

2016 Report to Members

A PLAN FOR ALL SEASONS

YOUR PENSION PLAN IN 2016

In 2016, the plan successfully navigated challenging markets and limited investment opportunities to increase net assets to \$175.6 billion; produce a fourth consecutive preliminary funding surplus of \$11.5 billion at January 1, 2017; and deliver service that members rated 9.1/10.

Diversification and our comprehensive new OneTeachers' investment strategy served us well in 2016 as unexpected political events including Brexit and the election of a new U.S. administration fuelled global uncertainty. Exchange rates fluctuated as many countries experienced growing skepticism about globalization, and we expect this volatility to continue. Competition for assets also continues to increase.

Amid the challenges and constantly changing environment, our Member Services Division earned high scores in surveys of plan members, while distinguishing the plan as one of the top two for service in its peer group and internationally.

We're also pleased to share our inaugural responsible investing report. Read it at otpp.com/RIreport.

\$175.6 billion
NET ASSETS

\$11.5 billion
PRELIMINARY FUNDING
SURPLUS

105%
FUNDED

9.1/10
SERVICE RATING

FIND OUR 2016 ANNUAL REPORT
AT OTPP.COM/RTM.



Q: HOW DID INVESTMENTS DO IN 2016?

In a challenging global economy which included market volatility and limited investment opportunities, our total-fund rate of return was 4.2%.

We invest in 37 currencies and in more than 50 countries around the world.

We report our results in Canadian dollars to match our liabilities, and large movements in currencies can have a positive or negative near-term impact on the reported value of our global investments. Asset returns in local currency were 7.2%. This is in line with our four-year asset returns. In Canadian dollars, however, currency had a -2.8% impact, for a loss of \$4.5 billion. This illustrates the swings that currency can create year over year. In 2015, for example, currency impact added 8.3% to our total-fund return.

\$1.3 billion EARNED ABOVE BENCHMARK
\$175.6 billion NET ASSETS
 (UP FROM \$171.4 BILLION IN 2015)

Q: HOW ARE YOU KEEPING MY PLAN STRONG?

Members are contributing to the plan for fewer years than in the 1990s, and their retirement periods are longer. A preliminary valuation shows the plan is 105% funded as of January 1, 2017, which translates into an \$11.5 billion surplus. Subdued economic growth and low inflation have kept interest rates at historically low levels. When interest rates are low, pension liabilities rise as more money must be set aside to earn enough to pay future pensions.

Conditional inflation protection (CIP) helps reduce funding risk while also promoting intergenerational equity. CIP will become more powerful over time: the amount of service that members have earned after 2009 continues to grow, while the proportion of service earned before 2010 (which is fully indexed to inflation) declines. Eventually, all pension benefits will be subject to CIP and all plan members will more equitably share the risk of a loss.

Visit otpp.com/RTM to learn more about:

- Plan funding
- CIP used to spread risk across generations

1.3 : 1
 RATIO OF WORKING-
 TO-RETIRED MEMBERS

26 vs. 31
 AVERAGE NUMBER OF YEARS
 CONTRIBUTED TO PLAN
 VS. EXPECTED YEARS ON PENSION



Our diverse portfolio is structured to generate long-term returns, and to absorb bumps along the way.

Visit otpp.com/RTM to learn more about:

- Global strategic relationships
- Our first responsible investing report

Q: HOW IS THE PLAN ADAPTING ITS SERVICE?

We want to be where you are. You're leading increasingly digital lives, both in the classroom and in retirement, which is why we continue investing in our digital strategy. Last year, members signed in to our redesigned, mobile-first website more than 360,000 times. Facebook page views increased by 9%, which is why, in 2016, we began answering your questions online via Facebook Live. We launched myOTPP101, our new educational program headquartered on Pinterest, so you can learn more about your pension anytime, anywhere.

We're making investments in systems and service channels to meet operational, regulatory and service requirements, and replacing outdated administrative systems. The cost of administering one of Canada's largest payrolls has increased in recent years. The cost per member was \$169 in 2016, versus \$162 in 2015.

Visit otpp.com/RTM to learn more about:

- Our member service rating of 9.1/10
- \$5.7 billion in pension and benefit payments

↑137%
 DOCUMENTS
 UPLOADED ONLINE

↑49%
 MEMBERS SHARING
 OUR YOUTUBE VIDEOS