

Ontario Teachers' 2024 Annual General Meeting

TRANSCRIPT

Claire Holland, Managing Director, Marketing and Communications

- Hello and welcome, everyone, to the Annual General Meeting for Ontario Teachers' Pension Plan. My name is Claire Holland. I am a Managing Director at Ontario Teachers', and I am very pleased on behalf of my colleagues to have the opportunity to welcome you all here today.
- We always value the opportunity to engage with our members at this forum each year and appreciate everyone joining both here in-person and those who are joining virtually through the webcast.
- This meeting is also being recorded and will be available on our website in the coming weeks. For those in the room, headsets are available for simultaneous translation. Also, those joining virtually can enable closed captions or that was at the registration table in the foyer. So, if you need those, they are available to you. Those joining virtually can also enable closed captions or choose to switch between English and French as preferred.
- In terms of our agenda, we will have three presentations to share with you today. Our board chair, Steve McGirr, will provide his perspective on areas of progress in 2023 and where the board has been focusing its attention. Jo Taylor, our president and CEO, will talk about our financial performance, some strategic leadership changes that have been made since the last AGM, and the outlook for the rest of the year and beyond. And finally, Charley Butler, our Chief Pension Officer, will provide an update on where we have been spending time serving you, our members. Following these, we will have a Q&A session, as we have done in prior years. This will include questions submitted prior to today, as well as questions from here in the room and online for the webcast. I'll cover the format for that Q&A just beforehand. Before we move to the formal remarks,
- I am very pleased to introduce a special guest who will lead us in acknowledging the traditional territory on which we gather today. We've invited a remarkable grade five Toronto District School Board student, also the daughter of one of our colleagues, to deliver our land acknowledgment. So, please join me in welcoming Cecilia M.

Cecilia M., Grade 5 Student, Ontario

- On behalf of the Ontario Teachers' Pension Plan, I wish to acknowledge this land on which we are meeting today for the Annual General Meeting as well as the land on which the Global Headquarters operates. For thousands of years, it has been the traditional territory of many nations including the Mississauga's of the Credit, the Anishinaabeg, the Chippewa, the Haudenosaunee and the Wendat peoples.
- Today, this meeting place is still the home to many Indigenous people from across Turtle Island, and we are grateful to have the opportunity to meet and work on this land. As a student of the TDSB, I am also grateful for the opportunity to learn on this land.
- We respect the Treaties that were made on these territories, we acknowledge the harms and mistakes of the past, and we dedicate ourselves to move forward in partnership with the Indigenous communities in a spirit of reconciliation and collaboration.

Claire Holland, Managing Director, Marketing and Communications

- Great job. Thank you to Cecilia. Most adults don't like to speak in public, so I think she did a very good job speaking on an important topic. I'll now turn to our Board Chair, Steve McGirr, to provide his remarks.

Steve McGirr, Board Chair

- Well, thank you for that introduction, Claire. I do not know how I will follow Cecilia. She did such a great job. Maybe we will ask her later to answer some of your questions!
- Good evening, everyone. I would like to add to Claire's warm welcome to all of you who are joining us here in the room today and those who are joining us virtually. I know a number of people had some challenges getting up in the elevator, so I am glad everyone made it into the room. Thank you for persevering.
- My name is Steve McGirr. I am honored to be here today as the Chair of the board of the Ontario Teachers' Pension Plan. It's a real pleasure to convene our Annual General Meeting. Before I begin my remarks on the past year, I'd also like to thank all of you for your continued commitment to the teaching profession and for your dedication to furthering the education of the children in this province. So, thank you.

- It was really nice to have a student join us this evening to deliver the land acknowledgment. And Cecilia did a fantastic job.
- As stewards of the plan, we're committed to serving our members and our plan sponsors and to delivering on the promise of providing educators like you with a pension. And that promise endures even in times of uncertainty and change.
- This past year, global investors navigated a very challenging landscape marked by various adversities. However, I am pleased to announce that despite those challenges, our portfolio continues to demonstrate resilience.
- We delivered positive results for the year. The plan had a 1.9% total fund net return. Assets grew to \$247.5 billion at the year end. Furthermore, I am happy to report that our plan maintains its fully funded status for the 11th consecutive year. And we have a very healthy preliminary funding surplus of \$19.1 billion.
- Now, this robust funding surplus ensures the stability of contributions for you and benefits for our valued members over the next few years. But at the same time, we aim for higher returns. We are a mature pension plan. More dollars are paid out of this plan every year in pensions than are received in contributions from members and from the province. Of the \$247.5 billion in assets, I am going to say that repeatedly. I love that. Of the \$247.5 billion assets in the plan, about 21% came in equal contributions from the employer and from members. 79% has been made in investment returns. And investment returns since inception of the plan have been 9.3%. So, solid investment performance is absolutely critical to meeting the pension promise. Jo will provide some additional context on the performance and the go forward investment outlook of the plan shortly when he comes up here.
- The top priority for this is the service we provide to you, our members. And for our member services team, which is led by Charley, meeting and exceeding your service expectations remains paramount.
- We know you continue to value and to use the digital channels to find important pension information and to communicate with us. We have invested strategically in both human capital and in technology to ensure seamless, personalized, convenient, and omnichannel service delivery. The primary performance indicator for assessing how our members feel about our service shows high satisfaction. You will hear more from Charley in just a few minutes.

- Since inception of the plan in 1990, a cornerstone principle has been a strong, professional, and independent board. Solid governance leads to decisions in the best interests of the plan beneficiaries and the plan sponsors, or in other words, all of you. Your board is collaborative, but also challenges and questions management to ensure effective decision making and high performance in all our endeavors.
- And as you know, your plan is a very complex international enterprise. One meeting of the board last year was held in our London office and we focused on our European investments. I would like to take a moment to extend my appreciation to our sponsors for the hard work that they put into identifying and nominating highly qualified candidates to our board.
- We bid farewell last year to Lise Fournel and Kathleen O'Neill, both of whom retired from the board in 2023 after serving many years of service. And I would like to thank both Lise and Kathleen for their many contributions to the board and to your plan.
- We also welcomed our two newest board members, Martine Irman and Tom Wellner. Martine and Tom bring a wealth of experience garnered from decades of executive level leadership in large organizations. They enrich the board's expertise and reinforce our commitment to board excellence and sustained success. Martine brings over three decades of expertise in financial services. Tom has rich global experience in biotech, pharmaceuticals, and healthcare services.
- Now, the full board is featured on the screen. Many are in the room; others are attending virtually. I would like to ask all my fellow board members to please stand—thank you for what you do. The board will be at the reception following this session, and we all look forward to speaking with you.
- Before I pass it over to Jo and Charley, I want to share with you that your pension is safe and secure. We had a positive performance in 2023 and the plan is fully funded. But we're laser-focused on achieving our long-term target returns to keep the plan fully funded well into the future. We will continue to look for attractive opportunities to invest in great companies across all asset classes and regions. And we will also increase our focus on creating value within our existing portfolio.
- You can be completely confident in the team's ability to continue to execute the plan's bold and ambitious strategy for the remainder of 2024 and beyond. I believe that we have the right governance and the right leadership to shepherd the plan successfully.
- Thank you again for your continued faith and for joining us today. And I will pass it over now to Jo who will share more with you about the plan's performance in 2023. Thank you very much.

Jo Taylor, President & CEO

- Thank you, Steve. It really is my pleasure to be with you here today and to try my best to provide you with insights on the plan and its performance, and to answer your questions. I was able to connect with some of you before we joined the room today, and hopefully I can also talk to some of you after the event as well.
- Today, I plan to cover three things. Firstly, look at our 2023 financial performance and some of the progress that we have made in advancing our strategy. Also, there've been some recent changes to our leadership team, and I thought I would explain some of those and how those are going to help the plan going forward. And finally, we will take a look at this year and beyond in terms of what we are up to.
- Let me start with our performance in 2023. As Steve said, we delivered a positive return of \$5.5 billion, about 1.9% net return. And that return was essentially driven by a return at our benchmark through our public equity and credit teams, and also a positive return from our private equity team, our private capital team, albeit that was behind the benchmark set for it.
- We also found some headwinds in terms of losses we incurred in our infrastructure real estate businesses, as well as some negative currency translation. Whilst I would emphasize that our return was more than enough to cover our net pension outflows, as Steve mentioned a second ago, I think it's also important that I reinforce to you that this was not the returns we wanted to make for you, our members.
- In 2023, one of the reasons for that is we started the year with a pretty negative outlook on the world and macroeconomy. That proved to be different from what actually transpired, particularly in the US. Our portfolio as a result was very cautiously constructed to protect the plan from the perceived downside risks that we saw our performance trail public markets by a wide margin.
- The benchmark underperformance was driven by a number of issues. Back to the markets themselves, there was a strong performance in listed equity markets, particularly towards the end of 2023. And those were particularly extreme in the technology sector and in the S&P 500, which is a key benchmark for many of our equity products. Also, we had relatively low exposure to listed equities in the light of our view of the risks and also our focus that we'd had to date on private assets. Finally, we did take some corrective valuation measures against our infrastructure and real estate portfolios due to higher interest rates and some adverse events with a few of our larger companies.

- To say it again, we are not satisfied with that performance. We do aim to do better, but I think I should emphasize that it's important that as a pension plan and a long-term business, we actually assess risk taking and performance in that context.
- Our investment strategy is intentionally designed to deliver stable long-term returns. As Steve mentioned earlier, when looking back, our performance has been good, whether compared with our pension peers or the lower levels of risks we have been taking to generate the returns we've achieved. So, just to restate those returns, our 10-year annualized real return has been 7.6% and also our return since inception, 9.3%.
- Let me move on to where we see ourselves in terms of investment activity. The level of new investments we've been making has slowed compared with previous years. But that said, we do continue to back high-quality companies in Canada and around the world and we believe those companies can still provide attractive returns for the plan in the coming years.
- I thought I would give you a few examples of some of those businesses that we backed in 2023. So, they would include 7IM, which is a wealth management business based in the UK that excels in technology-driven investment and wealth solutions. Equally, we backed a business, Diamond Communications, which is one of the largest privately held US wireless communication infrastructure platforms. And that is a sub-sector that we know well from previous investments made in wireless communications infrastructure recently in New Zealand.
- Finally, I would highlight Westland Insurance, which is a large independent insurance broker in Canada, that was recently acquired by BroadStreet Partners, one of our existing portfolio companies.
- Trying to bring some of this to life, I thought we might pick out one of our recent investments, which is not only making better returns but also making a positive impact locally. The business we're going to highlight in a second with a video is Enwave, which is involved in a number of power solutions and heating solutions for businesses in Ontario and Toronto in particular. We can play that video.

Enwave Video Transcript

- District Energy simply is taking a number of buildings and combining them with underground infrastructure to bring them heating and cooling.
- Cities consume more than 75% of the world's energy, much of it for heating and cooling. District energy can help them make more efficient use of local energy sources and get closer to achieving their decarbonization goals.

- The biggest benefit of district energy is scale. It's the ability to aggregate demand, so you aggregate load across a whole bunch of buildings, and then you can access different technologies that you would not be able to otherwise access in your own building. A simple example is deep lake water cooling. We can't build deep lake water cooling for one building, but we can for a hundred in downtown Toronto, which is what we did.
- Toronto's Deep Lake Water Cooling system is the largest of its kind, displacing 55 megawatts annually from the electricity grid. The project's operator, Enwave, provides both heating and cooling to about 150 buildings in Canada's largest city.
- In 2021, we were purchased by Ontario Teachers' Pension Plan and we're currently operating in a number of locations across Canada.
- It was important to us to invest in Enwave for a few reasons. We found that it's great that they're in our backyard and frankly, they're a leader in Canada.
- Enwave's projects include a geothermal energy system that serves hundreds of homes in Markham, Ontario, a project that converts municipal waste to energy in Charlottetown Prince Edward Island, and in Toronto, a massive thermal energy storage facility that will be the first of its kind in Canada.
- From some of our customers, we've even heard that they reduce not just electricity consumption of their building, but also water use. And in some cases, completely eliminate gas use.
- Even as it helps its customers become more efficient, Enwave is working to decarbonize its own operations. That includes adding an innovative low carbon heating facility at the company's Pearl Street Energy Centre in Toronto.

Jo Taylor, President & CEO

- The effect of what we're doing at Pearl Street will be to decarbonize the equivalent of about 10 million square feet of commercial towers. That is significant and if we can continue to scale and replicate that, it's going to be an amazing means to be able to easily decarbonize the downtown core.
- With Enwave, not only do we have the opportunity to make a great investment, but we also have the opportunity to make a great impact. And what I find with our own team is that they're excited about this, because they realize not only are they providing great returns to the teachers, but they're also part of something that they believe in, which is helping decarbonization.

- I hope you found that helpful in bringing one of our companies to life. It's a really innovative, impactful company that is helping with the climate transition locally and certainly helping a lot of consumers here in Toronto.
- While, making a positive impact in local communities through our investments and operations is one of the key issues, it is also important how we do it, how we give back. This is one of the three pillars of our strategy. We want to create a positive impact but while doing this we also want to provide strong returns for your pensions. And Enwave's involvement with climate change is a really good case in point.
- We believe that climate change is going to be one of the most pressing issues of our time and is also an immediate investment opportunity. A few years ago, we committed the plan and our investment teams to have net zero emissions intensity by 2050. And to do that, we set some interim targets to monitor our progress towards that goal.
- The good news is that we're making steady progress with our portfolio carbon intensity emissions down by 39% since we started this program in 2019. That's against our first interim target of a reduction of 45% by 2025. We have also grown the number of green assets in our portfolio to around \$34 billion at the end of 2023.
- We will continue to explore some selective investments in higher emitting sectors of companies that we believe through our capital and our expertise, we can help accelerate their decarbonization. Outside climate, we've also been focusing very strongly on diversity, equity, and inclusion, both in our business and in our portfolio companies. And finally, we've embedded a focus on social and environmental impact on how we operate and how we contribute to communities across the plan.
- One of the other things I mentioned at the start of my presentation was that since our last Annual General Meeting, there have been several changes to our senior team, and I thought I would give an update on some of those.
- In June of 2023, Bruce Crane assumed the role of head of Asia, and he took over from Ben Chan who retired after five years of building our capabilities in that region.
- In December, our Chief Investment Officer, Ziad Hindo, left the organization after more than 20 years at the plan. With his departure, we took the time to reflect on what would be the way to deal with the growing requirements of the CIO role and what would also position us well for the future. The outcome of those discussions was to split the CIO role, with Gillian Brown and Steve McLennan taking over the role of co-CIOs. So, Gillian will oversee our private and public market investments, while Stephen's going to focus on asset allocation choices, optimizing returns, and overseeing our international network.

- At the same time, we appointed Jonathan Hausman to a new position as our chief strategy officer. Jonathan's job is to refresh the current strategy, which was initially designed in 2021. He will play a pivotal role in leading cross-department approach to delivering those key strategic objectives for the plan.
- When you make changes, there are consequential adjustments to be made as well. And as a result of those elevations, there are three other senior roles that have been changed. Bernard Grzanic has become our new head of capital markets. Steve Saldanha took over the total fund management role. And Robert Sturgeon is now leading the global investment strategy team.
- I raise all those examples for a key reason, which is to say we have been able to fill all those positions with in-house talent, which also shows the bench strength we have built up at Teachers', which I do believe is go be a key advantage for us as we go forward.
- One other change we experienced recently was in April of this year, when our Chief Financial Officer, Tim Deacon, took on another leadership role at a major financial institution. As a result of that, I've asked Mabel Wong, who is here tonight, to take over from Tim as our acting CFO. And Mabel joined us in January 2023 as a senior member of the finance team and is well-positioned to oversee all our financial initiatives.
- Talking about change, the other thing that we've changed within the business is our approach to real estate. And on a personal note, I have been disappointed with some of the returns that we've been making in real estate over the last few years.
- To try and address this, we announced last year the establishment of an in-house real estate team. We believe that taking a more active role in our real estate investment activities, as we do in our other asset classes, should allow us to both improve and diversify our real estate portfolio. The way to do that was we asked Pierre Cherki to join Ontario Teachers' to head up our real estate activities. For those of you who don't know Pierre, he has significant international real estate experience, having previously been one of the non-executive directors at our Canadian real estate business, Cadillac Fairview.
- In the future, we will focus on global real estate investing and portfolio management. And in the case of Cadillac Fairview, which has a valuable brand and established footprint in Canada, they will focus on the growth, diversification, and densification of their real estate portfolio in our home market.

- When I was appointed as CEO a few years ago, I set a north star for everyone and the organization to reach 300 billion in net assets by the year 2030. That number was not just chosen because it was a high aspirational target, it was also the mathematical calculation of what we needed to achieve to keep the plan fully funded over that period. So, how are we doing? By the end of 2023, as you heard from Steve McGirr, we've raised our assets to \$247.5 billion. That is slightly ahead of the plan to get to our targeted \$300 billion by 2030.
- Overall, as we look forward, we plan to remain disciplined in the choices that we make. Our primary focus is absolutely going to be to deliver our long-term target return of 4% real returns or around 7%, translating that into a number for 2024. But having said all of that, we're not going to take undue risks, particularly in the pursuit of high returns. But we need to keep looking for attractive opportunities and invest in areas where we think we can enhance the performance of the plan, in sectors such as technology, credit, life sciences, and, as I mentioned a minute ago, the energy transition.
- But there is a feature of our current market, which is that M&A activity has certainly reduced and that means that we also need to focus very much on optimizing and creating value from the existing assets that we already own within our portfolio. Whilst we expect it to remain a dynamic market in the near term, as Steve said earlier, I am also confident that we're taking the right approach to deliver value of the plan and for you, our members.
- It's time for me to hand over. I am going to hand it over to Charley Butler for an update on our member activities. When Charley concludes her remarks, we'll be able to answer your questions and hopefully speak to you at the reception following the Q&A.
- Thank you.

Charley Butler, Chief Pension Officer

- Thanks so much, Jo. Good evening, everybody. I am so delighted to be here with all of you. And as always, look forward to chatting to many of you after our presentations. To those of us, sorry, to those of you joining us virtually, thanks for being online tonight.
- So, let's get started. I am going to be sharing some of member services achievements and highlights from last year. As you know, we proudly administer Canada's largest single profession pension plan. And we paid \$7.7 billion in pension benefits in 2023 compared to \$7.2 billion in 2022.

- Despite another challenging year, we remain fully funded for the 11th straight year. But what does this mean for you, our members? Well, it means that our assets cover all future liabilities. So, that means we are well-positioned to provide future retirement security for all of you, our new, mid-career, and newly retired teachers, as well as all of the pensioners.
- This also means protection from inflation for those of you who are retired and an increase of 4.8% to your pension payments in 2024. I agree. Thank you. We understand, though, that some of you may still feel anxious about maintaining purchasing power. I do hope that the 2024 inflation adjustment still helps to maintain your confidence in the plan.
- Whether you are still teaching or retired, we know that your pension is important to you. Since the plan was first created in 1917, pension benefits have evolved over the years, but a few things remain the same. Teachers continue to work hard, if not harder, to earn retirement security. About 26 years on average in 2023 in fact.
- Our longstanding commitment over 100 years and counting to generations of members motivates the team each and every day to shape a better future for the teachers we serve. That's why we have rigorous processes to manage the changes that happen around us and a talented team dedicated to serving you and delivering long-term growth and performance. So, let's first take a little look at our membership today.
- Year on year, our membership base continues to grow. Last year, it was up 4,000, which means we now have 184,000 working members, 156,000 pensioners. In total, over 7,600 new members joined the plan last year. Welcome, everybody.
- On average, you are contributing to your pension for 26 years and the average retirement age is 59, and you continue to collect a pension for about 32 years. And by the end of 2023, we will have 42 pensions that have been in pay for more than 50 years.
- Whether we're educating you about your plan benefits as a new member, guiding you through a buyback process partway through your career, or enabling you to apply for your pension online easily, our goal is to educate and empower you to make timely informed decisions with confidence.
- We want to help you get what you need, when, and how you need it. And so, how do we do this? Well, our data-driven omnichannel strategy and digital-first service model delivers the seamless experience you have come to expect from us, whether you're online or calling us.

- Our data shows that more of you are relying on our digital services year on year. So, we've been expanding and refining our self-service offerings over the years. 75% of you now have an online account, so most of you have quick and secure access to your pension information anytime, anywhere. For those of you who haven't registered yet, visit our website to sign up or talk to one of our pension benefits specialists. They're here tonight.
- 98% of those who retired last year applied for their pension online. We hope they found the application process straightforward and easy and that they're now enjoying their first year of retirement. For those of them who didn't find the application process easy, we hear them. We listen when they tell us that the lack of digital updates is a pain point. And we have made the application experience even better for our retiring members this year and beyond.
- Now, we provide regular digital status updates at the start of the pension application process, right up until the time you receive your first pension payment, all the reassurance you need so that you know everything is on track for your retirement. As we advance our digital-first strategy, protecting your personal information remains a key priority.
- Cybersecurity risks are increasing. We all see it every day as consumers. There are online scams, identity theft, data breaches, and phishing. It's important though that you always feel confident sharing your data with us online. So, last year, we launched two-step verification, and this provides an extra layer of security for your account. We're investing more resources this year to ensure we're keeping pace and driving improvements by assessing and mitigating cybersecurity risks on an ongoing basis. Rest assured we've dedicated teams across Ontario Teachers' who are working hard to ensure we're earning your trust and confidence in our ability, and we will keep your pension and personal information safe.
- As I mentioned earlier, we have been expanding our self-service capabilities since so many of you are active online. We also invest in digital capability because, frankly, it's the most efficient way to keep providing you with excellent service while keeping costs down, which ultimately contributes to greater benefit, pension benefits available to you. But that doesn't mean we're not investing in our assisted service experience.
- As more of you feel empowered to self-serve, things like updating your contact information, uploading documents, accessing your statements online, and using our pension calculator, this means our highly trained pension benefit specialists have even more time to focus on those who need help with complex issues.

- We understand some of your questions, situations, and issues simply can't be fully addressed online. Some of the paperwork can be confusing. Sometimes there's too much information to process simply. Your personal circumstances sometimes need special attention, or sometimes we simply don't offer a service online. That's when the very best way to serve you is through our knowledgeable pension benefit specialists. They can provide step-by-step support and lend you the helping hand you need.
- We will continue to build out how our team can provide more value to those who need it most, particularly the vulnerable and underserved, as well as members with complex and unique needs. We're always inspired to do more for you and last year was no different.
- We are not only providing personalized service to members with complex and unique needs, but we are also helping to level the playing field for our indigenous employers and members of the plan.
- In 2022, we embarked on a journey of learning about members of our plan who identify as indigenous and more importantly, forging relationships with schools on reservations. Through deeper relationships with these indigenous schools, we've been able to drive improved data for members working on reserves, which has been a very difficult endeavor in the past.
- Better data equals quicker and more cost-effective service, which is good news for everyone. We hope the small changes we've made so far and hope to make in the future will positively impact our indigenous employers and members. We remain committed to delivering outstanding service to all. Here are some more examples.
- We have now provided self-service options to survivors receiving a pension. They can complete transactions and view important documents online. With access to more tailored features, survivors receive a high standard of service that aligns with our digital-first model.
- We are also working with the Ontario Teachers' Insurance Plan to streamline data reporting for participating employers. As we have a significant shared membership with OTIP, a partnership just offers a unified data source that improves efficiency and reduces effort for school board employers.
- Our email campaigns continue to educate and empower members to make timely informed decisions. We optimize our emails by testing and refining send times, subject lines, content, and more. Our personalized messaging contributed last year to 31% of member logins, which just demonstrates that we're reaching you where you are at the right time.

- Our commitment to service excellence was rewarded for yet another year. We received a strong quality service index score. This is our primary performance measure that evaluates the quality of our member experience, service, and communications. Last year, 93% of you were again satisfied with our service and 44% of you gave us a perfect score. We thank you and we're proud to receive such strong scores year over year.
- On that note, I would like to close by saying, as you heard from Steve and Jo, your pension is secure. There will be other challenges ahead, but I am so confident that we have the right strategy and the right talent to deliver long-term growth and performance to remain fully funded, and to deliver on the promise of providing a pension even during times of uncertainty and change while maintaining our member service excellence.
- As always, we're here to help you navigate the plan. So, please visit our website for more information. Tonight, as I said, you can also check with some of the member services team who are here today. You can identify us all by our red name tags. So, please just feel free to come and introduce yourselves. Of course, you can visit the members lounge, which is in the bottom corner of the room in the clipper room, which is located near the elevators. You can meet our pension benefits specialists there and they can answer specific questions you might have.
- Thank you again for your continued confidence in us.