

## Pension Challenges: a CEO Perspective

**Hugh O'Reilly**  
OPTrust President and CEO

Paying pensions today, preserving pensions for tomorrow.



# About OPTrust



a **defined benefit** and **jointly sponsored** pension plan

with almost **87,000 members** and **retirees**



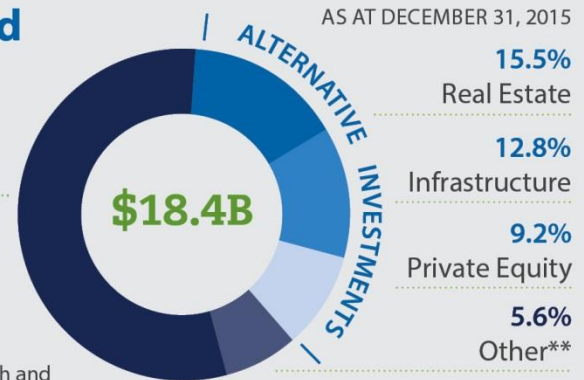
**5<sup>th</sup> largest**  
public sector pension fund  
**in Ontario**  
+  
one of the **top 15**  
public sector  
pension funds  
**in Canada\***

\* 2015 Top 100 Pension Funds  
Report (Benefits Canada)

a **diversified**  
portfolio

57.0%  
Public Markets

\*\*Real return bonds, cash and  
short-term investments



Our **mission**: **Paying pensions today, preserving pensions for tomorrow.**

# Fully Funded

**RESULT OF PRUDENT FUNDING DECISIONS AND STRONG INVESTMENT RESULTS**

**8.0%**

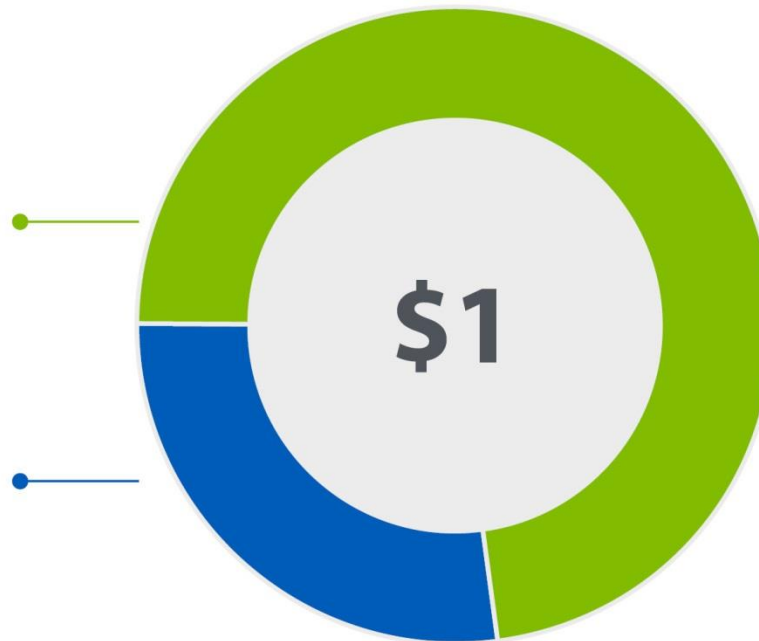
net return  
for 2015

## STABILITY OF CONTRIBUTIONS

AS AT DECEMBER 31, 2015

On average, **73 cents** of every pension dollar paid is generated by investment returns

**27 cents** funded by member and employer contributions



# Experienced Investment Professionals

## GLOBAL FOOTPRINT

- Based in **Toronto, Canada, London, U.K.**; and 1<sup>st</sup> Canadian pension plan to open office in **Sydney, Australia**

## INTERNATIONAL SUCCESS



**PORTERBROOK (U.K.):**  
WON 2014 "EUROPEAN  
INFRA DEAL OF THE YEAR"  
BY INFRASTRUCTURE  
INVESTOR



**KA MAKANA ALI'I  
(HAWAII):** REAL ESTATE  
INVESTMENT IN A  
SHOPPING CENTRE  
DEVELOPMENT



**GLOBALVIA (GLOBAL):**  
INVESTMENT IN ONE  
OF THE WORLD'S  
LEADING COMPANIES  
IN ROAD TRANSPORT-  
INFRASTRUCTURE

# Responsible Investors

- Our responsible investment strategy is a core component of our investment program



GOVERNANCE



ESG INTEGRATION

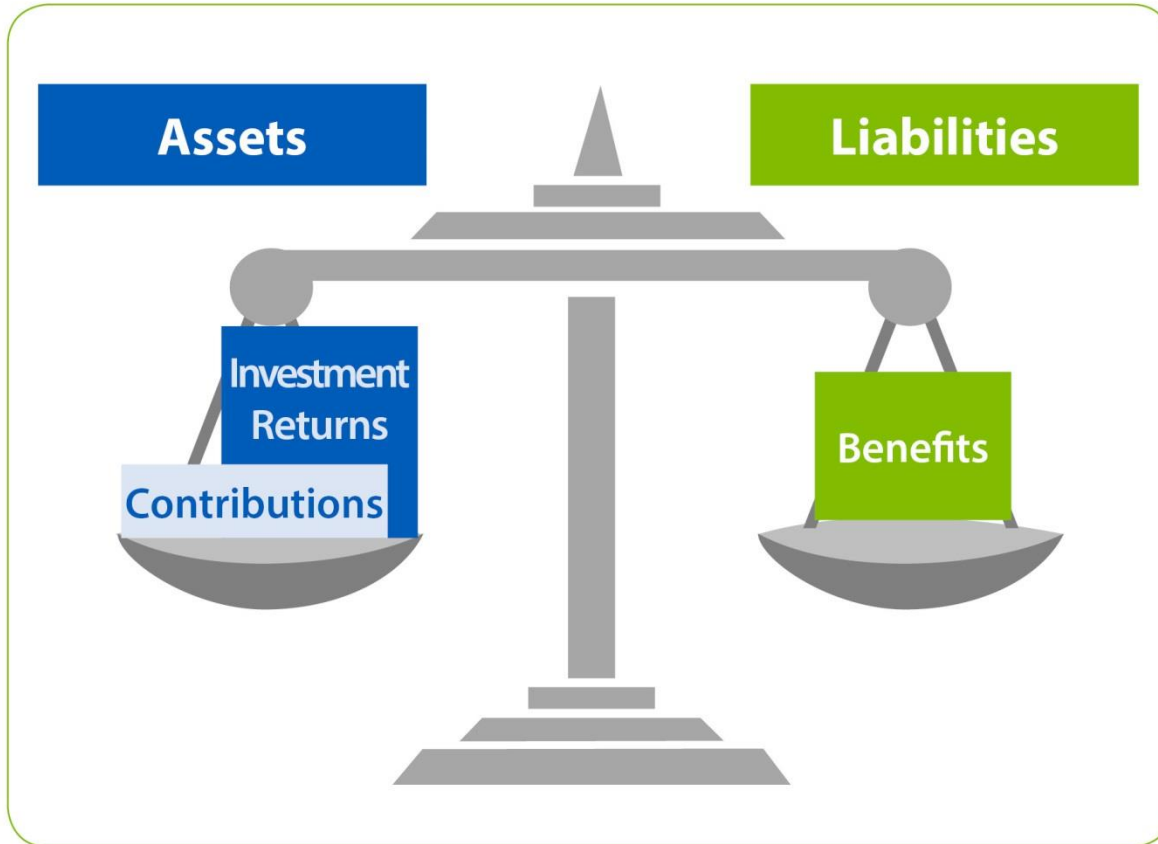


ACTIVE  
OWNERSHIP



STAKEHOLDER  
ENGAGEMENT

# Our Goal is to Keep Our Plan in Balance



## CERTAINTY

- Increasing likelihood of maintaining pension promise
- We achieve this through...

## SUSTAINABILITY

- Maintaining a fully-funded status to meet the pension promise

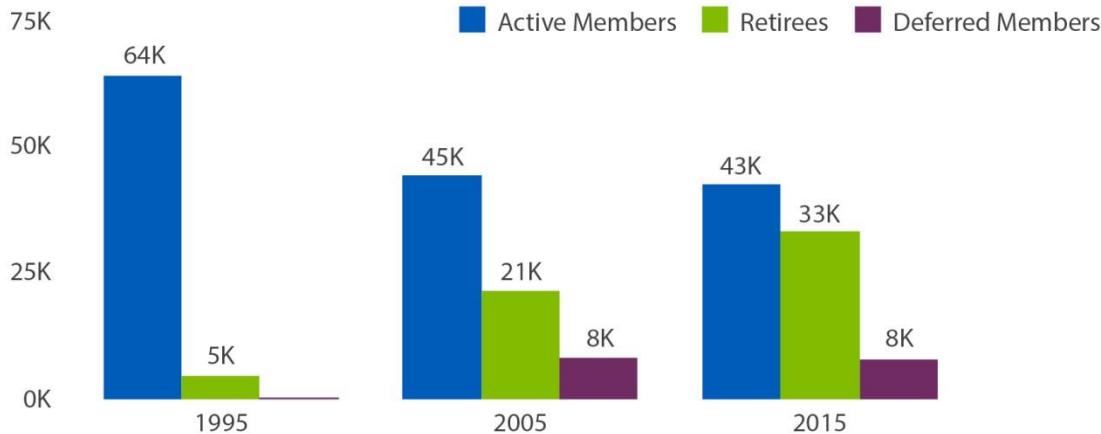
## STABILITY

- Keeping benefits and contribution rates stable at their target levels

## PARADIGM SHIFT

# Demographic Shifts Reduces Our Ability to Bear Funding Risk

## PLAN DEMOGRAPHICS



Active Member to Retiree Ratio\*

Note \*: Ratio does not include Deferred Members.

Active Members to (Retirees+ Deferred Members) Ratio: 2005 (1.5), 2015 (1.03)

- Retirees are living longer and collecting pensions longer than ever before
- Lower ratio of active members to retirees make it more difficult to absorb investment losses
- Demographics can affect intergenerational fairness
- Demographics will impact investment decisions

# OPTrust proposes action on climate change with release of position paper and portfolio climate risk assessment report

INADEQUATE TOOLS AND MODELS TO MEASURE CLIMATE CHANGE RISK AND IMPACT DRIVES \$18.4 BILLION PENSION FUND TO CALL FOR COLLABORATION AND STANDARDIZATION

CLIMATE CHANGE:  
DELIVERING ON DISCLOSURE →

- Details OPTrust's approach to navigating the complexities of climate change with respect to institutional investing and includes a call for collaboration in the development of standardized measures for carbon disclosure
- Accompanied by Mercer's report – *OPTrust: Portfolio Climate Risk Assessment* – provides an assessment and analysis of the organization's climate risk exposure across the total fund



## › CLIMATE CHANGE CONTINUED

- Climate change impacts, and policy responses to these, will undoubtedly have repercussions on capital markets and our investment portfolio
- Investment industry has yet to develop a common approach to measure, model and mitigate these risks
- OPTrust's approach to climate change is rooted in its investment beliefs and strategy – recognize that environmental, social and governance (ESG) factors will impact the total fund's investment risk and return, decades in the future
- For pension funds, climate change presents a number of complex and long-term risks
- In Canada alone, pension funds manage well over \$1.5 trillion in assets – brings a real responsibility to collectively seek innovative approaches to modeling carbon exposure and its impact across portfolios