Ontario Teachers' 2023 Annual General Meeting

Steve McGirr, Board Chair: Hello and welcome to everyone joining us this afternoon in the room and on the webcast. My name is Steve McGirr, and I am the Chair of the board for Ontario Teachers' Pension Plan. I would like to start today's meeting with a land acknowledgement: On behalf of the Ontario Teachers' Pension Plan, I wish to acknowledge this land on which we are meeting. The Toronto Reference Library is on Indigenous land. This is the traditional territory of the Haudenosaune [ho-den-oh-sho-nee] Confederacy, the Wendat, and the Mississaugas of the Credit First Nation. This land is also part of the Dish with One Spoon territory, a treaty between the Haudenosaunee [ho-den-oh-sho-nee] Confederacy, the Anishinaabek [Ah-nish-nah-bek] and allied nations, to peaceably share and care for this land, its waters, and all of the biodiversity in the Great Lakes region. All those who come to live and work here are responsible for honouring this treaty in the spirit of peace, friendship, and respect. Today, this meeting place is still the home to many Indigenous people from across Turtle Island, and we are grateful to have the opportunity to meet and work on this land. We respect the Treaties that were made on these territories, we acknowledge the harms and mistakes of the past, and we dedicate ourselves to move forward in partnership with Indigenous communities in a spirit of reconciliation and collaboration.

It is a pleasure to be with you today for our 2023 Annual General Meeting. This is our first in-person meeting since 2019. It is also the first in-person AGM for President & CEO Jo Taylor, and for Charley Butler, our newly appointed Chief Pension Officer. We are grateful that we can all gather more safely today after the challenging times we've faced over the past few years. I want to acknowledge the strength and the dedication that the teachers of Ontario demonstrated during this extraordinary time. Your resiliency navigating uncertainty and change in and out of the classroom, all while balancing your own health and families during the pandemic was admirable. Thank you for your commitment to this profession and to furthering the education of the children in this province during a very challenging time.

Before we get started, I wanted to share a short video with you about how the plan delivered on our strategy in 2022.

Now, I would like to take a moment to update you on some key changes at the board. John Murray and Bill Chinery, both OTF appointees, have retired, after serving their maximum terms as board members. I would like to thank John and Bill for their many contributions to the board and your plan. We are pleased welcome our two newest board members, Debbie Stein and Tim Hodgson, who joined us late last year. Debbie is an experienced corporate director. Debbie has served Ontario Teachers’ for many years as a director of one of our portfolio companies. She has held several senior finance leadership roles and has a background in accounting and energy, with strong ESG qualifications. Debbie has earned the very important ESG Global Competent Boards Designation. Tim is an established corporate director and currently serves as chair of Hydro One. He has held senior investment roles and has an accomplished background in pension and financial services. I would like to thank the OTF executive, in particular, Scott Perkin and Nathan Core for leading a thoughtful and rigorous search process for your new board appointees. Debbie and Tim join a dedicated and professional board who care very much about this plan.

Your board are committed stewards who are well placed to guide the plan in an increasingly complex operating environment. They are featured up onscreen, and some members are joining us today in the room this afternoon. I will ask the attending board members to please stand (wait for applause). The board will be at the reception following this session and look forward to speaking with you.

Before I pass it over to Jo and Charley, I want to assure you that your pension is safe and secure. As you saw in the video, we had a positive performance in 2022. The plan performed well in a difficult investing landscape. Last year most stock market indices declined and interest rates rose. We experienced an evolving and uncertain global economic landscape while witnessing a shift away from globalization. Inflation dominated news headlines, reaching levels not seen in decades. Simply put, it was a challenging environment to make a return. But through the commitment and efforts of our team, we delivered solid results for you, our members.

As we move into 2023, these issues continue to dominate. We are seeing now: Climbing Interest rates; Turbulent stock markets; Instability in the banking sector; Growing recession fears; Increased global tensions; All punctuated by an ongoing war in Ukraine.

While the plan is not immune to these macro forces and market fluctuations, we are well positioned to weather these challenges. You can be assured we will continue to focus on the long term and pay your pensions into the future. We have strategies in place to meet our long-term commitments and an experienced team in place to execute on those strategies. Let me point to a few of these strategies.

First, let’s talk about diversification. Diversification is an important lever to earn the required risk-adjusted returns. Through careful construction of our portfolio, we have variety of assets that perform differently across investment environments. This strategy reduces volatility and the adverse impact of any one investment loss on the fund. It also helps us manage risk across the portfolio. We expanded our international footprint in 2022, opening an office in Mumbai and San Francisco, our fifth and sixth global offices. Expanding our global footprint will also help the plan diversify. Being physically located in these markets will provide us more opportunities to diversify through sourcing investment opportunities.

Value creation is also important. The pace of transactions slowed in 2022 and we expect to slow further in 2023 and we are focused on building value in our existing portfolio. This means to earn our returns we will have to actively manage our private companies to further improve their performance. Our value creation teams look for ways to increase the value of companies we already own through improved business performance and grow value.

We work hard to make the plan more agile. Agility is one of our competitive advantages. Our in-house investors are innovative, progressive thinkers. They bring deep in-house expertise and are supported by teams who make fast, transparent decisions that help us deliver stable returns. In this current investing environment, we will continue identifying and seizing opportunities while managing evolving risks. You can be confident in the team's ability to continue executing on the plan's bold and ambitious strategy for the remainder of 2023 and beyond.

Lastly, in addition to our financial performance, I wanted to share that in 2022 we were focused on improving the quality of service that we provide to our members. We know members are increasingly using digital channels to communicate with us, and in 2022, we made advancements to our service channels so members can get the information they need, when they need it. The member services team received strong satisfaction scores from you. You will hear more on this from Charley in just a few moments. Thank you again for joining us today. I will pass it over to Jo now, who will share more with you about the plan's performance in 2022. Thank you!

Jo Taylor, President & CEO: Thank you, Steve. I am glad to be here today with you for my first in-person Annual General Meeting as President & CEO. This meeting is for you, our members, to hear from us on what matters to you most. I'm looking forward to our Q&A discussion a little later in the program.

As Steve mentioned and as you saw in the video, the plan performed well in 2022 against a challenging and volatile investment landscape. In 2022, we achieved a total fund return of 4.0% for the year net of costs. While 4% is not something we would typically get too excited about, it is an impressive outcome

in what was a difficult year for most global investors. We exceeded our benchmark by 1.8% and delivered an additional $4.4 billion for you.
So, how did we do this? Over the past few years our investment teams have shown agility in constructing a diverse and resilient portfolio. In recent years we made a very deliberate effort to move into assets with more inflation protection such as commodities, natural resources and infrastructure. These assets performed very well in 2022. We also decreased our exposure to fixed income ahead of the recent interest rate rises, and to listed equities, two choices that helped us avoid significant loses. At the end of 2022, our annualized ten-year total fund return was 8.5% and with returns since inception of 9.5%. For the 10th year in a row, we remain fully funded. Our preliminary funding surplus on January 1, 2023, totaled $17.5 billion and our funding ratio equaled 106%.

In 2022, we made real progress across the three pillars of our strategy – culture, growth and impact.

When I became CEO, I set a north star goal of reaching $300 billion in net assets by 2030, from the $200 billion of assets then. We are making good progress with over $247 billion of net assets secured at the end of 2022, an increase of over $5 billion from the year prior.

We added to our international footprint opening Mumbai and San Francisco offices, as Steve noted earlier. India is a key growth market for the plan. We were able to invest in some great businesses there last year and develop strong partnerships with investors and family run businesses. Having an office in San Francisco will bring us closer to entrepreneurs on the forefront of technology and innovation.

Even though the pace of transactions slowed from 2021, we made many high-quality investments last year that should add significant value to the fund in the coming years. A few examples include: SSEN Transmission, an electricity transmission network based in Scotland that is going to help decarbonize the grid in the UK. Corio Generation, a global developer of offshore wind parks. We will be their primary capital partner as they develop and construct projects around the world. HomeEquity Bank, the leader in providing reverse mortgages here in Canada with a focus on retired home owners.

We continue to build a supportive, learning culture at the plan. We focus our efforts on attracting and retaining high-quality talent. We worked hard this year to engage our team and to position the plan as an employer of choice in the markets where we operate. I'd like to pause now for a short video so you can hear from some of the talent at Teachers'.

Several new senior leaders chose to join our organization in 2022, and I was pleased that we could promote internal talent to senior leadership roles. Charley Butler, was appointed Chief Pension Officer and Romeo Leemrijse [LEEM-ry-suh], was appointed Executive Managing Director, Equities. You will hear from Charley in a few moments on the progress we have made to improve our members' experience with us.

We also progressed our efforts on diversity, equity and inclusion, which we see as central to unlocking the full potential of our plan and our investee companies. We were proud to be recognized as a EDGE Lead organization, the highest certification level offered by EDGE, a respected global assessment and business certification firm for gender and intersectional equity. We are also pleased to report that 45% of our permanent workforce identify as women and 48% are from BIPOC communities. 64% of our board members identify as women. We still have work to do in these areas but are making meaningful progress.

Some of you have expressed concern about the environmental impact of the plan. I will take a few minutes to talk about our commitment to climate, which we see as a strategic imperative to delivering pensions over the long term. The plan has a multi-faceted climate strategy that is rooted in driving tangible emission reductions.

Last year, we made good headway on progressing our climate strategy. We grew our green assets, adding $3 billion to our portfolio in 2022. We hope to build this portfolio of green assets to $50 billion. One of our subsidiaries, issued another green bond. The proceeds of which will be used to fund investments that have positive environmental benefits. We continue to engage with our portfolio companies to support them on their own emissions reduction plans. When we push our companies to set credible transition plans these businesses often move on a faster path to decarbonize. We have decreased the carbon intensity of our portfolio by 32% since 2019, and we are on track to achieve our interim reduction target of 45% by 2025. Our green assets make up approximately 14% of our current portfolio. For a big Canadian investor, our exposure to oil and gas assets is relatively low. Our direct oil and gas assets represent around 3% of our portfolio. Let me also address a question that is raised regularly by you. We do not plan to divest our fossil fuel assets. The global energy transition will take many years to transpire, and as such we view natural gas as an important transition fuel. By working actively with companies on their emissions, we believe that we can secure greater benefits for our members, portfolio company employees and communities rather than simply divesting or avoiding them. While this approach is more complex than simply divesting, it can make a real-world impact instead of passing the problem on for others to solve.

Last year we announced a plan to use our influence as a global investor to invest in select high-emitting businesses with the explicit goal of decarbonizing them faster than they would do without our help.This means allocating our capital and our expertise to businesses that are emissions intensive but can be decarbonized. We believe that we can affect real change by reducing emissions in these types of businesses, and that if we do this well, we will also earn strong investment returns.

Before I pass over to Charley, I would like to make a few comments on our investment in FTX as I know this has been a regular question raised by members. We knew were we to invest in a crypto company that there would be risks around the volatility of that sector. We chose FTX because it was a business that appeared to be lower risk: both in its scale and what it did (as a crypto exchange). It also gave us the opportunity to learn how the crypto world was evolving. We spent five months doing detailed due diligence on FTX supported by top external advisors. Unfortunately, that did not uncover all the risks in the business – in part, as we now know, because we were not shown all information by management in good faith. The loss, which we regret, does not impact the fully funded status of the plan and will not impact our ability to meet our pension obligations. This is a testament to the strong portfolio construction and risk management practices that we have across the fund as a whole.

For background, we pursued this investment under our recently formed Teachers' Venture Growth team. TVG was established in 2019 to invest in emerging technology companies with returns designed to compensate for the risk taken. It's critical for us to diversify across asset classes with varying degrees of risk. It ensures that we can earn strong returns while appropriately managing risk at the level of the plan as a whole. The TVG team has delivered on their mandate and made good returns to date - producing an annualized rate of return of 12.4% since its inception.

Beyond that, the TVG team provides colleagues with a unique insight to inform investing in other parts of the Plan, particularly on technology trends. Having said all of this, the decision to invest in FTX is one shared by all senior members of the investment business and by me.

As we reflect on our performance last year, we made some bold choices in 2022 that resulted in us being one of only a handful of international investors of scale to make a positive return. We will continue to be bold and act with conviction to earn returns for members strong enough to maintain our fully funded status. Our returns of 9.5% since inception demonstrate that the plan can deliver for its members over the long term. There remain significant uncertainties in our international markets, and we expect 2023 will be another challenging year to make strong returns. However, I remain confident that we have the right strategy and talent to deliver on our pension promise to members, and keep the plan fully funded. Thank you. I will now pass over to Charley Butler.

Charley Butler, Chief Pension Officer: Thank you, Jo. As Steve mentioned, this is my first AGM as Chief Pension Officer. However, I've been attending our AGMs since I joined Ontario Teachers' in 2015 and I'm delighted to be back here in person with all of you. I particularly look forward to chatting with some of you after our presentations. To those of you joining us virtually, thank you for being with us online today. Now, let's get started. I'd like to share some of member services' achievements and highlights from last year. 2022 was a notable year for a few reasons. As administrators of one of Canada's largest payrolls, we paid $7.2 billion in pension and benefits payments last year, compared to $6.9 billion in 2021.

Despite another uncertain year, we remain fully funded for the 10th straight year. This means a significant protection from inflation for most of you who are retired – and an increase of 6.3% to your pension payments in 2023. Based on the questions we received from some of you, we understand you may be anxious about maintaining your purchasing power. We hope that the 2023 inflation adjustment bolsters your confidence in the plan.

Whether you're still teaching or retired, we know your pension is important to you. You've worked hard to earn retirement security. That's why we have rigorous processes in place to manage the changes around us and a talented team dedicated to serving you and delivering long-term growth and performance. We're well prepared to continue to deliver on our pension promise. The plan is on solid footing and your pension is secure and my team is working daily to serve your needs. Let's first now look at our membership.

Our membership base continues to grow. It's up 3,000 and now we have 183,000 working members and 153,000 pensioners. In 2022, almost 8,000 new members joined the plan. Welcome to you all. On average, you're contributing to your pension for 26 years. The average retirement age is 59 and, on average, you continue to collect a pension for about 32 years. And at the end of 2022, 34 pensions were in pay for more than 50 years. No matter where you are in your life journey, delivering outstanding service and retirement security to you shapes everything that we do. Our goal is to educate and empower you to make timely, informed decisions with confidence. So, we want to help you get what you need, when and how you need it. How do we do this?

Our data-driven omnichannel strategy and digital-first service model continue to help us create the seamless experiences you expect from us across the channels you're using – from online to offline and back again. And our data shows that more of you are relying on our digital services. In fact, 65% of you now have an online account and 97% of you who retired in 2022 - applied for your pension online.

Since so many of you are active online, our digital-first strategies are very much informed by your experiences, insights, needs and pain points. We're learning a lot along the way, and we're using the valuable insights you provide to improve your experience with us. Our digital first approach also helps us keep operating costs reasonable, which we always look to do as the fiduciary responsible for your pension fund. Last year, we managed costs by shifting from paper to digital communications, while providing you with convenient, easily accessible digital documents. We also digitized more internal processes and operations – which enabled us to serve you in a more efficient and effective way. Throughout the year, I hear feedback from members that makes me so proud of our team's work. Here's what some of you had to say about our digital offerings and assisted service:

"The pension calculator is a fantastic tool. It's easy to understand and I trust that it's giving me an accurate picture of my pension options for the future"

"The website is excellent for obtaining information regarding my pension. I think the returns and security that OTPP provides are among the best in the world for my profession. The security of my pension is never a concern."

"I appreciate how easy it is to access my information"

Most of you found our online pension calculator useful. Our website offered easy and efficient navigation. The emails you received from us provided you with up-to-date information you needed and wanted.

"The service agent quickly and effectively answered my questions with clarity. She was great!"

"The help I received on the phone was very thorough and easy to understand. I was able to access/set up my OTPP account to buyback my maternity leave with ease. Best help I've received yet over the phone."

When reaching out to our contact centre you appreciated that our Pension Benefits Specialists were knowledgeable and offered friendly service. I know the wait time to talk to our team has increased over these challenging years but still many said your questions were answered quickly. I read all your comments from our surveys, and true to your purpose with students, you're not easy markers. Some of you also said that you'd like to see some additional features and options on our digital tools. Some felt our paperwork was confusing and sometimes there was too much information to process.

Rest assured, we're always listening to you and we know we have things to work on so stay tuned for more improvements. Feedback like this affirms what I already know about my team. Regardless of the circumstances last year, they never wavered from their commitment to providing you with outstanding service. You remained our number one priority. We're always inspired to do even more for you, and last year was no different.

We offered you more options to self-serve with ease. For example, we expanded our use of digital signature software so that you could sign more documents electronically. And our research showed that this option is valuable to you because it saves you both time and effort to complete important documents.

Last year, we digitized 100% of our internal paper records ahead of our 2023 goal. With paperless records, we can store and access your files securely while minimizing our operating costs and environmental footprint. So a big win for you and for the environment.

We delivered more information electronically to those of you who signed up for it. Rather than receiving mail, you can easily access correspondence in your secure account anytime, anywhere. As I said earlier, we understand that the increasing reliance on digital services is here to stay. So we'll continue to invest in our digital strategy and leverage technologies to deliver more self-service options that solve problems, simplify information and improve member experiences in 2023 and beyond.

Our commitment to service excellence was rewarded by you for another year. We received a strong Quality Service Index score – our primary performance measure that evaluates the quality of our member experience, service and communications. Last year, 93% of you were satisfied with our service. We thank you and we're proud to receive strong scores year over year.

On that note, I'd like to close by saying: As you heard from Steve and Jo, your pension is secure. There will be other challenges ahead but I'm confident that we have the right strategy and talent to deliver long-term growth and performance to remain fully funded, while maintaining member service excellence.

As always, we're here to help you navigate your plan, so please visit our website for more information. You can also chat with some of the Member Services team who are here today. You can identify us by our red name tags so please feel free to introduce yourself to us. Or visit our Member Lounge at the back and meet with our Pension Benefits Specialists, who can answer questions about your specific benefits. Thank you again for your continued confidence in us.

Steve McGirr: Thank you, Charlie, and thank you, Jo. That concludes the formal presentations part of our meeting, and I hope members have a much better idea of the priorities of the organisation. Now let's get to your questions. I'm going to ask Jo Taylor to come back up, as well as Ziad Hindo, our chief investment officer, to help answer some of the questions. Our clear goal today is to answer as many questions as possible and give as many people who want to speak the opportunity to speak. Before we open the microphones for the session, I'd like to invite you to watch a very short video outlining how we're going to run this session.

Video: Welcome, [foreign language 00:00:59]. We know some of you have questions and we're going to do our best to answer as many as possible. Here are the guidelines we're going to follow. [foreign language 00:01:10]. Headsets are available for simultaneous translation. You'll find two mics on either side of the audience. The chair will alternate between them as he invites questions.

[foreign language 00:01:35]. Thanks for stepping up to the mic, but please keep it succinct so we can answer as many questions as possible. You have 60 seconds to ask your question. An orange light warns you at the 45-second mark. A red light means you're at the 60-second limit and your mic will be turned off. If your 60 seconds are up and you didn't ask your question, please return to the end of the line. For your next turn, or return to your seat.

Please try to keep remarks short and cut to your question quickly. We'll respond to questions, not comments. So we can answer as many questions as possible, we'll only respond to a question once. If someone beats you to it, please think of a new one or take your seat. If you've got additional questions, please rejoin the end of the line for a second turn. We'll do our best to keep answers short to give more people a chance to ask questions.

Steve McGirr: Great. Now our tradition is that, and I see we've got a number of eager people waiting at the microphone. Our tradition is to ask the OTF President Nathan Core to have the privilege of asking the first question.

Nathan Core: Just, there we go. Thank you so much for the clear expectations, just like we would ask of our students, you put those expectations up there and we'll try to meet those expectations. I just want to thank the board, thank the chair and your team for the work that you've done this last year. Jo Taylor, thank you so much for your leadership. This plan is a commitment to public education. It signals to the community that we support teachers, and their retirement is something that is important to Ontario. And the work that is being done is important work and I appreciate the work that you're doing. I don't have a question. I respect that there's going to be lots of people at this mic today, so I'm going to buck tradition today and I'm going to concede the rest of my time to the members here so they can get their questions asked. Thank you.

Steve McGirr: Thanks. Nathan, if I could just say personally and on behalf of the board, we appreciate the open, honest dialogue we have with the OTF. It helps us do our jobs better, so thank you for that. Now, I'm very mindful that we've got some very eager people at the microphone, but what we thought we'd do is, because we had a number of questions submitted in advance, is to deal with some of those right off the bat. We appreciate your patience. We'll get to you very soon. We really appreciate getting the questions in advance, because it gives us a really good flavour of some of the things that are on your mind and some of the things you want to hear from us.

Not surprisingly, when we reviewed your questions, it was pretty clear that you have some of the same topics on your mind. Before we go to the audience, and again, I appreciate your patience, we're going to answer a couple of the questions, a few of the questions that were submitted from members who submitted in advance. The first question is from teachers Steve Hoang who asked, "How is the pension plan factoring in inflation and the possibility of higher interest rates over the next few decades?" Steven, thanks very much for your question. Jo would you like to take a stab at that question?

Jo Taylor: Sure, my mic is on. Great. Two parts of that question, so I'll try to answer them in turn. When it comes to inflation, inflation is very central to our thinking. We spent a lot of time last year looking at areas where we felt we could actually abate some of the inflationary pressures. We focused on things like inflation sensitive assets, commodities, as well as infrastructure, and that was our attempt to actually control some of the inflationary impacts on the plan.

Second thing is around rising interest rates, which as we've all seen has been essentially prompted by central banks to try and deal with inflation. And really there our primary tool is working out when is the best moment to increase our exposure to fixed income or bonds. And which part of the yield curve of bonds actually looks the most attractive. And more recently we've been focusing more at the short end duration of bonds, rather than the longer end.

Steve McGirr: Thanks Jo. Turning to another pre-submitted question, this one is from pensioner, Carrie Mazier and Carrie asks, "In what ways do ESG and indigenous respectful considerations form a part of the investment involvement choices?" I'll ask Ziad to answer that.

Ziad Hindo: Thank you, Steve. We do have ESG integrations into all our investment activities. And in particular when we evaluate investment and when we ownership and investment, we take into account the impact our investments have on local communities, including indigenous communities. We do respect clearly indigenous rights and we make sure that understanding the impact on those communities is critical part of our due diligence process. I would also share with you last year we launched a new relationship with IPAC, which is essentially association for indigenous in Canada that advocates on behalf of indigenous rights in public and private sectors. It's called the IPAC.

Steve McGirr: Thanks Ziad. Here's another pre-submitted question and I'm sure this is on many of your minds. This one is from a pensioner Gary Hoeg and Gary asked, "It is my understanding that our pension was increased 2.4% in January 2022, and then 6.3% in January 2023. And yet inflation seems much higher than these increases. Is our pension keeping pace with inflation, or are we losing to inflation every year?" Thank you very much for that question. Charley, can I ask you to answer that?

Charley Butler: Of course. Thanks so much Gary on behalf of the many people that asked this question. The quick answer is yes, we're keeping pace, but there's a lag in your experience of inflation increases. The way in which we determine the inflation increase every year is predetermined as part of our plan terms. And what we do is we look at a 12-month period from one September to the next September, we look at every monthly inflation increase according to the cost of living increases. And then we put the average in for the future year. I appreciate that when you're seeing an inflation rate communicated every single month in the media, it can feel frustrating that your pension may not be at that exact same number at any time, but it eventually catches up. There's just a lag.

Steve McGirr: Charley, thanks very much. We'll take one more pre-submitted question. This one is from pensioner Gordon Doctorow and he asks, "Why do you have board members who also sit on the boards of fossil fuel companies? Isn't this a conflict of interest?"

What we want on a board of directors is expertise and experience. And both partners, the Government of Ontario and the OTF who each appoint five directors conduct a robust and very rigorous search process for the candidates. Our plan is dealing with some very complex issues related to decarbonization. You heard from Jo on net-zero. There are complex issues of measurement and we need industry expertise, we need a variety of expertise on the board. And the energy expertise is extremely valuable. Let me address the conflict. This board has very, very high standards for integrity and for conduct of the board members. And all board members are required to exercise their duties independently and in the best interest of members. And from my experience, I see your board doing that every day. Thanks for the question.

Okay, we're going to now turn to some questions from the audience. I see a robust lineup already. There are two microphones in the centre aisle. I'm going to try my best to rotate between the microphones. I'm going to start with number one. It would be great if you could identify yourself and I'd personally like to know whether you're a pensioner or a teacher. Microphone number one?

Gordon Doctorow: Yeah, I'm a pensioner. My name is Gordon Doctorow. I made that question. I'm not satisfied with the answer, by the way, because I think that the petroleum companies are invested in maintaining the tar sands and that the people who are sitting on these boards are doing everything they can to convince the governments to do their bidding, which is to destroy this planet. But let me ask a question and the question has to do with natural gas as a so-called transitional fuel. I know a little bit about chemistry, I've even taught this stuff. There is no way that that is not a carbon producing system. And not only is it carbon producing, it's prolonging the situation that we have, which is the urgency of saving the planet. And so I want to ask you, how on earth have you decided that a carbon producing enterprise is a transitional fuel? Why aren't we investing in electrical vehicles? Why aren't we investing in other things and taking that money out of petroleum and putting it where the people can survive? I want my pension up [inaudible 00:11:57].

Steve McGirr: Thank you very much, Gordon, for the question. The transition to a low carbon or de-carboned future is going to take some time, and there's going to have to be energy. Maybe I can ask Ziad to talk a little bit about how we get there. And by the way, we are investing in some investments that are accelerating the decarbonization. Ziad, would you like to say some things?

Ziad Hindo: Sure, thank you, Steve. I mean look, as a responsible investor we want to make sure there is an orderly transition to a greener economy. It's not either or, it's end that we're focusing on. Jo highlighted the many billions of dollars that we've already allocated to green assets that we're very excited about, and that will be the future, absolutely, whether it's renewable or electrification and the many other investments that we're focusing on. But for the time being, unfortunately gas is part of that transition. There's just simply not enough energy generation out there to support the economy, the jobs, the manufacturing. And I think you have a real-life example in Europe right now, in terms of energy crunch that has happened that cost many people their jobs and the energy bills that they've had to pay. It's about the balance. We're going to gradually increase our exposure to green assets and over time hopefully we start winding down some exposure as we have to gas.

Steve McGirr: Thanks Ziad. Now, I know people have been waiting very patiently, and I respect that. I'm going to go to microphone number two.

Barb Dobrowolsk...: Thank you. My name is Barb Dobrowolski, I'm the president of the Ontario English Catholic Teachers Association.

Steve McGirr: We need more more volume on mic two.

Barb Dobrowolsk...: I appreciated hearing Jo Taylor. I appreciated hearing you say that you like these opportunities to hear about what teachers value. Teachers value our communities and the wellbeing of our communities and we also value union jobs. Now, I want to express concern and I have actually in a letter already to you about Stone Canyon Industry Holdings, which we are a major investor in, they took ownership of Windsor Salt recently. There's a strike on in Windsor Salt. It's been on since February 17th. And the most contentious issue is that the company is insisting that the union approve of contracting out of their jobs. And I have received several calls from teachers in those communities saying that they are appalled by this, and that we own this company. This company has a history of union busting. And you in your response letter to me said that it's a matter of good governance not to interfere with negotiations. I don't agree with this. I think that it does not represent the value.

Steve McGirr: Okay, so Barb, thanks very much for the question. I don't know who actually responded by letter, but Jo would you like to start and maybe Ziad can add to that?

Jo Taylor: Thank you for the question and the correspondence, and I think it was me that responded to that. Couple things to say. Firstly, we do not own the company. It's not another direct investment by teachers, it's actually an involvement through one of our partners. We have actually, as we do in many cases, we've listened to your point of view and we will try as much as we're able to to have a conversation with that partner to try and say, "What are your plans? Is it possible to find a resolution, an amicable resolution to this particular issue?"

As a general point, what we try to do is actually leave the day-to-day decisions and running of our portfolio companies to the management teams that we back. And where that differs particularly is if we're in a controlling situation and we're full owners of the business where I think our involvement, engagement and responsibilities is different to when it's actually owned by one of our partner relationships. Thank you for your comment. We have heard it, it is slightly more complex for us given the ownership relationship with that particular business in Stone Canyon. And I think my point still holds, which is that in our view there's a certain amount we can do, but actually it would be a material variance from our policy to date to try and force a partner to change an approach to running a business to what it's choosing to do at the moment.

Steve McGirr: Thanks Jo. Again, thanks very much for your patience. I'm going to go to microphone number one.

Kamila Gencope: My name is Kamila Gencope and I'm a pensioner. I live downtown Toronto and every day I watch the teacher's office building going up at the corner of Wellington and Simcoe. In light of what's happening with office vacancy, 30% in Toronto, what are the plans for that? I think is it 30 story building, office building that's going up in Downtown Toronto?

Steve McGirr: Thank you very much for the question. I should clarify, we don't have all those stories and COVID has had a dramatic impact on offices. And so the amount of office that we need to occupy is in fact a constant conversation. That said, it's very important for a plan that is nearly $250 billion to be in the centre of things where people come to us as the first stop. And so the office is very centrally located for that reason. Jo, would you like to comment on the office? Any comments you want to make?

Jo Taylor: Sure. Well, in many ways hindsight's a wonderful thing, and if I had it all the time I'd be very happy. I think the point I would make about this decision we made was we made it in something like 2016, well ahead of the pandemic. Well ahead of the approach to occupancy of offices in across the world as well as in Downtown Toronto. We chose to make that decision as a senior team, because actually we wanted to do two things. One was we wanted to be able to make sure we could continue to attract and retain the best talent. And we really firmly felt at that point making the decision we were better able to do that by actually be located in Downtown Toronto versus our current location up in Finch, where we've had feedback from applicants that actually it doesn't really suit their plans.

Second reason is really the one that Steve gave, which is, it's far more efficient for us. If I go downtown to have a meeting with a colleague in Downtown Toronto, I basically spend an hour and a half on the subway to actually have that meeting. It's far more efficient and effective for us to be in those offices in that location. My final point of I could say it is that we've tried to make sure that we only occupy the right amount of space without being indulgent. And secondly, we're trying to make sure that the building that's being constructed, which is being done by our real estate subsidiary Cadillac Fairview, is a fully lead certified green building, which it is.

Steve McGirr: Thanks for your question. Okay, back to microphone two, please?

Ken Nakamura: Oh, Ken Nakamura OT, 44th year with the TDSB. Honest dollar green footprint. Quagmires are eternal. The liturgy of the ecosystem, how to build something equitable from a financial instrument like OTPP. Our wooden fruits and vegetable insulation of our OTPP projections. The miracle of culture, the inflation of the balloon, sustenance and appetite. Taxes are investments, the mathematics of language and the arithmetic of grammar, how to avoid another stock market crash and another pandemic through fiduciary strategies.

Steve McGirr: Well, first of all, thank you for your 44 years and thank you for your question. There were a number of things embedded in that. I have no idea personally how we're going to avoid the next pandemic or the next stock market crash. What I can say is that we try to put in place prudent strategies that include diversification and also agility to make sure that we can respond at the time. This environment is worrisome. And so I fully understand the reason for your question. We will do the best we can to have a safe haven where we have investments, but I wish Jo had the ability to invest in hindsight, he doesn't. Ziad, would you like to just comment on the environment and what we can do about that?

Ziad Hindo: I mean, I think it would be impossible to forecast every crisis ahead of us. Best thing we could do is have a robust portfolio that is really balanced from risk perspective, that is very diversified and then can hopefully withstand various economic shocks. And I think lastly was a really good example. It was very volatile. There was a recession, there were high interest rates, lot of inflation, much of it was not expected, but the portfolio held up Well. It's really about the process and the robustness of that portfolio construction process that we rely on to hopefully mitigate against future risks.

Steve McGirr: Thank you for your question. Microphone number one, please?

Susan: Susan [inaudible 00:22:26], I'm a pensioner. One way to keep it robust I would think would be not to make the kind of $95 billion dollars FTX investment. Also, I appreciate the laughter by the way. Also, we're writing it off as well. I mean, you're not even going after it, which I find really interesting. Was it 94, 92 million.

Steve McGirr: Million.

Susan: 90, yeah. Go after it. Why are you just giving it up? It's not a small amount. I understand there is risk. I understand about the risk, but I don't think there was due diligence done here. Because you invested twice, not just once. Twice. Elon Musk was asked to invest in FDX, he refused. Maybe we should have Elon Musk help us out.

Steve McGirr: I think you've timed out. Let's talk about FTX. Sorry, I can't, I have no capacity to turn it on. We're trying to get as many questions as possible.

Susan: Let any other question [inaudible 00:24:03].

Steve McGirr: Madam if you wouldn't mind, we'd be happy to take your question, but we will take it in turn, I'm sorry. Let me talk about FTX though, because it's come up in all or many of the pre-questions. Jo attempted to answer it. I'm going to give you a personal perspective and then I'm going to ask if Jo or Ziad want to talk about this. I'm a relatively new grandfather. I have two little toddler boys. I watch them learn, I watch them fall. And what I say is, if they fall in a safe environment and they learn to get up and walk, that's a good thing. When I think about FTX and I think of all the comments Jo made about the venture grouping and its infancy. We are going to make mistakes. If you want to hold this board and this management to account for being right a 100% of the time, I'm sorry we can't meet that bar.

But what we can do is we can learn from mistakes. And we begrudge every penny that we lose, every penny of opportunity cost. We take it very seriously and we will learn from this and it will make the venture group and the entire plan better. Jo or Ziad, would you like to add to that, or you didn't like my toddler analogy?

Jo Taylor: Well maybe won't do the toddler analogy, but let me just add a couple of observations. I think as part of the question posed was the statement that we didn't do the work. I'm sorry, that is just inaccurate. We did do the work, we spent five months looking at the business and we engaged some very well-known, respected, qualified partners to help us to actually look at the business. Sometimes if people don't want to disclose everything, it is hard to uncover that deception. That is what fraud makes life difficult for you. And I think that is the most likely outcome of the discussions that will be running forward in terms of why some of the inaccuracies occurred.

Second thing, if I could say it is that in terms of our approach to crypto, at one point we were being badgered very hard by our members why we weren't doing more in crypto. And we actually took a very slow and careful approach to essentially trying out one investment to actually see if we could learn from that in what in many ways appeared like a well constituted large successful business.

When you take risks, some of the risks come back to actually mean that you have an adverse result or a loss. And I think it's too early for us to say at this point what is our action in terms of the loss we've suffered on FTX. We haven't made a final decision on that. When you invest for equity, you are at the back of the queue. The reality is your chances of realisation is relatively low. That is the reality of where we sit. But let me just say it again, is not lost on us that we take that investment and the loss incurred on that investment very seriously. And we try our best to minimise the losses we make on behalf of our membership. And I would hope you judge us on all the decisions we make over the 30 years we've been running the plan and actually say overall we've made a number of choices and we made overall some good choices in terms of representing you.

Steve McGirr: Thanks Jo. And your time at the back of the line will be well spent because I'll be able to think of a good answer to the Elon Musk question, replaced by Elon Musk. I think I have microphone two, please?

Speaker 13: As a retired teacher, Toronto secondary unit member of OTA. I watch the news and you mentioned having a child and falling in safe place and there was a previous speaker that spoke about the need for union jobs. The politics of the world right now as illustrated in many places, but including France is really scary. And anybody who's ever studied the 30s, the 20s and it should be enough. My question to you is quite simply, how much, or do you talk about these concerns? Because the future's not guaranteed, and I'm a positive man. The future's not guaranteed when you have such extremism. And I think of with the money you're dealing with and everything else, it's scary. And by the way, I'll finish it off with a story if I have five seconds. No, I don't have five seconds. Okay. Anyways, thank you very much.

Steve McGirr: Well, thank you for the question. I think the direct question was, do we talk about this stuff? And the answer to that is, yes. And we talk about it because unless you have a functioning society, you cannot make investment returns in any economy. And so, that's why we talk about impact. That's the basic issue behind impact. The question is, do we talk about it? And the answer is, yes, we talk about it all the time and we worry about it. And thanks for the question. Sorry. Again, thank you for your patience. Waiting at the microphone. I'll go to one.

Brianne White: Hi, my name is Brianne White. I'm a teacher. First, I would just say I would urge you to reconsider the stance that you will not divest from fossil fuels. A UN report on net-zero commitments in greenwashing said that, "Reaching net-zero is entirely incompatible with continued investment in fossil fuels." Unfortunately the science is not behind you. But my question for you, indigenous peoples are particularly impacted by land use and resource extraction projects. And I heard you talk about your indigenous rights policy. My specific question to you, will the OTPP require its portfolio companies to obtain and maintain the free prior and informed consent of indigenous peoples and vote for shareholder resolutions calling for the same?

Steve McGirr: Thanks for the question. We have some concrete examples, especially in transmission, where we very much respect indigenous lands and we work around that. Ziad, would you like to talk maybe about some of our South American or another transmission line that you might think?

Ziad Hindo: Yeah, I mean, Chile has been a country we've invested in for more than 15 years. And we have investments there, particularly utility sectors that go through indigenous lands as an example. And in many of those efforts that we think about the value add or the positive impact it can have also on those communities. In Brazil is another example where the transmissions line go through forestry area and so forth. And there are pretty strict local requirements about making sure that for every tree that is lost, it is actually replaced and the environment is protected. In all our investment activities where local communities, including indigenous communities are impacted, we take that seriously robustly into our due diligence process. That is a critical part of all our ESG considerations when we invest, and that we committed to it.

Steve McGirr: And thanks very much for the question. Moving over to microphone two now.

Valerie Fraser: Valerie Fraser, retired teacher. I have two questions, one's very quick. It's your philosophy about investing in long-term care and retirement homes for profit, LTC and retirement?

Steve McGirr: Take your full 60 seconds, ask the second question.

Valerie Fraser: Okay, second one is your philosophy if you had a debate about reverse mortgages. And I was just drawn to when you mentioned home equity and thinking of those Kurt Browning commercials, which sometimes kind of irked me. Knowing a person who got to [inaudible 00:32:50], got a reverse mortgage and spent his kids' retirement funding the pub a $1,000 a week. I guess that's just the fun part of it. But was there a debate when you invested in home equity? It's just something I was thinking about.

Steve McGirr: Thank you for your questions. We'll take them in part. First of all, long-term care with all the government funding apparatus around it, and retirement homes are completely different things. I'll ask Ziad to maybe talk about our investment in Amica. The HomeEquity Bank. Yes, there's always robust debate on these. Again, I'll ask Ziad maybe to talk a little bit about the philosophy behind that investment. But do you want to start with the long-term care? Because I think there's a number of misconceptions that we could clear up here. Yeah, I understand that. Ziad?

Ziad Hindo: Yeah, we have a platform called Amica. I'm sure you've seen the branding across many properties even here in Ontario. That's really senior living and is really not long-term care. We avoid long-term care. That's not the business that we're in. I think senior living, yes, of course it's private service, but it-

Valerie Fraser: Amica does also have further health needs. They have people who progress.

Ziad Hindo: They do that. But it is really distinct from the long-term care and many of the problems that you've seen with some of the LTC facilities-

Valerie Fraser: Do you distance yourself towards preference-

Steve McGirr: You're not going to be able to be heard unfortunately. Why don't we answer those two questions and then if you have more, by all means we'd like to invite you.

Ziad Hindo: Amika, I just want to reiterate, it's a great platform. It has great reputation, it has superb ESG practises. And really high standards, best practises in the industry in Canada when it comes to senior living. On the HomeEquity Bank, it is a reverse mortgage business. It has a role to play. It helps many retirees in terms of unlocking their wealth and also help their family planning. To be honest, we're proud owners of that business. We want to hold it for a long time. And I know many retirees in Canada will benefit from having access to it. That's a service that the major banks have shied away from, so it actually serves a gap in services for retirees in Canada.

Steve McGirr: If you've got other questions, we'll turn the mic on, but you'll have to go to the back of the line. I'm sorry about that. We're just trying to make sure that as many people that want to comment and question get a chance. Moving back to microphone one. Thank you.

Louis Landry: Louis Landry. I'm a teacher at TDSB at Clearly public school. I've been on an unpaid leave. It's a little bit of a different question, but I need your assistance, I need your feedback on this. I've been on unpaid leave for four years after a chemical exposure at my school. My employer has not reported the incident to WSIB. I've been on my own. The insurance company now, OTIP has finally decided to pay me after four years. But I'm now getting all these letters saying that I have to repay my pension entitlements. And I will tell you, over the last four years I have found out in requesting information that my union had filed with Manual Life OTIP a special handling note that they were not to be disturbed, because I'm a gay man with HIV. And I would find out that the administrator's statement plans were filled out by Heather [inaudible 00:36:57] at the TDSB.

When it is my assumption that our unions are the planned administrator and are to do adjudication fairly and impartially. What I'm asking right now is, I will deal with the other issues. However, I want you to address the issue of why am I getting letters that I need to pay back after four years of having no money and my disability was legitimate, having to pay back these pension entitlements over the last four years when the chemical exposure was not of [inaudible 00:37:43]-

Steve McGirr: Well, thank you for your comment. Maybe I can ask Charley to just clarify what we do versus what some other organisations do.

Charley Butler: Yeah. First of all, please let me just say, I'm deeply sorry for your circumstance and I really do hope you find a pathway to resolve all of those concerns.

Louis Landry: I hope my 23 students that were in my classroom at the time that I was there, I'm still doing chelation therapy.

Charley Butler: Okay. And I hope that also. I think there is a lot of confusion sometimes between who we are as the Teachers' Pension Plan and the role that the unions, the Ontario Teachers Federation and all of the associations, and also the role of Ontario Teachers Insurance Plan, which provides your health benefits. I understand that that can sometimes be a difficult set of organisations to work across. As to your specific question, I really, without seeing the details of your case, cannot provide you with any meaningful advice at this point. But I would very much like you to come find me after this and I will take you to the Pension Benefit Specialists and we'll talk about your specific case. They have their computers with them, and they can look up your file if you're comfortable with that. Thank you for your question.

Steve McGirr: Thanks Charley. I think I'm back to microphone two, please?

Erin Roy: Hi, my name's Erin Roy. I'm the local OSSTF president in Windsor, Essex. And I'm here to speak about Windsor Salt and I thank my colleague from OTA to do the same. I've been on the line with those people that are striking. It doesn't look like it's going to be a short-term solution. OTPP is a major investor in the company and they have hired negotiators with the goal of outsourcing their work, and that's tantamount to union busting. They have a record of doing this in two other provinces, so it's not a new practise for this company. It's a huge news story locally. I'm hoping that I can spread that word here so more people care. And it's my understanding that there is an OTPP member on the management team. And the answer that we historically don't get into labour disputes isn't good enough in my opinion.

I've listened to your presentations about ethical investing in practises. This is more than that. This is union busting and my town is a labour town. The pensioners contributors expect that their dollars are not being used to harm our community. What can OTPP do to put pressure on the company to fairly negotiate with the workers in Unifor? What can you say to OTPP members in Windsor, Essex County that are looking for your leadership on this? And what advice do you have me to look my community members in the eye and say that we're doing enough?

Steve McGirr: Thank you very much for the question. I think Jo answered most of that question in a fairly fulsome way earlier. But Jo, is there anything you'd like to add?

Jo Taylor: No.

Steve McGirr: Okay. Microphone number one, please?

Speaker 20: Better a year too early than a day too late. I'm a little concerned about our investments globally, given the bifurcation of the world, what the U.S. and NATO did to the Russian assets and the property it seized. Remember of course, India as a member of BRICS and just how do we know that that won't happen to us? How do we know that given that things are moving toward the east, they won't seize our assets? What's the strategy of the pension plan on that? I think we should be investing more at home.

Steve McGirr: Thank you very much for the question. There's some key concepts that you just outlined that are very much on the mind of the management, the investment department and the board. One of those things is the bifurcation of the global economy right now. We have a fund which is 247 billion. That fund has a value that is more than the market cap of the largest bank, the largest telecom, and the largest energy company. We would dearly like to invest more in Canada and earn those Canadian dollars, but diversification is an absolute imperative. The worries that you just outlined are the worries that dominate virtually every time we open an office, we do a transaction and those are the issues that we have to manage. What I can assure you is we take it very seriously and we understand the issues and the responsibilities. Thank you. Microphone two.

Marika Stadnik: Hi, Marika Stadnik, recently retired teacher. I would be remiss if I didn't say thank you very much because for your administration of our money, because Charley, I plan to become your favourite statistic. Thank you. And it's big work. It's important work and it's greatly appreciated. My question. Does the Ontario Teachers' Pension plan have any investments, either active or passive in Russia? I appreciate the couple of preceding questions that came with regards to the state of the world as it is today and the current events as they are happening. That's question number one. And part one B is, does the Ontario Teachers' Pension Plan have any business dealings or relationships with internationally sanctioned individuals, or businesses, or organisations? Thank you.

Steve McGirr: Thank you for the question. And look, I sincerely hope that you become one of Charley's good statistics. Best wishes on that.

Marika Stadnik: See me here a lot.

Steve McGirr: Well, we'll look forward to that. You'll probably survive me as chair of the board. The answer is no and no. But I think there's nuances here. And I know Ziad is very passionate about not being in Russia. And so Ziad, would you like to just make a couple of comments? I'm going to give you the floor for your passion.

Ziad Hindo: Sure. Thank you, Steve. I think even prior to Russia's invasion of Ukraine, as senior management we had long determined that Russia is not a country that we wish to deploy capital in. And that's a good testament to the fact that how we practise the ESG principles that we believe in. Russia didn't really check our boxes. Quite harmful across all ESG aspects. We had avoided it as much as we could. Where it had crept up a little bit and only tiny amounts and passive indexing. But for the most part, by the time the invasion had happened, we had very de minimis exposure to Russia. And by the way.

Marika Stadnik: [inaudible 00:45:06].

Ziad Hindo: Extremely, even when the war started, because we had avoided investing in Russia directly, the overall exposure to Russia was quite de minimis, quite de minimis. And it had mostly come through third-party external managers, which is also again, very, very small. And few weeks later we had and want the bulk of it. But that shows how we think about geopolitical risk and how we integrate that into our diversification thinking, but also how we stick to our strong principles on ESG.

Steve McGirr: And I just want to add on the sanctions. We comply with every law that we're subject to.

Marika Stadnik: Thank you.

Steve McGirr: Microphone number one, please?

Gary Sador: My name is Gary Sador and you can tell by the colour of my hair, I'm a pensioner. I'm very-

Steve McGirr: It's not obvious.

Gary Sador: Okay.

Steve McGirr: That's why I asked people to identify themselves.

Gary Sador: Okay. Some people call me the crazy old man. But anyway, I am extremely thankful for the good work you are doing. And I'm also extremely thankful that I have an indexed pension. A lot of my friends do not have that. And they say, "Oh yeah, you teacher." But I'm thankful. Okay, my big question is, I am worried about reset. Now with the way I look at the American government is bankrupt. They cannot pay the interest on their debt. It's $35 trillion. There's no way they can do it. They are thinking of becoming digitalized or oh, what do you call that currency? Crypto. That's it. Now, if we go crypto, what is going to happen to the dollar value that we have invested? I have heard that all money that's in existence now, I think they're call it Fiat, it will be registered in your bank account, but the government will only allow you to spend the reset money. And if [inaudible 00:47:24]. I'm just worried how are you going to handle the reset?

Steve McGirr: Well, Charley mentioned earlier how the inflation is calculated. Do you want just say something about that and then maybe can .., Our investments are in currencies, they're not in crypto. Your concern about governments creating inflation is a valid concern. And it steepens the hill that we have to climb in order to make the money in order to pay that indexing. But do you want to reiterate, Charley, just how the calculation is done?

Charley Butler: For sure. Thank you for the comments about inflation. We are also very proud of the fact that we're able to fully index at this point against inflation. And in fact, we have been doing that since 2018. Our inflation rate is calculated like many other big pension plans on a 12-month rolling basis. And so you're benefiting from the inflation rate today with the experience of the last 12 months. And I think that's probably the most helpful I can be on that.

Steve McGirr: Okay, and thanks again for the question. I'm going to go to microphone number two now.

Speaker 25: Evening and thank you. I wanted to get more elaboration on indexing and inflation. We had a question come up on the screen and you're touching and you're staying on the surface. And I want to know more, and a lot of my colleagues want to know this too. So bear with me please. I'll read the question and maybe Charley would be kind enough. How did you arrive at the inflation index of 6.3, and how is the cost of living calculated in the inflation index? You talk about a lag and you've clarified that your calculations are from September to September. Now further to this, can we go a little deeper and can you explain to us in no uncertain terms so that every one of us know how you came up to 6.3?

Steve McGirr: I want to say a couple of things before I turn it over to Charley. We administer the plan. When you say, "How did you come up with that," that is something that is just a calculation. The second thing I want to say is, I understand that inflation's a big concern. And the headline inflation is alarming. And in the pre-questions that came out, inflation was I think one of the most dominant themes. And so I appreciate where you're coming from there. If Charley, again, I'm going to turn it over for the calculation. If we can't satisfy you on the detail, we have people, including Charley who will be here afterwards who can explain it in more time than we have now. But Charley, do you want to take one more crack at that?

Charley Butler: I can. Thank you for the question. I do understand how challenging this is. What I would ask everybody to do as well is to spend some time on the otpp.com website clicking through the member section. Because there is a very detailed description of exactly the month-by-month numbers. But what I will share here is, for this year's inflation rate, the 6.3% that we talked about. The months that we looked at are September, I'm going to get my dates wrong. September 2021 through to September 2022, every single month we looked at the cost of living increase, the CPI index, it has the 600 different goods in the basket that the government calculates for us. And that looks at the increase in all of those 600 goods on a month-by-month basis. Some months were around the 4% rate, some months are around the 8% month rate.

All of that is in there. We take those 12 months, we average them. And that is what's announced in November for the January 1st inflation concept. As an example, you're experiencing a 6.3% inflation amount right now, even though the monthly inflation rate isn't 6.3%, but it's that average from the prior 12 months running from September to September. And so that's my point. You will always get an increase that over a 12-month period reflects what inflation actually was. It just might not be exactly on a month-by-month basis. And the administrative challenge for us of paying pension amounts differently every single month would be very overwhelming. And that's why I believe the legislation that tells us how to calculate that inflation rate has gone for a 12-month applied period based on the 12-month lag experience of inflation. But look, I also understand as a person, as a consumer in the world going out to the grocery stores and trying to buy items, it doesn't feel like a 5%, 4%, 6% number on a monthly basis, so I really do understand the challenge.

Steve McGirr: And thank you. And so before I take the next question, I'm going to answer part of what the question was earlier. No, we're not going to hire Elon Musk as CEO of the plan. I just think it would be a very bad idea. Now, go ahead with your question.

Susan: Someone just asked me to ask you as well that we shouldn't just let go of FTX and that we should pursue it. Don't just write it off, the 95 million. So, that's that. The other thing is the reset. I agree with what the other gentleman said about BRICS. Never say no to not investing in any country. I think that's a very slippery slope, because we don't know what's out there and what will become of this world with the way things are going. And in terms of the reset, I understand you hire people that are part of the young leadership programme at Davos. I'm concerned about that, because I don't like anyone like Klaus Schwab who makes policies is not voted in and yet is influencing the western world.

Steve McGirr: So, a number of questions there. First of all, let me address the last part. We use this as a networking and a learning forum in Davos and it's critical that when you're investing the kind of money that we are, that we have people who are at least in the information flow. Jo can maybe talk about that later. I think the basic question is what we are doing about FTX and your contention is that we're not doing anything. I think, Jo do you want to just address that?

Jo Taylor: Well, the specific question, are we trying to seek some sort of recovery for our investment in FTX? We don't have to decide that today, we have some time to form a decision. To actually try and recover money that we invested we have to expend money with lawyers and other advisors to be able to explore those opportunities. For me to act responsibly, one of the questions will be, what are the prospects really of actually seeing recovery for our type of investment as an equity investor in the business? We're still reflecting on that to decide what is the best course of action. You've been very clear in terms of your thoughts and actually some of the thoughts of others, and we've heard that. If I could, if it's okay if I could turn to Davos as another question. I mean, Steve's already mentioned the fact that it's primarily for us a way of actually networking.

To give you an idea, for those of us who've been to that event in the past two or three years, we generally try to have about 40 to 50 meetings in a two to three-day period. It's very efficient in terms of being able to see people from all over the world in one place, rather than having to fly around to see them where they reside or wait for them to come to us. And for myself personally, the last time I was at that event, I was able to have an interaction with the CEO of one of the

Indian family companies, the Mahindra group, where we actually concluded an investment in a solar franchise that they have there, which I think will be very rewarding for the members.

Steve McGirr: Thank you. We've got a very limited time here. Like you, I'm on a slave clock here. It shows me that we've got a little over five minutes, so I'm going to ask the questions, be brief, we'll try to make the answers brief. If we don't get to everyone, we are available after the question and answer and be more than happy to interact with you. Microphone two.

Walter Will: Walter Will, I'm a retired teacher and I'll avoid the preamble. I'll get right to the question. And it's a self-serving question. It's, where are interest rates headed in the next five, 10 years? Does anybody know?

Steve McGirr: I couldn't answer that question in the next five to 10 minutes, let alone five to 10 years. But I think generally, let me say this, interest rates have trended up. We were very agile in terms of reducing our fixed income portfolio to virtually nothing. We're moving back into fixed income right now. But we are taking a very short-term approach to interest rates. Right now core fixed income is not going to be a long-term part of our portfolio and we're adjusting to the situation as it evolves. And it's evolving every minute in the interest rate market right now. Ziad, do you want to comment on rates? Don't give a five to 10 year forecast though, please?

Ziad Hindo: Yeah, I mean, it's extremely hard to forecast what happens five, 10 years out. I would say there are definitely some structural forces that make us believe that interest rates would stay at higher level than perhaps we experience in the decade following global financial crisis. And some of those structural forces include things like the reverse. We're seeing globalisation where countries started to onshore again their own production at higher cost. But with it comes the benefit of more resilient supply chain and more security of supplies given what many countries experienced during COVID. That's one example why we think for instance, rates could stay higher for longer, because maybe inflationary pressures are here to stay, versus say the decade we had after '08.

Another example would be, frankly, greenflation. The future trending towards more green economy. This is not going to be easy, right? Many of the things that are required to build that future. Things like metals and minerals. And I mean, they're not cheap. It's not cheap to assemble a green future. The reason to believe that we need to learn as investors how to live in a world where interest rates are structurally higher than they've been over the last decade.

Steve McGirr: Thank you. And this gentleman has the privilege of asking the last question.

Jean Spanyor: Oh, that's wonderful. Thank you. It's Jean Spanyor. I am currently drawing a pension. I'm grateful for it. I want to commend you on the work you've done. Thank you. I'm going to ask a question based on a couple things talked tonight, but basically the direction of where we're going. As the state of the world has been mentioned several times tonight and a functioning society mentioned by the plan and observing that. Given India's record regarding diversity, equity, inclusion, democracy and environmental sustainability, ESG, et cetera. This question is about the factors that motivate the plan. What motivated the plan in selecting India as an actual location? And if Russia didn't check our boxes, how does India do so, and how did the board reconcile obviously questionable ESG aspects of India and its economy with the plan's decision to move there?

Steve McGirr: Thank you. Thank you for the question. Jo, would you like to answer the question on India?

Jo Taylor: I think if you look around the world at different countries, it's very hard to find any country which is perfect across all measures. Let me just say that. That's not to condone some of the comments you made about some of the reservations you might have about things in India. But I think it is difficult when you look at across the whole of the ESG spectrum, who's actually able to tick all of the boxes. Why do we look at India? Well, first and foremost, because actually it is a large growing economy that can actually give us progressive returns within our portfolio. Second thing we try to do is to actually understand the future plans, not only the Indian government, but also institutions and co-investors there in terms of what they're looking to invest in, to make sure it meets our standards in terms of where we're trying to deploy capital going forward.

And then the other point of note is to some extent you look at countries a little bit on a relative basis in terms of what it offers to you versus some of the other choices we have. And as far as India goes, I think on a relative basis, it has a number of things which are inherently attractive. It has a very large growing population, it has a lot of need for infrastructure to be constructed for the benefit of that population. And it also is trying to do under Prime Minister Modi, a strong programme in around education, pension reform, and also the ability to provide cheaper power and heat to its population. Those I think are areas which we can look at and say, "They are progressive, they are positive in terms of what's happening within India."

There are a number of areas which we will avoid in India and in other countries because actually they don't meet our ESG standards. And I think when we look at India as well as other countries might say more emerging countries around the world, we try to be very thoughtful and very careful about are they actually meeting our standards in terms of what's happening. But thank you for the question.

Steve McGirr: Thank you. Well look, that's the end of the allotted time for questions. I wanted to sincerely thank all the people who submitted questions in advance, and there were hundreds of them. And I hope we could distil those down and give appropriate answers. I want to thank all the people in the room who ask questions. This is a very useful thing for us to hear what's on your mind, and we do appreciate hearing from you. And appreciate all the people who have attended in-person and certainly appreciate all the people who are listening on the live stream. We have refreshments at the back of the room. We will be available to talk further, and we look forward to that. And I invite everyone to reconvene to the back of the room for refreshment. Thanks very much.