

2016 Highlights



Fully funded

defined benefit pension plan



Almost
90,000
members and retirees

A+

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



Hosted our first Global Pension Leadership

Summit
in November 2016

Received an average member satisfaction score of

9.1 / 10

FUNDING HIGHLIGHTS¹

At December 31 (\$ millions)

	2016 VALUATION	2015 VALUATION
Net assets available for benefits	\$ 19,045	\$ 18,399
Actuarial smoothing adjustment	(681)	(1,102)
Present value of future contributions	5,395	5,062
TOTAL ASSETS	23,759	22,359
Present value of future benefits	(23,332)	(21,942)
Provision for future expenses	(294)	(289)
TOTAL LIABILITIES	(23,626)	(22,231)
TOTAL SURPLUS	\$ 133	\$ 128

¹ The differences between funding and financial statement valuations are described on page 24.

**\$19**billion in
net assets**6%**net investment
return

Board-approved projects: internalization of the majority of public market assets and strategies, and upgrade to pension administration system underway



Recipient of the 2016 Industry Leadership Award from Benefits Canada's Workplace Benefits Awards

Message from the Chair and Vice-Chair

2016 WAS A YEAR of accomplishment and success for OPTrust. First and foremost, the Plan continues to be fully funded, which is the truest measure of success for a pension plan. The year also saw OPTrust maintain a high level of satisfaction with its services to the Plan's members, achieving an average overall satisfaction score of 9.1 out of 10.

OPTrust took on a greater leadership role in the pension industry, advocating for solutions to enhance retirement income security for all. And in November, it held the OPTrust Global Pension Leadership Summit, an immensely successful conference which brought together the world's leading pension minds, investors, policy-makers and academics to discuss long-term investment challenges and opportunities for collaboration.

The many accomplishments of the organization were recognized externally as CEO Hugh O'Reilly received the 2016 Industry Leadership Award from Benefits Canada's Workplace Benefits Awards in October.

At OPTrust we are proud of our accomplishments, but recognize that

the challenges the pension industry faces are not going away.

As such, 2016 was also a year of looking to the future. In particular, the Board considered and approved two major organizational projects: the update of OPTrust's pension administration system, and the internalization of the majority of the Plan's public market assets and strategies.

The Board also completed a major governance initiative in 2016, undertaking a comprehensive review of its policies to update and modernize them.

Board changes

As part of OPTrust's governance structure, one Government appointee and one OPSEU appointee fill the positions of Chair and Vice-Chair, with the roles alternating between Government of Ontario and OPSEU appointees every two years. We were pleased and honoured to assume the roles of Chair and Vice-Chair in November and thank outgoing Chair Michael Grimaldi for his leadership and his continuing service to OPTrust as a Trustee.

In November, the Board also named new Chairs for its standing committees.

Louise Tardif and Randy Sloat became Chairs of the Human Resources and Compensation, and Audit, Finance and Risk Committees, respectively. Tim Hannah assumed the role of Investment Committee Chair and Vicki Ringelberg assumed the role of Governance and Administration Committee Chair. We thank all past Chairs for their stewardship of the Board's committees.

2016 also saw one Trustee leave and two Trustees join the Board. In September, Ron Langer, an OPSEU appointee, stepped down from the Board. Ron served as a Trustee for seven years and his contributions to OPTrust were wide ranging. We thank him for his commitment and his service on behalf of the Plan's members.

This summer, we welcomed two Trustees: Giulia Volpe, appointed by OPSEU in July and Alan Hibben, appointed by the Government of Ontario in June. Both Giulia and Alan bring considerable and varied experience to the Board.

As Trustees, we are keenly aware of the responsibility we have to our almost 90,000 members and retirees who

count on OPTrust for their financial future. Workplace pensions matter. Everyone at OPTrust, from Trustees to staff, is focused on ensuring that the Plan's members receive the pensions they are counting on, and that workplace pensions remain strong and sustainable for the long term.

We wish to express our thanks to each person who works at OPTrust and our fellow Trustees for the dedication they demonstrated in 2016 to those ideals. We look forward to continuing to build on that work in 2017.



Vicki Ringelberg
Chair



Tim Hannah
Vice-Chair



Message from the President and CEO

FULLY FUNDED. In those two seemingly simple words rests the fulfillment of our promise to our members. No matter what we do, it is our ultimate goal and the bottom line – the only measurement that matters. To underscore its importance, we have renamed the document you are reading from *Annual Report* to our *Funded Status Report*.

Along with everyone who works at OPTrust, I am proud to report that the Plan continued to be fully funded in 2016, a year that presented numerous external challenges, from market volatility to ongoing low interest rates. These are not short-term challenges.

We are risk allocators not asset allocators. Creating sustainability over the long term means embracing innovation and always looking for ways to improve. In 2015, we developed a new investment strategy – member-driven investing – which was designed to enhance the likelihood of pension certainty, sustainability and stability.

In 2016, we began to fully implement this strategy and made the decision to manage the majority of our public market assets and strategies in-house. This will offer a host of benefits for

OPTrust, from improved cost effectiveness to better market intelligence. Most important, it will allow us to manage our assets in a way that supports our investment strategy and our goal of keeping the Plan fully funded.

A winning culture

The culture we have developed at OPTrust is also a significant resource we are able to bring to bear on each project we undertake. Collaboration and idea sharing are essential to who we are, along with listening to the perspectives of others. I believe a winning culture embraces diversity, inclusiveness and different perspectives.

To help foster diversity at OPTrust, we established a Diversity Committee in 2015. In 2016, we became a sponsor of Women in Capital Markets and a supporter of the 30% Club Canada, which aims to increase the gender balance on boards. Compassion and caring are also embedded in the DNA of OPTrust and in 2016, we launched OPTrust Cares, our employee-led charitable giving program. Through this initiative, our staff led several campaigns for causes that matter to them. This demonstrates their ability to make a difference in the community.

Serving our members

We work every day to make a difference for our members. All of our people care deeply about the members we serve and that care is often most evident in those who work in Member Services. During 2016, there were increased volumes in retirements, enrolments and other transactions. Despite this, our team continued to provide the timely, excellent service our members have come to expect, achieving an average overall satisfaction score of 9.1 out of 10 from our members.

Serving our members requires more than great people. It also needs great technology. That's why we embarked on a multi-phase project to upgrade our pension administration system in 2016. Spanning several years, this project will provide the flexibility to meet future needs of members. We have adopted an approach focused on mitigating risk, similar to our internalization project. We are also preserving the core elements of our system that work well rather than starting from scratch, an approach that is much more cost effective.

Strong pension citizens

In addition to providing great service to our members, we are taking a leadership role in our industry and creating conversations that are intended to lead to better retirement incomes for all. Workplace pensions are an integral part of the retirement landscape in Canada but they must be nurtured and sustained. To do so, we must be open to new ideas.

This philosophy inspired our Global Pension Leadership Summit, a two-day conference that brought together some of the world's leading thinkers from the pension, academic and political worlds. This international conference was an ambitious goal and a resounding success. OPTrust built relationships and cemented our position as leaders and experts in the pension industry. Most important, the summit provided fresh ideas about how we can ensure the Plan thrives, today and for years to come.

Facing the future

It's been said that a pension organization must think in decades. Taking the long view can be difficult, especially in the face of short-term

concerns. However, we cannot afford to ignore the future. We must face it, head on, with our eyes open to both the challenges and opportunities it will present.

At OPTrust, we are an organization ready to embrace those challenges and opportunities. In 2017, we will develop a new multi-year strategic plan that will serve as a roadmap for our efforts. We will continue to advocate for strong workplace pensions and work with our sponsors to be able to offer the Plan to a greater number of Ontario workers. We will continue to deliver excellence in everything we do for our almost 90,000 members and look for ways to innovate and improve. Going forward, we will maintain our focus on the most important measure of a pension plan's success: our funded status.



Hugh O'Reilly
President and CEO

