

## 2015 REPORT TO MEMBERS AND RETIRED MEMBERS

At Ontario Pension Board (OPB), *Driving Innovation* means continually pushing ourselves to move forward, identifying new opportunities to grow and to protect the pension promise. This report highlights our work and key successes in 2015, and offers an update on the financial health of your Public Service Pension Plan (PSPP or the Plan).

### WHO WE ARE

OPB is the administrator of the PSPP. We're committed to protecting the Plan's long-term sustainability, smartly investing Plan assets, keeping contribution levels stable and affordable, and delivering exceptional service to our members and other stakeholders.

### OUR PROMISE

To use innovative solutions and strategies to:

- *protect* the long-term *sustainability* of the Plan;
- *invest the Plan's assets* to maximize returns within acceptable risk parameters;
- *keep contribution levels* reasonably *stable* and *affordable*; and
- *deliver superior, cost-effective service* to clients and stakeholders so that they can realize the full value of their participation in the Plan.

# DRIVING INNOVATION



## 42,105

Number of active Plan members. There are also 36,220 retired PSPP members and 6,037 former members.

## \$23 billion

Net assets (contributions and investment income) managed by OPB – up from \$22 billion in 2014.

## 98%

Our Plan's funded status as of December 31, 2015 – a position of strong financial health driven by our team's hard work.

### ABOUT YOUR PLAN

The PSPP is a defined benefit pension plan designed to enhance the financial security of its members. Retired members receive a pension benefit based on a pre-set (defined) formula. That formula takes into account each member's earnings history and years of service with the Plan. To fund the pension promise, both members and employers make contributions to the Plan.

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 **OPB**  
Your Pension. Our Promise.

## CHAIR'S MESSAGE



In 2015, OPB moved forward with a number of innovative initiatives that reinforced our reputation as one of the world's top pension plan administrators. Of these, asset pooling and Advisory Services will have the greatest impact on OPB's future.

Since 2012, we have worked closely with the Government of Ontario and the Workplace Safety and Insurance Board (WSIB) to lay the groundwork for pooling broader public sector pension plan assets. We expect that asset pooling – through the Investment Management Corporation of Ontario (IMCO) – will be implemented in 2017. The combined assets of OPB and WSIB will enable IMCO to attract and retain the best investment talent, and participate in a broader range of investment opportunities. Properly implemented, this strategy will benefit the financial status of the Plan and is in the best interests of Plan beneficiaries and stakeholders.

Ensuring secure pensions also means giving our members the information they need to make sound personal financial decisions. In 2015, we took member service to the next level, formally announcing our Advisory Services program to members. In the first year, our Advisors helped almost 2,500 members navigate key pension decisions within the context of their broader financial circumstances.

Protecting the long-term sustainability of the Plan remains our top priority. Our long-term rate of return since OPB's inception in 1990 is 8.5%, which has helped us achieve a 98% funded status. Through responsible and prudent management, we have kept contribution rates for members and employers among the lowest of the public sector plans, while at the same time protecting benefits.

Board members David Brown, Peggy Gilmour and Shamira Madhany completed their terms in 2015. I'd like to thank them for many years of thoughtful advice and exemplary service. I would also like to welcome our newest Board members: Kevin Costante, Lisa Hillstrom and Michelle Savoy.

On a personal note, my appointment as Board Chair will end in June 2016. It has been my honour to serve the stakeholders for over 12 years, and to work with my fellow Board members and OPB's dedicated management team. OPB's commitment to excellence and innovation, and its proven ability to respond swiftly and effectively to changes, positions us well to ensure the health of the Plan for generations to come.

M. Vincenza Sera  
Chair

**For more governance highlights from OPB Chair Vincenza Sera, visit [reports.opb.ca/chair](http://reports.opb.ca/chair)**

## PRESIDENT'S MESSAGE



I am very proud of all that OPB has accomplished in its 25 years as the Plan's administrator. In 2015, we've successfully navigated market ups and downs, achieving a return of 6.14%, while maintaining one of the lowest expense ratios in the industry.

While defined benefit plans find themselves increasingly under the microscope, OPB's responsibility, restraint and transparency have established us as a trusted, responsible and respected government agency.

We are committed to protecting the long-term sustainability and affordability of the Plan. We regularly conduct long-term funding studies to determine whether current contribution rates are set to adequately fund the Plan. Our 2014 study didn't show a need for immediate adjustments. But we know people are living longer – which drives pension costs higher. And the investment outlook ahead is more challenging, with no signs of the low-interest-rate environment trend reversing in the near future.

In 2016, we will review our current economic and demographic assumptions, and conduct a long-term funding study to assess the adequacy of our contribution rates. If the results show a need to make adjustments, we would make recommendations to the Plan Sponsor to do so.

While we will continue managing our expenses diligently, we must begin to address a number of crucial initiatives in 2016. This includes ensuring our technology remains secure, that it meets the evolving needs of our clients and stakeholders, and that it supports our progressive digital strategy. This will position us to start the multi-year IT modernization project in 2017.

The 2015 launch of our Advisory Services program marked a significant leap forward in our client service excellence. I am very pleased to say that, in 2014, OPB was recognized as one of the top two out of 13 ranked pension administrators in Canada and one of the top five out of 77 ranked globally by CEM, a leading pension administration benchmarking firm.

Our successes would not have been possible without a shared commitment to excellence – and regularly asking ourselves how we can best protect the pension promise for our members, and innovate for our members' retirement security. I want to thank the Board, the leadership team and all employees for their dedication, commitment and hard work. I am confident that our responsible approach to pension administration and investment management, paired with our commitment to driving innovation, will allow us to continue to protect the long-term sustainability of the Plan.

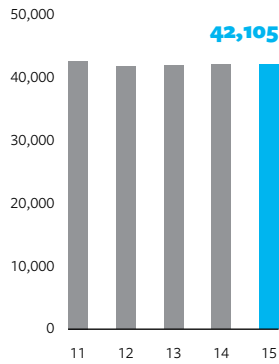
Mark J. Fuller  
President & CEO

**For more highlights from OPB President & CEO Mark Fuller, visit [reports.opb.ca/ceo](http://reports.opb.ca/ceo)**

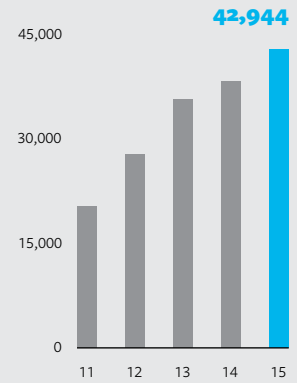
## CLIENT SERVICE HIGHLIGHTS

OPB is committed to superior member service. By offering innovative tools that drive informed pension decisions, we can ensure members retire with a solid financial foundation.

### NUMBER OF ACTIVE MEMBERS



### E-SERVICES LOGINS



### CLIENT INTERACTIONS

**13,258**

members using the online retirement planning tool

**2,868**

online buyback quote requests completed

**2,624**

online beneficiary information changes processed

**1,179**

online address information changes processed

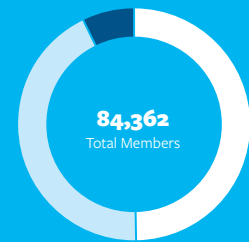
**33,137**

members and retired members registered to use e-services

**158**

member presentations delivered

### CLIENT PROFILE

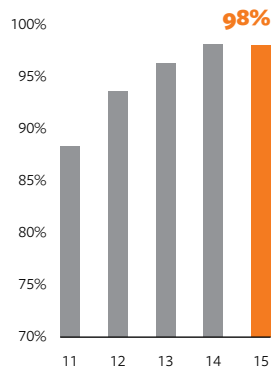


- 42,105 Active Members
- 36,220 Retired Members
- 6,037 Former Members

## INVESTMENT & FUNDING HIGHLIGHTS

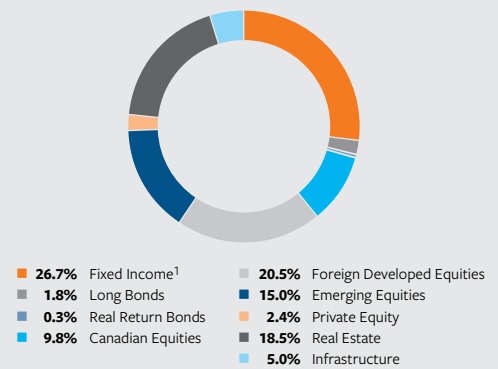
We've equipped ourselves to respond quickly to fast-changing markets. That agility helped our Investments team successfully navigate very challenging markets to deliver a 6.14% return in 2015.

### FUNDED STATUS



### ASSET MIX

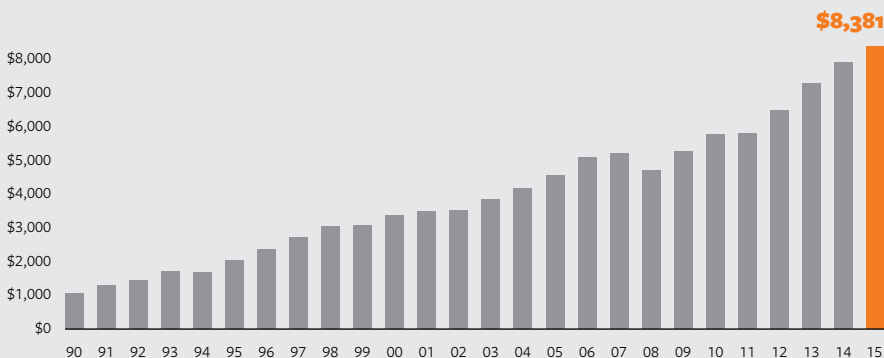
As at December 31, 2015



<sup>1</sup>The Fixed Income amount contains the negative value of -0.3% Cash and Equivalents.

### GROWTH OF PLAN ASSETS

Growth of \$1,000 since inception



**READ OPB'S FULL  
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## STRAIGHT TALK WITH JILL PEPALL, CIO



In 2015, OPB's Investments team continued to generate stable investment returns in an increasingly challenging environment.

The team successfully managed through turbulent economic conditions to achieve a return of 6.14% by advancing its in-house asset management and building relationships with like-minded investment partners.

Executive Vice-President & Chief Investment Officer Jill Pepall talks about how OPB's investment strategies position the Plan to take advantage of the expected continuation of market volatility in 2016 and the benefits of asset pooling.

### **IN 2015, YOU BEAT YOUR BENCHMARK RATE OF RETURN. TO WHAT DO YOU ATTRIBUTE THIS SUCCESS?**

OPB's success in 2015 can be attributed primarily to our timely Tactical Asset Allocation (TAA) decisions, the strong performance of our Real Estate portfolio, and the flexibility to leverage in-house expertise to take advantage of changing market conditions across all asset classes.

### **WHY IS PRIVATE MARKETS AN IMPORTANT PART OF OPB'S DIVERSIFIED INVESTMENT STRATEGY?**

Given OPB's long-term investment horizon, investing in more private market assets is a natural way to enhance investment returns while adding diversification away from the more volatile public markets. Real assets (infrastructure and real estate) help protect the Plan from volatility because a larger proportion of their returns are in the form of ongoing stable cash flows. Although fees can be higher for some private market investments, these are offset by higher net returns. In addition, privately negotiated transactions may offer better rights, protections and governance than are available in the public market.

### **IN 2017, OPB INTENDS TO IMPLEMENT THE ASSET POOLING INITIATIVE WITH THE WORKPLACE SAFETY AND INSURANCE BOARD (WSIB). HOW CAN THIS BENEFIT THE PSPP?**

The asset pooling initiative will create a new world-class investment manager, the Investment Management Corporation of Ontario (IMCO), which will provide cost-effective investment expertise to the PSPP, WSIB and, eventually, other broader public sector (BPS) pension plans in Ontario. Pooling BPS assets will offer OPB and other plans access to larger investment opportunities at a lower cost, better research and risk management, and higher risk-adjusted investment returns. The Plan's assets and pension obligations will remain with OPB, as will our investment philosophies and policies. This will preserve the important interrelationship between the Plan's assets and liabilities.

**For more Straight Talk with OPB Chief Investment Officer Jill Pepall, visit [reports.opb.ca/cio](http://reports.opb.ca/cio)**

## Q&A WITH THE CHIEF PENSION OFFICER



Chief Pension Officer Peter Shena talks about how OPB is managing the pension side and some of the exciting ways we're taking our client service to the next level.

### **CAN YOU TALK TO US ABOUT WHY OPB LAUNCHED ADVISORY SERVICES?**

We introduced Advisory Services in 2015 to help our members make informed decisions about their pension in the context of their personal financial picture and life circumstances. We believe that it's our role to ensure they have a better understanding of their options and the impacts their decisions can have on their financial security in retirement.

In our first year, our Client Service Advisors helped close to 2,500 members, and all five of our in-house Advisory Workshops were full. This response validates what a strong need there is to understand and navigate pension decisions. Advisory Services has also piqued interest within the industry. We're being asked to speak about what we're doing and why we're doing it.

### **WHEN SHOULD MEMBERS START THINKING ABOUT RETIREMENT AND HOW THE PSPP MAY HELP THEM ACHIEVE THEIR FINANCIAL GOALS?**

Members' decisions today can impact their retirement reality tomorrow. That's why it's important to start planning early on. OPB's online tools, including our Pension Estimator and online Retirement Planner, are a good place for members to start to understand how their pension fits into their overall plan and if they're saving enough for retirement. From there, members can book a 1-on-1 with our Client Service Advisors to navigate important pension issues, such as choosing a retirement date. Advisors won't make decisions for members – they *will* provide valuable support.

### **OPB IS ACTIVE WITHIN THE PENSION AND RETIREMENT INCOME INDUSTRY. WHY IS THAT IMPORTANT?**

We believe everyone should have access to a pension, which is why we work to ensure important messages about employer-sponsored plans are delivered. We want the public, as well as government and business leaders, to understand that well-designed, well-run defined benefit (DB) and defined benefit-type arrangements remain the best option for delivering efficient, affordable and sustainable retirement income. We continue to advocate for these models, and feel they could be made accessible to a broader range of working Canadians. Shared-risk plans, in particular, retain the best features of the DB model, but spread the risk of unfunded liabilities between members and plan sponsors, as all public sector pension plans already do.

**To learn more about your pension with OPB Chief Pension Officer Peter Shena, visit [reports.opb.ca/cpo](http://reports.opb.ca/cpo)**