ANNUAL
REPORT
2010

WE ARE

HOOPP
Healthcare of Ontario
Pension Plan

DEDICATED

OUR TEAM WORKS TOGETHER EVERY DAY TO DELIVER ON OUR PROMISE OF A SECURE RETIREMENT FOR ALL HOOPP MEMBERS.

WE BELIEVE IN WHAT WE DO.

OUR CULTURE EMPOWERS
EVERYONE TO MAKE A
DIFFERENCE IN BUILDING
A BETTER FUTURE.

WE WERE BORN TO DO THIS.

INSPIRED

INVESTED

OUR EXPERIENCED IN-HOUSE TEAM OF 37 INVESTMENT PROFESSIONALS MANAGES HOOPP'S FUND VALUED AT MORE THAN $35.7 BILLION IN 2010.

WE TAKE NUMBERS SERIOUSLY.

PRESIDENT & CEO'S MESSAGE

JOHN A. CROCKER, PRESIDENT & CEO

2010 was a major milestone for HOOPP – not only did we celebrate 50 years of serving our members, but we also better reflected our expanding member base by changing the "H" in our name to the *Healthcare* of Ontario Pension Plan.

As the pension provider to the healthcare community, it is clear that, while profound changes have taken place, our commitment to ensuring all healthcare workers enjoy a financially secure retirement remains the same.

Once a member starts their pension, it continues for life.

Having led the Plan for the past 10 years, I am more convinced than ever that defined benefit plans like HOOPP are an overlooked, but essential component of private sector retirement income. With a DB plan, a member can rest assured that an investment expert is helping to lay the foundation towards a financially secure future. And shouldering that investment risk is something that we have always taken seriously.

We maintain our credibility with industry-leading investment results, an efficient cost-structure and client-focused service in order to secure the sustainability of the Plan over the long term.

This year, we became one of the few organizations in all of Canada to implement SimCorp Dimension, a best-of-breed integrated portfolio management and investment accounting system, which supports our sophisticated portfolio. While we've always had strong investment expertise, SimCorp Dimension provided a way to enhance the solid work of our investment and finance teams while providing new avenues for future investing.

Together with a new liability modeling tool, SimCorp Dimension is part of a new phase in the transformation of HOOPP's investment management and administration infrastructure. Collectively, this work is central to our liability-driven investment and risk management strategies and provides us with a solid platform for future growth and evolution.

We have also been recognized for our commitment to environmental sustainability standards in our real estate portfolio by striving to achieve Leadership in Energy and Environmental Design (LEED) certification on investments and developments, and continually monitoring health and safety practices of all external property managers and contractors to ensure they are best-in-class.

This past year, HOOPP opened the doors to Telus House Tower, a state-of-the-art office building in Toronto, the AeroCentre V office building in Mississauga and Willingdon Park Phase 8 and 9 in Vancouver.

These commercial developments reflect our commitment to greater environmental and social stewardship and to sustainable development – it's just one example of how we continue to build a high level of trust within our strong partnerships.

Responding to the needs and expectations of our clients is also of paramount importance to us. We have continued enhancements to transactional and self-service website services such as HOOPP Connect for our members and pensioners, and HOOPP ESE for our employers. We have also established an Employer Advisory Council to guide the identification and development of best practice solutions.

Demonstrating HOOPP's value to the entire healthcare community remains as one of our top priorities. In our commitment to protect the interests of our members and pensioners, we have increased our visibility with public policymakers to advocate for changes that affect the Plan and to bring some insight into areas where pension, investment or other reform is needed.

To this end, in February, we released a White Paper entitled *Meeting the Demographic and Retirement Challenge*, which featured the views of healthcare providers and stakeholders who attended a HOOPP symposium. The White Paper included key findings on the extension of pension coverage to the growing community health sector, the ease of keeping pension benefits when healthcare workers change jobs, and the need to attract more young people to healthcare professions.

Later in the year, we hosted our first Think Tank in November with close to 50 healthcare thought leaders gathered at the University of Toronto's Munk Centre to discuss quality healthcare and the sustainability of the system.

One of the key reasons HOOPP has delivered on its pension promise for 50 years is simple: our people.

Our culture of excellence was recognized this year as one of Canada's 10 Most Admired Corporate Cultures, reflecting the very best of our organization – our commitment to providing a secure retirement for those who take care of us, our promotion of an atmosphere of mutual respect and understanding, and our dedication to fostering a culture that is literally award winning.

Why is a culture of excellence so important?

It's simple: good people do good things and produce good results. At HOOPP, a promise made is a promise kept. It's clear… *we are* invested in the work we do.

John A. Crocker, President & CEO

CHAIRS' MESSAGE

***We are* professional, accountable, collaborative and trustworthy.**

These words define HOOPP and go a long way towards explaining why we were recognized as a national winner of Canada's 10 Most Admired Corporate Cultures in 2010.

HOOPP's mission is to deliver a financially secure and dignified retirement to our members. This mission serves as a guiding light to align and unite all HOOPP staff members and defines all our organizational objectives, and is first and foremost in the minds of HOOPP Trustees as they oversee the organization's activities.

Our governance system is designed to be democratic and transparent, to maintain fairness and integrity in the professional management of our members' pension assets.

We are jointly run by a Board featuring equal representation from the Ontario Hospital Association and four unions - the Ontario Nurses' Association, the Canadian Union of Public Employees, the Ontario Public Service Employees Union and the Service Employees International Union.

We firmly believe that good governance is fundamental to ensure the Plan is well run – and that an essential ingredient of good governance is a well-defined strategy.

"...WE WERE RECOGNIZED AS A NATIONAL WINNER OF CANADA'S 10 MOST ADMIRED CORPORATE CULTURES IN 2010."

At the close of 2010, we marked the halfway point of our current strategic plan, which identifies four imperatives that are critical to positioning HOOPP for a strong and secure future: favourably funded position, plan operational excellence, employer of choice and growth and retention.

For the Board, growth has become one of the most important mandates for HOOPP.

Through the expansion of HOOPP benefit coverage into the broader healthcare community, more Ontario healthcare workers can access one of the best pensions available – even as their employment relationships change.

Throughout 2010, pension reform remained in the headlines as the Ontario government continued to respond to the many recommendations contained in the Report of the Expert Commission on Pensions, to which HOOPP contributed in 2009.

While we must keep apprised of the shifting pension landscape today, our constant focus is on the importance of maintaining a financially secure future for our members.

The Board has consistently worked to ensure HOOPP pensions maintain their buying power. All HOOPP pensioners – including deferred pensioners – will see a 1.76% cost of living adjustment (COLA) on April 1, 2011, representing 75% of the 2.35% increase in the 2010 consumer price index.

The Board also confirmed that member and employer contribution rates will remain the same until at least the end of 2012. Employers will continue to contribute 126% of what members contribute.

The fact that HOOPP is not changing its contribution rates speaks to the solid management of the Plan. With stability in mind, HOOPP has maintained the same contribution rates since 2004.

We also acknowledge, with pride, the numerous enhancements made in the way HOOPP administers benefits, interacts with the healthcare community and supports our members, pensioners and employers.

This is in no small part thanks to the dedication and hard work of HOOPP's employees, each of whom have had a hand in building a solid platform from which HOOPP can continue to deliver a strong and secure benefit into the future.

In closing, we wish to thank departing Board members, Marcelle Goldenberg and Deborah Menzies, for their support, dedication and commitment. Both are long-serving trustees who have made invaluable contributions to our Board, which has benefited from their knowledge and wise counsel.

Ronald Meredith-Jones, 2010 Chair

Helen Fetterly, 2010 Vice Chair

STANDING, LEFT TO RIGHT: JIM KEOHANE, JOHN CROCKER (PRESIDENT & CEO), PAUL KIRK
SEATED, LEFT TO RIGHT: ANDY MOYSIUK, MICHAEL CATFORD, JEFF WENDLING, DAVID LONG

CULTURE OF EXCELLENCE

WE ARE INVESTING IN THE FUTURE

At the core of what guides HOOPP is the goal that all healthcare workers have a financially secure retirement.

"We're all very focused on delivering on that pension promise," says **Jim Keohane**, Senior Vice President, Investments and Chief Investment Officer. "We take that to heart – it's not just something we say. It's something we live."

This is the underlying principle that directs HOOPP's investment team when it comes to making decisions – after all, HOOPP not only administers the pension plan – it invests member and employer contributions to ensure that pensions can be paid now and in the future.

In fact, approximately 80 cents of every pension dollar comes from investment returns while the rest comes from contributions.

Managed in-house by an experienced team of 37 investment professionals, HOOPP's Fund was valued at more than $35.7 billion in 2010.

"Being a combination of smart and sensible – that sums up our investment development process," **Michael Catford**, Vice President, Real Estate, says. "We take risks but we work to make sure we really understand what those risks are and have programs in place to help mitigate them."

In recent years, HOOPP has started moving to liability-driven investing (LDI) in managing the Fund, which seeks to have sufficient assets to meet all liabilities – both current and future.

Operating within an LDI framework allows HOOPP to explore approaches that manage asset and liability risk together and enhance returns through controlled risk-taking.

"The question for us is this: what's the best way to invest given what the Plan member needs?" **David Long**, Vice President, Derivatives and Fixed Income, says. "And essentially, it's a secure benefit combined with a relatively low contribution rate."

It should be noted that HOOPP's contribution rates have remained the same since 2004, and will remain unchanged until at least the end of 2012.

WE ARE TAKING A NON-TRADITIONAL APPROACH

HOOPP's asset mix, which was recalibrated in the latter part of 2007 from a traditional model, has enough risk exposure to create the opportunity to earn the returns required to fund the pension plan, but not so much risk that there is a significant probability of severe or major investment losses.

"Following the market downturn in 2002, we had to rethink how we were doing things. We looked at what we had to deliver and decided 'how much risk was too much risk,'" Keohane says.

This work led to the portfolio transition that took place in late 2007 and was, in part, what helped HOOPP to weather the storm better than most in the midst of the financial crisis of 2007-2010 – considered by many economists to be the worst financial crisis since the Great Depression of the 1930s.

Keohane notes that, because HOOPP was conservatively positioned, HOOPP's investment team not only stayed the course at the bottom of the market – the focus shifted towards the opportunities that were available.

"Is that just luck?" Catford asks. "Well, you certainly can't get lucky every year. HOOPP has a track record of making sensible investment decisions."

WE ARE USING THE LDI APPROACH

To the extent possible, HOOPP matches the characteristics of its liabilities with assets that have similar characteristics.

Generally, HOOPP's pension liabilities are sensitive to interest rate movements and changes in inflation, so a significant portion of the Fund's assets are invested in bonds; real return bonds and real estate help to offset the risk of inflation and adverse interest rate movements.

"Fixed income investing is very good in terms of matching our liabilities – there are regular payments coming in. But to be all fixed income, you're not going to generate enough return," says **Jeff Wendling**, Vice President, Public Equities. "At a certain point, you have to think about other assets where you can take more risk to get higher returns that will allow us to help on the pricing and the benefits."

While bonds and real estate provide HOOPP with returns with minimal risk, HOOPP also has exposure to assets that are more attractive generators of total return but are more volatile.

Public equity exposure provides HOOPP with growth, as does private equity, which is conducted by HOOPP Capital Partners.

WE ARE CREATING LONG-TERM VALUE

"The core of what we do is support entrepreneurs," says **Andy Moysiuk**, Managing Partner of HOOPP Capital Partners. "We are a quiet sponsor in the creation and nurturing of companies. We prefer to let entrepreneurs appropriately take the credit for their own success – and that's at the core of our culture."

Moysiuk, who is the longest serving leader of a private equity program within an institution in Canada, notes that HOOPP Capital Partners exercise "continuous due diligence" in determining who to partner with and what industry domains to pursue for investment.

HOOPP has been recognized by the industry for its thorough approach.

"WE'RE A PRODUCT OF COLLABORATION AND WE'RE DEFINED AS MUCH BY WHAT WE *DON'T* DO AND WHAT WE *DO* DO."

"We're a product of collaboration and we're defined as much by what we *don't* do as what we *do* do," Moysiuk says.

He adds that HOOPP's team stays within their core competencies with the view that long-term investing means the duration of hold is anywhere from 3 to 10 years and volatility is expected on a year-to-year basis.

"But we've got our eye on the prize: long-term value creation," he says.

Wendling concurs. "We look long term – which allows us to add a bit more value and it's definitely more interesting. HOOPP is a creative organization in terms of trying new ideas, so it's an exciting and challenging place to work."

That environment of creativity is aided by a culture of genuine teamwork.

"HOOPP is designed around collaboration," Moysiuk adds. "It's one of the key strengths that contribute to our success."

WE ARE A COLLABORATIVE TEAM

With just 37 investment professionals on staff with a combined experience of 600 years, Keohane notes that HOOPP's investment management team is considerably smaller than might be expected and runs very efficiently. By virtue of the team's size and culture of collaboration, it is able to communicate effectively and react nimbly to change.

HOOPP's investment portfolios are designed with the future pension income needs of members in mind.

"We're not investing for the sake of investing. We're not taking risk for the sake of taking risk," says Long. "We're trying to achieve exactly what the plan member is trying to achieve: a dependable source of retirement income."

Keohane agrees and adds, "HOOPP does make a difference in people's lives. It's really striking when you talk to retirees and they tell you that, because of HOOPP, they can retire in dignity – and that makes it much more satisfying to come into work every day."

With HOOPP, members are not alone in working towards their financial goals. By virtue of their membership, they have access to a world-class investment team.

With an eye towards the future, HOOPP is committed to moving with the changing healthcare landscape and remaining the leading pension plan provider in the Ontario healthcare community.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

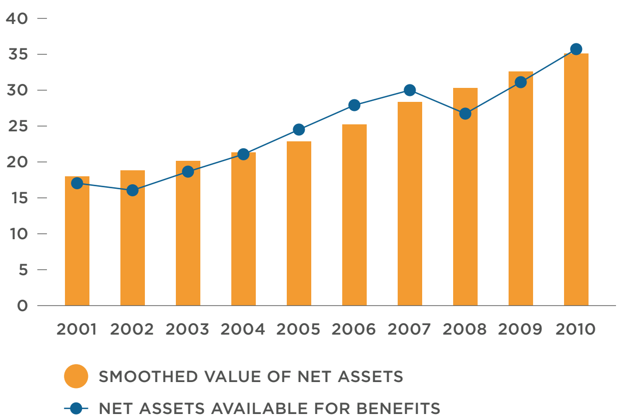
Against a backdrop of volatility where questions about the strength and stability of the economy and banking industry played out prominently alongside news of the European sovereign debt crisis, 2010 was a year where HOOPP's net assets increased to $35.7 billion, up from $31.1 billion in 2009.

This was achieved by identifying attractive investment entry points in the financial markets by focusing on the positive aspects of the economy. By remaining focused on the long-term view and anticipating how the various situations would play out in the markets, HOOPP was able to report strong results across its various portfolios, experiencing double-digit returns of 13.68% compared to 15.18% in 2009 and surpassing its investment benchmark of 10.31% by 337 basis points.

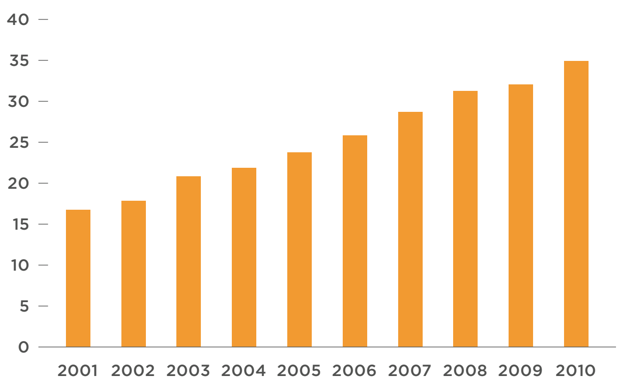
It's important to note that defined benefit pension plans like HOOPP invest for the long term – not for year-over-year results – where pension contributions made today to fund benefits may not be paid out for 40 or more years.

During the last decade, HOOPP's compound annual rate of return has been 6.28% which translates into $17.2 billion of value to the Fund for members and pensioners.

SMOOTHED VALUE OF NET ASSETS VS NET ASSETS AVAILABLE FOR BENEFITS
($ BILLIONS)



PENSION LIABILITIES
($ BILLIONS)



Because of its commitment to preserving the pension promise, HOOPP's Board of Trustees is:

- holding contribution rates and benefits stable until at least the end of 2012
- providing a 1.76% cost of living adjustment for all pensioners on April 1, 2011 (the adjustment is equal to 75% of the 2.35% increase in the consumer price index from December 2009 to December 2010).

NET ASSETS

The recovery of the markets benefited the Fund, with net assets available for benefits ending the year at $35.7 billion, up from $31.1 billion at year end 2009.

Consistent with industry practice and for funding purposes, HOOPP applies a "smoothing" adjustment to net assets, which adjusts the value of the net assets based on the average of the five previous year-end net asset values extrapolated with cash flows and assumed rates of return to year end 2010. This adjustment has a moderating effect on investment gains or losses in a given year and is used to provide stability in pension plans.

The "smoothed" value of net assets as of Dec. 31, 2010, was $35.1 billion, up from $32.6 billion at the end of 2009.

PENSION LIABILITIES

As of Dec. 31, 2010, the Plan's total pension liabilities (the total value of future benefits owing to members based on service earned to date) were $34.9 billion compared to $32 billion at the end of 2009.

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.

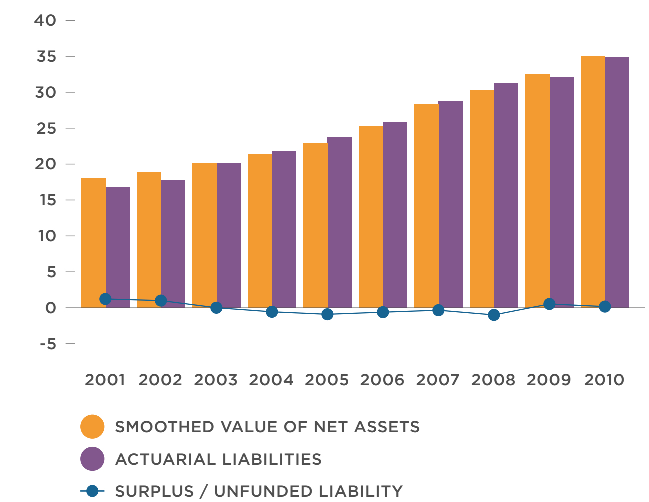
Under HOOPP:

- assets equal the current value of the contributions collected and investment returns
- liabilities equal the current value of the Plan's total pension obligations

When net assets equal or exceed liabilities, a plan is fully funded. When liabilities exceed net assets, a plan is underfunded, which means there may not be sufficient money to immediately meet all of a plan's future benefits payable.

SUMMARY OF FINANCIAL POSITION

($ BILLIONS)



CONTRIBUTIONS
($ MILLIONS)

As of Dec. 31, 2010, HOOPP was 101% funded, compared to 102% funded in 2009.

This means the Plan's net assets, on a five-year "smoothed" basis, were approximately $200 million more than the amount needed to fund the full cost of current pension liabilities (based on pensions earned to date).

FUNDING MANAGEMENT — DETERMINING THE FUNDED STATUS

Under current pension law, at least once every three years, HOOPP is required to determine the funded status of the Plan and file the results with the Financial Services Commission of Ontario (FSCO). However, in the interest of proactive funding management, HOOPP's practice is to measure the funded status on an annual basis, though the results may not be filed each year with FSCO.

DETERMINING FUNDED STATUS

The funded status of the Plan is the ratio of the Plan's total smoothed value of net assets to its total pension obligations.

VALUING ASSETS

Like most pension plans, HOOPP uses market prices and other accepted valuation methods to determine the current fair value of its assets.

VALUING LIABILITIES

The value of the Plan's pension obligations is calculated using the "projected accrued benefit method," where HOOPP calculates how much money must be currently invested to pay – in the future – the members' benefits based on the earnings history and pension service earned up to the date the obligations are calculated.

To value 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.

Since 2004, contribution rates have been stable and will continue at the same rates until at least the end of 2012.

Members contribute 6.9% of annualized earnings up to the year's maximum pensionable earnings ($47,200 for 2010) and 9.2% of annualized earnings above that level. Employers contribute 126% of what members contribute.

During 2010, contributions to HOOPP totalled $1.7 billion – up $80 million (or 4.9%) from 2009.

PENSION BENEFITS PAID
($ MILLIONS)

This was largely due to:

- salary increases in the healthcare industry due to inflation, and
- growth in membership over 2009 levels

Of the total contributed in 2010:

- 54% was from participating employers
- 43% was from members
- 3% resulted from transfers into the Plan by new members

PENSION BENEFITS PAID

Pension-related payments in 2010 totalled $1.2 billion – up $70 million (or 6.04%) from 2009.

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 2010:

- 86% was paid to pensioners in the form of monthly benefits
- 6% was paid to non-vested terminating members (or their beneficiaries) in the form of contribution refunds
- 6% 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% was transferred to other pension plans

OPERATING EXPENSES

HOOPP's 2010 operating costs were $129.2 million, down 1.6% from $131.3 million in 2009. The decrease is primarily related to strategic initiatives and the elimination of external investment manager fees. The decrease was partially offset by an increase in base annual operating costs largely attributable to higher staff levels and the introduction of the Ontario harmonized sales tax.

HOOPP's operating expenses are lower than those of many other organizations that offer retirement benefits. While retail mutual funds often have administrative fees of 250 basis points or higher, HOOPP's investment operating costs work out to just under 26 basis points.

2010 was a particularly active year for HOOPP with the implementation of SimCorp Dimension, a world-class investment management system that better supports the move to a liability driven investment (LDI) strategy by automating many manual processes and opening up a range of new investment possibilities.

Investments continue to be made in Plan Administration to support service to members and employers. In 2010, a comprehensive employer portal was rolled out to employers.

HOOPP continued to invest in its healthcare strategy with its government relations program and the active pursuit of new business and marketing opportunities to prospective members. The year also saw the launch of a formal public affairs program.

INVESTMENT MANAGEMENT — INTRODUCTION

HOOPP uses an LDI approach to align funding and cash flow requirements. It uses the Plan's liabilities as the primary reference point in assessing risk and return objectives of a particular investment.

Through a minimum risk portfolio, the characteristics of HOOPP's liabilities are matched with assets that have similar characteristics. This provides HOOPP with more control over risk and volatility than what would be offered in a conventional portfolio.

The importance of managing that volatility goes hand-in-hand with ensuring that the approximately 260,000 members who depend on the Plan for pension benefits will enjoy a financially secure retirement.

While HOOPP 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 6.63% (or a real rate of return of 4.48% after adjustment for an assumed inflation rate of 2.15%). HOOPP exceeded that target in 2010, producing a return of 13.68%.

INVESTMENT MANAGEMENT — ACTIVE MANAGEMENT

HOOPP's assets are actively managed in-house by professional money managers who apply a range of investment strategies and techniques to:

- maximize the Fund's long-term investment returns within an acceptable level of risk, and
- operate a minimum risk portfolio

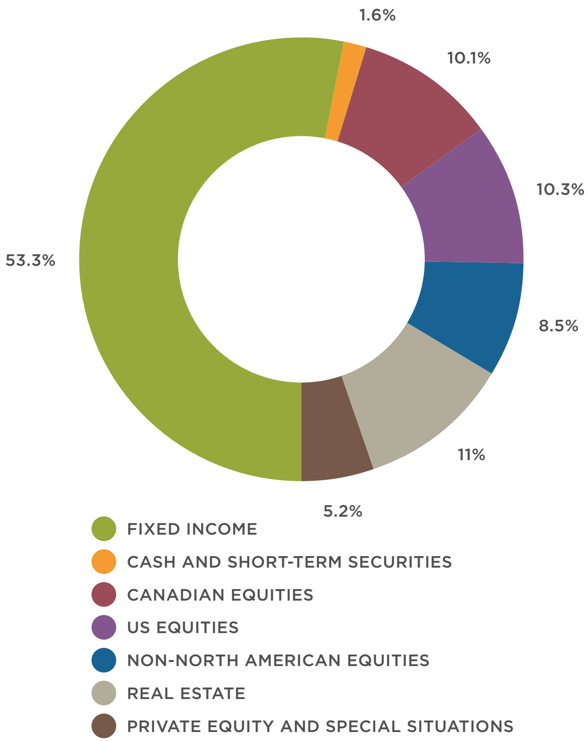
INVESTMENT MANAGEMENT — ASSET MIX STRATEGY

HOOPP's conservative asset mix was designed to reduce the Plan's overall risk exposure by effectively matching assets with liabilities.

HOOPP's asset mix strategy:

- supports an LDI approach
- 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

ASSET MIX



HOOPP's asset mix target is 46% equities and equity-oriented holdings and 54% fixed income and was specifically designed to reduce the Plan's overall risk exposure by matching assets with liabilities.

The asset mix policy allows for a departure from the target by plus or minus 5%.

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 Dec. 31, 2010, the actual asset mix, with the effect of derivatives was 45.1% equities and equity-oriented holdings, and 54.9% fixed income. The Fund also employs additional return seeking strategies through the use of credit derivatives and equity futures, swaps and options. These strategies are considered return enhancing overlays to the government bond portfolio and do not deploy any Fund assets, so they are not reflected in the asset allocation shown at left.

INVESTMENT MANAGEMENT — DERIVATIVES

HOOPP uses derivatives to:
- implement investment programs at lower cost, greater speed, and with less operational maintenance
- help mitigate investment risk

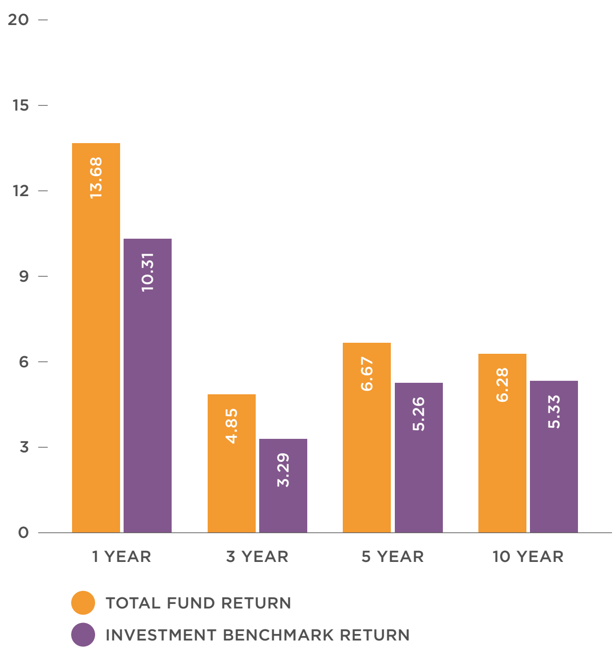
Derivatives give HOOPP added flexibility for:
- managing and rebalancing asset mix
- reducing transaction costs
- increasing liquidity
- managing foreign exchange risks
- implementing defensive strategies to reduce risks within portfolios
- generating value-added investment returns, and
- matching assets to liabilities more effectively (reducing the prospect of funding shortfalls)

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 securities and investment grade corporate short-term securities.

When measuring portfolio performance, the return is determined by combining the return on any applicable derivative contracts with the return on the underlying short-term securities, and this is compared to the appropriate benchmark return for the asset class.

Measures used to manage the risks associated with derivatives include:
- conducting an independent valuation of each derivative contract
- ensuring HOOPP has the liquidity required to meet obligations
- closely monitoring the total outstanding value of contracts with counterparties, and
- fully enforcing HOOPP's right to counterparty collateral

TOTAL FUND vs INVESTMENT BENCHMARK RETURNS (%)



INVESTMENT MANAGEMENT — CURRENCY HEDGING

To help reduce the risk associated with currency fluctuations, HOOPP has a currency hedging policy where all foreign currency exposure is hedged back into Canadian dollars by using contracts that:

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

The impact of the currency policy was positive in 2010 and protected the Fund from any material losses that may have otherwise been incurred. By hedging these exposures, HOOPP is not attempting to generate a gain or a loss, but rather, the intent is to neutralize this variable as it relates to broader investment choices.

INVESTMENT MANAGEMENT — RESPONSIBLE INVESTING

As a long-term investor fully committed to achieving the highest returns within acceptable risk parameters, HOOPP applies the basic principles of responsible investing to all of its investment decisions.

Specifically, HOOPP:

- takes into account a company's environmental, social and governance (ESG) issues
- encourages reasonable disclosure of ESG performance when voting proxies, and
- may enter into 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 ESG standards, HOOPP is guided by:

- the principles of the United Nation's Principles of Responsible Investing (UN PRI), which was devised by the international investment community with the view that ESG issues can affect the performance of investment portfolios and must be given appropriate consideration by investors if they are to fulfil their fiduciary duty
- 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), which is a coalition of environmental, investor and advocacy groups that works with companies to achieve environmental improvement

INVESTMENT PERFORMANCE

ABSOLUTE RETURN STRATEGIES

HOOPP manages absolute return strategies to contribute income to the Fund regardless of how the markets perform.

The combined use of physical securities and derivatives ensures only residual investment risk remains and income will emerge over the term of the investments. The absolute return strategies contributed 1.77% – or $544 million – to the Fund's overall return.

INVESTMENT PERFORMANCE — EQUITIES

While 2010 equity returns proved robust, there was also a good deal of volatility in the markets. With the European sovereign debt crisis and banking concerns prevalent in the news, there was justifiable concern about the economy.

However, HOOPP was able to identify attractive entry points in the market and from early July, there was a run-up to the end of the year that saw HOOPP's equity portfolio reporting gains in 2010.

CANADIAN EQUITIES

The favorable economic backdrop in 2010 allowed the pro-cyclical sectors of the Canadian equity market to lead performance. HOOPP's exposure to Gold, Consumer Discretionary and Financial stocks helped generate positive returns for the Canadian equity portfolio.

HOOPP's Canadian equities portfolio reported a return of 17.38% (net of fees) on the year – compared to its benchmark, the S&P/TSX60, which had returns of 14.98%. By comparison, the portfolio returned 34.42% in 2009.

ASSET CATEGORY	CANADIAN EQUITIES
HOOPP RETURN – NET OF FEES (%)	17.38
BENCHMARK RETURN	14.98
BENCHMARK	S&P/TSX60 TOTAL RETURN INDEX

U.S. EQUITIES

As in Canada, U. S. equity markets were led by the cyclical sectors such as Consumer Discretionary and Industrials. HOOPP's U. S. equity return, after converting back into Canadian dollars, was 16.78%.

ASSET CATEGORY	U.S. EQUITIES
HOOPP RETURN (IN CANADIAN DOLLARS – NET OF FEES) (%)	16.78
BENCHMARK RETURN (IN CANADIAN DOLLARS) (%)	16.47
BENCHMARK	S&P 500 TOTAL RETURN INDEX

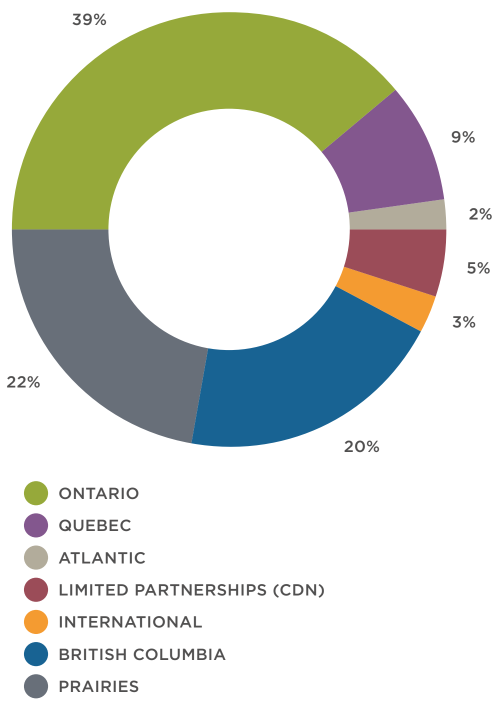
NON-NORTH AMERICAN EQUITIES

Internationally, the markets were mixed with Asian markets stronger than areas within Europe, where there was particular concern about Greece, Ireland and Portugal.

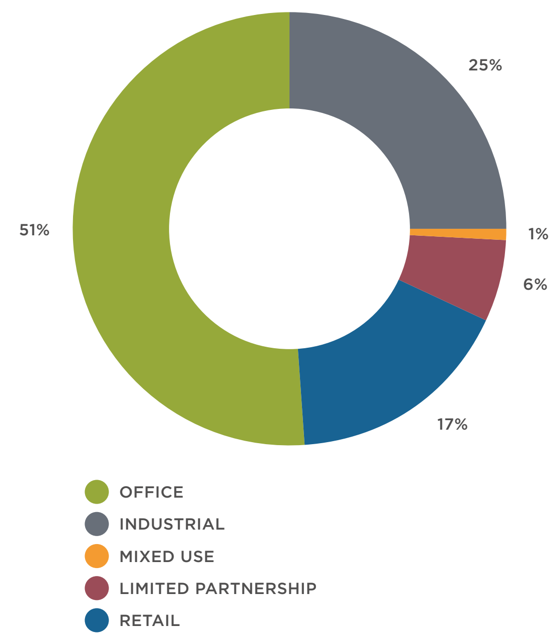
The return for HOOPP's non-North American equity portfolio, after converting back into Canadian dollars, was -2.50%, lower than the benchmark of -2.32%.

ASSET CATEGORY	NON-NORTH AMERICAN EQUITIES
HOOPP RETURN (IN CANADIAN DOLLARS – NET OF FEES) (%)	-2.50
BENCHMARK RETURN (IN CANADIAN DOLLARS) (%)	-2.32
BENCHMARK	MSCI ALL-COUNTRY WORLD INDEX PLUS A CUSTOM BENCHMARK FOR INTERNALLY MANAGED FUNDS

HOOPP REAL ESTATE BY REGION



HOOPP REAL ESTATE BY SECTOR



INVESTMENT PERFORMANCE — REAL ESTATE

With the investment market rebounding in 2010 with more listings and occupier demand coming back strongly, HOOPP's real estate portfolio delivered a significant return of 12.29%, up from a return of -5.09% in 2009.

ASSET CATEGORY	REAL ESTATE
HOOPP RETURN – NET OF FEES (%)	12.29
BENCHMARK RETURN (%)	10.70
BENCHMARK	INVESTMENT PROPERTY DATABANK (IPD)

In 2010, HOOPP completed four significant acquisitions:

1. It increased its stake in one of its biggest single holdings, the Telus House Tower at 25 York St., Toronto, Ontario to 90% from 60%. The 780,000 sq. ft., 30-storey office tower is one of the biggest single holdings in the HOOPP real estate portfolio, and is now 95% leased within one year of substantial completion.
2. A major stake in Brentwood Town Centre, an enclosed regional mall in Burnaby, British Columbia.
3. A 100% stake in Lansdowne Place, an enclosed regional shopping centre in Peterborough, Ontario.

4. A partnership deal with the The Crown Estate, the property portfolio owned by the Crown, with a 50% stake in the St James's Gateway development at Piccadilly & Regent Streets in London, United Kingdom. This is HOOPP's first direct property investment outside of Canada.

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

As a founding member of the Canadian Coalition for Good Governance and a signatory to the Carbon Disclosure Project and the Extractive Industries Transparency Initiative, HOOPP supports initiatives that promote sustainable practices.

Telus Plaza, AeroCentre V and Willingdon Business Park all sought and obtained Leadership in Energy and Environmental Design (LEED) gold certification.

On the sales side, HOOPP disposed of Whistler Market Place in B.C. and industrial buildings in both Brampton and Montreal. These sales generated proceeds of $70 million and were concluded at a premium to their market values.

At year end, real estate accounted for 11% of the Fund's total net assets with total value of net equity in the portfolio standing at $3.9 billion, versus $3.3 billion at year end 2009.

INVESTMENT PERFORMANCE — PRIVATE EQUITY AND SPECIAL SITUATIONS

HOOPP currently has approximately $2.9 billion invested in or committed to private equity and related alternative investments.

With a focus on established private equity markets in North America and the U.K./Eurozone, HOOPP Capital Partners invest in innovative, medium-sized privately held businesses that offer growth potential.

The portfolio generated a return of 9.70% for the year. It is important to note that private equity is a long-term asset class that does not lend itself to the annual benchmarking methodology typically applied to public market portfolios.

Instead, HOOPP applies an absolute hurdle rate of return threshold as the basis for assessment of whether the asset class is contributing to the organization's long-term investment objectives. This benchmarking approach has encouraged a flexible portfolio design which is complimentary to HOOPP's broader investment activities, all of which are organized around the satisfying of long-term pension obligations.

ASSET CATEGORY	PRIVATE EQUITY AND SPECIAL SITUATIONS
HOOPP RETURN – NET OF FEES AND FOREIGN EXCHANGE (%)	9.70*
BENCHMARK RETURN (%)	6.63
BENCHMARK	TOTAL PLAN FUNDING TARGET

**Approximately 16% before foreign exchange impacts.*

At year end, the carrying value of the portfolio stood at $1.8 billion, up from $1.5 billion a year earlier. At 5.2% 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

Due to the more certain rate of return and relatively low level of risk, HOOPP's asset mix strategy supports a strong position in fixed-income investments.

In 2010, the highest contributor to value added in the fixed income portfolios was interest rate management. Credit risk management was also a significant positive contributor.

Fixed Income returns were positive mainly because interest rates generally fell throughout 2010.

HOOPP was able to take advantage of the two following events by correctly anticipating some of the effects they would have on fixed income markets:

1. The European sovereign debt crisis in May.
2. The second round of quantitative easing by the U.S. Federal Reserve.

HOOPP finished the year with 54.9% of its assets invested in fixed income. Looking ahead, the Asset Liability Management (ALM) strategy will see a marginal increase of fixed income at HOOPP, allowing increased exposure without diminishing other exposures within the Fund.

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, LONG BONDS, AND CORPORATE CREDIT

HOOPP's universe bond portfolio, reported a return of 9.54%, while its long bond portfolio returned 17.35%.

The corporate credit portfolio was up 1.71%.

ASSET CATEGORY	CANADIAN UNIVERSE BONDS	CANADIAN LONG BONDS	CORPORATE CREDIT
HOOPP RETURN – NET OF FEES (%)	9.54	17.35	1.71
BENCHMARK RETURN (%)	8.44	16.14	1.52
BENCHMARK	DEX ALL GOVERNMENT UNIVERSE BOND INDEX	DEX ALL GOVERNMENT LONG TERM BOND INDEX	CDX.NA.IG INDEX, 5 YEAR

To manage its Canadian Universe and Long Universe portfolios, HOOPP uses a three-step approach. First, it constructs a portfolio that tracks a relevant government bond index (the DEX All Government Bond Index for Canadian mid-term bonds and the DEX All Government Long Term Bond Index for Canadian long-term bonds).

The corporate credit part of these portfolios is created by overlaying credit derivatives on top of a portion of the government bonds to synthesize corporate bond exposure.

HOOPP then enhances returns by an overlay of active strategies which may involve derivatives or long and short positions in securities.

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 2010, the portfolio returned 11.41%, beating its benchmark of 11.15%.

ASSET CATEGORY	REAL RETURN BONDS
HOOPP RETURN – NET OF FEES (%)	11.41
BENCHMARK RETURN (%)	11.15
BENCHMARK	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 Dec. 31, 2010, HOOPP's economic exposure to short-term money represented 1.64% of total assets.

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

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

RISK MANAGEMENT AND CONTROLS

FUNDING RISK MANAGEMENT

With the dual focus of meeting current and future benefit obligations and keeping contribution rates stable, HOOPP has 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 LDI)

Other risk management measures adopted by HOOPP include:

- a 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 aligning 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

INVESTMENT RISK MANAGEMENT

While HOOPP continually develops and refines its risk-management tools, the strategic focus in 2010 was the continued shift to an LDI approach to measure risk tolerance on the basis of Plan liabilities and cash flow requirements.

During 2010, HOOPP:

- used derivatives to construct portfolios that more efficiently and effectively align assets to liabilities
- continued with the development and implementation of new investment management systems to support value-added investment decision making

  Work included:
  - the completion of a new ALM tool that 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
- the implementation of a new portfolio management and accounting system that captures all bond, equity and derivatives trades electronically for more efficient data management and analysis
- the implementation of a new automated derivative pricing system that allows HOOPP's derivative portfolio to be priced automatically, enabling more effective management of counterparty credit risk
- the installation of new software that enables external real estate managers to import data directly into HOOPP's asset management system
- an automated profit and loss system became fully operational and allows HOOPP to monitor investment results more efficiently on a daily basis

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

OPERATIONAL RISK MANAGEMENT

In an ongoing effort to identify the risks inherent in day-to-day operations, HOOPP has taken the following actions:

- reviewing and accessing operational risks at a divisional level for a better understanding of the areas requiring mitigation
- maintaining both a fraud policy and a whistle-blower protection policy to emphasize the roles and responsibilities of employees in the mitigation of fraud risk
- regular reviews of HOOPP's internal controls systems – with a particular focus in areas of higher risk
- reviewing the Plan's pension administration systems and administrative practices to ensure proper risk management controls are in place
- ensuring effective controls are incorporated into new investment management systems
- ensuring a 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 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. 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

HOOPP has a responsibility to safeguard the interests of its members and therefore, 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 2010, HOOPP:

- released a White Paper entitled *Meeting the Demographic and Retirement Challenge,* which featured the views of healthcare providers and stakeholders who attended a HOOPP symposium in October. The key findings included the extension of pension coverage to the growing community health sector, the ease of keeping pension benefits when healthcare workers change jobs, and the need to attract more young people to healthcare professions
- sponsored the HOOPP Think Tank with key healthcare administrators, union officials, government representatives, and healthcare practitioners to review and discuss HOOPP-commissioned research and practical solutions for sustaining quality healthcare in Ontario for the long term
- continued an ongoing initiative to support changes to the federal investment regulations, which it believes have been unduly restricting the type of investments pension plans can hold
- advocated for changes to the new rules for pension plans with respect to the Harmonized Sales Tax (HST), introduced in Ontario on July 1, 2010. The new rules, as applied to multiemployer pension plans like HOOPP have created particular complexities and concerns. HOOPP has advocated for changes to the rules that would help simplify and clarify them for both HOOPP and its participating employers
- was pleased to see that recent pension reform legislation passed by the Ontario legislature contained an exemption for jointly sponsored pension plans from the need to collect contributions to fund for solvency deficiencies, something which HOOPP and a number of its peers have advocated for. Details of the permanent solvency exemption, expected to be available for those plans that meet criteria to be prescribed, will be available once the regulations are published

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 existing Canadian accounting standards for pension plans, which were finalized in April 2010. The changes were intended to clarify and update the standards, as well as grant the option to adopt either IFRS or other Canadian standards for private enterprises for matters not specifically addressed in the standards. The revised standard is effective for annual financial statements relating to fiscal years beginning on or after Jan. 1, 2011, with earlier application permitted. HOOPP will adopt the new standards effective Jan. 1, 2011.

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%).

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 gain exposure to corporate credit markets using credit derivatives.

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 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.

EQUITY-ORIENTED
Investment in private equity and real estate.

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

INVESTMENT PROPERTY DATABANK
This index is designed to measure the performance of institutionally owned and managed properties in Canada.

LIABILITY DRIVEN INVESTING (LDI)
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. Examples of such entities include banks, insurance companies, securities brokers/dealers, pension funds, mutual funds or investment banks

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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of the Healthcare 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, who are not officers or employees of the Plan, assists the Board in its responsibilities by reviewing recommendations from the external auditor regarding improvements in internal control over financial reporting arising from their financial statement audit. 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 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 Auditing Standards, formerly 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 6, 2011

ACTUARIES' OPINION

Towers Watson ULC (Towers Watson) was retained by the Board of Trustees for the Healthcare of Ontario Pension Plan to perform an actuarial valuation of the Plan as at December 31, 2010. 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 $34,897 million in respect of service accrued to December 31, 2010 and a smoothed asset value of $35,073 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, 2010 and members' pay data which was provided as at December 31, 2009, all of which was projected to December 31, 2010, using management's estimates of experience for the intervening periods;
- the benefits specified by the terms of the Plan including an adjustment of 1.76% which will become effective April 1, 2011 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, 2009, 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 smooths 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 membership data are sufficient and reliable for the purpose of the valuation;*
- *the assumptions adopted are 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

Ian Markham
Fellow, Canadian Institute of Actuaries

Laura Newman

Laura Newman
Fellow, Canadian Institute of Actuaries

April 6, 2011

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF HEALTHCARE OF ONTARIO PENSION PLAN (HOOPP)

We have audited the accompanying consolidated financial statements of HOOPP, which comprise the consolidated statement of net assets available for benefits and accrued pension benefits and surplus as at December 31, 2010 and 2009, the consolidated statement of changes in net assets available for benefits, the consolidated statement of changes in accrued pension benefits and consolidated statement of changes in surplus/(deficit) for the year then ended, and the related notes including a summary of significant accounting policies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of HOOPP as at December 31, 2010 and 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
April 6, 2011

Toronto, Ontario

CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND SURPLUS

As at December 31

($ millions)	2010	2009
Assets		
Investments (Note 2)	$ 68,056	$ 55,940
Investment related receivables (Note 2)	4,332	2,971
Amounts receivable (Note 7)	264	265
Other assets	13	10
	72,665	59,186
Liabilities		
Investment related liabilities (Note 2)	36,876	28,011
Other liabilities	72	59
	36,948	28,070
NET ASSETS AVAILABLE FOR BENEFITS	35,717	31,116
Actuarial asset value adjustment (Note 1)	(644)	1,440
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS	$ 35,073	$ 32,556
Accrued pension benefits (Note 11)	$ 34,897	$ 32,020
Surplus	176	536
ACCRUED PENSION BENEFITS AND SURPLUS	$ 35,073	$ 32,556

See Description of Plan and accompanying Notes to financial statements

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year ended December 31

($ millions)	2010	2009
Investment Operations		
Investment income (Note 4a)	$ 4,245	$ 4,040
Operating expenses – investment (Note 10)	(88)	(93)
	4,157	3,947
Plan Operations		
Contributions (Note 8)	1,714	1,634
Benefits (Note 9)	(1,229)	(1,159)
Operating expenses – plan (Note 10)	(41)	(38)
	444	437
Net increase in net assets available for benefits	4,601	4,384
Net assets available for benefits, beginning of year	31,116	26,732
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 35,717	$ 31,116

See Description of Plan and accompanying Notes to financial statements

On behalf of the Board of Trustees

Ronald Meredith-Jones, Chair of the Board

Helen Fetterly, Vice Chair of the Board

Wayne Gladstone, Chair, Audit & Finance, Committee

CONSOLIDATED STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS
Year ended December 31

($ millions)	2010	2009
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	$ 32,020	$ 31,244
Increase in accrued pension benefits		
Interest on accrued benefits	1,995	1,887
Benefits accrued	1,533	1,559
Changes in actuarial assumptions (Note 11)	503	(1,413)
Estimated experience (gains)/losses (Note 11)	67	(101)
Changes in plan provisions (Note 11)	8	3
	4,106	1,935
Decrease in accrued pension benefits		
Benefits paid (Note 9)	1,229	1,159
	1,229	1,159
Net increase in accrued pension benefits	2,877	776
ACCRUED PENSION BENEFITS, END OF YEAR	$ 34,897	$ 32,020

See Description of Plan and accompanying Notes to financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS/(DEFICIT)
Year ended December 31

($ millions)	2010	2009
SURPLUS/(DEFICIT), BEGINNING OF YEAR	$ 536	$ (983)
Increase in net assets available for benefits	4,601	4,384
Change in actuarial asset value adjustment	(2,084)	(2,089)
Increase in actuarial value of net assets available for benefits	2,517	2,295
Net increase in accrued pension benefits	(2,877)	(776)
SURPLUS, END OF YEAR	$ 176	$ 536

See Description of Plan and accompanying Notes to financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

DESCRIPTION OF PLAN

Effective January 1, 2010, the Hospitals of Ontario Pension Plan changed its name to the Healthcare of Ontario Pension Plan to better reflect the inclusion of healthcare providers in Ontario.

The following description of the Healthcare 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*, 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 eight 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% 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% 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% 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%.

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 Plan (the Plan) 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.

INVESTMENTS

All investment transactions are recorded when the risks and rewards of ownership are transferred. Investment transactions relating to marketable securities and derivatives are recorded as of the trade date 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 quoted market price, when available, is used to measure fair value. When the quoted market price is not available, management uses appropriate 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 pricing 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.

The fair values of investments are determined as follows:

i. Cash and cash collateral pledged or received are recorded at cost, which is equivalent to the fair value.

ii. Short-term securities are recorded at quoted market prices if they exist. Otherwise, they are recorded at cost or amortized cost, which together with accrued interest is an approximation for fair value.

iii. 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.

iv. Commercial loan fair values are calculated using discounted cash flows based on current market yields on comparable securities, as appropriate.

v. Public equities are valued at quoted closing market prices.

vi. Securities purchased and 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.

vii. 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 appropriate 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.

viii. 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.

ix. 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. This accrued benefit obligation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by HOOPP for the purpose of establishing the long-term funding requirements of the Plan. The year-end valuation of accrued pension benefits is based on data extrapolated to the current valuation date of December 31, 2010. The valuation uses the projected accrued benefit actuarial cost method and management's estimate of certain future events.

The actuarial valuation included in the consolidated financial statements is consistent with the results that would be used for a December 31, 2010 funding valuation if one were to be completed.

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. Until further advised, Canadian pension plans have been given a reprieve from having to adopt IFRS.

In April 2010, the AcSB issued revised accounting standards for *Pension Plans*, effectively replacing Section 4100 with Section 4600 *Pension Plans*. This revised standard is effective for annual financial statements relating to fiscal years beginning on or after January 1, 2011, with earlier application permitted. HOOPP will adopt the new standards effective January 1, 2011.

The new standards include the following changes:

- The financial statements and notes to the financial statements will change to include additional disclosure requirements. This will include a change to the presentation of the actuarial asset value adjustment;
- The accounting for certain investments will change to remove the requirement for full or partial consolidation;
- For accounting policies not specifically related to either the Plan's investment portfolio or its pension obligations, compliance on a consistent basis with either IFRS or the Canadian accounting standards for private enterprises (AsPE) will be required; and
- The fair value measurement of investment assets and liabilities will be determined in accordance with the IFRS fair value measurement guidance.

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 6.63%.

HOOPP is required to classify financial assets and financial liabilities, which are measured at fair value as at December 31, 2010, 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** – unadjusted quoted prices 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 (i.e., 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. Cash is also included as Level 1.

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 2010. 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, before allocating the market exposure related to derivative financial instruments, are as follows:

($ millions)	2010					
	Level 1	Level 2	Level 3	No Level(2)	Total Fair Value	Cost
FIXED INCOME						
Cash	$ 64	$ -	$ -	$ -	$ 64	$ 64
Short-term securities	-	715	-	-	715	715
Bonds(1)						
Canadian	-	51,649	1,682	-	53,331	51,691
Non-Canadian	-	5,627	327	-	5,954	6,419
Commercial loans						
Non-Canadian	-	-	322	-	322	350
	64	57,991	2,331	-	60,386	59,239
PUBLIC EQUITY (1)						
Canadian	148	-	-	-	148	128
Non-Canadian	614	11	-	-	625	614
	762	11	-	-	773	742
EQUITY-ORIENTED						
Real estate						
Canadian	-	-	4,952	-	4,952	4,093
Non-Canadian	-	-	104	-	104	146
Private equity and special situations						
Canadian	-	-	853	-	853	753
Non-Canadian	-	-	988	-	988	1,119
	-	-	6,897	-	6,897	6,111
TOTAL INVESTMENTS	826	58,002	9,228	-	68,056	66,092
INVESTMENT RELATED RECEIVABLES						
Receivables from derivative financial instruments (Note 3)	6	1,602	223	-	1,831	516
Securities purchased under resell agreements	-	1,134	-	-	1,134	1,148
Cash collateral pledged related to securities borrowing (Note 5)(2)	-	-	-	585	585	585
Pending trades(2)	-	-	-	336	336	336
Accrued investment income(2)	-	-	-	446	446	446
	6	2,736	223	1,367	4,332	3,031
INVESTMENT RELATED LIABILITIES						
Obligations related to securities sold short (Note 5)	(21,948)	(993)	-	-	(22,941)	(21,233)
Liabilities from derivative financial instruments (Note 3)	(6)	(3,597)	(193)	-	(3,796)	(2,581)
Real estate mortgages	-	-	(980)	-	(980)	(964)
Securities sold under repurchase agreements	-	(8,442)	-	-	(8,442)	(8,455)
Pending trades (2)	-	-	-	(423)	(423)	(423)
Cash collateral received related to securities lending (Note 5)(2)	-	-	-	(220)	(220)	(220)
Accrued investment liabilities(2)	-	-	-	(74)	(74)	(74)
	(21,954)	(13,032)	(1,173)	(717)	(36,876)	(33,950)
NET INVESTMENTS	$ (21,122)	$ 47,706	$ 8,278	$ 650	$ 35,512	$ 35,173

(1) The 2010 amounts have been classified based on country of incorporation, the country in which the company is incorporated or legally registered. The 2009 comparative amounts have been classified by currency in which the investments trade.
(2) These amounts do not represent financial assets or financial liabilities for which a fair value hierarchy classification is required.

($ millions)	2009					
	Level 1	Level 2	Level 3	No Level[1]	Total Fair Value	Cost
FIXED INCOME						
Cash	$ 36	$ -	$ -	$ -	$ 36	$ 36
Short-term securities	-	106	-	-	106	106
Bonds						
Canadian	-	38,197	804	-	39,001	38,260
Non-Canadian	-	9,536	201	-	9,737	9,959
Commercial loans						
Non-Canadian	-	-	277	-	277	288
	36	47,839	1,282	-	49,157	48,649
PUBLIC EQUITY						
Canadian	251	-	-	-	251	232
Non-Canadian	598	40	-	-	638	638
	849	40	-	-	889	870
EQUITY-ORIENTED						
Real estate						
Canadian	-	-	4,371	-	4,371	3,657
Non-Canadian	-	-	31	-	31	67
Private equity and special situations						
Canadian	-	-	637	-	637	670
Non-Canadian	-	-	855	-	855	991
	-	-	5,894	-	5,894	5,385
TOTAL INVESTMENTS	885	47,879	7,176	-	55,940	54,904
INVESTMENT RELATED RECEIVABLES						
Receivables from derivative financial instruments (Note 3)	2	948	69	-	1,019	13
Securities purchased under resell agreements	-	336	-	-	336	336
Cash collateral pledged related to securities borrowing (Note 5)[1]	-	-	-	509	509	509
Pending trades[1]	-	-	-	734	734	729
Accrued investment income[1]	-	-	-	373	373	373
	2	1,284	69	1,616	2,971	1,960
INVESTMENT RELATED LIABILITIES						
Obligations related to securities sold short (Note 5)	(14,336)	(397)	-	-	(14,733)	(14,197)
Liabilities from derivative financial instruments (Note 3)	-	(1,162)	(151)	-	(1,313)	-
Real estate mortgages	-	-	(863)	-	(863)	(855)
Securities sold under repurchase agreements	-	(10,357)	-	-	(10,357)	(10,357)
Pending trades[1]	-	-	-	(628)	(628)	(625)
Cash collateral received related to securities lending (Note 5)[1]	-	-	-	(38)	(38)	(38)
Accrued investment liabilities[1]	-	-	-	(79)	(79)	(79)
	(14,336)	(11,916)	(1,014)	(745)	(28,011)	(26,151)
NET INVESTMENTS	$ (13,449)	$ 37,247	$ 6,231	$ 871	$ 30,900	$ 30,713

(1) These amounts 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, 2010:

CHANGES IN FAIR VALUE MEASUREMENT FOR INSTRUMENTS IN LEVEL 3 (*$ millions*)	2010						
	Fair Value Dec 31, 2009	Total realized gains/(losses) included in net income[1]	Total unrealized gains/(losses) included in net income[1]	Purchases and issues	Sales and settlement	Transfers in and/or out[1]	Fair Value Dec 31, 2010
Real estate							
Canadian	$ 4,371	$ (33)	$ 209	$ 455	$ (50)	$ -	$ 4,952
Non-Canadian	31	-	(5)	78	-	-	104
Private equity and special situations							
Canadian	637	6	127	112	(29)	-	853
Non-Canadian	855	(25)	7	319	(168)	-	988
Bonds[2]							
Canadian	804	(1)	(171)	1,474	(224)	(200)	1,682
Non-Canadian	201	2	52	102	(105)	75	327
Commercial loans							
Canadian	-	-	-	-	-	-	-
Non-Canadian	277	1	(18)	233	(171)	-	322
Real estate mortgages	(863)	-	(8)	(402)	293	-	(980)
Receivables from derivative financial instruments (Note 3)	69	26	128	-	-	-	223
Liabilities from derivative financial instruments (Note 3)	(151)	(68)	27	-	-	(1)	(193)
TOTAL	$ 6,231	$ (92)	$ 348	$ 2,371	$ (454)	$ (126)	$ 8,278

(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. Total transfers into Level 3 were $99 million and total transfers out of Level 3 were $225 million. The total gain included above relating to those assets and liabilities held at the end of the year was $199 million.

(2) The 2010 amounts have been classified based on country of incorporation, the country in which the company is incorporated or legally registered. The 2009 amounts have been classified by currency in which the investments trade. The difference in fair values has been reflected as transfers in and out.

CHANGES IN FAIR VALUE MEASUREMENT FOR INSTRUMENTS IN LEVEL 3 *($ millions)*	2009						
	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 settlement	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)
TOTAL	$ 9,856	$ (147)	$ (685)	$ 1,237	$ (1,567)	$ (2,463)	$ 6,231

(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

Foreign exchange forward contracts are customized agreements 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 are agreements 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, swaptions, foreign currency options, equity options and options on credit swaps. Options are used to manage the exposures to market risks and to enhance returns.

SWAPS

Swaps are 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.

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

DERIVATIVE FINANCIAL INSTRUMENTS	**2010**			2009		
($ millions)	**Notional Value[1]**	**Fair Value[2] Assets**	**Fair Value[2] Liabilities**	Notional Value[1]	Fair Value[2] Assets	Fair Value[2] Liabilities
Foreign exchange forward contracts	$ 2,979	$ 6	$ (26)	$ 2,515	$ 19	$ (3)
Futures contracts						
Equity	4,522	6	(5)	1,860	2	-
Bond	338	-	(1)	219	-	-
Options						
Foreign exchange	-	-	-	26	-	-
Caps and floors	-	-	-	50	-	-
Equity[3]	14,141	196	(1,879)	1,321	-	-
Swaption[3]	1,186	2	(1)	904	2	(1)
Swaps						
Equity	34,695	498	(198)	22,584	464	(71)
Interest rate	30,219	209	(915)	19,684	117	(626)
Cross currency	15,017	543	(426)	7,807	193	(309)
Credit default	14,267	371	(345)	16,320	222	(303)
TOTAL	$ 117,364	$ 1,831	$ (3,796)	$ 73,290	$ 1,019	$ (1,313)

(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 the consolidated financial statements. Notional values are also the basis upon which the fair values of the contracts and the returns are determined. Notional values do not necessarily represent the future cash flows to be exchanged nor do they indicate the Plan's exposure to market or credit risk. Effective in 2010, notional values are no longer presented on a long and short basis.

(2) 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 in Note 2.

(3) The 2009 comparative notional values for Equity Options and Swaptions were adjusted to reflect the notional calculation methodology used for 2010.

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)	2010				2009			
($ millions)	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	Within 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange forward contracts	$ 2,979	$ -	$ -	$ 2,979	$ 2,515	$ -	$ -	$ 2,515
Futures contracts								
Equity	4,522	-	-	4,522	1,860	-	-	1,860
Bond	338	-	-	338	219	-	-	219
Options								
Foreign exchange	-	-	-	-	26	-	-	26
Caps and floors	-	-	-	-	50	-	-	50
Equity	5,385	399	8,357	14,141	1,321	-	-	1,321
Swaption	1,063	123	-	1,186	903	-	1	904
Swaps								
Equity	33,682	1,013	-	34,695	19,251	3,333	-	22,584
Interest rate	4,840	18,953	6,426	30,219	4,344	12,236	3,104	19,684
Cross currency	4,145	9,293	1,579	15,017	1,930	5,175	702	7,807
Credit default	1,002	8,738	4,527	14,267	2,537	9,814	3,969	16,320
TOTAL	**$ 57,956**	**$ 38,519**	**$ 20,889**	**$ 117,364**	$ 34,956	$ 30,558	$ 7,776	$ 73,290

NOTE 4: INVESTMENT INCOME

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

($ millions)	2010	2009
INTEREST AND DIVIDEND INCOME		
Fixed Income		
Cash	$ 4	$ -
Short-term securities	2	1
Bonds[4]		
Canadian[1]	1,659	972
Non-Canadian[1]	152	410
Commercial loans		
Non-Canadian	6	1
	1,823	1,384
Equity[4]		
Canadian	(333)	(15)
Non-Canadian	2,335	1,505
	2,002	1,490
Equity-oriented		
Net real estate operating income (Note 4b)		
Canadian	238	212
Private equity and special situations		
Canadian	18	18
Non-Canadian	11	3
	267	233
TOTAL INTEREST AND DIVIDEND INCOME	4,092	3,107
NET REALIZED GAINS/(LOSSES) ON INVESTMENTS[2]	31	3,184
NET CHANGE IN UNREALIZED GAINS/(LOSSES) ON INVESTMENTS[3]	152	(2,248)
TRANSACTION COSTS	(30)	(3)
TOTAL INVESTMENT INCOME	$ 4,245	$ 4,040

(1) Net of interest expense related to securities sold under repurchase agreements of $81 million [2009: $92 million]
(2) Includes net realized gains on derivatives of $3,867 million [2009:$3,386 million]
(3) Includes net change in unrealized gains on derivatives of $408 million [2009: $2,180 million]
(4) The 2010 amounts have been classified based on country of incorporation, the country in which the company is incorporated or legally registered. The 2009 comparative amounts have been classified by currency in which the investments trade.

b) Real estate income for the year ended December 31 is as follows:

($ millions)	2010	2009
Rental revenue	$ 528	$ 467
Property operating & other expenses	(246)	(214)
Operating income	282	253
Mortgage interest	(44)	(41)
NET REAL ESTATE OPERATING INCOME	$ 238	$ 212

NOTE 5: COLLATERAL

HOOPP has investment policies and procedures in place which specify the requirements for using collateral to reduce credit risk exposure to individual corporate entities. Only collateral of a certain quality is considered acceptable. The fair value of collateral pledged and received shall reflect best practices in the applicable market. Contracts with various counterparties are in place and define the terms under which collateral is transferred. Terms may include minimum transfer amounts or thresholds, eligible securities and rules for the settlement of disputes.

COLLATERAL PLEDGED

The Plan enters into short positions, where it agrees to sell securities which it does not already own, 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 also borrows securities to facilitate the taking of short positions. And, the Plan uses derivatives for hedging, to replicate direct investments and for yield enhancement purposes.

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 and related transactions or otherwise where such pledge of assets is ancillary to certain permitted activities.

As at December 31, 2010, the fair value of the collateral pledged with various financial institutions was as follows:

($ millions)	**2010**	2009
Securities Borrowed(1)	$ 23,210	$ 16,848
Derivatives	2,336	489
Repurchase Agreements(2)	10	74

(1) Includes collateral pledged in cash of $585 million [2009: $509 million] (Note 2)

(2) Represents the fair value of collateral pledged as a result of the change in value of the securities purchased or sold under resell or repurchase agreements. The total book value of obligations related to securities sold under repurchase agreements, which are economically similar to collateralized loans, are approximately $8 billion [2009: $10 billion] (Note 2). The securities sold under these agreements are not recorded as collateral pledged in the table above but have restrictions on their use that are similar to collateral pledged.

COLLATERAL RECEIVED

The Plan participates in a securities lending program where it lends securities that it owns to third parties for a fee. For securities lent, the Plan receives a fee and the borrower provides cash or marketable securities of higher value as collateral which mitigates the credit risk associated with the program. HOOPP also receives collateral for certain derivative transactions and for repurchase agreements. As at December 31, 2010, the fair value of the collateral received from various financial institutions was as follows:

($ millions)	**2010**	2009
Securities Lending(1)	$ 928	$ 627
Derivatives	61	46
Repurchase Agreements(2)	18	11

(1) Includes collateral received in cash of $220 million [2009: $38 million] (Note 2)

(2) Represents the fair value of collateral received as a result of the change in value of the securities purchased or sold under resell or repurchase agreements. The total book value of securities purchased under resell agreements, which are economically similar to collateralized loans, are approximately $1 billion [2009: $336 million] (Note 2). The securities purchased under these agreements are not recorded as collateral received in the table above but may be used in a manner similar to collateral received.

For any collateral received, the Plan is able to re-pledge, loan or use it under repurchase agreements. At December 31, 2010, $210 million (2009: $83 million) of the collateral received was lent under HOOPP's securities lending program.

NOTE 6: RISK MANAGEMENT

For HOOPP, the primary mission 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 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 Plan'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 policy framework, which outlines the Board's risk tolerances, and which guides the development of investment strategies to meet HOOPP's overall objectives.

The cornerstone of the policy framework is the Funding Policy. 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 funding risk by:

- utilizing a liability driven investment (LDI) approach, an investment strategy that aligns the Plan's assets to the Plan's liabilities, which helps determine appropriate investments, to reduce funding risk;
- setting and managing to a target range for the Plan's funded ratio;
- annual review of the actuarial assumptions underlying the Plan's liabilities to ensure continued appropriateness;
- 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 Plan is performed by the Investment Management team through compliance with the following 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 Plan, including objectives and how they will be reached
- Investment Policies and Guidelines (IP&G) – the Plan'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. Compliance reporting is provided quarterly to the Asset Liability Committee and the Board.

The Board's Plan Committee oversees the Plan's benefits design and administration. It reviews, monitors and makes recommendations to the Board on matters such as proposed changes to benefits, Plan amendments and contribution rates, as well as Employer administration. The Committee also monitors compliance with legislative and regulatory requirements and the Board's policies.

The Board's Asset-Liability Management Committee oversees the management and investment of the Plan's assets and liabilities. It monitors and evaluates the investment management process and performance of the Plan and reviews and recommends to the Board asset-liability management policies. The Committee also reviews, monitors and makes recommendations to the Board on matters such as the appointment and performance of the Board's external actuarial advisors and actuarial valuations.

FUNDING RISK

The primary risk that HOOPP faces is funding risk, the risk that the Plan'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 Plan's net investment assets or pension obligation. Either can result in a mismatch between the Plan's assets and its liabilities. The most significant contributors to funding risk are:

- declines in interest rates,
- equity markets failing to achieve expected 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, 2010, the Plan had a surplus of $176 million or 101% funded ratio compared to a surplus of $536 million or 102% funded ratio as at December 31, 2009.

The Board manages funding risk by monitoring and reviewing the funded ratio on an ongoing basis to ensure it remains in the targeted range. If and when the future funded ratio falls 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, 2009. See Note 12 for more information on HOOPP's funding valuation.

FINANCIAL RISK MANAGEMENT

The Plan'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 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.

a. Interest rate risk

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

The Plan is exposed to investment interest rate risk as a result of the policy decision to invest in interest sensitive instruments as part of the LDI approach to investing.

The Plan'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.

INTEREST RATE SENSITIVE INSTRUMENTS ($ millions)	2010 TERM TO MATURITY				2009
	Within 1 Year	1 to 5 Years	Over 5 Years	Total	Total
Short-term securities	$ 715	$ -	$ -	$ 715	$ 106
Canadian bonds[(1) (2)]					
Federal bonds	3,919	5,682	5,473	15,074	11,369
Provincial and municipal bonds	6,196	11,523	12,565	30,284	18,125
Real return bonds	-	-	4,331	4,331	3,955
Corporate bonds	1,078	2,339	121	3,538	5,462
	11,193	19,554	22,490	53,227	38,911
Non-Canadian bonds[(1) (2)]	3,174	764	1,193	5,131	9,555
Non-Canadian commercial loans	16	306	-	322	277
Canadian mortgage debt	(85)	(513)	(382)	(980)	(863)
Derivatives	(8,993)	(17,899)	(5,218)	(32,110)	(20,833)
Repurchase agreements	(7,308)	-	-	(7,308)	(10,021)
TOTAL	$ (1,288)	$ 2,202	$ 18,083	$ 18,997	$ 17,132

(1) Net of Canadian bonds sold short of $104 million [2009: $90 million] and Non-Canadian of $820 million [2009: $182 million]
(2) The 2010 amounts have been classified based on country of incorporation — the country in which the company is incorporated or legally registered. The 2009 comparative amounts have been classified by currency in which the investments trade.

Risk management

While the Plan's interest sensitive products are exposed to interest rate risk, this risk has been assumed purposefully as part of the LDI approach to offset the interest rate risk inherent in the Plan's liabilities. HOOPP uses duration to measure the sensitivity of the fair value of fixed income investments to changes in market interest rates. HOOPP manages its exposure to investment interest rate risk by ensuring the modified duration of the fixed income mandates remains within the approved ranges of the respective benchmarks as stipulated in the IP&G and the overall asset mix remains within the approved policy weights specified 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 Plan's fixed income duration is reviewed daily to ensure compliance to the policy and the Asset Liability Committee receives quarterly reports on interest rate change sensitivity for the fixed income mandates. As at December 31, 2010, a 1% increase/decrease in interest rates would have decreased/increased the Plan's net assets available for benefits by $2.2 billion (2009: $1.9 billion). While the increase/decrease in interest rates would have decreased/increased the value of the Plan's assets, it would have also decreased/increased the value of the Plan's liabilities.

b. Foreign currency risk

Foreign currency risk is the risk that the fair value 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 Plan's assets are denominated in other currencies. The Plan's foreign currency exposure (including through derivatives) as at December 31, was as follows:

NET ASSET EXPOSURE (local currency, $ millions)	2010	2009
Australian dollars	(1)	32
Swiss francs	-	5
Euros	(3)	366
British pounds	-	40
Japanese yen	(21)	2,309
U.S. dollars	32	733

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 Plan's foreign currency exposure to be fully hedged within a 5% tolerance. 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, 2010, 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 less than $0.3 million (2009: $14.5 million).

c. Other price risk

The Plan is also exposed to equity price risk. Equity risk is the risk that the fair value 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 ($ millions)	2010		2009	
	Effective Equity Exposure $	% of Total Equity Exposure	Effective Equity Exposure $	% of Total Equity Exposure
EQUITY				
Canadian	$ 3,561	18.6%	$ 3,123	22.7%
U.S.	6,812	35.6%	3,125	22.7%
Non-North American	3,029	15.8%	2,663	19.4%
	13,402	70.0%	8,911	64.8%
EQUITY-ORIENTED				
Real estate	3,894	20.4%	3,337	24.3%
Private equity and special situations	1,841	9.6%	1,492	10.9%
	5,735	30.0%	4,829	35.2%
TOTAL	$ 19,137	100.0%	$ 13,740	100.0%

Risk management

HOOPP manages equity risk through diversification, by investing in major equity markets with benchmarks approved by the Board, and 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 Plan, remains within the limits established 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.

As at December 31, 2010, a 1% decline/increase in equity markets would have resulted in a decrease/increase in the Plan's net assets available for benefits of $191.4 million (2009: $137.4 million).

The Plan is also exposed to credit risk, which resides primarily within the provincial, municipal and corporate bond portfolios.

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 clearing houses) to a transaction defaults, or otherwise fails to perform under the terms of a contract.

The Plan assumes credit risk exposure through its investment in fixed income instruments and the underlying reference bond of credit derivatives. Counterparty credit risk is introduced through the Plan's securities lending program, repurchase agreements and derivatives.

The Plan's total credit risk exposure as at December 31 was as follows:

CREDIT RISK EXPOSURE *($ millions)*	2010 Total Credit Exposure	2010 % of Total	2009 Total Credit Exposure	2009 % of Total
PHYSICAL SOVEREIGN SECURITIES AAA	$ 19,375	28.4%	$ 15,799	27.7%
PHYSICAL SECURITIES:				
AAA	4,654	6.8%	1,964	3.4%
AA	17,294	25.3%	14,563	25.5%
A	16,879	24.7%	14,280	25.0%
BBB	955	1.4%	1,881	3.3%
BB or below	780	1.1%	699	1.2%
CREDIT RISK EXPOSURE (PHYSICAL SECURITIES)	40,562	59.3%	33,387	58.4%
CREDIT RISK EXPOSURE (CREDIT DERIVATIVES)	8,122	11.9%	7,578	13.3%
COUNTERPARTY CREDIT RISK EXPOSURE(1)	258	0.4%	332	0.6%
MAXIMUM CREDIT RISK EXPOSURE	68,317	100.0%	57,096	100.0%
CREDIT RISK EXPOSURE (CREDIT DERIVATIVES)(2)	(6,811)		(8,724)	
TOTAL	$ 61,506		$ 48,372	

(1) Counterparty credit risk exposure after accounting for master netting agreements. Excludes counterparty/credit risk exposure related to the securities lending program of approximately $139 million, repurchase agreements of approximately $130 million, and over collateralization related to the securities lending program of approximately $1,171 million.
(2) Includes collateral received of $56 million [2009: $46 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 derivatives to achieve this objective.

HOOPP mitigates counterparty credit risk by transacting exchange-traded derivative contracts and when required, by dealing with over-the-counter derivatives 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 Plan 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 Plan'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. 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. Compliance reporting is provided quarterly to the Asset Liability 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 $1,061 million (2009: $923 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, 2010 totaled $36,876 million (2009: $28,011 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. The ratio of assets available to cover potential margin calls is determined daily. When calculating the assets available, factors such as market value, posted collateral, repo positions and securities lending positions are considered. The potential margin call is based on the Plan's exposure to various derivatives and their potential daily market movement.

NOTE 7: AMOUNTS RECEIVABLE

($ millions)	2010	2009
Contribution receivable		
Employers	$ 75	$ 74
Members	60	59
Recoverable refundable withholding tax on contributions	129	132
TOTAL	$ 264	$ 265

NOTE 8: CONTRIBUTIONS

($ millions)	2010	2009
Employers	$ 921	$ 890
Members		
Regular	731	706
Others	15	11
Transfers from other plans	47	27
TOTAL	$ 1,714	$ 1,634

NOTE 9: BENEFITS

($ millions)	2010	2009
Retirement pension and bridge benefits	$ 1,058	$ 988
Commuted value transfers and death benefits	73	71
Refunds	78	78
Transfers to other plans	20	22
TOTAL	$ 1,229	$ 1,159

NOTE 10: OPERATING EXPENSES

($ millions)	2010	2009
Investment:(1)		
Administration	$ 71	$ 71
External investment management fees	-	5
Legal, actuarial and other professional fees(2)	16	15
Custodial	1	2
	88	93
Plan:(1)		
Administration	36	33
Legal, actuarial and other professional fees(2)	5	5
	41	38
TOTAL	$ 129	$ 131

(1) Includes allocation of corporate expenses

(2) Includes fees paid or due to the auditors pertaining to statutory audit fees of $615,000 [2009:$496,000], audit-related fees of $344,000 [2009: $560,000] and non-audit fees of $2,500 [2009: $5,700]

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.

Estimates used for financial reporting purposes reflect management's expectations of long-term economic and demographic conditions. The primary economic assumptions include the discount rate, salary escalation rate and the price inflation rate. The non-economic assumptions include considerations such as mortality, withdrawal and retirement rates.

The discount rate is based on the long-term expected fund return and includes a margin for conservatism (as appropriate for a funding valuation). The price inflation rate is based on the expected Consumer Price Index (CPI) rate.

To determine the accrued pension benefits as at December 31, 2010 and December 31, 2009, 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	2010(3)	2009(3)
Discount rate(1)	**6.10%**	6.20%
Rate of price inflation(2)	**2.15%**	2.15%
Real discount rate(2)	**3.95%**	4.05%
Salary escalation rate(2)	**4.65%**	4.65%

(1) Net of allowance for investment expenses of 0.25% [2009: 0.25%]
(2) Blended rates based on rate of price inflation of 1.90% per annum for first five years following the valuation date and 2.25% per annum thereafter.
(3) Changes from actuarial assumptions used in the previous year resulted in an actuarial loss of $503 million [2009: $1,413 million gain]. The 2010 loss is due to the change in the discount rate.

ACTUARIAL METHODOLOGY FOR FINANCIAL REPORTING

For the determination of the actuarial present value of accrued pension benefits as at December 31, 2010, an actuarial valuation was conducted by Towers Watson ULC. 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, 2010 and members' pay data which was provided as at December 31, 2009, all of which was projected to December 31, 2010 using management's estimates of experience for the intervening periods. The earnings estimates were determined based on 2009 experience and estimate assumptions.

Using this method and data, the accrued pension benefits (or going concern actuarial liabilities) at December 31, 2010, were $34,897 million (2009: $32,020 million).

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 2010, there was an estimated experience loss of $67 million (2009: gain of $101 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 2010, the Board granted a 75% of the 2010 CPI increase as an ad hoc increase effective April 1, 2011. This resulted in an increase in the Plan's accrued pension benefits of approximately $8 million (2009: $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 ULC, as at December 31, 2009, 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, recommended the actuarial assumptions to be used for the filing valuation. The economic assumptions used for the December 31, 2009 regulatory funding valuation were as follows:

Discount rate	6.20%
Rate of price inflation	2.15%
Real discount rate	4.05%
Salary escalation rate	4.65%

The most recent regulatory filing valuation conducted as at December 31, 2009 disclosed actuarial assets of $32,556 million with accrued going concern liabilities of $32,020 million, resulting in a going concern surplus of $536 million. This filing valuation also confirmed that the Plan was fully funded on a solvency basis as of December 31, 2009 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, 2010 was $263 million (2009: $255 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, 2010, these commitments totaled $1,083 million and $464 million respectively (2009: $1,226 million and $611 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 derivative 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 relation to 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. Alone, the nature of these contracts in many cases makes it impossible to determine a maximum potential exposure, but when carefully structured and coupled with other hedging instruments, the exposure can be limited with certainty. 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 and 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 contractual counterparty. Under the terms of these arrangements, HOOPP may be required to compensate certain 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, 2010, the amount recorded as a liability for claims under these arrangements was $nil (2009: $nil).

SIGNIFICANT INVESTMENTS

Investments with fair value exceeding $100 million (gross securities excluding short sales) as at December 31, 2010 (excluding derivative exposures):

($ millions)	Maturity Date	Coupon Rate %	Fair Value
FIXED INCOME			
Federal Bonds	2011 – 2041	0.50 – 9.00	$ 12,269
Provincial & Municipal Bonds	2011 – 2050	1.22 – 11.00	23,098
Real Return Bonds	2021 – 2041	2.00 – 4.55 Plus CPI*	4,104
Corporate Bonds			
American Express	2012	0.38	199
Bank of Montreal	2013 – 2015	2.85 – 5.18	578
Bank of Nova Scotia	2013 – 2015	1.45 – 1.65	556
Bear Stearns Cos LLC	2012	4.35	148
BNP Paribas Home Loan	2011	3.75	102
Canadian Imperial Bank of Commerce	2011 – 2015	1.44 – 2.60	1,288
DNB Nor Boligkreditt	2013	4.13	119
General Electric Capital Corp	2016	0.50	230
International Lease Finance Corp	2011	0.61	245
New York Life Insurance Co	2011	4.70	101
Royal Bank of Canada	2012	4.50	509
SLM Corp	2011	1.53	241
Toronto-Dominion Bank	2015	2.20	152
Washington Mutual Bank FSB	2011	3.86	265
			$ 4,733
COMMERCIAL LOANS			
Goldentree Leverage Loan Financing	2013	1.54	$ 244

*CPI – consumer price index

PRIVATE EQUITIES
Bedford Capital IVC LP
Investment Partnership (2006) LP
Investment Partnership (2007) LP

REAL ESTATE PROPERTIES (NET OF RESPECTIVE MORTGAGES)	Ownership
Pensionfund Realty Ltd	
Coquitlam Shopping Centre	
	42%
HOOPP Realty Inc.	
Telus Plaza	100%
25 York Street	90%

TEN-YEAR REVIEW

For the year ended December 31

($ millions)	**2010**	2009	2008	2007	2006	2005	2004	2003	2002	2001
CHANGE IN NET ASSETS										
Increase/(Decrease) in net assets										
Net investment income/(loss)	**$ 4,245**	$ 4,040	$ (3,591)	$ 1,748	$ 3,136	$ 3,095	$ 2,135	$ 2,393	$ (845)	$ (799)
Contributions										
Employers	**921**	890	840	782	718	685	633	532	297	172
Members	**746**	717	679	632	583	554	514	435	244	137
Transfers	**47**	27	34	105	75	42	15	15	11	10
Total Increase/(Decrease)	**5,959**	5,674	(2,038)	3,267	4,512	4,376	3,297	3,375	(293)	(480)
Decrease in net assets										
Benefits	**1,229**	1,159	1,143	1,079	1,019	856	807	712	634	586
Investment & Plan operating expenses	**129**	131	89	100	91	85	70	64	57	54
Total Decrease	**1,358**	1,290	1,232	1,179	1,110	941	877	776	691	640
INCREASE/(DECREASE) IN NET ASSETS	**$ 4,601**	$ 4,384	$ (3,270)	$ 2,088	$ 3,402	$ 3,435	$ 2,420	$ 2,599	$ (984)	$ (1,120)
NET ASSETS										
Investments										
Fixed income	**$ 60,386**	$ 49,157	$ 46,190	$ 42,949	$ 30,599	$ 24,678	$ 16,980	$ 10,831	$ 8,408	$ 9,808
Equity	**773**	889	1,904	4,612	6,374	6,012	5,421	5,548	5,518	5,326
Equity-Oriented	**6,897**	5,894	5,719	5,100	4,412	3,350	2,853	2,608	2,406	2,265
Investment-related receivables	**4,332**	2,971	3,135	2,515	1,571	1,425	949	770	504	353
	72,388	58,911	56,948	55,176	42,956	35,465	26,203	19,757	16,836	17,752
Amounts Receivable	**264**	265	265	232	200	179	145	113	67	43
Other assets	**13**	10	7	6	6	12	8	11	9	8
Total Assets	**72,665**	59,186	57,220	55,414	43,162	35,656	26,356	19,881	16,912	17,803
Investment-related liabilities	**(36,876)**	(28,011)	(30,463)	(25,383)	(15,224)	(11,120)	(5,262)	(1,210)	(839)	(747)
Other liabilities	**(72)**	(59)	(25)	(29)	(24)	(24)	(17)	(14)	(15)	(14)
Total Liabilities	**(36,948)**	(28,070)	(30,488)	(25,412)	(15,248)	(11,144)	(5,279)	(1,224)	(854)	(761)
NET ASSETS	**$ 35,717**	$ 31,116	$ 26,732	$ 30,002	$ 27,914	$ 24,512	$ 21,077	$ 18,657	$ 16,058	$ 17,042
Actuarial asset value adjustment	**(644)**	1,440	3,529	(1,650)	(2,709)	(1,659)	231	1,471	2,766	946
Actuarial value of net assets	**35,073**	32,556	30,261	28,352	25,205	22,853	21,308	20,128	18,824	17,988
Accrued pension benefits	**34,897**	32,020	31,244	28,683	25,808	23,749	21,858	20,113	17,814	16,756
SURPLUS/(DEFICIT)	**$ 176**	$ 536	$ (983)	$ (331)	$ (603)	$ (896)	$ (550)	$ 15	$ 1,010	$ 1,232
INVESTMENT PERFORMANCE										
Investment rate of return-net	**13.68%**	15.18%	-11.96%	6.23%	12.79%	14.66%	11.35%	14.86%	-5.02%	-4.41%
Benchmark return	**10.31%**	9.77%	-8.98%	4.78%	11.88%	13.97%	10.45%	14.38%	-5.33%	-4.51%
Long-term return target	**6.63%**	6.50%	6.50%	6.75%	7.00%	7.50%	7.50%	7.75%	7.75%	7.75%

CORPORATE GOVERNANCE

FIRST ROW: DEBORAH MENZIES, PATTY ROUT, HELEN FETTERLY, RONALD MEREDITH-JONES, MARCELLE GOLDENBERG
SECOND ROW: MARLENE IZZARD, JOYCE BAILEY, JULIE GIRALDI, DEEPAK SHUKLA, WAYNE GLADSTONE
THIRD ROW: LOUIS RODRIGUES, BRYCE WALKER, JAMES SANDERS, DAN ANDERSON
FOURTH ROW: MARLENE PUFFER, WARREN CHANT, LESLEY BELL, ADRIAN FOSTER

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.

See your future. Now.

The HOOPP 2010 Annual Report was produced by the Healthcare of Ontario Pension Plan's Marketing & Communications team in conjunction with the Office of the CEO, Investment Management, Finance and Legal.

HOOPP staff appearing in 2010 Annual Report are:
Kwame Baafi, Jacqueline Bain, Liam Brown, Bruce Carmichael, Nebojsa Dostic, Nick D'Souza, Sonny Khindria, Lilian Ngo, Joanne Nonkoh, Marlene Tymchuk, Angela Waite

HOOPP
Healthcare of Ontario
Pension Plan

Healthcare of Ontario Pension Plan
1 Toronto Street, Suite 1400
Toronto, ON M5C 3B2