



2014 REPORT TO MEMBERS

25 YEARS OF BUILDING FOR THE FUTURE

Every day, in schools and classrooms across the province, Ontario's teachers are helping to build our future. From the day it was founded in 1990, Teachers' has helped to build their future by investing plan assets and paying pensions.



\$6.8 billion

Preliminary surplus is second in two years and represents 104% funding based on current benefit and contribution levels

11.8%

Rate of return for 2014 was above benchmark and exceeded our annualized return of 10.2% since inception, boosting net assets to \$154.5 billion

9.2/10

Service satisfaction rating from plan members (182,000 active and 129,000 pensioners) remains at an industry-leading level

MESSAGE FROM THE CHAIR AND CEO

Since 1990, Teachers' has been recognized as a pension industry innovator and leader. We look forward to building on 25 years of success.

When Teachers' original board members and executives created an institution that is now respected around the world, the pressing issues were much different than they are now.

Today, your pension fund is substantially larger and more diverse than it was in 1990. Employees and plan investments are global, necessitating more resources. Technology is dramatically different. The plan serves more members, who are retiring earlier and living longer. These changes and complexities shape our discussions and strategic decisions.

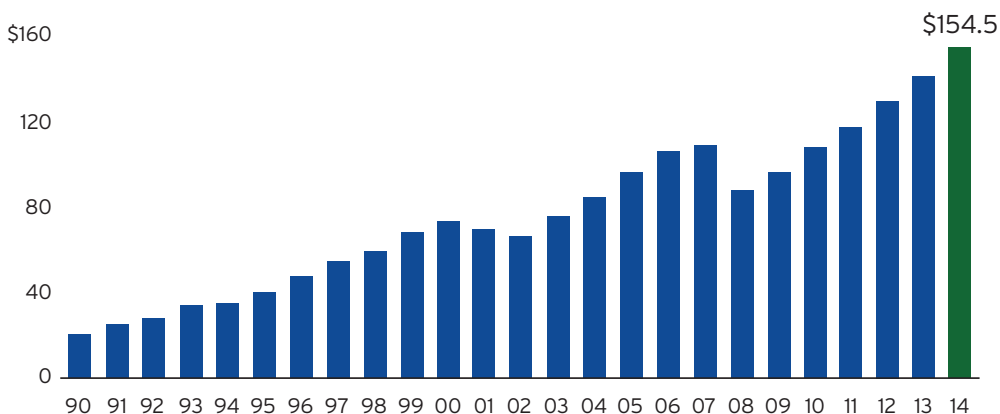
The fund's net assets grew to \$154.5 billion last year, with a rate of return of 11.8%. These strong results were achieved despite a turbulent investment environment, which included low interest rates, a slide in oil prices

and resulting stock market volatility. Hats off to the investment teams for this achievement.

As of January 1, 2015, the plan had a preliminary surplus of \$6.8 billion. Credit for this goes to the plan sponsors, Ontario Teachers' Federation (OTF) and the Ontario government, for making recent contribution and benefit changes, and to plan management, for consistently posting solid investment returns. It will be up to the sponsors to determine what to do with any surplus if they decide to file the January 1, 2015, valuation.

NET ASSETS

As at December 31 (Canadian \$ billions)



Net assets include investment assets less investment liabilities (net investments), plus the receivable from the Province of Ontario, and other assets less other liabilities.

\$16.3 billion

Investment income in 2014

10.2%

Annualized total return since 1990

“Since taking over as board chair in January, and in my previous terms as a board member, I have been immersed in the strategic and investment issues facing the Teachers’ organization.”

Jean Turmel

“Our focus on agility, innovation and partnerships paid off with solid investment results and strong service scores in 2014.” Ron Mock



The sponsors’ decision to adopt conditional inflation protection continues to be a prudent one. Today’s low interest rates create difficult conditions for pension plans because we must set aside more money today to be able to pay defined benefit pensions tomorrow. Inflation increases for pension credit earned after 2009 are conditional on the financial health of the plan, which provides an important tool to help manage risks. The sponsors can authorize larger inflation increases when the plan can afford it, and moderate inflation increases when the plan needs to reduce liabilities.

Our Member Services employees continue to simplify our members’ experience and make it more personal, and they remain tops in their field. For the third straight year, CEM Benchmarking Inc., an independent industry benchmarking firm, ranked our service to members number one in its peer group and internationally. In regular surveys throughout 2014, our members awarded us an average 9.2 out of 10 in service satisfaction.

Teachers’ governance model - including an independent, professional board - is a key component of its success. Together, board members and plan management are ready and willing to tackle the complex strategic and investment issues that will emerge in 2015 and beyond.

EXECUTIVE AND BOARD CHANGES

Teachers’ created the new position of Chief Operations Officer in late 2014 to oversee critical operations technology and processes. Rosemarie McClean, previously our Senior Vice-President, Member Services, took on this important role.

We drew from our depth of in-house expertise to fill two executive vacancies. Tracy Abel was appointed Senior Vice-President, Member Services, and Jeff Davis was appointed General Counsel, Senior Vice-President, Corporate Affairs and Corporate Secretary.

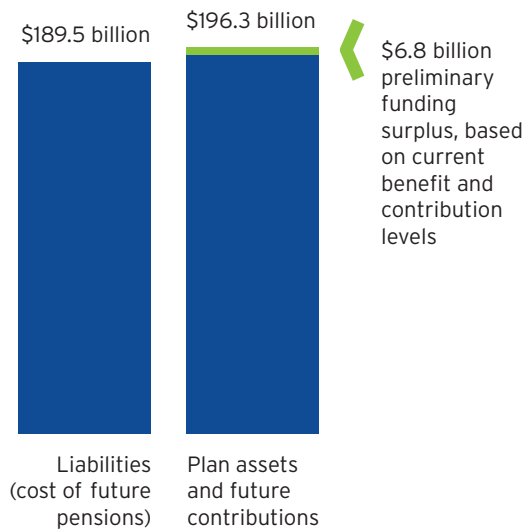
We also welcomed three new board members with extensive financial sector experience: John Murray, former Deputy Governor of the Bank of Canada; Bill Chinery, an actuary and former CEO of Blackrock Asset Management Canada; and Steve McGirr, former chief risk officer at Canadian Imperial Bank of Commerce.

PLAN FUNDING

The plan had a preliminary funding surplus of \$6.8 billion at January 1, 2015. This is equal to 104% of the assets required to pay future pensions to all members, based on current contribution rates and levels of inflation protection.

The combination of strong investment returns and plan changes created the plan's second consecutive preliminary funding surplus. In 2014, OTF and the Ontario government filed a funding valuation with the regulators, using a \$5.1 billion preliminary surplus to partially restore inflation protection for those members with service after 2009 (including recent retirees). Members will be notified should the sponsors decide to file the latest funding report with the regulatory authorities.

PRELIMINARY FUNDING VALUATION As at January 1, 2015



DID YOU KNOW?

A funding valuation is an assessment of the financial health of a pension plan at a particular date. Teachers' funding valuation:

- looks ahead more than 70 years;
- is prepared by an independent actuary;
- projects members' future contributions, benefits and their cost;
- is filed with government authorities at least every three years.

This table shows some important member changes since the plan's inception that affect funding.

FUNDING VARIABLES 25-YEAR COMPARISON

	1990	2014
Average retirement age	58	59
Average starting pension	\$29,000	\$44,000
Average contributory years at retirement	29	26
Expected years on pension	25	31
Ratio of active teachers to pensioners	4 to 1	1.4 to 1
Average contribution rate	8.0%	12.3%
Increase in contributions required for 10% loss in assets	1.9%	4.6%



Visit otpp.com/planfunding and FundingYourPension.com for more information on plan funding



MEMBER SERVICES

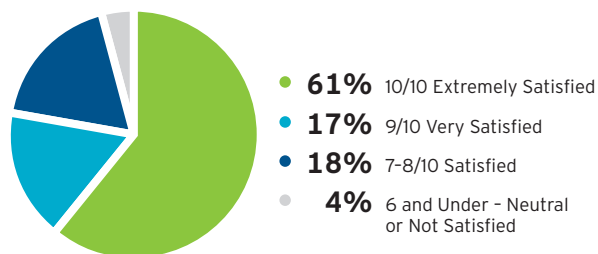
Outstanding service to members is central to our mission. We deliver personalized service through digital communications and direct service channels to meet members' needs at different stages of their lives.

"We strive to provide our members with exceptional service and innovative features, while administering one of the largest payrolls in Canada."

Our efforts continue to produce consistently high service scores. With more than 1,200 member interactions every day, 61% of members surveyed last year gave us 10 out of 10.

SERVICE SATISFACTION ACCORDING TO SURVEYS

For the year ended December 31, 2014



ACTIVE MEMBERS AND PENSIONERS

As at December 31



Pensioners are a growing proportion of the overall membership.

DIGITAL TOOLS



Teachers' mobile applications cater to various stages of a teacher's life. BabySteps - the latest arrival in the app family - enables women on maternity leave to track pension service they can buy back, and features tips and information from parenting experts.

42

Average age of a teacher

71

Average age of a pensioner

135

Number of pensioners aged 100 years or more at end of 2014

\$5.3 billion Pension benefits paid in 2014

INVESTMENTS

In 2014, Teachers' earned an 11.8% rate of return and generated \$16.3 billion of investment income from its diversified portfolio. We are a globally active, responsible investor with holdings in more than 50 countries.

"I'm proud of all the professionals who contributed to Teachers' fine investment record over 25 years. It's a testament to hard work, our long-term focus and our bench strength."



PENSION FUNDING SOURCES SINCE 1990



- **10%** Member Contributions
- **12%** Government/Employer Contributions*
- **36%** Investments - Active Management
- **42%** Investments - Benchmark

*Includes 1% original plan deficit funding.

Approximately three-quarters of the money required to pay members' pensions come from investments.

BENCHMARKS

Benchmarking allows investment strategies and activities to be measured for effectiveness relative to the risks taken. A complete list of benchmarks is available at otpp.com/benchmarks.

INVESTMENT PERFORMANCE

(percent)	2014	2013	4-Year	10-Year	Since Inception
Total return	11.8	10.9	11.7	8.6	10.2
Benchmark	10.1	9.3	10.0	7.2	8.0

We exceeded our total-fund benchmark return in 2014. Our largest asset groups delivered strong returns, beating or matching their benchmarks: equities returned 13.4%, fixed income investments returned 12% and real assets (real estate and infrastructure) returned 10.8%.

RESPONSIBLE INVESTING

Environmental, social and governance (ESG) factors can affect investment returns as well as Teachers' reputation. We evaluate ESG factors alongside other risks and opportunities in our investment process.

A new report, Responsible Investing Principles in Practice, introduces the principles that guide us, and gives examples of these principles in action. Read the report on otpp.com/responsible or contact us for a print copy.



MAJOR INVESTMENTS

All figures as at December 31, 2014

Bonds and real-return instruments

(Canadian \$ billions)

Government of Canada bonds	\$23.0
Canadian inflation-sensitive bonds, notes and mortgages	20.4
Provincial bonds	10.0
Canadian and international corporate bonds	7.9
Canadian treasury bills	3.6
International government and real-return bonds and debt	3.4
Commercial paper and bank notes	1.4

Top 10 private companies and partnerships

Baldr Fund Inc.
Copenhagen Airport A/S
Empresa de Servicios Sanitarios del Bio-Bio S.A.
Esva S.A.
GCT Global Container Terminals Inc.
Hancock Timber Resource Group
Orbis SICAV Global Equity Fund
Resource Management Service Inc.
Scotia Gas Networks plc
The Brussels Airport Company

Top 10 real estate properties

Chinook Centre, Calgary
Le Carrefour Laval, Montreal
Les Promenades St. Bruno, Montreal
Markville Shopping Centre, Markham
Pacific Centre, Vancouver
Polo Park Mall, Winnipeg
Rideau Centre, Ottawa
Sherway Gardens, Toronto
Toronto Eaton Centre, Toronto
Toronto-Dominion Centre, Toronto

Corporate shares/units over \$150 million

(Canadian millions)

Security Name	Shares	Fair Value
The Macerich Company	17.2	\$1,658.6
Bank of America Corporation	63.7	1,320.5
Multiplan Empreendimentos Imobiliarios S.A.	54.8	1,142.0
iShares MSCI Emerging Markets Index	20.5	952.7
Hudson's Bay Company	30.7	754.9
ISS A/S	22.4	750.7
INC Research Holdings, Inc.	24.9	672.9
JD.com, Inc.	22.1	592.1
Microsoft Corporation	7.0	374.8
Wells Fargo & Company*	5.3	303.8
Nissan Shatai Co., Ltd.	20.1	286.1
General Motors Company	6.4	258.5
Volkswagen AG	0.9	239.3
JPMorgan Chase & Co.*	3.3	238.8
American International Group, Inc.	3.6	236.8
TMX Group Limited	4.6	235.0
Danone	2.9	222.6
Amazon.com, Inc.	0.6	219.7
Samsung Electronics Co., Ltd.	0.2	212.7
Compagnie Financière Richemont SA	2.1	212.4
Zalando SE	0.7	210.6
Barclays PLC	47.7	209.8
Grupo BTG Pactual	16.6	203.4
ACE Limited	1.5	198.7
Citigroup Inc.	3.2	198.5
The Walt Disney Company	1.8	198.2
Aircastle Limited	7.9	195.2
Google Inc.	0.3	194.6
Daimler AG	2.0	191.7
Twenty-First Century Fox, Inc.	4.2	188.2
Thermo Fisher Scientific Inc.	1.3	186.1
Macdonald, Dettwiler and Associates Ltd.	2.0	185.4
European Aeronautic Defence and Space Company NV	3.2	184.8
Baidu, Inc.	0.7	183.2
Metlife, Inc.	2.9	179.2
Tripadvisor, Inc.	2.1	177.4
Capital One Financial Corporation*	1.9	175.2
Credit Suisse Group AG	5.9	173.7
Exor S.p.A	3.6	173.2
Western Digital Corporation	1.3	169.4
General Mills, Inc.	2.7	169.4
Hitachi, Ltd.	19.3	167.7
Constellium N.V.	8.6	162.9
Cheung Kong (Holdings) Limited	8.4	162.6
Oi S.A.	42.0	159.6
Novartis AG	1.5	159.4
Nokia Corporation	17.3	159.3
NuVista Energy Ltd.	21.5	159.1
Bunge Limited	1.5	156.4
BNP Paribas S.A.	2.2	153.0
Telefonaktiebolaget LM Ericsson	10.8	151.0

*Includes fair market value of warrants and subscription receipts.

ABOUT ONTARIO TEACHERS' PENSION PLAN

Ontario Teachers' Pension Plan is an independent organization and the largest single-profession pension plan in Canada. It administers the pension benefits of Ontario's 182,000 elementary and secondary school teachers and 129,000 pensioners. The plan has one of the largest payrolls in Canada – it paid out \$5.3 billion in pension benefits in 2014.

The organization's mission is:

Outstanding service and retirement security for our members – today and tomorrow.

The pension plan is sponsored by Ontario Teachers' Federation (OTF) and the Ontario government.



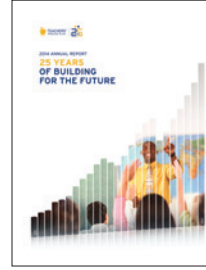
WHAT DO THE SPONSORS DO?

- Appoint independent board members
- Set benefits and contribution rates
- Ensure the plan is appropriately funded with enough money to meet its obligation to members

WHAT DOES TEACHERS' DO?

- Earns money – through investing – to help pay pensions
- Administers the plan and pays benefits
- Reports and advises on the plan's funding status and regulatory requirements

LEARN MORE



Annual Report:

The 2014 Annual Report is available online at otpp.com and print copies are available on request.

Annual Meeting: Visit otpp.com for our live annual meeting webcast at 4:45 p.m. ET on

April 9, 2015, or watch the archived version later.

Funding: Visit otpp.com/funding and FundingYourPension.com to learn about plan funding.

CONTACT US

We welcome your comments and suggestions on this Report to Members. E-mail us at communications@otpp.com.

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