



TEACHERS'

PENSION PLAN • RÉGIME DE RETRAITE
DES ENSEIGNANTES ET DES ENSEIGNANTS

The Road to Sustainable Risk Management – The Role of Operational Excellence

FEI Annual Conference Niagara Falls 2014

**David McGraw, SVP & Chief Financial
Officer**



Ontario Teachers' Pension Plan

- **Teachers in Ontario have had pensions since 1917:**
 - Run by government ministry
- **OTPP created in 1990 by transferring \$17 billion from Ontario Government:**
 - Jointly Sponsored Pension Plan:
 - Government of Ontario and Ontario Teachers' Federation
 - Independent Board of Directors (9)
- **Responsible for retirement income of:**
 - 179,000 active members
 - 124,000 retirees/families
 - 69,000 inactive members
- **Net investment assets of \$138.9 billion as at Dec 31, 2013:**
 - Equities, 45%
 - Fixed Income, 41%
 - Natural Resources, 8%
 - Real Assets, 22% (real estate, infrastructure)
 - Absolute Return Strategies, 8%
 - Money Market, -24%

"You Can't Manage What You Can't Measure"

■ Significant investment to achieve long term sustainable risk management objectives has typically required a burning platform:

- Financial crisis
- New regulatory reform
- Legacy systems that don't meet current needs or just don't work – systems get "rusty"!

■ Examples:

- IIF & McKinsey & Company Study identified Financial Services are making substantial investment in data and risk management
- JPMorgan Chase & Co announced plans to spend an additional \$4 billion and commit 5,000 extra employees to fix risk and compliance issues - Wall Street Journal

"You Can't Manage What You Can't Measure"

Substantial investment in data and risk management

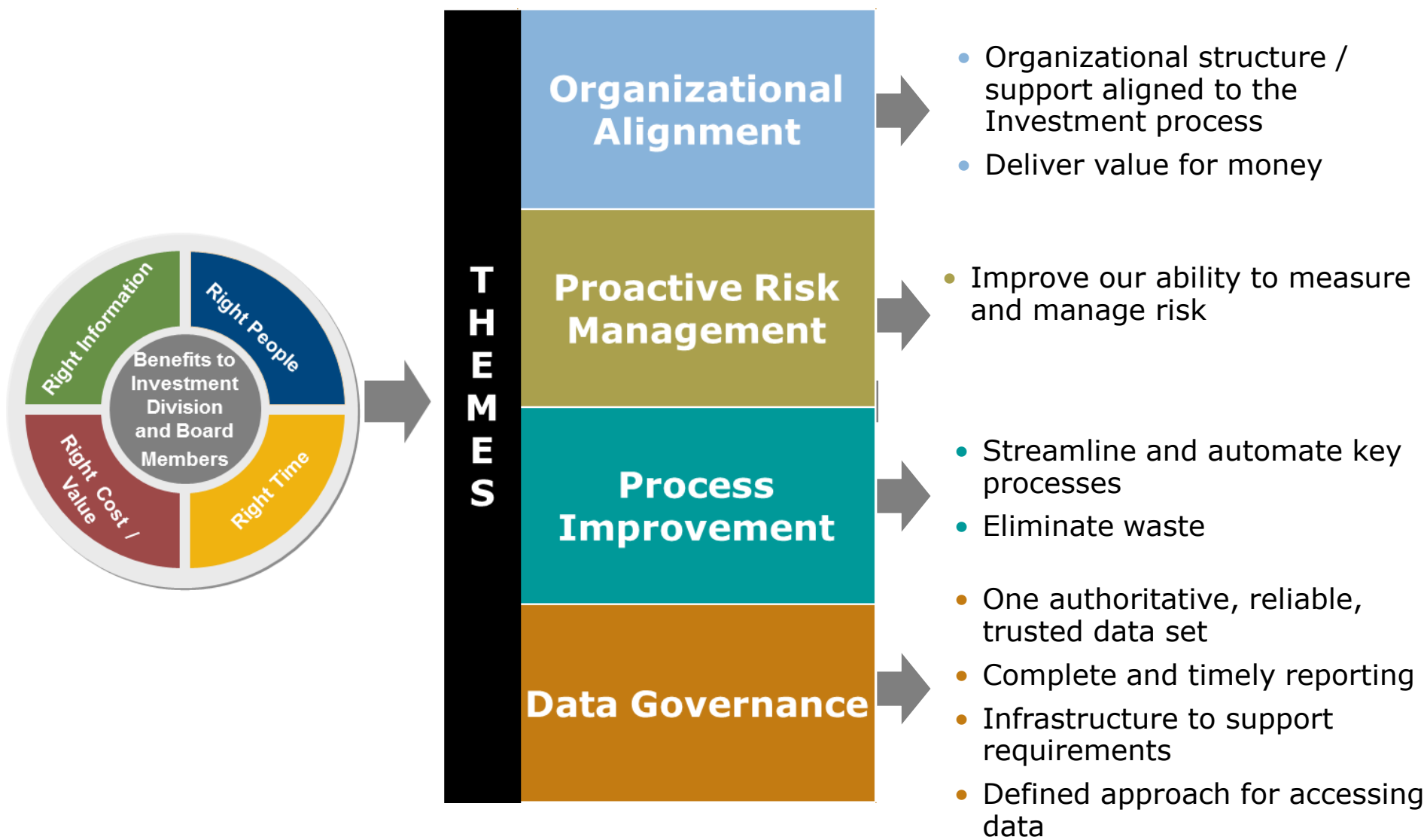
Major Themes of IIF / McKinsey Study

- Data standardization and risk aggregation
- Front-to-back operating model
- Applications, architecture and infrastructure
- IT organization, governance and security

The Journey

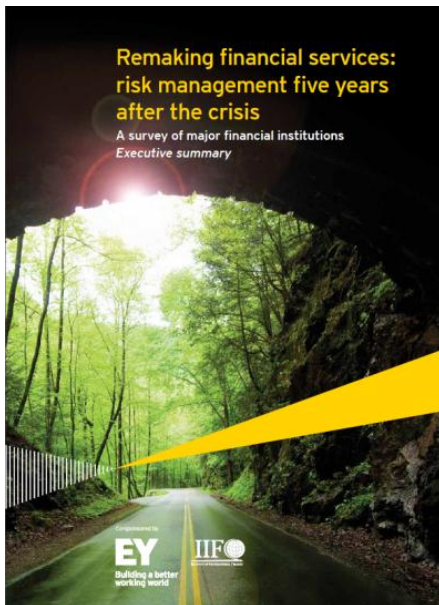


Operational Excellence

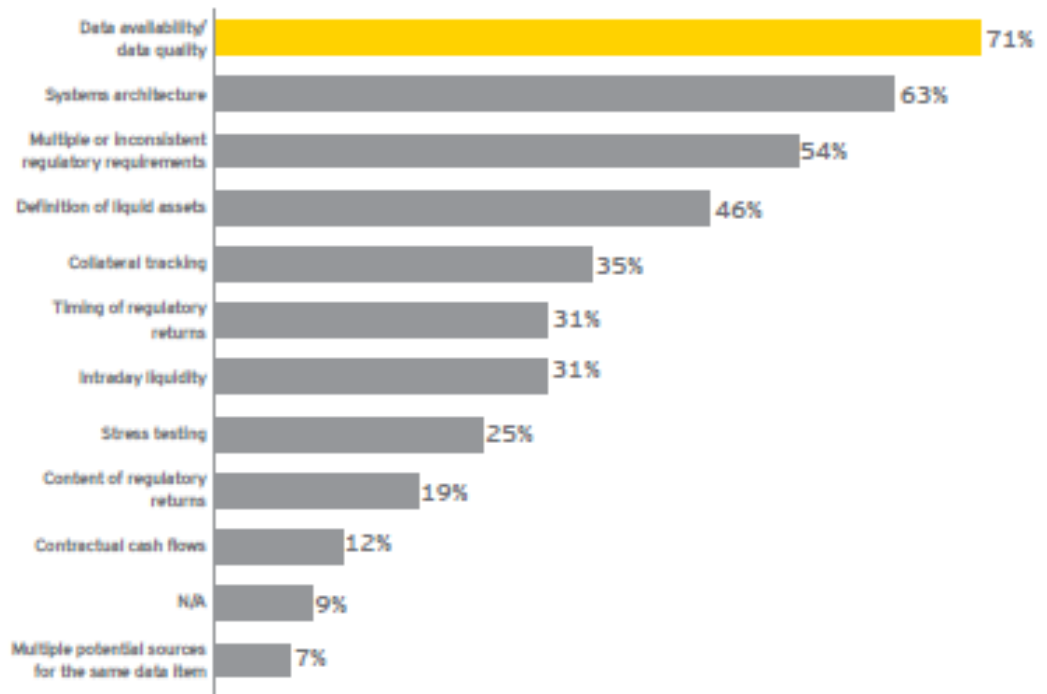


Data Challenge

- A 2013 survey co-sponsored by EY & International Institute of Finance reveal top two challenges in implementing Basel III are – Data Availability and Quality & Systems Architecture



Key challenges experienced or expected to be experienced in implementing Basel III



Does not sum to 100% because respondents could select more than one option.

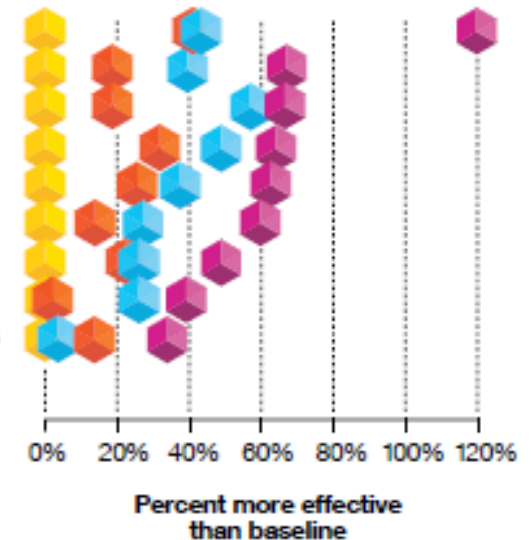
Data Challenge

- A survey conducted by IBM identifies that “Value Integrators” outperform



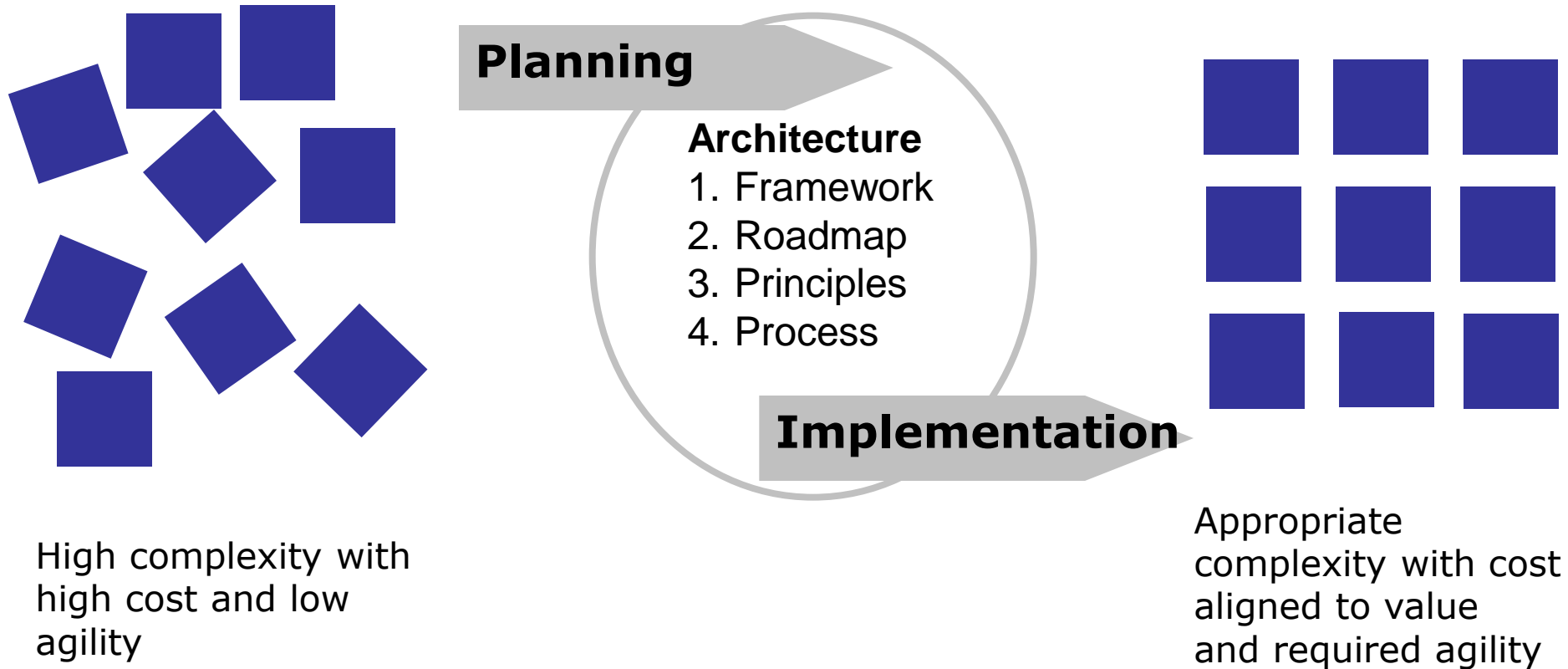
Value Integrators outperform across the entire Finance agenda.
They report substantial leads in information integration and risk management.

Driving integration of information across the enterprise
Measuring / monitoring business performance
Developing your people in the Finance organization
Providing inputs into enterprise strategy
Executing continuous Finance process improvements
Supporting / managing / mitigating enterprise risk
Driving Finance cost reduction
Driving enterprise cost reduction
Strengthening compliance programs and internal controls



- Scorekeepers (baseline)
- Disciplined Operators
- Constrained Advisors
- Value Integrators

Architecture

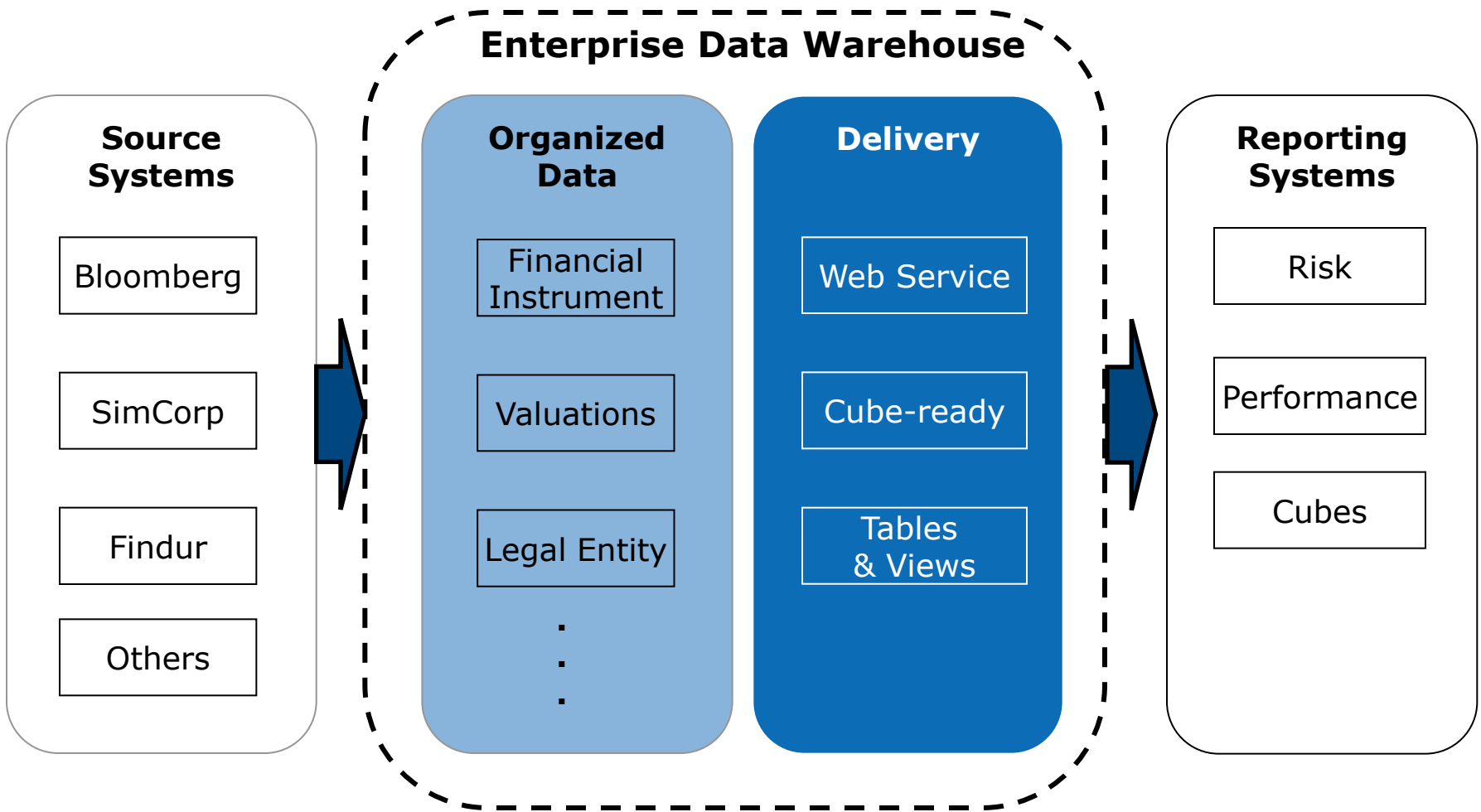


Architecture is a plan with organizing principles and design objectives

Data Governance - Objectives

- **A “single source of the truth” for data**
- **Availability of high quality, complete data**
- **Simplification of data access**
- **Defined data support**

Data Governance – End State



The Challenge / Benefit

■ The Challenges:

- Cost
- Change Management
- Organizational Alignment

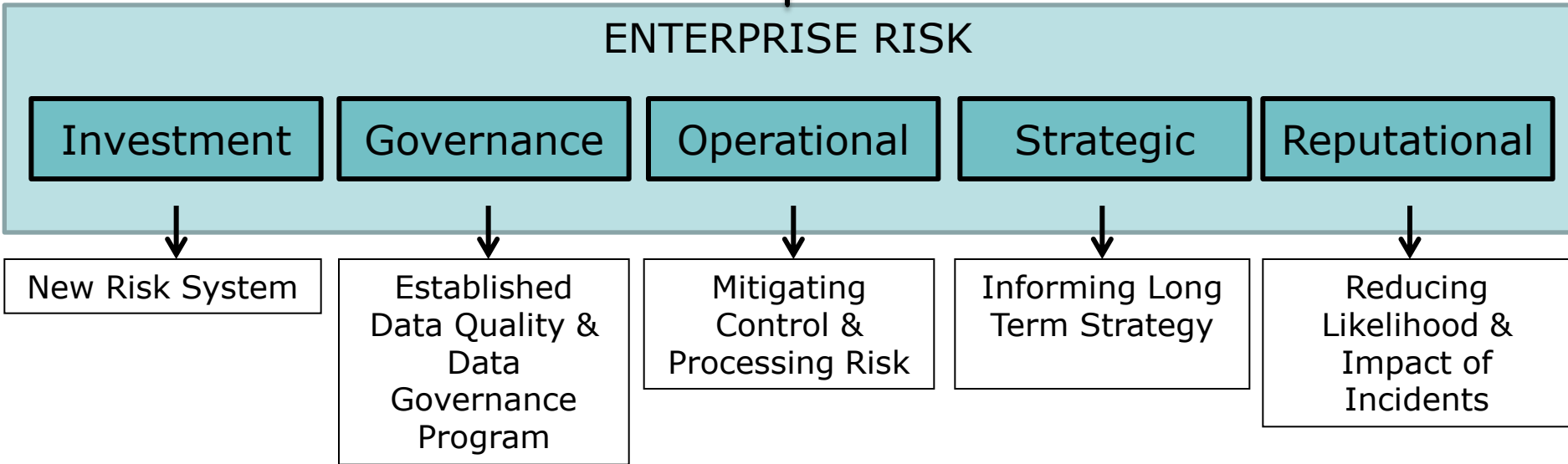
■ The Benefits:

- Business agility and integrated data
- Efficient operations that are 'less risky'
- Improved decision making
- Supports future growth and risk reduction

Effective Risk Management



Operational Excellence is a program that also supports Teachers' risk appetite (risk / reward) objectives

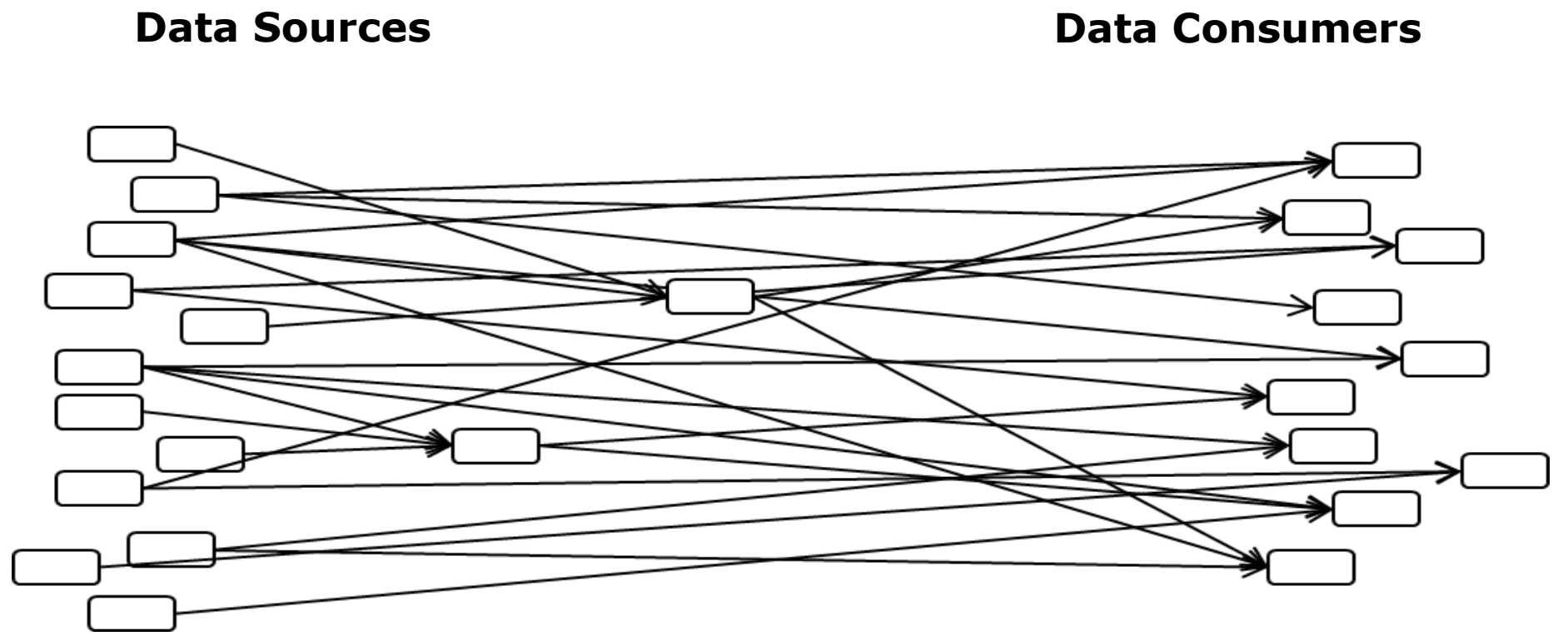


Back Up Slides

Agenda

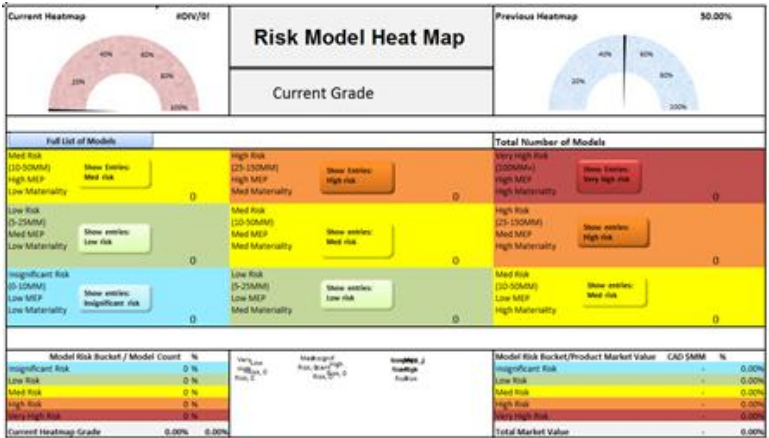
- **About Teachers'**
- **The Need – You Can't Manage What You Can't Measure**
- **The Journey**
- **Operational Excellence**
- **The Data Challenge**
- **The Challenges / Benefits**
- **Measuring Success**
- **Conclusion**

Data Challenge



Measuring Success

- **Risk Model Heat Map has been developed to:**
 - Measure relative risk associated with each model
 - Measure the relative overall quality of the portfolio of models



Conclusion

