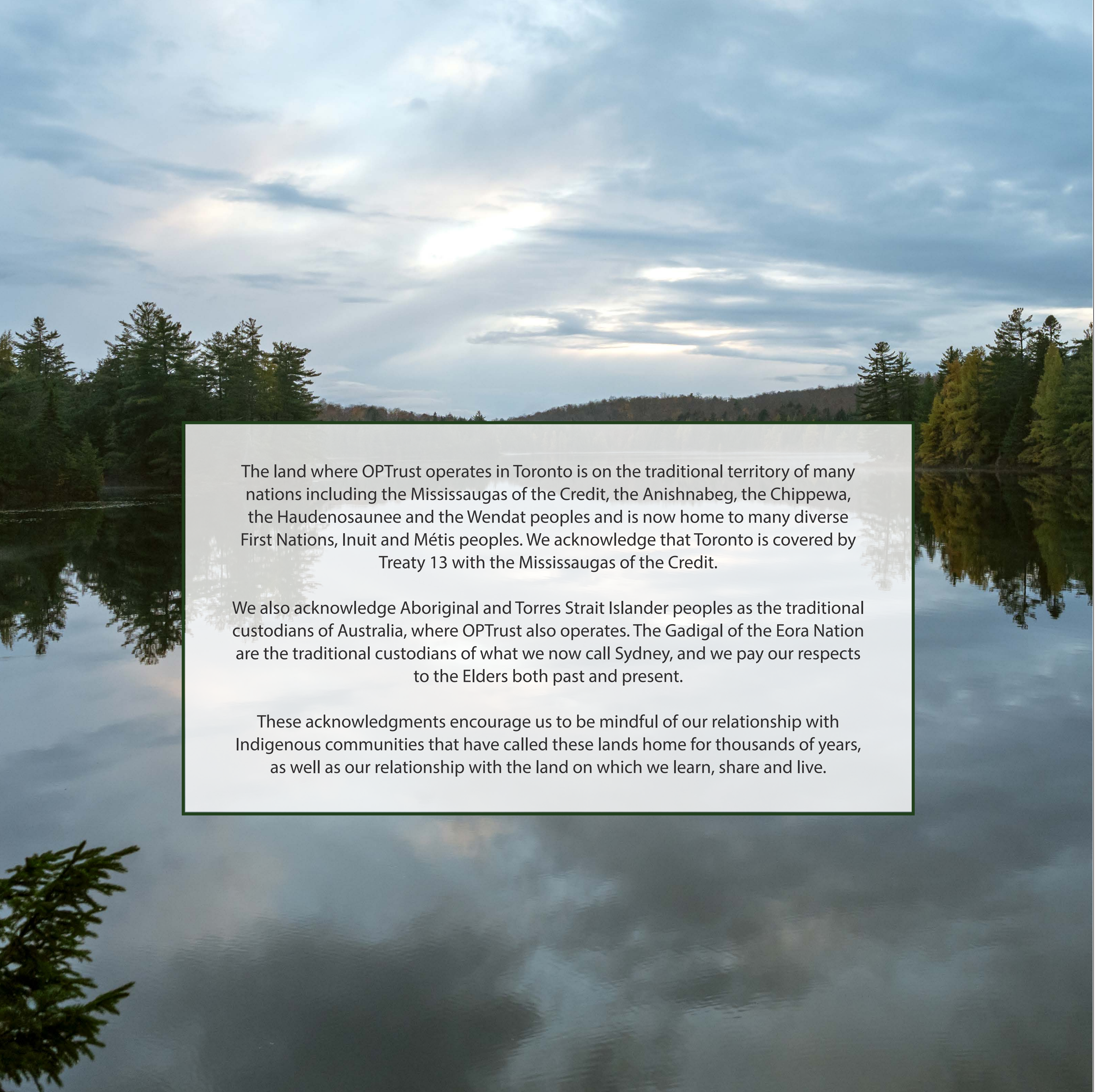
People. Purpose. Pensions.

2023 Funded Status Report

OPTrust



The land where OPTrust operates in Toronto is on the traditional territory of many nations including the Mississaugas of the Credit, the Anishnabeg, the Chippewa, the Haudenosaunee and the Wendat peoples and is now home to many diverse First Nations, Inuit and Métis peoples. We acknowledge that Toronto is covered by Treaty 13 with the Mississaugas of the Credit.

We also acknowledge Aboriginal and Torres Strait Islander peoples as the traditional custodians of Australia, where OPTrust also operates. The Gadigal of the Eora Nation are the traditional custodians of what we now call Sydney, and we pay our respects to the Elders both past and present.

These acknowledgments encourage us to be mindful of our relationship with Indigenous communities that have called these lands home for thousands of years, as well as our relationship with the land on which we learn, share and live.

"The people at OPTrust are engaged in purposeful work. A sustainable pension, fully funded for 15 consecutive years, is representative of OPTrust delivering pensions and peace of mind for our members."

Peter Lindley
President and Chief Executive Officer

"OPTrust has been fantastic in providing guidance and reassurance throughout my journey towards retirement. Taking the leap into retirement is a big deal, and I'm grateful that everything was taken care of and for the support."

Jerry Arnold

Senior Staff Development Officer
(retired December 2023)

Correctional Centre for Professional Advancement and Training

"While it's uncommon for charities to provide pensions, we were excited to offer a pension through OPTrust Select. We know our team appreciates this valuable benefit because it helps them plan for the future."

Lori Nikkel

Chief Executive Officer

Second Harvest

"As a member, I appreciate the benefit of accessing my account online. I'm able to easily view my annual pension statements and check what my monthly retirement income will be once I retire."

Suri Bal

Public Affairs and Event Coordinator

Ministry of Agriculture, Food and Rural Affairs

"The pension for us represents financial security. The guarantee of having a modest income in retirement provides us with peace of mind. It allows us to focus on the present without worrying about the future."

Zeeshan Liaqat

Chief Financial and Operating Officer

Second Harvest

2023 Highlights

OPTrust remains **fully funded** for the **15th consecutive year**

5.00%
nominal discount rate

5.3%
one-year net investment return

Member service rating of **8.7/10**

7.2%
10-year average net investment return (2014-2023)

Funding highlights[1]

At December 31 ($ millions)

	2023 VALUATION	2022 VALUATION
Net assets available for benefits	$25,140	$24,643
Actuarial smoothing adjustment	390	(349)
Actuarial Value of Assets	25,530	24,294
Liabilities	(25,348)	(24,122)
Surplus	$182	$172

[1] The difference between funding and financial statement valuations are described on page 17.

$25 billion in net assets

Employee resource groups (ERGs) continue to grow and drive culture

Released an **update on our climate change strategy with metrics and targets** to track and drive progress towards a more climate-resilient portfolio

Message from the Chair and Vice-Chair

Throughout the challenges of 2023, including global unrest and uncertainty, the OPTrust team rose to the occasion, delivering long-term stability to our Plan and the organization. The people in Member Experience and Pension Operations assist members with some of the most important financial decisions they will make both during their working years and into retirement. The investment team continues to deliver pension security for our Plan members. Furthermore, every division in the organization has been actively involved in ensuring, more than ever, OPTrust is ready to deliver peace of mind in retirement for members for years to come.

Focus on the long term

OPTrust remains fully funded in 2023 and is on a sustainable footing. As an organization focused on long-term stability, we have the resources and leadership to provide members with a secure retirement income. OPTrust is stable, healthy and fully funded.

The quality of leadership at all levels of the organization is core to the sustainability and success of OPTrust. We are proud to lead an independent Board that embraces both continuity and renewal by leveraging the expertise and knowledge of existing Board members, alongside the fresh perspectives and unique experiences of newly appointed members. OPTrust's leadership continues to leverage the talents within their teams to execute on the Board's strategic priorities.

> As an organization focused on long-term stability, we have the resources and leadership to provide members with a secure retirement income.

Building on our capacity and culture

To best serve our over 111,000 members, OPTrust embraces diverse perspectives and experiences. By leaning into a positive, inclusive work culture, we continue to build an environment that works for everyone. As a Board, we admire and support the focus on culture and inclusivity embodied by the senior leadership at OPTrust.

OPTrust is progressing as planned on PATH, the transformation of our pension administration system and associated processes. We are now one year into this multi-year project that will modernize the way we serve our members.

An eye to the future

Our top priority remains stable contributions and benefits for our current and future members. In the one-year update to our enhanced climate change strategy, released in December, we announced new climate metrics and targets. We recognize addressing Plan sustainability requires addressing climate sustainability, which is why we reaffirmed our ambition toward a net-zero portfolio by 2050. OPTrust has played a leading role in research, deepening investors' understanding of the potential economic and financial risks posed by climate change. OPTrust contributed our findings as a case study to benefit other global investors.

Parting thoughts

We would like to acknowledge and thank our long-serving Board member Randy Sloat, who retired as a Trustee at the end of 2023. Since being appointed to the Board by OPSEU in January 2012, Randy has made invaluable contributions. Her guidance has helped shape who we are as an organization today. We thank all our fellow Trustees and the entire OPTrust team for the commitment they show every day to serving our members and delivering pension security through uniquely challenging times. Our commitment to our members could not be stronger: as a team, we will continue to leverage every opportunity to build sustainable pension security for years to come.

Lindsey Burzese
Chair

Richard Nesbitt
Vice-Chair

Message from the President and CEO

Fully funded in 2023

The past year was marked by volatile markets, geopolitical instability, and rising interest rates to tackle high inflation. Particularly in Canada, this led to increased consumer prices, surging mortgage costs and sluggish economic growth. Against this backdrop, OPTrust posted a one-year net investment return of 5.3 per cent. This brings OPTrust's 10-year net investment return to 7.2 per cent. We are long-term investors and the measure that matters is our funded status. OPTrust is fully funded for the 15th consecutive year, allowing us to deliver on our mission to pay pensions today and preserve pensions for tomorrow. This is a testament to our investment team and their experience in navigating challenging investment environments, including in 2023, helping to build a more resilient, healthy and sustainable Plan for the long term.

Supporting members

Our over 111,000 members benefit from our fully funded status and the long-term investments we make. Members can retire with peace of mind, knowing they have secure retirement income for life.

We take great pride in serving our members through all stages of their careers and during retirement. We provide tailored communications to support members throughout their pension journey. Our members tell us they appreciate the service we provide, consistently giving us a strong service rating.

Membership in OPTrust Select has grown to more than 4,200 at year end, with members joining from 64 employers in the charitable, nonprofit and broader public sectors. OPTrust Select provides retirement security to these sectors which are traditionally underserved when it comes to pensions.

> Our five-year strategic plan aims to enhance the Plan's sustainability, invest in our people and strengthen our operational capabilities to create an OPTrust that is ready to meet the challenges of the future.

Protecting our pension promise

OPTrust's climate change strategy is designed with one purpose in mind: to protect our pension promise over the long term. In December 2023, we released a one-year update to our enhanced climate change strategy, detailing the progress we have made since 2022 and the goals we have set to strengthen the fund's resiliency to climate change. Some of the highlights include launching an innovative Climate Metric Framework, calculating our first Total Portfolio carbon footprint, and setting a goal to reduce our carbon footprint by 30 per cent by 2030.

Recognizing environmental, social and governance factors are increasingly important for our members and stakeholders, we moved away from publishing a standalone annual Responsible Investing Report last year and integrated that content within our 2022 Funded Status Report. We are taking that same approach this year to ensure members and stakeholders can easily view our responsible investing activities and better understand how we are incorporating these considerations into our investments.

Looking ahead

Everyone at OPTrust works together to serve our members and advance our five-year strategic plan. Introduced in 2023, the strategy aims to enhance the Plan's sustainability, invest in our people and strengthen our operational capabilities to create an OPTrust that is ready to meet the challenges of the future. While we still have work to do, I'm pleased with our progress to date.

I am grateful to work with such an able and motivated Executive Team, and for the Board of Trustees and Plan Sponsors who have demonstrated their leadership, confidence and support over the past year. As we move ahead into 2024, we continue to advance our strategy to build a better future for our members, our people and the communities in which we live and work. I look forward to everything our people will accomplish in 2024 to deliver pensions today and well into the future.

Peter Lindley
President and
Chief Executive Officer

Our Culture

At OPTrust, we embrace the evolution of our culture as a powerful tool to serve our members and advance our priorities. We are united by a shared set of values that define the way we work and how we hold each other accountable.

Open discussions help us evolve internal culture and build cooperation and mutual respect across our organization. Embracing a hybrid work culture creates the flexibility people need to excel and allows everyone to participate more fully in our work while balancing personal circumstances.

Inclusion, diversity and equity

Embracing inclusion, diversity and equity (IDE) is a core part of our business priorities and strategic planning. Incorporating IDE in all aspects of our organization enhances our strategic priorities and performance, while enriching the communities we do business in and call home.

Building on a core foundation of smart, talented employees, we embrace diversity as a fundamental part of our culture. We know our team members become more invested in their work when they see their own experiences, values and priorities reflected in their workplace. Internal supports, like employee resource groups, create more opportunities for networking and mentorship, and create an environment where every team member feels seen and heard.

IDE initiatives help to improve employee recruitment and retention, by building an engaged team with shared culture and values. A diverse team means our employees mirror and understand the diversity found in our Plan membership.

Giving back to the community

The OPTrust team gives back to the community through OPTrust Cares, a grassroots employee-led charitable giving program. Every year we partner with a different charitable organization to help raise awareness and promote OPTrust values through fundraising.

In 2023, OPTrust Cares supported The Stop, one of Canada's first food banks. The Stop's goal is to increase access to healthy food in a way that promotes individual dignity, builds community and challenges inequality. OPTrust Cares also supported employee fundraising efforts for Movember and the Woodland Cultural Centre.

the stop

2023 Highlights

Unconscious bias training completed in early 2023, led by Catalyst.

Incorporating dedicated IDE training and growth into our daily operations and development programs, driving change and understanding at all levels to increase trust, engagement and retention.

Speaker events throughout the year to enhance learning, like Jack Saddleback, a proud Nehiyaw (Cree) Two Spirit / IndigiQueer public speaker, activist and equity champion.

Linking nonprofit community partners and grassroots organizations (CNIB, Onyx, BPTN) to boost education, talent acquisition and align internal goals with the larger community.

Employee resource groups (ERGs) continue to grow and drive culture, including:

- BEAN (Black Employees and Allies Network)
- WAGE (Women and Allies for Gender Equality)
- PAAC (Pride Action and Awareness Collective)
- Country Newcomers
- People with Disabilities
- Reconciliation Working Group

Pension Funding

> OPTrust's mission is paying pensions today, preserving pensions for tomorrow. The Plan's Sponsors (the Government of Ontario and OPSEU) set contribution and future benefit levels based on the Plan's funded status. OPTrust is fully funded for the 15th year in a row.

Plan sustainability

The Plan is sustainable if it continues to deliver a valuable benefit based on an acceptable range of contributions in the short, medium and long term. That means members' contribution levels will remain relatively steady through the years they are making those contributions to the Plan, and they will be paid their pensions when they retire. As of December 31, 2023, the Plan has been fully funded for 15 consecutive years, yet ongoing challenges remain, including the investment environment, persistent elevated inflation, Plan maturity and longevity risk.

Under the primary schedule, pensions that are being paid and deferred pensions are granted automatic annual cost-of-living adjustments (COLA) based on inflation. The inflation assumption used for Plan valuations is based on long-term expectations.

Inflation continues to be higher now than it is expected to be for the long term. As a result, we have adjusted our COLA assumption for the 2023 valuation to incorporate what we expect to be elevated rates of inflation in the short term.

Under OPTrust Select, on an annual basis at the discretion of the Board, pensions that are being paid may be granted COLA, and active members may be granted accrued benefit upgrades to adjust for inflation.

The investment environment is more uncertain than normal due to monetary policy tightening, geopolitical risk events, and changes in fiscal policy impacting economic growth and asset pricing in unpredictable ways which can put pressure on the Plan's funded status.

The demographics of the Plan are challenging because the proportion of inactive members relative to active contributing members remains high. This situation means funding risk is borne by a smaller group of contributing members, which constrains the amount of investment risk the Plan can bear.

There are several methods to help maintain the funded status: our Member-Driven Investing (MDI) strategy, the risk tolerance specified in our Risk Appetite Statement and our funding tools. As Plan challenges continue, the tools at our disposal are applied differently over time. This includes the way we use risk within the MDI strategy. Plan sustainability is directly influenced by how we manage challenges and the amount of risk we are willing to assume. For instance, the discount rate includes a margin to protect the Plan from future adverse events. The margin in our discount rate remains strong at the end of 2023. Yield levels remain higher than during the pandemic, which has reduced the downward pressure on the discount rate used to value the Plan's obligations.

We try to foresee upcoming challenges that could potentially affect the Plan's sustainability. We perform projections under varying economic environments, such as high inflation and low economic growth, or market collapses and rebounds, to help prepare for outcomes that may affect the level of future contributions and/or benefits.

Funding pensions

The pension commitment spans many decades. In keeping with that long-term horizon, short-term market events, whether positive or negative, should not lead to changes in contributions or benefits, or both. Such changes should only occur when economic conditions, member demographics or behaviours change the long-term expected cost of the benefit. In setting the funding policy, we seek to maintain a balance between four different goals: benefit security, contribution rate stability, fairness between the two schedules of benefits and intergenerational equity. Intergenerational equity means that every generation of members will pay a fair amount for the benefits they receive. Of all these goals, the security of accrued benefits is the most important, which is why we strive to keep our commitment to members that they will receive their accrued benefits.

The Plan valuation is used to determine the adequacy of the contribution rate and the funded position of the Plan and is filed with regulators at least once every three years, as per regulatory requirements. The financial statements valuation is used for disclosure for the purpose of this report. Both actuarial valuations require many different assumptions about future economic conditions and events. "Best estimate" assumptions are unbiased and are based on Plan experience and the consideration of potential future outcomes.

Plan valuations

A Plan valuation presents the Plan's financial information in a manner approved by OPTrust's Board and in accordance with standards and regulations. It determines whether the Plan's assets, together with expected investment income and projected future contributions in respect of current members, are sufficient to fund members' expected benefits. This valuation approach is known as the modified aggregate method. It identifies any gains and losses that have occurred since the last Plan valuation and confirms the overall contribution requirements until the next valuation. The Plan valuation uses best estimate assumptions with the exception of the discount rate, which includes a margin of conservatism, which helps the Plan meet its funding goals. Please see Note 5 to the financial statements on page 69 for further discussion.

Financial statement valuations

OPTrust's financial statements rely on an actuarial valuation prepared in accordance with Canadian accounting standards for pension plans. The financial statements valuation is prepared using our best estimate assumptions. The valuation recognizes the increase in value of future obligations over time, and pension-related receipts and disbursements. Experience gains or losses (i.e. when actual experience differs from what we assumed) are recognized in the year incurred.

2023 Funding valuation

OPTrust engages independent actuaries to perform regular valuations of the Plan to ensure there are enough assets to meet the projected cost of members' lifetime pensions. OPTrust's 2023 valuation shows the Plan remained fully funded as of December 31, 2023. The funding valuation also showed deferred (or smoothed) investment losses of $390 million, which will be recognized over the next four years. The Plan's real discount rate for the 2023 funding valuation remains unchanged at 3.00 per cent, net of inflation. The effect of the change in the COLA assumption increased the Plan's liabilities by $206 million. Changes in the Plan's actuarial assumptions can have a major impact on the projected cost of members' pensions and the Plan's funded status.

Funding valuation assumptions

	2023 VALUATION	2022 VALUATION
Inflation rate	2.00%[1]	2.00%[2]
Discount rate (real)	3.00%	3.00%
Discount rate (nominal)	5.00%	5.00%
Salary increases (nominal)[3]	2.75%	2.75%

[1] COLA for pensions under the primary schedule assumed to be 3.75%, 3.00% and 2.25% for 2024, 2025 and 2026, respectively.
[2] COLA for pensions under the primary schedule assumed to be 5.00% and 3.50% for 2023 and 2024, respectively.
[3] Plus an allowance for promotion, based on long-term scale.

The table below shows the impact of a 0.5 per cent change in certain key assumptions on the Plan's funded status.

Sensitivity to actuarial assumption changes for the 2023 valuation

($ millions)

	+0.5%	-0.5%
Impact of change in inflation-linked assumptions[1]	412	(422)
Impact of change in funding discount rate assumption[2]	2,293	(2,680)
Impact of change in assumed increase in salaries	(794)	693

[1] Assumes equivalent change in economic assumptions that are dependent on inflation excluding the short-term COLA assumption for pensions under the primary schedule for 2024, 2025 and 2026.

[2] Assumes all other assumptions remain unchanged.

Serving Members

OPTrust invests and manages one of Canada's largest pension funds. OPTrust members belong to either the primary schedule of benefits or OPTrust Select.

The primary schedule provides pension benefits for employees of the province of Ontario in bargaining units represented by OPSEU and other eligible members.

OPTrust Select was designed specifically for organizations in the nonprofit, charitable and broader public sectors in Ontario. The people who have joined OPTrust Select provide a range of critically important services including healthcare, community support and environmental advocacy.

Empowering through education

Our members continue to value the service we provide, giving us a service rating of 8.7 out of 10 in 2023. We are pleased to be consistently within the top 10 globally for service among leading pension plans according to CEM Benchmarking Inc. Our team is highly engaged and knowledgeable and made up of people who are passionate about serving our over 111,000 members and delivering peace of mind in retirement.

Empowering our members through education is a big part of the work we do within the Member Experience and Pension Operations (MExPO) team. We help our members better understand the value of their defined benefit pension and plan for retirement.

We take great pride in engaging our members during all stages of their careers. Whether they are starting out, mid-career or approaching retirement, members are confident that our team will guide them as they assess their pension options and make important decisions.

Planning with purpose

Our members appreciate receiving communications tailored to where they are in their pension journey because it is more relevant to them at that moment in time and will help them plan better. Our redesigned Annual Pension Statement provides members with a more clear, direct snapshot of their financial future. Members can easily view their estimated pension benefit, their earliest retirement date and verify their personal information, including their mailing address and beneficiary information through their online services account.

Members can access a variety of documents and application forms online and sign them digitally. This streamlines the exchange of information and enables us to deliver faster and more efficient services, while reducing our environmental footprint. Members can also watch our online educational sessions from the comfort of their home.

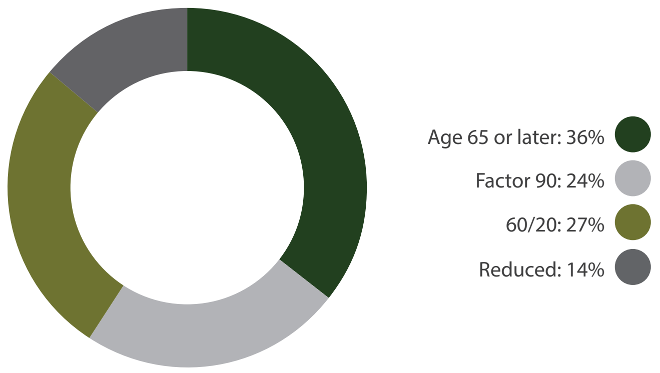
We know from member research and feedback that many feel anxious as they get closer to retirement. To help ease those feelings, we redesigned and simplified the landing page where members can access key information that answers common questions about transitioning to retirement for members within two years of retiring. For our younger millennial members, we launched a video series about pensions targeted specifically to this age group, as it is never too early to start planning for retirement.

The MExPO team receives robust training to ensure they are knowledgeable about the latest changes that can impact members. These changes can vary from tax rate updates to plan amendments, such as improved survivor benefits for dependent children. The team is proud to provide up-to-date and relevant information to help our members plan for their future.

Delivering pensions through OPTrust Select

OPTrust Select membership continues to grow at a steady pace. Membership grew by 967 to over 4,200 while we added five new employers from the charitable, nonprofit and broader public sectors, for a total of 64. This year, we modernized the exchange and delivery of information for OPTrust Select members, improving their overall experience.

2023 Retirement snapshot



In 2023, OPTrust members retired under one of the following options:

Age 65 or later:	The normal retirement age under the Plan is age 65; members can postpone retirement as late as age 71.
Factor 90:	Age plus years of pension service total at least 90.
60/20:	Age 60 or older plus at least 20 years of pension service.
Reduced:	Available starting at age 55 to members who do not qualify for an unreduced pension.

Note: Chart does not include deferred, disability or survivor pensions.

2023 Highlights

Top 10 CEM Benchmarking Inc. global ranking

5 new employers in OPTrust Select, growing **membership to over 4,200**

Over **62,000** online transactions and electronic communications

Supported members through approximately **58,000** life events

Over **1,900** members attended online pension information sessions

Over **$1.3 billion** total entitlements paid

Supported members through more than **43,000** telephone counselling events

43% increase in digital correspondence

Over **700,000** visits to our website

OPTrust remains **fully funded** for the **15th** consecutive year

Member service rating of **8.7/10**

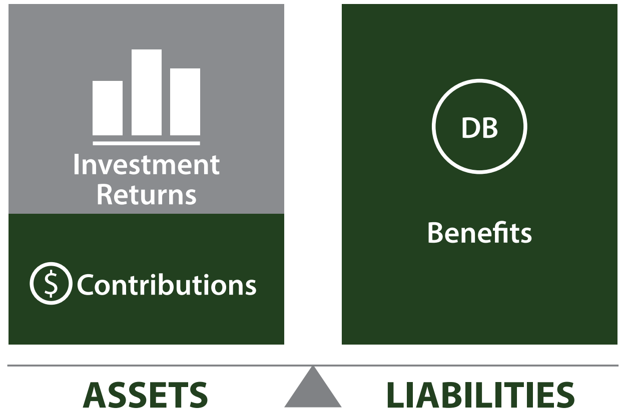
Membership statistics

At December 31	2023	2022	2021	2020	2019	2018
Active members	**53,426**	51,206	48,649	47,249	46,330	46,354
Average age	43.6	43.9	44.3	44.8	44.8	44.7
Average salary	$70,612	$69,939	$69,388	$67,623	$65,605	$63,195
Number of new members enrolled	8,381	7,841	6,146	4,523	3,799	5,218
Number of members terminated or retiring	6,161	5,284	4,746	3,604	3,823	4,123
Former members with entitlements in the Plan	**14,514**	13,030	12,008	11,036	11,137	10,354
Current pensioners	**43,192**	42,483	41,370	40,198	39,008	38,221
Average age	73.5	73.1	72.8	72.4	72.0	71.4
Average annual pension	$24,262	$22,968	$22,504	$22,321	$21,930	$21,613
Total members and retirees	**111,132**	106,719	102,027	98,483	96,475	94,929

NOTE: As at December 31, 2023, the number of employers participating in the primary schedule and OPTrust Select were 24 and 64, respectively.

Investment Strategy and Performance

Investment returns account for more than 70% of the benefits we pay to members when they retire. To achieve this, we manage a globally diversified portfolio of assets and seek the best opportunities for value creation. Balancing return expectations against funding risks ensures we have sufficient assets to pay pensions now and in the future.



Our Member-Driven Investing philosophy

- We invest Plan assets to help deliver pension security for our members.
- Our Member-Driven Investing (MDI) strategy is the application of a Total Portfolio approach, in which we strive to deliver the total return, after all costs, needed to keep the Plan sustainable without taking excessive risk.
- We manage our funding risks by partially hedging our liabilities, earning diversified investment returns, and adding value in asset classes where we have a competitive advantage.
- We strive to construct our portfolio to be resilient to different economic and market environments to the extent possible, helping us deliver attractive risk-adjusted returns over the long term.
- We also consider other risks to long-term plan sustainability, including climate change and other environmental, social and governance (ESG)-related risks.

Keeping the Plan in balance

MDI supports our mission of paying pensions today and preserving pensions for tomorrow. This means keeping the Plan in balance to preserve its fully funded status. The three key components of this balance are contributions and investment returns on one side, and benefits on the other. We seek to earn the returns we need to pay pensions over the long term, while carefully managing risk to maintain stability in contribution rates and benefit levels.

Key accomplishments

- We maintained our fully funded status for the 15th consecutive year.
- Our Total Portfolio delivered a return of 5.3 per cent in 2023.
- Most of our strategies delivered positive returns in 2023 with the largest contributors being government bonds, public and private equity, credit and multi-strategy investments.
- We are a long-term investor and seek to earn the returns needed to pay pensions over market cycles. Our five-year return of 7.5 per cent and 10-year return of 7.2 per cent have been strong.
- This year we made significant progress implementing our enhanced climate change strategy and continued to build out our Responsible Investing program, including announcing an interim portfolio decarbonization target of 30 per cent by 2030 to help deliver on our ambition of achieving a net-zero portfolio by 2050. This, and other responsible investing accomplishments, are summarized later in this report.

Investment environment

The investment environment in 2023 improved from a difficult year in 2022. Risk sentiment in public markets picked up as inflation moderated from peak levels across major economies. Despite low economic growth, market participants have taken an optimistic view and have broadly priced in a soft landing and the end of the monetary policy tightening cycle.

Riskier assets like public equity and credit were strong performers. Artificial intelligence- and technology-themed stocks have done especially well, followed by the broad equity markets in the U.S., Japan and Europe. Emerging markets lagged their developed market peers as stocks in China struggled due to a weaker growth outlook and stressed credit conditions weighing on the country's housing market. Pricing for government bonds improved towards the end of the year as central banks held policy rates steady and market participants anticipated the start of rate cuts in 2024. Some private assets that are more sensitive to interest rates and credit conditions generated mild returns due to the lagging impact of tighter monetary policy. The U.S. dollar weakened marginally against major developed country currencies as investors priced in more accommodative monetary policy by the U.S. Federal Reserve. Geopolitical uncertainty remained elevated and may have supported gold prices.

Overall, market pricing in 2023 aligned with the economic adjustment — towards slower growth and a return of inflation to central bank target ranges — that is anticipated from the aggressive tightening of monetary policy that has occurred to date. Recession risks and market volatility tend to be higher while these adjustments are taking place.

Total Portfolio performance

Our Total Portfolio delivered a net return of 5.3 per cent in 2023, driven mostly by gains in public and private equity, credit, government bonds and multi-strategy investments while returns on real estate and infrastructure were more muted. Some risk-mitigation strategies did not perform well, challenged by a rising and highly volatile equity market. Elevated interest rates also made it more expensive to fund our Total Portfolio.

Asset class overview

In alignment with our Total Portfolio approach, we divide our Total Portfolio into four sub-portfolios, each with a specific purpose, to help us achieve our MDI objectives: the Liability Hedging Portfolio (LHP), the Return Seeking Portfolio (RSP), the Risk Mitigation Portfolio (RMP) and the Funding Portfolio (FP).

Liability Hedging Portfolio

The LHP is designed to help manage funded status volatility by mitigating risk associated with changes to the discount rate of the Plan's pension liabilities. In 2023, the LHP saw a positive net return of 7.7 per cent driven by both coupons and capital gains from bonds. The Canadian federal and provincial government bonds in our LHP serve as the main source of liquidity for the Plan.

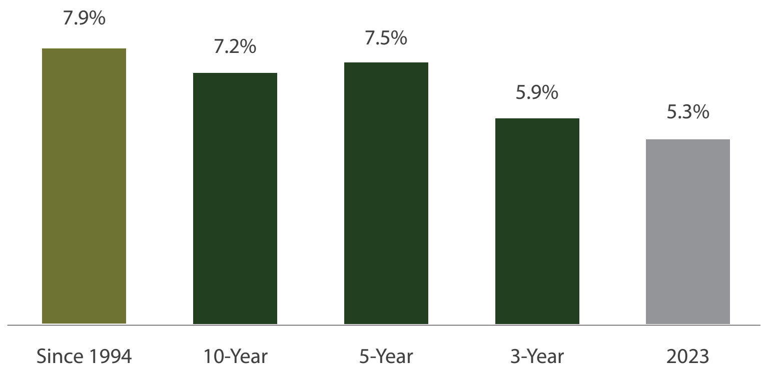
Return Seeking Portfolio

The RSP is designed to deliver a diversified source of return from riskier assets, helping to keep our Plan fully funded over the long term. This portfolio consists of public and private equity, credit, multi-strategy investments, real estate and infrastructure. The RSP delivered a net return of 6.5 per cent in 2023.

Public equity

Our exposure to public equity complements our private equity strategy by providing additional, liquid and differentiated sources of equity returns. Public equity was one of the best performing asset classes in 2023 led by technology-themed stocks, recovering from a deep negative return in 2022.

Total Portfolio investment performance



The Total Portfolio return is net of management fees, transaction costs and investment administration expenses.

In the public equity space, we obtain diversified exposure across both developed and emerging markets, through a mix of internally and externally managed strategies. Our public equity portfolio contributed positively to Total Portfolio returns in 2023, delivering a net return of 16.6 per cent for the year.

Private equity

Private equity is expected to generate higher returns than public equity over the long term while providing a smoother volatility profile. Our private equity strategy allows us to identify a broad range of investment opportunities and execute upon those that offer the most attractive risk-adjusted returns. We invest directly into private companies, typically alongside partners, and indirectly, through private equity funds.

The slowdown in investment activity which began in 2022 persisted throughout 2023, as tighter credit markets, inflation and macroeconomic headwinds continue to affect the market broadly. Following many years of exceptional investment performance, we are pleased with a moderate positive return of our private equity portfolio in 2023.

Our active management approach across a well-diversified portfolio, with a bias towards investing in cycle-resilient businesses and industries, has helped us withstand these challenging market conditions, as we wait for a more normalized new deal and exit environment to return. The private equity portfolio generated a net return of 8.7 per cent in 2023.

Credit

Credit investments serve as a diversifier to the Total Portfolio given the variety of sub-strategies in the credit space. They have attractive risk-adjusted returns and help generate stable cash flows for the Plan, allowing us to better fulfill our pension obligations. We invest in credit using a combination of external managers and internally managed strategies, across public and less liquid markets.

Credit was among the better performing asset classes, contributing positively to the Total Portfolio return. Credit spreads narrowed meaningfully over the course of the year as risk sentiment improved, which helped support bond pricing. Our credit strategy earned a net return of 12.0 per cent in 2023.

Multi-strategy investments

Our multi-strategy investments consist of a wide range of liquid strategies that provide return streams that are differentiated from traditional asset classes. These strategies can be more complex and dynamic in nature, generally increasing the resilience of our Total Portfolio.

Multi-strategy investments generated a net return of 7.0 per cent in 2023, contributing positively to Total Portfolio performance in a volatile and uncertain investment environment. Most strategies within the portfolio contributed positively to returns, with alternative risk premia and multi-asset strategies performing particularly well and trend-following strategies struggling in 2023 after a strong performance in 2022.

Real estate

The real estate portfolio is an important diversifier for the Total Portfolio, lowering funded status volatility and providing predictable income to fulfill our pension obligations. Real estate can provide attractive risk-adjusted returns and is also a hedge against inflation over the long term.

The outlook for real estate remained uncertain throughout 2023. Depending on the region, global transaction activity declined from 25 to 60 per cent, while fundamentals for the strongest property types in recent years have moderated in many markets. There is growing evidence of a wider range of performance within property types depending on the quality, functionality and ESG profile of individual investments. Our real estate investment strategy continues to focus on the selective sourcing of investments which can deliver predictable and growing income profiles over the longer term, and pursuing the disposition of non-strategic investments where sufficient liquidity exists.

Consistent with the decline in global transaction activity, new investment within OPTrust's real estate portfolio was muted in 2023. The real estate portfolio generated a net return of -1.9 per cent in 2023.

Infrastructure

Infrastructure investments add diversification to the Total Portfolio and act as a partial inflation hedge. They also aim to provide cash flow and the potential for return enhancement through long-term capital growth.

Our infrastructure strategy focuses primarily on establishing and deploying capital through platform companies, but also investing directly into infrastructure assets and indirectly through funds. Market activity slowed in 2023 due to higher interest rates, tighter credit markets, inflation and growth uncertainty. Our focus was on generating returns through our platform companies while making selective investments in new sectors that are expected to drive future capital deployment opportunities. We continued to pursue divestments or partial sell-downs where we believe additional partners can facilitate portfolio company growth.

After exceptional outperformance in 2021 and 2022, 2023 performance was more muted. The infrastructure portfolio generated a net return of 2.7 per cent in 2023.

Commodities

Exposure to commodities can provide protection against inflation shocks and help construct a more resilient Total Portfolio through different market regimes. Our exposure to commodities is dynamic rather than a traditional buy-and-hold. It is designed to capture the upside when the market cycle is favourable and limit exposure otherwise. The strategy performs best when there are persistent upward price trends, however prices for most commodities moved sideways or lower in 2023. Our commodity investments earned a net return of -2.7 per cent. Our dynamic approach helped to mitigate the larger drawdowns that occurred for most broad commodity market indexes.

Risk Mitigation Portfolio

Our RMP is designed to enhance pension security by helping to reduce the long-term impact of severe market drawdowns on our funding ratio. It is expected that the RMP contributes positively to long-term returns by smoothing the volatility of the Total Portfolio.

In 2023, the RMP produced a net return of -8.7 per cent. Within the RMP, performance across strategies was mixed. Gold performed particularly well. Treasury returns were positive as bond pricing recovered towards the end of the year, while the U.S. dollar return was slightly negative against the Canadian dollar. Following strong performance in 2022, equity risk-hedging strategies did not perform well, as equities turned sharply positive at the beginning of the year and were one of the best performing asset classes.

Funding Portfolio

This portfolio manages funding and liquidity reserves needed to implement our Total Portfolio and manage day-to-day liquidity requirements. The use of moderate leverage allows us to access a more diversified set of strategies and achieve a better overall risk-return profile.

The -28.9 per cent weight of the Funding Portfolio reflects OPTrust's overall balance sheet leverage. This amount is expected to fluctuate to reflect the implementation of our investment strategies. The return drag on this portfolio was due to higher funding costs in an elevated interest rate environment.

Asset mix and return by asset class and sub-portfolio*

	Asset Mix	2023 Return	2022 Return	2021 Return	3-Year Return
Liability Hedging Portfolio	**25.5%**	**7.7%**	**-20.6%**	**-3.9%**	**-6.3%**
Return Seeking Portfolio	**94.1%**	**6.5%**	**2.7%**	**21.9%**	**10.1%**
Public equity	12.3%	16.6%	-17.6%	12.9%	2.7%
Private equity	19.1%	8.7%	4.8%	52.2%	20.1%
Credit	14.8%	12.0%	-3.5%	4.6%	4.2%
Multi-strategy investments	8.8%	7.0%	-1.4%	8.2%	4.5%
Real estate	18.0%	-1.9%	15.0%	18.5%	10.2%
Infrastructure	16.9%	2.7%	21.1%	33.0%	18.3%
Commodities[a]	3.7%	-2.7%	-7.1%	-	-
Other[b]	0.5%	43.8%	-54.5%	160.2%	19.4%
Risk Mitigation Portfolio	**9.3%**	**-8.7%**	**-7.3%**	**-6.5%**	**-7.5%**
Funding Portfolio[c]	**-28.9%**	-	-	-	-
Total Portfolio	**100.0%**	**5.3%**	**-2.2%**	**15.3%**	**5.9%**

* OPTrust is operating within the asset allocation range specified in the *Statement of Investment Policies and Procedures*. Asset class weights are presented on an exposure basis, including the effect of derivatives. Asset class returns are before deducting investment administrative costs. 3-year returns are annualized.

[a] Inception date of OPTrust's Commodities program is March 28, 2022.

[b] Other represents thematic investments such as digital assets, fintech and sustainable investing.

[c] Funding Portfolio includes bond repurchase agreements and implied funding from derivatives.

Case study

Kingston student housing

OPTrust has partnered with three other investors to develop four student housing properties in Kingston, Ont., all located near Queen's University. The first two buildings have been completed and are fully occupied. The third building, known as GEO, is currently under construction and is expected to be completed ahead of the 2024-25 academic year.

GEO is a 10-storey, 551-bed student residence with approximately 10,000 square feet of commercial space on the ground level. GEO is designed for occupant well-being and is the first large-scale building in Kingston utilizing geothermal heating and cooling. Geothermal energy is expected to reduce greenhouse gas emissions produced by the building by over 70 per cent and the energy savings will also translate to lower operating costs, enhancing the property's value over time.

Once the construction of all four properties is completed, OPTrust and its partners will have delivered over 1,500 new student housing beds to Kingston, providing much-needed student housing accommodation to an underserved market. The buildings will feature modern amenities including meeting rooms, private gyms, resident lounges, and outdoor rooftop terraces, enhancing Kingston's student housing offering.

Investing at home and internationally

We have access to a broad set of investment opportunities. About 17.4 per cent of our investments are in Ontario while about 34.5 per cent are in Canada. Our international footprint covers the U.S., Europe, Asia Pacific and Latin America. This global approach offers diversification and return-enhancement benefits to the Total Portfolio and is an important part of our investment program.

- Ontario: 17.4%
- Canada: 34.5%*
- U.S.: 46.0%
- Europe: 10.9%
- Asia Pacific: 7.7%
- Latin America: 0.9%

Based on country of risk, location of primary income or location of property. Gold, commodity and funding portfolios are excluded from exposures.
* Includes Ontario.

How we invest

Our internal approach

In 2023, internally managed programs amounted to 70.8 per cent of the Total Portfolio, up from over 65 per cent in 2022. We began our internalization journey in 2016 and now have internally managed assets across our private and public market investments. We focus our internal resources on investment activities where we believe we have the skills and scale to be cost effective, otherwise investment activities are outsourced to external managers. Moving forward we will continue to seek out opportunities to internally manage investment strategies where appropriate.

Internal: 70.8%
External: 29.2%

Calculated on a gross asset basis.

Focus on active management

Active management is best deployed in areas where markets are less efficient and our team members have the greatest potential to create value. We believe this is best achieved in the illiquid asset classes, such as real estate, infrastructure and private equity. Within public markets, we have focused our active management strategies on multi-strategy investments, credit and emerging market public equities. The focus of our passive programs is on gaining a diverse and cost-effective set of market exposures to complete our Total Portfolio risk profile that can best deliver on our objective of delivering pension security.

Active: 56.0%
Passive: 44.0%

Calculated on a gross asset basis.

Cost effectiveness

According to the latest results from the CEM Benchmarking Inc. analysis, OPTrust delivered strong risk-adjusted performance using a sophisticated asset mix that was implemented cost effectively. Some highlights from CEM:

- Fewer than 10 per cent of global peers exceed our combination of both value-added performance and investment costs relative to benchmarks for the five-year period ending in 2022.
- Our five-year value-added performance was in the top quartile of Canadian peers for the period ending in 2022.

2023 Responsible **Investing Report**

OPTrust

OPTrust's Responsible Investing (RI) program is an integral component of our investment strategy, contributing to sustainable pension security for our members. We recognize that environmental, social and governance (ESG) factors can materially affect investment risk, return and our reputation. Every investment professional at OPTrust is responsible for including ESG risks and opportunities in their decision making and prioritizing stewardship in their asset management activities. This approach supports the Plan in navigating an increasingly complex investment environment and is grounded in our fiduciary duty to our members.

With growing recognition of ESG materiality and increasing urgency to act on sustainability issues, we are continuing to bolster our ESG integration and stewardship capabilities through the implementation of our 2022 climate change strategy, enhanced ESG data management and commitments to ensure portfolio resiliency. Most notably, we announced an interim portfolio decarbonization target of 30 per cent by 2030 and supporting stewardship targets to help deliver on our ambition of achieving a net-zero portfolio by 2050, while preserving pension sustainability through the world's decarbonization journey. Our role as an asset owner uniquely positions us to drive positive change within our portfolio and the capital markets more broadly, and we recognize the importance of using our voice to promote sustainable investment for the benefit of our members and other stakeholders.

As part of our commitment to transparency and disclosure, we are pleased to report on our RI activities and advancements from the past year.

2023 Highlights

- Released an **update on our climate strategy with metrics and targets to track and drive progress towards a more climate-resilient portfolio,** as well as a climate metrics toolkit to share our learnings from this process with other investors.
- Voted at **880** company meetings in **29** countries.
- Engaged **113** companies on key ESG issues.
- Completed our **first full-scale data collection cycle for COMPAS (Capturing OPTrust Management and Progress Around Sustainability),** our internally developed ESG data program.
- Completed our **Responsible Investing Partner Evaluation** on 100% of new externally managed investments and engaged with prioritized partners.

Continued to be an active voice in investor collaborative initiatives, including **UNPRI's Private Equity Advisory Committee**, **Thinking Ahead Institute's climate change working group**, and **Ceres' private equity working group**.

Climate change strategy

Recognizing that maintaining Plan sustainability requires addressing climate sustainability, OPTrust has a long-standing commitment to building portfolio resiliency and adaptability against an uncertain and volatile climate trajectory. In 2022, we launched our enhanced **climate change strategy**, centred on our ambition of achieving a net-zero portfolio by 2050 to manage the risks and seize the opportunities of a transitioning global economy.

Over the past year, OPTrust has made considerable progress in the strategy's delivery across its four pillars: **investment strategy and selection, asset management, portfolio analytics and advocacy and disclosure**. This included the development of an innovative **climate metrics framework** to support our climate risk management and strategic investment planning, as well as the establishment of initial targets to guide the implementation of our climate commitments. In our **2022-23 TCFD report**, we shared our interim carbon footprint reduction target of 30 per cent by 2030 (against a 2022 baseline) and supporting stewardship and process objectives geared towards enhancing our climate data quality and understanding of our portfolio's climate risk profile.

We also continued to grow our sustainable incubation strategy to gain exposure to investments that enable decarbonization and are poised to benefit from the global low-carbon transition. The portfolio now spans a diverse range of climate thematic areas, including sustainable energy, low-carbon transportation, circular economy and clean technology. Our strategic partnerships provide further benefit to the Total Portfolio through exposure to sustainable innovations and insights that can strengthen climate resiliency across investment strategies.

Learn more about our climate change strategy and 2023 achievements **here**.

Responsible investing partnerships

Following the development of our Responsible Investing Partner Evaluation (RIPE) framework by a cross-investment division working group in 2020, 2023 marks our third year of completing RIPE due diligence on all investments in external funds and managers. The evaluation provides a consistent approach for deal teams to identify, assess and document our investment partners' RI competencies and understand their ability to effectively manage ESG risks and opportunities on our invested capital. Over time, investment teams have built up RIPE coverage across their externally managed portfolios and are able to tailor ongoing engagement with their partners based on strengths and areas of opportunity flagged at the initiation of our investment.

To advance the investment strategy and selection pillar in our climate change strategy, the RIPE framework was augmented in 2023 with climate-focused criteria to facilitate rigorous evaluation of our partners' climate risk management and alignment of our externally managed investments with OPTrust's net-zero ambition.

Active ownership and stewardship

Active ownership and stewardship are integral components of our RI strategy that support value creation and proactive risk management for long-term investment success. We leverage our governance rights and investor voice to push for progress on sustainability issues at our investee companies and with our investment partners. Recognizing the power of collective advocacy, we participate alongside like-minded investors in collaborative engagements with companies and policymakers with the aim of achieving systemic advancements on material ESG issues.

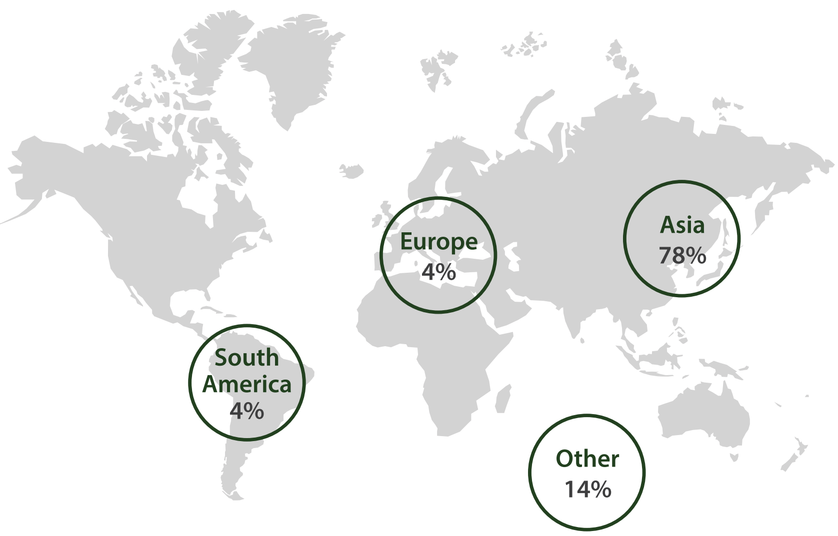
Proxy voting

Good governance practices contribute to long-term performance and enhance shareholder value. For our public equity investments, proxy voting is an important avenue for us to support best practices and hold companies accountable for their governance and business practices. We exercise our voting rights wherever possible and vote in accordance with our Board-approved **Proxy Voting Guidelines**, which outline our expectations for important issues such as board composition, ESG performance and executive compensation.

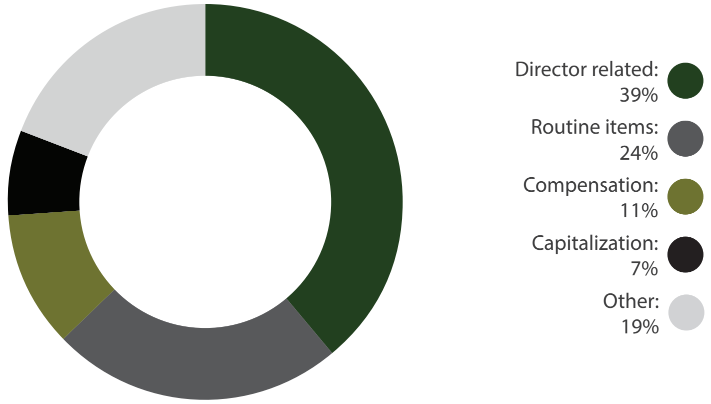
OPTrust advocates for the appointment of directors who embody diversity of gender and background to promote the consideration of different perspectives and stronger decision-making. We support proposals asking companies to pursue best practices to increase the representation of underrepresented groups on boards and vote against accountable directors if boards have less than 30 per cent women or no racially diverse directors (in markets reporting this information). As part of our commitment to improve diversity in our portfolio companies, we voted against 216 director nomination proposals in 2023 due to inadequate board gender balance.

OPTrust voted with management on **82%** of proposals, against on **18%**.

In 2023, OPTrust voted at **880 meetings** in 29 countries:



OPTrust voted on **6,932 proposals** in the following categories:



Corporate engagement

Corporate engagement is another key lever in our active ownership approach. Through dialogue with boards and management teams at investee companies, we advocate for improved practices and robust risk management to enhance long-term value and proactively manage emerging ESG issues. We partner with our engagement provider and investor associations, such as the Canadian Coalition for Good Governance and Climate Action 100+, to amplify investor influence and drive change across the capital markets.

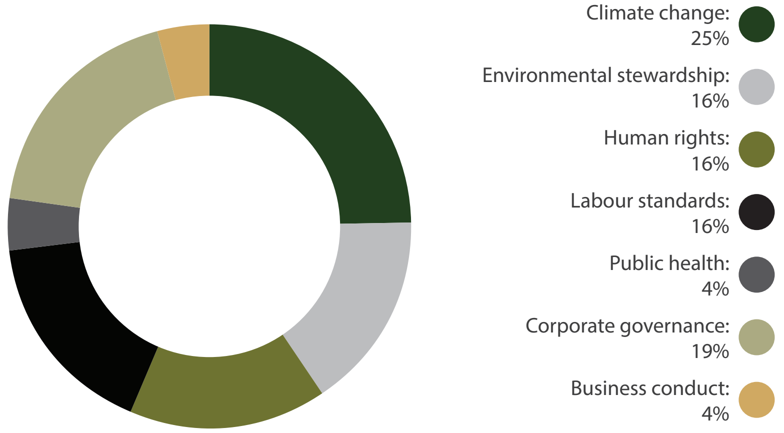
While divestment may ultimately be necessary in certain situations where a company's activities or conduct are incompatible with long-term value, we generally prefer engaging with companies to seek real progress in their ESG performance. Keeping our seat at the table enables us to unlock the benefits of improved ESG practices and is particularly crucial for wide-reaching sustainability issues such as climate change and biodiversity that require systemic change for overall portfolio resiliency.

2023 Engagement milestones:

- **Climate change:** Banco Bradesco published its first standalone climate report, in line with TCFD recommendations. The report details its climate risk management approach and progression towards meeting the company's Net Zero Banking Alliance commitments.
- **Corporate governance:** Alibaba improved its board structure by separating its CEO and Chair roles to facilitate balanced responsibility and accountability between management and the board.
- **Diversity and inclusion:** MediaTek added its first female director to the board, taking an important step in enhancing board diversity.
- **Human rights:** Hewlett Packard strengthened and formalized its human rights due diligence for sales in high-risk areas.

Engagement thematic areas

524 companies engaged across **28 countries**



Capturing OPTrust's Management and Progress Around Sustainability (COMPAS)

ESG data remains a persistent challenge for all investors, including OPTrust given our globally diversified and multi-asset portfolio. Progress requires intentional leadership from asset owners, and in this spirit, a cross-asset-class working group developed COMPAS, an internal ESG data initiative. The COMPAS framework draws from leading ESG data standards, such as the ESG Data Convergence Initiative and is tailored to OPTrust's strategies and RI priorities.

The program's goals include identifying strengths and weaknesses in our management of ESG issues to strengthen investment decision-making, as well as proactively responding to evolving stakeholder expectations around ESG disclosure.

Following a pilot in 2022, we conducted COMPAS' first full-scale ESG data collection cycle in 2023 across the Total Portfolio to establish a baseline of ESG performance. The metrics collected span environmental, social and governance areas and measured both our RI practices and the sustainability performance of our investments. Examples include the percentage of our real estate assets with sustainability certifications, the percentage of our external partners reporting on ESG performance and representation of women and underrepresented groups within our external partners.

While we are still in the early stages of this long-term project, linked to a larger movement of asset owners pushing the investment industry for more consistent and useful ESG information, we are encouraged by the initial results that indicate a strong RI foundation across our portfolios. For instance, the vast majority of our external partners have an ESG policy in place and most are reporting on ESG performance, particularly in strategies where ESG factors are highly material.

Conversely, this exercise has illuminated areas where we can prioritize engagement for strengthening portfolio sustainability.

- At the moment, a minority of our external partners have set a net-zero emissions target. While this figure is unsurprising given the significant uncertainty around the world's decarbonization trajectory and, in many strategies, a relatively low level of climate risk, it does represent an opportunity for us support further adoption of decarbonization commitments and improve portfolio alignment with our net-zero ambition.
- At our external partners, investment team composition is far from gender parity or fully representative of individuals from under-represented groups. These metrics are emblematic of the broader investment industry's diversity gaps, and as a strong advocate for inclusive and equitable organizations, OPTrust will continue to support our partners in improving the diversity of their teams.

Responsible investing in action

Sustainable real estate: B6

In 2018, OPTrust invested in B6, an office development site in downtown Vancouver, B.C., a joint venture with BentallGreenOak's Prime Canadian Property Fund. The site has been developed into a 32-storey office building with sustainability at the forefront of its design and construction. Targeting LEED Gold certification, the property features numerous sustainability features, including a green roof, rainwater harvesting, recycled building materials, triple-pane glazing, a heat-recovery ventilation system and bicycle storage. The development has also prioritized occupant well-being through features that promote air quality, light and thermal comfort and is registered for WELL v2 Certification from the International WELL Building Institute, which certifies a building's impact on human health and well-being. In 2021, the project was financed with a green construction loan from HSBC, a testament to its exceptional environmental performance.

The project's substantial investment in sustainability and wellness positions it for success in a competitive office real estate environment where tenants increasingly seek space that delivers a high-quality experience while reducing environmental footprint. Construction of B6 was completed in late 2023 and the space has been substantially leased for the next 15 years.

Zenith Energy: Decarbonization deal of the year

Since 2019, OPTrust has been invested in Zenith Energy, a leading Australian independent power producer that installs and operates standalone energy generation systems for communities and the resources sector across the country. The company won Decarbonization Deal of the Year at the Infrastructure Awards 2023 (Oceania) for the arrangement of sustainable performance-linked debt facilities in relation to the acquisition of a 510-megawatt portfolio of distributed energy assets aimed at decarbonizing Australia’s extractive industries.

Zenith Energy enables sustainable outcomes through the establishment of on-site renewable energy sources to facilitate decarbonization of operations in traditionally hard-to-abate industries. As these industries continue to manage their environmental impact more intentionally, Zenith Energy is a crucial partner in delivering clean and reliable power.

Zenith Energy has set an interim target of a 20 per cent reduction in carbon intensity by 2025 and an ambitious goal of net zero emissions by 2035. Over this timeframe, the company is committed to transitioning their portfolio of energy assets to 100 per cent renewable power generation, focusing on solar and wind power.

Risk Management and Compliance

OPTrust acknowledges that risks exist within its operations and activities, as well as in the pursuit of its objectives. We see risk management as a valuable tool to advance our mission and strategy. A robust risk governance and risk management framework helps in improving decision-making, achieving strategic and operational objectives, and enhancing overall performance.

We aim to ensure that risk management is well-understood and integrated throughout the organization, including in policies, practices and processes. Risk management is integrated into all aspects of OPTrust’s strategy, operations, and decision-making processes, involving appropriate stakeholders and subject matter experts, and following industry best practices.

OPTrust is guided by its Risk Appetite Statement, approved annually by the Board, in managing critical risks within their defined risk appetite. The Board and team members are committed to conducting their affairs ethically and in compliance with applicable laws, regulations and corporate policies. OPTrust’s compliance program plays a critical role in managing legal and regulatory risks to ensure the organization’s sustainability and a positive work experience for its employees.

OPTrust employs a ‘three lines of defence’ approach to risk governance and management

- The business is the **first line** of defence and owns the risks and the responsibility for managing them through maintaining effective internal controls.
- The **second line** of defence comprises the enterprise risk management, investment risk, legal, tax and compliance functions, which are responsible for facilitating and monitoring the implementation of risk management and compliance practices by the various business lines.
- The **third line** of defence is internal audit, which provides independent assurance to the Board that risk management systems and reporting have been effectively implemented.

Risk management and compliance governance are deeply rooted in OPTrust’s culture and corporate values and are aligned with the principles of the Code of Conduct, integrated into business processes, and tailored to the organization’s mission, size, and environment. This approach helps us establish a risk-conscious culture with an emphasis on appropriate behaviours, risk analysis, and managing risks within approved parameters.

Governance and Accountability

Governance system

The Ontario Public Service Employees' Union Pension Plan (the OPSEU Pension Plan or the Plan) was established pursuant to a *Sponsorship Agreement* dated April 18, 1994, between the Province of Ontario (the Province) and the Ontario Public Service Employees Union (OPSEU). The Plan is a successor to the Public Service Pension Plan for public servants who were members of OPSEU. Certain provisions of the *Sponsorship Agreement* were implemented by the *Ontario Public Service Employees' Union Pension Act, 1994*, which came into force on June 23, 1994.

The Plan is jointly governed by a Board of Trustees (the Board) established pursuant to an *Agreement and Declaration of Trust* established by OPSEU and the Province dated October 25, 1994 (Trust Agreement). Consistent with the joint governance model, five trustees are appointed by OPSEU and five by the Province. The Board serves solely as the legal administrator of the Plan and has no power to amend the Plan. Only the Province and OPSEU (the Sponsors) have the power to amend the Plan and any of the other founding documents. The Board and its employees operate under the business name OPTrust.

Under a joint-governance system, the decisions and risks of the Plan are shared by the members and the employers who contribute to it. For decision-making purposes, OPSEU represents all Plan members and the Province represents all participating employers. This includes the members and participating employers of OPTrust Select, as a separate schedule of benefits under the Plan.

The joint governance model is built into every aspect of OPTrust's governance system. The Board Chair and Vice-Chair positions rotate between Trustees appointed by OPSEU and by the Province. The standing committees of the Board and any ad hoc committees are composed of equal numbers of Trustees appointed by OPSEU and by the Province and the Chairs of the standing committees rotate between Trustees appointed by OPSEU and by the Province.

Under the governance system established by the Board, the four standing committees of the Board serve a monitoring/supervisory function and make recommendations to the Board on matters that are assigned to them under their respective terms of reference. The Board approves matters recommended by the committees and is directly responsible for strategic matters such as the strategic plan, the corporate objectives, the annual business plan and the selection of the President and CEO.

Regulatory framework

The Plan is registered as a jointly sponsored pension plan with the Financial Services Regulatory Authority of Ontario under the *Pension Benefits Act* (Ontario). The Plan is also registered with the Canada Revenue Agency under the *Income Tax Act* (Canada). OPTrust is subject to numerous other statutes in Ontario and in jurisdictions where OPTrust invests and/or has offices (Australia and the U.K.).

Board appointments

There were some changes to Trustee appointments. Aisha Jahangir was appointed to the Board effective May 2023. Jason Mushynski was appointed to the Board effective January 2024. Sharon Pel was reappointed to the Board in February 2023 and Don Wilkinson was reappointed in June 2023. Randy Sloat retired from the Board at the end of 2023, after serving since 2012.

Standing committees of the Board

The **Governance and Administration Committee (GAC)** monitors Plan administration and major pension initiatives and oversees the preparation of actuarial valuations. The GAC also oversees various governance-related activities, recommends and oversees governance reviews, monitors the Board's education and development and oversees the preparation of the Funded Status Report.

The **Audit, Finance and Risk Committee (AFRC)** monitors the budget and provides oversight in the areas of financial reporting, tax, audits, internal controls, corporate insurance, information technology (digital), data management, regulatory compliance and enterprise risk management.

The **Investment Committee (IC)** oversees the investment activities of OPTrust and monitors the progress of strategic investment initiatives. The IC also makes recommendations to the Board for approval of key investment metrics and investment policies.

The **Human Resources and Compensation Committee (HRCC)** provides oversight of OPTrust's people strategy, the management compensation system and reviews and recommends to the Board the compensation of the President and CEO as well as the compensation of the Executive Team and certain other high earners in the organization.

Two additional committees have been established which operate on an as-needed basis: the **Adjudication Panel**, which gives Plan members access to a review process in the event of certain types of disputes, and the **Concern Assessment Panel**, which provides a forum for addressing complaints under OPTrust's *Whistle-Blowing Policy*. From time to time, the Board also establishes ad hoc working groups or committees to undertake specific projects.

Orientation and education

New Board members are provided with a comprehensive two-day orientation. Recognizing that Board members join with different levels of related experience, all Board members are encouraged to take a basic board effectiveness course (e.g. Institute of Corporate Directors) if they have not done so already. Board members receive an annual budget for conferences and courses and regular in-house education sessions are built into the Board calendar.

Process for managing conflicts

Trustees are required to complete a *Conflict of Interest Disclosure and Attestation Form* when they join the Board and to update it on an annual basis or when there is a change in their circumstances, such as the assumption of a new role.

Management governance

Management has established the *Management Governance Charter* which sets out the roles and responsibilities of the participants in the management governance system. The Executive Team, comprising the heads of each of the divisions at OPTrust, serves in an advisory capacity to the President and CEO. Four management committees aligned with the Board standing committees review and approve management policies and serve as information-sharing forums. Other organizational committees have been established to oversee key governance matters (e.g. the Reputational Risk Committee).

Compensation program

The contributions made by employees are critical to the successful achievement of OPTrust's mission. Our compensation program plays a key role in achieving our objectives by attracting, rewarding and retaining talented employees who work to deliver on our goals and live our values.

Compensation structures for bargaining unit staff are negotiated in the collective agreement. The current four-year agreement is effective as of January 1, 2023 and runs through to December 31, 2026.

For non-bargaining unit employees, our compensation program is comprised of base salary and variable compensation including annual and long-term (where applicable) components.

Benefit and retirement programs

In addition to total compensation, total rewards for all employees (bargaining unit and management) include retirement programs, health benefits and wellness programs.

Management compensation principles and objectives

The OPTrust compensation principles provide a framework for the design of our compensation program. We strive to:

- Pay competitively compared to relevant external markets, while considering internal equity and cost effectiveness for our members.
- Align employee compensation with how well we achieve our business objectives.
- Focus on Total Fund and asset class performance measures and how well we achieve our organizational, divisional, and individual objectives.
- Encourage effective risk management that is aligned with the organization's Risk Appetite Statement and other risk metrics.
- Have a variable pay structure that facilitates pay for performance and rewards employees commensurate with their ability to impact results.
- Promote OPTrust's values by focusing not just on what is achieved but how it is achieved.
- Be perceived as fair and reasonable by internal and external stakeholders.

To ensure our management compensation program remains aligned with these principles and market competitive, we undertake regular comprehensive reviews.

Compensation framework for management

Base salary

Employees are assigned a salary to provide market-competitive compensation appropriate for the level of responsibility, knowledge and skill required for their role.

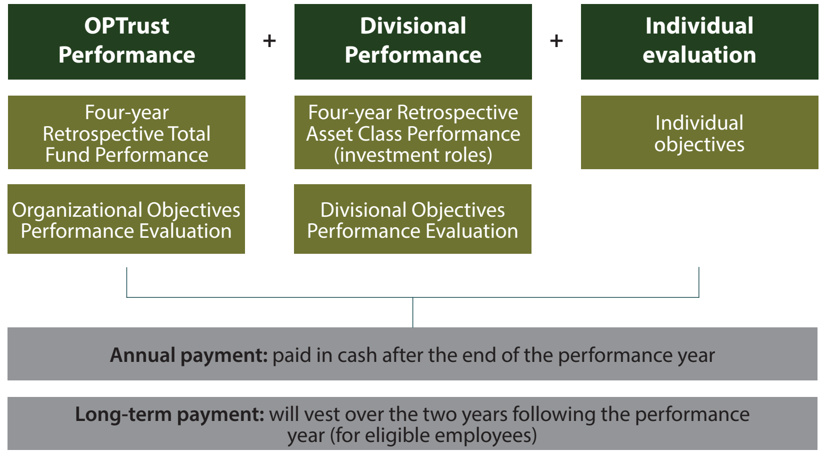
Variable compensation

The OPTrust variable compensation plan (called "One Plan") is based on performance assessments in the key areas outlined below. Performance metrics are established at the beginning of the year and the weighting for each category varies based on the level of the employee and their division.

Within the OPTrust Performance category, the four-year Retrospective Total Fund Performance is evaluated through three metrics: funded status, risk-adjusted returns and cumulative value-add of active strategies. For the employees in the Investment Division, the Divisional Performance category includes an evaluation of the four-year Retrospective Asset Class Performance.

For all eligible employees, after the end of the year, performance is assessed against objectives at the individual, divisional and organizational levels to determine their payment. The payment is made as a combination of an annual component and, if eligible, a long-term component. The annual component is paid after the end of the performance year, while the long-term component is payable in equal installments over the two years after the annual payment is made.

Quantitative metrics in OPTrust's variable compensation program are in the final year of a three-year transition from the prior incentive program to the new variable compensation program. The prior incentive program included a short-term incentive program that assessed individual performance against objectives aligned to OPTrust's annual business plan and a long-term incentive plan aligned to three risk measures: funded status, efficient risk management and surplus preservation.



Compensation oversight

The Board approves the compensation principles and philosophy, the design of the compensation program, the performance factors, and the total aggregate base salaries and variable compensation for all management and exempt employees. Additionally, the Board approves the salaries and variable compensation paid to the CEO, members of the Executive Team and the 10 highest-paid employees who are not members of the Executive Team. The Human Resources and Compensation Committee assists the Board in meeting its fiduciary duties by making recommendations to the Board on compensation-related matters and monitoring the implementation of the compensation program. The Board engages an independent compensation advisor to provide advice and assistance to the Human Resources and Compensation Committee and the Board in executing their responsibilities.

The CEO is responsible for overseeing the implementation of the compensation program and for making recommendations to the Board on the payment factors for the quantitative and qualitative metrics. The CEO makes recommendations to the Human Resources and Compensation Committee with respect to the salaries and variable compensation of members of the Executive Team and certain other highly paid employees and the aggregate compensation paid to all other members of management, based on a combination of the performance of the Plan and individual performance.

Compensation disclosure

The Board is committed to transparency with respect to the compensation of members of OPTrust's Executive Team. Details about the base salary and other compensation paid to the President and CEO, CFO and the other three highest-paid members of the Executive Team are below.

Compensation paid

($ thousands)	Fiscal Year	Base A	One Plan –annual variable B	Long-term variable C	Other benefits D	Total A+B+C+D	Post-employment benefits E
Peter Lindley[a] President and Chief Executive Officer *(Appointed September 2019)*	**2023**	**400**	**560**	**530**	**7**	**1,497**	**75**
	2022	375	519	458	6	1,358	61
	2021	375	540	234	6	1,155	101
Upton Jeans[b] Chief Financial Officer *(Appointed May 2021)*	**2023**	**299**	**204**	**176**	**8**	**687**	**90**
	2022	290	213	71	8	582	85
	2021	201	141	0	5	347	94
James Davis[c] Chief Investment Officer *(Appointed September 2015)*	**2023**	**397**	**744**	**794**	**24**	**1,959**	**56**
	2022	385	777	754	24	1,940	17[d]
	2021	385	815	693	9	1,902	42
Stephen Solursh[e] Senior Vice-President and General Counsel *(Appointed February 2020)*	**2023**	**294**	**235**	**244**	**19**	**792**	**51**
	2022	285	242	218	19	764	42
	2021	285	247	128	8	668	65
Dani Goraichy[f] Senior Vice-President and Chief Risk Officer *(Appointed September 2019)*	**2023**	**280**	**202**	**203**	**8**	**693**	**65**
	2022	270	209	142	8	629	58
	2021	260	200	73	8	541	89

[a] Long-term payments in 2021 and 2022 include payments awarded under the prior compensation plan for 2019 and 2020. The 2019 plan year award, received in 2021, was prorated to reflect Peter Lindley's start date with OPTrust (September 2019).
[b] 2021 compensation for Upton Jeans is prorated based on his start date with OPTrust (April 2021).
[c] Long-term payments in 2021 and 2022 include payments awarded under the prior compensation plan for 2020 and 2019.
[d] This figure was incorrectly reported in the 2022 Funded Status Report as $53,000.
[e] Long-term payments in 2021 and 2022 include payments awarded under the prior compensation plan for 2019 and 2020. The compensation plan awards for those years, were received in 2021 and 2022 and reflect time in Stephen Solursh's previous role before his appointment as Senior Vice-President and General Counsel in February 2020.
[f] Long-term payments in 2021 include payments awarded under the prior compensation plan for 2019 and 2020. The 2019 plan year award, received in 2021, reflects time in Dani Goraichy's previous role, before his appointment as Senior Vice-President and Chief Risk Officer in September 2019. The 2022 long-term payment included awards under the prior compensation plan for the 2020 plan year.

Definitions

Base: This represents the regular base salary received during 2023.

One Plan annual variable: Payments under OPTrust's variable compensation program are reported for the year in which they are earned but are paid in the subsequent calendar year. This payment represents Annual Variable compensation earned in 2023 to be paid in 2024.

One Plan long-term variable: These payments reflect payment of the long-term component of the variable compensation under One Plan, awarded in the years 2021 and 2022. Long-term variable payments shown for 2021 and 2022 also include the final two tranches of the Long-Term Incentive Payments (LTIP) under the prior compensation plan for the plan years 2020 and 2019.

Other benefits and payments: The amounts disclosed include vacation payouts, other taxable benefits and the employer's share of all employee benefit premiums and contributions (excluding pension contributions) made on behalf of employees. One-off contractual payments may also be included.

Post-employment benefits: The disclosed executives all contribute to the OPTrust defined benefit pension plan. Employees who exceed the maximums under the *Income Tax Act* also participate in the Supplementary Benefit Arrangement. The post-employment benefits disclosed reflect the value of the benefits earned for the year under both plans. The value is reliant on a variety of factors including pensionable earnings and years of service in the Plan.

Board of Trustees expenses

The Board of Trustees do not receive compensation from OPTrust. Reimbursement for Trustee-related incidental expenses and education received by Trustees totaled $84,200 in 2023 (2022 – $135,575[1]). The total spent in 2023 reflects a full year of in-person Board meetings and a regular schedule of Board educational activities. The Trustees appointed by the Province of Ontario receive a per diem paid directly by the Province. Trustees appointed by OPSEU are compensated by the union for any loss of regular income as a result of time spent fulfilling their duties as a member of the Board.

[1] Trustee expenses were reported in the 2022 Funded Status Report as $148,000 but were $135,575.

Board advisors

Actuary
WTW

Investment Advisors
Janet Rabovsky
Stephen Hart

External Auditor
PricewaterhouseCoopers LLP

External Legal Advisor
Fasken Martineau DuMoulin LLP

Internal Auditor
Ernst & Young LLP
BDO Canada LLP

Compensation Advisor
Hugessen Consulting Inc.

Information Technology and Risk Advisor
Deloitte Canada

Members of the Board of Trustees

At December 31

[1] Appointed by the Government of Ontario

[2] Appointed by OPSEU

Members of the Executive Team

At December 31

Peter Lindley
President and Chief Executive Officer

Jesusa Chow

Senior Vice-President, Member Experience and Pension Operations

Karen Danylak

Vice-President, Strategy, Communications and Stakeholder Relations

James Davis

Chief Investment Officer

Dani Goraichy

Chief Risk Officer and Senior Vice-President, Actuarial Services and Plan Policy

Tracy Hoskins

Head of People

Upton Jeans

Chief Financial Officer

Satwant Pannu

Vice-President, Information Technology, Operations and Security

Stephen Solursh

Senior Vice-President and General Counsel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Management's responsibility for financial reporting

Management of the OPSEU Pension Plan Trust Fund (OPTrust) is responsible for the integrity and fairness of the data presented in the financial statements and the financial information presented in the Funded Status Report (FSR). The financial statements have been prepared in accordance with the *Chartered Professional Accountants of Canada Handbook* Section 4600 — Pension Plans (s4600) and comply with the financial reporting requirements of the *Pension Benefits Act* (Ontario). In the selection of accounting policies that do not relate to its investment portfolio or pension obligations, OPTrust has chosen to comply on a consistent basis with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS Accounting Standards), to the extent that those standards do not conflict with the requirements of s4600. The financial statements include amounts that must, as necessary, be based on the best estimates and judgment of management with appropriate consideration as to materiality. Where applicable, the financial information presented throughout the FSR is consistent with the financial statements.

Management has recognized the importance of OPTrust maintaining and reinforcing a high standard of conduct in all of its actions, including the preparation and publication of statements fairly presenting the financial position of the Ontario Public Service Employees' Union Pension Plan (the OPSEU Pension Plan or the Plan). Systems of internal control and supporting procedures are maintained to provide assurance that transactions are properly authorized, assets are safeguarded against unauthorized use or disposition and proper records are maintained. The systems are augmented by the careful selection and training of qualified staff, the establishment of organizational structures providing for a well-defined division of responsibilities, and the communication of policies and guidelines of business conduct throughout OPTrust.

The Board of Trustees (the Board) has the ultimate responsibility for the financial statements presented to Plan members. The Audit, Finance and Risk Committee, consisting of Trustees appointed by each of the Province of Ontario and OPSEU, reviews the financial statements with management and the external auditor before such statements are recommended to the Board for approval. The Audit, Finance and Risk Committee meets on a regular basis with management and the external auditor to review the scope of the audit, discuss auditor's findings, and satisfies itself that the Board's responsibilities have been adequately discharged.

PricewaterhouseCoopers LLP, the Plan's external auditor, has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion upon completion of such examination in their report to the Board. The auditors have full and unrestricted access to management, the Audit, Finance and Risk Committee and the Board to discuss their audit and related findings as to the integrity of the Plan's financial reporting and the adequacy of the systems of internal control.

Peter Lindley
President and Chief Executive Officer

Upton Jeans
Chief Financial Officer

March 7, 2024

Actuaries' opinion

Towers Watson Canada Inc. (WTW) was retained by the Board of Trustees of the Ontario Public Service Employees' Union Pension Plan (the Plan) to perform an actuarial valuation of the Plan as at December 31, 2023. The purpose of this valuation is to determine the pension obligations of the Plan as at December 31, 2023, for inclusion in the Plan's financial statements in accordance with Section 4600 of the *Chartered Professional Accountants of Canada (CPA Canada) Handbook*.

We have undertaken such a valuation and provided our related report. As this valuation was undertaken for purposes of the Plan's financial statements under the CPA Canada Handbook Section 4600, it might not be appropriate for other purposes and should not be relied upon or used for any other purpose.

The results of the valuation disclosed total going concern pension obligations of $22,064 million in respect of service accrued to December 31, 2023.

The valuation of the Plan's going concern pension obligations was based on:

- members' demographic data provided by OPTrust management as at September 22, 2023 for Primary Schedule members and for OPTrust Select members, projected to December 31, 2023 using management's estimates of experience for the intervening period;
- the actuarial cost method prescribed by the CPA Canada Handbook Section 4600; and
- best-estimate assumptions about future events (for example, economic factors such as future rates of inflation and returns on the pension fund, as well as demographic factors) which were developed by OPTrust management in consultation with WTW and have been adopted by OPTrust management and approved by the Board.

Changes have been made to the actuarial assumptions affecting the pension obligations since the previous valuation for the purpose of the Plan's financial statements at December 31, 2023, as described in the notes to the financial statements.

We have reviewed the data used for the valuation and have performed tests of reasonableness and consistency. In our opinion, for the purposes of the valuation,

- the membership data are sufficient and reliable;
- the assumptions adopted are appropriate;
- the methods employed in the valuation are appropriate; and
- the valuation has been completed in accordance with our understanding of the requirements of the *Chartered Professional Accountants of Canada (CPA Canada) Handbook* Section 4600.

Nonetheless, differences between future experience and the assumptions about such future events will result in gains or losses which will be revealed in future valuations, none of which have been anticipated at this time. Our valuation was prepared and our opinions given in accordance with accepted actuarial practice in Canada.

Towers Watson Canada Inc.

Philip Morse

Philip A. Morse
Fellow, Canadian Institute of Actuaries

Suzanne Jacques

Suzanne Jacques
Fellow, Canadian Institute of Actuaries

Toronto, Ontario
March 7, 2024

Independent auditor's report

To the Board of Trustees of OPSEU Pension Plan Trust Fund

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OPSEU Pension Plan Trust Fund (OPTrust) as at December 31, 2023 and 2022, and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

What we have audited

OPTrust 's financial statements comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of changes in net assets available for benefits for the years then ended;
- the statements of changes in pension obligations for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of OPTrust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the Funded Status Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing OPTrust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate OPTrust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing OPTrust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OPTrust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on OPTrust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause OPTrust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 7, 2024

Statements of financial position

As at December 31 ($ millions)	2023	2022
ASSETS		
Investments (Note 3)	**27,665**	28,668
Contributions receivable (Note 7)	**62**	56
Other assets	**26**	5
	27,753	28,729
LIABILITIES		
Accounts payable and accrued charges	**61**	63
Investment-related liabilities (Note 3)	**2,552**	4,023
	2,613	4,086
NET ASSETS AVAILABLE FOR BENEFITS	**25,140**	24,643
PENSION OBLIGATIONS (Note 5)	**22,064**	20,776
SURPLUS (Note 6)	**3,076**	3,867
PENSION OBLIGATIONS AND SURPLUS	**25,140**	24,643

For the years ended December 31 ($ millions)	2023	2022
SURPLUS, BEGINNING OF YEAR	**3,867**	4,548
CHANGE IN SURPLUS		
Increase/(Decrease) in net assets available for benefits	**497**	(1,270)
(Increase)/Decrease in net pension obligations	**(1,288)**	589
NET INCREASE/(DECREASE) IN SURPLUS	**(791)**	(681)
SURPLUS, END OF YEAR	**3,076**	3,867

The accompanying notes are an integral part of these financial statements.

The financial statements were authorized for issue by the Board of Trustees on March 7, 2024, and were signed on its behalf by:

Lindsey Burzese
Chair

Richard Nesbitt
Vice-Chair

Statements of changes in net assets available for benefits

For the years ended December 31 ($ millions)	2023	2022
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	**24,643**	25,913
Changes Due to Investment Activities		
Investment income (Note 4)	**433**	445
Net gain (loss) on investments (Note 4)	**917**	(950)
Investment management and administrative expenses (Notes 4 and 9)	**(76)**	(75)
	1,274	(580)
Changes Due to Pension Activities		
Contributions (Note 7)	**620**	594
Benefits paid (Note 8)	**(1,353)**	(1,245)
Pension administrative expenses (Note 9)	**(44)**	(39)
	(777)	(690)
INCREASE/(DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS	**497**	(1,270)
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**25,140**	24,643

The accompanying notes are an integral part of these financial statements.

Statements of changes in pension obligations

For the years ended December 31 ($ millions)	2023	2022
PENSION OBLIGATIONS, BEGINNING OF YEAR	**20,776**	21,365
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on benefits	**1,222**	1,094
Benefits accrued	**510**	574
Change in actuarial assumptions (Note 5)	**604**	(1,556)
	2,336	112
DECREASE IN PENSION OBLIGATIONS		
Benefits paid (Note 8)	**1,353**	1,245
Experience gains/(losses) (Note 5)	**(305)**	(544)
	1,048	701
(DECREASE)/INCREASE IN NET PENSION OBLIGATIONS	**1,288**	(589)
PENSION OBLIGATIONS, END OF YEAR	**22,064**	20,776

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements

1. Description of the Ontario Public Service Employees' Union Pension Plan

The Ontario Public Service Employees' Union Pension Plan (the OPSEU Pension Plan or the Plan) was established as a jointly sponsored defined benefit plan pursuant to a *Sponsorship Agreement* dated April 18, 1994 (the Agreement) between the Province of Ontario (the Province) and the Ontario Public Service Employees Union (OPSEU) (collectively, the Sponsors), primarily for employees in the Ontario Public Service who were members of bargaining units represented by OPSEU. The *Ontario Public Service Employees Union Pension Act, 1994* (the OPSEU Act) enacted in June 1994 facilitated certain aspects of the Agreement.

The Plan's primary schedule (Primary Schedule) provides pension benefits mainly for employees of the Province and various crown agencies, boards commissions and certain other employers in the broader public sector in bargaining units represented by OPSEU. Pursuant to a letter of agreement executed by the Sponsors on April 19, 2018, a second schedule of benefits known as OPTrust Select was added to the Plan. OPTrust Select members are employees of participating employers in the broader public and nonprofit sectors.

The Plan and the related pension fund (Trust Fund) were established pursuant to an *Agreement and Declaration of Trust* dated October 25, 1994 (the Trust Agreement). The Trust Agreement also established the Board of Trustees (the Board) as the legal administrator of the Plan and the trustees of the Trust Fund. The Board is composed of five appointees of the Province and five appointees of OPSEU. The Board operates under the business name OPTrust. The Plan, Trust Fund and Board are collectively referred to in these financial statements as OPTrust. As permitted by the *OPSEU Act*, the Board's employees are also members of the Primary Schedule.

The Plan is registered under the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada) under registration number 1012046. The Plan is a registered pension plan as defined in the *Income Tax Act* (Canada) and is not subject to income tax in Canada. However, OPTrust, its entities and investments are subject to other federal, provincial and municipal taxes in Canada, and some are subject to tax in other countries.

These financial statements reflect OPTrust's financial position, including the net assets available for benefits, pension obligations and surplus.

The following is a summary description of the Plan. For more complete information, reference should be made to the Plan text.

A. FUNDING

Contributions and investment earnings fund Plan benefits. The determination of the value of the benefits and required contributions is based on actuarial valuations for funding purposes.

B. CONTRIBUTIONS

Under the Primary Schedule, the contribution rate for both employers and members since January 1, 2012 is 9.4% of pensionable salary up to the Year's Maximum Pensionable Earnings (YMPE), and 11% of pensionable salary above the YMPE.

Under OPTrust Select, the contribution rate for both employers and members is 3.0% of pensionable salary. For the first two years of participation, new employers are required to contribute an additional 0.2%.

C. PENSION BENEFITS

Pension benefits vest immediately under both schedules and include a lifetime pension payable at age 65.

Under the Primary Schedule, pensions are determined using a formula that considers a member's total pension service and annual salary rate averaged over 60 sequential months of membership. Members can retire early with an unreduced pension if their age plus years of pension service total 90 or if they are at least 60 years of age and have at least 20 years of pension service. Members who do not qualify for an early unreduced pension may start receiving a reduced pension between ages 55 and 65. Members who retire early also receive a temporary bridge benefit until age 65 or death, whichever occurs first.

Under OPTrust Select, there is no bridge benefit or early unreduced retirement provision. Members are entitled to an unreduced pension at age 65 and may start receiving a reduced pension between ages 55 and 65. The lifetime pension is determined by using a formula that considers a percentage of a member's pensionable pay in each year of membership plus any benefit upgrades granted by the Board.

D. INFLATION PROTECTION

Under the Primary Schedule, pensions and deferred pensions are adjusted annually for inflation based on changes to the Consumer Price Index (CPI), to a maximum of 8% in any one year. Where the inflation adjustment exceeds 8% in any one year, the excess is carried forward to any subsequent years when the adjustment is less than 8%.

Under OPTrust Select, pensions paid to retirees and pension benefits accrued for prior years by active members may be adjusted for inflation at the discretion of the Board.

E. DEATH BENEFITS

A 60% survivor pension is provided to an eligible spouse (or eligible children if there is no spouse) at no cost to the pensioner under the Primary Schedule. Under OPTrust Select, the member's pension is reduced to pay for a spousal survivor pension. Under the Primary Schedule, a pre-retirement death benefit is provided to an eligible spouse, eligible children, the member's designated beneficiary, or estate (in that order of priority). Under OPTrust Select, a pre-retirement death benefit is provided to an eligible spouse, the member's designated beneficiary, or estate.

F. DISABILITY PENSIONS

Under the Primary Schedule, a disability pension is available to members with a minimum of 10 years of pension service in the Plan who meet the established criteria. The amount of the disability pension depends on the years of pension service and the average salary of the disabled member. Disability pensions are not available under OPTrust Select.

G. DEFERRED PENSIONS

Members in the Primary Schedule and OPTrust Select who terminate membership in the Plan before retirement have the right to leave their entitlement in the Plan and receive a pension when they retire. Deferred pensions are increased annually for inflation under the Primary Schedule only.

H. TERMINATION PAYMENTS

Members who terminate membership in the Primary Schedule or OPTrust Select before they become eligible for early retirement are entitled to transfer the commuted value of their pension to a registered retirement vehicle, subject to limits under the *Income Tax Act* (Canada). In some cases, members may also receive a refund of contributions.

I. TRANSFERS

Under the Primary Schedule, members who transfer employment to most management positions or certain professional groups are subject to a mandatory transfer of service to the Public Service Pension Plan, administered by the Ontario Pension Board. In addition, a member of the Primary Schedule who terminates their membership may be entitled to transfer the value of their pension to another pension plan if they are under the age of 55 and the other plan agrees to accept the transfer or if they are under the age of 65 and OPTrust has a reciprocal transfer agreement with that plan. The prescribed transfer options under the *Pension Benefits Act* (Ontario) are available to OPTrust Select members.

2. Significant accounting policies

A. BASIS OF PRESENTATION

These financial statements are prepared in accordance with the *Chartered Professional Accountants of Canada Handbook* Section 4600 - Pension Plans (s4600). The recognition and measurement of OPTrust's assets and liabilities are consistent with the requirements of s4600. The financial statements also include disclosures required by Regulation 909 of the *Pension Benefits Act*.

In the selection of accounting policies, OPTrust has chosen to comply with *International Financial Reporting Standards*, as issued by the *International Accounting Standards Board* (IFRS Accounting Standards), to the extent that those standards do not conflict with the requirements of s4600.

These financial statements present the financial position of OPTrust as a separate financial reporting entity independent of participating employers, bargaining units, plan members, pensioners and sponsors.

B. USE OF ESTIMATES

In preparing these financial statements, management must make certain estimates, judgments and assumptions that primarily affect the reported values of assets and liabilities, income and expenses, and related disclosures. Actual amounts could differ from these estimates. Significant estimates and judgments included in the financial statements relate to the valuation of real estate investments, private equity and infrastructure investments, certain fund investments and the determination of the pension obligations.

C. INVESTMENTS

Investments, investment-related assets and investment-related liabilities are financial instruments and are recognized on a trade date basis and stated at fair value. OPTrust uses *IFRS 13 Fair Value Measurement* in determining fair value.

i) Valuation of investments

The fair value of investments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The determination of fair value is based on market conditions at a specific point in time and may not be reflective of future values. Fair values determined using valuation models and techniques require the use of assumptions that may not be supported by observable market transactions or available market data. In such cases, fair values may be significantly impacted by the choice of assumptions.

Fair values are determined as follows:

Cash
Cost approximates fair value.

Short-term investments
Fair value is determined using cost plus accrued interest or quoted closing mid-market prices. Short-term investments include commercial paper, certificates of deposits and treasury bills.

Government, corporate and real return bonds
Fair value is generally determined using market quotes. Where quoted prices are not available, estimated values are calculated using discounted cash flows based on current market yields for comparable securities or market information.

Public equity
Fair value is generally represented by the closing quoted market price. Where a listed market price is not available, fair value is determined using comparable market information.

Pooled and hedge funds
Fair value is determined through reference to the net asset values as reported by the external fund manager.

Real estate, private equity and infrastructure
Investments and related liabilities are valued at least annually using appropriate valuation methodologies and the valuator's best assessment of unobservable inputs.

Investments, net of related debt, exceeding predefined thresholds are valued externally at least once every three years, or annually for significant investments following the year of acquisition. Investments may also be selected for external valuation based on risk evaluation.

Fund investment and co-investment fair values are based on net asset values reported by the fund manager, updated for material and asset specific factors known to OPTrust at the valuation date.

The estimated value of mortgages held on real estate investments are valued using discounted cash flows based on indicative market yields of securities with comparable credit risk and term to maturity.

Where there is a binding or non-binding independent offer to purchase an existing investment, the offer is considered when determining fair value.

Derivative instruments
Derivative instruments are financial contracts, the value of which is derived from changes in underlying assets, interest rates, foreign exchange rates, commodities or indices. Market prices are used for exchange-traded derivatives. Where quoted prices are not available, derivatives are valued using appropriate valuation techniques such as option pricing models and discounted cash flows. Inputs used in these valuations include, but are not limited to, spot prices, price volatilities, currency exchange rates, interest rate curves and credit spreads, in determining fair value.

Resell and repurchase agreements
Resell agreements (reverse repos) and repurchase agreements (repos) are transactions where OPTrust buys and sells securities and simultaneously agrees to sell and buy them back at a specified price at a future date. Resell and repurchase agreements are carried at cost, which together with accrued interest approximates fair value due to their short-term nature.

Collateral
Cash collateral provided by OPTrust is excluded from financial statement cash and an equivalent receivable amount is recognized as cash collateral pledged. Cash collateral received by OPTrust from counterparties is recognized as cash and a liability for the equivalent amount is recognized as cash collateral received.

When OPTrust pledges collateral in the form of securities to counterparties, the asset remains as an investment in OPTrust's financial statements. Collateral received in the form of securities is not recognized in OPTrust's financial statements as the risks and rewards of ownership do not transfer. OPTrust does not sell, repledge or otherwise use any securities collateral received from the securities lending program, but collateral received from transactions executed under resell agreements can be sold or repledged for the duration of each transaction.

ii) Income recognition
Net investment income includes interest and dividend income from investments, realized gains and losses on disposal of investments, and unrealized gains and losses resulting from changes in the fair value of investments. Investment income is recognized on an accrual basis.

Realized gains and losses arise from the sale of the investment and represent the difference between net proceeds on disposal and cost. Unrealized gains and losses represent the change in the difference between the fair value and cost of the investment held.

iii) Transaction costs
Transaction costs include incremental costs directly attributable to the acquisition, issue or disposal of investment assets or liabilities. These fees are expensed in the period on an accrual basis and reported as a component of net investment income.

iv) External management and performance fees
External management fees for portfolio management are expensed when OPTrust is directly invoiced in the period incurred and recognized on an accrual basis. Performance fees are recognized on an accrual basis. Performance fees and management fees not directly invoiced are reported as a component of net investment income.

D. PENSION OBLIGATIONS
The value of pension obligations is determined based on actuarial valuations prepared by an independent actuarial firm and verified by OPTrust. Actuarial valuations are prepared every year for financial statement reporting (financial statement valuations) and at least every three years for purposes of determining funding requirements (funding valuations).

For financial reporting purposes, s4600 requires that pension plans report the actuarial value of pension obligations using management's best estimate assumptions and the projected unit credit method, prorated on service. This method calculates the actuarial value of pension benefits accrued up to the financial reporting date, after the projected benefits have been attributed equally to each year of a member's service. This method differs from the modified aggregate method, chosen by OPTrust and used for funding purposes only, which includes the members' and employers' expected future contributions, pension benefits to be earned after the reporting date and margins of conservatism in the setting of economic assumptions. The projected benefits for OPTrust Select include the value of future intended benefit enhancements that are currently targeted at full inflation protection.

E. CONTRIBUTIONS
Contributions from members and employers that are due at year-end and transfers into the Plan, are recorded on an accrual basis. The carrying value of the receivable approximates fair value due to its short-term nature.

F. BENEFIT PAYMENTS
Payments of pensions, refunds and transfers are recorded on an accrual basis.

G. SURPLUS/DEFICIT
Surplus or deficit results from the excess or shortfall of the value of net assets available for benefits over the actuarial value of pension obligations.

H. FOREIGN CURRENCY TRANSLATION
Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. The fair value of investments and cash balances denominated in foreign currencies is translated at the rates in effect at year-end. The resulting unrealized gain or loss is included in the statement of changes in net assets available for benefits.

I. FAIR VALUE DISCLOSURES
All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – inputs are unadjusted quoted prices of identical assets or liabilities in active markets. Investments that are classified as Level 1 generally include cash, actively traded equity securities and exchange-traded derivatives which are valued using quoted prices.

Level 2 – inputs are used, other than quoted prices, that are observable for the asset or liability, either directly or indirectly. Investments that are classified as Level 2 include short-term securities, resell agreements, repurchase agreements, government, real return and corporate bonds and over-the-counter (OTC) derivatives. For these investments, fair values are either derived from quoted prices from less actively traded markets, independent price sources, or pricing models that use observable market data.

Level 3 – one or more significant inputs used in valuation methodologies that are unobservable in determining fair values of the assets or liabilities. Investments that are classified as Level 3 include investments in most private equity, infrastructure, real estate, pooled and hedge fund investments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The significance of a particular input to the fair value measurement requires judgment and evaluation of factors specific to the investment. The determination of an input's observability also requires considerable judgment.

J. FUTURE CHANGES TO ACCOUNTING DISCLOSURE
During 2022, amendments were issued to s4600 which are effective for annual periods beginning on or after January 1, 2024. These amendments have not been adopted early by OPTrust and are not expected to have a significant impact on the financial statements.

3. Investments

A. FAIR VALUE HIERARCHY

The following schedule presents the fair value of OPTrust's investments categorized within the fair value hierarchy as described in Note 2.

	2023					2022[a]				
As at December 31 ($ millions)	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Cost**	Level 1	Level 2	Level 3	Fair value	Cost
Fixed income										
Cash	**526**	**–**	**–**	**526**	**526**	679	–	–	679	680
Short-term investments	**–**	**1,356**	**–**	**1,356**	**1,350**	–	2,325	–	2,325	2,315
Government and corporate bonds										
Canadian	**–**	**6,481**	**–**	**6,481**	**6,780**	–	5,150	–	5,150	5,811
Foreign	**–**	**959**	**–**	**959**	**1,079**	–	1,375	–	1,375	1,502
Real returns bonds										
Canadian	**–**	**–**	**–**	**–**	**–**	–	453	–	453	359
	526	**8,796**	**–**	**9,322**	**9,735**	679	9,303	–	9,982	10,667
Public equity										
Canadian	**44**	**–**	**–**	**44**	**42**	56	–	–	56	39
Foreign	**531**	**–**	**–**	**531**	**483**	969	33	–	1,002	912
	575	**–**	**–**	**575**	**525**	1,025	33	–	1,058	951
Pooled and hedge funds	**–**	**–**	**3,888**	**3,888**	**3,348**	–	392	3,882	4,274	3,997
Real estate	**–**	**–**	**4,436**	**4,436**	**3,458**	–	–	4,679	4,679	3,399
Private equity	**–**	**–**	**4,729**	**4,729**	**3,427**	–	–	4,012	4,012	2,918
Infrastructure	**–**	**–**	**4,222**	**4,222**	**2,805**	–	–	4,159	4,159	2,665
	–	**–**	**17,275**	**17,275**	**13,038**	–	392	16,732	17,124	12,979
Investment-related assets										
Cash collateral pledged	**32**	**–**	**–**	**32**	**32**	413	–	–	413	413
Due from brokers	**–**	**–**	**–**	**–**	**–**	–	5	–	5	5
Derivative instruments	**–**	**381**	**–**	**381**	**32**	–	83	–	83	66
Resell agreements	**–**	**80**	**–**	**80**	**80**	–	3	–	3	3
	32	**461**	**–**	**493**	**144**	413	91	–	504	487
INVESTMENT ASSETS	**1,133**	**9,257**	**17,275**	**27,665**	**23,442**	2,117	9,819	16,732	28,668	25,084
Investment-related liabilities										
Cash collateral received	**(265)**	**–**	**–**	**(265)**	**(268)**	(19)	–	–	(19)	(19)
Due to brokers and other liabilities	**(59)**	**(13)**	**–**	**(72)**	**(73)**	(147)	–	–	(147)	(147)
Derivative instruments	**–**	**(99)**	**–**	**(99)**	**–**	–	(398)	–	(398)	(122)
Repurchase agreements	**–**	**(2,116)**	**–**	**(2,116)**	**(2,146)**	–	(3,459)	–	(3,459)	(3,459)
	(324)	**(2,228)**	**–**	**(2,552)**	**(2,487)**	(166)	(3,857)	–	(4,023)	(3,747)
NET INVESTMENTS	**809**	**7,029**	**17,275**	**25,113**	**20,955**	1,951	5,962	16,732	24,645	21,337

[a] Reclassed accrued income to conform with current year presentation.

B. CHANGES IN FAIR VALUE MEASUREMENT FOR INVESTMENTS IN LEVEL 3

The following table presents a reconciliation of financial instruments measured at fair value using significant unobservable inputs and included in Level 3 of the fair value hierarchy:

	2023					2022				
For the years ended December 31 ($ millions)	**Pooled and hedge funds[b]**	**Real estate[b]**	**Private equity[b]**	**Infrastruc-ture[b]**	**Total**	Pooled and hedge funds	Real estate[b]	Private equity[b]	Infrastruc-ture[b]	Total
Balance, beginning of year	**3,882**	**4,679**	**4,012**	**4,159**	**16,732**	2,835	3,981	4,017	3,364	14,197
Net realized gains/(losses)	**109**	**175**	**103**	**111**	**498**	33	261	808	153	1,255
Change in unrealized gains/(losses)	**96**	**(306)**	**199**	**(85)**	**(96)**	87	451	(422)	570	686
Purchases	**464**	**348**	**609**	**290**	**1,711**	1,183	424	777	284	2,668
Sales/redemptions	**(663)**	**(460)**	**(194)**	**(253)**	**(1,570)**	(256)	(438)	(1,168)	(212)	(2,074)
BALANCE, END OF YEAR[a]	**3,888**	**4,436**	**4,729**	**4,222**	**17,275**	3,882	4,679	4,012	4,159	16,732

[a] For the years ended December 31, 2023 and 2022, there were no transfers in nor out.

[b] Net realized gains include investment income of $5 million (2022 - $5 million) for pooled and hedge funds, $132 million (2022 - $118 million) for real estate, $15 million (2022 - $16 million) for private equity and $40 million (2022 - $74 million) for infrastructure.

C. SENSITIVITY TO CHANGES IN ASSUMPTIONS

Sensitivity information is available for certain direct investments in real estate, private equity and infrastructure and is presented in the table below. Sensitivity changes are not provided for investments, where the Plan has limited access to information on the assumptions and methodologies used to determine the fair value of those investments.

		2023			2022	
As at December 31 ($ millions)	**Key Factor**	**Change in key factor**	**Fair value**	**Increase/ (Decrease) to fair value**	Fair value	Increase/ (Decrease to fair value
Real estate	Capitalization rate[a]	**+/-0.25%**	**1,947**	**(175)/195**	1,756	(157)/175
Mortgages	Interest rate[b]	**+/-0.50%**	**(822)**	**(19)/19**	(672)	(14)/14
Private debt[c]	Discount rate[b]	**+/-0.50%**	**531**	**(5)/4**	299	(3)/3
Infrastructure	Discount rate[b]	**+/-0.25%**	**3,418**	**(164)/174**	3,334	(177)/177
Private equity	EBITDA multiple[d]	**+/-10%**	**1,967**	**342/(342)**	1,345	217/(217)

[a] A rate of return to derive the value of an investment property based on expected income.

[b] The rate used in discounted cash flow analysis to determine the present value of future cash flows.

[c] Private debt is held within the real estate asset class.

[d] EBITDA is defined as earnings before interest, taxes, depreciation and amortization. The EBITDA multiple is used to determine the fair value of a company based on the subject company's EBITDA.

D. DERIVATIVE CONTRACTS

OPTrust utilizes derivatives to manage its asset mix exposure, enhance returns and manage financial risk. Derivative contracts are transacted by OPTrust either directly with counterparties in the OTC market or on regulated exchanges and execution platforms. The following are the types of derivative contracts that OPTrust has entered into:

Futures
Futures are standardized contracts traded on regulated future exchanges and are subject to daily cash settlement of changes in fair value. Futures contracts include the following:

Interest rate futures are contractual obligations to either buy or sell interest rate sensitive financial instruments or indices at a specified price at a future date. OPTrust utilizes interest rate futures contracts to manage its fixed income exposure.

Equity index futures are standardized contracts to either buy or sell a specific equity index at a specified price at a future date. OPTrust utilizes equity index futures contracts to manage its exposure to public equity markets.

Commodity futures are standardized contracts to either buy or sell a predetermined amount of a commodity at a specified price at a future date. OPTrust utilizes commodity futures contracts to manage its exposure to commodity markets.

Forwards
A forward contract is a contract between two parties to buy or sell an asset at a specified price at a future date. OTC currency forward contracts are contractual agreements between two parties to exchange a notional amount of one currency for another at a specified price for settlement at a future date. OPTrust utilizes foreign exchange forward contracts to modify currency exposure for both economic hedging and active currency management.

Swaps
Swaps are OTC contracts between two parties to exchange a series of cash flows. Swap contracts include the following:

An interest rate swap is a contractual agreement between two parties to exchange a series of fixed or floating cash flows based on a notional amount of principal. OPTrust utilizes interest rate swaps to manage interest rate exposures and duration exposures.

A credit default swap is a contractual agreement between two parties to provide protection against a change in value due to a credit event of referenced debt instruments. The purchaser pays premiums to the seller on the credit default swap in return for payment related to a change in value due to credit events. OPTrust utilizes credit default swaps to promote credit risk diversification.

A total return swap is a contractual agreement between two parties to provide the investment return on a referenced asset. The receiver of the total return on the asset pays a floating rate of interest to the payor of the asset total return. OPTrust utilizes total return swaps to promote asset risk diversification.

The notional amounts of derivative contracts represent the nominal or face amount that is used to calculate the cash payments made on that contract. The fair values of the derivative contracts included in the financial statements are determined by using the notional values and changes in the market rates or prices relative to the original terms of the contract. The notional values do not necessarily reflect the future cash flows to be exchanged nor do they indicate OPTrust's exposure to market or credit risk.

The following schedule presents the notional and fair value of OPTrust's derivative contracts held:

	2023			2022		
As at December 31 ($ millions)	**Notional amount**	**Fair value assets**	**Fair value liabilities**	Notional amount	Fair value assets	Fair value liabilities
Interest rate contracts						
Futures						
– long positions	**3,963**	**–**	**–**	–	–	–
– short positions	**–**	**–**	**–**	2,030	–	–
Equity contracts						
Futures						
– long positions	**1,953**	**–**	**–**	316	–	–
– short positions	**21**	**–**	**–**	140	–	–
Swaps	**865**	**72**	**–**	758	13	(18)
Commodity contracts						
Futures						
– long positions	**1,009**	**–**	**–**	1,145	–	–
– short positions	**179**	**–**	**–**	88	–	–
Currency contracts						
Forwards	**18,443**	**182**	**(99)**	17,971	61	(380)
Credit contracts						
Credit default swaps						
– short positions	**2,128**	**127**	**–**	1,251	9	–
TOTAL DERIVATIVES	**28,561**	**381**	**(99)**	23,699	83	(398)

The following schedule presents the notional values of OPTrust's derivative positions by term to maturity:

	2023					2022				
As at December 31 ($ millions)	**Within 1 year**	**1 to 5 years**	**5 to 10 years**	**Over 10 years**	**Total**	Within 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
Interest rate contracts	**3,918**	**45**	**–**	**–**	**3,963**	1,787	243	–	–	2,030
Equity contracts	**2,839**	**–**	**–**	**–**	**2,839**	1,214	–	–	–	1,214
Commodity contracts	**1,188**	**–**	**–**	**–**	**1,188**	1,233	–	–	–	1,233
Currency contracts	**18,443**	**–**	**–**	**–**	**18,443**	17,971	–	–	–	17,971
Credit contracts	**–**	**2,128**	**–**	**–**	**2,128**	–	1,251	–	–	1,251
TOTAL	**26,388**	**2,173**	**–**	**–**	**28,561**	22,205	1,494	–	–	23,699

E. SIGNIFICANT INVESTMENTS

The following schedule presents OPTrust investments having a fair value or cost exceeding 1% of the fair value or cost of net investment assets as at December 31.

As at December 31 ($ millions)	2023 Number of investments	2023 Fair value	2023 Cost	2022 Number of investments	2022 Fair value	2022 Cost
Fixed income	**12**	**3,201**	**3,222**	10	2,934	3,092
Pooled and hedge funds	**4**	**2,345**	**2,073**	7	2,889	2,732
Real estate	**2**	**503**	**321**	2	572	361
Private equity	**2**	**808**	**269**	2	699	265
Infrastructure	**4**	**2,634**	**1,350**	3	2,410	1,168

As at December 31, 2023, the investments where the individual investment has a fair value or cost exceeding 1% of the fair value or cost of net investment assets are as follows:

Fixed income – Bonds issued by the Government of Canada and the Provinces of Ontario and Quebec.

Pooled and hedge funds – MAN FRM Bespoke Alpha LP, PIMCO Multi-Strategy Credit Fund, Carlyle Ontario Credit Partnership, L.P. and Nipun Emerging Markets Fund.

Real estate – Unison Midgard Fund LP and BG LLH, LLC.

Private equity – Kinetic TCo Pty Limited and Atmosphere Aggregator Holdings II, L.P.

Infrastructure – Globalvia Infraestructuras, S.A., Firelight Infrastructure Partners L.P., Kineticor Resources and BRUC OPT Energy Partners S.L.

F. RISK MANAGEMENT

OPTrust is subject to certain investment risks and engages in risk management practices to help ensure that sufficient assets will be available to fund pension benefits. OPTrust has identified our general approach to risk along with the level of risk we are willing to accept for each key risk category. We have also established a framework for effective risk management. This encompasses the monitoring, managing and reporting of enterprise risks including investment risks. Our risk approach, principles and framework are reviewed and approved by the Board.

The Board has delegated responsibility for managing risk to the President and Chief Executive Officer (CEO) but retains responsibility for approving OPTrust's approach to risk and monitoring risks identified by management as top enterprise risks, which have the potential to prevent OPTrust from meeting one or more of its strategic objectives. The CEO has delegated day-to-day responsibility for implementing the investment-related aspects of risk management to the Chief Risk Officer and Senior Vice-President Actuarial Services and Plan Policy, who ensures investment risks are measured and monitored against limits and guidelines, and to the Chief Investment Officer, who ensures that the investment risks are accurately priced and incorporated into the investment decision-making process.

There is a potential risk that OPTrust will not have sufficient assets available to fund future pension benefits. OPTrust manages this risk by focusing on the funded status of the Plan, measured as the ratio of assets to liabilities. Since the funded status of the Plan is a function of both assets and liabilities, and both are affected by the investment environment, managing investment risks is central to ensuring assets will not fall short of liabilities.

Investment risk
Investment risk includes the following types of risk:

- Market risk (including interest rate, foreign currency, equity price and commodity price risks)
- Credit risk; and
- Liquidity risk.

Market risk
Market risk is the risk that the value of an investment will be adversely affected by changes in interest rates, foreign exchange rates, inflation rates, equity and commodity prices. OPTrust manages market risk through investment management practices designed to optimize the relationship between risk and return and the diversification of investments across a variety of asset classes. Risk mitigation strategies aimed at lowering the Total Fund's risk level are actively employed.

a. Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The potential exposure results from either changes in floating interest rates which increase or decrease cash flows or changes in the values of assets or liabilities for fixed rate instruments (e.g. bonds and mortgages). During periods of rising interest rates, the market value of the existing fixed rate instruments will generally decrease.

A 1% increase or decrease in interest rates, with all other variables held constant, would result in a decrease or increase in the value of the fixed income portfolio of $1,000 million (2022 - $990 million) respectively. The change in fair value will be offset by a change in the value of our pension liability which is also correlated to a change in interest rates.

The following table illustrates how fair value is allocated among the various types of interest-bearing investments based upon the contractual maturity of the securities:

As at December 31 ($ millions)	2023 Within 1 year	2023 1 to 5 years	2023 5 to 10 years	2023 Over 10 years	2023 Total	2022 Within 1 year	2022 1 to 5 years	2022 5 to 10 years	2022 Over 10 years	2022 Total
Short-term investments	**1,356**	**–**	**–**	**–**	**1,356**	2,325	–	–	–	2,325
Government and corporate bonds	**57**	**611**	**2,055**	**4,717**	**7,440**	336	–	975	5,214	6,525
Real return bonds	**–**	**–**	**–**	**–**	**–**	–	–	155	298	453
Resell agreements	**80**	**–**	**–**	**–**	**80**	3	–	–	–	3
TOTAL	**1,493**	**611**	**2,055**	**4,717**	**8,876**	2,664	–	1,130	5,512	9,306

OPTrust manages interest rate risk relative to its liabilities by balancing investments between interest-sensitive investments and those subject to other risks. There are also certain real estate, private equity and infrastructure investments which may have interest rate components making them subject to interest rate exposure.

As a result of the implementation of interbank offered rates (IBOR) reform in 2021, IBOR permanently ceased in 2023 and IBOR rates were replaced with alternative benchmark rates (ABR). It was further announced that the Canadian Dollar Offered Rate (CDOR) will permanently cease in 2024. As at December 31, 2023, OPTrust no longer holds non-derivative assets referencing benchmark interest rates subject to IBOR reform that have yet to transition to ABRs (2022 - $184 million). OPTrust held $25 million (2022 - $52 million) in non-derivative assets referencing CDOR. We continue to work towards the recommended target dates for the end of those CDOR rates provided by the regulators and are on track with our transition activities to move to ABRs.

b. Foreign currency risk
Foreign currency risk is the risk that the value of foreign investments will be affected by changes in foreign currency exchange rates for Canadian dollars.

OPTrust's market value exposure to foreign currencies is as follows:

As at December 31 ($ millions)	2023 Gross exposure	2023 Impact of derivatives[a]	2023 Net exposure	2022 Net exposure
Canadian dollar	**11,419**	**8,379**	**19,798**	20,303
Foreign currency exposure				
United States dollar	**8,714**	**(3,578)**	**5,136**	3,488
Euro	**2,578**	**(2,876)**	**(298)**	(149)
British Pound Sterling	**559**	**(392)**	**167**	42
Japanese Yen	**156**	**(302)**	**(146)**	(33)
Taiwan New Dollar	**95**	**–**	**95**	130
Europe-other	**99**	**35**	**134**	78
Asia Pacific-other	**1,271**	**(1,242)**	**29**	341
Emerging markets-other	**222**	**(24)**	**198**	445
	13,694	**(8,379)**	**5,315**	4,342
NET INVESTMENTS	**25,113**	–	**25,113**	24,645

[a] The impact of derivatives reflects the foreign currency exposure represented by the notional amount economically hedged using currency forwards.

The impact of a 5% absolute change in the Canadian dollar against the top five currency exposures held at year-end, holding all other variables constant would have resulted in a $+/-267 million change in net assets available for benefits as at December 31, 2023 (2022 - $+/-193 million).

As at December 31 ($ millions)	Change versus Canadian dollar	2023 Change in net assets available for benefits	2022 Change in net assets available for benefits
United States dollar	**+/-5%**	**+/-275**	+/-193
Euro	**+/-5%**	**+/-(13)**	+/-(6)
British Pound Sterling	**+/-5%**	**+/-8**	+/-2
Japanese Yen	**+/-5%**	**+/-(7)**	+/-(2)
Taiwan New Dollar	**+/-5%**	**+/-4**	+/-6
TOTAL		**+/-267**	+/-193

Currency risk is managed at the total OPTrust level. OPTrust economically hedges most of its currency exposure using currency forwards. The remaining unhedged exposures include currencies that are used to diversify total portfolio risk, emerging market currencies and opportunistic exposures.

c. *Equity price risk*

Equity price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in equity market prices whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. OPTrust is exposed to equity price risk through its investment in public and private equities.

The table below shows the impact of a 10% change in public and private equity markets.

As at December 31 ($ millions)			2023	2022
Equity market[a]	**Market index**	**Change in market index**[b]	**Change in net assets available for benefits**	Change in net assets available for benefits
Public equities	MSCI World Developed Index	**+/-10%**	**+/-317**	+/-170
Private equities	MSCI World Developed Index	**+/-10%**	**+/-416**	+/-365
TOTAL			**+/-733**	+/-535

[a] Equity market is based on the specific exposure of the investment.

[b] For each equity category, the expected effect of a 10% change in the market index is estimated using market data since January 2004. Currency exchange rates are not affected by the change in market indices.

OPTrust manages equity price risk through adherence to approved policies and guidelines, which includes ensuring thresholds are being met through monitoring equity exposures in developed and emerging markets, as well as Total Fund.

d. *Commodity price risk*

Commodity price risk is the risk that the fair value of investments will fluctuate due to changes in market prices of commodities.

The table below shows the impact of a 10% change in gold and broad commodity indices:

As at December 31 ($ millions)			2023	2022
Commodity market	**Market benchmark**	**Change in market index**[a]	**Change in net assets available for benefits**	Change in net assets available for benefits
Gold	S&P GSCI Gold Total Return Index	**+/-10%**	**+/-83**	+/-77
Broad commodity exposure	Bloomberg Commodity Index	**+/-10%**	**+/-(3)**	+/-20
TOTAL			**+/-80**	+/-97

[a] The expected effect of a 10% change in the commodity market index is estimated using market data since January 2004. Currency exchange rates are not affected by the change in market indices.

OPTrust manages commodity price risk through adherence to approved policies and guidelines, which includes ensuring thresholds are being met through monitoring commodity exposures in the Total Fund.

Credit risk

Credit risk is the risk of financial loss due to a counterparty, borrower, issuer, endorser or guarantor failing to make payments under its contractual obligations. OPTrust has exposure to credit risk through short-term investments, bonds, resell agreements and OTC derivatives.

The credit risk exposure by credit rating of our counterparties, without taking account of any collateral held is as follows:

	2023					2022				
As at December 31 ($ millions)	**Short-term investments**	**Bonds**	**Resell agreements**	**Derivatives**[a]	**Total**	Short-term investments	Bonds	Resell agreements	Derivatives[a]	Total
AAA/R-1 high	–	–	–	–	–	–	1,375	–	–	1,375
AA/R-1 mid	**527**	**4,712**	–	–	**5,239**	1,063	3,419	–	–	4,482
A/R-1 low	**829**	**2,728**	**80**	**381**	**4,018**	1,262	2,184	3	83	3,532
TOTAL	**1,356**	**7,440**	**80**	**381**	**9,257**	2,325	6,978	3	83	9,389

[a] Excludes exchange-traded derivatives.

OPTrust mitigates credit risk on debt securities through adherence to approved policies and guidelines, which includes guidelines on exposure to single issuers.

Credit risk from OTC derivatives and resell agreements is managed by requiring counterparties to post collateral in order to back the fair value of these derivative contracts.

Credit risk for investments is measured by the positive fair value of the contractual obligations with the counterparties less any collateral or margin received as at the reporting date. OPTrust also monitors how the positive fair value of OTC derivatives and resell agreements may change in the future to ensure adequate collateral is in place.

OPTrust's collateral arrangements that support certain investment activities are as follows:

a. *Derivatives*

Collateral is received from and pledged to counterparties to manage credit risk from OTC derivatives in accordance with the Credit Support Annex (CSA), which forms part of the applicable International Swaps and Derivatives Association (ISDA) Master Agreement. All uncleared derivatives are subject to global regulatory requirements requiring a CSA in conjunction with an ISDA. All of the OTC derivatives OPTrust engages in are fully collateralized, and as a result OPTrust has a right to offset credit risk against collateral received due to a default, insolvency, bankruptcy or other early termination events. In the case of exchange-traded derivatives, there is no provision to offset against obligations to the same counterparty.

b. *Resell and repurchase agreements*

Resell and repurchase agreements include collateral received and pledged from and to counterparties.

c. *Securities lending program*

OPTrust participates in a securities lending agreement whereby it lends securities to approved borrowers. OPTrust secures its exposure through the receipt of security collateral of at least 105% of the value of the securities lent. All securities lent are recallable on demand at the option of OPTrust. Credit risk associated with the borrower is mitigated by requiring the borrower to provide collateral with market values exceeding the market value of the loaned securities. OPTrust continues to recognize securities on loan and does not recognize securities received as collateral.

The fair value of collateral received and pledged for derivatives, resell and repurchase agreements as well as for securities loaned as at December 31, is as follows:

As at December 31 ($ millions)	2023	2022
Derivatives		
Collateral received[a]	**(163)**	(18)
Collateral pledged[b]	**443**	615
Resell and repurchase agreements		
Associated receivable from resell agreements	**80**	3
Collateral received[c]	**(81)**	(3)
Associated liability from repurchase agreements	**(2,116)**	(3,459)
Collateral pledged[c]	**2,095**	3,426
Securities lending program		
Securities loaned	**34**	58
Collateral received	**(37)**	(61)

[a] Includes cash collateral (received) of $(163) million (2022 - $(18) million).

[b] Includes cash collateral pledged of $32 million (2022 - $337 million).

[c] Includes net cash collateral pledged/(received) of $(102) million (2022 - $75 million).

d. *Offsetting arrangements*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where OPTrust currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, OPTrust enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set-off in certain circumstances, such as bankruptcy or the termination of the contracts.

The following table presents the recognized financial instruments that are offset, or subject to enforceable netting arrangements as at December 31, 2023 and 2022. Similar arrangements include repurchase agreements, resell agreements, securities lending and any related rights to financial collateral.

As at December 31 ($ millions)	Gross amounts of recognized financial instruments	Gross amounts of recognized financial instruments set-off	Net amounts of financial instruments presented	Related amounts not set-off in the statement of financial position: Financial collateral (received)/pledged	Net amount
2023					
Financial assets					
Derivative instruments	**456**	**(75)**	**381**	**(163)**	**218**
Resell agreements	**80**	**–**	**80**	**(81)**	**(1)**
Securities lending	**34**	**–**	**34**[a]	**(34)**	**–**
TOTAL FINANCIAL ASSETS	**570**	**(75)**	**495**	**(278)**	**217**
Financial liabilities					
Derivative instruments	**(174)**	**75**	**(99)**	**99**	**–**
Repurchase agreements	**(2,116)**	**–**	**(2,116)**	**2,095**	**(21)**
TOTAL FINANCIAL LIABILITIES	**(2,290)**	**75**	**(2,215)**	**2,194**	**(21)**
2022					
Financial assets					
Derivative instruments	117	(34)	83	(18)	65
Resell agreements	3	–	3	(3)	–
Securities lending	58	–	58[a]	(58)	–
TOTAL FINANCIAL ASSETS	178	(34)	144	(79)	65
Financial liabilities					
Derivative instruments	(432)	34	(398)	398	–
Repurchase agreements	(3,459)	–	(3,459)	3,426	(33)
TOTAL FINANCIAL LIABILITIES	(3,891)	34	(3,857)	3,824	(33)

[a] These securities are included in public equity investments.

Liquidity risk

Liquidity risk is the potential that OPTrust will not be able to meet payment obligations for pension payments, operating expenses or investment activities as they come due without the forced sale of assets. OPTrust has exposure to liquidity risk through its investment commitments, which are required to be funded in future periods, as well as through holding certain investments including pooled and hedge funds, private equity, infrastructure and real estate investments, which by nature are less liquid than public market assets (see Note 10). An additional source of liquidity risk exposure is OPTrust's use of derivatives with their potential margin calls which are impacted by daily market movements.

OPTrust forecasts and manages cash flows centrally to ensure it meets its obligations when due without unintended early liquidation of assets.

OPTrust's cash and liquidity positions are monitored daily for compliance with guidelines and limits established in a liquidity framework. Both short-term and long-term cash and liquidity requirements are assessed within this framework. In addition, OPTrust conducts various stress tests to examine how they may impact liquidity.

Liquidity risk is managed by holding cash and certain short-term investments, liquid money market securities and unencumbered high-quality liquid securities that can be sold under repurchase agreements to raise funds. A core liquidity reserve is maintained for deployment in the event of severe market disruption.

The remaining terms to contractual maturity of OPTrust's investment-related liabilities are as follows:

As at December 31 ($ millions)	Within 1 year	1 to 5 years	5 to 10 years	Total
2023				
Cash collateral received	**(265)**	**–**	**–**	**(265)**
Due to brokers and other liabilities	**(54)**	**(18)**	**–**	**(72)**
Derivative instruments	**(99)**	**–**	**–**	**(99)**
Repurchase agreements	**(2,116)**	**–**	**–**	**(2,116)**
TOTAL	**(2,534)**	**(18)**	–	**(2,552)**
2022				
Cash collateral received	(19)	–	–	(19)
Due to brokers and other liabilities	(130)	(17)	–	(147)
Derivative instruments	(398)	–	–	(398)
Repurchase agreements	(3,459)	–	–	(3,459)
TOTAL	(4,006)	(17)	–	(4,023)

OPTrust maintains unsecured credit facilities to meet potential liquidity requirements. As at December 31, 2023, $101 million (2022 - $99 million) was drawn on the credit facilities in the form of letters of credit, with $249 million (2022 - $251 million) being undrawn.

4. Net investment income

The following schedule presents the net investment income of OPTrust's investments by asset class:

For the years ended December 31 ($ millions)	2023 Investment income/(loss)	2023 Net gain/(loss) on investments[a]	2023 Net investment income/(loss)[b/c]	2022 Investment income/(loss)	2022 Net gain/(loss) on investments[a]	2022 Net investment income/(loss)[b/c]
Fixed income						
Cash and short-term investments	**100**	**(5)**	**95**	60	9	69
Government and corporate bonds						
Canadian	**120**	**311**	**431**	101	(806)	(705)
Foreign	**(19)**	**(20)**	**(39)**	4	(202)	(198)
Real-returns bonds						
Canadian	**11**	**(11)**	**–**	9	(65)	(56)
Foreign	**–**	**–**	**–**	3	(177)	(174)
	212	**275**	**487**	177	(1,241)	(1,064)
Public equity						
Canadian	**1**	**(17)**	**(16)**	1	(46)	(45)
Foreign	**28**	**97**	**125**	54	(335)	(281)
	29	**80**	**109**	55	(381)	(326)
Pooled and hedge funds	**5**	**204**	**209**	5	21	26
Real estate	**132**	**(264)**	**(132)**	118	594	712
Private equity	**15**	**287**	**302**	16	370	386
Infrastructure	**40**	**(10)**	**30**	74	649	723
Derivative instruments	**–**	**345**	**345**	–	(962)	(962)
	192	**562**	**754**	213	672	885
	433	**917**	**1,350**	445	(950)	(505)
Investment management expenses						
External manager fees[d]			**(8)**			(9)
Transaction costs			**(9)**			(12)
			(17)			(21)
NET INVESTMENT INCOME			**1,333**			(526)

[a] Includes net realized gain of $169 million and net unrealized gain of $748 million in 2023 and net realized gain of $242 million and net unrealized loss of $(1,192) million in 2022.

[b] Certain investment-related disbursements of $47 million in 2023 (2022 - $46 million) have been netted against net investment income/(loss).

[c] Net of management fees not directly invoiced and performance fees for portfolio management.

[d] OPTrust invests with external managers and their fees are primarily netted against investment income as noted in (c). These separately presented fees represent amounts paid directly by the Plan.

5. Pension obligations

A. FINANCIAL STATEMENT VALUATION

OPTrust annually reviews the actuarial assumptions used in the financial statement valuation to ensure that they reflect management's best estimate of expected trends. The key economic assumptions used for the valuation are as follows:

As at December 31 ($ millions)	2023	2022
Inflation rate	**2.00%**	2.00%
Discount rate (real)	**3.90%**	4.00%
Discount rate (nominal)	**5.90%**	6.00%
Salary increases (nominal)	**2.75%**	2.75%

The inflation rate is based on the long-term expected CPI rate increases. Note for the 2023 valuation, the cost-of-living adjustments for pensions under the Primary Schedule are assumed to be 3.75%, 3.00% and 2.25% for 2024, 2025 and 2026 respectively to incorporate an elevated rate of inflation expected in the short-term (2022 - 5.00% and 3.50% for 2023 and 2024 respectively).

The financial statement discount rate is based on the long-term expected return of plan assets proposed by management and approved by the Board. The nominal discount rate is 5.90% as at December 31, 2023 (2022 - 6.00%) which reflects current market conditions and return expectations.

Salary increases reflect the long-term inflation rate plus general Plan member salary increases.

The actuarial assumption change loss of $604 million (2022 - gain of $1,556 million) on the Plan's pension obligations is due to the changes in economic assumptions noted above.

Experience losses of $305 million (2022 - $544 million) on the Plan's pension obligations are due to differences between actual experience and assumptions and includes an estimation of $399 million of the potential impact of retroactive pay increases related to Bill 124 and other wage settlements.

B. FUNDING VALUATION

The funding valuation is based on the modified aggregate method. This method considers a time horizon that includes accumulation of benefits and receipt of contributions in respect of current members in future periods. Generally, the actuarial assumptions used to determine the pension obligations for funding purposes are more conservative than those used for the financial statement valuation. Pension obligations are valued using economic assumptions developed by reference to long-term market conditions.

The funding valuation is used to identify gains or losses. Gains or losses are first split between the Primary Schedule and OPTrust Select based on the accrued liability. Gains and losses are shared equally between the Sponsors.

Gains attributed to the Primary Schedule will be allocated at the discretion of the Sponsors to fund benefit improvements, reduce contributions, or reduce any existing funding deficiencies. Funding deficiencies resulting from losses are funded over a maximum of 15 years from increased contributions.

Gains attributed to OPTrust Select are allocated at the discretion of the Sponsors after all intended benefit enhancements have been provided to members. The Sponsors can fund benefit improvements, reduce contributions, or reduce any existing funding deficiencies. Funding deficiencies resulting from losses primarily reduce the level of benefit enhancements from those intended.

In accordance with the *Pension Benefits Act*, the *Income Tax Act* and regulations, an actuarial valuation for funding purposes is required to be filed at least every three years to assess OPTrust's financial position, and to determine the funding requirements. In 2024, OPTrust is expected to file with the regulator the December 31, 2023 funding valuation, as prepared by Towers Watson Canada Inc., showing that the Plan is fully funded, and the next funding valuation will not be required to be filed until December 31, 2026.

6. Capital

OPTrust defines capital as the funded position of the Plan, whether in surplus or deficit. Surplus is generated during periods of favourable economic performance and drawn down during periods of unfavourable economic performance in order to maintain OPTrust's ability to pay its pension obligations without unduly affecting contribution levels. OPTrust is not under regulatory requirements as it relates to capital. The surplus was $3,076 million as of December 31, 2023 (2022 - $3,867 million). The objective of managing capital is to ensure the Plan is fully funded to pay the plan benefits over the long term. A funding valuation is used to manage capital by identifying gains or losses as described in Note 5. OPTrust prudently manages its investments to satisfy its long-term funding requirement in accordance with its *Statement of Investment Policies and Procedures* (SIP&P) and other policies and guidelines. The SIP&P is reviewed at least annually by the Board. In addition, funded status risk is managed through strategic limits established in the *Risk Appetite Statement* (RAS).

7. Contributions

For the years ended December 31 ($ millions)	2023	2022
Members		
Current service[a]	273	263
Prior service	15	17
Long-term income protection[b]	17	15
	305	295
Employers		
Current service[a]	272	263
Prior service	7	7
Long-term income protection[b]	17	16
	296	286
Transfers from other plans	19	13
TOTAL CONTRIBUTIONS	620	594

[a] All contributions paid by members for current service are required contributions.

[b] The employer pays member contributions for long-term income protection.

As at December 31, 2023 employers' and members' contributions receivable were $35 million (2022 - $33 million) and $27 million (2022 - $23 million) respectively. OPTrust reconciles contributions for each employer on a member-by-member basis.

8. Benefit paid

For the years ended December 31 ($ millions)	2023	2022
Retirement pensions	1,046	971
Transfers to Public Service Pension Plan	225	159
Refunds, commuted value transfers and death benefits	74	102
Transfers to other plans	8	13
TOTAL BENEFITS PAID	1,353	1,245

9. Administrative expenses

Investment administrative expenses[a]

For the years ended December 31 ($ millions)	2023	2022
Administration	54	49
Professional services[b]	4	3
Custodial fees	1	2
TOTAL INVESTMENT ADMINISTRATIVE EXPENSES	59	54

Pension administrative expenses[a]

For the years ended December 31 ($ millions)	2023	2022
Administration	37	32
Professional services[b]	3	3
System development[c]	4	4
TOTAL PENSION ADMINISTRATIVE EXPENSES	44	39

[a] Includes corporate expenses.

[b] Total professional services include external audit expense of $820 thousand (2022 - $643 thousand) and actuarial expense of $385 thousand (2022 - $329 thousand).

[c] There were no impairment charges in 2023 and 2022.

10. Commitments, guarantees, indemnifications and contingencies

A. COMMITMENTS

In the normal course of business, certain OPTrust entities may enter into commitments to fund certain investments over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2023, these commitments totaled $3,022 million (2022 - $3,449 million). OPTrust also has future lease commitments for office premises.

B. GUARANTEES

OPTrust enters into guarantee agreements related to certain investments. OPTrust is required to make payments to a third party if the investment companies fail to pay or perform a stated obligation to that party.

OPTrust's investment commitments, guarantees and lease commitments are as follows:

For the years ended December 31 ($ millions)	2023	2022
Investment commitments	3,022	3,449
Guarantees	593	166
Lease commitments	31	31
TOTAL INVESTMENT COMMITMENTS, GUARANTEES AND LEASE COMMITMENTS	3,646	3,646

C. INDEMNIFICATIONS

OPTrust indemnifies its Trustees and staff against certain claims that may be made against them to the extent that these individuals are not covered under other arrangements.

D. CONTINGENCIES

As at December 31, 2023, OPTrust is involved in litigation and claims which arise in the normal course of business. The outcome of such litigation and claims is often inherently difficult to predict. Any liability that may arise from litigations and claims has been recognized as appropriate or has been determined to have an insignificant impact on the financial statements.

11. Related party disclosures

In the normal course of business OPTrust purchased short-term investments and bonds at the prevailing market prices that were issued by the Province of Ontario, a sponsor of the Plan and whose employees are members of the Plan. The fair market value of these investments as at December 31, 2023, was $3,372 million (2022 - $2,916 million). Investment income recorded on these investments amounted to $109 million for the year-ended December 31, 2023 (2022 - $56 million).

OPTrust has a joint venture partnership with GWL Realty (GWL) in the ownership of its head office. In 2023, the amounts paid to the joint venture with GWL amounted to $3 million (2022 - $4 million). On June 20, 2022, OPTrust entered into a new 10-year lease for its head office, commencing on January 1, 2024 and expiring on December 31, 2033. The future minimum lease payments by year, and in aggregate, are as follows:

($ millions)	Minimum lease payments
2024	3
2025	3
2026	3
2027	3
2028	3
Thereafter	16
TOTAL MINIMUM LEASE PAYMENTS	31

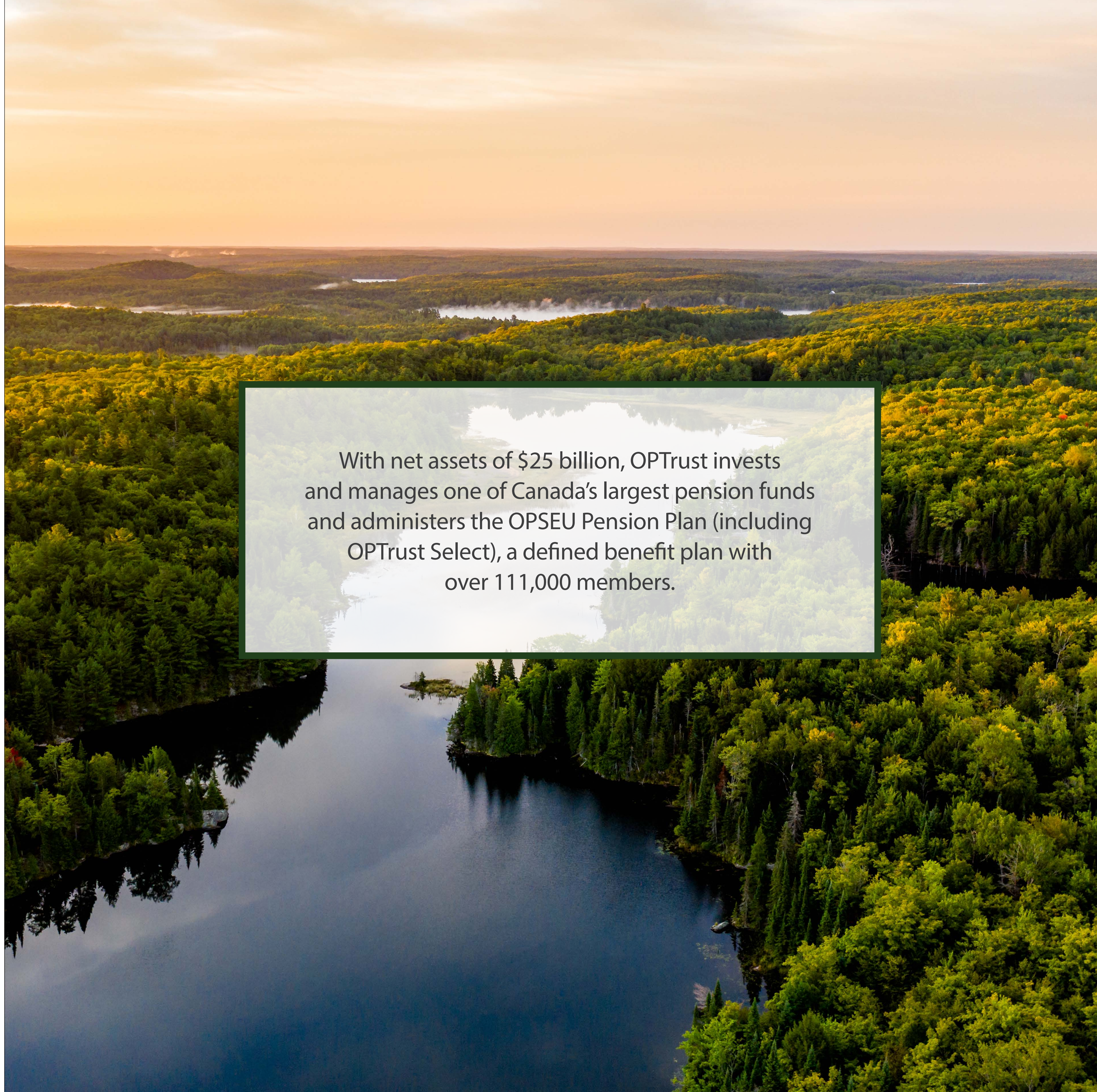
12. Key management personnel compensation

Key management personnel consist of senior executives having authority and responsibility for planning and directing the activities of OPTrust. The aggregate key management personnel compensation is shown below:

For the years ended December 31 ($ millions)	2023	2022
Salaries, short-term benefits and termination benefits	5,197	6,027
Other long-term benefits	2,620	2,413
Post-employment benefits	427	376
TOTAL	8,244	8,816

Ten-year financial review (unaudited)

As at December 31 ($ millions)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
CHANGES IN NET ASSETS										
Changes due to investment activities	**1,274**	(580)	3,465	1,901	2,217	145	1,742	1,037	1,311	1,818
Changes due to pension activities	**(777)**	(690)	(598)	(545)	(464)	(498)	(497)	(391)	(393)	(289)
INCREASE/ (DECREASE) IN NET ASSETS	**497**	(1,270)	2,867	1,356	1,753	(353)	1,245	646	918	1,529
NET ASSETS										
Investments										
Cash and short-term investments	**1,882**	3,004	5,330	5,681	2,725	3,406	3,332	2,417	1,460	2,750
Government and corporate bonds and debentures	**7,440**	6,525	2,883	3,791	9,162	6,285	5,573	4,227	3,854	2,001
Real return bonds	**–**	453	1,391	1,355	1,059	866	430	438	468	446
Bank loan notes	**–**	–	–	–	–	–	–	168	156	145
Public equity	**575**	1,058	1,887	1,908	1,699	1,425	2,318	3,422	5,497	5,738
Pooled and hedge funds	**3,888**	4,274	3,554	2,936	4,866	5,863	4,573	2,597	959	732
Real estate	**4,436**	4,679	3,981	3,189	3,091	2,927	2,823	2,884	2,857	2,394
Private equity	**4,729**	4,012	4,017	3,178	2,797	2,288	1,920	1,595	1,691	1,284
Infrastructure	**4,222**	4,159	3,364	2,620	2,405	2,476	2,136	2,065	2,350	2,055
Investment-related assets	**493**	504	799	1,781	805	324	481	132	108	154
	27,665	28,668	27,206	26,439	28,609	25,860	23,586	19,945	19,400	17,699
Contributions receivable	**62**	56	56	52	49	52	48	53	51	52
Other assets	**26**	5	2	9	8	11	5	4	5	4
TOTAL ASSETS	**27,753**	28,729	27,264	26,500	28,666	25,923	23,639	20,002	19,456	17,755
Liabilities										
Accounts payable and accrued charges	**(61)**	(63)	(26)	(38)	(28)	(39)	(44)	(49)	(54)	(78)
Investment-related liabilities	**(2,552)**	(4,023)	(1,325)	(3,416)	(6,948)	(5,947)	(3,305)	(908)	(1,003)	(196)
TOTAL LIABILITIES	**(2,613)**	(4,086)	(1,351)	(3,454)	(6,976)	(5,986)	(3,349)	(957)	(1,057)	(274)
NET ASSETS AVAILABLE FOR BENEFITS	**25,140**	24,643	25,913	23,046	21,690	19,937	20,290	19,045	18,399	17,481
Pension obligations	**(22,064)**	(20,776)	(21,365)	(20,682)	(20,220)	(18,453)	(18,265)	(17,316)	(16,756)	(15,937)
SURPLUS	**3,076**	3,867	4,548	2,364	1,470	1,484	2,025	1,729	1,643	1,544



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This report summarizes certain provisions of the OPSEU Pension Plan. Please note that this report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflict or omission, the legal requirements of the OPSEU Pension Plan will govern in all cases.

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