REPORT TO MEMBERS 2015
Fully funded pension plan

$18.4 billion in net assets

2015 HIGHLIGHTS

Almost 87,000 members and pensioners

5th largest public sector pension fund in Ontario

8.0% net investment return
Received a Member Services satisfaction score of 9.2 out of 10, confirming our centre of excellence is working.

Funding Highlights

<table>
<thead>
<tr>
<th>At December 31 ($ millions)</th>
<th>2015 VALUATION</th>
<th>2014 VALUATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets available for benefits</td>
<td>$18,399</td>
<td>$17,481</td>
</tr>
<tr>
<td>Actuarial smoothing adjustment</td>
<td>(1,102)</td>
<td>(1,185)</td>
</tr>
<tr>
<td>Present value of future contributions</td>
<td>5,062</td>
<td>5,114</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>22,359</td>
<td>21,410</td>
</tr>
<tr>
<td>Present value of future benefits and expenses</td>
<td>(22,231)</td>
<td>(21,296)</td>
</tr>
<tr>
<td>Rate stabilization reserves</td>
<td>(120)</td>
<td>(114)</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>(22,351)</td>
<td>(21,410)</td>
</tr>
<tr>
<td><strong>TOTAL SURPLUS</strong></td>
<td>$8</td>
<td>$–</td>
</tr>
</tbody>
</table>

Received A+ for our overarching approach to responsible investing from the PRI (Principles for Responsible Investment).

*Online Services* registration continues to increase with 44,473 registered users.
The Plan’s Trustees have a singular focus on the pension promise; our mission is to pay pensions today and preserve pensions for tomorrow.

This past year, the 20th anniversary of OPTrust, was a turning point in our history.

We are pleased to report that the Plan is fully funded and that we have taken key steps to make it more likely we will remain fully funded in the future.

In 2015, the Board considered and approved a fundamental change in our investment strategy – one that will shift our approach from that of asset manager to that of pension manager. Rather than focus on relative returns, irrespective of funding status, we will explicitly focus on maintaining and improving our funded status and thus our ability to meet our pension promise. Our “member-driven investing” strategy was developed with our beneficiaries in mind and we believe it better aligns our activities with the interests of those we serve.

The Board also oversaw further refinements to the Trust’s governance structure including aligning our board meetings with the business planning cycle of the Trust and the key decisions this cycle requires Trustees to consider. Finally, we reviewed our delegation of authorities to the CEO and approved a process to consolidate and update board policies – in tandem with a similar process for management policies.

**Board changes**

In March 2015, Scott Campbell left the Board of Trustees. Scott is a former senior civil servant who served the Province in a number of roles, including that of Chief Information Officer. Appointed in 2009, Scott worked with the Board in a variety of capacities, including acting as Chair. We wish to thank him for his long service on behalf of the beneficiaries of the Trust and wish him all the best in the future.

In November 2015, the mandates of Tim Hannah and Patricia Li as Chairs of, respectively, the Human Resources and Compensation and the Audit, Finance, and Risk Committees, were extended by one year.

In December 2015, we were extremely saddened to learn of the untimely passing of our Board colleague Linda MacKinnon. Appointed by OPSEU, Linda was a dedicated and conscientious Trustee who was strongly committed to ensuring that the interests of the Plan’s members were considered and represented in the Board's decisions.

We wish to express our thanks and appreciation to all of our fellow Trustees and to OPTrust’s management and staff for the hard work and dedication they show each day. Together, we will continue to work hard to provide the retirement security our beneficiaries expect and deserve.

MICHAEL GRIMALDI
Chair

VICKI RINGELBERG
Vice-Chair
At OPTrust, our members count on us for one thing: a stable and sustainable pension that they know will be there for them in retirement. Ensuring we can pay pensions today and preserve pensions for tomorrow is our mission each and every day.

That is why I’m pleased to report we remained fully funded in 2015, despite an environment marked by investment, economic and demographic challenges.

While the year saw us perform well, the Plan continues to mature and interest rates remain at record lows. To adapt to the realities we face today and in the future, we developed an investment strategy with a singular focus: the Plan’s funded status. We call our strategy "member-driven investing" and we designed it to better align our outcomes with members’ needs, using its strategic focus to enhance the likelihood of pension certainty, sustainability and stability.

We are member driven
Creating alignment with our members’ interests also means understanding that the investment decisions we make today could have a significant effect on the world in the future. Sustainability is key, which is why we recognize that environmental, social and governance factors can affect the risks and returns of any investment.

In 2015, as part of our responsible investing program, we continued to strengthen our advocacy efforts by engaging with policy makers and regulators to promote good governance practices and sustainable financial markets. We also received an A+ rating for our overarching approach to responsible investing from the PRI (Principles for Responsible Investment) and were nominated for the third time for a global RI Reporting Award from Responsible Investor.

As a member-driven organization, delivering excellent service to members is a top priority. In 2015, our Member Services department completed its “centre of excellence” project – a multi-year initiative that helped transform the way we provide service to our members. Our high satisfaction scores confirm that our centre of excellence is working. In fact, in 2015, our members continued to rank our services very highly with an average score of 9.2 out of 10.

Preserving pensions for tomorrow
As we spent the year focused on OPTrust’s future, we also looked to the many Ontarians who do not have access to a secure, well-funded workplace pension plan. We put our full support behind the Ontario Retirement Pension Plan (ORPP) and recommended that the Province draw on expertise from plans like ours to ensure they take the most cost-effective approach to establishing and running it.

We also laid the groundwork to expand the Plan and make it available to more employers in Ontario’s broader public sector without a workplace pension plan. We look forward to bringing new members into the Plan in 2016, pending approval of our sponsors.

Finally, we look forward to participating in and expanding the pension dialogue this year through our Global Pension Leadership Summit, which will be held in Toronto. The goal of the event is to foster discussion and to generate insights and ideas on how investors can work collectively to find solutions to complex issues.

In an era of global economic challenges, pensions matter more than ever. I’d like to thank each person at OPTrust for their hard work on behalf of the Plan’s members in 2015. We remain unwavering in our commitment to excellence and delivering retirement security for our almost 87,000 members and retirees.

Hugh O’Reilly
President and CEO
STRATEGY: WE ARE MEMBER DRIVEN

At OPTrust, our mission is to pay pensions today and preserve pensions for tomorrow for the almost 87,000 members and pensioners who rely on us for their retirement. At the heart of OPTrust’s promise to members is certainty, sustainability and stability: our members need to know they can count on their pension to be there when they retire and that their contributions and benefits will remain as stable as possible.

A stable future
Ensuring certainty, sustainability and stability has never been more challenging – as the Plan matures, we face an external environment marked by ongoing market volatility, economic uncertainty and persistent low interest rates. Such challenges demand enhanced strategies that allow long-term pension investors like OPTrust to adapt to – and even thrive in – this new world.

To get us there, we developed a “member-driven investing” (MDI) strategy that enables us to deliver the certainty, sustainability and stability our members need.

Redefining success, creating alignment
In our MDI framework, success is based on earning a return high enough to maintain Plan sustainability while employing risk purposefully and efficiently to maintain stable benefit and contribution levels.

We are shifting our mindset as investors from viewing ourselves as asset managers to being a pension management organization. Going forward, our success will be measured by a new set of performance metrics that will closely link portfolio construction and management with the Plan’s funding risks. Our metrics have been designed to create strong alignment between members’ interests and our activities.

While we believe that our MDI approach is the best way for OPTrust to deliver on the pension promise for the long term, our member-driven philosophy extends throughout the organization to create alignment in all of our activities.

Responsible investing
As a long-term investor, our role is to look far ahead at challenges and opportunities that could affect members and their retirement security across multiple generations. Our responsible investing (RI) approach supports us in being a truly long-term investor. It explicitly acknowledges the potential relevance of material environmental, social and corporate governance (ESG) factors to investment performance, and to the health and stability of the market as a whole.

At OPTrust, we recognize that ESG factors can impact investment risk and returns as well as our reputation – and that can directly affect our mission and members.

RI is integral to our MDI strategy and covers a wide-range of activities – from engaging public companies and regulators to advocating for clear climate change policy and building strong relationships with peer institutions across the globe. At OPTrust, we keep our members’ interests in mind when making investment decisions.

More information about OPTrust’s RI program and approach can be found in our 2015 Responsible Investing Report.
**Service excellence to members**
A key part of our mission is to provide excellent service to members – in fact, it defines everything we do. It is an integral part of being a member-driven organization.

Serving our members is our priority each and every day, and we work to provide members with outstanding member experiences through service, innovation, education and collaboration.

Our service philosophy continues to evolve from a focus on transactions to a holistic approach that ensures we consistently educate and empower our members. Central to this is innovation: we continually seek to connect with and serve members in ways that are meaningful and useful to them, whether it’s developing new online videos or additional tools and resources to help them make informed decisions and understand their pension plan.

We are pension experts. Our staff are highly trained, able to handle complex transactions and provide members with information that puts the Plan in perspective to help them to see its value. At the same time, we partner closely with employers to ensure that all data we use to pay pensions is accurate and timely, and that it’s ready when a member needs it.

Paying pensions today and preserving pensions for tomorrow is both a great privilege and a great responsibility. We believe that adopting a member-driven approach is key to our success and our ability to deliver results for the Plan’s members and pensioners.

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**Centre of Excellence – Taking Service to the Next Level**

OPTrust’s “centre of excellence” project has helped to transform the way we provide service to our members – one that is focused on superior member experience, not just transactions. We are taking our service offering to the next level by:

**Empowering our members:** Expand service channels, more targeted communications and proactive services to provide the greatest flexibility, choice and ease for members – for example, we’ve added videos and tools to our website so that useful, relevant information is available for members before they need it.

**Developing our people:** Ensure our staff are equipped with a deep understanding of how to anticipate and assess members’ needs before they arise through training and development.

**Supporting innovation and continuous improvement:** Re-engineer ourselves periodically and find more creative, risk-aware ways to deliver services.

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“My job is important to me, but it also matters that I am part of a strong pension plan. I have worked in both the public and private sector, so it’s good to know that my pension will keep growing as long as I work in the OPS – and that it will be there for me when I retire, or if I move to another career.”

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**KARIMA KHANMOHAMED – OPTRUST MEMBER**
BILINGUAL CUSTOMER SERVICE REPRESENTATIVE, SERVICEONTARIO
OUR 2015 RESULTS

Funding Pensions

2015 funding valuation
OPTrust engages independent actuaries to perform regular valuations of the Plan to determine if there are enough assets to meet the projected cost of members’ and retirees’ lifetime pensions. These valuations provide a snapshot of the Plan’s financial position and ability to meet its pension obligations, while providing a review of gains and losses experienced since the last valuation.

The Plan’s 2015 funding valuation shows that it remained fully funded as of December 31, 2015. The funding valuation also confirmed deferred (or “smoothed”) investment gains of $1.1 billion, which will be recognized over the next four years, which should further improve the Plan’s funded status in years to come.

Consistent with our approach over the past few years, OPTrust’s 2015 funding valuation strengthened the Plan’s actuarial assumptions to further improve its long-term sustainability. The Board of Trustees approved a number of economic assumptions including:

- Reducing the Plan’s discount rate to 3.55%, net of inflation, down from 3.85% in 2014. This change, which reflects the expectation of lower long-term investment returns, will reduce the risk of future losses due to investment returns falling short of the expected cost of members’ and retirees’ future pensions.

- Updating the Plan’s salary increase assumption to reflect the agreement between the Government of Ontario and the Ontario Public Service Employees Union for general wage increases in 2016 and 2017.

The net effect of these assumption changes, which strengthen the Plan’s long-term sustainability, was an increase to fund liabilities of $850 million.

In 2016, OPTrust will file the Plan’s December 31, 2015 funding valuation with the regulator, showing that it is fully funded.

Funding outlook
The Plan’s continued fully funded status is the result of an ongoing strategy to improve its long-term sustainability, and prudent decisions by its sponsors.

Although the Plan continues to be fully funded, we need to ensure that it remains sustainable for current and future generations, regardless of future market fluctuations.

To mitigate risks, OPTrust’s staff continually monitors a wide range of funding issues and analyzes their potential effect on the sustainability of the Plan.

In 2015, some of these factors included:

- the increase in members’ life expectancy, increasing their retirement years and the Plan’s long-term pension obligations

- the long-term decline in the ratio of the Plan’s active members to retirees, which reduces the ability to address funding shortfalls through increased contribution rates, if required

- the uneven economic recovery, which has sharply increased market volatility and investment risk over the past several years.
These risks are partly offset by recent developments, including:

- OPTrust’s continued strengthening of the Plan’s actuarial assumptions
- OPTrust’s review of investment strategies to better match its assets with its liabilities as part of our MDI initiative
- the sponsors’ 2013 agreement to amend the Plan to allow eligible groups of members whose jobs are affected by divestments from the Ontario Public Service to continue contributing to the Plan. The agreement also established a process for new employee groups in Ontario’s broader public sector to join, subject to the approval of the Board of Trustees and the Ontario Ministry of Finance. These changes will help to stabilize active membership over time
- the Plan’s deferred investment gains of $1.1 billion at the end of 2015, which should strengthen its funded status over the next four years as these gains are recognized.

In 2015, OPTrust staff provided the Trustees and the Plan’s sponsors with information and technical advice on these and other factors that might challenge its funding over the next several years. OPTrust’s Board and staff will continue to work closely with the sponsors to address these challenges, propose solutions and support the long-term sustainability of the Plan.

**Investment Performance**

**Investing for the long term – member-driven investing strategy**

OPTrust is a global investor with a team of experienced investment professionals located in Toronto, London and Sydney. OPTrust’s investment mandate focuses on achieving the organization’s mission to pay pensions today and preserve pensions for tomorrow.

2015 has been a year of transition for our investment strategy. The MDI strategy framework sets a strong foundation on which we are able to navigate a challenging investment environment.

Over OPTrust’s 21 years of operation, its investment portfolio has realized an average annual return of 8.4%, net of internal and external investment expenses, exceeding our average funding target return for the same period. On average, 73 cents of every pension dollar paid is generated by investment returns, and 27 cents is funded by member and employer contributions.

**Fully funded in a challenging investment environment**

The Plan remained fully funded despite an investment environment marked by a series of economic and market challenges, including:

**A sustained low interest rate environment:** The decline in interest rates continues to put downward pressure on expected future investment returns across virtually all asset classes.

**Declining oil prices:** Lower oil prices in 2015 had a substantial and negative effect on the Canadian economy, equity markets and the value of our currency.

**Heightened economic uncertainty:** Reduced global growth prospects led to equity market volatility and the effects spilled into global markets.

**Preserving the funded status surplus**

Collectively, these challenges created a highly volatile investment environment in 2015. During the year, we implemented a surplus preservation strategy ahead of the turbulent market conditions, which was designed to ensure the ongoing health of the Plan. Through this strategy, we made three important tactical decisions to protect our portfolio and reduce volatility.

- First, we eliminated energy commodities from our strategic portfolio.
- Second, we increased our exposure to Canadian fixed income.
- Third, we decreased our exposure to public equities.

As a result, in 2015, OPTrust’s investments achieved an 8.0% total fund return, net of external management fees.

**Role of Contributions and Investment Returns**

At December 31, 2015

- On average, 73 cents of every pension dollar paid by the Plan is generated by investment returns
- 27 cents funded by member and employer contributions
Serving Members

At OPTrust, our members come first. Our pension professionals are dedicated to helping each of them understand the Plan and make informed decisions about their pensions and retirement options. Doing so means providing exceptional service and tools at every step of the way.

We rely on both external and internal measures to monitor the level and quality of service we provide. We are pleased to note that our service scores, externally benchmarked in 2015, were among the highest relative to our peers for yet another year. With a total service score of 83 out of 100, OPTrust remains well above the peer median of 75, based on a leading pension industry benchmarking study. From an internal measurement perspective, our members gave us a strong rating of 9.2 out of 10 in 2015.

These high scores are the result of our staff’s dedication and training and our commitment to improving how we communicate with and serve our members and retirees. We are evolving from a transaction-focused model to one that is centered on providing members with a superior member experience. And that transformation is reflected in all of our activities and priorities.

Anywhere, any time

Excellent service means being available when and where our members need us. Phone support is critical for those members navigating more complex life events, including retirement preparation, pension service buybacks, membership terminations or spousal relationship changes. That is why, in response to feedback from our membership, we extended our telephone service hours to increase the window to speak directly with one of our pension professionals.

During 2015, we also sought to connect with more members in person through our pension information sessions. These sessions provide a great way for members to learn more about their pensions directly from an OPTrust representative. In all we ran 66 sessions in 26 locations across Ontario, covering all aspects of the Plan, including how pensions are calculated, how to best determine a retirement date, options if members leave their jobs, and how to buy back pension service.

We also began work to expand our pension information sessions online, with the launch of a series of new webinars. As we add to this library of webinars, they will be available whenever and wherever our members choose to learn about their pension plan.

Service Excellence

OPTrust works to handle each and every request quickly and efficiently. We’ve raised the bar by setting out our own Service Delivery Standards. The following shows our 2015 accomplishments against the standards.

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Service Delivery Standards</th>
<th>2015 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyback while on leave of absence</td>
<td>3 business days</td>
<td>94%</td>
</tr>
<tr>
<td>Enrolments</td>
<td>5 business days</td>
<td>92%</td>
</tr>
<tr>
<td>Retirements</td>
<td>30 days before pension effective date</td>
<td>100%</td>
</tr>
<tr>
<td>Termination options statement</td>
<td>10 business days</td>
<td>93%</td>
</tr>
<tr>
<td>Transfer to the Ontario Pension Board (OPB)</td>
<td>5 months</td>
<td>98%</td>
</tr>
<tr>
<td>Transfer to other pension plans</td>
<td>6 to 18 months</td>
<td>94%</td>
</tr>
</tbody>
</table>

We also publish these standards online so members can know what to expect from us when they make a service request.

Each year, more members and retirees register for the convenience and security of OPTrust’s Online Services. In 2015, the number of registered users increased by 9.9% to 44,473, while online transactions rose by 2.8% to 16,589.
Pensions made easy
Our members have busy lives – in 2015, we worked to ensure they have an easy, hassle-free experience when seeking information about their Plan. With our wide range of Online Services, members can access their annual pension statements, and complete address, banking and tax information changes simply and efficiently.

Our expanded range of web-based tools are found on our website – optrust.com – and includes webinars, videos, downloadable booklets, and fact sheets which help members understand their pension options and the role the Plan plays in their future. In our new series of videos, we explain what members need to do before they retire, including an overview of the necessary forms and documentation to complete, how qualifying members can plan ahead for survivors, and how to complete the documentation for insured benefits, which are provided separately from the Plan by the Government of Ontario.

In addition to these new communications, we also:

- Mailed information packages to more than 1,400 retirees nearing age 65 about age-related changes to their monthly pensions – approximately the same amount sent in 2014.
- Mailed over 1,700 quotes to eligible new members to remind them of the costs and deadlines to buy back service – 300 more quotes than in 2014.
- Sent over 4,200 notices to let fixed-term, contract and casual employees know about their option to join the Plan – 700 more notices than in 2014.
- Kept in touch with members and retirees throughout the year with over 129,000 emails, personalized reminders and updates about their pensions and key features of the Plan – a decrease from 2014, as our strong member focus means we are sending strategic, more targeted email communications to ensure members and retirees are receiving useful, relevant information they need.

Faster communication
Members can access OPTrust when and where they need us – but we’re also working to respond to them faster. In 2015, we focused on the best ways to dramatically reduce communication turnaround times, analyzing and identifying key communication channels and finding better ways to get information out right away.

In 2015:

- We completed 43,192 member transactions with our on-time case completion rate increasing to 91% from 88% in 2014.
- Our staff answered more than 48,500 calls from our membership – slightly below the 52,000 calls we answered in 2014, and offset by the increased use of Online Services.
- Members continued to respond positively to our secure Online Services website.
  - The total amount of registered users increased to 44,473 from 40,463 in 2014.
  - The number of online transactions increased to 16,589 from 16,133 in 2014.
  - The use of the online pension estimator tool rose to 52,421 from 38,081 in 2014.

“For me retirement was the opportunity of a lifetime. My OPTrust pension is not big, but it gives me a secure base that I have built on through my business. It means I have the freedom to do things that are important to me. And after a career in the public service, I’m still able to give back to my community.”

KIM NEO TAN – OPTRUST RETIREE
MINISTRY OF COMMUNITY AND SOCIAL SERVICES
In Memoriam:

It is with great sorrow we inform you that Linda MacKinnon, one of our Trustees, passed away in December 2015.

Appointed by OPSEU in 2013, Linda was a dedicated and conscientious member of our Board of Trustees, and was strongly committed to ensuring that the interests of the Plan’s members were considered and represented in the Board’s decisions. Linda’s contributions to OPTrust were many, including her roles on the Board’s Governance and Administration, and Human Resources and Compensation Committees. A voice of social conscience, Linda was deeply committed to our mission and was a strong advocate for OPTrust’s responsible investment program, employee recognition, diversity and an inclusive workplace.

Linda will be greatly missed by all who had the privilege of working with her and knowing her. In Linda’s honour, we have renamed our top staff recognition award after her.