

Financial Statements

**The Fund of The Metropolitan Toronto
Pension Plan**

[Ontario Registration Number 0351577]

December 31, 2006

AUDITORS' REPORT

To the Administrator of
The Metropolitan Toronto Pension Plan

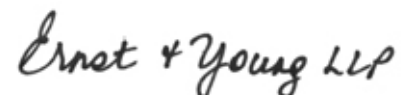
We have audited the statement of net assets available for benefits of **The Fund of The Metropolitan Toronto Pension Plan** as at December 31, 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Regulation 76(2) of the Ontario Pension Benefits Act. These financial statements are the responsibility of the Plan's administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2006 and the changes in its net assets available for benefits for the year then ended in accordance with the basis of accounting disclosed in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Administrator of The Metropolitan Toronto Pension Plan and the Financial Services Commission of Ontario for complying with Regulation 76(2) of the Ontario Pension Benefits Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purposes.

Toronto, Canada,
May 18, 2007.



Chartered Accountants
Licensed Public Accountants

The Fund of The Metropolitan Toronto Pension Plan
[Ontario Registration Number 0351577]

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2006	2005
	\$	[000's] \$
ASSETS		
Cash	58	229
Investments, at market value <i>[note 3]</i>	737,846	721,807
Accounts receivable		
Long-term <i>[note 5]</i>	—	7,444
Interest and dividends	3,484	3,466
Other	67	79
	741,455	733,025
LIABILITIES		
Accounts and benefits payable	688	713
Pending securities transaction	713	96
	1,401	809
Net assets available for benefits	740,054	732,216

See accompanying notes

On behalf of the Board of Trustees:

Member

Member

The Fund of The Metropolitan Toronto Pension Plan

**STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS**

Year ended December 31

	2006	2005
	\$	[000's] \$
INCREASE IN NET ASSETS		
Investment income		
Interest	17,528	17,467
Dividends	8,518	11,353
Realized net gains on sale of investments	41,201	49,210
Securities lending	70	50
Net change in unrealized gain on investments	2,872	—
Total increase in net assets	70,189	78,080
DECREASE IN NET ASSETS		
Pension payments	60,967	62,188
Administrative expenses <i>[note 6]</i>	1,384	1,444
Net change in unrealized loss on investments	—	17,279
Total decrease in net assets	62,351	80,911
Net increase (decrease) in net assets for the year	7,838	(2,831)
Net assets available for benefits, beginning of year	732,216	735,047
Net assets available for benefits, end of year	740,054	732,216

See accompanying notes

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. DESCRIPTION OF THE PLAN

General

The Metropolitan Toronto Pension Plan [the "Plan"] is registered under the Pension Benefits Act, R.S.O.1990, Registration Number 0351577. The general administration and regulations pertaining to the Plan are governed by a By-law enacted by the former Municipality of Metropolitan Toronto and subsequently by the City of Toronto [the "City"] upon amalgamation.

The Plan is a contributory defined benefit pension plan established in 1956 covering all eligible permanent employees of the former Municipality of Metropolitan Toronto hired prior to July 1, 1968. From that date, pensions for new employees must be provided through the Ontario Municipal Employees Retirement System. Under the provisions of the Plan, contributions are made by Plan members with matching contributions from the City, including the following agencies, branches and commissions:

- Toronto Housing Company Limited
- Toronto Waterworks System
- Toronto Licensing Commission
- Toronto Police Services Board - civilian employees
- Board of Management of the Toronto Zoo
- Toronto Public Library

Funding policy

The Ontario Pension Benefits Act requires that the Plan sponsor fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of an annual actuarial valuation.

Service pension

The normal retirement age is 65 years for all members except firefighters, whose retirement age is 60 years. The normal retirement pension is calculated using the member's years of credited service, to a maximum of 35 years, multiplied by 2% of the highest average annual contributory earnings over a period of 60 consecutive months.

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Disability pension

A disability pension is available at any age. The amount of the disability pension is the pension earned to the date of retirement.

Survivor pension

A survivor pension is paid to an eligible spouse, as defined in the By-law, a dependent child, or, under certain limited circumstances, a named dependent of a member.

Death refund

A death refund is payable to the estate of a pensioner or survivor where pensions have not been paid equivalent to the individual's contributions plus interest. In a similar manner, a death refund is payable to the estate of a contributor where no survivor pension is payable.

Withdrawal refunds

Upon application and subject to "locking-in" provisions under the Ontario Pension Benefits Act, withdrawal refunds, with interest on members' contributions, are payable when a member ceases to be employed.

Income taxes

The Plan is a Registered Pension Trust as defined in the Income Tax Act (Canada) and, as such, is not subject to income taxes.

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying financial statements present the net assets of The Fund of The Metropolitan Toronto Pension Plan [the "Fund"] which are available for the payment of pension benefits and the changes in these net assets during the year.

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Commission of Ontario for financial statements under Regulation 76(2) of the Ontario Pension Benefits Act. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Investments

Investments are stated at market value and are recorded on a trade-date basis. Market value is determined using listed market values.

Foreign currency translation

The market values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translations are included in the net change in unrealized gain or loss on investments.

Foreign currency denominated transactions, as well as cost amounts included in note 3, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Income recognition

Investment income is recorded on the accrual basis with dividends being recorded on the dividend record date. Gains and losses on disposal of investments are credited or charged to income when realized. The net change in unrealized gain (loss) on investments is calculated as at the year-end date and is shown on the statement of changes in net assets available for benefits.

Contributions

Members' and employers' contributions received subsequent to the year end, but which are applicable to the current year, are recorded as contributions receivable.

3. INVESTMENTS

[a] Investments consist of the following:

	2006		2005	
	Market value \$ [000's]	Book value \$	Market value \$ [000's]	Book value \$
Bonds and debentures <i>[note 3[b]]</i>	314,021	303,883	323,451	309,026
Canadian equities <i>[note 3[e]]</i>	188,257	160,728	143,166	118,619
Foreign equities	194,929	119,680	223,873	152,746
Short-term investments	14,867	14,867	15,003	15,003
Short-term investments - managers	25,772	25,772	16,314	16,314
	737,846	624,930	721,807	611,708

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

[b] The market and book values of bonds and debentures at December 31, 2006 and 2005 are summarized below. The average yield of bonds and debentures are the weighted average market rates of these investments during the year.

	2006		Average yield %
	Market value \$	Book value \$	
	[000's]	[000's]	
BONDS AND DEBENTURES			
Federal and guaranteed			
0-5 years	64,858	65,011	4.12
5-10 years	30,408	30,475	4.10
>10 years	39,841	37,495	4.17
	135,107	132,981	
Provincial and guaranteed			
0-5 years	8,672	8,463	4.18
5-10 years	11,647	11,707	4.31
>10 years	39,809	36,709	4.74
	60,128	56,879	
Corporate			
0-5 years	48,307	47,610	4.43
5-10 years	40,189	39,111	4.64
>10 years	30,290	27,302	4.95
	118,786	114,023	
Total bonds and debentures	314,021	303,883	

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

	2005		Average yield %
	Market value \$ [000's]	Book value \$ [000's]	
BONDS AND DEBENTURES			
Federal and guaranteed			
0-5 years	74,407	74,555	3.92
5-10 years	41,248	41,119	3.94
>10 years	39,479	35,598	4.10
	155,134	151,272	
Provincial and guaranteed			
0-5 years	8,590	8,398	4.04
5-10 years	2,603	2,445	4.77
>10 years	37,927	34,227	4.59
	49,120	45,070	
Corporate			
0-5 years	46,085	44,959	4.14
5-10 years	42,206	40,261	4.50
>10 years	30,906	27,464	4.71
	119,197	112,684	
Total bonds and debentures	323,451	309,026	

[c] Bonds, debentures and equities

The bond, debenture and equity fund assets are held by a trust company under the terms of a custodial agreement. The funds are managed by investment managers under separate agreements. Net income is retained for reinvestment by the respective fund managers.

[d] Short-term investments

During 2006 and 2005, all short-term investments were held with CIBC Mellon.

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

[e] Canadian equities

Canadian equities include investments in pooled funds representing units held in the TD Emerald Canadian Equity Fund [100% Canadian equities] with a market value of \$109,487,564 [2005 - \$74,054,647].

[f] Individually significant investments

The market value or book value of the following individual investments exceeds 1% of the market value or book value of total Fund investments at December 31, 2006:

	2006	
	Market value \$	Book value \$
	[000's]	
Bonds and debentures - Canadian		
Province of Ontario	32,113	30,962
Government of Canada	117,667	115,546
Province of Quebec	8,378	7,987
BMO Capital	6,604	6,345
Canada Housing Trust	17,440	17,434
Canadian Imperial Bank of Commerce	7,657	7,631
Ontario School Board	10,259	9,150
RBC Capital	10,107	9,828

4. INVESTMENT RISKS

The Plan's investment performance is subject to market and other risks. Market risk is the risk that the value of the investments will fluctuate as a result of changes in market prices. A discussion of other risks follows:

[i] Interest rate risk

Interest rate risk relates to the adverse consequences of interest rate changes on the Plan's net assets available for benefits and changes in net assets available for benefits. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets. The value of the Plan's assets is affected by changes in nominal interest rates.

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

[ii] Credit risk

Credit risk relates to the potential exposure that the other party to a financial instrument will fail to discharge an obligation and cause the Plan to incur a financial loss. Concentration of credit risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions.

The Fund has established guidelines that must be adhered to by the investment managers. These guidelines stipulate the lowest acceptable credit rating for bonds, the maximum that can be invested in these bonds and the maximum that can be invested in Canadian and foreign equities.

In addition, the guidelines stipulate the optimum asset-mix percentages with minimum and maximum limits for each asset class.

The following table shows the market value asset-mix percentages and the actual concentration of investments as at December 31, 2006:

	Actual	Minimum	Maximum	Optimum
	%	%	%	%
Short-term investments	5.5	—	30.0	5.0
Bonds and debentures	42.6	30.0	70.0	45.0
Canadian equities	25.5	10.0	40.0	25.0
Foreign equities	26.4	15.0	35.0	25.0
	100.0			100.0

[iii] Foreign exchange risk

The Plan is exposed to foreign currency fluctuations to the extent that its foreign investments are denominated in foreign currency. The Plan does not use financial instruments to hedge these risks.

5. ACCOUNTS RECEIVABLE - LONG-TERM

Accounts receivable - long-term consist of the proceeds related to the sale of the real estate and mortgage investments. These amounts are due over an eight-year period commencing in 1999 and are secured by a promissory note and Government of Canada strip coupons held by a trustee under the terms of an agreement. In March 2006 the final instalment was paid.

The Fund of The Metropolitan Toronto Pension Plan

NOTES TO FINANCIAL STATEMENTS

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6. ADMINISTRATIVE EXPENSES

Administrative expenses incurred during the year consist of the following:

	<u>2006</u>			<u>2005</u>
	<u>Management</u>	<u>Custodial</u>	<u>Total</u>	<u>Total</u>
	\$	\$	\$	\$
	[000's]			[000's]
Bond Managers				
Ultravest	194	7	201	229
Phillips Hager & North	215	7	222	243
Lancaster Bonds	186	5	191	233
	595	19	614	705
Equity Managers				
State Street	105	15	120	144
Lancaster	66	4	70	64
Gryphon	226	5	231	162
	397	24	421	370
Other				
Custodial service fees			5	17
Other expenditure			20	27
Actuarial fees			233	263
Investment consultants			57	58
Legal fees			34	4
Total administrative expenses			1,384	1,444