PUBLIC SECTOR PENSION INVESTMENT BOARD REPORTS FISCAL 2003 RESULTS

MONTREAL, July 16, 2003 – In the face of world wide equity market losses ranging from 17 to 30%, the Public Sector Pension Investment Board (PSP Investments) recorded a loss of $933 million and a rate of return of (13.5)% for the 12 months ended **March 31, 2003**. This compared with a gain of $146.8 million and a rate of return of 2.73% in fiscal year 2002.

During fiscal year 2003, ending March 31, 2003, PSP Investments received $3.4 billion in net contributions from the Public Service, Canadian Forces and Royal Canadian Mounted Police pension funds. Consolidated net assets as of the fiscal year-end were $8.1 billion at market value, compared with $5.6 billion a year earlier.

BUILDING FOR THE LONG TERM

Fiscal year 2003 can best be characterized as a difficult period for Canadian pension funds, including the funds managed by PSP Investments. Virtually all major equity markets worldwide ended the 12-month period in question sharply lower. For instance, the Canadian equity market ended the fiscal year with a (17.6) % return for the S&P / TSX Composite Index, while the return on the Standard and Poor's 500 Index in the United States amounted to (30.6)% over that same time frame.

The challenging investment climate that hampered performance during fiscal year 2003 served to further validate the importance of building for the long term. Accordingly, PSP Investments maintained its focus on building an organization that will be capable of generating returns at least sufficient to cover pension liabilities through a combination of superior investment performance and cost effectiveness.

ASSET MIX POLICY AMENDED

In November 2002, the Board of Directors approved changes to PSP Investments' strategy and bng-term asset mix policy, authorizing a broadening of the portfolio to include new asset classes such as private equities and real estate. The move to increased diversification reflects the strong operational foundation in place, as well as changing market realities — most notably the need to be less concentrated in public equity markets.

During fiscal year 2003, however, PSP Investments' assets continued to be managed in accordance with the long-term asset mix policy, which although reviewed annually, had essentially remained unchanged since February 2001. On a consolidated basis at the fiscal 2003 year-end, 39.0% of assets were invested in Canadian Equities, 25.7% in Foreign Equities and 35.3% in Canadian Fixed-income securities.

In keeping with the recent changes to asset mix policy mentioned above, development of investment strategies for private equities and real estate will commence in fiscal year 2004. Other alternative assets will be considered as well.

OBJECTIVES ACHIEVED

It was also with a view to enhancing returns that PSP Investments implemented "active" investment management for a substantially increased proportion of assets over the course of its latest fiscal year. As of March 31, 2003, approximately $4.0 billion of assets were actively managed, compared with $1.8 billion a year earlier. Other key objectives achieved included implementation of an upgraded performance-measurement system, a risk measurement system and a comprehensive internal audit function.

In line with PSP Investments' position on good corporate governance, Proxy Voting Guidelines adopted during the final quarter of the previous fiscal year were put into force during fiscal year 2003. The guidelines are designed to ensure that shares beneficially owned by PSP Investments are voted in accordance with its investment policy and objectives. Moreover, the guidelines underscore the fact that, as one of Canada's major pension investment managers, PSP Investments recognizes its responsibility to take positions on vital corporate governance issues — and to vote its shares accordingly, in circumstances where it believes corporate practices fall short of current expectations.

POSITIONED TO ADD VALUE

Despite this very difficult period for Canadian pension funds, most of the requisite structure and systems are now in place; the investment policy reflects the current environment; a continued focus on risk management is strengthened and PSP Investments has evolved to a point where it is set to add value going forward.

The Public Sector Pension Investment Board is a Crown corporation created to invest in capital markets the net contributions received after April 1, 2000 from the pension plans of the Federal Public Service, Canadian Forces and Royal Canadian Mounted Police. It operates at arm's length from the federal government. Its statutory objectives are to manage the funds entrusted to it in the best interests of the contributors and beneficiaries of the plans and to maximize investment returns without undue risk of loss. Headquartered in Ottawa, PSP Investments maintains its principal business office in Montreal.

Annual Report, financial statements and supporting documents available at www.investpsp.ca

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