Actuaries’ Opinion to the Directors of the Ontario Pension Board

Aon Hewitt was retained by the Ontario Pension Board (“OPB”) to prepare the following actuarial valuations of the Public Service Pension Plan (“PSPP”):

- An actuarial valuation prepared on a funding basis as at December 31, 2015, as described in Note 6 of these financial statements, prepared in accordance with the *Public Service Pension Act* and applicable pension legislation.
- The actuarial valuation prepared on a funding basis as at December 31, 2015 was then rolled forward to December 31, 2016 to determine the pension obligations as at December 31, 2016 for financial statement purposes.

The actuarial valuation of the PSPP prepared on a funding basis as at December 31, 2015 was based on membership data provided by OPB as at December 31, 2015.

We have prepared a valuation of the liabilities as of December 31, 2015 on the basis of the accounting methodology required by the Chartered Professional Accountants of Canada Handbook, Section 4600, as disclosed in Note 6, and extrapolated the liabilities to December 31, 2016. The valuation as at December 31, 2016 was based on assumptions that reflect OPB’s best estimates of future events such as future rates of inflation, future retirement rates and future rates of return on the pension fund. The amounts are set out in the statement of changes in pension obligations.

We hereby certify that, in our opinion:

- The data provided to us by OPB as of December 31, 2015 are sufficient and reliable;
- The actuarial assumptions used are appropriate for the purposes of each valuation; emerging experience differing from the assumptions will result in gains or losses which will be revealed in future valuations; and
- The methods used are appropriate for purposes of each valuation and are consistent with the applicable regulatory requirements.

Our valuations have been prepared, and our opinions given, in accordance with accepted actuarial practice.

AON HEWITT

Allan H. Shapira
Fellow of the Canadian Institute of Actuaries

Andrew Hamilton
Fellow of the Canadian Institute of Actuaries

March 3, 2017

Management's Responsibility for Financial Reporting

The financial statements of the Ontario Pension Board ("OPB") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements are in accordance with Canadian accounting standards for pension plans. Of necessity, many amounts in the financial statements must be based on the best estimates and judgment of management with appropriate consideration as to materiality. Financial information presented throughout this annual report is consistent with the financial statements.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records are maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout OPB.

The Board of Directors (the "Board") is ultimately responsible for the financial statements of OPB. OPB's Audit Committee assists in this responsibility by reviewing the financial statements in detail with management and the external auditors before such statements are recommended to the Board for approval. The Audit Committee meets regularly with management and the external auditors to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

Mark J. Fuller
President & CEO

Michel J. Paradis
Chief Financial Officer

March 3, 2017

Independent Auditors' Report to the Directors of the Ontario Pension Board

We have audited the accompanying financial statements of the Ontario Pension Board, which comprise the statement of financial position as at December 31, 2016, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Pension Board as at December 31, 2016, and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Ernst & Young LLP

Toronto, Canada
March 3, 2017

Chartered Professional Accountants
Licensed Public Accountants

Statement of Financial Position

As at December 31 (in thousands of dollars)	2016	2015
Assets		
Investments (Note 4)	$ 24,309,550	$ 23,151,396
Investment-related assets (Note 4)	84,164	84,899
Contributions receivable		
Members	23,581	21,390
Employers	51,810	43,803
Capital assets (Note 5)	1,564	1,962
Total assets	24,470,669	23,303,450
Liabilities		
Investment-related liabilities (Note 4)	44,661	190,383
Accounts payable and accrued charges	43,489	36,852
Contributions payable	1,434	1,020
Total liabilities	89,584	228,255
Net assets available for benefits	24,381,085	23,075,195
Pension obligations (Note 6)	25,176,603	23,509,215
Deficit (Note 7)	$ (795,518)	$ (434,020)

See accompanying notes

On behalf of the Board:

Geri Markvoort
Chair

Lynne Clark
Chair, Audit Committee

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31
(in thousands of dollars)

	2016	2015
Investment operations		
Net investment income (Note 8)	$ 1,750,984	$ 1,223,981
Operating expenses – investment operations (Note 10)	(27,095)	(22,563)
Net investment operations	1,723,889	1,201,418
Pension operations		
Contributions (Note 9)		
Members	339,393	318,315
Employers and sponsor	426,013	413,289
Transfer of service from other plans	85,441	111,431
Retirement pension payments	(1,098,805)	(1,038,418)
Termination and other benefits	(145,810)	(137,349)
Operating expenses – pension operations (Note 10)	(24,231)	(24,309)
Net pension operations	(417,999)	(357,041)
Net increase in net assets for the year	1,305,890	844,377
Net assets, at beginning of year	23,075,195	22,230,818
Net assets, at end of year	$ 24,381,085	$ 23,075,195

See accompanying notes

Statement of Changes in Pension Obligations

For the year ended December 31 (in thousands of dollars)	2016	2015
Pension obligations, at beginning of year	**$ 23,509,215**	$ 22,562,386
Increase in pension obligations		
Interest on pension obligations	**1,384,322**	1,329,768
Benefits accrued		
Service accrual	**630,137**	604,304
Transfer of service from other plans	**85,441**	111,431
Past service buybacks	**42,402**	33,357
Changes in actuarial assumptions (Note 6)	**516,624**	–
Experience losses	**253,077**	97,914
Total increase	**2,912,003**	2,176,774
Decrease in pension obligations		
Benefits paid	**1,244,615**	1,175,767
Changes in actuarial assumptions (Note 6)	**–**	54,178
Total decrease	**1,244,615**	1,229,945
Net increase in pension obligations	**1,667,388**	946,829
Pension obligations, at end of year	**$ 25,176,603**	$ 23,509,215

See accompanying notes

Notes to the Financial Statements

Note 1: *Public Service Pension Act*

Effective January 1, 1990, the Province of Ontario (the "Province") enacted the *Public Service Pension Act* (*"PSPAct"*), 1990 to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan ("PSPP" or the "Plan") are stated in Schedule 1 to the *PSPAct*. Ontario Pension Board ("OPB") is the administrator of the PSPP.

Note 2: Description of PSPP

The following is a brief description of the PSPP. For more complete information, reference should be made to the *PSPAct*.

a) General

The PSPP is a contributory defined benefit pension plan. Membership is mandatory for persons or classes of persons who satisfy the eligibility requirements provided in the *PSPAct*. Persons who are entitled, but not required, to join the Plan, including Deputy Ministers and contract employees, may elect to participate. Under the PSPP, both the members and the employers make contributions. The PSPP is registered with the Financial Services Commission of Ontario and the Canada Revenue Agency (Registration Number 0208777) as a registered pension plan not subject to income taxes.

b) Contributions

The PSPP is integrated with the Canada Pension Plan ("CPP"). Contribution rates are 6.4% of the salary on which contributions are made up to the Year's Maximum Pensionable Earnings ("YMPE") and 9.5% of the salary above the YMPE. Employers contribute matching amounts.

Ontario Provincial Police ("OPP") officers are required to contribute an additional 2% of salary, which is matched by the employer. These additional contributions are used to fund an unreduced early retirement provision available to OPP officers meeting a minimum 50 years of age and 30 years of service. The contribution rates for OPP officers, inclusive of the additional 2% of salary, are 9.2% of the salary on which contributions are made up to the YMPE, and 12.3% of the salary above the YMPE. The contribution rates for OPP civilians are 6.775% of the salary on which contributions are made up to the YMPE, and 9.875% of the salary above the YMPE.

Contributions from members and employers are remitted to OPB. The portion of these contributions that exceeds *Income Tax Act* (Canada) limits is transferred to the Province's Public Service Supplementary Benefits Account ("PSSBA").

c) Pensions

A pension is payable at age 65 based on the number of years of credit in the PSPP multiplied by 2% of the average salary during the best consecutive 60-month period, less an offset for integration with the CPP at age 65. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 ("Factor 90") or when the member reaches age 60 and has 20 or more years of credit.

OPP officers are eligible for a pension payable based on the average salary during the best 36-month period. OPP civilians are eligible for a pension payable based on the average salary during the best 48-month period. In addition, OPP officers are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) Death benefits

Upon the death of a member or pensioner, benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or retired member's estate.

e) Disability pensions

Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPP. The amount of the disability pension is dependent on years of credit and average salary.

f) Termination payments

Members terminating employment before age 55 who are eligible for a deferred pension may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to transfer to another pension plan, or to purchase a life annuity.

g) Escalation of benefits

Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

Note 3: Summary of significant accounting policies

Basis of presentation

The financial statements are prepared in accordance with Canadian accounting standards for pension plans and present the position of the PSPP as a separate entity independent of the employers and Plan members.

In accordance with Section 4600, Pension Plans, of the Chartered Professional Accountants of Canada ("CPA Canada") Handbook, Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook have been chosen for accounting policies that do not relate to the investment portfolio or pension obligations to the extent that those standards do not conflict with the requirements of Section 4600.

All of the entities that OPB has an ownership interest in, regardless of whether OPB can control or exercise significant influence, are considered to be investment assets and are presented on a non-consolidated basis.

a) Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts on the statements of changes in net assets available for benefits and changes in pension obligations during the reporting period. Actual results could differ from those estimates. The most significant estimates affecting the financial statements relate to the determination of the pension obligations and the fair values of the Plan's Level 3 investments.

b) Investments and related liabilities

Investments are stated at fair value, including accrued income. Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value of financial instruments is determined as follows:

i. Short-term investments are recorded at cost, which, together with accrued interest or discount earned, approximates fair value.

ii. Bonds and OPB Finance Trust debentures are valued at quoted market prices, where available. For those debt instruments for which quoted market prices are not available, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

iii. Equities are valued at quoted market prices at closing where available. Where quoted market prices are not available, other industry pricing conventions that are used by market participants such as ask price are used to estimate the values.

iv. Pooled fund values for publicly traded securities are supplied by the fund managers based upon fair value quotations.

v. Derivative financial instruments such as foreign exchange and bond forwards, equity futures contracts, credit default swaps and options are recorded at fair value using year-end market prices where available. For those instruments for which market prices are not available, estimated fair values are determined using appropriate valuation models based on industry-recognized methodologies.

vi. Real estate, consisting primarily of income-producing properties, and participating mortgages are valued at estimated fair value determined by independent appraisals. The cost of properties acquired during the year may be used as an approximation of their fair value where there has been no significant change in fair value. Non-operating real estate investments such as vacant land and real estate assets under construction are carried at their latest independently appraised values, plus any additional development costs.

vii. Private market and alternative investments, which include infrastructure, private equity, private debt and real estate funds, are valued using the most recently available financial information provided by the fund managers and adjusted for any transactions during the interim period up to the reporting date of these financial statements.

viii. Mortgages and private debt are valued using discounted future cash flows based on year-end market yields and comparable securities, as appropriate.

c) Revenue recognition

Investment transactions are recorded on trade date. Interest is recognized on an accrual basis when earned. Dividend income is recognized on the ex-dividend date. Distributions from investments in pooled funds are recognized when declared by the fund managers. Since real estate is valued on a fair value basis, depreciation and amortization are not recorded. Interest on participating mortgages is accrued at the rate stated in the instrument, and any participation income is accrued based on an estimate of OPB's participation in the increased value of the properties. Transaction costs are expensed as incurred.

Net investment income also includes fair value changes. Fair value changes represent both realized and unrealized gains and losses. Realized gains or losses are recognized when OPB has transferred to the purchaser the significant risks and rewards of ownership of the investment, the purchaser has made a substantial commitment demonstrating its intent to honour its obligation, and the collection of any additional consideration is reasonably assured.

d) Pension obligations

Pension obligations are determined based on an actuarial valuation prepared by an independent firm of actuaries using an actuarial valuation report prepared for funding purposes. This valuation uses the projected benefit cost method pro-rated on service and management's best estimate of various economic and non-economic assumptions.

e) Contributions

Contributions due to the PSPP at year-end are recorded as receivable. Transfers into the Plan and purchases of prior service are recorded after cash is received and the transfer or purchase transaction is completed.

f) Capital assets

Capital assets are carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

Computer equipment	3 years
Leasehold improvements	Remaining term of lease
Furniture and fixtures	10 years

g) 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 values of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end.

Note 4: Investments

Investments before allocating the effect of derivative contracts consist of the following:

As at December 31 (in thousands of dollars)	2016	2015
Cash and short-term investments		
Canada	$ 1,054,549	$ 489,584
Foreign	121,938	179,568
	1,176,487	669,152
Bonds and private debt		
Canada	5,738,077	6,317,419
Foreign	516,459	620,595
	6,254,536	6,938,014
Equities		
Canada	2,262,940	1,813,019
Foreign	8,053,841	7,753,984
	10,316,781	9,567,003
Real estate (net of financing, Note 4(h))	4,375,431	4,247,082
Infrastructure	1,238,661	1,167,558
Private equity	947,654	562,587
Total investments	24,309,550	23,151,396
Investment-related assets		
Pending trades	8,547	10,322
Derivatives receivable (Note 4(d))	75,617	74,577
Total investment-related assets	84,164	84,899
Investment-related liabilities		
Pending trades	9,568	10,978
Derivatives payable (Note 4(d))	35,093	179,405
Total investment-related liabilities	44,661	190,383
Total net investments	$ 24,349,053	$ 23,045,912

a) Investment asset mix

The Plan's actual and target investment asset mix is summarized below as at December 31:

	2016		2015		
	Asset Allocation %		Asset Allocation %		
	Total Plan	Target	Total Plan	Target	SIP&P Range
Asset categories[1]					
Fixed income	**25.4%**	**31.0%**	28.8%	32.5%	10%–45%
Equity	**51.5%**	**45.5%**	47.7%	46.0%	15%–75%
Real assets	**23.1%**	**23.5%**	23.5%	21.5%	20%–45%
Total investments	**100.0%**	**100.0%**	100.0%	100.0%	

1 The asset categories in this Asset Mix table are adjusted to reflect the market exposures after allocating derivatives positions to the asset classes to which they relate, offset by an adjustment to cash and equivalents, included in the Fixed income category.

The Plan approved an updated Strategic Asset Allocation ("SAA") on September 19, 2014, which is summarized in the Statement of Investment Policies and Procedures ("SIP&P") amended and approved on September 23, 2016. There were no significant changes as a result of that amendment. A transition plan to achieve the updated SAA was also approved on September 19, 2014. The transition plan is being phased in over a five-year period. During this period, the asset mix of the Plan's investments may not fall within the SIP&P ranges. However, the ultimate goal of the Plan is to achieve the specified SIP&P ranges of each asset category by the end of the phase-in period.

For purposes of assessing the investment asset mix of the Plan for SIP&P purposes, the investment asset categories reflect the impact of derivative contracts, and investment-related receivables and liabilities. As at December 31, 2016, the asset mix of the Plan's investments was within the acceptable ranges as specified in the SIP&P effective as at the financial statements date.

Subsequent to the year-end, the SAA was updated and the updates were incorporated into a new SIP&P, which was approved on March 3, 2017. The changes to the SIP&P will be effective as of 2017.

b) Financial instruments risk

The Plan is subject to financial risks as a result of its investing activities that could impact its cash flows, income, and assets available to meet benefit obligations. These risks include market risk (including interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. OPB manages these risks in accordance with its SIP&P, which prescribes the asset mix policy, diversification requirements, performance expectations, limits on individual investments, valuation standards, and guidelines for the management of the Plan.

Market risk – Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market factors. Market risk comprises the following:

(i) Interest rate risk – Interest rate risk refers to the effect on the fair value of the Plan's assets and liabilities due to fluctuations in market interest rates. The value of the Plan's investments is affected by changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates and inflation. The Plan has established an asset mix policy that balances interest-rate-sensitive investments with other investments. OPB's fixed income investments have the most significant exposure to interest rate risk. Duration and weighting for the fixed income portfolio are actively managed. Modified duration is a measure of the sensitivity of the price of a fixed income instrument to a change in interest rates. Given the Plan's modified duration of 8 years at December 31, 2016 (2015 – 7.3 years), a parallel shift in the yield curve of +/-1% would result in an approximate impact of $503 million (2015 – $514 million) on net investments with all other variables held constant. In practice, actual results may differ materially from this sensitivity analysis. See the schedule of fixed income maturities for further information.

(ii) Foreign currency risk – Foreign currency exposure arises from the Plan holding foreign currency denominated investments and entering into contracts that provide exposure to currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can have an impact on the fair value of investments. In addition to passively hedging a portion of its foreign currency exposure, the Plan also has an active currency hedging strategy in place through the use of foreign exchange forward contracts, which are accounted for at fair value. The total currency exposure, the impact of foreign exchange forward contracts and the net currency exposure are as follows:

As at December 31, 2016 (in thousands of dollars)	Gross Exposure	Foreign Exchange Contracts Receivable	Foreign Exchange Contracts Payable	Net Exposure
U.S. Dollar	$ 5,164,440	$ 773,927	$ (2,771,247)	$ 3,167,120
Hong Kong Dollar	582,987	86,970	(104,600)	565,357
Euro	684,302	368,450	(1,457,110)	(404,358)
Indian Rupee	401,745	2,355	(58)	404,042
South Korean Won	323,312	107	(242)	323,177
Japanese Yen	197,375	226,462	(115,492)	308,345
Chinese Renminbi	303,015	–	–	303,015
Other	2,230,402	407,051	(1,079,126)	1,558,327
Total foreign	9,887,578	1,865,322	(5,527,875)	6,225,025
Canadian Dollar	14,428,841	5,424,639	(1,729,452)	18,124,028
	$ 24,316,419	$ 7,289,961	$ (7,257,327)	$ 24,349,053

As at December 31, 2015 (in thousands of dollars)	Gross Exposure	Foreign Exchange Contracts Receivable	Foreign Exchange Contracts Payable	Net Exposure
U.S. Dollar	$ 4,938,316	$ 1,077,956	$ (3,209,621)	$ 2,806,651
Hong Kong Dollar	569,550	1,220	(187)	570,583
Indian Rupee	408,856	6,044	–	414,900
Chinese Renminbi	356,932	–	–	356,932
British Pound Sterling	446,489	349,787	(1,147,302)	(351,026)
Japanese Yen	130,731	245,080	(90,069)	285,742
South Korean Won	283,070	–	–	283,070
Other	2,130,090	634,644	(1,125,678)	1,639,056
Total foreign	9,264,034	2,314,731	(5,572,857)	6,005,908
Canadian Dollar	13,876,812	5,233,197	(2,070,005)	17,040,004
	$ 23,140,846	$ 7,547,928	$ (7,642,862)	$ 23,045,912

The impact of a 5% absolute change in foreign exchange rates compared to the Canadian dollar, holding all other variables constant, is 5% of the net exposure of the impacted currency, as follows:

		Change in Net Assets Available for Benefits as of			
	Change in Exchange Rates		**December 31, 2016 (in thousands of dollars)**		December 31, 2015 (in thousands of dollars)
U.S. Dollar	+/- 5%	**+/-**	**$ 158,356**	+/-	$ 140,333
Hong Kong Dollar	+/- 5%	**+/-**	**28,268**	+/-	28,529
Euro	+/- 5%	**+/-**	**(20,218)**	+/-	1,657
Indian Rupee	+/- 5%	**+/-**	**20,202**	+/-	20,745
South Korean Won	+/- 5%	**+/-**	**16,159**	+/-	14,154
Japanese Yen	+/- 5%	**+/-**	**15,417**	+/-	14,287
Chinese Renminbi	+/- 5%	**+/-**	**15,151**	+/-	17,847
Other	+/- 5%	**+/-**	**77,916**	+/-	62,744
Total	+/- 5%	**+/-**	**$ 311,251**	+/-	$ 300,296

(iii) Other price risk – Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. An absolute change in the fair value of OPB's investments that are exposed to other price risk will have a direct proportional impact on the fair value of the investments. OPB's investments in equities have the most significant exposure to other price risk. The impact of a 10% absolute change in the price of an investment, holding all other variables constant, is 10% of the net exposure of the impacted investment, as follows:

Equities	Stock Market Benchmark	Change in Price Index	Change in Net Assets as of December 31, 2016 (in millions of dollars)			Change in Net Assets as of December 31, 2015 (in millions of dollars)		
Canadian	S&P/TSX Composite Index	+/- 10%	**+/-**	**$**	**284.5**	+/-	$	224.9
Foreign	MSCI World (C$)	+/- 10%	**+/-**		**499.5**	+/-		472.0
Emerging	MSCI Emerging Equity Index (C$)	+/- 10%	**+/-**		**375.6**	+/-		347.1
			+/-	**$**	**1,159.6**	+/-	$	1,044.0

The sensitivity analysis is performed using the investment asset mix weights summarized in Note 4(a).

Credit risk – The Plan is exposed to the risk of loss through over-the-counter ("OTC") derivative transactions, arising from a default or insolvency of a counterparty. This risk is significantly mitigated by the fact that for any counterparties where the Plan transacts in OTC derivatives of greater than one year in duration, an International Swaps and Derivatives Association ("ISDA") master agreement must be in place accompanied by a Credit Support Annex ("CSA"), which forms part of the ISDA. Under these agreements, collateral is exchanged with counterparties on a daily basis to manage the credit risk arising from any existing OTC derivative contracts with that counterparty. In addition, under the ISDA master agreement for OTC derivatives, the Plan has the right to settle obligations on a net basis in the event of default, insolvency, bankruptcy or other early termination event.

The Plan assumes credit risk exposure through bonds and private debt investments. As at December 31, 2016, the Plan's greatest credit exposure to a securities issuer is with the Government of Canada in the form of interest-bearing securities for $1.4 billion (2015 – with the Government of Canada for $983 million). The credit ratings of the Plan's fixed income and bond investments are as follows:

Credit Rating as of December 31, 2016 (in thousands of dollars)

AAA	**AA**	**A**	**BBB**	**BB**	**B**	**CCC**	**Not Rated**	**Total**
$1,812,196	**$1,852,846**	**$766,512**	**$639,644**	**$198,928**	**$94,038**	**$4,135**	**$886,237**	**$6,254,536**

Credit Rating as of December 31, 2015 (in thousands of dollars)

AAA	AA	A	BBB	BB	B	CCC	Not Rated	Total
$1,826,884	$2,056,754	$1,085,702	$685,353	$364,499	$181,828	$8,712	$728,282	$6,938,014

The majority of the "not rated" classification in the table above is comprised of fixed income pooled fund and private debt investments.

Liquidity risk – Liquidity risk is the risk that the Plan has insufficient cash flows to meet its pension obligations and operating expenses as they become due. The typical cash requirements of the Plan are in the form of monthly retirement benefit payments as well as periodic termination and other benefit payments and expenses. The Plan also has financial liabilities in the form of derivatives that all mature within one year. The cash requirements and the fulfillment of any financial liabilities are typically met through cash sources such as investment income, proceeds from the sales of investments, and member and employer contributions. The majority of the Plan's assets are also invested in securities that are traded in active markets and can be divested on a timely basis. The largest sources of cash during the year were the member, employer and sponsor contributions. The maturities of the Plan's fixed income and bond investments are as follows:

Fixed Income Maturities as of December 31, 2016 (in thousands of dollars)

< 1 year	**≥ 1–5 years**	**≥ 5–10 years**	**≥ 10 years**	**Funds**	**Total**
$214,830	**$1,731,323**	**$1,295,498**	**$2,558,146**	**$454,739**	**$6,254,536**

Fixed Income Maturities as of December 31, 2015 (in thousands of dollars)

< 1 year	≥ 1–5 years	≥ 5–10 years	≥ 10 years	Funds	Total
$562,336	$1,819,378	$1,638,002	$2,706,121	$212,177	$6,938,014

c) Cash and short-term investments

As at December 31 (in thousands of dollars)	**2016**	2015
Canada		
Cash	**$ 99,183**	$ 46,569
Short-term notes and treasury funds	**942,205**	426,095
Term deposits	**12,719**	16,550
Accrued interest	**442**	370
	$ 1,054,549	$ 489,584
Foreign		
Cash	**$ 85,308**	$ 162,247
Short-term notes and treasury funds	**36,628**	17,319
Accrued interest	**2**	2
	$ 121,938	$ 179,568

d) Derivative contracts

Derivative contracts are financial contracts whose values change as a result of changes in the values of an underlying asset, index, yield curve or foreign exchange rate.

OPB uses derivatives, either directly with counterparties in the OTC market or on regulated exchanges, to facilitate asset allocation, alter the overall risk-return profile of the Plan, and manage or hedge risk. The Plan utilizes the following types of derivative contracts:

Futures contracts

Futures contracts are standardized agreements that can be purchased or sold on a futures exchange market at a predetermined future date and price specified at origination of the contract, in accordance with terms specified by the regulated futures exchange, and are subject to daily cash margining. These types of derivatives are used to efficiently modify exposures without actually purchasing or selling the underlying assets.

Forward contracts
Foreign exchange forward contracts are negotiated agreements between two parties to exchange a notional amount of one currency for another at an exchange rate specified at origination of the contract, with settlement at a specified future date. Foreign exchange forward contracts are used by OPB to modify currency exposure for both passive and active hedging.

A bond forward is a contractual obligation to either buy or sell an interest-rate-sensitive financial instrument on a predetermined future date at a specified price. Bond forward contracts are used to modify OPB's exposure to interest rate risk, such as hedging a potential new debenture issue.

Credit derivatives
Credit default swaps are a type of credit derivative used to transfer credit risk of an underlying financial instrument or group of securities from one party to another. In a credit default swap, the buyer of the swap pays a regular premium to the seller in return for protection against any loss of the notional amount of the underlying securities if a credit event, such as a default, occurs.

Options
Options are contractual agreements under which the buyer has the right, but not the obligation, either to buy (call option) or sell (put option) an underlying asset at a predetermined price on or before a specified future date.

The following schedule summarizes the notional amounts and fair values of the Plan's derivative contracts held on the indicated dates:

As at December 31, 2016			Fair value
(in thousands of dollars)	**Notional value**	**Assets**	**Liabilities**
Equity derivatives			
Futures	**$ 1,011,195**	**$ 7,992**	**$ –**
Currency derivatives			
Forwards	**7,301,648**	**67,625**	**(34,991)**
Credit derivatives			
Credit default swaps	**1,100**	**–**	**(102)**
Value of derivative contracts	**$ 8,313,943**	**$ 75,617**	**$ (35,093)**

As at December 31, 2015			Fair value
(in thousands of dollars)	Notional value	Assets	Liabilities
Equity derivatives			
Futures	$ 624,416	$ –	$ (6,744)
Currency derivatives			
Forwards	7,473,626	74,577	(169,511)
Fixed income derivatives			
Bond forwards	266,617	–	(3,150)
Value of derivative contracts	$ 8,364,659	$ 74,577	$ (179,405)

The credit defaults swaps will mature in 2020 and all the other derivative contracts have remaining maturities of less than one year as at December 31, 2016.

e) Securities lending

At year-end, $865 million (2015 – $1.6 billion) of OPB's securities were on loan to third parties. Pursuant to a securities lending agreement, OPB's custodian arranges the loans and OPB earns a fee. The custodian follows strict lending criteria and over-collateralizes the loans with securities that have credit ratings equal to or better than the securities loaned. OPB does not employ cash collateral in its securities lending program. Securities under lending arrangements continue to be recognized as OPB's investments as OPB retains the rewards and risks associated with these securities. At year-end, $910 million (2015 – $1.7 billion) of securities were held as collateral, providing a 5.1% (2015 – 5.5%) cushion against the potential credit risk associated with these securities lending activities.

f) Fair values

Canadian accounting standards for pension plans require disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds; hedge funds; Government of Canada, provincial and other government bonds; Canadian corporate bonds; and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes investments in underlying real estate properties, private equity investments and securities that have liquidity restrictions.

The following tables present the level within the fair value hierarchy for investments and derivatives, excluding pending trades.

As at December 31, 2016 (in thousands of dollars)	Level 1	Level 2	Level 3	Total Fair Value
Financial assets				
Cash and short-term investments				
Canada	$ 99,183	$ 955,366	$ –	$ 1,054,549
Foreign	85,308	36,630	–	121,938
Bonds and private debt				
Canada	–	5,347,555	390,522	5,738,077
Foreign	–	449,669	66,790	516,459
Equities				
Canada	2,262,940	–	–	2,262,940
Foreign	8,053,841	–	–	8,053,841
Real estate	–	–	4,375,431	4,375,431
Private equity	–	–	947,654	947,654
Infrastructure	–	–	1,238,661	1,238,661
Forwards	–	67,625	–	67,625
Futures	7,992	–	–	7,992
	$ 10,509,264	$ 6,856,845	$ 7,019,058	$ 24,385,167
Financial liabilities				
Forwards	$ –	$ (34,991)	$ –	$ (34,991)
Credit default swaps	–	(102)	–	(102)
	$ –	$ (35,093)	$ –	$ (35,093)

As at December 31, 2015 (in thousands of dollars)	Level 1	Level 2	Level 3	Total Fair Value
Financial assets				
Cash and short-term investments				
Canada	$ 46,569	$ 443,015	$ –	$ 489,584
Foreign	162,247	17,321	–	179,568
Bonds and private debt				
Canada	–	5,954,125	363,294	6,317,419
Foreign	–	593,523	27,072	620,595
Equities				
Canada	1,813,019	–	–	1,813,019
Foreign	7,380,483	373,501	–	7,753,984
Real estate	–	–	4,247,082	4,247,082
Private equity	–	–	562,587	562,587
Infrastructure	–	–	1,167,558	1,167,558
Forwards	–	74,577	–	74,577
	$ 9,402,318	$ 7,456,062	$ 6,367,593	$ 23,225,973
Financial liabilities				
Futures	$ (6,744)	$ –	$ –	$ (6,744)
Forwards	–	(172,661)	–	(172,661)
	$ (6,744)	$ (172,661)	$ –	$ (179,405)

There were no significant transfers between Levels 1, 2 or 3 during the years ended December 31, 2016 and 2015.

The following tables present a reconciliation of all Level 3 assets and liabilities measured at fair value for the years ended December 31, 2016 and 2015.

(in thousands of dollars)	**Fair Value as at January 1, 2016**	**Acquisitions**	**Dispositions**	**Issuance of Debt**	**Fair Value Changes**	**Fair Value as at December 31, 2016**
Financial assets						
Private debt						
Canada	**$ 363,294**	**$ 91,410**	**$ (68,053)**	**$ –**	**$ 3,871**	**$ 390,522**
Foreign	**27,072**	**44,069**	**–**	**–**	**(4,351)**	**66,790**
Real estate	**4,247,082**	**362,193**	**(103,736)**	**(250,000)**	**119,892**	**4,375,431**
Private equity	**562,587**	**406,412**	**(107,631)**	**–**	**86,286**	**947,654**
Infrastructure	**1,167,558**	**133,159**	**(15,131)**	**–**	**(46,925)**	**1,238,661**
	$ 6,367,593	**$ 1,037,243**	**$ (294,551)**	**$ (250,000)**	**$ 158,773**	**$ 7,019,058**

(in thousands of dollars)	Fair Value as at January 1, 2015	Acquisitions	Dispositions	Issuance of Debt	Fair Value Changes	Fair Value as at December 31, 2015
Financial assets						
Private debt						
Canada	$ 411,819	$ 31,741	$ (72,122)	$ –	$ (8,144)	$ 363,294
Foreign	24,995	12,083	(14,281)	–	4,275	27,072
Real estate	3,425,640	1,291,555	(129,492)	(500,000)	159,379	4,247,082
Private equity	359,765	150,411	(38,509)	–	90,920	562,587
Infrastructure	754,609	406,727	(94,207)	–	100,429	1,167,558
	$ 4,976,828	$ 1,892,517	$ (348,611)	$ (500,000)	$ 346,859	$ 6,367,593

g) Commitments and guarantees

As at December 31, 2016, OPB has unfunded commitments for certain investments of $2,064 million (2015 – $1,845 million).

OPB has provided a guarantee for the payment of principal and interest on $1,500 million in debentures that were issued by OPB Finance Trust, a trust established for the benefit of OPB and its related entities. Five series of debentures have been issued as at December 31, 2016:

1. $350 million, Series A, 30-year debentures due 2042, with a 3.89% coupon payable semi-annually.
2. $150 million, Series B, 50-year debentures due 2062, with a 3.87% coupon payable semi-annually.
3. $250 million, Series C, 10-year debentures due 2023, with a 2.90% coupon payable semi-annually.
4. $500 million, Series D, 7-year debentures due 2022, with a 1.88% coupon payable semi-annually.
5. $250 million, Series E, 10-year debentures due 2026, with a 2.95% coupon payable semi-annually.

The proceeds from the issuance of the Series A, B, D and E debentures were loaned to a number of OPB real estate subsidiaries. In turn, these real estate companies repaid amounts owed to OPB.

The proceeds from the issuance of the Series C debentures were loaned to a real estate trust established for the benefit of OPB.

Subsequent to year-end, on January 24, 2017, OPB Finance Trust issued $750 million of Series F debentures at an effective yield of 2.986%. The debentures are due on January 25, 2027 with a coupon of 2.98% per annum, calculated and payable semi-annually. The repayment of principal and interest for the Series F debentures is fully guaranteed by OPB. The entire proceeds from the issuance were loaned to a number of OPB real estate subsidiaries to acquire real estate investments on February 1, 2017 (refer to Note 13 for additional information).

OPB's real estate investments are shown net of the OPB Finance Trust debentures and any other financings specifically assumed by these real estate entities.

In addition to the guarantee on the debentures, $17 million of letters of credit are guaranteed by OPB as at December 31, 2016.

h) Real estate

The following table provides a breakdown of the real estate portfolio by its major components.

As at December 31 (in thousands of dollars)	2016	2015
Assets		
Real estate[1]	$ 2,337,800	$ 2,274,625
Investments[2]	3,582,353	3,276,149
Total assets	5,920,153	5,550,774
Liabilities		
Debentures[3]	1,540,227	1,289,521
Other liabilities, net	4,495	14,171
Total liabilities	1,544,722	1,303,692
Net investment in real estate	$ 4,375,431	$ 4,247,082

1 Real estate investments that are 100% directly owned and held in single-purpose subsidiaries.

2 Investments held through partially owned non-controlling co-ownerships, funds, or similar investment vehicles consist of real estate properties, any related assets and liabilities and participating mortgages. These assets and liabilities are presented on a net basis.

3 The debentures represent securities issued by OPB Finance Trust and are guaranteed by OPB (see Note 4(g)).

Note 5: Capital assets

As at December 31, 2016 (in thousands of dollars)	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	$ 4,866	$ 4,341	$ 525
Furniture and fixtures	2,491	2,032	459
Leasehold improvements	1,732	1,152	580
Total capital assets	$ 9,089	$ 7,525	$ 1,564

As at December 31, 2015 (in thousands of dollars)	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	$ 4,624	$ 3,995	$ 629
Furniture and fixtures	2,483	1,808	675
Leasehold improvements	1,641	983	658
Total capital assets	$ 8,748	$ 6,786	$ 1,962

Note 6: Pension obligations

An actuarial valuation prepared for funding purposes ("funding valuation") is used as the basis for funding, Plan design decisions and the periodic determination of the Plan's pension obligations. This funding valuation is based on methods required under the *PSPAct* and the *Pension Benefits Act* (Ontario) ("*PBA*"). The *PBA* and the *Income Tax Act* (Canada) require that a funding valuation of the PSPP be completed and filed with the regulatory authorities at least every three years.

The most recent regulatory filing of a funding valuation was as at an effective date of December 31, 2013, which disclosed a funding shortfall of $804 million on a going-concern basis. The funding valuation was prepared by Aon Hewitt. The next required funding valuation to be filed with the regulatory authorities will have an effective date no later than December 31, 2016. This required funding valuation would need to be filed in 2017.

A funding valuation was prepared as at December 31, 2015 and finalized in May 2016 by Aon Hewitt. This funding valuation, which was not filed, disclosed a funding shortfall of $667 million on a going-concern basis. For the purposes of these financial statements, Aon Hewitt used the funding valuation as at December 31, 2015 and rolled it forward in order to determine the Plan's pension obligations as at December 31, 2016. The pension obligations as at December 31, 2016 are $25.2 billion (2015 – $23.5 billion).

Actuarial assumptions – The actuarial assumptions used in determining the value of the pension obligations reflect management's best estimate of future economic and non-economic events. The primary economic assumptions as at December 31 are:

	2016	2015
Investment return	**5.7%**	5.95%
Inflation	**2.0%**	2.10%
Real rate of return	**3.7%**	3.85%
Salary increases		
2015	**–**	1.5% + promotional scale
2016	**1.5% + promotional scale**	1.5% + promotional scale
2017	**1.5% + promotional scale**	1.5% + promotional scale
2018	**2.0% + promotional scale**	2.0% + promotional scale
2019	**2.5% + promotional scale**	2.5% + promotional scale
2020 and thereafter	**3.0% + promotional scale**	3.1% + promotional scale

The non-economic assumptions include mortality, withdrawal and retirement rates. During 2016, changes in actuarial assumptions related to the real rate of return, inflation and total investment return resulted in an increase of $517 million to the Plan's pension obligations. The annual expected real rate of return has been lowered based on the long-term investment mix policy and expected returns and volatility for each of the asset classes. During 2015, the changes in actuarial assumptions related to a survivorship adjustment for spouses, offset by lower mortality assumptions as a result of Plan experience, contributed to a decrease of $54 million to the pension obligations.

Note 7: Deficit

In these financial statements, the amount by which net assets available for benefits is less than the pension obligations is represented by the deficit, which as at December 31, 2016 was $796 million (2015 – $434 million).

Note 8: Net investment income

For the year ended December 31

(in thousands of dollars)	**Investment Income[1]**	**Fair Value Changes**	**2016 Total**	Investment Income[1]	Fair Value Changes	2015 Total
Cash and short-term investments						
Canada	**$ 10,681**	**$ 1,974**	**$ 12,655**	$ 9,520	$ 16,365	$ 25,885
Foreign[2]	**452**	**241,044**	**241,496**	1,788	(615,953)	(614,165)
	11,133	**243,018**	**254,151**	11,308	(599,588)	(588,280)
Bonds and private debt						
Canada	**234,414**	**(12,349)**	**222,065**	242,205	(5,720)	236,485
Foreign	**40,739**	**(6,230)**	**34,509**	45,739	35,309	81,048
	275,153	**(18,579)**	**256,574**	287,944	29,589	317,533
Equities						
Canada	**54,370**	**480,344**	**534,714**	59,804	(273,612)	(213,808)
Foreign	**171,683**	**173,331**	**345,014**	221,159	944,398	1,165,557
	226,053	**653,675**	**879,728**	280,963	670,786	951,749
Real estate	**208,336**	**112,441**	**320,777**	196,493	147,291	343,784
Infrastructure	**50,308**	**(62,642)**	**(12,334)**	41,908	99,303	141,211
Private equity	**40,880**	**86,070**	**126,950**	46,865	90,532	137,397
Total investment income	**$ 811,863**	**$ 1,013,983**	**$ 1,825,846**	$ 865,481	$ 437,913	$ 1,303,394
Investment management and related fees (Note 8(b))			**(74,862)**			(79,413)
Net investment income			**$ 1,750,984**			$ 1,223,981

1 Investment income includes interest on cash and short-term investments, fixed income and participating mortgages, dividend income on equities, real estate distributions and distribution income from various pooled funds.

2 Fair value changes on cash and short-term investments include gains (losses) on foreign exchange contracts.

a) Interest income

For the year ended December 31 (in thousands of dollars)	2016	2015
Cash and short-term investments		
Canada		
Cash	$ 7,201	$ 5,059
Short-term notes and treasury funds	3,441	4,394
Term deposits	39	67
	$ 10,681	$ 9,520
Foreign		
Cash	$ 429	$ 1,784
Short-term notes and treasury funds	23	4
	$ 452	$ 1,788

Earnings from pooled short-term investment funds are included with short-term notes and treasury funds.

b) Investment management and related fees

For the year ended December 31 (in thousands of dollars)	2016	2015
Portfolio fund management	$ 60,363	$ 63,104
Transaction costs	8,303	9,659
Custodial	5,425	5,607
Private market	771	1,043
	$ 74,862	$ 79,413

Transaction costs include commissions and fees on trades.

Note 9: Contributions

For the year ended December 31 (in thousands of dollars)	2016	2015
Members		
Current service required	$ 301,627	$ 289,515
Prior service	37,766	28,800
Total contributions from members	339,393	318,315
Employers		
Current service		
Regular contributions	301,833	289,043
PSSBA transfer	(14,634)	(12,637)
For members receiving Long Term Income Protection benefits	12,791	11,485
Prior service	4,636	4,557
	304,626	292,448
Sponsor payments		
Special payments	98,989	98,989
Additional current service	22,398	21,852
	121,387	120,841
Total contributions from employers and sponsor	426,013	413,289
Total contributions	$ 765,406	$ 731,604

The contribution requirements are set out in the *PSPAct* and summarized in Note 2(b).

Members who are receiving benefits on Long Term Income Protection have their contributions to the PSPP paid by their employers.

The Province, as sponsor of the Plan, contributed $99 million (2015 – $99 million) in Special Payments in 2016 towards the funding shortfall identified in the filed funding valuation as at December 31, 2013. In 2016, the Province made $22 million (2015 – $22 million) in additional employer current service contributions.

For 2016 and 2015, the contributions to the Plan were made in accordance with the funding requirements as specified by the most recently filed actuarial funding valuation.

There were no required contributions past due as at December 31, 2016 and 2015.

Note 10: Operating expenses

Investment operations

For the year ended December 31 (in thousands of dollars)		2016		2015
Staffing costs	$	**15,891**	$	13,409
Staff development and support		**216**		179
Office premises and operations		**2,823**		2,656
Information technology and project management		**3,225**		3,231
Professional services		**1,878**		1,939
Communication		**132**		124
Depreciation		**309**		315
Board remuneration		**77**		86
Audit		**182**		244
IMCO set-up costs		**2,362**		380
	$	**27,095**	$	22,563

Pension operations

For the year ended December 31 (in thousands of dollars)		2016		2015
Staffing costs	$	**13,492**	$	12,916
Staff development and support		**121**		99
Office premises and operations		**3,169**		2,894
Information technology and project management		**5,567**		6,486
Professional services		**911**		868
Communication		**308**		288
Depreciation		**429**		457
Board remuneration		**52**		57
Audit		**182**		244
	$	**24,231**	$	24,309

Included in the above operating expenses are:

External audit services

For the year ended December 31 (in thousands of dollars)		2016		2015
External audit and related services provided to Ontario Pension Board	$	**205**	$	256
External audit and related services provided to and recorded by subsidiary operations		**272**		311
Total fees	$	**477**	$	567

Actuarial services

For the year ended December 31 (in thousands of dollars)	2016	2015
Actuarial services provided to Ontario Pension Board	**$ 457**	$ 410

IMCO set-up costs

In 2016, the Investment Management Corporation of Ontario Act was proclaimed by the Government of Ontario, creating Investment Management Corporation of Ontario ("IMCO"), a new investment management entity that will provide the day-to-day investment management and advisory services to participating organizations in Ontario's broader public sector with the ownership of the investment assets remaining with the participants. OPB and Workplace Safety and Insurance Board ("WSIB") are IMCO's founding members and IMCO is expected to be fully operational in 2017, at which time IMCO will assume responsibility for OPB's day-to-day investment management functions.

On July 27, 2016, IMCO entered into a funding agreement with OPB and WSIB to provide funding for IMCO's initial set-up costs incurred from the date of the funding agreement to December 31, 2017. As at December 31, 2016, no amounts are owed from IMCO to OPB under this agreement.

During 2016, IMCO charged $1.2 million to OPB, its portion of IMCO's initial set-up costs such as legal and other costs for entering into contracts with service providers. Other set-up costs related to IMCO of approximately $1.2 million (2015 – $0.4 million), such as legal and consulting expenses, were also incurred by OPB during the year.

Note 11: Capital management

The funding surpluses or deficits determined periodically through the funding valuations prepared by the independent actuary are defined as the Plan's capital. The actuary's funding valuation is used to measure the long-term health of the Plan. The last filed actuarial valuation report for funding purposes was prepared by Aon Hewitt as of December 31, 2013, which disclosed a funding shortfall of $804 million on a going-concern basis and a deficit of $871 million on a solvency basis.

The objective of managing the Plan's capital is to ensure the Plan is funded to fully pay out the Plan's benefits. The funding valuation determines the annual minimum contribution levels to eliminate any shortfalls. The Plan's SIP&P also provides guidance with respect to the investment of the Plan's assets (see Note 4(a)) in order to assist with the management of any funding excesses or shortfalls. During the year, the SIP&P was amended on September 23, 2016, resulting in the asset mix targets as shown in Note 4(a). The Plan's rate of return expectation has been set in the SIP&P at a 3.85% real rate of return, net of fees.

Note 12: Comparative financial statements

Certain amounts in the comparative financial statements have been reclassified to conform to the presentation of the 2016 financial statements.

Note 13: Subsequent events

On November 17, 2016, OPB entered into a purchase and sale agreement together with WSIB to acquire a total 50% interest in certain Vancouver properties (the "Purchased Interest") for a total consideration of $1.9 billion. Subsequently on January 11, 2017, the Purchased Interest was assigned and transferred to entities that are equally owned by OPB and WSIB, resulting in each of OPB and WSIB having a 25% ownership interest in the Vancouver properties. The transaction was completed on February 1, 2017.

On January 24, 2017, OPB Finance Trust issued $750 million of Series F debentures (as noted in Note 4(g)) to finance a portion of the Purchased Interest described above.

OPB
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Supplementary Information

Fixed income maturities

As at December 31 (in thousands of dollars)	2016 Fair Value	2016 Current Yield %	2015 Fair Value	2015 Current Yield %
Bonds				
Canada				
< 1 year	$ 166,124	1.09–7.50	$ 532,406	0.98–12.01
≥ 1–5 years	1,615,253	0.25–12.39	1,646,854	0.25–14.19
≥ 5–10 years	1,113,043	0.52–14.29	1,330,725	0.75–11.16
≥ 10 years	2,455,708	1.03–10.00	2,622,330	1.07–11.37
	5,350,128		6,132,315	
Foreign				
< 1 year	48,706	2.16–8.48	29,930	3.16–7.00
≥ 1–5 years	116,070	0.46–11.35	172,524	2.48–38.10
≥ 5–10 years	182,455	0.32–12.02	307,277	2.04–21.61
≥ 10 years	102,438	1.36–10.84	83,791	1.43–10.12
	449,669		593,522	
Fixed income funds (with no stated maturities)	454,739		212,177	
Total fixed income	$ 6,254,536		$ 6,938,014	

Investments over $200 million

As at December 31, 2016 (in thousands of dollars)	Maturities	Coupon %		Fair Value[1]
Cash and short-term investments				
Government of Canada			$	445,302
Fixed income				
OPB Investments Limited (holding company, 100% owned)			$	210,060
Blackrock Canada Universe Bond Index Class A fund				203,488
Bonds				
Canada				
Government of Canada	2018–2064	0.25–10.50	$	986,424
Province of Ontario	2018–2062	1.16–9.50		814,268
Canada Housing Trust No. 1	2018–2026	1.10–4.10		463,829
Province of Quebec	2018–2055	1.00–9.63		337,007
Real estate, net of financing				
Investment in real estate holdings, comprising OPB Realty Inc. (holding company, 100% owned), OPB (TDC) Inc. (holding company, 100% owned), OPB Real Estate Investments 2 Limited (holding company, 100% owned), OPB (EMTC) Inc. (holding company, 100% owned), OPB (Southgate) Inc. (holding company, 100% owned), OPB (155 Wellington) Inc. (holding company, 100% owned), OPB (Centre 10) Inc. (holding company, 100% owned) and OPB Finance Trust (financing entity, 100% beneficial interest)			$	2,977,547

		Fair Value
Infrastructure		
OPB Infrastructure 2 Limited (holding company, 100% owned)	$	642,820
Private equities		
OPB Private Equity 5 Limited (holding company, 100% owned)	$	303,176

1 Includes guaranteed instruments issued by subsidiaries/agencies.

Real estate properties – Location and gross leasable area

The following table provides gross leasable area of those real estate properties that are 100% directly owned and those owned through co-ownerships, all of which are held in single-purpose subsidiaries:

As at December 31, 2016 (in thousands of square feet)	Location	Gross Leasable Area[1]
Retail		
Pen Centre	St. Catharines	1,039
Southgate Centre	Edmonton	942
Pickering Town Centre	Pickering	938
St. Vital Centre	Winnipeg	932
Erin Mills Town Centre	Mississauga	867
Erin Mills Town Plaza	Mississauga	59
Woodgrove Centre	Nanaimo	748
Cornwall Centre	Regina	579
Halifax Shopping Centre	Halifax	555
Carlingwood Shopping Centre	Ottawa	520
Halifax Shopping Centre Annex	Halifax	420
Mumford Professional Centre	Halifax	187
		7,786
Office		
TD Centre	Toronto	4,494
155 Wellington Street West	Toronto	1,211
Centre 10	Calgary	368
Pickering Office Tower/Durham College	Pickering	127
Halifax Office Complex	Halifax	52
		6,252
Residential		
Engelhart Apartments	Toronto	85
Total properties		**14,123**

[1] Area shown above reflects 100% of each property's square footage. Southgate Centre and 155 Wellington Street West are 50% owned by Ontario Pension Board through its subsidiaries OPB (Southgate) Inc. and OPB (155 Wellington) Inc. Woodgrove Centre, Cornwall Centre and Engelhart Apartments are 50% owned by Ontario Pension Board through its subsidiary OPB Real Estate Investments 2 Limited. TD Centre is 30% owned by Ontario Pension Board through its subsidiary OPB (TDC) Inc.