CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

(Canadian $ millions)	As at June 30, 2017	As at December 31, 2016
Net assets available for benefits		
ASSETS		
Cash	**$ 449**	$ 241
Receivable from the Province of Ontario	**2,482**	3,273
Receivable from brokers	**799**	907
Investments (note 2)	**259,974**	255,716
Premises and equipment	**52**	57
	263,756	260,194
LIABILITIES		
Accounts payable and accrued liabilities	**303**	382
Due to brokers	**926**	608
Investment-related liabilities (note 2)	**81,987**	83,634
	83,216	84,624
Net assets available for benefits	**$ 180,540**	$ 175,570
Accrued pension benefits and deficit		
Accrued pension benefits (note 3)	**$ 193,443**	$ 189,397
Deficit	**(12,903)**	(13,827)
Accrued pension benefits and deficit	**$ 180,540**	$ 175,570

ONTARIO TEACHERS' PENSION PLAN

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS (unaudited)

For the six-month period ended June 30 (Canadian $ millions)	2017
Net assets available for benefits, as at January 1	**$ 175,570**
Investment operations	
Net investment income (note 4)	**6,417**
Administrative expenses	**(217)**
Net investment operations	**6,200**
Member service operations	
Contributions (note 6)	**1,719**
Benefits paid (note 7)	**(2,923)**
Administrative expenses	**(26)**
Net member service operations	**(1,230)**
Increase in net assets available for benefits	**4,970**
Net assets available for benefits, as at June 30	**$ 180,540**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS (unaudited)

For the six-month period ended June 30 (Canadian $ millions)		2017
Accrued pension benefits, as at January 1	**$**	**189,397**
Increase in accrued pension benefits		
Interest on accrued pension benefits		**3,078**
Benefits accrued		**3,202**
Changes in level of conditional indexing (note 3b)		**1,207**
		7,487
Decrease in accrued pension benefits		
Benefits paid (note 7)		**2,923**
Changes in actuarial assumptions and methods (note 3a)		**518**
		3,441
Net increase in accrued pension benefits		**4,046**
Accrued pension benefits, as at June 30	**$**	**193,443**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT (unaudited)

For the six-month period ended June 30 (Canadian $ millions)		2017
Deficit, as at January 1	**$**	**(13,827)**
Increase in net assets available for benefits		**4,970**
Net increase in accrued pension benefits		**(4,046)**
Deficit, as at June 30	**$**	**(12,903)**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the six-month period ended June 30, 2017

DESCRIPTION OF PLAN

The following description of the Ontario Teachers' Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the *Teachers' Pension Act (Ontario)* (the TPA) as amended.

(a) General

The Plan is governed by the TPA. It is a contributory defined benefit pension plan co-sponsored by the Province of Ontario (the Province) and Plan members, represented by Ontario Teachers' Federation (OTF) (the co-sponsors). The terms of the Plan are set out in Schedule 1 to the TPA.

The Plan is registered with the Financial Services Commission of Ontario (FSCO) and under the *Income Tax Act* (Canada) (the ITA) (registration number 0345785) as a Registered Pension Plan which is not subject to income taxes in Canada. The Plan may be liable for taxes in other jurisdictions where full tax exemptions are not available.

The Plan is administered and the investments are managed by the Ontario Teachers' Pension Plan Board (the Board). Under the TPA, the Board is constituted as a corporation without share capital to which the *Corporations Act (Ontario)* does not apply.

(b) Funding

Plan benefits are funded by contributions and investment earnings. Contributions are made by active members of the Plan and are matched by either the Province or designated employers. The determination of the value of the accrued pension benefits and required contributions is made on the basis of periodic actuarial valuations.

(c) Retirement pensions

A retirement pension is available based on the number of years of credited service, the average of the best five annual salaries and the age of the member at retirement. A member is eligible for a reduced retirement pension from age 50. An unreduced retirement pension is available at either age 65 or when the sum of a member's age and qualifying service equals 85.

(d) Disability pensions

A disability pension is available at any age to a disabled member with a minimum of 10 years of qualifying service. The type of disability pension is determined by the extent of the disability.

(e) Death benefits

Death benefits are available on the death of an active member and may be available on the death of a retired member. The benefit may take the form of a survivor pension, lump-sum payment or both.

(f) Escalation of benefits

Pension benefits are adjusted in January each year for inflation, subject to an upper limit of 8% and a lower limit of 0% in any one year with any excess above or below those limits carried forward. For credited service earned up to December 31, 2009, inflation protection is 100% of the change in the Consumer Price Index. Credited service earned after December 31, 2009, is subject to conditional inflation protection (CIP). For credited service earned between January 1, 2010, and December 31, 2013, the minimum indexation level is set at 50% of the change in the Consumer Price Index. There is no minimum level of inflation protection for credited service earned after 2013. The indexation level stated in the most recent funding valuation filing remains in effect until a subsequent filing updates the amount. Inflation protection of up to 100% for credited service earned after 2009 can be restored on a go-forward basis, depending on the Plan's funded status.

NOTE 1.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These condensed interim consolidated financial statements (Interim Financial Statements) have been prepared in accordance with Part IV of the Chartered Professional Accountants (CPA) Canada Handbook (Section 4600) and International Accounting Standard (IAS) 34, Interim Financial Reporting. They do not include all the information and disclosure required in the annual consolidated financial statements. The Interim Financial Statements should be read in conjunction with the annual consolidated financial statements and the accompanying notes included in the Plan's 2016 Annual Report. The Interim Financial Statements follow the same accounting policies and methods used in preparation of the audited 2016 annual consolidated financial statements.

The Plan's real estate portfolio is comprised of real estate-related investments that are either owned or managed on behalf of the Plan by The Cadillac Fairview Corporation Limited (CFCL), a wholly owned subsidiary. The Plan consolidates CFCL, Ontario Teachers' Finance Trust (OTFT), a special purpose entity created to support the Plan's financing activities, and wholly owned investment holding companies that are managed by either the Plan or CFCL. Investment holding companies that are managed by external parties are recognized as the Plan's investment assets. Under Section 4600, investment assets, including those over which the Plan has control or significant influence, are measured at fair value and presented on a non-consolidated basis.

The six-month period ended June 30, 2017 represents the first period for which the Plan presents Interim Financial Statements. As a result, comparative figures as at and for the six-month period ended June 30, 2016 are not available. Comparative figures as at December 31, 2016 are provided.

The Interim Financial Statements were authorized for issue through a resolution of the Board on August 31, 2017.

(b) Future changes in accounting policies

The relevant new guidance issued by the International Accounting Standards Board not yet adopted by the Plan includes:

- IFRS 9, Financial Instruments. The new standard will replace IAS 39, Financial Instruments: Recognition and Measurement and includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. The new standard will come into effect January 1, 2018, with early application permitted.

Management does not expect any significant impact on either the Plan's financial position or its investment income when adopting the new standard.

(c) Investments

Valuation of investments

Investments are either directly or indirectly owned by the Plan. Investment-related liabilities are incurred by the Plan directly. Details of investments and investment-related liabilities are presented in note 2a and are stated at fair value. Fair value is the price that would either be received to sell an asset or be paid to transfer a liability in an orderly transaction (i.e., an exit price) between market participants at the measurement date. In an active market, fair value is best evidenced by an independent quoted market price. In the absence of an active market, fair value is determined by valuation techniques that make maximum use of inputs observed from markets.

Details of the valuation methodologies are disclosed in the most recent audited annual consolidated financial statements. There have been no changes to the valuation methodologies since December 31, 2016. A valuation update of the rental property portfolio as at June 30, 2017 was conducted and reflected in these interim financial statements.

Fair value hierarchy

Investment assets and investment-related liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 – unobservable inputs.

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Trade-date reporting

Purchases and sales of investments and derivative contracts are recorded as of the trade date.

Net investment income

Dividend income is recognized based on the ex-dividend date, and interest income and real estate income are recognized on the accrual basis as earned. Net investment income also includes both realized and unrealized gains and losses. Unrealized gains and losses are recognized only when the fair value of the investment is based on a quoted market price in an active market or a valuation using appropriate valuation techniques is performed and approved by management.

Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs are expensed as incurred. Any transaction amounts received by the Plan that are directly attributable to the acquisition of an investment are netted against transaction costs paid.

Management fees

Management and performance fees for external investment managers and administrators are expensed as incurred when directly invoiced or information is otherwise available from capital notices or other manager communications. Fees related to other externally managed investments are offset against investment income.

(d) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the period end date. Income and expenses are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included within net realized and unrealized gains on investments in investment income.

(e) Accrued pension benefits

The value of accrued pension benefits and changes therein during the year are based on an actuarial valuation prepared by Mercer (Canada) Limited, an independent firm of actuaries. The valuation is performed annually as at August 31 and then extrapolated to year end and to June 30 of the following year. It uses the projected benefit method pro-rated on service and management's best estimate, as at the valuation date, of various economic and non-economic assumptions.

As described in paragraph (f) of the Description of Plan note, the inflation protection benefits for credited service earned after December 31, 2009 is conditional, depending on the Plan's funded status. For financial statement valuations, future pension payments are indexed at the levels stated in the most recent funding valuation filing. As a result, the December 31, 2016 accrued pension benefits reflect the CIP levels as stated in the January 1, 2016 funding valuation report.

As the co-sponsors provided direction to file the January 1, 2017 funding valuation with an increase in CIP from 90% to 100% (effective January 1, 2018), this change has been reflected in the June 30, 2017 accrued pension benefits.

(f) Contributions

Contributions from the members, the Province and designated employers are recorded on an accrual basis. Cash received from members for credited service and cash transfers from other pension plans are recorded when received.

(g) Benefits

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

(h) Premises and equipment

Premises and equipment are recorded at cost and amortized on a straight-line basis over their estimated useful lives.

(i) Use of estimates

In preparing these Interim Financial Statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities, and related income and expenses. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances. The effect of a change in an estimate or assumption is recognized in the period in which the estimate or assumption is revised. Significant estimates and assumptions are used primarily in the determination of accrued pension benefits and the fair value of investments and investment-related receivables and liabilities. Note 3 explains how estimates and assumptions are used in determining accrued pension benefits.

(j) Contingencies

A contingent liability is a possible obligation that depends on the occurrence or non-occurrence of one or more future events not controlled by the Plan. Contingent liabilities are not recognized but the nature and extent are disclosed in the notes to the Interim Financial Statements. A provision for a present obligation is recognized when a reliable estimate can be determined and the settlement of the obligation is probable.

NOTE 2.
INVESTMENTS

The Plan invests, directly or through derivatives, in equities, fixed income, inflation sensitive and real asset investments in accordance with the Board's policy of asset diversification.

(a) Investments before allocating the effect of derivative contracts

The schedule below summarizes the Plan's investments and investment-related liabilities, including net accrued interest and dividends of $745 million (December 31, 2016 - $527 million), before allocating the effect of derivative contracts:

	As at June 30, 2017		As at December 31, 2016	
(Canadian $ millions)	**Fair Value**	**Cost**	Fair Value	Cost
Equity				
Publicly traded				
Canadian	**$ 2,097**	**$ 2,081**	$ 2,075	$ 2,053
Non-Canadian	**26,204**	**20,016**	27,423	22,081
Non-publicly traded				
Canadian	**3,166**	**2,498**	2,786	2,480
Non-Canadian	**26,576**	**20,691**	25,110	19,704
	58,043	**45,286**	57,394	46,318
Fixed income				
Bonds	**57,525**	**55,609**	52,355	51,050
Short-term investments	**12,098**	**12,099**	9,521	9,504
Alternative investments[1]	**11,704**	**8,943**	11,727	8,862
Canadian real-rate products	**19,771**	**14,865**	20,381	14,993
Non-Canadian real-rate products	**18,378**	**15,745**	16,011	12,866
	119,476	**107,261**	109,995	97,275
Inflation sensitive				
Timberland	**2,367**	**1,343**	2,442	1,356
Natural resources[2]	**3,396**	**3,921**	3,831	3,802
	5,763	**5,264**	6,273	5,158
Real assets				
Real estate	**28,863**	**18,467**	30,923	19,064
Infrastructure	**18,940**	**14,012**	17,826	13,832
	47,803	**32,479**	48,749	32,896
	231,085	**190,290**	222,411	181,647
Investment-related receivables				
Securities purchased under agreements to resell	**24,367**	**24,864**	27,910	27,621
Cash collateral deposited under securities borrowing arrangements	**1,730**	**1,730**	1,967	1,967
Cash collateral paid under credit support annexes	**26**	**26**	121	121
Derivative-related, net	**2,766**	**1,855**	3,307	1,761
	28,889	**28,475**	33,305	31,470
Investments	**$ 259,974**	**$ 218,765**	$ 255,716	$ 213,117

[1] Comprised primarily of hedge funds and managed futures accounts.

[2] Natural resources includes oil, gas, and agricultural assets.

(Canadian $ millions)	As at June 30, 2017 Fair Value	Cost	As at December 31, 2016 Fair Value	Cost
Investment-related liabilities				
Securities sold under agreements to repurchase	**$ (49,853)**	**$ (50,813)**	$ (47,422)	$ (47,131)
Securities sold but not yet purchased				
Equities	**(1,796)**	**(1,717)**	(1,947)	(1,752)
Fixed income	**(13,656)**	**(12,375)**	(19,108)	(17,656)
Real estate	**(4,488)**	**(4,157)**	(3,196)	(2,876)
Commercial Paper	**(8,839)**	**(8,985)**	(9,120)	(8,935)
Cash collateral received under credit support annexes	**(87)**	**(87)**	(163)	(163)
Derivative-related, net	**(3,268)**	**(812)**	(2,678)	(845)
	(81,987)	**(78,946)**	(83,634)	(79,358)
Net investments	**$ 177,987**	**$ 139,819**	$ 172,082	$ 133,759

(b) Fair value hierarchy

The schedule below presents the Plan's investments and investment-related liabilities within the fair value hierarchy as outlined in note 1c:

(Canadian $ millions)				As at June 30, 2017
	Level 1	**Level 2**	**Level 3**	**Total**
Equity	**$ 26,736**	**$ 124**	**$ 31,183**	**$ 58,043**
Fixed income	**93,842**	**12,064**	**13,570**	**119,476**
Inflation sensitive	**—**	**—**	**5,763**	**5,763**
Real assets	**2,863**	**340**	**44,600**	**47,803**
Investment-related receivables	**1,806**	**26,981**	**102**	**28,889**
Investment-related liabilities	**(15,726)**	**(64,386)**	**(1,875)**	**(81,987)**
Net investments	**$ 109,521**	**$ (24,877)**	**$ 93,343**	**$ 177,987**

(Canadian $ millions)				As at December 31, 2016
	Level 1	Level 2	Level 3	Total
Equity	$ 27,785	$ 248	$ 29,361	$ 57,394
Fixed income	83,706	12,051	14,238	109,995
Inflation sensitive	—	—	6,273	6,273
Real assets	3,271	295	45,183	48,749
Investment-related receivables	2,146	30,922	237	33,305
Investment-related liabilities	(21,343)	(60,284)	(2,007)	(83,634)
Net investments	$ 95,565	$ (16,768)	$ 93,285	$ 172,082

The schedule below presents a reconciliation of investments and net investment-related receivables/(liabilities) measured at fair value using significant unobservable inputs (Level 3) for the six-month period ended June 30. Realized and unrealized gains/(losses) are included in investment income.

	For the six-month period ended June 30, 2017						
(Canadian $ millions)	**Equity**	**Fixed Income**	**Inflation Sensitive**	**Real Assets**	**Investment -Related Receivables**	**Investment -Related Liabilities**	**Total**
Balance as at January 1	**$ 29,361**	**$ 14,238**	**$ 6,273**	**$ 45,183**	**$ 237**	**$ (2,007)**	**$ 93,285**
Purchases	**2,492**	**1,875**	**154**	**3,904**	**33**	**27**	**8,485**
Sales	**(2,152)**	**(2,732)**	**(102)**	**(5,569)**	**(30)**	**—**	**(10,585)**
Transfers in[3]	**—**	**—**	**—**	**—**	**(3)**	**1**	**(2)**
Transfers out[3]	**—**	**—**	**—**	**—**	**(96)**	**84**	**(12)**
Gains/(losses) included in investment income							
Realized	**522**	**416**	**1**	**1,237**	**(77)**	**44**	**2,143**
Unrealized	**960**	**(227)**	**(563)**	**(155)**	**38**	**(24)**	**29**
Balance as at June 30	**$ 31,183**	**$ 13,570**	**$ 5,763**	**$ 44,600**	**$ 102**	**$ (1,875)**	**$ 93,343**

[3] Transfers in and transfers out of Level 3 are due to the change in the availability of observable inputs used for fair value measurement of investment assets or related liabilities. There were no transfers between Level 2 and Level 1 during the six-month period ended June 30, 2017.

(c) Derivative contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, commodities, indices, interest rates or currency rates. Derivative contracts are transacted either in the over-the-counter (OTC) market or on regulated exchanges.

Notional amounts of derivative contracts represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. They do not necessarily indicate the amounts of future cash flow involved or the current fair value of the derivative contracts and, therefore, do not indicate the Plan's exposure to credit or market risks. The derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in either market rates or prices relative to their terms. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

Description of the derivative contracts, transacted either in the OTC market or on regulated exchanges, is disclosed in the most recent audited annual consolidated financial statements.

The following schedule summarizes the notional amounts and fair value of the Plan's derivative contracts held:

		As at June 30, 2017		As at December 31, 2016	
(Canadian $ millions)		**Notional**	**Fair Value**	Notional	Fair Value
Equity and commodity derivatives					
Swaps		**$ 28,292**	**$ (413)**	$ 21,454	$ 402
Futures		**10,596**	**3**	5,572	14
Options: Listed	– purchased	**1,074**	**30**	350	21
	– written	**1,076**	**(27)**	669	(28)
OTC	– purchased	**14,424**	**221**	14,114	730
	– written	**4,016**	**(119)**	3,125	(195)
		59,478	**(305)**	45,284	944
Interest rate derivatives					
Swaps		**119,356**	**104**	90,105	29
Futures		**403,291**	**14**	103,444	(10)
Options: Listed	– purchased	**20,080**	**16**	11,318	5
	– written	**16,632**	**(14)**	10,673	(6)
OTC	– purchased	**43,332**	**104**	30,398	115
	– written	**78,539**	**(81)**	42,699	(110)
		681,230	**143**	288,637	23
Currency derivatives					
Swaps		**13,510**	**(18)**	11,215	(70)
Forwards[4]		**65,009**	**(256)**	70,956	(119)
Options: OTC	– purchased	**7,607**	**150**	8,299	121
	– written	**6,441**	**(69)**	7,839	(111)
		92,567	**(193)**	98,309	(179)
Credit derivatives					
Credit default	– purchased	**17,558**	**(349)**	16,099	(286)
	– written	**17,153**	**262**	19,793	140
		34,711	**(87)**	35,892	(146)
Other derivatives					
Statistic swaps		**6,677**	**(21)**	5,061	(19)
Dividend swaps		**511**	**(22)**	254	(21)
		7,188	**(43)**	5,315	(40)
		875,174	**(485)**	473,437	602
Net cash collateral (received)/paid under derivative contracts		**—**	**(17)**	—	27
Notional and net fair value of derivative contracts		**$ 875,174**	**$ (502)**	$ 473,437	$ 629

[4] Excludes currency forwards related to Real Estate assets.

The net fair value of derivative contracts in the previous table is represented by:

(Canadian $ millions)	**As at June 30, 2017**	As at December 31, 2016
Derivative-related receivables	**$ 1,985**	$ 2,678
Cash collateral paid under derivative contracts	**14**	31
Derivative-related liabilities	**(2,470)**	(2,076)
Cash collateral received under derivative contracts	**(31)**	(4)
	$ (502)	$ 629

(d) Investment asset mix

Direct investments, derivative contracts, and investment-related receivables and liabilities are classified by asset mix category based on the intent of the investment strategies of the underlying portfolios of the Plan. The Plan's net investments are summarized in Canadian dollars below:

	As at June 30, 2017		As at December 31, 2016	
	Effective Net Investments at Fair Value ($ millions)	**Asset Mix %**	Effective Net Investments at Fair Value ($ millions)	Asset Mix %
Equity[5]				
Publicly traded	**$ 36,266**	**20%**	$ 38,973	22%
Non-publicly traded	**28,848**	**16**	26,981	16
	65,114	**36**	65,954	38
Fixed income				
Bonds	**41,965**	**24**	43,529	25
Real-rate products	**20,245**	**11**	31,725	19
	62,210	**35**	75,254	44
Inflation sensitive[6]				
Commodities	**5,455**	**3**	4,184	3
Natural resources	**5,763**	**3**	6,273	3
Inflation hedge	**11,550**	**6**	—	—
	22,768	**12**	10,457	6
Real assets				
Real estate	**24,389**	**14**	26,470	16
Infrastructure	**18,940**	**11**	17,826	10
Real-rate products	**1,553**	**1**	—	—
	44,882	**26**	44,296	26
Credit[7]	**11,602**	**7**	—	—
Absolute return strategies	**10,504**	**6**	13,278	8
Overlay[8]	**(428)**	**—**	9	—
Money Market[8]	**(38,665)**	**(22)**	(37,166)	(22)
Net investments	**$ 177,987**	**100%**	**$ 172,082**	**100%**

[5] The Equities asset class is comprised of public and private equities. December 31, 2016 comparative figures have been reclassified to reflect these categories.

[6] Beginning January 1, 2017, Natural resources and other securities that provide exposure to inflation form the Inflation Sensitive asset class, which also includes Inflation hedge.

[7] Beginning January 1, 2017, corporate and emerging market debt moved into the new Credit asset class.

[8] Overlay includes strategies to overweight or underweight certain foreign currency positions. Beginning January 1, 2017, certain index positions formerly presented in the Overlay asset class have moved to Money market. December 31, 2016 comparative figures have been reclassified to reflect the changes.

(e) Risk management

The Plan’s primary long-term risk is that the Plan’s assets will fall short of its liabilities (i.e., benefits owed to members). Therefore, the objective of investment risk management is to achieve a diversifying of risks and returns in a fashion that minimizes the likelihood of an overall reduction in total fund value and maximizes the opportunity for gains over the entire portfolio. This is achieved through asset diversification so that the market and credit exposure to any single issuer and to any single component of the capital markets is reduced to an acceptable level.

The Plan also manages its liquidity risk so that there is sufficient liquidity to enable the Plan to meet all of its future obligations as they become payable, which includes meeting short-term marked-to-market payments resulting from the Plan’s derivative exposure and to give the Plan the ability to adjust the asset mix in response to the changes in the market conditions.

There have been no significant changes to the risk management policies and processes for credit, market and liquidity risk as presented in the most recent audited annual consolidated financial statements, except the following:

- Statement of Investment Policies and Procedures - The statement, posted on the Plan’s website addresses the manner in which the fund shall be invested. The statement is subject to the Board's review at least annually; the last review date was January 1, 2017. The Plan's investments are selected and held in accordance with the criteria and limitations set forth in the statement and in accordance with all relevant legislation. The statement includes changes to the long-term asset-mix policy:

Exposure	Minimum	Midpoint	Maximum
Equities	32%	37%	42%
Fixed income	20%	33%	45%
Inflation sensitive	8%	13%	18%
Real assets	21%	26%	31%
Credit	2%	7%	12%
Absolute return strategies	1%	6%	11%
Money Market[9]	(59)%	(22)%	0%
		100%	

[9] The money market asset class provides funding for investments in other asset classes.

- Board Investment Policy - This policy applies to the total-fund and aggregate asset classes. The policy addresses the risks that are relevant and material at the total-fund level. The policy now sets ranges for allocations to both asset classes and currencies. Management determines exposure within these approved ranges. The Board approves this policy and reviews it regularly.

(f) Credit risk

The Plan is exposed to the risk that a counterparty defaults or becomes insolvent. Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Credit risk may arise directly from an obligor, an issuer of securities, or indirectly from a guarantor of a credit obligation.

Maximum exposure to credit risk before collateral held

The credit risk exposure of debt investments and OTC derivatives, by credit rating category, without taking account of any collateral held or other credit enhancements is as follows:

As at June 30, 2017

Credit rating (Canadian $ millions)	**Bonds and Short-Term Investments**	**Real-Rate Products**	**Securities Purchased under Agreements to Resell**	**Loans and Private Debt**	**OTC Derivatives**
AAA/R-1 (high)	**$ 43,027**	**$ 34,921**	**$ —**	**$ —**	**$ —**
AA/R-1 (mid)	**4,544**	**—**	**2,436**	**—**	**36**
A/R-1 (low)	**12,993**	**3,025**	**18,582**	**—**	**178**
BBB/R-2	**5,594**	**—**	**827**	**—**	**7**
Below BBB/R-2	**1,866**	**—**	**—**	**—**	**—**
Unrated[10]	**1,599**	**203**	**2,522**	**12,063**	**—**
	$ 69,623	**$ 38,149**	**$ 24,367**	**$ 12,063**	**$ 221**

As at December 31, 2016

Credit rating (Canadian $ millions)	Bonds and Short-Term Investments	Real-Rate Products	Securities Purchased under Agreements to Resell	Loans and Private Debt	OTC Derivatives
AAA/R-1 (high)	$ 41,168	$ 32,697	$ —	$ —	$ —
AA/R-1 (mid)	2,502	—	5,990	—	83
A/R-1 (low)	9,376	3,482	21,006	—	891
BBB/R-2	5,259	—	—	—	—
Below BBB/R-2	2,123	—	—	—	—
Unrated[10]	1,448	213	914	12,243	—
	$ 61,876	$ 36,392	$ 27,910	$ 12,243	$ 974

[10] Unrated comprises securities that are either privately held, managed externally, or not rated by the rating agencies.

The Plan is also exposed to credit risk through off-balance sheet arrangements. For off-balance sheet guarantees, the maximum exposure to credit risk is the maximum amount that the Plan would have to pay if the guarantees were to be called upon. For loan commitments, the maximum exposure is the committed amount under the agreements. For credit derivatives, the maximum exposure is the notional amount of written credit derivatives as presented in note 2c.

(Canadian $ millions)	**As at June 30, 2017**	As at December 31, 2016
Guarantees	**$ 368**	$ 314
Loan commitments	**181**	133
Notional amount of written credit derivatives	**17,153**	19,793
Total off balance sheet credit risk exposure	**$ 17,702**	$ 20,240

While the Plan's maximum exposure to credit risk is the carrying value of the assets, or, in the case of off-balance sheet items, the amount guaranteed or committed, in most cases the likely exposure is far less due to collateral, credit enhancements (e.g., guarantees in favour of the Plan) and other actions taken to mitigate the Plan's exposure, as described previously.

Credit risk concentrations

As at June 30, 2017, the Plan has a significant concentration of credit risk with the Government of Canada, the Province of Ontario and the U.S Treasury. This concentration relates primarily to holding Government of Canada issued securities of $48.8 billion (December 31, 2016 – $51.0 billion), U.S. Treasury issued securities of $15.2 billion (December 31, 2016 – $0.2 billion), Province of Ontario bonds of $6.4 billion (December 31, 2016 – $5.0 billion), receivable from the Province of Ontario of $2.5 billion (December 31, 2016 – $3.3 billion) and future provincial funding requirements of the Plan.

(g) Market risk

Market risk is the risk of loss that results from fluctuations in equity and commodity prices, interest and foreign exchange rates, and credit spreads. The Plan is exposed to market risk from its investing activities. The level of market risk to which the Plan is exposed varies depending on market conditions, expectations of future price movements, the occurrence of certain catastrophic events (e.g., hurricanes and earthquakes) affecting the prices of insurance linked securities, expectations of future yield movements and the composition of the asset mix.

Market risk management

The Plan manages market risk primarily through diversifying the investments across industry sectors, investment strategies and on a global basis. A variety of derivative contracts are also utilized to manage the Plan's market risk exposures.

Market and credit risk measurement

The Plan uses a statistical Value-at-Risk (VaR)-type approach, the expected tail loss (ETL) methodology, to measure investment risk comprising of market and credit risk over a one-year horizon at a 99% confidence level. The ETL methodology captures more of the effect of extreme loss events than VaR for the same confidence level as it is the average of all the losses in the tail.

Further details of the ETL methodology are disclosed in the most recent audited annual consolidated financial statements.

The table below shows Total Asset Risk ETL of the Plan.

(Canadian $ billions)[11]	**As at June 30, 2017**	As at December 31, 2016
Equity[12]		
Publicly traded	**$ 10.5**	$ 12.0
Non-publicly traded	**13.0**	12.5
Fixed income		
Bonds	**7.0**	4.5
Real-rate products	**4.5**	6.5
Inflation sensitive[13]		
Commodities	**1.5**	2.0
Natural resources	**1.5**	1.5
Inflation hedge	**3.5**	—
Real assets		
Real estate	**4.0**	4.0
Infrastructure	**3.5**	3.0
Real-rate products	**0.5**	—
Credit[14]	**2.0**	—
Absolute return strategies	**2.5**	2.5
Overlay[15]	**2.5**	1.5
Money Market[15]	**10.5**	6.5
Total Asset Risk ETL Exposure[16]	**$ 37.5**	$ 37.5

[11] Rounded to the nearest $0.5 billion.

[12] The Equities asset class is comprised of public and private equities. December 31, 2016 comparative figures have been reclassified to reflect these categories.

[13] Beginning January 1, 2017, Natural resources and other securities that provide exposure to inflation form the Inflation Sensitive asset class, which also includes Inflation hedge.

[14] Beginning January 1, 2017, corporate and emerging market debt moved into the new Credit asset class.

[15] Overlay includes strategies to overweight or underweight certain foreign currency positions. Beginning January 1, 2017, certain index positions formerly presented in the Overlay asset class have moved to Money Market. December 31, 2016 comparative figures have been reclassified to reflect the change.

[16] Total Asset Risk ETL Exposure does not equal the sum of ETL exposure for each asset class because diversification reduces total risk exposure.

Interest rate risk

Interest rate risk refers to the effect on the market value of the Plan's assets and liabilities due to fluctuations in interest rates. The value of the Plan's assets is affected by short-term changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations for salary escalation.

The Plan manages the interest rate risk by using interest rate derivatives as detailed in note 2c to the Interim Financial Statements. After giving effect to the derivative contracts and investment-related receivables and liabilities discussed in note 2c, a 1% increase in nominal interest rates would result in a decline in the value of the Plan's investments in fixed-income securities of $4.5 billion (December 31, 2016 – $3.4 billion). Similarly, a 1% increase in real interest rates would result in a decline in the value of the Plan's investments in real-rate products of $5.2 billion (December 31, 2016 – $5.1 billion).

As at June 30, 2017, holding the inflation and salary escalation assumptions constant, a 1% decrease in the assumed long-term real rates of return would result in an increase in the pension liabilities of approximately 23% or $43.8 billion (December 31, 2016 – 22% or $40.8 billion).

Foreign currency risk

Foreign currency exposure arises from the Plan's holdings of foreign currency-denominated investments and related derivative contracts.

The Plan has investments exposed to foreign currency. In Canadian dollars this exposure is as follows:

(Canadian $ millions)	**As at June 30, 2017**	As at December 31, 2016
Currency	**Net Exposure**	Net Exposure
United States Dollar	**$ 40,917**	$ 49,553
British Pound Sterling	**4,953**	4,505
Euro	**3,330**	7,774
Chilean Peso	**3,154**	3,108
Japanese Yen	**2,872**	3,275
Brazilian Real	**2,726**	2,673
Mexican Peso	**1,830**	838
Chinese Renminbi	**(1,719)**	1,307
Australian Dollar	**1,630**	1,944
Danish Krone	**1,249**	1,175
Other	**10,645**	7,955
	$ 71,587	$ 84,107

With all other variables and underlying values held constant, a 5% increase/decrease in the value of the Canadian dollar against major foreign currencies would result in an approximate decrease/increase in the value of net investments as follows:

(Canadian $ millions)	**As at June 30, 2017**	As at December 31, 2016
Currency	Change in Net Investment Value	Change in Net Investment Value
United States Dollar	**$ 2,046**	$ 2,478
British Pound Sterling	**247**	225
Euro	**166**	389
Chilean Peso	**158**	155
Other	**962**	959
	$ 3,579	$ 4,206

(h) Liquidity risk

Liquidity risk refers to the risk that the Plan does not have sufficient cash to meet its current payment liabilities and acquire investments in a timely and cost-effective manner. Liquidity risk is inherent in the Plan's operations and can be impacted by a range of situation specific and market-wide events including, but not limited to, credit events and significant movements in the market.

Liquidity risk management

The liquidity position of the Plan is analyzed daily to ensure the Plan maintains at least 2.0% of its assets in unencumbered Canadian treasury bills. The Plan also manages its liquidity by holding additional unencumbered Government of Canada securities (bonds, treasury bills and real-rate bonds) and U.S. Government securities that are available for repurchase agreements so that the Plan is able to withstand the liquidity effects of a market stress event and pay its contractual cash flows and projected cash requirements over a one-year horizon with a 99% probability. The Plan's liquidity position is periodically tested by simulations of major events such as significant movements in the market.

Liquid assets

The Plan maintains a portfolio of highly marketable assets including Canadian and U.S. government bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The fair value of the Canadian and U.S. government bonds is $63,991 million as at June 30, 2017 (December 31, 2016 – $51,208 million). The Plan also has a position of publicly traded equities of $26,505 million net of shorts (December 31, 2016 – $27,551 million) which are listed on major recognized stock exchanges. These securities are readily realizable and convertible to cash.

Contractual maturity

The Plan's liabilities include accrued pension benefits, investment-related liabilities, due to brokers, accounts payable and accrued liabilities. Due to brokers, accounts payable and accrued liabilities are all due within one year. As the Plan may settle securities sold but not yet purchased, cash collateral received under credit support annexes and derivatives at fair value before contractual maturity, they are considered to mature within one year.

The Plan's investment-related liabilities by maturity are as follows:

(Canadian $ millions)				**As at June 30, 2017**
	Within One Year	**One to Five Years**	**Over Five Years**	**Total**
Securities sold under agreements to repurchase	**$ (42,779)**	**$ (7,074)**	**$ —**	**$ (49,853)**
Securities sold but not yet purchased				
Equities	**(1,796)**	**—**	**—**	**(1,796)**
Fixed income	**(13,656)**	**—**	**—**	**(13,656)**
Real estate	**(1,643)**	**(1,882)**	**(963)**	**(4,488)**
Commercial paper	**(8,839)**	**—**	**—**	**(8,839)**
Cash collateral received under credit support annexes	**(87)**	**—**	**—**	**(87)**
Derivative-related, net	**(3,268)**	**—**	**—**	**(3,268)**
	$ (72,068)	**$ (8,956)**	**$ (963)**	**$ (81,987)**

(Canadian $ millions)				As at December 31, 2016
	Within One Year	One to Five Years	Over Five Years	Total
Securities sold under agreements to repurchase	$ (39,736)	$ (7,686)	$ —	$ (47,422)
Securities sold but not yet purchased				
Equities	(1,947)	—	—	(1,947)
Fixed income	(19,108)	—	—	(19,108)
Real estate	(920)	(1,929)	(347)	(3,196)
Commercial paper	(9,120)	—	—	(9,120)
Cash collateral received under credit support annexes	(163)	—	—	(163)
Derivative-related, net	(2,678)	—	—	(2,678)
	$ (73,672)	$ (9,615)	$ (347)	$ (83,634)

(i) Collateral pledged and received

The Plan pledges and receives cash and security collateral in the ordinary course of managing net investments. Security collateral consists primarily of Canadian and U.S. government securities. Generally, additional collateral is provided if the value of the securities falls below a predetermined level. The securities transferred are recognized as assets when the Plan retains substantially all risks and rewards, including credit risk, settlement risk and market risk. The Plan is not allowed to either pledge the same securities with other financial institutions or to sell them to another entity unless the Plan substitutes such securities with other eligible securities. The Plan holds the collateral received as long as the Plan is not a defaulting party or an affected party in connection with a specified condition listed on the contractual agreements and there is no early termination of the contractual agreement. The Plan is permitted to either sell or repledge the collateral in the absence of default by the owner of the collateral. The fair value of collateral sold or repledged as at June 30, 2017 is $nil (December 31, 2016 - $20 million).

The Plan engages in securities borrowing transactions and pledges associated collateral. The Plan does not recognize any securities borrowed as its investment assets because the risks and rewards of the borrowed securities remain with the lenders.

The fair value of collateral pledged and received, as well as the securities purchased under agreements to resell and sold under agreements to repurchase and securities borrowed are as follows:

(Canadian $ millions)	**As at June 30, 2017**	As at December 31, 2016
Securities purchased under agreements to resell and sold under agreements to repurchase		
Securities purchased under agreements to resell	**$ 24,367**	$ 27,910
Collateral held	**24,466**	27,749
Securities sold under agreements to repurchase	**49,853**	47,422
Collateral pledged	**49,993**	47,438
Securities borrowing		
Securities borrowed	**3,847**	4,979
Collateral pledged[17]	**4,105**	5,382
Derivative-related		
Collateral received[18]	**231**	1,003
Collateral pledged[19]	**1,950**	1,175

[17] Includes cash collateral of $1,730 (December 31, 2016 - $1,967)

[18] Includes cash collateral of $87 (December 31, 2016 - $163)

[19] Includes cash collateral of $26 (December 31, 2016 - $121)

(j) Offsetting financial assets and financial liabilities

The Plan enters into agreements with counterparties such as ISDA Master Agreements and Global Master Repurchase Agreements (GMRA's) in order to mitigate its exposure to credit losses (see note 2f). These agreements provide rights to allow the parties to settle obligations on a net basis when certain predetermined events occur. As these rights of offset are conditional, the related amounts are not netted in the Condensed Interim Consolidated Statements of Financial Position.

The impact of these arrangements is presented in the following table:

(Canadian $ millions)				**As at June 30, 2017**
	Gross amount presented in note 2a	**Amounts subject to netting agreements**	**Securities and cash collateral[20]**	**Net Exposure**
Financial assets				
Securities purchased under agreements to resell	**$ 24,367**	**$ (24,276)**	**$ (90)**	**$ 1**
Derivative-related receivables	**2,766**	**(1,740)**	**(165)**	**861**
	$ 27,133	**$ (26,016)**	**$ (255)**	**$ 862**
Financial liabilities				
Securities sold under agreements to repurchase	**$ (49,853)**	**$ 24,276**	**$ 25,534**	**$ (43)**
Derivative-related liabilities	**(3,268)**	**1,740**	**1,484**	**(44)**
	$ (53,121)	**$ 26,016**	**$ 27,018**	**$ (87)**

(Canadian $ millions)				As at December 31, 2016
	Gross amount presented in note 2a	Amounts subject to netting agreements	Securities and cash collateral[20]	Net Exposure
Financial assets				
Securities purchased under agreements to resell	$ 27,910	$ (18,753)	$ (9,154)	$ 3
Derivative-related receivables	3,307	(1,699)	(927)	681
	$ 31,217	$ (20,452)	$ (10,081)	$ 684
Financial liabilities				
Securities sold under agreements to repurchase	$ (47,422)	$ 18,753	$ 28,666	$ (3)
Derivative-related liabilities	(2,678)	1,699	967	(12)
	$ (50,100)	$ 20,452	$ 29,633	$ (15)

[20] Securities and cash collateral exclude over-collateralization and collateral in transit. See note 2i for the total amount of collateral.

NOTE 3. ACCRUED PENSION BENEFITS

(a) Actuarial assumptions

The actuarial assumptions used in determining the value of accrued pension benefits of $193,443 million (December 31, 2016 – $189,397 million) reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, the salary escalation rate and the inflation rate. The discount rate is based on market rates, as at the valuation date, of bonds issued by the Province of Ontario, which have characteristics similar to the Plan's liabilities. The discount rate was determined by applying a weighted average discount rate that reflects the estimated timing and amount of benefit payments. The inflation rate is the geometric difference between the yield on Government of Canada long-term nominal bonds and Government of Canada real-return bonds. The salary escalation rate incorporates the inflation rate assumption and long-term expectation of growth in real wages.

A summary of the primary economic assumptions is as follows:

	As at June 30, 2017	As at December 31, 2016
Discount rate	**3.00%**	3.25%
Salary escalation rate	**2.55%**	2.80%
Inflation rate	**1.55%**	1.80%
Real rate[1]	**1.45%**	1.40%

[1] Real rates shown as the geometric difference between the discount rate and the inflation rate.

The primary economic assumptions were changed as a result of changes in capital markets between January 1, 2017 and June 30, 2017 and the new salary agreements reached in 2017 noted below. These changes in economic assumptions resulted in a net decrease in the value of accrued pension benefits of $518 million.

The primary economic assumptions incorporate the two-year salary contracts as announced by the Ministry of Education on April 12, 2017, for school years beginning September 1, 2017 and September 1, 2018.

There were no changes to the non-economic assumptions at June 30, 2017. The changes in economic and non-economic assumptions resulted in a net decrease in the value of accrued pension benefits of $518 million.

(b) Plan provisions

Credited service earned after December 31, 2009 is subject to CIP as described in paragraph (f) of the Description of Plan note. The inflation protection benefits vary between 50% and 100% of the change in the Consumer Price Index (CPI) for credited service earned between January 1, 2010, and December 31, 2013, and vary between 0% and 100% of the change in the CPI for credited service earned after 2013. CIP can only be invoked or updated when a funding valuation is filed. The Ontario government and designated employers participating in the Plan will make extra contributions to the Plan to match the inflation protection benefits members forego up to a maximum foregone inflation of 50% of CPI.

For financial statement valuations, future pension payments are indexed at the levels stated in the most recent funding valuation filing. As a result, the December 31, 2016 accrued pension benefits reflect the CIP levels as stated in the January 1, 2016 funding valuation report.

In June 2017, the co-sponsors announced that the level of CIP will be increased to 100% of CPI for all periods of credited service effective January 1, 2018. Also, effective January 1, 2018, pensioners who retired after 2009 will receive a one-time increase to their pensions to prospectively restore benefits to the level they would have been had 100% inflation protection been provided on January 1, 2017. These changes are being reflected in the January 1, 2017 funding valuation to be filed with the pension regulators by no later than September 30, 2017. This level will remain in effect until the next actuarial valuation is filed with the regulatory authorities at which time the level may be reduced depending on the funded status of the Plan. The change in the level of conditional indexing has been reflected in the June 30th, 2017 financial statement valuation, resulting in an increase in accrued pension benefits of $1,207 million.

The indexation levels reflected in accrued pension benefits are as follows:

	Valuation as at June 30, 2017[2]	Valuation as at December 31, 2016[3]
Credited service	Inflation protection level	Inflation protection level
Earned before 2010	100% of CPI	100% of CPI
Earned during 2010 – 2013	100% of CPI	90% of CPI
Earned after 2013	100% of CPI	90% of CPI

[2] Inflation protection level per the January 1, 2017 funding valuation (to be filed no later than September 30, 2017).

[3] Inflation protection level per the filed January 1, 2016 funding valuation.

NOTE 4.
NET INVESTMENT INCOME

Net investment income/(loss) after allocating net realized and unrealized gains on investments, management fees and transaction costs to asset classes

Net investment income is reported net of management fees, transaction costs, and is grouped by asset class. Net investment income, after giving effect to derivative contracts, is as follows:

Net Investment Income							**For the six-month period ended June 30, 2017**
(Canadian $ millions)	**Income [1]**	**Realized [2]**	**Unrealized [2 3]**	**Investment Income**	**Management Fees**	**Transaction Costs**	**Net Investment Income**
Equity							
Publicly traded							
Canadian	**$ 6**	**$ (14)**	**$ (22)**	**$ (30)**	**$ —**	**$ (1)**	**$ (31)**
Non-Canadian	**283**	**2,727**	**249**	**3,259**	**(30)**	**(28)**	**3,201**
Non-publicly traded							
Canadian	**47**	**(6)**	**361**	**402**	**(3)**	**(10)**	**389**
Non-Canadian	**435**	**429**	**483**	**1,347**	**(96)**	**(26)**	**1,225**
	771	**3,136**	**1,071**	**4,978**	**(129)**	**(65)**	**4,784**
Fixed income							
Bonds	**602**	**(609)**	**972**	**965**	**(4)**	**(14)**	**947**
Short-term investments	**(10)**	**(71)**	**313**	**232**	**—**	**—**	**232**
Alternative investments[4]	**30**	**157**	**223**	**410**	**(12)**	**—**	**398**
Canadian real-rate products	**230**	**304**	**(482)**	**52**	**—**	**(2)**	**50**
Non-Canadian real-rate products	**97**	**109**	**(515)**	**(309)**	**—**	**—**	**(309)**
	949	**(110)**	**511**	**1,350**	**(16)**	**(16)**	**1,318**
Inflation sensitive							
Commodities	**(30)**	**(8)**	**(582)**	**(620)**	**—**	**(3)**	**(623)**
Timberland	**19**	**1**	**(61)**	**(41)**	**—**	**—**	**(41)**
Natural resources	**84**	**—**	**(554)**	**(470)**	**(1)**	**(1)**	**(472)**
	73	**(7)**	**(1,197)**	**(1,131)**	**(1)**	**(4)**	**(1,136)**
Real assets							
Real estate	**515**	**1,212**	**(1,474)**	**253**	**—**	**(19)**	**234**
Infrastructure	**307**	**—**	**934**	**1,241**	**(9)**	**(15)**	**1,217**
	822	**1,212**	**(540)**	**1,494**	**(9)**	**(34)**	**1,451**
	$ 2,615	**$ 4,231**	**$ (155)**	**$ 6,691**	**$ (155)**	**$ (119)**	**$ 6,417**

[1] Income includes interest, dividends, real estate operating income (net of interest expense), and other investment-related income and expenses.
[2] Includes net foreign currency losses of $508 million.
[3] Net of certain management and performance fees.
[4] Comprised primarily of hedge funds, and managed futures accounts.

NOTE 5.
STATUTORY ACTUARIAL VALUATIONS

Statutory actuarial valuations are prepared periodically to determine the funding requirements of the Plan. In June 2017, the co-sponsors provided direction to file a new valuation as at January 1, 2017. This direction included an announcement that the level of CIP will be increased to 100% of CPI for all periods of credited service effective January 1, 2018 and that the current special contributions of 1.1% of pay will be eliminated after 2017. The summary below reflects these changes.

Active members are required to contribute 11.50% of the portion of their salaries covered by the CPP and 13.10% of salaries above this level, reducing effective January 1, 2018 to 10.40% of the portion of salaries covered by the CPP and 12.0% of salaries above this level. Member contributions are matched by the Province and designated employers. In addition, the Funding Management Policy established by the co-sponsors provides guidance for the co-sponsors in determining contributions and benefits.

Under the agreement described above between the co-sponsors, contribution rates are as follows:

	Contribution Rate	
(percent)	Covered by CPP	Not covered by CPP
2012	10.80%	12.40%
2013	11.15%	12.75%
2014 to 2017	11.50%	13.10%
2018 onwards	10.40%	12.00%

The actuarial methods used to prepare statutory actuarial valuations are different than those used to prepare a financial statement actuarial valuation and the amounts disclosed in these Interim Financial Statements. The statutory actuarial valuations use a valuation method which takes into account future benefits to be earned and future contributions to be made by members of the Plan as at the valuation date.

The most recent statutory actuarial valuation that has been filed with regulatory authorities was prepared as at January 1, 2016, by Mercer (Canada) Limited and disclosed a funding surplus of $4,522 million, after adopting CIP of 90% for credited service earned between 2010 and 2013 and after 2013, as well as recognizing the special contributions included in the 2016 contribution rate described above, of 1.1% of salary payable until December 31, 2026.

Based on the direction received from the co-sponsors in June 2017, a new statutory actuarial valuation reflecting an increase in CIP to 100% as well as the elimination of the special contributions after 2017 will be filed with the pension regulators by no later than September 30, 2017.

NOTE 6.
CONTRIBUTIONS

For the six-month period ended June 30 (Canadian $ millions)	**2017**
Members	
Current service[1]	**$ 832**
Optional credit	**19**
	851
Province of Ontario	
Current service	**815**
Interest	**12**
Optional credit	**18**
	845
Other employers	**18**
Transfers from other pension plans	**5**
	23
	$ 1,719

[1] Contributions past due are less than $1 million in the six-month period ended June 30, 2017.

NOTE 7.
BENEFITS PAID

For the six-month period ended June 30 (Canadian $ millions)		2017
Retirement pensions	$	2,670
Death benefits		183
Disability pensions		13
Commuted value transfers		41
Family law transfers		14
Transfers to other plans		2
	$	2,923

NOTE 8.
CAPITAL

Funding valuation surpluses or deficits[1] as determined by an independent actuary are considered the Plan's capital in the Interim Financial Statements.

The funding valuation is used to measure the long-term health of the Plan assessing the Plan's ability to meet its obligations to all current members and their survivors. The objective of managing the Plan's capital is to ensure the Plan is sufficiently funded to pay benefits over the long term.

One of the most important assumptions in the funding valuation is the discount rate (set by the Board) which is used to calculate the present value of future pension benefits the Plan expects to pay to members as well as contributions it anticipates receiving. The discount rate is derived from the expected rate of return on investments and takes into consideration the cost of running the Plan and provisions for major adverse events, such as the 2008 financial crisis.

Preliminary funding valuation surpluses or deficits are determined annually. At least once every three years, a formal funding valuation report is required to be filed with the regulatory authorities. As stated in the Partners' Agreement[2] , the Plan cannot be in a deficit position when such reports are filed. As a result, the formal report must include adjustments to benefit and / or contribution levels as necessary to eliminate any preliminary valuation deficit. Any required adjustments are determined by the co-sponsors with guidance from the Funding Management Policy (Appendix A to the Partners' Agreement).

[1] The surplus / (deficit) is determined by comparing the sum of the Plan's market value of assets; asset smoothing adjustment (if applicable); present value of future contributions and present value of future matching of foregone inflation adjustments with the sum of the funding liabilities (present value of future pension benefits) and the present value of the reduction in cost due to providing indexation levels below 100%.

[2] The Partners' Agreement is the document which establishes the partnership for the purpose of designing and administering the Plan and managing the pension fund including outlining the roles of the board and co-sponsors.

NOTE 9.
COMMITMENTS

The Plan has committed to enter into investment and other transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at June 30, 2017, these commitments totalled $10,826 million (December 31, 2016 – $10,597 million).

NOTE 10.
GUARANTEES AND INDEMNIFICATIONS

Guarantees

The Plan provides guarantees to third parties related to certain companies the Plan invests in and will be called upon to satisfy the guarantees if the companies fail to meet their obligations. The Plan expects most guarantees to expire unused. No payments have been made by the Plan during the six-month period ended June 30, 2017 and the twelve-month period ended December 31, 2016 under these guarantees.

The Plan guarantees portfolio company loan and credit agreements which will expire by 2020. The Plan's maximum exposure is $52 million as at June 30, 2017 (December 31, 2016 - $nil). The companies have drawn $5 million under the agreement (December 31, 2016 - $nil).

The Plan guarantees lease agreements for a Plan portfolio company with expiry dates ranging from 2017 to 2059. The Plan’s maximum exposure is $95 million as at June 30, 2017 (December 31, 2016 – $96 million). There were no default lease payments in either 2017 or 2016.

The Plan also guarantees the ability of certain investee companies to settle certain financial obligations. The Plan’s maximum exposure is $67 million as at June 30, 2017 (December 31, 2016 - $67 million).

The Cadillac Fairview Corporation Limited manages the real estate investments and has provided guarantees relating to the completion of the construction of certain residential developments. The term of these guarantees spans the lives of the development projects, which range from one to three years. The maximum exposure cannot be determined because the projects are not yet complete. These guarantees amounted to $154 million as at June 30, 2017 (December 31, 2016 – $151 million) and have not been recognized in the real estate liabilities.

The Plan guarantees two debentures issued by a real estate trust it consolidates. No payments have been made by the Plan into the real estate trust or related to the two debentures. The debentures are comprised of $0.75 billion 4.31% Series B Debentures maturing on January 25, 2021 and $0.6 billion 3.64% Series C Debentures maturing on May 9, 2018. The debentures, included in the Plan’s real estate investment-related liabilities, may be redeemed by the issuer at any time prior to maturity.

The Plan also guarantees commercial paper issued by Ontario Teachers’ Finance Trust which the Plan consolidates. No payments have been made by the Plan into the trust or related to the commercial paper, which is issued through private placements in U.S. and Canada. The maximum aggregate principal amounts outstanding at any one time do not exceed $10 billion. As at June 30, 2017, commercial paper issued by the trust amounted to $8,860 million (December 31, 2016 - $9,127 million). The commercial paper, included in the Plan’s investment-related liabilities, is not redeemable prior to maturity or subject to voluntary prepayment. The maturity terms are up to 270 days from the date of issue in U.S. and up to 364 days in Canada.

Indemnifications

The Plan provides that Board members, employees and certain others are to be indemnified in relation to certain proceedings that may be commenced against them. In addition, in the normal course of operations, the Plan may, in certain circumstances, agree to indemnify a counterparty. Under these agreements, the Plan, its subsidiaries and joint ventures may be required to compensate counterparties for costs incurred as a result of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the variety of indemnifications and their contingent character prevents the Plan from making a reasonable estimate of the maximum amount that would be required to pay all such counterparties.