



2017 REPORT TO MEMBERS



YOUR PENSION PLAN IN 2017

2017 was a success for the plan in many ways.

We've been fully funded for five consecutive years. The decision of our plan sponsors, Ontario Teachers' Federation and the Ontario government, to adjust inflation protection levels on post-2009 credit has contributed to recent surpluses, including our latest \$10.3 billion surplus. This has also allowed the sponsors to restore full inflation protection for our retired members, reduce contributions for our working members and save for a rainy day.

This successful year didn't result from a single year's activities. It's the cumulative outcome of a thoughtful and systemic focus on long-term sustainability that is core to Ontario Teachers'.

We strive to stabilize contribution rates and benefit levels as much as possible. Our investment strategy is designed to succeed in a variety of market conditions over the long term, while taking the appropriate amount of risk. In the future, this may mean we don't experience the double-digit returns of the past. Instead, we believe it will enable strong performance while also protecting us from the shocks and aftershocks of severe market events.

\$189.5B
NET ASSETS

\$10.3B
SURPLUS

105%
FUNDED

8.8/10
SERVICE RATING

Find our 2017 Annual Report at otpp.com/annualreport.

HOW DID OUR INVESTMENTS PERFORM IN 2017?

In many ways, 2017 was a year of positive surprises for investors. Global growth exceeded expectations. The world remained politically stable. Equity markets prevailed, and the Canadian economy had an encouraging recovery in business investment. But competition for assets persists and prices keep rising.

In this dynamic marketing environment, the plan had a total-fund net return of 9.7%. This was driven by strong performance from both public and private investments including equities, private capital and infrastructure. The depth of our portfolio meant there was a positive side to high asset prices, with values rising particularly for large-scale infrastructure assets.

We believe diversification, building strong partnerships, and creating enduring value as an asset owner are the fuel for long-term success.

[Read our 2017 Responsible Investing report at otpp.com/RIreport.](http://otpp.com/RIreport)

\$17.0B NET INVESTMENT INCOME	1.5% VALUE-ADD ABOVE BENCHMARK	\$189.5B NET ASSETS (UP FROM \$175.6 BILLION IN 2016)
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HOW IS YOUR PLAN KEPT STRONG AND STABLE?

The plan is fully funded based on current contribution rates and 100% inflation protection provided for all pensions. The sponsors have decided to allocate this year's \$10.3 billion surplus to the contingency reserve. This is a way of "saving for a rainy day."

Having surplus funds in reserve helps stabilize contribution rates and benefit levels over the long term. It's aimed at keeping the plan fully funded with an average contribution rate of 11% and full inflation protection on all pension credit. The January 1, 2019 cost-of-living increase for all pension credit will remain at 100%.

A funding valuation makes assumptions about the expected remaining lifetime of each plan member, projects members' future contributions and benefits, and estimates their costs. We're required to file at least once every three years, and we can't be in a deficit position when filed. Reserving the \$10.3 billion in the fund, and making it available for investing and earning returns, helps to protect the fund against future deficits.

Pension funding sources since 1990:

10% MEMBER CONTRIBUTIONS	11% GOVERNMENT/ DESIGNATED EMPLOYER CONTRIBUTIONS	79% NET INVESTMENT INCOME
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HOW ARE WE KEEPING UP WITH YOUR CHANGING NEEDS?

184,000 ACTIVE MEMBERS	139,000 PENSIONERS
26 TYPICAL YEARS OF CREDIT AT RETIREMENT	32 AVERAGE YEARS RETIREEES ARE EXPECTED TO COLLECT A PENSION

Demographic changes will bring unprecedented challenges and opportunities to the way we connect with you. The majority of our connections with you are through digital channels. Within 15 years, it's estimated that the population of members born after 1980 will grow bigger than our Baby Boomer member population. We're listening to you and working hard to anticipate your needs and preferences as they continue to evolve.

Our ongoing philosophy is to provide you with service that's simple, personal and insightful. We're striving to minimize the amount of effort required by you to manage every aspect of your pension.

In 2017, despite an 8% increase in demand through emails, phone calls and other

service requests, more than 90% of members surveyed indicated they were satisfied with the service they received.

We know you'll require more tailored service online and through our contact centre, and we're making sure we have the right new channels to do so. 2017 saw us invest in foundational technology for our contact centre and digital teams that should enable us to more precisely anticipate your needs. The cost per member was \$177 in 2017 versus \$169 in 2016. We're halfway through a multi-year program to replace legacy administrative systems and forecast that the cost per member will rise over the next four years as technology costs are spread over time.