	-	-
Equity	-	8	-	-	61	58	194	(193)
Swaption	-	4	2	(1)	-	-	-	-
Swaps								
Equity	21,462	1,122	464	(71)	15,342	830	572	(632)
Interest rate	17,768	1,916	117	(626)	13,923	2,447	220	(1,114)
Cross currency	7,807	-	193	(309)	9,714	109	31	(1,715)
Credit default	8,727	7,593	222	(303)	7,763	11,649	634	(466)
Variance	-	-	-	-	47	48	52	(60)
Total	$ 60,157	$ 13,461	$ 1,019	$ (1,313)	$ 51,960	$ 17,835	$ 1,754	$ (4,241)

(1) 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.

(2) Fair value represents unrealized gains or losses from derivative contracts, which are recorded in the consolidated statement of net assets based on the fair value of the derivative contracts. Contracts with a positive fair value are recorded as investment related receivables while contracts with a negative fair value are recorded as investment related liabilities.

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

Derivative Financial Instruments by Term to Maturity (Notional Values)	**2009**					
	Within 1 year		**1 to 5 years**		**Over 5 years**	
($ millions)	**Long**	**Short**	**Long**	**Short**	**Long**	**Short**
Foreign exchange forward contracts	$ 2,515	$ 2,515	$ -	$ -	$ -	$ -
Futures contracts						
Equity	1,802	58	-	-	-	-
Bond	-	219	-	-	-	-
Options						
Foreign exchange	26	26	-	-	-	-
Caps and floors	50	-	-	-	-	-
Equity	-	8	-	-	-	-
Swaption	-	3	-	-	-	1
Swaps						
Equity	19,070	181	2,392	941	-	-
Interest rate	3,511	833	12,002	234	2,255	849
Cross currency	1,930	-	5,175	-	702	-
Credit default	1,427	1,110	4,330	5,484	2,970	999
Variance	-	-	-	-	-	-
Total	**$ 30,331**	**$ 4,953**	**$ 23,899**	**$ 6,659**	**$ 5,927**	**$ 1,849**

Derivative Financial Instruments by Term to Maturity (Notional Values)	2008					
	Within 1 year		1 to 5 years		Over 5 years	
($ millions)	Long	Short	Long	Short	Long	Short
Foreign exchange forward contracts	$ 1,901	$ 1,901	$ -	$ -	$ -	$ -
Futures contracts						
Equity	2,976	5	-	-	-	-
Bond	-	605	-	-	-	-
Options						
Foreign exchange	152	152	31	31	-	-
Caps and floors	50	-	-	-	-	-
Equity	61	50	-	8	-	-
Swaps						
Equity	15,342	830	-	-	-	-
Interest rate	2,751	1,024	8,963	1,113	2,209	310
Cross currency	3,327	109	5,691	-	696	-
Credit default	913	957	4,643	9,970	2,207	722
Variance	47	48	-	-	-	-
Total	$ 27,520	$ 5,681	$ 19,328	$ 11,122	$ 5,112	$ 1,032

Note 4: Investment Income

a) Investment income for the year ended December 31 is as follows:

($ millions)		**2009**		2008
Fixed Income				
Cash	**$**	**-**	$	43
Short term securities		**1**		3
Bonds				
Canadian [1]		**972**		1,189
Non-Canadian		**410**		564
Commercial loans				
Non-Canadian		**1**		9
		1,384		1,808
Equity				
Canadian		**(15)**		(2)
Non-Canadian		**1,505**		1,662
		1,490		1,660
Equity-oriented				
Net real estate operating income (note 4b)				
Canadian		**212**		209
Non-Canadian		**-**		2
Private equity and special situations				
Canadian		**18**		23
Non-Canadian		**3**		4
		233		238
Total interest and dividend income		**3,107**		3,706
Net realized gains/(losses) on investments [2]		**3,184**		(10,707)
Net change in unrealized gains/(losses) on investments [3]		**(2,248)**		3,417
Transaction costs		**(3)**		(7)
Total investment income/(loss)	**$**	**4,040**	$	(3,591)

(1) Net of interest expense related to securities sold under repurchase agreements of $92 million [2008: $261 million]

(2) Includes net realized gains/(losses) on derivatives of $3,386 million [2008:($8,797) million]

(3) Includes net change in unrealized gains/(losses) on derivatives of $2,180 million [2008: ($2,726) million]

b) Real estate income

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

($ millions)		**2009**		2008
Rental revenue	**$**	**467**	$	444
Property operating & other expenses		**(214)**		(207)
Operating income		**253**		237
Mortgage interest		**(41)**		(26)
Net real estate operating income	**$**	**212**	$	211

Note 5: Collateral

Collateral Pledged

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 borrows securities to facilitate the taking of short positions to reduce or eliminate economic exposures as part of certain active management strategies and as an offset to long positions in some derivative strategies. The Plan uses derivatives for hedging, to replicate direct investments, and for yield enhancement purposes; doing so requires the Plan to pledge collateral to cover the counterparty's credit risk.

The Plan pledges collateral, typically in the form of cash, fixed income and equities, as security for obligations incurred in the ordinary course of trading in derivatives (options, forwards, futures, swaps) and related transactions or otherwise where such pledge of assets is ancillary to certain permitted activities.

As at December 31, 2009, the fair value of the collateral pledged with various financial institutions was as follows:

($ millions)	**2009**	2008
Securities Borrowed (1)	$ 16,848	$ 11,974
Derivatives	489	2,884
Repurchase Agreements	74	-

(1) Includes collateral pledged in cash of $509 million [2008: $296 million] (note 2)

Collateral Received

At December 31, 2009, the Fund received collateral totalling $627 million (2008: $100 million) for securities lending, $11 million (2008: $365 million) for securities sold under repurchase agreements, and $46 million (2008: $87 million) for other derivative obligations.

For any collateral received, the Fund is able to re-pledge, loan or use it under repurchase agreements. At December 31, 2009, $83 million (2008: $82 million) of the collateral received was lent under HOOPP's securities lending program and $nil (2008: $238 million) under repurchase agreements. For collateral, the Fund may only accept collateral of a certain credit quality – these limits are set by the Board and stipulated within the Investment Policies and Guidelines (IP&G).

Note 6: Risk Management

For HOOPP, the primary objective is to secure the pension promise for all of its members, pensioners and beneficiaries ("HOOPP members"). In order to accomplish this, the Plan must actively manage its net funded position (i.e., surplus or deficit). There are two major components to the net funded position – the Plan's pension obligations and the Fund's net investment assets – which HOOPP manages and measures in concert. The imbalance between the net investment assets and pension obligations is referred to as funding risk.

The Fund's net investment assets are exposed to financial risks (i.e., market risk, credit risk and liquidity risk) through its investment activities.

HOOPP's Board is responsible, with the assistance of staff, agents and advisors, for prudently managing, investing, and administering the Plan in order to secure the pension promise for HOOPP's members. This requires Board oversight of the assets and liabilities to ensure they are being managed in the best interests of HOOPP members. The Board has established a Funding Policy, which outlines some of the Board's risk tolerances, and an Investment Risk Framework, which guides the development of investment strategies to meet HOOPP's overall objectives.

The Funding Policy sets out criteria to be considered when contemplating changes to contribution rates and/or benefits levels, and establishes a target range for the Plan's funded ratio, which is the ratio of the Plan's assets to its liabilities. HOOPP's investment policy and strategic asset mix will also impact the Plan's funded ratio and can be altered to keep HOOPP's funded position within the targeted range over the long term.

Broadly, the Plan manages these financial risks by:

- utilizing a liability driven investment (LDI) approach, an investment strategy that aligns the Fund's assets to the Plan's liabilities, which helps determine appropriate investments, to reduce funding risk;
- implementing appropriate hedging strategies, through derivatives, to improve the risk profile of the Fund; and
- complying with the Pension Benefits Act and Regulations, the Income Tax Act and its regulations, the Plan's Agreement and Declaration of Trust, and the Plan Text.

Risk management for the Fund is performed by the Investment Management team through compliance with these key documents, which the Board reviews and approves no less frequently than annually:

- Investment Risk Framework – the Board's view of the Plan's risk tolerance

- Statement of Investment Principles (SIP) – the principles fiduciaries use when developing investment policies
- Statement of Investment Policies and Procedures (SIP&P) – investment guidelines for the management of the Fund, including objectives and how they will be reached
- Investment Policies and Guidelines (IP&G) – the Fund's policy benchmark, policy asset mix and detailed investment limits.

The Finance division, which is independent from Investment Management, monitors the limits set out in the IP&G. Finance delivers compliance and risk limit monitoring reports to the Board on a quarterly basis.

The Board's Plan Committee oversees the Plan's benefits design, administration and funding. It reviews, monitors and makes recommendations to the Board on matters such as proposed changes to benefits, appointment and performance of the Board's external actuarial advisor, actuarial valuations, funding strategies and contribution rates. The Committee also monitors compliance with legislative and regulatory requirements and the Board's policies.

The Board's Investment Committee oversees the management and investment of the Fund. It monitors and evaluates the investment management process and performance of the Fund and reviews and recommends to the Board investment policies.

Funding Risk

The primary risk that HOOPP faces is funding risk, the risk that the Fund's investment asset growth and contribution rates will not be sufficient to cover the Plan's pension obligations resulting in an unfunded liability (i.e., a funding deficit). If the funding deficit reaches a certain level, or persists, it may need to be eliminated by reducing benefits, raising contributions, or a combination of both.

The Plan's net funded position can change relatively quickly if there are changes in the value of the Fund's net investment assets or the Plan's pension obligation. Either can result in a mismatch between the Fund's assets and its liabilities. The most significant contributors to funding risk are:

- unexpected declines in interest rates,
- lower-than-expected investment returns, and
- unexpected increases in inflation

In addition to the financial risks listed above and further described in the Financial Risk Management section below, the Plan's pension obligation is also affected by non-economic factors like changes in member demographics.

At December 31, 2009, the Plan had a surplus of $536 million or 102% funded ratio compared to an unfunded liability, or deficit, of $983 million, or 97% funded ratio as at December 31, 2008.

The Board manages funding risk by monitoring the current and future expected funded ratio on an ongoing basis to ensure it remains in the targeted range. If and when the future funded ratio could fall outside the range, the Board determines whether changes to the investment policy, strategic asset mix, and contribution rates and/or benefits may be required.

When formulating the investment policy to effectively manage both risk and the net funded position, HOOPP must consider investment strategies that are suitable for the Plan's pension obligation. Failing to do this would result in greater volatility in the Plan's funded status, leading to a greater risk of making changes to benefits and/or contribution rates.

The Board's external actuary performs an annual valuation (going concern and solvency basis) to determine the Plan's funded status and also forecasts future results.

HOOPP is registered with the Financial Services Commission of Ontario (FSCO) and is required to file a funding valuation at least once every three years. It last filed a valuation for the period ending December 31, 2008. See note 12 for more information on HOOPP's funding valuation.

Financial risk management

The Fund's investment activities expose it to financial risks which include:

- market risk (interest rate risk, foreign currency risk and other price risk)
- credit risk
- liquidity risk

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates.

The Fund's interest rate sensitive instruments (including those backing derivative instruments) and the remaining term to maturity or repricing dates, whichever is earlier as at December 31, are provided below. These instruments are presented by the currency in which they are denominated.

Interest Rate Sensitive Instruments	**2009**				2008
	Term to Maturity				
($ millions)	**Within 1 Year**	**1 to 5 Years**	**Over 5 Years**	**Total**	Total
Short-term securities	$ 106	$ -	$ -	$ 106	$ 47
Canadian bonds [1]					
Federal bonds	1,355	5,423	4,591	11,369	9,254
Provincial and municipal bonds	445	11,289	6,391	18,125	12,365
Real return bonds	-	-	3,955	3,955	3,477
Corporate bonds	2,798	1,990	674	5,462	7,633
	4,598	18,702	15,611	38,911	32,729
Non-Canadian bonds [1]	1,644	6,130	1,781	9,555	12,390
Canadian commercial loans [2]	-	-	-	-	50
Non-Canadian commercial loans [2]	-	277	-	277	900
Canadian mortgage debt	(254)	(439)	(170)	(863)	(877)
Derivatives	(6,057)	(12,813)	(1,963)	(20,833)	(17,088)
Repurchase agreements	(10,021)	-	-	(10,021)	(14,337)
Total	$ (9,984)	$ 11,857	$ 15,259	$ 17,132	$ 13,814

[1] Net of Canadian bonds sold short of $90 million [2008: $8 million] and Non-Canadian of $182 million [2008: $nil]

[2] The 2008 comparative amounts were classified as bonds in the 2008 financial statements

Risk management

Duration measures the sensitivity of the fair value of fixed income investments to changes in market interest rates. HOOPP manages its exposure to interest rate risk by ensuring the modified duration of the fixed income instrument portfolios remains within the approved ranges of the respective benchmarks as stipulated in the IP&G. This is accomplished by rebalancing the portfolio on a regular basis and through the use of derivatives, including interest rate swaps, cross currency swaps and interest rate futures.

Risk measurement

The Fund’s fixed income duration is reviewed daily to ensure compliance to the policy and the Investment Committee receives quarterly reports on interest rate change sensitivity. As at December 31, 2009, a 1% increase/decrease in interest rates would have decreased/increased the Plan’s net assets available for benefits by $1.9 billion (2008: $1.2 billion). While the increase/decrease in interest rates would have decreased/increased the value of the Fund’s assets, it would have also decreased/increased the value of the Plan’s liabilities.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument denominated in a foreign currency will fluctuate due to changes in applicable foreign exchange rates. While HOOPP pension benefits are paid in Canadian dollars, some of the Fund’s assets are denominated in other currencies. The Fund’s foreign currency exposure (including through derivatives) as at December 31, was as follows:

Net Asset Exposure		
(local currency, $ millions)	**2009**	2008
Australian dollars	**32**	39
Swiss francs	**5**	92
Euros	**366**	446
British pounds	**40**	154
Japanese yen	**2,309**	25,564
U.S. dollars	**733**	1,435

Risk management

HOOPP manages its exposure to foreign currency risk by ensuring the exposures are effectively hedged in accordance with the limits stipulated in the IP&G. These limits require the Fund's foreign currency exposure to be 100% hedged[1]. This is accomplished through the use of derivatives, which include foreign exchange forward contracts and cross currency swaps.

Risk measurement

The exposures to foreign currency are measured daily to ensure policy compliance. Each quarter, management provides the Board with reports and analysis, illustrating the impacts on assets of foreign currency rate changes. As at December 31, 2009, a strengthening/decline in the Canadian dollar of 1% against other currencies would have resulted in a decrease/increase to the Plan's net assets available for benefits of $14.5 million (2008: $32.6 million).

[1] Effective October 15, 2009, the IP&G was changed to require the Fund's foreign currency exposure to be fully hedged. Prior to that, the IP&G required the Fund's foreign currency exposure on equity and equity-oriented investments to be 50% hedged. The rebalancing required to ensure the Fund's foreign currency exposure be fully hedged was not yet complete at December 31, 2009 resulting in a hedged ratio of less than 100%.

Other price risk

The Fund is also exposed to equity price risk. Equity risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). HOOPP is exposed to equity risk through its investment in public equities and equity-oriented (i.e. private equity and real estate) instruments. As at December 31, the total exposure to equity risk, including through the use of derivatives was as follows:

Financial Instruments	2009		2008	
($ millions)	**Effective Equity Exposure $**	**% of Total Equity Exposure**	Effective Equity Exposure $	% of Total Equity Exposure
Equity				
Canadian	**$ 3,123**	**22.7%**	$ 2,813	20.8%
U.S.	**3,125**	**22.7%**	3,133	23.2%
Non-North American	**2,663**	**19.4%**	2,794	20.7%
	8,911	**64.8%**	8,740	64.7%
Equity-Oriented				
Real estate	**3,337**	**24.3%**	3,508	26.0%
Private equity and special situations	**1,492**	**10.9%**	1,250	9.3%
	4,829	**35.2%**	4,758	35.3%
Total	**$ 13,740**	**100.0%**	$ 13,498	100.0%

Risk management

HOOPP manages equity risk and concentration risk through diversification, by investing in major equity markets with benchmarks approved by the Board, through physical and derivative markets in order to minimize non-systemic risk. Rebalancing of the equity investments occurs regularly to ensure the weighting of the equities and equity-oriented investments, in respect to the overall value of the Fund, remains within the limits established by the Board.

In addition, HOOPP manages equity risk by limiting the investment in individual securities to a set percentage of the overall Fund, as determined by the Board.

Risk measurement

HOOPP measures risk daily by monitoring exposure levels to Board approved limits, which include total equity exposure and single name limits. Compliance limit reporting is provided to the Board on a quarterly basis. Sensitivity analysis is performed to measure the impact of public equity market changes, to quantify the underlying risk and to ensure risk mitigation strategies are effective. The analysis is reviewed quarterly by the Investment Committee.

As at December 31, 2009, a 1% decline/increase in equity markets would have resulted in a decrease/increase in the Plan's net assets available for benefits of $137.4 million (2008: $134.9 million).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Counterparty credit risk is the risk of loss in the event the counterparty (excluding clearinghouses) to a transaction defaults, or otherwise fails to perform under the terms of a contract. Counterparty credit risk exposure for financial contracts 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.

The Fund assumes credit risk exposure through its investment in fixed income instruments and counterparty credit risk through its securities lending program, repurchase agreements and derivatives.

The Fund's total credit risk exposure, arising from fixed income instruments, accruals, and certain derivatives, as at December 31 was as follows:

Credit Risk Exposure	**2009**		2008	
($ millions)	**Total Credit Exposure**	**% of Total**	Total Credit Exposure	% of Total
Physical sovereign securities AAA	**$ 15,799**	**27.7%**	$ 10,729	18.8%
Physical securities:				
AAA [1]	1,964	**3.4%**	5,271	9.3%
AA	14,563	**25.5%**	13,110	23.0%
A	14,280	**25.0%**	14,362	25.2%
BBB	1,881	**3.3%**	2,193	3.9%
BB or below	699	**1.2%**	645	1.1%
Credit risk exposure (physical securities)	**33,387**	**58.4%**	35,581	62.5%
Credit risk exposure (derivatives)	**7,578**	**13.3%**	10,255	18.0%
Counterparty credit risk exposure [1]	**332**	**0.6%**	359	0.6%
Maximum credit risk exposure	**57,096**	**100.0%**	56,924	100.0%
Credit risk exposure (derivatives) [2]	**(8,724)**		(5,618)	
Total	**$ 48,372**		$ 51,306	

(1) Counterparty credit risk exposure after accounting for master netting agreements

(2) Includes collateral received of $46 million [2008: $87 million]

Risk management

HOOPP's policy is to manage credit risk by restricting investments to investment grade debt, diversifying credit holdings, and limiting investments based on single name issuer limits as stipulated by the Board in the IP&G. HOOPP will also employ the use of credit derivative to achieve this objective.

HOOPP mitigates counterparty credit risk by transacting exchange-traded derivative contracts and by dealing with counterparties with a minimum credit rating of A, as determined by a recognized credit rating agency. HOOPP also uses an internal credit-limit monitoring process and has master netting arrangements in place and the right to obtain collateral, all of which mitigate counterparty credit risk. Exposure to any counterparty with whom the Fund has non-exchange traded derivative contracts shall not exceed the limits specified and approved by the Board in the IP&G. Counterparty exposure is determined daily and collateral is either requested or delivered in accordance with the agreements in place. Note 5 provides more information on securities collateral.

Risk measurement

HOOPP measures the risk by monitoring the Fund's exposure each day to credit based on Board-approved credit limits, which include single name limits, and also counterparty exposure to determine whether collateral should be requested. Compliance reports are reviewed quarterly by the Investment Committee and the Board. Investments in any one issuer are limited to 5% of the total net assets of the Plan. In the event of default of a single investment at the maximum exposure allowed under the IP&G, the loss to HOOPP, assuming a typical recovery rate of 40%, would be approximately $923 million (2008: $791 million).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

For the Plan, financial liabilities are comprised of investment related liabilities (note 2), which as at December 31, 2009 totalled $28,011 million (2008: $30,463 million). Most of the investment related liabilities will become due within the next year. The Plan is also exposed to the daily settlement of derivatives, margin calls on derivatives and to periodic pension payments.

HOOPP's future liabilities include the accrued pension benefits obligation (note 11) and contracts that give rise to commitments for future payments (note 14).

Risk management

HOOPP manages liquidity risk by maintaining sufficient cash and cash equivalents, investing in highly liquid fixed income investments and securities which can be easily disposed of, and through the use of investment income and contributions received, to meet liquidity requirements. These sources of funds are used to pay pension benefits, settle financial liabilities and pay for operating expenses.

Risk measurement

On a daily basis, Finance forecasts cash flow requirements for up to one week to ensure sufficient cash is made available to meet short term requirements.

Note 7: Amounts Receivable

($ millions)		**2009**		2008
Contribution receivable				
Employers	**$**	**74**	$	69
Members		**59**		55
Recoverable refundable withholding tax on contributions		**132**		141
Total	**$**	**265**	$	265

Note 8: Contributions

($ millions)		**2009**		2008
Employers	**$**	**890**	$	840
Members				
Regular		**706**		667
Others		**11**		12
Transfers from other plans		**27**		34
Total	**$**	**1,634**	$	1,553

Note 9: Benefits

($ millions)		**2009**		2008
Retirement pension and bridge benefits	**$**	**988**	$	935
Commuted value transfers and death benefits		**71**		104
Refunds		**78**		85
Transfers to other plans		**22**		19
Total	**$**	**1,159**	$	1,143

Note 10: Operating Expenses

($ millions)		2009		2008
Investment:[1]				
Administration	$	**71**	$	35
External investment management fees		**5**		8
Legal, actuarial and other professional fees [2]		**15**		5
Custodial		**2**		2
		93		50
Plan: [1]				
Administration		**33**		32
Legal, actuarial and other professional fees [2]		**5**		7
		38		39
Total	**$**	**131**	$	89

(1) Includes allocation of corporate expenses

(2) Includes fees paid or due to the auditors pertaining to statutory audit fees of $496,000 [2008:$410,000], audit-related fees of $560,000 [2008: $180,500] and non-audit fees of $5,700 [2008: $3,400]

Note 11: Accrued Pension Benefits

Accrued pension benefits

Accrued pension benefits are based on management's assumptions and include a provision for expenses. The Plan provisions considered in the valuations were those in effect at the valuation dates.

Actuarial methodology for financial reporting

For the determination of the actuarial present value of accrued pension benefits as at December 31, 2009, an actuarial valuation was conducted by Towers Watson ULC (formerly Watson Wyatt Canada ULC) (Towers Watson). The valuation uses the projected accrued benefit actuarial cost method 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 members' demographic data provided by HOOPP staff as at November 1, 2009 and members' pay data which was provided as at December 31, 2008, all of which was projected to December 31, 2009 using management's estimates of experience for the intervening periods. The earnings estimates were determined based on 2008 experience and estimate assumptions.

Using this method and data, the accrued pension benefits (or going concern actuarial liabilities) at December 31, 2009, were $32,020 million (2008: $31,244 million).

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, 2009 and December 31, 2008, 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	2009 [(3)]	2008
Discount rate [(1)]	6.20%	6.00%
Rate of price inflation [(2)]	2.15%	2.25%
Real discount rate [(2)]	4.05%	3.75%
Salary escalation rate [(2)]	4.65%	4.75%

(1) Net of allowance for investment expenses of 0.25% [2008: 0.25%]

(2) Blended rates for 2009 based on rate of price inflation of 1.9% per annum for first five years and 2.25% per annum thereafter.

(3) Changes from actuarial assumptions used in the previous year resulted in an actuarial gain of $1,413 million [2008: $nil]. This actuarial gain is due primarily to the change in the discount rate.

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 2009, there was an estimated experience gain of $101 million (2008: loss of $501 million).

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. During 2009, the board granted 75 per cent of the 2009 CPI increase as an ad hoc increase effective April 1, 2010. This resulted in an increase in the Plan's accrued pension benefits of approximately $3 million.

Note 12: 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 minimum funding requirements. The last actuarial valuation for regulatory filing purposes was prepared by Towers Watson, as at December 31, 2008, and a copy of that valuation was filed with FSCO and CRA.

The funding valuation method used to determine the Plan's pension liabilities is the projected accrued benefit actuarial cost method. Under this method, pension liabilities are determined by calculating the actuarial present value of benefits based on service at the valuation date and projected final average earnings. The actuarial current service cost of benefits, is determined based on benefits (with projected final average earnings) in respect of service in the year following the valuation date, a portion of which is covered by member contributions.

The external actuary, in consultation with management, recommends the actuarial assumptions to be used for the filing valuation. The economic assumptions used for the December 31, 2008 regulatory funding valuation were as follows:

Discount rate	**6.00%**
Rate of price inflation	**2.25%**
Real discount rate	**3.75%**
Salary escalation rate	**4.75%**

The most recent regulatory filing valuation conducted as at December 31, 2008 disclosed actuarial assets of $30,261 million with accrued going concern liabilities of $31,244 million, resulting in a going concern deficit of $983 million. This filing valuation also confirmed that the Plan was fully funded on a solvency basis as of December 31, 2008 based on the assumptions and methods adopted for the valuation.

Note 13: Retirement Compensation Arrangement

The Retirement Compensation Arrangement (RCA) is a seamless arrangement which is funded by member and employer contributions as well as investment earnings, and managed in accordance with the overall Plan. The RCA assets are segregated under a separate account from the assets of the RPP. The allocation of contributions to the RCA and RPP are driven by the requirements of the Income Tax Act in a manner that is expected to be sufficient to pay the benefits as they become due. Total pension benefits are calculated using the pension formula disclosed under the Description of the Plan based on a member's total pensionable earnings. Benefits payable from the RCA are then determined as those which exceed amounts permitted under the Income Tax Act (Canada) for an RPP.

The net asset value available for RCA benefits at December 31, 2009 was $255 million (2008: $247 million).

Note 14: 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, 2009, these commitments totalled $1,226 million and $611 million respectively (2008: $1,417 million and $746 million respectively). The Plan has also committed to purchasing services relating to the pension administration and investment systems at approximately $4 million and $1 million per annum respectively.

Note 15: Guarantees and Indemnifications

Guarantees are contracts under which the guarantor is required to make payment to a third party where a principal obligor fails to pay or perform a stated obligation owed to that party. Indemnification agreements are similar to guarantees in that the indemnifying party may be required to make payments to the indemnified party in the event that the indemnified party incurs certain specified losses or expenses, often as a result of the act or omission of the indemnifying 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 3.

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, 2009, the amount recorded as a liability for claims under these arrangements was $nil (2008: $nil).

Significant Investments

Investments with fair value exceeding $100 million (gross securities excluding short sales) as at December 31, 2009 (excluding derivative exposures):

($ Millions)	Maturity Date	Coupon Rate %	Fair Value
Fixed Income			
Federal Bonds	2010 - 2041	2.00 - 9.00	$ 9,860
Provincial & Municipal Bonds	2010 - 2045	0.11 - 11.00	17,557
Real Return Bonds	2021 - 2041	2.00 - 4.50 Plus CPI *	3,819
Corporate Bonds			
American Express	2012	0.35	206
Anglo Irish Bank	2010	0.53 - 0.54	300
Bank of Montreal	2015 - 2018	5.18 - 6.02	447
Bank of Nova Scotia	2011	4.40 - 4.58	333
Bank of Scotland Plc	2010	0.48 - 0.50	510
CIBC	2010 - 2011	4.40 - 5.25	878
Citigroup Finance Cda	2011	0.27 - 0.50	298
General Elec Cap Corp	2010 - 2016	0.45 - 0.46	837
Goldentree	2013	1.54	259
Grand Horn Ltd	2022	0.88	146
Intl Lease Finance Corp	2011	0.60	232
National Bank Of Canada	2010	0.25	106
New Albertsons Inc	2011	7.50	204
Royal Bank	2011	4.25	208
Santander	2010	0.48	394
SLM Corp	2011	0.67	209
Sun Life	2010 - 2011	0.41 - 0.50	316
TD Bank	2011	1.50	154
Wells Fargo	2012	0.37	208
			$ 6,246

** CPI – consumer price index*

Private Equities	
Investment Partnership (2006) LP	
Investment Partnership (2007) LP	

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

TEN YEAR REVIEW

For the year ended December 31

($ millions)	**2009**	2008	2007	2006	2005	2004	2003	2002	2001	2000
CHANGE IN NET ASSETS										
Increase/(Decrease) in net assets										
Net investment loss)/income	**$ 4,040**	$ (3,591)	$ 1,748	$ 3,136	$ 3,095	$ 2,135	$ 2,393	$ (845)	$ (799)	$ 1,471
Contributions										
Employers	**890**	840	782	718	685	633	532	297	172	158
Members	**717**	679	632	583	554	514	435	244	137	130
Transfers	**27**	34	105	75	42	15	15	11	10	6
Total Increase/(Decrease)	**5,674**	(2,038)	3,267	4,512	4,376	3,297	3,375	(293)	(480)	1,765
Decrease in net assets										
Benefits	**1,159**	1,143	1,079	1,019	856	807	712	634	586	561
Investment & Plan operating expenses	**131**	89	100	91	85	70	64	57	54	52
Total Decrease	**1,290**	1,232	1,179	1,110	941	877	776	691	640	613
INCREASE/(DECREASE) IN NET ASSETS	**$ 4,384**	$ (3,270)	$ 2,088	$ 3,402	$ 3,435	$ 2,420	$ 2,599	$ (984)	$ (1,120)	$ 1,152
NET ASSETS										
Investments										
Fixed income	**$ 49,157**	$ 46,190	$ 42,949	$ 30,599	$ 24,678	$ 16,980	$ 10,831	$ 8,408	$ 9,808	$ 8,442
Equity	**889**	1,904	4,612	6,374	6,012	5,421	5,548	5,518	5,326	7,696
Equity-Oriented	**5,894**	5,719	5,100	4,412	3,350	2,853	2,608	2,406	2,265	2,033
Investment related receivables	**2,971**	3,135	2,515	1,571	1,425	949	770	504	353	293
	58,911	56,948	55,176	42,956	35,465	26,203	19,757	16,836	17,752	18,464
Amounts Receivable	**265**	265	232	200	179	145	113	67	43	33
Other assets	**10**	7	6	6	12	8	11	9	8	6
Total Assets	**59,186**	57,220	55,414	43,162	35,656	26,356	19,881	16,912	17,803	18,503
Investment related liabilities	**(28,011)**	(30,463)	(25,383)	(15,224)	(11,120)	(5,262)	(1,210)	(839)	(747)	(330)
Other liabilities	**(59)**	(25)	(29)	(24)	(24)	(17)	(14)	(15)	(14)	(11)
Total Liabilities	**(28,070)**	(30,488)	(25,412)	(15,248)	(11,144)	(5,279)	(1,224)	(854)	(761)	(341)
NET ASSETS	**$ 31,116**	$ 26,732	$ 30,002	$ 27,914	$ 24,512	$ 21,077	$ 18,657	$ 16,058	$ 17,042	$ 18,162
Actuarial asset value adjustment	**1,440**	3,529	(1,650)	(2,709)	(1,659)	231	1,471	2,766	946	(1,322)
Actuarial value of net assets	**32,556**	30,261	28,352	25,205	22,853	21,308	20,128	18,824	17,988	16,840
Accrued pension benefits	**32,020**	31,244	28,683	25,808	23,749	21,858	20,113	17,814	16,756	15,102
SURPLUS/(DEFICIT)	**$ 536**	$ (983)	$ (331)	$ (603)	$ (896)	$ (550)	$ 15	$ 1,010	$ 1,232	$ 1,738
INVESTMENT PERFORMANCE										
Investment rate of return-net	**15.18%**	-11.96%	6.23%	12.79%	14.66%	11.35%	14.86%	-5.02%	-4.41%	8.50%
Benchmark return	**9.77%**	-8.98%	4.78%	11.88%	13.97%	10.45%	14.38%	-5.33%	-4.51%	5.41%
Long-term return target	**6.50%**	6.50%	6.75%	7.00%	7.50%	7.50%	7.75%	7.75%	7.75%	7.25%

Governance

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:

- makes Plan and benefit changes
- 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 regularly reviews 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.

Back row: Louis Rodrigues, Dan Anderson, Adrian Foster, Deepak Shukla
Middle row: Helen Fetterly, Warren Chant, Marlene Puffer, James Sanders, Joyce Bailey, Wayne Gladstone, Lesley Bell
Front row: Deborah Menzies, David Alexander, Marcelle Goldenberg, Ronald Meredith-Jones, Greg Shaw

Chairs

Trustees

Greg Shaw
Vice-President, Strategic Human Resources Management, OHA

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

Pension Observers

Joyce Bailey
Former President, Wellesley Hospital

Linda Haslam-Stroud
President, Ontario Nurses' Association

Executives

John A. Crocker
President & CEO

Reno Bugiardini
Senior Vice-President, Information Technology & Facilities

Victoria S. Hubbell
Senior Vice-President, Strategy & Stakeholder Relations

Jim Keohane
Senior Vice-President, Investment Management and Chief Investment Officer

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

John Riviere
Senior Vice-President, Finance and Chief Financial Officer

Barbara Thomson
Senior Vice-President, Plan Operations

Senior Management

Michael Catford
Vice-President, Real Estate

Paul Kirk
Vice-President, Short Term & Foreign Exchange

Shawn Kralj
Vice-President, IT Investment Management & Business Applications

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

Nan Samaroo
Vice President, Investment Operations & Accounting

Silvano Trinca
Vice-President, Quality & Risk Management

Jeffrey Wendling
Vice-President, Public Equities

Advisors

Towers Watson ULC
Actuary

PricewaterhouseCoopers LLP
Auditor

Cavalluzzo Hayes Shilton McIntyre & Cornish LLP
and
Osler Hoskin & Harcourt LLP
Legal

Eric Kirzner
Karen R. Shoffner
Gerry Rocchi
and
Jois Mundell
Investment