

EPISODE ONE: STEVE MCGIRR, BOARD CHAIR, ONTARIO TEACHERS' PENSION PLAN VIDEO
TRANSCRIPTION FOR AGM

“Adapting to uncertain times”

April 15, 2021

[STEVE MCGIRR, BOARD CHAIR, PHOTO]

Board Chair, Steve McGirr: Thank you for joining us for this year’s Annual General Meeting. Unfortunately, again this year, for the second year in a row, we cannot gather in person.

This past year has been an extraordinary and tumultuous one for the market and for investors such as the managers of your pension plan. But, even more so for our members: Ontario’s teachers.

[TEACHERS PHOTO]

Steve McGirr: You’ve shown tremendous resilience, adapted your curriculums, innovated to support remote learning, devised new methods of teaching to engage students, and worked with the uncertainty of not knowing the immediate future.

Given all that you do, it’s a privilege to deliver positive news with respect to your financial security.

[ADAPTING TO AN UNCERTAIN ENVIRONMENT]

Steve McGirr: There have been far-reaching, global impacts from the pandemic. Uneven economic and social consequences. The devastation of many sectors. The suspension of business activities in many areas. And a collapse in interest rates.

Some areas of the economy will take years to recover, and some will never return to the way they were.

New sectors, industries, and opportunities have and will continue to emerge, and so, our plan will need to be agile and adapt to a renewed investment environment and to those new opportunities.

[STRONG. RESILIENT. AMBITIOUS]

Steve McGirr: Today, we will review our 2020 results and what we accomplished over the year.

I will also briefly discuss some of the decisions we are making today to maintain our strong position.

And as you continue to manage the new challenges in the field of education, we're making sound decisions for the future. Your plan is protected, and your pension is secure.

[RESILIENT]

Steve McGirr: Despite facing these challenges in 2020, Ontario Teachers' demonstrated tremendous resilience and continued to deliver strong results by actively managing the plan in a very difficult market.

In doing so, we achieved our eighth straight year of being fully funded, attaining a 103% funded ratio and a healthy preliminary funding surplus of eight and a half billion dollars.

This provides a cushion and allows us to conserve assets for even more uncertain times. With this strong funding status, members will continue to enjoy stable benefits and contribution rates.

[DIVERSIFICATION & INNOVATION IN A COMPLEX ENVIRONMENT]

Steve McGirr: Diversification is key in today's environment of low or even negative interest rates. Fixed income has historically provided stability and balance in our portfolio but with the decline in global interest rates and returns we no longer enjoy that benefit.

To achieve consistency of returns in today's environment, we need to identify those investments that can possess a number of the characteristics of fixed income, but which produce higher returns. We also have to continue and even enhance the Ontario Teachers' tradition of innovation. We have to invest more in private assets, in international opportunities, and we have to explore new asset classes, such as technology, to generate these results.

But it's important to note that geographic diversification means operating in a more complex geopolitical environment and one that is constantly shifting. Investing more funds into less liquid assets changes the plan's risk complexion, but it also allows us to pursue more attractive opportunities.

[GOVERNING WITH EXCELLENCE]

Steve McGirr: In this multifaceted environment, your board had engaged oversight.

Early in the pandemic, we met more frequently with management; weekly, in the early days of the escalating crisis.

Our committees – where most of the heavy lifting of the board work is done – took on added burden. By example, our audit committee extensively reviewed real estate valuations. The operational risk committee played a pivotal role in addressing the technology needs of a growing and increasingly complex enterprise. Our investment committee, on which all board members sit, focused on risk, liquidity and importantly our agility to respond to market shifts. Some large transactions also came our way for approval.

I am proud of the board's responsiveness to rapidly evolving conditions and I want to thank my colleagues for their hard work and diligence in 2020.

[STEWARDS OF THE FUTURE]

Steve McGirr: We are stewards of the plan's sustainability, including environmental, social and governance issues.

From an environmental perspective, the plan's sustainability depends on managing the low-carbon transition. In 2020, the board supported a new climate change policy in which Ontario Teachers' commits to reaching net-zero greenhouse gas emissions by 2050.

[COMMITMENT TO DIVERSITY AND INCLUSION]

Steve McGirr: Now, we all know the pandemic has given rise to certain social issues that impact our investments, and we will make sure to keep abreast of these issues and how the organization and portfolio companies can raise awareness and take action, where it's appropriate.

Now we seek new ways to address and promote diversity, inclusion and gender parity at both our plan and in our various enterprises.

[PROTECTING THE LONG-TERM HEALTH OF THE PLAN]

Steve McGirr: Working closely with management, the board also addressed, and continues to address, other wide-ranging issues, including ofcourse changing financial markets, the varied needs of our portfolio companies, the effects of the migration to remote work, and the mental and physical health and well-being of Ontario Teachers' employees.

The upheaval of 2020 required that we adjust short-term priorities, but our focus has to be on our key responsibility: protecting the long-term health of the plan.

[STRONG LEADERSHIP]

Steve McGirr: 2020 also demonstrated the value of strong leadership and a proven team in challenging times.

Jo and the executive leadership continue to successfully navigate the choppy waters of this global pandemic. Guiding the organization with an ambitious yet steady hand and concentrating on the long-term growth needs of the plan and looking into the post-COVID world.

Our entire organization has risen to the challenge in this new world. Each and every member of the team, has faced their own challenges, yet has invested their time, effort and expertise to

support the success of the plan.

Together, we are here to preserve the safety of your retirement security.

Thank you.