HOOPP
Healthcare of Ontario
Pension Plan

Annual Report
2014

Table of Contents

President & CEO's Message

The year 2014 proved to be very successful for us at HOOPP. The Plan's assets grew by over $9.2 billion to $60.8 billion, representing an investment return of 17.71%. The explanation for the Plan's high return is due to our proficiency in investment decision-making. Our investment team made a strong contribution to 2014 results, contributing 2.10% in incremental returns to the Fund through active management decisions. It was one of those rare years where virtually every asset class and every investment strategy produced a positive return.

But a big part of the story behind our strong returns in 2014 relates to changes that have taken place over the last decade in our approach to risk management and the resulting evolution of our portfolio structure.

The evolution of our risk management approach had its beginning in the tech meltdown in the early 2000s. During that period, we quickly went from having a funding surplus to having a funding deficit. We learned that we needed to look at alternative ways to more effectively manage the major risks in the Plan. We needed to ensure we could deliver on our pension promise and pay our member benefits regardless of the economic backdrop.

Our analytical work revealed that one of the major risk factors that would diminish our ability to meet our pension promise was a decline in long-term interest rates. For every dollar in pension payments given to HOOPP members, about 75 to 80 cents is generated from investment returns earned on member and employer contributions. Low long-term interest rates would reduce our ability to earn sufficient investment returns over the long run. This means that in order to continually make the same pension payment to a HOOPP member, we would need to have a larger asset base on hand to meet our pension obligations.

Having identified declining long-term interest rates as a major risk factor for the Plan, we have taken steps over the past eight years to restructure the investment portfolio to increase the interest rate sensitivity by dramatically increasing our holdings of long-term government bonds. We knew that long-term bonds would appreciate in value should long-term interest rates decline.

The year 2014 saw this major risk unfold with long-term interest rates falling to record lows at year-end; however, despite this fall that resulted in the present value of our liabilities increasing materially, our significant holdings in long-term government bonds produced an offsetting gain. Our approach to risk management has enabled us to protect our members' interests. Despite this major risk factor working against us, we have been able to increase our funding surplus with the Plan to 115% fully funded.

Long-term success allows the HOOPP Board to improve benefits

HOOPP's strong investment returns and risk management approach have built and maintained the Fund and our financial strength despite the challenging financial markets we have experienced over the past decade. In fact, in 2014 CEM Benchmarking has recognized HOOPP for having the highest 10-year net returns out of 124 global funds.

Our long-term investment success, combined with prudent risk management, has resulted in a significant surplus, providing tangible benefits to HOOPP members and employers. HOOPP has kept contribution rates unchanged over the past decade and HOOPP remains one of the lowest-cost plans for members and employers. And now, at a time when many global pension plans are looking to cut benefits in order to shore up funding, our strong financial position this past year enabled the Board to enhance benefits for existing HOOPP pensioners by moving our annual cost of living adjustment (COLA) from 75% of consumer price index (CPI) to 100% of CPI. This will preserve the purchasing power of HOOPP pensioners throughout their retirement years.

Preparing for the future

2014 financial results have been very good, but they don't capture the entire story at HOOPP. Many other great achievements took place over the course of the year in our effort to deliver retirement security and improve service to our members. In addition to achieving strong financial results, the many projects and initiatives we have taken on in 2014 position us well for the future and will lead to increased efficiencies down the road.

Just as focused long-term planning in the past has helped us attain high levels of performance in 2014, the steps taken today will pay organizational dividends down the road. It's HOOPP's long-term view — looking ahead and thinking ahead — that helps us plan for solid organizational footing in the future.

All HOOPP's achievements are attained thanks to the dedication of the HOOPP team. I'm especially proud of the strong culture we have built and have fostered over the years, one that continues to enable top performance in a caring and supportive work environment. With each action we take at HOOPP, we keep in mind the best interests of our members and since we too are Plan members, we understand the importance of delivering on our pension promise. I wish to extend my congratulations and gratitude to everyone at HOOPP who contributed to our success this past year.

Every day at HOOPP, we are committed to the future as we continue to find innovative and forward thinking ways to deliver on the HOOPP pension. This is central to our main mission: remaining favourably funded and pointed firmly towards the future.

JIM KEOHANE
President & Chief Executive Officer

Chairs' Message

A sustainable pension model

As we travel across the province talking to members and employers, we receive one clear message – they want a stable income in retirement from HOOPP.

While delivering this pension promise is secure due to yet another strong year for HOOPP, we continue to ensure we provide uncompromising service to members and employers in an efficient and cost effective manner. Achieving operational excellence while managing costs can be a challenging balancing act for many organizations but we are proud to say that, at HOOPP, it is embedded in the culture of the organization.

To recognize these efforts, we would like to thank HOOPP's management and employees for such a strong 2014 year and for continually securing the pension promise to our members.

Commitment to our membership

The HOOPP Board is committed to delivering retirement security to its membership. In 2014, the strong investment performance and strong funded position of the Plan enabled us to make two cost of living adjustments (COLA) that take effect in April 2015. A 1.47% COLA will be applied to all pensions and deferred pensions April 1.

At the same time, a special adjustment will move all pensions to where they would be had they received the maximum COLA increase permitted under HOOPP for each year they received COLA. Taken together, these measures help preserve the spending power of our retirees.

As part of our efforts to ensure members understand the value of their Plan, in 2014 HOOPP reached out to members across the province, through a total of 32 pension seminars. These highly successful seminars provided an opportunity to learn the important benefits of their pension while encouraging them to show support for the HOOPP DB model.

Recognizing that HOOPP must keep pace with the future, HOOPP continues to look at ways to enhance the service experience we provide every day to our members and employers. As part of these efforts, HOOPP is making long-term investments to improve our existing pension administration system. These improvements will allow us the flexibility and capacity to better manage the needs of the organization and our membership, while continuing to provide top service.

Creating ambassadors

With many Ontarians lacking access to a workplace pension plan to provide retirement security, it's important that HOOPP management and members are part of the larger discussion on how best to ensure more workers have access to a pension plan in Ontario.

In 2014 we reached out to our members and asked them to help us show support on this issue. Members were given the opportunity to be part of the discussion by joining the DB Ambassador Program. The program's goal is to encourage members and others to take an active role in support of the DB model so that they too can spread the word about the advantages it has over alternative savings arrangements.

Ultimately, plans like HOOPP can provide a guide to the building of a better pension solution for others in Ontario. In 2014, HOOPP's CEO was invited by Premier Kathleen Wynne to provide expertise on the design of the newly proposed Ontario Retirement Pension Plan—an initiative that would see broader access to a defined benefit pension plan for all Ontarians.

Risk-based governance

Together with HOOPP staff and the Board, we also continued our efforts to improve governance and risk management by putting in place a risk-based approach to Board oversight of HOOPP's investments. This will enable HOOPP's Board and employees to have a clearer picture of the Plan's funding position and the risks that we face, thereby helping to ensure HOOPP delivers on its pension promise for years to come.

Bryce Walker

BRYCE WALKER
2014 Chair

Helen Fetterly

HELEN FETTERLY
2014 Vice Chair

2014 Financial Highlights

STATE OF THE PLAN

115%*

Up 1.0% from 2013

Net investment income for 2014

$9,105 million

Rate of return for 2014**

17.72%

10-year annualized return

10.27%

NET ASSETS

$60.8 billion

MEMBERS

295,000

* Funded Ratio on a Smoothed Asset Basis

** Registered Pension Plan

Management's Discussion & Analysis (MD&A)

In addition to historical information, the MD&A contains forward-looking statements regarding management's objectives, outlook and expectations. By their very nature, such statements are subject to risks and uncertainties, which may cause actual results to differ from those anticipated.

Table of Contents

Plan Overview

Offered at 478 employers across the province, the Healthcare of Ontario Pension Plan (HOOPP or the Plan) is a multi-employer contributory defined benefit plan serving 295,000 working and retired healthcare workers. HOOPP was originally established by the Ontario Hospital Association (the OHA) in 1960.

In 1993, the structure of HOOPP changed: it was settled as a trust with a jointly-governed Board of Trustees (the Board). The Settlors of HOOPP and the appointed members of the Board signed HOOPP's Agreement & Declaration of Trust (ADT), empowering the Board to administer the Plan and manage and invest the fund assets. The Settlors of the Plan are:

- Ontario Hospital Association (OHA)
- Ontario Nurses' Association (ONA)
- Canadian Union of Public Employees (CUPE)
- Ontario Public Service Employees' Union (OPSEU)
- Service Employees International Union (SEIU)

The ADT, as amended from time to time, establishes the foundation for HOOPP's governance.

HOOPP's Board has 16 Trustees. Eight of the Trustees are appointed by the OHA and the other eight by the four Settlor unions, with each union nominating two Trustees.

In fulfilling its responsibility to administer the Plan and manage its assets, the Board has delegated authority to administer the Plan, as specified under the ADT, to a Plan Manager, with the title "President & Chief Executive Officer" (CEO).

The Plan is registered under, and regulated by, the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada).

State of the Plan

HOOPP's mission to deliver on the pension promise means providing a secure and predictable retirement income for its members at a reasonable price. The key measure of mission success is the funded ratio of the Plan, the Plan's assets expressed as a percentage of all current and future benefits promised to our members. On this measure, HOOPP's funded status is currently at 130% on a net assets basis, up from 124% in 2013. On a smoothed[1] asset basis, for regulatory reporting purposes, the ratio of smoothed assets to our pension liabilities is 115% up from 114% in 2013. These ratios improved despite the substantial decrease in interest rates seen in 2014 (about a 0.90% drop in 30-year rates) primarily because of HOOPP's liability driven investment strategy. While liabilities rose substantially, by $5.4 billion, investment returns were greater at $9.1 billion, in large part because of the investment portfolio's interest rate exposure which is designed to offset that of the liabilities. Although HOOPP currently has a funding surplus, with more than sufficient assets to meet its estimated future benefits, there is risk associated with maintaining this funded position in the future.

The chart below shows the Funded Status of the Plan for 2014 and 2013, shown on both a net assets basis and on a smoothed asset value basis:

Funded Status	2014	2013	Year-Over-Year Change
Net Assets to Regulatory Pension Obligation	130%	124%	+6%
Smoothed Asset Values to Regulatory Pension Obligation	115%	114%	+1%

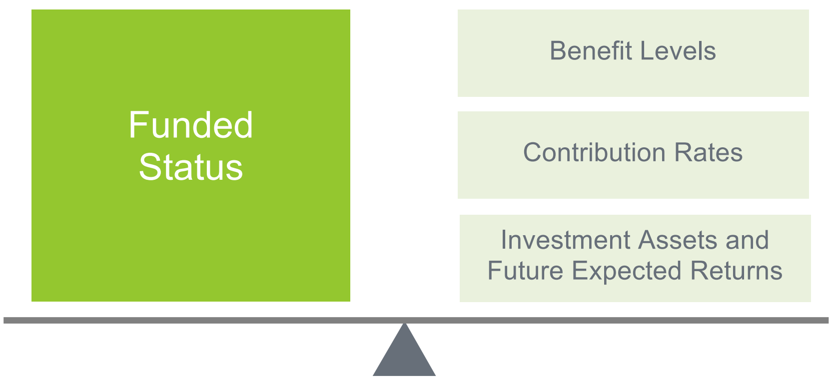
[1] *Actuarial technique that recognizes gains and losses, not as they occur, but slowly over a specified period of time, see more detailed explanation on page 21.*

Pension Plan Funding Management

Delivering on the pension promise is a complex challenge that involves dealing with a number of largely unpredictable future economic conditions as well as the ever changing demographic profile of Plan members.

In managing the Plan, there are three main levers used by Management and the Board to meet our promise to our members:

- the level of pension benefits upon retirement;
- contribution rates from both Plan members and their employers; and
- total investment assets and future expected investment return and risk.



Our objective in managing the first lever is to provide a predictable and stable level of pension income to our members upon retirement. The real challenge is to balance this with the objective of managing the second lever – contribution rates – to ensure that the Plan remains affordable to both our members and their employers.

In 2014, the Board approved the decision to maintain contribution rates at current levels until the end of 2016. The current contribution rates have remained the same since 2004. Additionally, enhancements were made to the inflation adjustment of some benefits.

The third lever of total investment assets and current and future expected investment returns and investment risk attract the most attention and have a profound impact on our ability to meet the pension promise, as HOOPP estimates that roughly 75% of pension benefits paid are derived from investment income.

It is essential that all three key levers be effectively managed over time to ensure that the Plan is able to deliver on its promise today and 80 years or longer into the future. Added to this complex task is the need to ensure intergenerational equity exists among members; that is, meeting the goal of having each generation of members receive an equivalent benefit at roughly the same contribution rate.

Future Funding Sustainability

Although HOOPP currently has a funding surplus, the risks to maintaining this position in the future are constantly present. We remain vigilant in trying to mitigate these risks to the greatest extent possible, consistent with achieving our expected return goals. We do so with the knowledge that the complete elimination of funding risk can never be achieved. As mentioned previously, the management of the Plan relies on making effective decisions today in anticipation of potential future financial outcomes and the future demographic profile of our members. It follows that the two broad categories of funding risk come from financial or economic factors and demographic factors.

Economic and Financial Risk

Investment income constitutes a significant source of funding of pension benefits and is also a key determinant of the other two of the three key levers in managing the Fund, i.e. level of contribution rates and benefits. Therefore, the positive performance of investment strategies is essential to the long-term sustainability of the Plan. In establishing an appropriate investment strategy, we aim to strike a balance between generating a sufficient return to meet our pension obligations and assuming an acceptable level of risk that does not jeopardize our ability to meet those obligations.

Of all the financial and economic risks that affect the Plan, the three largest are the level of interest rates, inflation and return on equities and other return seeking assets. Interest rate levels affect our future expected return on investments. As rates fall, so do our future expected returns on investments, making it more difficult to earn the returns needed to pay our benefits. Increases in inflation, specifically when unanticipated, could translate into higher wages which form the basis of the pension benefits promised to our members. Additionally, members' pension benefits are to a large degree protected against inflation and therefore higher unanticipated inflation increases the Plan's pension obligation. Lastly, if equities and other return seeking assets fall short of their respective expected returns, investment income will fall short of the required levels to pay future pension benefits.

At our current long-term expected return estimates, HOOPP's investment assets and pension liabilities tend to double about every 12 years. Certain investment strategies may not be readily scalable to meet this growth and this poses an incremental challenge to the overall investment strategy as we strive to generate healthy asset growth over the long-term.

Demographic Risk

Demographic risks to the Plan include increased life expectancy, changing retirement trends (e.g. early retirements) and the aging of the Plan membership. Demographic risks are slower-moving than financial risks and therefore are more difficult to identify in the short-term. With demographic factors, the longer term trends must be monitored closely as year-over-year changes can seem minor and easy to dismiss as immaterial. The biggest demographic risk is an unanticipated increase in the life expectancy of our members, as this will increase the amount of pension benefits to be paid beyond that currently estimated. For 2014, adjustments to the life expectancy assumption were made following internal studies and the release of new mortality tables and improvement scales by the Canadian Institute of Actuaries (CIA) during the year. No changes were made to the retirement rate assumption in 2014. Both of these assumptions are discussed in more detail in the Plan Liabilities section.

The changing demographic profile of our membership, referred to as plan maturity, is another important trend to follow as it impacts the future sustainability of the Plan. Given its importance, plan maturity is discussed separately below. It is essential to note that while we make these demographic forecasts on a best efforts basis, following the advice of the Board's actuary, the actual experience of life expectancy and retirement trends will likely vary among our members over time and will likely deviate from our assumptions to some degree.

Plan Maturity

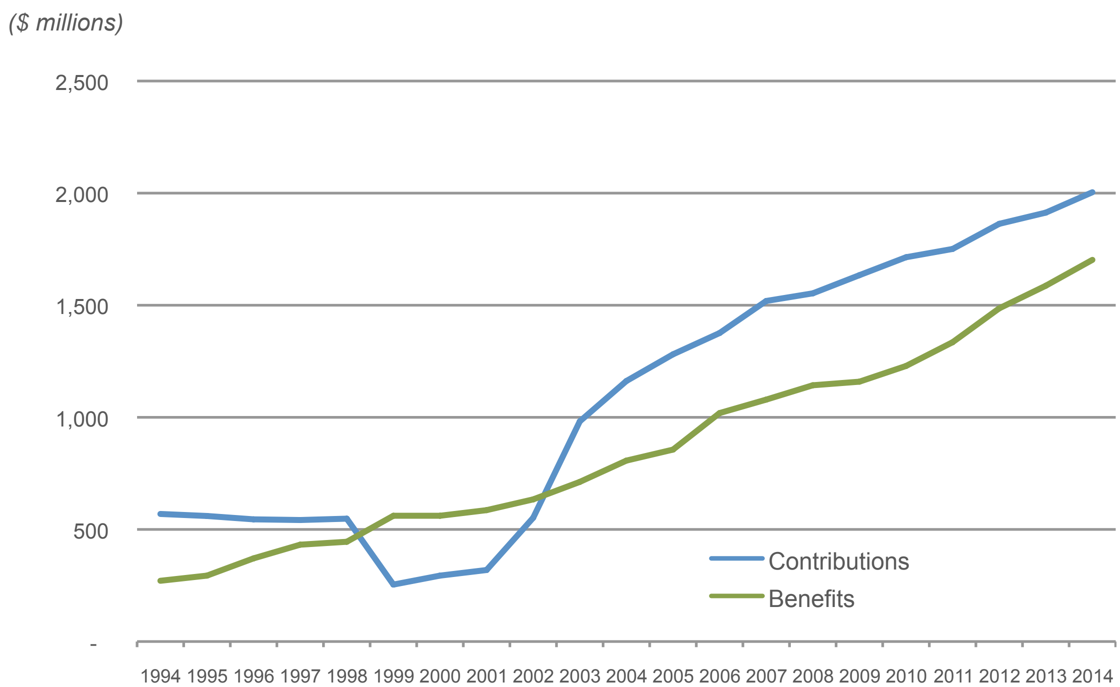
All pension plans naturally age over time, often referred to as plan maturity. Newer plans have a greater proportion of working or "active" members relative to retired members or retirees. Among other factors, one key determinant of how quickly a plan ages is the rate at which new and younger members join the plan, thereby partially offsetting newly retired members. Over longer periods of time, the tendency is for the average Plan participant age to rise, due to the increasing pool of retirees.

As the Plan ages, there are several management implications to consider. Firstly, a plan's risk-taking capacity falls as the plan matures, which could pose a challenge to maintaining the growth rate of investment assets. Also, more mature plans pay out more in benefits than the contributions they receive from active members, which increases a plan's sensitivity to investment market declines - the remaining asset base with which to "earn back" losses is reduced since there are no new net contributions to help rebuild the asset base. Additionally, any funding deficiencies are more difficult to address since contribution rate increases will have a diminishing impact given the smaller proportion of active members.

HOOPP is still a relatively young Plan and the rate of new entrants to the Plan should remain relatively constant, considering the continually aging population in Ontario and the corresponding demand for healthcare services that this implies.

One measure of the relative age of the Plan is net cash flow (i.e. contributions less benefits).

The chart below shows that HOOPP is a relatively young Plan as cash flow remains positive, i.e. contributions received are greater than benefits paid, but the Plan is slowly maturing as this difference is narrowing over time. A contribution rate subsidy was in place from 1999 – 2002 to help ensure compliance with legislation that limited the maximum surplus a registered pension plan can have.



As mentioned above, a key measure of the relative maturity of the Plan is the ratio of active members to retirees. The numbers below depict a gradual maturing of the Plan, as the active to retiree ratio has declined from 3.5 at the end of December 31, 1994 to 2.2 at the end of December 31, 2014 and forecasted to decline further to 1.7 at December 31, 2024. New entrants to the Plan are a key contributor in keeping the relative age of the Plan low; however, all pension plans naturally age over time due to the ever growing population of retirees.

Ratio of Active-to-Retired Members

	Dec 31, 1994	Dec 31, 2004	Dec 31, 2014	Dec 31, 2024
Active to Retirees Ratio	3.5	2.6	2.2	1.7

HOOPP is a slowly maturing, relatively young pension plan. We currently benefit from the flexibility that this affords us, but in the decades to come we will have to adjust to the effects of becoming more mature.

Investments

HOOPP employs a liability driven investing (LDI) approach to ensure that it can fulfill its mission to deliver on the pension promise.

The LDI approach is a risk management philosophy that considers both the Plan's liabilities (the members' future retirement security) and the Fund's assets together, and focuses on the risk of having insufficient assets to provide funding for members' retirements.

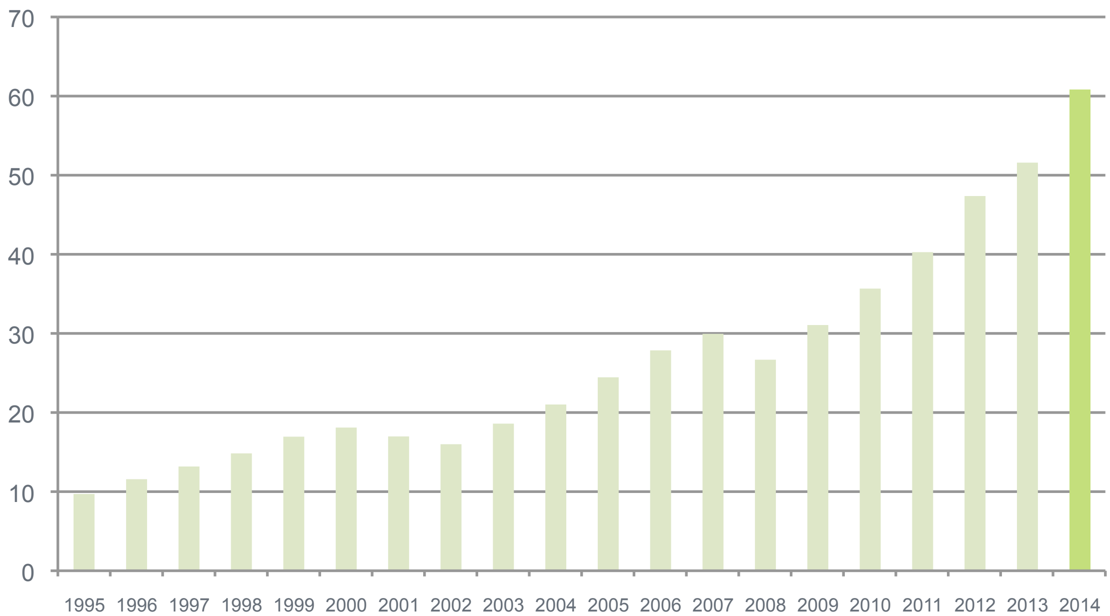
HOOPP's LDI approach involves the construction of two broad portfolios: the Liability Hedge Portfolio and the Return Seeking Portfolio. The Liability Hedge Portfolio is designed to hedge the major risks that can impact pension obligations – namely, inflation and interest rates – and contains investment assets which perform in a manner similar to that of the Plan's liabilities. The Return Seeking Portfolio is designed for controlled risk-taking in investment assets and strategies which are expected to deliver incremental return to the Fund.

The LDI strategy helps to ensure that the Plan remains fully funded in challenging conditions, such as those witnessed in 2014. During the year, interest rates declined significantly and this resulted in a large increase in the Plan's liabilities of $5.4 billion (see details in the Plan Liabilities section). However, with its interest rate sensitive investment assets, the Liability Hedge Portfolio's value also experienced a large increase of $6.5 billion, and this offset the rise in our pension liabilities which allowed the Plan's funded ratio to remain relatively stable, highlighting the merits of the LDI approach. The Return Seeking Portfolio posted a return of $2.6 billion, with most of the strategies within this portfolio generating positive results.

More detail on investment returns is provided in the 2014 Results section below.

The chart below shows the growth in HOOPP's Net Assets over the last two decades from $9.8 billion in 1995 to $60.8 billion at the end of 2014.

Net Assets *($ billions)*



The table below shows investment performance for 2014 and 2013 as well as the 10-year and 20-year performance of the Fund:

	2014	2013	10-Year	20-Year
Total Return	17.72%	8.55%	10.27%	9.98%
Benchmark	15.62%	6.46%	8.57%	8.82%
Value-Added Return	2.10%	2.09%	1.70%	1.16%

2014 Results

2014 saw the global economy continue to deal with sluggish growth, although in the second half of the year the U.S. began to show signs of a strengthening economy. Overall however, global growth was disappointing and the collapse in oil prices, down by approximately 50% from mid-year levels, was a noteworthy feature. Against this backdrop, central banks maintained massive monetary stimulus.

With the concerns surrounding global economic growth, equity markets generally posted moderate performance in 2014. Canada's S&P/TSX Composite Index was up 10.55% on a total return basis for the year, although before the decline in energy prices it had been up by as much as 15%. The S&P 500 Index in the United States was, once again, one of the best performers, up 13.69% on a total return basis in 2014. The performance of other major markets on a total return basis included Japan's Nikkei Index up 8.91%, Frankfurt's DAX Index up 2.65% and London's FTSE Index up 1.02%.

Also noteworthy in 2014 was the significant decline in interest rates. For example, the 10-year Government of Canada bond yield declined from 2.76% at the beginning of the year to 1.79% at the end of the year and the 30-year yield declined from 3.23% to 2.34%. Similar moves occurred in U.S. government bonds, with the 10-year yield moving from 3.03% to 2.17% and the 30-year yield from 3.97% to 2.75%. Credit spreads, the difference in yield between a "risk-free" government benchmark and a corporate borrower, were little changed for the year, with the five-year CDX.NA.IG Index widening slightly from 63 basis points at the beginning of the year to 66 basis points by year end.

For the year, HOOPP posted the following results:

- on a net assets basis, a funded ratio of approximately 130% as of December 31, 2014, up from 124% at the end of 2013;
- net investment income of $9.1 billion (compared to $4.0 billion in 2013);
- asset return of 17.72% (compared to 8.55% in 2013), of which 15.62% represented benchmark return and 2.10% return from active management strategies; and
- growth in net assets to $60.8 billion up from $51.6 billion in 2013.

Major Drivers in the Change in Funded Position

The chart below summarizes the change in HOOPP's funded status, which is determined as the ratio of the Fund's assets to the Plan's liabilities, and provides details on changes in specific investment assets and strategies and the Plan's liabilities:

	2014 Change *($ millions)*	**2013 Change** *($ millions)*
Liability Hedge Portfolio		
Short-Term	329	376
Nominal Bonds	4,806	(1,597)
Real Return Bonds	860	(795)
Real Estate	546	578
Total Liability Hedge Portfolio	**6,541**	**(1,438)**
Return Seeking Portfolio		
Public Equities	1,524	2,997
Private Equity	473	404
Corporate Credit	131	164
Long-Term Option Strategy	157	1,725
Asset Allocation Strategies	(6)	26
Absolute Return Strategies	203	123
FX Hedges and Other	82	45
Total Return Seeking Portfolio	**2,564**	**5,484**
Changes Due to Net Investment Income	**9,105**	**4,046**
Change Due to Operations	117	166
Total Change in Net Assets	**9,222**	**4,212**
Change in Pension Obligations	**(5,445)**	**(1,559)**
Net Change in Surplus on a Net Assets Basis	**3,777**	**2,653**
Funded Ratio on a Net Assets Basis	**130%**	**124%**
Change in Smoothing Adjustment*	(2,529)	1,376
Regulatory Funded Ratio	**115%**	**114%**

*Change in the average of the current net assets and the net assets for the four preceding years brought forward with interest at the asset valuation rate and adjusted for contributions, benefit payments and administrative expenses.

The Liability Hedge Portfolio produced a return of $6,541 million in 2014, a major swing from a loss of $1,438 million in the prior year. As noted, the significant decline in interest rates during 2014 resulted in sizable gains on fixed income assets. This decrease in interest rates in 2014 was in contrast to the increase in rates seen in 2013, which resulted in losses in fixed income portfolios. As will be discussed in further detail below in the section titled Plan Liabilities, the decline in interest rates resulted in the discount rate used to calculate the present value of HOOPP's pension obligation falling to 5.85% in 2014, from 6.25% in 2013. This change in the discount rate increased the total pension obligation in 2014 by approximately $2,550 million and was more than offset by the increase in the Liability Hedge Portfolio of $6,541 million. Details of the performance of individual portfolios within the Liability Hedge Portfolio follow below, in the Liability Hedge Portfolio Discussion.

The Return Seeking Portfolio continued to perform well with a gain of $2,564 million in 2014, although this was down from the strong results in 2013 of a gain of $5,484 million. Most strategies in the Return Seeking Portfolio posted positive results, with the largest contributions coming from U.S. equities at $640 million (2013: $1,341 million), Canadian equities at $625 million (2013: $620 million) and Private Equity at $473 million (2013: $404 million).

The total pension obligation increased by $5,445 million (2013: $1,559 million). This increase is a result of the aforementioned decrease in the discount rate assumption, as well as from service accrued and changes in other actuarial assumptions, less benefits paid during the year. A more detailed discussion follows in the Plan Liabilities section.

Overall, investment gains of 17.72% in 2014 allowed the funded status of the Plan to remain relatively stable despite the significant increase in the pension obligation. The funded status of the Plan on a net assets basis increased to 130% (115% on a smoothed value of assets basis) in 2014 up from 124% in 2013 (114% on a smoothed value of assets basis).

Active Management and Relative Performance

In 2014, the total return of 17.72% exceeded the benchmark return of 15.62% by 2.10% or $1,033 million. This active management return, or "value-added," came from a variety of sources in 2014 within both the Liability Hedge and Return Seeking Portfolios. The Liability Hedge Portfolio generated 1.19% of value-added, with strong contributions from the bond portfolios and real estate, while the Return Seeking Portfolio generated 0.91% of value-added with large contributions from private equity and absolute return strategies.

Value Added	**2014** *($ millions)*	**Percent**	**2013** *($ millions)*	**Percent**
Liability Hedge Portfolio	584	1.19%	643	1.38%
Return Seeking Portfolio	449	0.91%	333	0.71%
Total	**1,033**	**2.10%**	**976**	**2.09%**

Liability Hedge Portfolio Discussion

Short-Term and Cash

In 2014, the portfolio returned $329 million (2013: $376 million) exceeding its benchmark. This return was achieved through two components – the daily accrual income, which includes the gains/losses on disposal of securities, and the marked-to-market gains on the portfolio. The daily accruals accounted for most of the return – the marked-to-market gains were slightly positive in contrast to the large contributions in 2012 & 2013.

Management took advantage of a steep credit curve beyond 5 years to add risk in Provincial Bonds, swapped into a 3-month Canadian Dealer Offered Rate (CDOR) floating reset. There was also return added through purchases of new issue Canada Mortgage and Housing Corporation (CMHC) floating rate mortgages (980 pools) which were 3.3 year weighted life securities. These pools, in comparison to Province of Ontario swapped coupon bonds of comparable maturity, represent an extra 18-20 basis points (bps) in performance as well as an upgrade in credit (Federal vs Provincial guarantee).

The portfolio's performance came from positioning to take advantage in a credit rally and from market timing – selling on market rallies and adding risk on declines. Outside of a small rally in credit spreads in January of approximately 10bps, the market traded in a narrow range for the rest of the year. We managed to be patient and added risk a number of times when the spreads were wider. Province of Ontario spreads widened heading into the election in June and we added a significant amount of Ontario bonds at the wider spreads. Immediately after the election results, the spreads tightened by 5bps and traded in a narrow range for the rest of the year.

Nominal Bonds: Mid-Term and Long-Term Bonds

Weakening global growth, falling commodity prices – especially crude oil – and declining inflation expectations led to a large drop in interest rates on long-term Canadian government bonds in 2014. As an example, the average yield on the Long-Term All-Government Bond Index fell 91 basis points (from 3.81% to 2.90%). Average yields on the wider FTSE TMX Canada All-Government Bond Index, meanwhile, dropped 55 basis points (from 2.59% to 2.04%).

HOOPP's Fixed Income portfolios returned over $4.8 billion compared to a negative return of -$1.6 billion in 2013, and generated over $80 million in value added returns.

Real Return Bonds (RRB)

Real interest rates – the implied real yield of inflation linked bonds – also declined in 2014. The average yield on the FTSE TMX Canada Real Return Bond Index declined by 59 basis points (from 1.16% to 0.57%), representing a return to HOOPP's self-benchmarking RRB portfolio of about $860 million (2013: -$795 million).

Real Estate

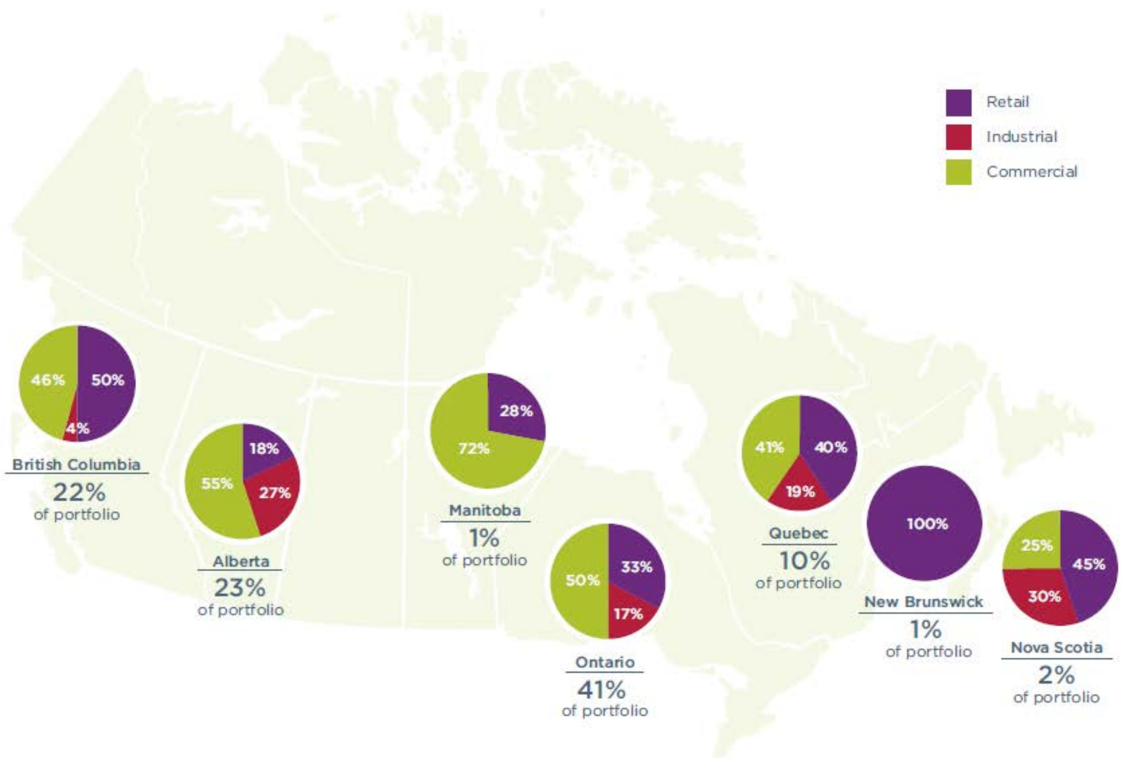
The HOOPP real estate portfolio produced a return of 9.82% in 2014, compared to 14.01% in 2013, consisting of approximately 4.8% from income and 5% from capital appreciation. The return represents a continuation of the trend of strong real estate performance over the past several years and an out performance of 304 basis points relative to the Canadian Investment Property Databank (IPD) benchmark.

The year was an active one for the portfolio in terms of acquisitions, development, and selective divestment activity. Major highlights of 2014 include:

- the purchase of interests in two regional shopping centre portfolios, including 11 properties located in Quebec, Atlantic Canada, and Manitoba;
- the acquisition of a 55% stake in the 1.7 million square foot Liberty office portfolio in Montreal;
- the commitment of $175 million to three real estate investment funds located in Canada (Realstar) and the U.S. (Alcion and GreenOak);
- the successful completion of 6 development projects during the year, bringing on-stream an additional $185 million of new income producing properties;
- commencement of our new 271,000 square foot Creechurch office development in the downtown financial district of London, England;
- continued progress on the construction and lease-up of other major retail, office, industrial and mixed use development projects, including One York (Toronto), Brentwood Town Centre and Marine Gateway (Greater Vancouver), 150 Elgin (Ottawa) and Spectrum Square and Gateway Centre (Mississauga);
- the sale of a six building industrial portfolio in Montreal, and our 50% interest in Champlain Mall (alongside our joint venture partner, Ivanhoe Cambridge);
- the sale of 1500 West Georgia, Vancouver;
- the transfer of a 25% ownership interest in our One York office development to Sun Life, as part of a transaction that saw them commit to a major tenancy in the building.

At year end 2014, the total gross real estate asset base had reached $9.0 billion. The graphic below illustrates the diversification of HOOPP's Canadian Real Estate Portfolio by geography and by product type (excluding multi-residential, property developments and limited partnerships) and represents approximately 76% of our total real estate holdings on a gross value basis.

HOOPP's 2014 Canadian Real Estate Portfolio Composition



Return Seeking Portfolio Discussion

Public Equities

Overall North American equity markets delivered respectable returns in 2014. Fuelled by low interest rates and a favorable monetary backdrop, both Canadian and the U.S. equity markets rewarded their shareholders with double digit gains. The positive results were broad based with most sector groups performing well. Heavy commodity exposure in the Canadian equity market relative to the U.S. market, in a year when commodities performed poorly, resulted in the Canadian equity markets underperforming the U.S. markets.

In 2014, HOOPP's equity performance was generally in-line with market returns. Throughout the past year, our disciplined valuation approach helped HOOPP navigate equity markets well.

HOOPP uses a variety of strategies to generate equity returns, including long/short portfolios and the use of derivatives. Augmenting the returns cited below, these combined activities in 2014 contributed a marginal positive return.

Canadian Equities

This past year saw the Canadian market generate decent performance as most industry groups delivered very healthy positive results. Unfortunately, the negative returns in the Energy and Materials sectors detracted from the fine performance of the other groups. Led by oil and natural gas prices, most major commodities deteriorated materially throughout 2014.

HOOPP's Canadian equity total return was 12.1% (2013: 13.1%), underperforming by 0.2% its benchmark, the S&P/TSX 60 Total Return Index.

U.S. Equities

As was the case in 2013, good earnings growth and a strong monetary tailwind propelled U.S. equity markets higher in 2014. Nine of the ten major industry sectors generated positive returns. The only sector that had a negative return was the Energy sector, dropping by 7.8%. As well, the healthy appreciation of the U.S. dollar against most major currencies in 2014, only served to further accentuate the positive year for U.S. equity markets.

HOOPP's U.S. equity total return of 12.6% (2013: 28.1%) underperformed its benchmark, the S&P 500 Total Return Index by 0.3%.

International Equities

In Europe, growth and geo-political concerns meant that the major market indices of Germany, the United Kingdom, France and Italy all materially underperformed North American markets. Emerging market performance was more mixed, with China and India performing exceedingly well, whereas Brazil and Russia both delivered negative returns. Strong monetary initiatives in Japan helped their equity markets generate positive returns.

The total return for HOOPP's International equity portfolio was 5.9% (2013: 25.8%), underperforming its benchmark, a composite of non-North American equity indices, by 0.7%.

Long-Term Option Strategy

This strategy, in which equity index exposure is combined with equity index options, was a contributor to the Return Seeking Portfolio, increasing in value by $157 million compared to $1,725 million in 2013. This strategy is self-benchmarked.

Corporate Credit

Credit spreads had a mild selloff, excluding roll-down, in 2014. The current series CDX index went from 63bps at the start of the year to 66bps at year end. Corporate Bonds also had a slight selloff. The Barclay's Aggregate U.S. Credit Index OAS spread for corporate bonds widened from 111 bps at the start of the year to 125 basis points at the year-end. The majority of the sell-off in Credit for the year can be attributed to the underperformance of bonds of commodity companies.

HOOPP has three return seeking credit portfolios. These three portfolios generated a cumulative value-added return of $60.2 million for the year, compared to $5 million in 2013:

1. The general asset active credit portfolio was positioned slightly short with overweight positions in senior tranches, Canadian and U.S. corporate bonds and credit curves offset by shorts in single names and index positions and credit options. The portfolio generated a negative return of -$5.4 million for the year.
2. The structured credit active portfolio is positioned with a long bias and generated a positive return of $55.7 million for the year. The return was generated from three strategies: commercial mortgage backed securities (CMBS): $38.4 million, collateralized loan obligations (CLOs): $9.8 million and real estate backed assets: $7.5 million.
3. The corporate beta portfolio generated an additional value added of $9.9 million relative to a passive index holding.

Private Equity

HOOPP Capital Partners (HCP) selectively invests in (i) private equity funds; (ii) privately-held businesses directly; and (iii) other private capital opportunities.

At the end of 2014, HCP had $3.3 billion invested, with a further $3.3 billion committed to private funds and direct investee companies. The invested portfolio generated a currency-hedged return of 16.3% for the year compared to 19.6% in 2013 (the return on an unhedged basis was 18.2% compared to 26.8% in 2013), exceeding its benchmark by $290 million.

The fair market value of the invested portfolio represents 5.4% of the total Fund, meaning there is considerable scope for managed growth and for considering significant investment opportunities.

Absolute Return Strategies

HOOPP engages in absolute return strategies designed to earn positive returns with minimal sensitivities to interest rates, credit or equities. These strategies made $203 million in 2014 compared to $123 million in 2013. All gains or losses on these strategies contribute to the value-added of the Fund.

Asset Allocation Strategies

HOOPP engages in the strategic re-weighting of major asset class risks (equities, fixed income and corporate credit). Throughout the year, HOOPP took overweight and underweight positions in credit, U.S. equities, U.S. Treasury bonds, and Canadian government bonds. In 2014, this program contributed a loss of $6 million, compared with a profit of $26 million in 2013. All gains or losses on this strategy contribute to the value-added of the Fund.

Responsible Investing

In meeting our fiduciary obligations to our members, HOOPP makes all investment decisions with a view towards making the best risk adjusted return to serve the financial interest of our members. HOOPP believes the best managed enterprises are generally leading stewards of environmental, social and governance (ESG) risks, and hence are potentially better long-term investments as a result of reduced operational and financial risks.

Our approach to responsible investing is to integrate ESG factors into investment decisions. We do this by analyzing traditional financial metrics and combining environmental, social and governance factors that may affect the financial outcome of the investment. Investment decisions are not taken on ESG factors alone. This approach provides for a more complete view of risk surrounding each investment and ensures that we meet our duty of care that is owed to our members.

The variety of ESG factors considered and integrated into each investment decision will vary depending on the type of investment or investment strategy.

Responsible investing continues after an investment decision has been made. HOOPP acts as a responsible owner or prospective owner by encouraging management to adopt generally accepted best practices on environmental, social and governance matters by directly engaging with company management and Boards, and through collaborative engagement efforts with other organizations.

Examples of direct ESG engagement efforts throughout the year include:

- direct engagement with a large Canadian bank on matters related to executive compensation, including the establishment of appropriate performance targets;
- discussions with management of a large coal producer on improving their carbon disclosure and on their track record on employee safety; and
- direct engagement with an integrated energy company operating in the oil sands on efforts to reduce greenhouse gas emissions and water intensity levels.

Additionally, we encourage better ESG practices by voting our shares in the public companies that we own. Our position on certain management issues are detailed in our Statement of Guidelines and Procedures on Proxy Voting, available on our website. During the year, we voted on 959 proxy proposals, up from 628 proposals in 2013.

	2014	2013
Proxy proposals	959	628

Although HOOPP engages a third party service provider to assist in providing recommendations on voting proxies in accordance with our Proxy Voting Guidelines, we review each issue internally and may override their recommendations when deemed appropriate. For example, in 2014 we voted against the advice of our proxy advisor on a number of compensation related resolutions, including a say-on-pay resolution. Additionally, we supported some shareholder proposals, against the recommendation of management and our proxy advisor, calling for an independent board chair and the phasing out of option compensation.

For a number of years, HOOPP's real estate group has worked on implementing responsible investment principles across its property acquisition, development and management activities. The team follows internal processes and guidelines and also works in close collaboration with its development, asset- and property-management company partners.

Between the program start in 2010 and 2013, most of the focus had been on implementing sustainability initiatives in new developments and in our existing real estate portfolio, for example initiatives to reduce energy, water, waste and greenhouse gas emissions, engage with tenants and suppliers, and achieve green building certification. We report on these results through our 'Pillar Scorecard', which was published in the 2013 Real Estate Sustainability Report.

In 2014, the real estate group adopted a process to consider sustainability factors in new building acquisitions to identify and manage risks and opportunities relating to sustainability issues. The process is now being rolled out and introduced to business partners and professional services providers that support us in the asset acquisition process. We have also introduced a framework to incorporate sustainability in ongoing asset management and our intent is to formalize sustainability considerations in new development projects during 2015.

Other 2014 real estate responsible investing accomplishments included:

- start of a collaboration group to advance sustainability practices in the industrial building portfolio;
- introduction of sustainable procurement and tenant satisfaction performance indicators in the real estate sustainability scorecard;
- third annual celebration of our property managers' sustainability successes at the LEAP, Leadership in Environmental Advancement Program, Awards;
- further LEED®, Leadership in Energy and Environmental Design, certifications in 2 properties, bringing the total portfolio certification to 14 LEED® certifications; and
- named as 'Green Star' by GRESB, Global Real Estate Sustainability Benchmark, for the second year in a row.

GRESB®
Green Star 2014

In addition to being a signatory to the United Nations-supported Principles for Responsible Investment (PRI), the Canadian Coalition for Good Governance (CCGG), and the CDP, HOOPP became a GRESB investor member in 2014.

Plan Liabilities

The process of estimating the value of the Plan's pension liabilities, or future benefit payments, relies upon numerous economic, financial and demographic assumptions. Financial or economic assumptions include inflation expectations, the future growth rate of employee wages and the future expected rate of return of the various investments and strategies that comprise the investment portfolio.

Demographic assumptions include the retirement age of our members and their life expectancy. All of the assumptions made in the estimation of the total pension obligation implicitly assume that the Plan will operate for the foreseeable future, as a "going concern". Using these and other assumptions, together with our actual member data, we project the future benefits owed to Plan members out over 80 years.

Valuation of these future pension liabilities into today's monetary value also depends upon the financial assumption of the future expected return of our investment portfolio or the discount rate. To obtain the total value of these future pension benefits today, the estimated future payments are discounted by the estimated expected return of our investment portfolio. In simpler terms, we add up, for each future year, the amount of money that we would have to put aside today to make that future year's benefit payment, assuming the money put aside grows at the expected return. This sum is the present value of the pension liabilities.

It is important to note that the actual future outcomes will almost certainly differ from the assumptions made, and the possible magnitude of the difference between the actual outcomes and the assumptions is the main source of funding risk as discussed earlier in the section Pension Plan Funding Management.

A summary of the estimated Plan liabilities or pension obligations as at the end of December 31, 2014 and 2013 is presented below:

	2014	2013
Pension Obligations *($ millions)*	46,923	41,478
Key Assumptions		
Discount Rate	5.85%	6.25%
Inflation	2.25%	2.25%
Real Discount Rate	3.60%	4.00%

Changes in the value of the Plan's pension liabilities occur for a number of reasons.

Firstly, as members contribute to the Plan throughout the year, they "earn" future benefits, also called "benefit accrual". Additionally, the value of previously earned benefits grows at roughly the same rate as the expected return or discount rate, currently 5.85% per year. Offsetting the growth due to benefits accrued and the increase in value of previously earned benefits are the pension benefits that were paid out during the year, which reduces the total pension obligation. Any changes to Plan benefits also affect their present value.

Secondly, changes in demographic assumptions, such as changes in estimated life expectancy or retirement age will impact the calculation of the pension obligation.

Finally, and perhaps most importantly, the discount rate or the future expected return on the investment portfolio can have a significant impact on the change in the total pension obligation.

The table below shows the change in the Plan's Pension Obligation from 2013 to 2014.

	($ millions)
Pension Obligations at December 31, 2013	41,478
Increase in benefits due to members	3,244
Changes in assumptions	(349)
Change in discount rate (expected return)	2,550
Pension Obligations at December 31, 2014	**46,923**

During the year, enhancements were made to the inflation adjustment of some benefits, increasing benefits due to members.

Also in 2014, HOOPP adjusted the life expectancy assumption of Plan members. Additionally, the Canadian Institute of Actuaries (CIA) released new mortality tables during 2014, and the adjustment to the life expectancy assumption was also made to reflect the realignment to the CIA's new Public Sector Mortality Table. A change was also made to the salary scale assumption of members during 2014.

Although no change was made to other demographic assumptions, the Plan continues to monitor demographic trends carefully, and expects to conduct experience studies from time to time as these trends can and do change over time (e.g. as economic conditions change).

Discount Rate

Of all the assumptions underlying the valuation of the Plan's liabilities, the most important is the Fund's long-term expected return assumption, also referred to as the discount rate. The expected return is affected to a significant extent by interest rates, since expected asset returns are based on interest rates across the yield curve. Lower interest rates means new investments in fixed income assets will earn lower yields. Return seeking assets (e.g. equities) also have estimated returns that fall and rise with interest rates, since their return estimates are comprised of an interest rate and "risk premiums", or incremental returns in addition to interest rates. A decrease (increase) in the discount rate causes a corresponding increase (decrease) in the pension liability value. This discount rate sensitivity was a primary reason for HOOPP's adoption of a Liability Driven Investing approach, where investment returns are sought with a view to offsetting the risk in the value of the Plan's liabilities due to changes in the discount rate.

At the end of 2014, the discount rate was decreased to 5.85% from 6.25% 2013 due principally to decreases in interest rates during the year.

The table below highlights the sensitivity of the estimated pension obligation to changes in the discount rate:

Change	Discount Rate	Pension Liability *($ millions)*	Change as %
+1.00%	6.85%	40,903	(13%)
	5.85%	**46,923**	–
-1.00%	4.85%	54,515	16%

Operating Expenses

HOOPP incurs costs in order to deliver the pension promise to its members by investing Fund assets and providing service to members and employers. Prudent management of expenses helps us to retain more assets to better deliver promised benefits in the future. We balance that imperative with targeted spending that helps deliver a better pension product and make our organization operate more efficiently and effectively.

HOOPP's 2014 operating expenses were $185 million, a 15.6% increase over 2013 expenses of $160 million. HOOPP’s 2014 operating expenses represent 0.30% of net assets (0.31% in 2013). The $25 million increase in operating expenses is a result of higher personnel and infrastructure costs required to keep up with the growth in net assets and membership levels. In particular, in 2014, operating expenses included the annual costs of the multi-year project to review and redesign HOOPP’s plan administration systems. HOOPP also continued to invest in its liability driven investing strategy by further enhancing the tools used to measure the impact of potential future economic scenarios on the Plan, to gain a better understanding of how Plan liabilities and assets respond to possible economic scenarios and to “stress test” various investment strategies to better manage outcomes. This strategy helps significantly to manage the risks relating to both investment assets and pension obligations payable in the future.

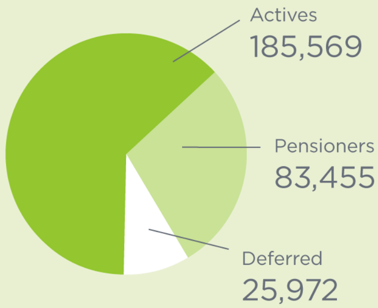
The table below shows 2014 and 2013 operating expenses in absolute amounts and expressed as a percentage of Net Assets.

($ millions)	**2014**	**2013**
Investment Expenses	116	101
Plan Administration	69	59
Total	185	160
Total Expenses as % of Net Assets	0.30%	0.31%

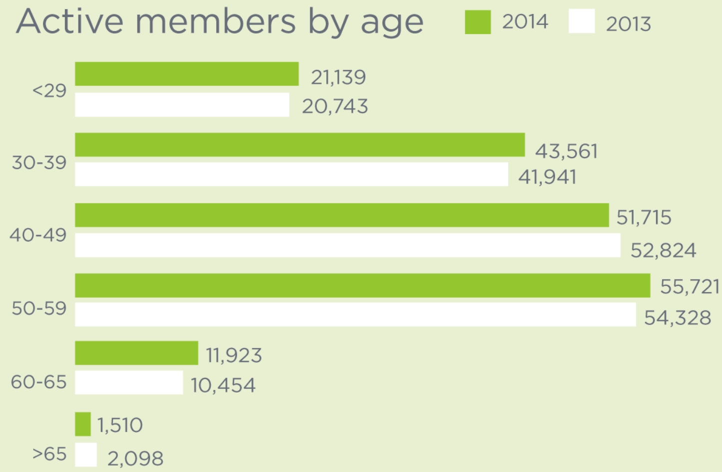
Member and Employer Services

Fully Committed to Serving our Members and Employers

294,996
total members

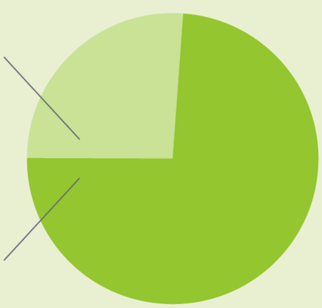


Active members by age



26%
of active members work part-time

74%
of active members work full-time



Average unreduced pension

$23,500

84%
of active members are female

16%
of active members are male

61
Average age of new retirees

Average age of new members

(total of 12,574 – 43% work part-time)

35

We're Here to Help

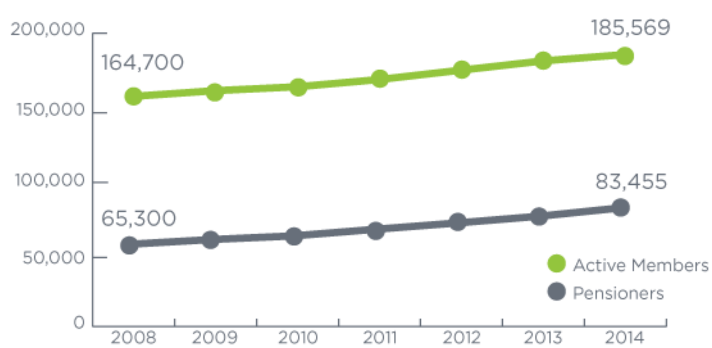
Providing a strong, consistent service experience to our members, pensioners and employers is central to HOOPP's mission to deliver on the pension promise. Recognizing that pensions can be complex, we work to ensure our members have access to clear, relevant and timely information in the communication channel of their choice – whether in person, online, or on the phone.

123,000 inquiries/calls handled by client services, 69,000 online calculations	**13,000** members attended info sessions, 11,400 email inquiries through client services	**1,805** employer contacts educated by regional managers, 2,800 one-on-one sessions	**477** members assisted by walk-in meetings at HOOPP

This commitment to service delivery enables members to make informed decisions, throughout their working careers, regarding this key financial asset. From enrolment through retirement and beyond, we deliver on our fiduciary duty when we assist our members in understanding the value and features of their HOOPP defined benefit pension.

Who We Serve…

Active Member and Pensioner Growth



Our Members

Over 12,500 healthcare workers joined HOOPP in 2014 bringing membership to just over 185,000 active members and serving over 80,000 pensioners. HOOPP members help deliver healthcare in every part of Ontario, from Kenora in the west, Attiwapiskat in the north, Windsor in the south and Cornwall to the east. Total plan membership including pensioners and deferred pensioners reached 295,000 at the end of 2014.

While the membership is comprised of both full-time and part-time healthcare workers, HOOPP continues to engage and provide members with the opportunity to secure a pension for the future, offering part-time workers the option to participate. Through a series of outreach programs, HOOPP assisted part-time workers in making the choice to join the Plan. In 2014, just over 40% of new members were part-time workers.

In addition, many members chose to increase their future pension benefits. A total of 1,100 of them purchased past service – 3,800 years' worth of it – to increase their future pensions.

Of the new members in 2014, approximately 42% were under the age of 29. On average, our retirees are age 61 when their pensions begin. HOOPP maintains relations with these pensioners well beyond retirement, with more than 50 of them over age 100 at the end of 2014.

For many HOOPP members and pensioners, the HOOPP pension is the largest financial asset they have. As Ontario's healthcare pension plan provider, HOOPP delivers services and programs tailored specifically to this sector. To this end, in 2014 HOOPP:

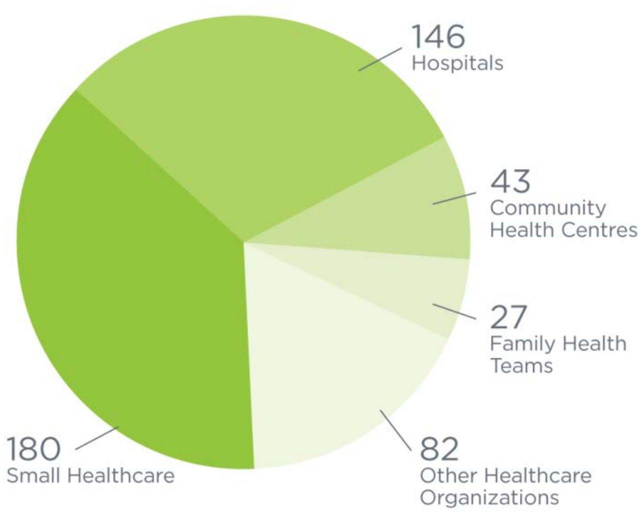
- Enhanced the member enrolment experience with revised communications
- Redesigned the pension statements for retired and deferred members to better communicate the value of their pension
- Hosted 32 seminars across the province in 18 cities which educated over 6,500 members on the features and benefits of the Plan
- Introduced a pension seminar series with 1,600 retired members offering them an opportunity to meet with a HOOPP representative and ask questions on the details of their pension such as survivor benefits and inflation protection

At HOOPP, we take great pride in the service we provide to our clients and we recognize that sustainable service needs to keep pace with the future. With every service enhancement we undertake, we strive to strike the right balance between the investment required and value to our membership.

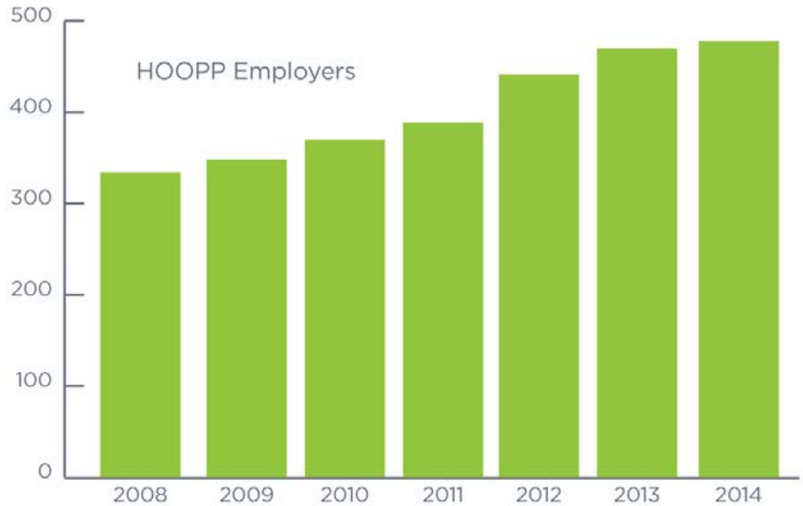
As part of this commitment, HOOPP is making long-term investments to improve its pension administration system and service experience, so that we can better manage the organization's ability to deliver value-added service. These improvements will allow for greater efficiencies and flexibility for HOOPP to change along with the needs of our membership and the organization in the future. The result will be an increased capacity to serve our members and employers over the long term.

Our Employers

At the end of 2014, HOOPP has over 470 participating employers across the province, including hospitals, Family Health Teams, Community Health Centres and other healthcare organizations.



Employer Growth



While HOOPP interacts directly with active members on many pension matters, HOOPP employers perform key activities, including:

- Remitting member and employer contributions
- Providing year-end salary and service data for each member
- Helping to arrange on-site meetings and presentations
- Reporting mid-year transactions via the online ESE tool

Recognizing that the HOOPP defined benefit pension is a valuable attraction and retention tool, we partner with employers in educating their staff about the value of Plan membership through on-site educational presentations, programs directed to eligible part-time staff and targeted communications.

Client Satisfaction

To remain current on the service needs of our members and employers, HOOPP monitors satisfaction levels through a research program that tracks improvements in service and communications on a quarterly basis. In 2014, member satisfaction reached an all-time high, following five years of gradual increases. Of those surveyed, 95% reported they were either satisfied or extremely satisfied with their service experience. Employer satisfaction has also increased recently within such areas as call centre and Member Data Collection.

Key to client satisfaction and delivering on service commitments made in 2014, over 92% of established internal service goals were met or exceeded. Through focus groups we continue to find ways to engage members better through such communications vehicles as newsletters, web and other touchpoints.

Balancing Cost and Service

HOOPP continually seeks new ways to enhance the member service experience with process and communications improvements evaluated within a framework of balancing cost against service. This evaluation enables us to deliver on the expectations of our members while ensuring we continue to provide sustainable pension services at a low cost. Recognizing that service enhancements come at a cost to the Fund, we spend judiciously with our members' service requirements and needs in mind.

Plan Governance

HOOPP's Mission and Governance

HOOPP's mission is the delivery of the promised HOOPP pension benefit. It is through this "lens" that HOOPP's Board of Trustees makes its decisions and assesses how well it is meeting its responsibilities and discharging its obligations. HOOPP management is likewise dedicated to delivering on HOOPP's pension promise and serving the best interests of HOOPP members. This orientation is, perhaps, the most important feature of HOOPP's governance because it's consistent with the fiduciary duties owed to plan beneficiaries and also the best way to ensure all parties involved in the administration of HOOPP remain focused and accountable.

The HOOPP Board's sole function and focus is the administration of the HOOPP Plan and the investment and management of the assets of the HOOPP Fund. The Board's authority, derived from the creators (or settlors) of the HOOPP pension trust – the Ontario Hospital Association, the Canadian Union of Public Employees, the Ontario Public Service Employees Union, the Ontario Nurses' Association and the Service Employees' International Union – is framed accordingly.

The work of the HOOPP Board is supported by its four standing committees: the Asset-Liability Management Committee, the Audit & Finance Committee, the Governance & HR Committee and the Plan Committee. As an important part of HOOPP's governance framework, there are documented mandates for each of these Committees and for the Board itself. These outline their particular roles and responsibilities in the governance process, including the regular reporting mechanisms to be followed by each of the Committees. The Board, in turn, reviews and clearly documents the authority that it delegates to the President & CEO (the Plan Manager). HOOPP's governance and operational processes and controls also include formal delegations of authority by the President & CEO to designated HOOPP employees to manage day-to-day operations: the investment of fund assets, the procurement of goods and services, the making of payments and the accessing of critical HOOPP data and IT systems. HOOPP also enters into and maintains formal, written agreements with its agents, advisors and other service providers to clearly document the service providers' roles, responsibilities and accountabilities in relation to HOOPP.

Good governance should involve a commitment to continuous improvement whereby there are periodic reviews of the effectiveness and appropriateness of an organization’s structures, mandates, policy documents and its practices and procedures. HOOPP’s Board and management share a commitment to continuous improvement and follow an approach that involves such periodic reviews.

Risk Management

As a defined benefit (DB) pension plan with a mission to deliver on HOOPP’s pension promise, the paramount risks the organization must manage are investment and other risks that would have an impact on HOOPP’s funded status. Fund assets must be prudently invested in a manner consistent with the mission of delivering on the pension promise and with the strategic objective of maintaining a fully funded status. Therefore, the ultimate risk that HOOPP faces is that the fund’s asset growth will not be sufficient to cover the plan's liabilities, and an unfunded liability will result. The best measure of HOOPP’s performance in managing its funding risk is not the annual return on fund assets but HOOPP’s funded status at the end of each year.

HOOPP also manages other risks which, while not of the same weight, are treated as very important: these other risks fall into the category of either entity-level risks or operational risks. The entity-level risks which HOOPP faces are identified, assessed and managed as part of the organization’s enterprise risk management (ERM) framework which in large part covers roles and responsibilities for risk identification, mitigation, reporting and oversight. An assessment of entity-level risks is prepared annually with input from HOOPP’s senior executives and results are reported to the Audit & Finance Committee of the Board. The assessment and management of individual risks are also reported on a regular basis.

HOOPP’s Board and senior management also consider the management of operational risk to be very important. Over many years, they have actively promoted a risk-conscious culture at HOOPP.

In addition to the other listed initiatives which follow, HOOPP's risk management programs and processes continue to include:

- a *Code of Business Conduct* and supporting policies which emphasize HOOPP's commitment to members and other beneficiaries and the roles and responsibilities of Board members, staff and agents and advisors for helping to meet the commitment;
- a well-developed board and committee reporting and decision-making process;
- an Internal Audit team that provides to management and the Audit & Finance Committee of the Board independent assurance through audits of certain identified operational processes intended to help management maintain and, where needed, improve the effectiveness of operational controls;
- the ongoing maintenance of records and data retention schedules guided by both Board- and organization-level policies and policy framework;
- disaster recovery and business continuity programs that are mature and tested to help maintain and, where needed, improve the resiliency of HOOPP's core operations and processes in the event of disruption;
- a number of stakeholder communications channels that include regular engagement with members and employers by dedicated Regional Managers and periodic pension seminars for members held in venues throughout the province (including opportunities for one-on-one sessions between members and HOOPP staff) where information is provided to enable members to better understand the value of their HOOPP pension and how to make the most of it in retirement; and
- a series of programs and processes designed to address the inherent risks associated with the recruitment, retention and development of HOOPP's human capital.

Internal Controls Over Financial Reporting

As part of HOOPP's commitment to effective governance, HOOPP has elected to follow the standards outlined in National Instrument 52-109 published by the Canadian Securities Administrators for reporting issuers, though these rules and policies are not binding on HOOPP.

The President and Chief Executive Officer (CEO) and the Senior Vice-President and Chief Financial Officer (CFO) are responsible for ensuring that procedures to ensure internal control over financial reporting and Financial Statement note disclosures are established and maintained. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting including the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles (GAAP).

During the past year, HOOPP leveraged the framework and criteria set out in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to conduct a comprehensive evaluation of its internal control over financial reporting (ICFR).

HOOPP has evaluated the effectiveness of its ICFR and the results confirm its ICFR is properly designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting as at December 31, 2014.

Financial Statements

Management's Responsibility for Financial Reporting

The financial statements of the Healthcare of Ontario Pension Plan (the Plan) and the accompanying notes, which are an integral part of the financial statements, have been prepared by management and approved by the Board of Trustees (the Board).

Management is responsible for the integrity and fairness of the information presented, including amounts that are based on best estimates and judgments. These financial statements were prepared in accordance with Canadian generally accepted accounting principles (GAAP) and comply with the financial reporting requirements of the *Pension Benefits Act* (Ontario) and *Regulations*. The significant accounting policies are disclosed in note 1 to the financial statements and the financial information presented throughout the annual report is consistent with that found in the financial statements.

Systems of internal control and supporting procedures have been established and maintained to provide reasonable assurance that transactions are authorized, assets safeguarded and proper records maintained. These controls include an organizational structure that provides a well-defined division of responsibilities, a corporate code of conduct, accountability for performance and the timely communication of policies and guidelines throughout the organization.

Ultimate responsibility for the financial statements rests with the members of the Board. The Audit & Finance Committee, consisting of four members, who are not officers or employees of the Plan, reviews the financial statements and recommends them to the Board for approval. The Audit & Finance Committee also assists the Board in its responsibilities by reviewing recommendations from the external and internal auditors, and management's action plans to respond to recommendations for improvements in internal control over financial reporting arising from their audits. The Audit & Finance Committee meets regularly with management and the external and internal auditors to review the scope and timing of their audits, findings, and recommendations for improvement, and to satisfy itself that it has appropriately discharged its responsibilities.

The Plan's external auditor, PricewaterhouseCoopers LLP, was appointed by the Board and is directly responsible to the Audit & Finance Committee. The Plan's external auditor has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and procedures as they consider necessary to express an opinion in their Independent Auditor's Report. The external auditor has full and unrestricted access to management and the Audit & Finance Committee to discuss their audit approach and any findings, arising from their financial statement audit, which relate to the integrity of the Plan's financial reporting and the adequacy of the systems of internal control.

J. Keohane

JIM KEOHANE
President & Chief Executive Officer

B Thomson

BARBARA THOMSON
Senior Vice-President,
Finance & Chief Financial Officer

March 3, 2015

Actuaries' Opinion

Towers Watson Canada Inc. (Towers Watson) was retained by the Board of Trustees of the Healthcare of Ontario Pension Plan to perform an actuarial valuation of the Plan as at December 31, 2014. The purpose of this valuation is to determine pension obligations of the Plan as at December 31, 2014, for inclusion in the Plan's financial statements in accordance with Section 4600, *Pension Plans*, of the Chartered Professional Accountants of Canada (CPA Canada) Handbook.

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

The results of the valuation disclosed total going concern pension obligations of $46,923 million in respect of service accrued to December 31, 2014 and a smoothed value of net assets of $53,873 million determined at the same date.

- The valuation of the Plan's going concern pension obligations was based on:
- members' demographic data provided by HOOPP management as at October 1, 2014 and members' pay data provided as at December 31, 2013, all of which was projected to December 31, 2014, using management's estimates of experience for the intervening periods;
- the benefits specified by the terms of the Plan including the 100% of 2014 CPI adjustment (1.47%) and the one-time catch-up ad hoc adjustment in respect of increases in CPI from 2002 to 2013, both of which will become effective April 1, 2015 in respect of all pensioners' and deferred vested members' benefits and the expected ad hoc inflation protection intended to be granted April 1, 2016 through April 1, 2018 (75% of increase in CPI) which the Board approved in 2012; and
- assumptions about future events (for example, economic factors such as future rates of inflation and returns on the pension fund, as well as demographic factors) which were developed by Plan management in consultation with Towers Watson and have been adopted by Plan management and approved by the Board.

Changes have been made to the actuarial assumptions affecting the pension obligations since the previous valuation for the purpose of the Plan's financial statements at December 31, 2013, as described in the notes to the financial statements.

The smoothed value of the Plan's net assets was based on financial information provided by HOOPP management and the asset smoothing method adopted by Plan management which smoothes out short-term market fluctuations.

We have reviewed the data used for the valuation and have performed tests of reasonableness and consistency.

In our opinion,

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

Nonetheless, differences between future experience and our assumptions about such future events will result in gains or losses which will be revealed in future valuations.

Our valuation was prepared and our opinions given in accordance with accepted actuarial practice in Canada.

Towers Watson Canada Inc.

Ian Markham.

IAN MARKHAM
Fellow, Canadian Institute of Actuaries

Laura Newman.

LAURA NEWMAN
Fellow, Canadian Institute of Actuaries

March 3, 2015

Independent Auditor's Report

To the Board of Trustees of Healthcare of Ontario Pension Plan (HOOPP)

We have audited the accompanying financial statements of HOOPP, which comprise the statements of financial position and reconciliation of the surplus to the regulatory surplus as at December 31, 2014 and 2013 and the statements of changes in net assets available for benefits and changes in pension obligations for the years then ended, and the related notes, which comprise 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditor's 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 auditor considers 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 in our audits 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 HOOPP as at December 31, 2014 and 2013 and the changes in its net assets available for benefits and changes in its pension obligations for the years then ended in accordance with Canadian accounting standards for pension plans.

PricewaterhouseCoopers LLP

CHARTERED PROFESSIONAL ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Toronto, Ontario
March 3, 2015

Statements Of Financial Position

As at December 31

($ millions)	**2014**	2013
Net Assets Available for Benefits		
Assets		
Investment assets (note 2)	**$ 129,404**	$ 110,423
Contributions receivable		
Employers	**86**	83
Members	**70**	67
Other assets (note 7)	**151**	146
Total Assets	**129,711**	110,719
Liabilities		
Investment liabilities (note 2)	**68,753**	58,999
Other liabilities	**110**	94
Total Liabilities	**68,863**	59,093
Net Assets Available for Benefits	**60,848**	51,626
Pension Obligations (note 11)	**46,923**	41,478
Surplus (note 11)	**13,925**	10,148

RECONCILIATION OF THE SURPLUS TO THE REGULATORY SURPLUS (note 11)

($ millions)	**2014**	2013
Surplus	**$ 13,925**	$ 10,148
Measurement differences between surplus and regulatory surplus	**(6,975)**	(4,446)
Regulatory Surplus	**6,950**	$ 5,702

See Description of Plan and accompanying notes to financial statements.

ON BEHALF OF THE BOARD OF TRUSTEES

BRYCE WALKER
Chair of the Board

HELEN FETTERLY
Vice Chair of the Board

WAYNE GLADSTONE
Chair, Audit & Finance Committee

Statements of Changes in Net Assets Available for Benefits

Year ended December 31

($ millions)	2014	2013
Net assets available for benefits, beginning of year	**$ 51,626**	$ 47,414
Investment Operations		
Net interest and dividend income (note 4a)	**5,468**	4,556
Net gain (loss) on investments (note 4a)	**3,637**	(510)
Operating expenses - investment (note 10)	**(116)**	(101)
Total Investment Operations	**8,989**	3,945
Plan Operations		
Contributions (note 8)		
Employers	**1,075**	1,033
Members	**929**	880
Benefit payments (note 9)	**(1,630)**	(1,521)
Refunds and transfers (note 9)	**(72)**	(66)
Operating expenses - plan (note 10)	**(69)**	(59)
Total Plan Operations	**233**	267
Change in net assets available for benefits	**9,222**	4,212
Net assets available for benefits, end of year	**$ 60,848**	$ 51,626

See Description of Plan and accompanying notes to financial statements.

Statements of Changes in Pension Obligations

Year ended December 31

($ millions)	2014	2013
Pension obligations, beginning of year	**$ 41,478**	$ 39,919
Changes in pension obligations		
Amendments to the plan (note 11)	**666**	-
Benefits accrued	**1,763**	1,764
Changes in actuarial assumptions (note 11)	**2,201**	(102)
Interest accrued on benefits	**2,594**	2,400
Estimated experience gains (note 11)	**(77)**	(916)
Benefits paid (note 9)	**(1,702)**	(1,587)
Total changes in pension obligations	**5,445**	1,559
Pension obligations, end of year	**$ 46,923**	$ 41,478

See Description of Plan and accompanying notes to financial statements.

Notes to Financial Statements

Description of Plan

The following description of the Healthcare of Ontario Pension Plan Trust Fund (HOOPP or the Plan) is a summary only. A complete description of the Plan provisions can be found in the *HOOPP Plan Text*, the official Plan document.

General

The Plan is a contributory defined benefit jointly sponsored pension plan, where factors, such as earnings and years of service, define members' benefits. The Plan was established under an *Agreement and Declaration of Trust* (as amended) for the benefit of eligible employees of participating employers.

The Board, consisting of 16 voting members, governs HOOPP. The Ontario Hospital Association (OHA) appoints eight trustees, while four unions, namely the Ontario Nurses' Association (ONA), the Canadian Union of Public Employees (CUPE), the Ontario Public Service Employees Union (OPSEU) and the Service Employees International Union (SEIU), each appoint two trustees. Each trustee has a legal obligation to administer the Plan in the best interests of all its participants, regardless of their union or other affiliation.

HOOPP is registered with the Financial Services Commission of Ontario (FSCO), and with the Canada Revenue Agency (CRA) under Registration Number 0346007.

In conjunction with its Registered Pension Plan (RPP), HOOPP operates a Retirement Compensation Arrangement (RCA). The RCA is administered as part of the overall Plan; however, its assets are held in a segregated account. The RCA provides supplementary pension benefits to members whose earnings result in a pension that exceeds the maximum pension permitted under the *Income Tax Act* (Canada) for RPPs. Additional information on the RCA is disclosed in note 13.

The Board is responsible for administering the Plan in accordance with the *Pension Benefits Act* (Ontario) and *Regulations*, the *Income Tax Act* (Canada) and *Regulations*, the *Plan Text* and HOOPP's policies and procedures.

Funding

Plan benefits are funded by contributions and investment earnings. The Board's Funding Decision Framework aims to secure the pension promise and achieve long-term stability in contribution rates for both employers and members. Actuarial funding valuations are conducted annually to determine pension obligations, the funded position and contribution requirements of the Plan.

Under the terms of the Plan, contributions are set by the Board to cover the total annual cost of benefits. This includes the current service cost of benefits (with recognition of HOOPP's administrative expenses), plus special payments required to amortize unfunded pension obligations less any surplus amortization amounts, if applicable.

Retirement Pensions

A retirement pension is based on the member's contributory service, the highest average annualized earnings during any consecutive five-year period, and the most recent three-year average year's maximum pensionable earnings (YMPE).

Members can receive an unreduced pension at the earlier of age 60 or as soon as they have completed 30 years of Eligibility Service, provided they have attained at least 55 years of age. Members are eligible to retire at age 55, usually with a reduced pension.

Members who retire early will receive a bridge benefit until age 65 or death, whichever occurs first. The bridge benefit supplements a member's basic HOOPP pension until age 65 when CPP benefits normally begin. An early retirement transition benefit, which provides an additional supplement, payable until age 65 is also available to retiring members who met certain eligibility requirements by the end of 2005.

Members who choose to work beyond age 65 can continue to earn benefits until November 30 of the calendar year in which the member turns age 71.

Disability Benefits

A disability pension is available to disabled members who meet the eligibility requirements.

A disability pension is based on the member's contributory service and average annualized earnings earned to the date of disability retirement with no reduction for early pension commencement and no entitlement to a bridge benefit.

Alternatively, a disabled member may elect to continue to accrue service at no cost until age 65 or until they have accrued 35 years of contributory service, whichever occurs first.

Death Benefits

A death benefit may be available to a surviving spouse or designated beneficiary upon the death of a member. Depending upon eligibility requirements, the benefit may be paid in the form of a survivor pension or lump-sum payment.

Portability

Members who terminate employment shall be entitled to receive a deferred pension. They may also opt to transfer the commuted value of the benefit out of HOOPP to another pension plan or registered retirement vehicle, subject to locking-in provisions and certain age restrictions.

Members wanting to transfer their contributions or the value of their benefits from another registered pension plan to HOOPP can do so providing the transfer meets all eligibility requirements and the other plan agrees to transfer the funds.

Inflation Protection

Retirement pensions are adjusted annually by an amount equal to 75% of the previous year's increase in the Canadian Consumer Price Index (CPI) for all contributory service earned through to the end of 2005. Depending on the Plan's financial status and other factors, the Board can approve an annual increase above the guaranteed level up to 100% of the increase in the previous year's CPI.

For retirements and deferred retirements occurring after 2005, the Board may approve an annual increase of up to 100% of the increase in CPI in respect of pensions earned for service after 2005.

In all cases, the increases in CPI are limited to an annual maximum of 10%.

Income Taxes

The Plan is comprised of an RPP and an RCA as defined in the *Income Tax Act* (Canada). The RPP component is generally exempt from income taxes for contributions and investment income earned. Funds received and income earned in the RCA are taxable. Depending on the contributions received, benefit payments made, and investment income earned through the RCA, a portion of taxes may be refundable and is disclosed in note 7 as refundable withholding tax on contributions.

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the RPP and RCA plans are combined for purposes of presenting HOOPP's financial statements and are prepared in accordance with accounting standards for pension plans and comply with the requirements of Part IV of the CPA Canada Handbook, specifically Section 4600 – *Pension Plans* and the relevant sections of the Canadian accounting standards for private enterprises (AsPE) in Part II of the CPA Canada Handbook (referred to herein as "Canadian GAAP").

The financial statements also address the disclosure requirements issued by FSCO in 2013 and amended in 2014. FSCO's Financial Statements Guidance Note provides regulatory guidance for certain principles-based disclosure requirements which are set out in the CPA Canada Handbook. These regulatory requirements came into effect for fiscal years ending on or after July 1, 2013. The requirements are addressed by disclosures within certain notes to the financial statements.

Certain comparative amounts have been reclassified to conform to the current year's presentation. The significant accounting policies used in the preparation of these financial statements are summarized below.

Adoption of New Accounting Standards

In May, 2013, the Accounting Standards Board of CPA Canada issued revised accounting standards for entities with defined benefit and defined contribution plans, effectively replacing CPA Canada Handbook Section 3461 – *Employee Future Benefits* with Section 3462 – *Employee Future Benefits.* The revised standard eliminates the deferral and amortization approach to accounting for employee future benefits and requires plan assets and obligations to be measured as of the date of the statements of financial position. The revised standard was effective for HOOPP for the fiscal year beginning January 1, 2014. The adoption of the new standard has not had a material impact on the reported surplus.

Investments

All investment transactions are recorded when the risks and rewards of ownership are transferred. Investment transactions relating to marketable securities and derivatives are recorded as of the trade date. Investments are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The quoted market price, when available, is used to measure fair value. When the quoted market price is not available, management uses appropriate valuation techniques to determine fair value. The valuation techniques include discounted cash flows, earnings multiples, prevailing market rates for comparable instruments with similar characteristics and/or in similar industries, pricing models and management's best estimates. Inputs used to determine fair values include contractual cash flows and interest rates, interest rate discount curves, credit spreads and volatilities. The output of any pricing model is an approximation of a fair value that cannot be determined with certainty and valuation techniques employed may not fully reflect all factors relevant to the investments held.

The fair values of investments are determined as follows:

i. Cash and cash collateral pledged or received are recorded at cost, which is equivalent to their fair value.

ii. Short-term securities are recorded at quoted market prices if they exist. Otherwise, they are recorded at cost or amortized cost, which together with accrued interest approximates fair value due to their short-term nature.

iii. Bonds are generally valued based on quoted mid-market prices obtained from independent, multi-contributor third party pricing sources. Where quoted prices are not available, fair values are calculated using either discounted cash flows based on current market yields on comparable securities, or prices provided by third parties.

iv. Commercial loans are valued using discounted cash flows based on current market yields on comparable securities.

v. Securities purchased under resell agreements and securities sold under repurchase agreements, all of which mature within 90 days, are accounted for as collateralized lending and collateralized borrowing transactions respectively, and are recorded at cost, which together with accrued interest approximates fair value due to their short-term nature.

vi. Public equities are valued at quoted closing market prices.

vii. Investments in real estate include investments held directly and through ownership in limited partnership funds. Direct investments in income-producing properties are valued at estimated fair values based on annual appraisals determined by accredited external appraisers. Any appraisals occurring prior to December 1 are reviewed by the external appraisers at year end to determine whether further adjustments to fair value are required. In the year of acquisition, cost is used as an approximation for fair value, unless there is evidence of a significant change in value. Properties under development are carried at cost. Investments in limited partnership funds are valued based on interim financial information provided by the funds' General Partners under limited partnership agreements (unless a specific and conclusive reason exists to vary from the value provided by the General Partner). Mortgages held on real estate investments are valued using discounted cash flows based on current market yields on comparable securities.

viii. Investments in private equities and special situations include investments held directly and through ownership in limited partnership funds. Direct investments are valued using quoted market prices, or through the use of other appropriate valuation techniques. In the year of acquisition, cost is used as an approximation for fair value, unless there is evidence of a significant change in value. Investments in limited partnership funds are valued based on interim financial information provided by the funds' General Partners under limited partnership agreements (unless a specific and conclusive reason exists to vary from the value provided by the General Partner).

ix. Exchange-traded derivatives are valued based on quoted closing market prices. For over-the-counter derivatives, where quoted closing prices are not available, appropriate valuation techniques and pricing models are used to estimate fair value. These internally developed models, based on generally accepted valuation models, use readily observable market prices or inputs that are actively quoted and can be validated with external sources, including industry data and pricing services. Depending on the types and contractual terms of derivatives, fair value can be modeled using a series of techniques which are consistently applied. The valuation techniques used by HOOPP require one or more of the following key inputs:

- Bond prices – quoted prices are generally available from pricing services for government bonds and most corporate bonds;
- Credit spreads – obtained from independent pricing services or derived based on other credit-based instruments;
- Foreign currency exchange rates – forward and spot exchange rates are obtained from an independent data service;
- Implied volatilities – obtained or derived from independent data services;
- Interest rates – quoted rates obtained from central banks and from swap, bond and futures markets; and
- Public equity and equity indices prices – based on quoted closing market prices.

Investments also include pending trades, accrued investment income and accrued investment liabilities. These investments are carried at amortized cost, which approximates fair value due to their short-term nature.

Net Investment Income/loss Recognition

Net investment income/loss generally consists of interest and dividend income, which includes net operating income/loss from real estate and private equity investments, as well as realized gains/losses and cash settlements on investments, and unrealized gains/losses resulting from changes in fair value.

Net interest income, which includes net real estate operating income, is recognized on an accrual basis and dividend income is recognized on the ex-dividend date. Certain management and performance fees related to real estate and private equity investments are expensed as incurred and reported as a component of total investment income. Transaction costs are incremental costs attributable to the acquisition, issue or disposal of an investment, are expensed as incurred, and reported as a component of total investment income.

The change in unrealized gains and losses on investments represents the year-over-year change in the difference between the cost-based values and the estimated fair values of investments. Realized gains and losses on investments are recognized upon disposition and are calculated based on average cost.

Foreign Currency Translation

Investment assets and investment liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Investment income and expenses are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. The realized gains and losses arising from these investment transactions are included in realized gains and losses on the sale of investments. Unrealized gains and losses on translation of investment assets and investment liabilities are included in the change in unrealized gains and losses on investments.

Pension Obligations

Pension obligations are determined based on an actuarial valuation prepared by an independent actuarial consulting firm. These pension obligations are measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by HOOPP for the purpose of establishing the long-term funding requirements of the Plan. The year-end valuation of pension obligations is based on data extrapolated to the current valuation date of December 31.

The valuation uses the projected accrued benefit actuarial cost method and management's estimate of certain future events.

The actuarial valuation included in these financial statements is consistent with the results that would be used for a December 31 regulatory funding valuation if one were to be completed.

Contributions

Contributions from members and employers are recorded on an accrual basis. Contributions for past service purchases and transfers from other plans are recorded when received.

Contributions received are reconciled annually, one year in arrears, to ensure the appropriate amounts have been remitted. To perform this reconciliation, HOOPP requires each employer to verify and update HOOPP's records for each of their member's service and contributions. With this information, HOOPP performs a reconciliation for each employer to determine if the correct amount of contributions has been remitted to HOOPP. Once this reconciliation is complete, HOOPP is able to calculate the amount of any differences related to contributions. Any shortfalls are recovered from the employer and overpayments are refunded.

Benefits

Benefit payments to members and pensioners, commuted value payments and refunds to former members, and transfer payments to other pension plans are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in the pension obligations.

Use of Estimates

According to Canadian GAAP, the preparation of the financial statements requires management to make estimates and assumptions based on information available as at the date of these financial statements. Such estimates and assumptions may affect the reported amounts of assets and liabilities, income and expenses, the pension obligations and related disclosures. Significant estimates are used primarily in the determination of the pension obligations (note 11) and the fair value of certain investments (note 2). Actual results could differ from those estimates.

Related Party Transactions

HOOPP's Board, management and subsidiaries are considered related parties according to CPA Canada Handbook Section 3840, *Related Party Transactions*. Any transactions between these related parties and HOOPP are not significant for the purposes of these financial statements, except for those disclosed in note 14.

Note 2: Investments

The investment objective of the Plan is to earn an annual average rate of return that exceeds its long-term funding target by employing appropriate asset mix policies and risk diversification strategies. The nominal long-term return target of the Plan during the year was 6.93%.

Investment assets and investment liabilities are measured at fair value and classified using a fair value hierarchy that is based on the methods and assumptions used to determine their fair values. The fair value hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The fair value hierarchy has the following three levels:

- *Level 1* – unadjusted quoted prices in active markets for identical assets or liabilities;
- *Level 2* – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- *Level 3* – inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

In some cases the inputs used to measure the fair value of an investment asset or investment liability might be categorized within different levels of the fair value hierarchy. In those cases, the classification for each asset or liability is determined based on the lowest level input that is significant to the entire assessment. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. Assessing the significance of a particular input to the fair value measurement requires judgment and factors specific to the investment asset or investment liability being considered. Determining whether an input is observable also requires considerable judgment. Observable data is considered to be market data that is readily available, regularly distributed and updated, easily corroborated and obtained from independent sources that are actively involved in that particular market.

Investments that are classified as Level 1 include actively traded equity investments and exchange traded derivatives. These investments are valued at quoted, unadjusted, closing market prices. Cash is also included as Level 1.

Investments that are classified as Level 2 include most government and corporate bonds and over-the-counter derivatives. For these investments, fair values are either derived from a number of prices that are provided by independent price sources or from pricing models that use observable market data such as swap curves, credit spreads and volatilities.

There were no significant transfers between Level 1 and Level 2 during 2014 or 2013.

Investments that are classified as Level 3 include real estate and private equity investments, some over-the-counter derivatives and some fixed income instruments. For these investments, trading activity is infrequent and fair values are derived using valuation techniques. The significant inputs used in the pricing models are either not observable or assumptions are made about significant inputs.

Transfers from Level 2 to Level 3 occur when an investment asset's or investment liability's fair value, which was determined previously through the use of a valuation technique with significant observable inputs, is now determined using a valuation technique with significant unobservable inputs. Transfers from Level 3 to Level 2 occur when techniques used for valuing the investment involve significant observable inputs which were previously unobservable.

a) Fair Value Hierarchy

The Plan's investment assets and investment liabilities are presented in the table below:

($ millions)	2014 Level 1	Level 2	Level 3	No Level [1]	Total Fair Value	Total Cost
Investment assets						
Cash	$ 2	$ -	$ -	$ -	**$ 2**	**$ 2**
Fixed income						
Short-term securities	-	-	-	-	**-**	**-**
Bonds						
Canadian	-	99,429	-	-	**99,429**	**93,155**
Non-Canadian	-	6,225	516	-	**6,741**	**5,774**
Non-Canadian commercial loans	-	-	30	-	**30**	**27**
Total fixed income	-	105,654	546	-	**106,200**	**98,956**
Securities purchased under resell agreements	-	3,286	-	-	**3,286**	**3,260**
Public equity						
Canadian	134	-	-	-	**134**	**120**
Non-Canadian	2,048	-	-	-	**2,048**	**1,991**
Total public equity	2,182	-	-	-	**2,182**	**2,111**
Equity-oriented						
Real estate						
Canadian	-	-	6,922	-	**6,922**	**5,076**
Non-Canadian	-	-	795	-	**795**	**610**
Private equity and special situations						
Canadian	-	-	988	-	**988**	**753**
Non-Canadian	-	-	2,287	-	**2,287**	**2,171**
Total equity-oriented	-	-	10,992	-	**10,992**	**8,610**
Derivative instruments (note 3)	6	5,662	140	-	**5,808**	**1,081**
Investment receivables						
Cash collateral pledged (note 5)	22	-	-	-	**22**	**22**
Pending trades [1]	-	-	-	137	**137**	**138**
Accrued investment income [1]	-	-	-	775	**775**	**775**
Total investment receivables	22	-	-	912	**934**	**935**
Total investment assets	2,212	114,602	11,678	912	**129,404**	**114,955**
Investment liabilities						
Equities sold short (note 5)	(27,762)	-	-	-	**(27,762)**	**(22,849)**
Bonds sold short (note 5)	-	(2,784)	-	-	**(2,784)**	**(2,611)**
Derivative instruments (note 3)	(8)	(16,933)	(81)	-	**(17,022)**	**(7,323)**
Securities sold under repurchase agreements (note 5)	-	(20,016)	-	-	**(20,016)**	**(19,909)**
Cash collateral received (note 5)	(804)	-	-	-	**(804)**	**(804)**
Pending trades [1]	-	-	-	(281)	**(281)**	**(282)**
Accrued investment liabilities [1]	-	-	-	(84)	**(84)**	**(84)**
Total investment liabilities	(28,574)	(39,733)	(81)	(365)	**(68,753)**	**(53,862)**
Net investments	**$ (26,362)**	**$ 74,869**	**$ 11,597**	**$ 547**	**$ 60,651**	**$ 61,093**

[1] These are investment assets or investment liabilities for which a fair value hierarchy classification is not required.

($ millions)	2013 Level 1	Level 2	Level 3	No Level [1]	Total Fair Value	Total Cost
Investment assets						
Cash	$ 8	$ -	$ -	$ -	**$ 8**	**$ 8**
Fixed income						
Short-term securities	-	33	-	-	**33**	**33**
Bonds						
Canadian	-	80,683	-	-	**80,683**	**79,268**
Non-Canadian	-	5,560	283	-	**5,843**	**5,820**
Non-Canadian commercial loans	-	-	135	-	**135**	**132**
Total fixed income	-	86,276	418	-	**86,694**	**85,253**
Securities purchased under resell agreements	-	3,046	-	-	**3,046**	**3,009**
Public equity						
Canadian	83	-	-	-	**83**	**74**
Non-Canadian	4,513	-	-	-	**4,513**	**4,259**
Total public equity	4,596	-	-	-	**4,596**	**4,333**
Equity-oriented						
Real estate						
Canadian	-	-	6,378	-	**6,378**	**4,587**
Non-Canadian	-	-	630	-	**630**	**536**
Private equity and special situations						
Canadian	-	-	913	-	**913**	**734**
Non-Canadian	-	-	1,667	-	**1,667**	**1,550**
Total equity-oriented	-	-	9,588	-	**9,588**	**7,407**
Derivative instruments (note 3)	4	4,900	149	-	**5,053**	**889**
Investment receivables						
Cash collateral pledged (note 5)	577	-	-	-	**577**	**577**
Pending trades [1]	-	-	-	162	**162**	**159**
Accrued investment income [1]	-	-	-	699	**699**	**699**
Total investment receivables	577	-	-	861	**1,438**	**1,435**
Total investment assets	5,185	94,222	10,155	861	**110,423**	**102,334**
Investment liabilities						
Equities sold short (note 5)	(24,428)	-	-	-	**(24,428)**	**(19,761)**
Bonds sold short (note 5)	-	(2,668)	-	-	**(2,668)**	**(2,650)**
Derivative instruments (note 3)	(2)	(12,976)	(166)	-	**(13,144)**	**(6,681)**
Securities sold under repurchase agreements (note 5)	-	(17,939)	-	-	**(17,939)**	**(17,879)**
Cash collateral received (note 5)	(562)	-	-	-	**(562)**	**(562)**
Pending trades [1]	-	-	-	(177)	**(177)**	**(178)**
Accrued investment liabilities [1]	-	-	-	(81)	**(81)**	**(81)**
Total investment liabilities	(24,992)	(33,583)	(166)	(258)	**(58,999)**	**(47,792)**
Net investments	**$ (19,807)**	**$ 60,639**	**$ 9,989**	**$ 603**	**$ 51,424**	**$ 54,542**

[1] *These are investment assets or investment liabilities for which a fair value hierarchy classification is not required.*

b) Offsetting Financial Assets and Financial Liabilities

The following financial instruments are subject to enforceable master netting arrangements or similar agreements and/or may require the transfer of collateral. In accordance with Canadian GAAP, HOOPP presents these financial instruments gross in the statements of financial position, since the netting provisions contained in the respective agreements apply in limited circumstances. If the effect of these arrangements, together with the collateral pledged or received were taken into consideration, the potential impact on HOOPP's financial position would be as follows:

	2014			
		Related amounts not set off in the statements of financial position		
($ millions)	Gross amounts of financial instruments presented (note 2a)	Amounts subject to an enforceable master netting arrangement or similar agreements [1]	Cash and securities collateral pledged / (received) [2]	Net amount
Financial assets				
Securities purchased under resell agreements [4]	$ 3,361	$ (2,338)	$ (1,022)	$ 1
Securities on loan [3]	2,403	-	(2,355)	48
Derivative instruments [4]	5,861	(5,057)	(739)	65
Total financial assets	**11,625**	**(7,395)**	**(4,116)**	**114**
Financial liabilities				
Securities sold under repurchase agreements [4]	(20,173)	2,338	17,828	(7)
Derivative instruments [4]	(17,058)	5,057	11,872	(129)
Total financial liabilities	**$ (37,231)**	**$ 7,395**	**$ 29,700**	**$ (136)**

[1] Refer to note 6 for additional information on master netting arrangements.
[2] Refer to note 5 for additional information on cash and securities collateral.
[3] These securities are included within Fixed income and Public equity investment assets in note 2a.
[4] Includes pending trade receivables and payables of $128 million and $193 million, respectively.

	2013			
		Related amounts not set off in the statements of financial position		
($ millions)	Gross amounts of financial instruments presented (note 2a)	Amounts subject to an enforceable master netting arrangement or similar agreements [1]	Cash and securities collateral pledged / (received) [2]	Net amount
Financial assets				
Securities purchased under resell agreements	$ 3,046	$ (2,294)	$ (730)	$ 22
Securities on loan [3]	2,539	-	(2,539)	-
Derivative instruments [4]	5,207	(4,740)	(457)	10
Total financial assets	**10,792**	**(7,034)**	**(3,726)**	**32**
Financial liabilities				
Securities sold under repurchase agreements	(17,939)	2,294	15,581	(64)
Derivative instruments [4]	(13,298)	4,740	8,012	(546)
Total financial liabilities	**$ (31,237)**	**$ 7,034**	**$ 23,593**	**$ (610)**

[1] Refer to note 6 for additional information on master netting arrangements.
[2] Refer to note 5 for additional information on cash and securities collateral.
[3] These securities are included within Fixed income and Public equity investment assets in note 2a.
[4] Includes futures broker receivables and payables of $154 million and $154 million, respectively.

c) Changes in Fair Value Measurement for Investments in Level 3

The following table presents the changes in fair value measurement for investments included in Level 3 during the year ended December 31, 2014:

Changes in Fair Value Measurement for Investments in Level 3 ($millions)	Fair Value Dec. 31, 2013	Total Gains/ (Losses) Included in Net Income (1)	Purchases and Issues	Sales and Settlements	Transfers In (2)	Transfers Out (2)	Fair Value Dec. 31, 2014
	2014						
Bonds							
Canadian	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**
Non-Canadian	283	36	220	(23)	-	-	**516**
Non-Canadian commercial loans	135	7	49	(161)	-	-	**30**
Real estate (3)							
Canadian	6,378	123	481	(60)	-	-	**6,922**
Non-Canadian	630	136	150	(121)	-	-	**795**
Private equity and special situations							
Canadian	913	295	134	(354)	-	-	**988**
Non-Canadian	1,667	179	872	(431)	-	-	**2,287**
Assets from derivative instruments (note 3)	149	71	70	(150)	-	-	**140**
Liabilities from derivative instruments (note 3)	(166)	63	(60)	84	(2)	-	**(81)**
Total	**$ 9,989**	**$ 910**	**$ 1,916**	**$ (1,216)**	**$ (2)**	**$ -**	**$ 11,597**

(1) For those investment assets and investment liabilities held at the end of the year, the total gains were $747 million.
(2) Transfers into and transfers out of Level 3 are assumed to occur at the end of the year.
(3) For real estate, additional mortgage debt borrowings of $450 million are netted in Purchases and Issues and mortgage debt repayments of $189 million are netted in Sales and Settlements.

Changes in Fair Value Measurement for Investments in Level 3 ($millions)	Fair Value Dec. 31, 2012	Total Gains/ (Losses) Included in Net Income (1)	Purchases and Issues	Sales and Settlements	Transfers In (2)	Transfers Out (2)	Fair Value Dec. 31, 2013
	2013						
Bonds							
Canadian	$ 202	$ (2)	$ -	$ (52)	$ -	$ (148)	**$ -**
Non-Canadian	409	20	21	(167)	-	-	**283**
Non-Canadian commercial loans	141	1	267	(274)	-	-	**135**
Real estate (3)							
Canadian	5,465	263	524	126	-	-	**6,378**
Non-Canadian	389	112	154	(25)	-	-	**630**
Private equity and special situations							
Canadian	802	223	215	(327)	-	-	**913**
Non-Canadian	1,197	265	560	(355)	-	-	**1,667**
Assets from derivative instruments (note 3)	69	92	62	(101)	27	-	**149**
Liabilities from derivative instruments (note 3)	(159)	9	(112)	96	-	-	**(166)**
Total	**$ 8,515**	**$ 983**	**$ 1,691**	**$ (1,079)**	**$ 27**	**$ (148)**	**$ 9,989**

(1) For those investment assets and investment liabilities held at the end of the year, the total gains were $920 million.
(2) Transfers into and transfers out of Level 3 are assumed to occur at the end of the year.
(3) For real estate, additional mortgage debt borrowings of $467 million are netted in Purchases and Issues and mortgage debt repayments of $371 million are netted in Sales and Settlements.

For individual direct investments included in Level 3, management's judgment is that changing one or more of the inputs to a reasonably possible alternative assumption would not change the fair value of the overall Plan significantly. For investments in private equity limited partnership funds, HOOPP has limited access to specific underlying investment information. As a result, HOOPP is not able to determine a change in the fair values derived from a reasonably possible alternative assumption.

d) Significant investments

Investments, summarized by category for fixed income, (excluding short sales and derivative exposures) where the cost or fair value exceeds 1% of the cost or fair value of the Fund, being approximately $610 and $600 million respectively as at December 31, 2014, are as follows:

($ millions)	**Maturity Date**	**Coupon Rate %**	**Fair Value**	**Cost Value**
Fixed income				
Canadian federal bonds	2015-2045	1.22-9.00	$ 16,190	$ 15,494
United States treasury bonds	2042	2.75	823	663
Canadian provincial and municipal bonds	2016-2050	2.30-11.00	18,608	17,616
Canadian real return bonds	2021-2044	1.50-4.55 *Plus CPI**	6,474	5,412

** CPI - Canadian Consumer Price Index*

Note 3: Derivative Financial Instruments

Derivatives are financial instruments whose values change as a result of an underlying asset, index of prices or rates, interest rate or foreign exchange rate.

The Plan's investment objectives for the use of derivatives are to enhance returns by facilitating changes in the investment asset mix, to enhance equity and fixed income portfolio returns, and to manage financial risk. Derivatives may be used in all of HOOPP's permitted asset classes. The Plan utilizes the following derivative financial instruments:

Foreign Exchange Forward Contracts

Foreign exchange forward contracts are customized agreements negotiated between two parties to buy or sell a specific amount of foreign currency at a price specified at origination of the contract, with settlement at a specified future date. Forward contracts are used to modify the Plan's exposure to currency risk.

Futures Contracts

Futures contracts are standardized agreements which can be purchased or sold on a futures exchange market at a predetermined future date and price, in accordance with terms specified by the regulated futures exchange and are subject to daily cash margining. HOOPP invests in both bond futures and also equity futures, which relate to a specific equity or bond, or index of equities or bonds, a basket of equities or bonds, or a single equity or bond. These types of derivatives are used to modify exposures efficiently without actually purchasing or selling the underlying asset.

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option) a financial instrument at a predetermined price, on or before a specified future date. The seller receives a premium from the purchasers for this right. The various option agreements are interest rate options, swaptions, foreign currency options, equity options, options on credit default swaps and caps and floors. Options are used to manage the exposures to market risks and to enhance returns.

Swaps

Swaps are contractual agreements between two counterparties to exchange a series of cash flows. HOOPP utilizes the following swap instruments:

- Equity swaps (including variance swaps) are agreements between two parties to exchange a series of cash flows based on the return of an equity, a basket of equities or an equity index. One party typically agrees to pay a floating interest rate in return for receiving the equity return. Variance swaps are contracts where cash flows are exchanged based on the difference between the realized variance of an equity, a basket of equities, or an equity index and the fixed strike level specified in the contract. Equity-based swaps are used for yield enhancement purposes and to adjust exposures to particular indices without directly purchasing or selling the securities that comprise the index.
- Interest rate swaps (including cross-currency swaps) are agreements between two parties to exchange a series of fixed or floating cash flows in the same currency or different currencies based on the notional amount. Interest rate swaps are used to manage interest rate exposures and cross-currency swaps are used to manage both interest rate and currency exposures.

- Credit default swaps are agreements between two parties where the buyer of the credit protection pays a premium to the seller in exchange for payment of the notional amount from the seller against delivery of the related/relevant debt securities if a credit event such as a default occurs. Instead of physical settlement, credit default swaps can also be cash settled. Credit default swaps are used to promote credit diversification and for risk mitigation.

The following schedule summarizes the notional and fair values of the Plan's derivative positions, as at December 31, 2014:

Derivative Financial Instruments	**2014**		
	Notional	**Fair Value [2]**	
($ millions)	**Value [1]**	**Assets**	**Liabilities**
Credit derivatives			
Credit default swap options	$ 2,586	$ 7	$ (3)
Credit default swaps[3]	24,168	147	(180)
Currency derivatives			
Forwards	5,063	48	(21)
Swaps	20,942	450	(2,623)
Equity derivatives			
Cap/floors	581	-	-
Futures contracts	6,227	6	(7)
Options	64,614	3,879	(10,669)
Swaps	55,106	818	(302)
Interest rate derivatives			
Futures contracts	406	-	(1)
Options	266	-	-
Swaps	38,934	413	(3,206)
Swaptions	7,277	40	(10)
Total	$ 226,170	$ 5,808	$ (17,022)

(1) Notional values represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged, and are therefore not recorded as assets or liabilities in these financial statements. Notional values are also the basis upon which the fair values of the contracts and the returns are determined. Notional values do not necessarily represent the future cash flows to be exchanged nor do they indicate the Plan's exposure to market or credit risk.
(2) Contracts with a positive fair value are recorded as investment assets while contracts with a negative fair value are recorded as investment liabilities in note 2.
(3) HOOPP, through the sale of credit protection, indirectly guarantees the underlying reference obligations. The notional amount and fair value of the credit protection sold are $12,844 million and $(3) million, respectively. These contracts mature between 2015 and 2023.

The following schedule summarizes the notional and fair values of the Plan's derivative positions, as at December 31, 2013:

Derivative Financial Instruments	**2013**		
	Notional	**Fair Value** [2]	
($ millions)	**Value** [1]	**Assets**	**Liabilities**
Credit derivatives			
Credit default swap options	$ 5,102	$ 4	$ (4)
Credit default swaps[3]	25,977	130	(262)
Currency derivatives			
Forwards	5,762	12	(8)
Swaps	21,134	243	(2,105)
Equity derivatives			
Cap/floors	531	2	-
Futures contracts	5,706	3	(2)
Options	44,960	2,993	(7,979)
Swaps	48,888	1,115	(388)
Interest rate derivatives			
Futures contracts	427	1	-
Options	-	-	-
Swaps	39,477	507	(2,355)
Swaptions	2,066	43	(41)
Total	**$ 200,030**	**$ 5,053**	**$ (13,144)**

[1] Notional values represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged, and are therefore not recorded as assets or liabilities in these financial statements. Notional values are also the basis upon which the fair values of the contracts and the returns are determined. Notional values do not necessarily represent the future cash flows to be exchanged nor do they indicate the Plan's exposure to market or credit risk.

[2] Contracts with a positive fair value are recorded as investment assets while contracts with a negative fair value are recorded as investment liabilities in note 2.

[3] HOOPP, through the sale of credit protection, indirectly guarantees the underlying reference obligations. The notional amount and fair value of the credit protection sold are $15,498 million and $12 million, respectively. These contracts mature between 2014 and 2023.

The following schedule provides the notional values for the Plan's derivative positions by term to maturity as at December 31:

Derivative Financial Instruments by Term to Maturity (Notional Values) *($ millions)*	2014			
	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Credit derivatives				
Credit default swap options	$ 2,586	$ -	$ -	$ 2,586
Credit default swaps	1,858	16,082	6,228	24,168
Currency derivatives				
Forwards	5,063	-	-	5,063
Swaps	8,241	10,310	2,391	20,942
Equity derivatives				
Cap/floors	581	-	-	581
Futures contracts	6,227	-	-	6,227
Options	16,659	16,594	31,361	64,614
Swaps	28,291	26,310	505	55,106
Interest rate derivatives				
Futures contracts	406	-	-	406
Options	-	-	266	266
Swaps	9,683	16,626	12,625	38,934
Swaptions	1,944	4,636	697	7,277
Total	**$ 81,539**	**$ 90,558**	**$ 54,073**	**$ 226,170**

Derivative Financial Instruments by Term to Maturity (Notional Values) *($ millions)*	2013			
	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Credit derivatives				
Credit default swap options	$ 5,102	$ -	$ -	$ 5,102
Credit default swaps	2,625	15,597	7,755	25,977
Currency derivatives				
Forwards	5,762	-	-	5,762
Swaps	5,680	11,876	3,578	21,134
Equity derivatives				
Cap/floors	-	531	-	531
Futures contracts	5,706	-	-	5,706
Options	7,356	1,228	36,376	44,960
Swaps	30,297	18,039	552	48,888
Interest rate derivatives				
Futures contracts	427	-	-	427
Options	-	-	-	-
Swaps	7,970	20,733	10,774	39,477
Swaptions	101	1,328	637	2,066
Total	**$ 71,026**	**$ 69,332**	**$ 59,672**	**$ 200,030**

Note 4: Net Investment Income

a) Net investment income for the year ended December 31, reported based on investment assets and investment liabilities is as follows:

($ millions)	2014 Net Interest and Dividend Income[1][2]	Net Gain/(Loss) on Investments[3]	Net Investment Income
Cash and pending trades	$ 4	$ (321)	$ (317)
Fixed income			
Short-term securities	-	-	-
Net Bonds			
Canadian	3,048	5,018	8,066
Non-Canadian	153	1,025	1,178
Non-Canadian commercial loans	2	7	9
	3,203	6,050	9,253
Net Repurchase agreements	(149)	(58)	(207)
Net Public equity			
Canadian	(822)	(2,027)	(2,849)
Non-Canadian	2,857	(2,255)	602
	2,035	(4,282)	(2,247)
Equity-oriented			
Net real estate operating income			
Canadian	322	123	445
Non-Canadian	9	136	145
Private equity and special situations			
Canadian	25	295	320
Non-Canadian	19	178	197
	375	732	1,107
Derivatives	-	1,534	1,534
	5,468	3,655	9,123
Transaction costs	-	(18)	(18)
Total net investment income	**$ 5,468**	**$ 3,637**	**$ 9,105**

[1] Net of investment income and investment expenses.
[2] Includes net operating income/loss from real estate and private equity investments.
[3] Includes realized gains from investments of $978 million and unrealized gains from investments of $2,677 million before allocating the effect of transaction costs.

($ millions)	2013 Net Interest and Dividend Income[(1)(2)]	Net Gain/(Loss) on Investments[(3)]	Net Investment Income
Cash and pending trades	$ 5	$ (210)	$ (205)
Fixed income			
Short-term securities	-	-	-
Net Bonds			
Canadian	2,552	(2,727)	(175)
Non-Canadian	142	(143)	(1)
Non-Canadian commercial loans	8	1	9
	2,702	(2,869)	(167)
Net Repurchase agreements	(123)	(23)	(146)
Net Public equity			
Canadian	(748)	(3,324)	(4,072)
Non-Canadian	2,389	(1,874)	515
	1,641	(5,198)	(3,557)
Equity-oriented			
Net real estate operating income			
Canadian	281	263	544
Non-Canadian	6	112	118
Private equity and special situations			
Canadian	15	223	238
Non-Canadian	29	265	294
	331	863	1,194
Derivatives		6,950	6,950
	4,556	(487)	4,069
Transaction costs	-	(23)	(23)
Total net investment income	**$ 4,556**	**$ (510)**	**$ 4,046**

(1) Net of investment income and investment expenses.
(2) Includes net operating income/loss from real estate and private equity investments.
(3) Includes realized gains from investments of $6,532 million and unrealized losses from investments of $7,019 million before allocating the effect of transaction costs.

b) The Plan's net real estate operating income for the year ended December 31 is as follows:

($ millions)	2014	2013
Rental revenue	$ 713	$ 624
Property operating & other expenses	(334)	(296)
Operating income	379	328
Mortgage interest	(48)	(41)
Net real estate operating income	**$ 331**	**$ 287**

c) Net investment income for the year ended December 31, reported based on the underlying investment strategies of HOOPP's portfolios is as follows:

	2014		
($ millions)	Net Interest and Dividend Income[1][2]	Net Gain/(Loss) on Investments	Net Investment Income
Liability Hedge Portfolio			
Short-term	$ 1,197	$ (868)	$ 329
Mid-term bonds	367	564	931
Long-term bonds	568	1,593	2,161
Real return bonds	161	699	860
Real estate	308	238	546
Transition strategy	407	1,307	1,714
Total Liability Hedge Portfolio	3,008	3,533	6,541
Return Seeking Portfolio			
Canadian equities	45	580	625
United States equities	11	629	640
International equities	16	243	259
Long-term option strategy	175	(18)	157
Corporate credit	47	84	131
Private equity	43	430	473
Asset allocation strategies	-	(6)	(6)
Absolute return strategies	2,119	(1,916)	203
Foreign exchange hedges	-	62	62
Other	4	16	20
Total Return Seeking Portfolio	2,460	104	2,564
Total net investment income	**$ 5,468**	**$ 3,637**	**$ 9,105**

[1] Net of investment income and investment expenses.
[2] Includes net operating income/loss from real estate and private equity investments.

	2013		
($ millions)	Net Interest and Dividend Income[1][2]	Net Gain/(Loss) on Investments	Net Investment Income
Liability hedge portfolio			
Short-term	$ 878	$ (502)	$ 376
Mid-term bonds	320	(468)	(148)
Long-term bonds	530	(1,262)	(732)
Real return bonds	149	(944)	(795)
Real estate	270	308	578
Transition strategy	353	(1,070)	(717)
Total Liability hedge portfolio	2,500	(3,938)	(1,438)
Return seeking portfolio			
Canadian equities	48	572	620
United States equities	11	1,330	1,341
International equities	11	1,025	1,036
Long-term option strategy	193	1,532	1,725
Corporate credit	54	110	164
Private equity	44	360	404
Asset allocation strategies	-	26	26
Absolute return strategies	1,691	(1,568)	123
Foreign exchange hedges	-	26	26
Other	4	15	19
Total Return seeking portfolio	2,056	3,428	5,484
Total net investment income	**$ 4,556**	**$ (510)**	**$ 4,046**

[1] Net of investment income and investment expenses.
[2] Includes net operating income/loss from real estate and private equity investments.

Note 5: Transfers of Financial Assets

a) Financial Assets Transferred to HOOPP's Counterparties

Transfers of financial assets result from HOOPP's arrangements with its counterparties whereby the Plan:

- transfers the contractual rights to receive the cash flows of the financial assets, or
- retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

For HOOPP, transfers of financial assets to counterparties occur directly through securities lending arrangements. HOOPP also transfers financial assets indirectly through collateral pledged to counterparties as a result of investment strategies such as repurchase agreements, securities borrowing arrangements and derivatives. Transferred financial assets continue to be recognized as HOOPP's assets on the statements of financial position if the risks and rewards of ownership remain with HOOPP.

The following describes HOOPP's transactions that may result in the direct or indirect transfer of financial assets:

Securities lending program and other transfers of financial assets (direct)

The Plan participates in a securities lending program where it lends securities that it owns directly to third parties in exchange for a fee. The borrower provides cash or marketable securities of higher value as collateral which mitigates the credit risk associated with the program. The Plan also lends securities through a third party, in accordance with a securities lending agreement, in exchange for a fee.

The Plan also transfers financial assets received from HOOPP's counterparties as a result of various transactions. These financial assets have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with the counterparty.

Collateral pledged (indirect)

i. Repurchase agreements

The Plan enters into repurchase agreements, which are economically similar to collateralized loans. Under these agreements, the Plan effectively sells securities and simultaneously agrees to buy them back at a specified price at a future date. The net position represents the fair value of collateral pledged, as a result of the change in value of the securities sold under repurchase agreements.

ii. Securities borrowing arrangements

The Plan enters into short positions, where it agrees to sell securities which it does not already own, to reduce or eliminate economic exposures as part of certain active management strategies and as an offset to long positions in some derivative strategies. The Plan borrows securities, or uses securities received through other strategies, to facilitate the taking of short positions. For securities borrowed, the Plan is required to pledge cash or marketable securities of higher value as collateral which mitigates the counterparty's credit risk associated with the program.

iii. Derivatives

A transfer of financial assets only occurs when the Plan pledges collateral, typically in the form of cash, fixed income or equities for obligations incurred in the ordinary course of trading in derivatives.

When the Plan pledges cash collateral for any of the above investment strategies, this cash is derecognized from the statements of financial position. A receivable for the equivalent amount is then recognized to reflect this cash collateral due from the Plan's counterparties.

b) Financial Assets Received from HOOPP's Counterparties

Securities are received from HOOPP's counterparties directly through securities borrowing arrangements, or indirectly through investment strategies such as securities lending arrangements, resell agreements, and derivatives which give rise to the counterparty transferring or pledging collateral with HOOPP. These securities are only recognized as HOOPP's assets on the statements of financial position if the risks and rewards of ownership are transferred to HOOPP.

The following describes HOOPP's transactions that may result in financial assets received from its counterparties:

Securities borrowing arrangements (direct)

The Plan borrows securities, or uses securities received through other strategies, to facilitate the taking of short positions. For securities borrowed, the Plan is required to pledge cash or marketable securities of higher value as collateral which mitigates the counterparty's credit risk associated with the program.

Collateral received (indirect)

i. Resell agreements

The Plan enters into resell agreements, which are economically similar to collateralized loans. Under these agreements, the Plan effectively purchases securities and simultaneously agrees to sell them back at a specified price at a future date. The net position represents the fair value of collateral received, as a result of the change in value of the securities under resell agreements.

ii. Securities lending program

For securities lent, the borrower provides cash or marketable securities of higher value as collateral which mitigates the credit risk to the Plan, associated with the program.

iii. Derivatives

The Plan receives collateral, typically in the form of cash, fixed income or equities for receivables recognized in the ordinary course of trading in derivatives.

When the Plan receives cash collateral for any of the above investment strategies, this cash is recognized on the statements of financial position. A liability for the equivalent amount is recognized to reflect this cash collateral due to the Plan's counterparties.

For any collateral received, the Plan has the right to re-pledge, loan or use it under repurchase agreements in the absence of default by the owner of the collateral. Upon termination of the agreement, the Plan is obligated to return the collateral received to the owner. As at December 31, 2014, the fair value of total collateral rehypothecated by the Plan is $1,910 million (2013: $1,803 million).

c) Net Position of Financial Assets Transferred to and Received from HOOPP's Counterparties

As at December 31, the fair values and carrying amounts of HOOPP's direct and indirect transferred financial assets, their associated liabilities and receivables and the financial assets received from counterparties were as follows:

	2014		
($ millions)	**Repurchase Agreements**	**Securities Lending / (Borrowing) and Other Transfers**	**Derivatives**
Fair value/carrying amount of transferred financial assets[1]	$ -	$ 8,982	$ -
Fair value/carrying amount of transferred financial assets, collateral pledged[2]	20,259	28,664	13,201
	20,259	37,646	13,201
Fair value/carrying amount of associated receivables (note 2)	3,286	-	5,808
Fair value/carrying amount of associated liabilities [3]	(20,016)	(30,627)	(17,022)
Fair value/carrying amount of financial assets received, securities borrowed [4]	-	(3,471)	-
Fair value/carrying amount of financial assets received, collateral [5]	(3,507)	(2,546)	(834)
	(20,237)	(36,644)	(12,048)
Net position	**$ (22)**	**$ (1,002)**	**$ (1,153)**

(1) Includes securities lent, both directly and through a third party, of $2,403 million which have not been derecognized from HOOPP's statements of financial position as the risks and rewards remain with HOOPP. The remaining amount of $6,579 million represents other transfers of financial assets received from various transactions which have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with the counterparty.
(2) Includes cash collateral pledged of $22 million which has been derecognized. The remaining amount represents securities which have not been derecognized from HOOPP's statements of financial position as the risks and rewards remain with HOOPP.
(3) Includes $81 million of accrued investment liabilities relating to investments sold short. Amounts for repurchase agreements and derivatives are presented in note 2.
(4) These securities have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with the counterparty.
(5) Includes cash collateral received of $804 million. The remaining amount represents securities which have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with HOOPP's counterparty, or the third party's counterparty in accordance with the securities lending agreement.

	2013		
($ millions)	**Repurchase Agreements**	**Securities Lending / (Borrowing) and Other Transfers**	**Derivatives**
Fair value/carrying amount of transferred financial assets[1]	$ -	$ 6,612	$ -
Fair value/carrying amount of transferred financial assets, collateral pledged[2]	17,878	26,304	9,018
	17,878	32,916	9,018
Fair value/carrying amount of associated receivables (note 2)	3,046	-	5,053
Fair value/carrying amount of associated liabilities[3]	(17,939)	(27,175)	(13,144)
Fair value/carrying amount of financial assets received, securities borrowed[4]	-	(2,115)	-
Fair value/carrying amount of financial assets received, collateral[5]	(3,025)	(2,808)	(461)
	(17,918)	(32,098)	(8,552)
Net position	**$ 40**	**$ (818)**	**$ (466)**

(1) Includes securities lent, both directly and through a third party, of $2,539 million which have not been derecognized from HOOPP's statements of financial position as the risks and rewards remain with HOOPP. The remaining amount of $4,073 million represents other transfers of financial assets received from various transactions which have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with the counterparty.
(2) Includes cash collateral pledged of $577 million which has been derecognized. The remaining amount represents securities which have not been derecognized from HOOPP's statements of financial position as the risks and rewards remain with HOOPP.
(3) Includes $79 million of accrued investment liabilities relating to investments sold short. Amounts for repurchase agreements and derivatives are presented in note 2.
(4) These securities have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with the counterparty.
(5) Includes cash collateral received of $562 million. The remaining amount represents securities which have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with HOOPP's counterparty, or the third party's counterparty in accordance with the securities lending agreement.

Note 6: Risk Management

For HOOPP, the primary mission is to secure the pension promise for all of its members, pensioners and beneficiaries ("HOOPP members"). In order to accomplish this, the Plan must actively manage its net funded position (i.e., surplus or deficit). There are two major components to the net funded position – the Plan's going concern pension obligations and net investment assets – which HOOPP manages and measures in concert. The risk that the imbalance between the net investment assets and pension obligations becomes a deficit is referred to as funding risk.

The Plan's net investment assets are exposed to financial risks (i.e., market risk, credit risk and liquidity risk) through its investment activities.

HOOPP's Board is responsible, with the assistance of staff, agents and advisors, for prudently managing, investing and administering the Plan in order to secure the pension promise for HOOPP's members. This requires Board oversight of the assets and pension obligations to ensure they are being managed in the best interests of HOOPP members. The Board has established a policy framework, which outlines the Board's risk tolerances, and which guides the development of investment strategies to meet HOOPP's overall objectives.

The cornerstone of the policy framework is the Funding Decision Framework. The Funding Decision Framework sets out criteria to be considered when contemplating changes to contribution rates and/or benefits levels, and establishes a target range for the Plan's funded ratio, which is the ratio of the Plan's assets to its pension obligations. HOOPP's investment policy and strategic asset mix will also impact the Plan's funded ratio and can be altered to support the management of HOOPP's funded position.

Broadly, the Plan manages funding risk by:

- utilizing a liability driven investment (LDI) approach, an investment strategy that aligns the Plan's assets to the Plan's pension obligations, which helps determine appropriate investments and reduces funding risk;
- setting and managing to a target range for the Plan's funded ratio;
- annually reviewing the actuarial assumptions underlying the Plan's pension obligations to ensure continued appropriateness; and
- complying with the *Pension Benefits Act* (Ontario) *and Regulations*, the *Income Tax Act* (Canada) and *Regulations*, the Plan's Agreement and Declaration of Trust, and the Plan Text.

The Board provides a framework for the investment of plan assets through the following key documents, which collectively form HOOPP's policy framework, which the Board reviews and approves no less frequently than annually:

- Investment Risk Framework – the Board's view of the Plan's risk tolerance
- Statement of Investment Principles (SIP) – the principles fiduciaries use when developing investment policies
- Statement of Investment Policies and Procedures (SIP&P) – investment guidelines for the management of the Plan, including objectives and how they will be reached
- Investment Policies and Guidelines (IP&G) – the Plan's policy benchmark, policy asset mix and detailed investment limits.

The Investment Management team provides advice and recommendations to the Board about the investing of plan assets to meet the Plan's target funding ratio and they design and execute investment strategies, in compliance with HOOPP's policy framework. The Finance division, which is independent from Investment Management, monitors the limits set out in the IP&G. Compliance reporting is provided quarterly to the Board's Asset Liability Management Committee and the Board.

The Board's Plan Committee oversees the Plan's benefits design and administration. It reviews, monitors and makes recommendations to the Board on matters such as proposed changes to benefits, Plan amendments, and contribution rates, as well as benefit administration. The Committee also monitors compliance with legislative and regulatory requirements and the Board's policies.

The Board's Asset Liability Management Committee oversees the management and investment of the Plan's assets and pension obligations. It monitors and evaluates the investment management process and performance of the Plan and reviews and recommends to the Board asset liability management policies. The Committee also reviews, monitors and makes recommendations to the Board on matters such as actuarial valuations and the appointment and performance of the Board's external actuarial advisors.

Funding Risk

The primary risk that HOOPP faces is funding risk, the risk that the Plan's investment asset growth and contribution rates will not be sufficient to cover the Plan's pension obligations resulting in an unfunded liability (i.e., a funding deficit). If the funding deficit reaches a certain level, or persists, it may need to be eliminated by reducing benefits, raising contributions, or a combination of both.

The Plan's net funded position can change relatively quickly if there are changes in the value of the Plan's net investment assets or pension obligations, which may result in a mismatch between the Plan's assets and its pension obligations. The most significant economic contributors to funding risk are:

- declines in interest rates,
- equity markets failing to achieve expected returns, and
- unexpected increases in inflation.

In addition to the economic contributors to funding risk listed above and further described in the Financial Risk Management section below, the Plan's pension obligations are also affected by non-economic factors like changes in member demographics.

As at December 31, 2014, the Plan had a surplus of $13,925 million (2013: $10,148 million) based on the difference between the market value of net assets available for benefits and the pension obligations. On a regulatory filing basis at December 31, 2014, the Plan had a regulatory surplus of $6,950 million compared to a surplus of $5,702 million as at December 31, 2013 (based on the smoothed asset value of net assets described in note 11).

The Board manages funding risk by monitoring and reviewing the funded ratio on an ongoing basis to ensure it remains in the targeted range. If and when the future funded ratio falls outside the range, the Board determines whether changes to the investment policy, strategic asset mix, and contribution rates and/or benefits may be required.

When formulating the investment policy to effectively manage both risk and the net funded position, HOOPP must consider investment strategies that are suitable for the Plan's pension obligations. Failing to do this would result in greater volatility in the Plan's funded status, leading to a greater risk of making changes to benefits and/or contribution rates.

The Board's external actuary performs an annual valuation to determine the Plan's funded status and also forecasts future results.

HOOPP is registered with FSCO and is required to file a funding valuation periodically. It last filed a valuation for the period ended December 31, 2013. See note 12 for more information on HOOPP's funding valuation.

Financial Risk Management

The Plan's investment activities expose it to financial risks which include:

- market risk (interest rate risk, foreign currency risk and other price risk)
- credit risk
- liquidity risk

Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all securities traded in the market.

a) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The Plan is exposed to investment interest rate risk as a result of the policy decision to invest in interest sensitive instruments as part of the LDI approach to investing. The Plan's interest rate sensitive instruments and the remaining term to maturity or repricing dates, whichever is earlier as at December 31, are summarized below by class of financial instrument.

Interest Rate Sensitive Instruments	**2014**				
	Term to Maturity				
($ millions)	**Within 1 Year**	**1 to 5 Years**	**5 to 10 Years**	**Over 10 Years**	**Total**
Short-term securities	$ -	$ -	$ -	$ -	**$ -**
Canadian bonds [1,2]					
Federal bonds	15,620	3,240	2,995	8,639	**30,494**
Provincial and municipal bonds	2,119	13,725	22,873	16,595	**55,312**
Real return bonds	-	-	781	6,552	**7,333**
Corporate bonds	2,822	2,071	85	186	**5,164**
	20,561	19,036	26,734	31,972	**98,303**
Non-Canadian bonds [1,2]	1,494	840	(97)	3,507	**5,744**
Non-Canadian commercial loans	-	-	30	-	**30**
Derivatives	(9,699)	(18,983)	(22,613)	333	**(50,962)**
Repurchase agreements	(16,730)	-	-	-	**(16,730)**
Total	**$ (4,374)**	**$ 893**	**$ 4,054**	**$ 35,812**	**$ 36,385**

[1] Net of Canadian bonds sold short of $1,767 million and Non-Canadian bonds sold short of $1,042 million.
[2] Includes accrued interest of $633 million on Canadian bonds and $28 million on Non-Canadian bonds.

Interest Rate Sensitive Instruments	**2013**				
	Term to Maturity				
($ millions)	**Within 1 Year**	**1 to 5 Years**	**5 to 10 Years**	**Over 10 Years**	**Total**
Short-term securities	$ 33	$ -	$ -	$ -	**$ 33**
Canadian bonds [1,2]					
Federal bonds	6,969	4,646	2,089	6,609	**20,313**
Provincial and municipal bonds	2,328	10,708	22,900	12,507	**48,443**
Real return bonds	-	-	754	5,476	**6,230**
Corporate bonds	1,630	3,019	40	181	**4,870**
	10,927	18,373	25,783	24,773	**79,856**
Non-Canadian bonds [1,2]	1,120	522	111	2,875	**4,628**
Non-Canadian commercial loans	29	106	-	-	**135**
Derivatives[3]	(4,382)	(16,448)	(21,267)	364	**(41,733)**
Repurchase agreements	(14,893)	-	-	-	**(14,893)**
Total	**$ (7,166)**	**$ 2,553**	**$ 4,627**	**$ 28,012**	**$ 28,026**

[1] Net of Canadian bonds sold short of $1,431 million and Non-Canadian bonds sold short of $1,258 million.
[2] Includes accrued interest of $600 million on Canadian bonds and $26 million on Non-Canadian bonds.
[3] Includes over-the-counter equity options of $4,986 million.

Risk measurement

The Plan's interest rate sensitive portfolio is reviewed to ensure compliance to policy. The Asset Liability Committee receives quarterly reports which include interest rate change sensitivity for the interest rate sensitive portfolio. As at December 31, 2014, a 1% increase/decrease in interest rates would have decreased/increased the Plan's net assets available for benefits by $6,257 million (2013: $4,679 million). While the increase/decrease in interest rates would have decreased/increased the value of the Plan's assets, longer-term trends in increases/decreases in interest rates would have also decreased/increased the value of the Plan's pension obligations.

Risk management

While the Plan's interest sensitive products are exposed to interest rate risk, this risk has been assumed purposefully as part of the LDI approach to offset the interest rate risk inherent in the Plan's pension obligation. HOOPP uses duration to measure the sensitivity of the fair value of fixed income investments to changes in market interest rates. HOOPP manages its exposure to investment interest rate risk by ensuring the modified duration of the fixed income mandates remains within the approved ranges of the respective benchmarks as stipulated in the IP&G and the overall asset mix remains within the approved policy weights specified in the IP&G. This is accomplished by rebalancing the portfolio on a regular basis and through the use of derivatives, including interest rate swaps, cross-currency swaps and interest rate futures.

b) Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument denominated in a foreign currency will fluctuate due to changes in applicable foreign exchange rates. While HOOPP pension benefits are paid in Canadian dollars, some of the Plan's assets are denominated in other currencies. The Plan's foreign currency exposure (including through derivatives) as at December 31, is presented below. The table also includes the impact of a 5% decrease/increase in the applicable foreign exchange rate on the Plan's net assets available for benefits.

Foreign Currency Exposure	**2014**			**2013**		
($ millions)	**Local**	**Canadian**	**Impact of +/- 5% change**	**Local**	**Canadian**	**Impact of +/- 5% change**
United States dollars	**(28)**	**(33)**	**(2)/2**	416	441	22 / (22)
Euros	**(27)**	**(37)**	**(2)/2**	(85)	(127)	(6) / 6
Japanese Yen	**482**	**5**	**-/(-)**	(5,486)	(55)	(3) / 3
British Pounds	**48**	**87**	**4/(4)**	-	-	-

Risk measurement

The exposures to foreign currency are measured daily and reported on monthly for compliance purposes. Each quarter, management provides the Board with reports and analysis, illustrating the impacts on assets of foreign currency rate changes. As at December 31, 2014, a strengthening/decline in the Canadian dollar of 1% against other currencies would result in a decrease/increase to the Plan's net assets available for benefits of approximately $0.2 million (2013: decrease/increase of approximately $3 million).

Risk management

HOOPP manages its exposure to foreign currency risk by ensuring the exposures are effectively hedged in accordance with the limits stipulated in the IP&G. These limits require the Plan's foreign currency exposure to be fully hedged within a 5% tolerance of the Fund's net asset value. This is accomplished through the use of derivatives, which include foreign exchange forward contracts and cross-currency swaps.

c) Other price risk

The Plan is also exposed to other price risk. Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). HOOPP is exposed to other price risk which includes primarily equity price risk through its investment in public equities and derivative instruments. The Plan is also exposed to credit spread risk, which resides primarily within the provincial, municipal and corporate bond portfolios and the credit derivative portfolio.

The Plan's total exposure to equity price risk (including through derivatives) as at December 31, is presented below. The table also includes the impact of a 10% decrease/increase in the equity markets benchmark price index on the Plan's net assets available for benefits.

Equity Exposure By Market	**2014**			
($ millions)	**Effective Equity Exposure**	**% of net assets available for benefits**	**Benchmark**	**Impact of a 10% Increase / (Decrease)**
Public Equity				
Canadian	$ 6,214	10.2%	S&P/TSX 60 Total Return Index	621 / (621)
United States				
United States equity	4,918		S&P 500 Total Return Index	492 / (492)
Long option strategy	(254)		S&P 500 Futures with 10-year options	141 / 233
	4,664	7.7%		633 / (259)
Non-North American	4,933	8.1%	Blend of international indices [1]	493 / (493)
	$ 15,811			**1,747 / (1,373)**

[1] *The blended benchmark is composed of the following international stock market indices: Dow Jones Euro Stoxx 50 Index, Tokyo Stock Price Index (Topix), FTSE 100, Swiss Market Index (SMI), Hang Seng Index, Australian Securities Exchange (ASX) 200.*

Equity Exposure By Market	**2013**			
($ millions)	**Effective Equity Exposure**	**% of net assets available for benefits**	**Benchmark**	**Impact of a 10% Increase / (Decrease)**
Public Equity				
Canadian	$ 5,035	9.8%	S&P/TSX 60 Total Return Index	504 / (504)
United States				
United States equity	4,524		S&P 500 Total Return Index	452 / (452)
Long option strategy	1,952		S&P 500 Futures with 10-year options	215 / (157)
	6,476	12.5%		667 / (609)
Non-North American	4,533	8.8%	Blend of international indices [1]	453 / (453)
	$ 16,044			**1,624 / (1,566)**

[1] *The blended benchmark is composed of the following international stock market indices: Dow Jones Euro Stoxx 50 Index, Tokyo Stock Price Index (Topix), FTSE 100, Swiss Market Index (SMI), Hang Seng Index, Australian Securities Exchange (ASX) 200.*

Risk measurement

HOOPP measures risk daily by monitoring exposure levels to Board approved limits, which include total equity exposure and single-name limits. Compliance limit reporting is provided to the Board on a quarterly basis. Sensitivity analysis is performed to measure the impact of public equity market changes, to quantify the underlying risk and to ensure risk mitigation strategies are effective.

As at December 31, 2014, a 1% decline/increase in equity markets would have resulted in a decrease/increase in the Plan's net assets available for benefits of $158 million (2013: $160.4 million).

Risk management

HOOPP manages equity risk through diversification, by investing in major equity markets with benchmarks approved by the Board, and through physical and derivative markets in order to minimize non-systemic risk. Rebalancing of the equity investments occurs regularly to ensure the weighting of the equities and equity-oriented investments, in respect to the overall value of the Plan, remains within the limits established by the Board.

Credit Risk

Credit risk is the risk of loss associated with an obligor's potential inability or unwillingness to fulfill its contractual obligations.

Counterparty credit risk is the risk of loss in the event the counterparty (excluding clearing houses) to a transaction defaults, or otherwise fails to perform under the terms of a contract.

The Plan assumes credit risk exposure through its investment in fixed income instruments and the underlying reference bond of credit derivatives. Counterparty credit risk is introduced through the Plan's securities lending program, repurchase agreements and derivatives.

HOOPP has investment policies and procedures in place which specify the requirements for using collateral to reduce the total net credit risk exposure to individual corporate entities. Only collateral of a certain quality is considered acceptable. Contracts with various counterparties are in place and define the terms under which collateral is transferred. Terms may include minimum transfer amounts or thresholds, eligible securities, and rules for the settlement of disputes. The collateral pledged and received is the only recourse available to the counterparties of these transactions.

The Plan's total credit risk exposure as at December 31 was as follows:

Credit Risk Exposure	**2014**		**2013**	
($ millions)	**Total Credit Exposure**	**% of Total**	**Total Credit Exposure**	**% of Total**
Sovereign securities AAA[1]	$ 29,308	23.9%	$ 21,690	21.1%
Fixed income instruments:				
AAA	18,038	14.7%	12,722	12.4%
AA	32,205	26.3%	26,287	25.5%
A	23,247	19.0%	22,492	21.8%
BBB	650	0.5%	388	0.4%
BB or below	224	0.2%	558	0.5%
Credit risk exposure (fixed income instruments)	74,364	60.7%	62,447	60.6%
Credit risk exposure (credit derivatives)	13,941	11.4%	15,520	15.2%
Counterparty credit risk exposure	785	0.6%	455	0.4%
Repurchase agreements	1,142	0.9%	753	0.7%
Securities lending program	3,043	2.5%	2,080	2.0%
Maximum credit risk exposure	122,583	100.0%	102,945	100.0%
Credit risk protection (credit derivatives)	(11,680)		(12,663)	
Collateral received	(3,095)		(1,898)	
Total	**$ 107,808**		**$ 88,384**	

[1] As at December 31, 2014, includes securities issued by the governments of Canada, Germany, and the United States (2013: Canada, Germany, and the United States).

Risk measurement

HOOPP measures the risk by monitoring the Plan's exposure each day to credit based on Board-approved credit limits, which include single-name limits, and also counterparty exposure to determine whether collateral should be requested. Counterparty credit risk exposure for financial contracts is measured by the positive fair value of the contractual obligations with the counterparties, less any collateral or margin received, as at the reporting date. Compliance reporting is provided quarterly to the Asset Liability Committee and the Board. Investments in any one issuer are limited to 5% of the total net assets of the Plan. In the event of default of a single investment at the maximum exposure allowed under the IP&G, the loss to HOOPP, assuming a typical recovery rate of 40%, would be approximately $1,820 million (2013: $1,549 million).

Risk management

HOOPP's policy is to manage credit risk by placing limits on investments in below-investment grade debt, diversifying credit holdings, and limiting investments based on single-name issuer limits as stipulated by the Board in the IP&G. HOOPP assigns credit ratings to its sovereign securities and fixed income instruments as determined by recognized credit rating agencies, where available. For fixed income instruments that are not rated by a recognized credit ratings agency, HOOPP assigns credit ratings based on an internal rating process. HOOPP will also employ the use of credit derivatives to achieve its objective of managing credit risk.

HOOPP mitigates counterparty credit risk by transacting exchange-traded derivative contracts and when required, by dealing primarily with over-the-counter derivatives counterparties with a minimum credit rating of A, as determined by a recognized credit rating agency. HOOPP also uses an internal credit-limit monitoring process and has master netting arrangements in place and the right to obtain collateral, all of which mitigate counterparty credit risk. Exposure to any counterparty with whom the Plan has non-exchange traded derivative contracts shall not exceed the limits specified and approved by the Board in the IP&G. Counterparty exposure is determined daily and collateral is either requested or delivered in accordance with the agreements in place. Note 5 provides more information on collateral. The approach to credit risk is of a long-term focus and changes in the market value of securities due to fluctuations in credit spreads are not of primary concern.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

For the Plan, financial liabilities are comprised of investment liabilities (note 2), which as at December 31, 2014 totaled $68,753 million (2013: $58,999 million). Most of the investment liabilities will become due within the next year. The Plan is also exposed to the daily settlement of derivatives, margin calls on derivatives and to periodic pension payments.

HOOPP's future liabilities include the pension obligations (note 11) and contracts that give rise to commitments for future payments (notes 14 and 15).

Risk measurement

On a daily basis, HOOPP forecasts cash flow requirements for up to one week to ensure sufficient cash is made available to meet short-term requirements.

Also, the ratio of assets available to cover potential margin calls is determined daily. When calculating the assets available, factors such as market value, posted collateral, repurchase agreements and securities lending positions are considered. The potential margin call is based on the Plan's exposure to various derivatives and their potential daily market movement.

Risk management

HOOPP manages liquidity risk by maintaining sufficient cash and cash equivalents, investing in highly liquid fixed income investments and securities which can be easily disposed of, and through the use of investment income and contributions received, to meet liquidity requirements. These sources of funds are used to pay pension benefits, settle financial liabilities and pay for operating expenses.

Note 7: Other Assets

As at December 31, other assets consist of the following amounts:

($ millions)		**2014**		2013
Refundable withholding tax on contributions	**$**	**141**	$	136
Fixed assets		**6**		7
Other		**4**		3
Total	**$**	**151**	**$**	**146**

Note 8: Contributions

Contributions received or receivable during the year ended December 31 were comprised of the following:

($ millions)	2014	2013
Employers		
Current service contributions	$ 1,075	$ 1,033
Members		
Current service contributions	853	822
Past service contributions from members	36	34
Transfers from other plans	40	24
	929	880
Total	$ 2,004	$ 1,913

Note 9: Benefits

Benefits paid during the year ended December 31 were comprised of the following:

($ millions)	2014	2013
Benefit payments		
Retirement pension and bridge benefits [(1)]	$ 1,408	$ 1,319
Commuted value transfers and death benefits	222	202
	1,630	1,521
Refunds and transfers		
Refunds	55	40
Transfers to other plans	17	26
	72	66
Total	$ 1,702	$ 1,587

[(1)] *Includes disability payments of $80 million (2013: $81 million)*

Note 10: Operating Expenses

For the year ended December 31, HOOPP incurred operating expenses for Investment and Plan related activities as follows:

($ millions)		**2014**		2013
Investment: [1]				
Administration	**$**	**109**	$	95
Legal, actuarial and other professional fees [2]		**4**		3
Custodial		**3**		3
		116		101
Plan: [1]				
Administration		**62**		53
Legal, actuarial and other professional fees [2]		**7**		6
		69		59
Total	**$**	**185**	**$**	**160**

[1] Based on an allocation of corporate expenses that includes direct and indirect expenses associated with Investment and Plan related activities. Management allocates these costs using estimates of time associated with each activity.
[2] Includes amounts paid or payable to the auditors pertaining to statutory audit services of $820,800 (2013: $698,400), and non-audit services of $159,300 (2013: $88,400). Also includes amounts paid or payable to the actuary pertaining to actuarial services of $565,300 (2013: $575,400).

Note 11: Pension Obligations

Pension Obligations

The pension obligations are based on management’s assumptions and include a provision for investment expenses. The Plan provisions considered in the valuations were those in effect at the valuation dates.

Estimates used for financial reporting purposes reflect management’s expectations of long-term economic and demographic conditions. The primary economic assumptions include the discount rate, salary escalation rate, and price inflation rate. The non-economic assumptions include considerations such as mortality, withdrawal and retirement rates.

The discount rate is based on the long-term expected fund return and includes a margin for conservatism (as appropriate for a funding valuation). The price inflation rate is based on the expected CPI rate.

For the December 31, 2014 actuarial valuation, the Board approved decreases to the discount rate and salary escalation rate assumptions in addition to a change in the mortality assumption.

To determine the pension obligations as at December 31, 2014 and December 31, 2013, the following economic assumptions were analyzed and reviewed by management and the Plan's actuarial advisors for reasonability and approved by the Board for financial reporting purposes:

December 31	2014 [2]	2013 [2]
Discount rate [1]	**5.85%**	6.25%
Rate of price inflation	**2.25%**	2.25%
Real discount rate	**3.60%**	4.00%
Salary escalation rate	**3.75%**	4.25%

[1] Net of allowance for investment expenses of 0.25% (2013: 0.25%).
[2] Net impact from changes to the discount rate, salary escalation and mortality assumptions resulted in an actuarial loss of $2,201 million (2013: assumption changes resulted in an actuarial gain of $102 million).

Actuarial Methodology for Financial Reporting

For the determination of the actuarial present value of the pension obligations as at December 31, 2014, an actuarial valuation was conducted by Towers Watson Canada Inc. The valuation uses the projected accrued benefit actuarial cost method with respect to all benefits and assumes that the Plan will continue on a going-concern basis. The data used in the valuation was based on members' demographic data provided by HOOPP staff as at October 1, 2014 and members' pay data provided as at December 31, 2013, all of which was projected to December 31, 2014 using management's estimates of experience for the intervening periods. The pensionable earnings estimates were determined based on 2013 experience and estimate assumptions.

Using this method and data, the pension obligations (or going concern actuarial pension obligations) at December 31, 2014, were $46,923 million (2013: $41,478 million).

Estimated Experience Gains and Losses

Estimated experience gains and losses represent the change in the pension obligations due to the difference between actual economic and demographic experience and expected experience. During 2014, there was an estimated experience gain of $77 million (2013: gain of $916 million).

Plan Provisions

As discussed under the Description of the Plan, the Board has the authority to provide ad hoc inflation protection for retirees and deferred retirees. During 2014, the Board confirmed 100% of the 2014 CPI increase as an ad hoc increase effective April 1, 2015. In addition, the Board approved a one-time ad hoc inflation protection adjustment equal to 25% of the annual CPI increases for the years 2002 to 2013, which results in 100% of the CPI inflation protection for these years, effective April 1, 2015. As at December 31, 2014, the additional impact to the pension obligations for these two ad hoc inflation protection adjustments is $666 million (2013: $nil). Also included in the pension obligations are the ad hoc CPI inflation increases at 75% of CPI, intended to be granted April 1, 2016 to April 1, 2018, which the Board approved in 2012.

Surplus

According to CPA Canada Handbook Section 4600, *Pension Plans*, the surplus for financial statement presentation purposes is the difference between the market value of net assets available for benefits and the pension obligations. The surplus on December 31, 2014 was $13,925 million (2013: $10,148 million).

Prior to 2011, the surplus reported on the Statements of Financial Position was the same as that used for regulatory filing purposes, which utilized a longer-term view of plan net asset values. The net assets value used for regulatory filing purposes, referred to as the "smoothed" value of net assets, is determined in a manner that reflects long-term market trends consistent with assumptions underlying the actuarial present value of pension obligations. The smoothed value of net assets is determined by taking an average of the current market value of net assets and the market values for the four preceding years brought forward with interest at the asset valuation rate and adjusted for contributions, benefit payments and operating expenses. This is a common actuarial practice for long-term valuations filed with the regulators and has the effect of stabilizing the contribution rates of the Plan during periods of short-term market volatility.

The market value of net assets available for benefits exceeds the smoothed value of net assets and, therefore, the difference between the surplus for financial statement purposes versus regulatory filing purposes is $6,975 million at December 31, 2014 (2013: $4,446 million).

Note 12: Funding Valuation (Regulatory Filing Valuation)

In accordance with the *Pension Benefits Act* (Ontario) and *Regulations* and the *Income Tax Act* (Canada) and *Regulations*, an actuarial valuation is required to be filed at least every three years to estimate the Plan's surplus or deficit, and to determine the Plan's minimum funding requirements. The last actuarial valuation for regulatory filing purposes was prepared by Towers Watson Canada Inc., as at December 31, 2013, and a copy of that valuation was filed with FSCO and CRA. In 2014, HOOPP opted for a one-time limited opportunity to file a valuation for a four year period as opposed to three years. As a result, the effective date of the next required valuation is December 31, 2017.

The funding valuation method used to determine the pension obligations is the projected accrued benefit actuarial cost method. Under this method, the pension obligations are determined by calculating the actuarial present value of benefits based on service at the valuation date and projected final average earnings. The actuarial current service cost of benefits is determined based on benefits (with projected final average earnings) in respect of service in the year following the valuation date, a portion of which is covered by member contributions.

The external actuary, in consultation with management, recommended the actuarial assumptions to be used for the filing valuation. The economic assumptions used for the December 31, 2013 regulatory funding valuation were as follows:

Discount rate (1)	6.25%
Rate of price inflation	2.25%
Real discount rate	4.00%
Salary escalation rate	4.25%

(1) *Net of allowance for investment expenses of 0.25%*

The most recent regulatory filing valuation conducted as at December 31, 2013 disclosed a smoothed value of net assets of $47,180 million with accrued going concern pension obligations of $41,478 million, resulting in a going concern surplus of $5,702 million. In accordance with Regulation 1.3.1(3) of the *Pension Benefits Act* (Ontario), the solvency deficiency at December 31, 2013 was deemed to be $nil.

Note 13: Retirement Compensation Arrangement

The RCA is an arrangement which is funded by member and employer contributions as well as investment earnings, and managed in accordance with the overall Plan. The RCA assets are segregated under a separate account from the assets of the RPP. The allocation of contributions to the RCA and RPP are driven by the requirements of the *Income Tax Act* (Canada) in a manner that is expected to be sufficient to pay the benefits as they become due. Total pension benefits are calculated using the pension formula disclosed under the Description of the Plan based on a member's total pensionable earnings. Benefits payable from the RCA are then determined as those which exceed amounts permitted under the *Income Tax Act* (Canada) for an RPP.

The net asset value available for RCA benefits at December 31, 2014 was $298 million (2013: $282 million).

Note 14: Related Party Transactions – Lease Commitment

As at December 31, 2014, a wholly-owned subsidiary of the Plan held a significant ownership interest in a commercial office tower under construction called One York Street. The Plan's commitment to the construction of this office building is included in the commitments to invest in real estate investments in note 15.

The Plan entered into a lease agreement to become a tenant at One York Street. The term of the lease is for 15 years with two renewal options, each for 5 years. Rental payments will commence in 2016, once construction of One York Street is complete. The future minimum lease payments by year, and in aggregate, are as follows:

($ millions)	
2015	**$ -**
2016	**3**
2017	**5**
2018	**5**
2019	**5**
Thereafter	**100**
Total mininum lease payments	**$ 118**

Note 15: Commitments

As part of normal business operations, the Plan enters into commitments related to the funding of investments. The Plan or its subsidiaries have committed to either purchase limited partnership units which fund real estate and private equity investments or to directly invest in real estate and private equity. These commitments will be funded over the next several years in accordance with agreed terms and conditions. As at December 31, 2014, these commitments totaled $1,767 million related to real estate investments and $3,269 million related to private equity investments (2013: $1,562 million and $2,612 million, respectively). The Plan has also committed to purchasing services related to its pension administration systems totaling approximately $88 million (2013: $70 million), payable over the next 13 years in accordance with the contractual terms and conditions. Commitments which are deemed to be insignificant have not been disclosed.

Note 16: Capital

HOOPP defines its capital as the Plan's surplus or deficit. Refer to note 6 for further disclosure on Capital.

Note 17: Guarantees, Indemnifications and Contingencies

Guarantees are contracts under which the guarantor is required to make payment to a third party where a principal obligor fails to pay or perform a stated obligation owed to that party. Indemnification agreements are similar to guarantees in that the indemnifying party may be required to make payments to the indemnified party in the event that the indemnified party incurs certain specified losses or expenses, often as a result of the act or omission of the indemnifying party.

Guarantees

The Plan indirectly guarantees the underlying reference obligations when it sells credit protection, i.e., it commits to compensate the counterparty in the event of a default in relation to the reference obligation. The maximum potential exposure is the notional amount of the credit protection sold. However, when carefully structured and coupled with other hedging instruments, the exposure can be limited with certainty. The notional amount, fair value and the term to maturity of the credit protection sold entered into by the Plan are disclosed in note 3.

Indemnifications

According to the Agreement and Declaration of Trust, the Plan may indemnify its trustees and employees against certain claims that may be made against them. In addition, the Plan may in certain circumstances in the course of the Plan's investment activities and its normal course of operations, agree to indemnify a contractual counterparty. Under the terms of these various arrangements, the Plan may be required to compensate counterparties for costs incurred because of various contingencies such as legal claims or changes in laws and regulations. The number of such agreements, the range of indemnifications and the contingent nature of the liabilities in such agreements, prevent HOOPP from making a reasonable estimate of the maximum amount that would be required to pay all such indemnifications. As at December 31, 2014, the amount recorded as a liability for claims under these arrangements was $nil (2013: $nil).

Contingencies

As at December 31, 2014, the Plan was involved in defending against certain claims or asserting claims against third parties. The outcome and possible impact to the Plan of such litigation or claims is inherently difficult to predict. A provision for a present obligation is recognized when a reliable estimate can be determined and the settlement of any contingent obligation is probable. However, it is the opinion of management that any impact that may result would not have a significant adverse effect on the Plan's financial statements.

TEN YEAR REVIEW

(unaudited)

For the year ended December 31

($ millions)	**2014**	2013	2012	2011	2010
Net assets available for benefits, beginning of year	**$ 51,626**	$ 47,414	$ 40,321	$ 35,717	$ 31,116
Net investment income/(loss)	**9,105**	4,046	6,857	4,327	4,245
Contributions					
Employers	**1,075**	1,033	1,003	954	921
Members	**929**	880	860	797	793
Benefits	**(1,702)**	(1,587)	(1,486)	(1,335)	(1,229)
Operating expenses	**(185)**	(160)	(141)	(139)	(129)
Increase/(decrease) in net assets available for benefits	**9,222**	4,212	7,093	4,604	4,601
Net assets available for benefits, end of year	**$ 60,848**	$ 51,626	$ 47,414	$ 40,321	$ 35,717
Net assets					
Investments					
Cash	**$ 2**	$ 8	$ (1)	$ 3	$ 14
Fixed income	**106,200**	86,694	74,669	71,241	60,322
Public equity	**2,182**	4,596	1,705	931	773
Equity-oriented	**10,992**	9,588	7,853	6,896	5,941
Securities purchased under resell agreements	**3,286**	3,046	3,117	3,188	1,134
Derivative instruments	**5,808**	5,053	1,624	3,041	1,831
Investment receivables	**934**	1,438	1,276	1,538	1,322
	129,404	110,423	90,243	86,838	71,337
Contributions receivable	**156**	150	150	142	135
Other assets	**151**	146	150	148	142
Total assets	**129,711**	110,719	90,543	87,128	71,614
Investment liabilities	**(68,753)**	(58,999)	(43,046)	(46,722)	(35,825)
Other liabilities	**(110)**	(94)	(83)	(85)	(72)
Total liabilities	**(68,863)**	(59,093)	(43,129)	(46,807)	(35,897)
Net assets	**$ 60,848**	$ 51,626	$ 47,414	$ 40,321	$ 35,717
Pension obligations	**46,923**	41,478	39,919	36,782	34,897
Surplus/(deficit)	**$ 13,925**	$ 10,148	$ 7,495	$ 3,539	$ 820
Investment Performance					
Investment rate of return-net	**17.72%**	8.55%	17.10%	12.19%	13.68%
Benchmark return	**15.62%**	6.46%	14.29%	9.87%	10.31%
Long-term return target	**6.93%**	6.34%	6.50%	6.50%	6.63%

TEN YEAR REVIEW

(unaudited)

For the year ended December 31

($ millions)	2009	2008	2007	2006	2005
Net assets available for benefits, beginning of year	$ 26,732	$ 30,002	$ 27,914	$ 24,512	$ 21,077
Net investment income/(loss)	4,040	(3,591)	1,748	3,136	3,095
Contributions					
Employers	890	840	782	718	685
Members	744	713	737	658	596
Benefits	(1,159)	(1,143)	(1,079)	(1,019)	(856)
Operating expenses	(131)	(89)	(100)	(91)	(85)
Increase/(decrease) in net assets available for benefits	4,384	(3,270)	2,088	3,402	3,435
Net assets available for benefits, end of year	$ 31,116	$ 26,732	$ 30,002	$ 27,914	$ 24,512
Net assets					
Investments					
Cash	$ -	$ 35	$ 38	$ 81	$ 122
Fixed income	49,121	46,125	42,875	30,487	24,533
Public equity	889	1,904	4,612	6,374	6,012
Equity-oriented	5,040	4,836	4,290	3,647	2,726
Securities purchased under resell agreements	336	-	348	-	-
Derivative instruments	1,019	1,754	1,566	892	783
Investment receivables	1,566	1,333	557	642	613
	57,971	55,987	54,286	42,123	34,789
Contributions receivable	133	124	111	102	104
Other assets	142	148	127	104	81
Total assets	58,246	56,259	54,524	42,329	34,974
Investment liabilities	(27,071)	(29,502)	(24,493)	(14,391)	(10,438)
Other liabilities	(59)	(25)	(29)	(24)	(24)
Total liabilities	(27,130)	(29,527)	(24,522)	(14,415)	(10,462)
Net assets	$ 31,116	$ 26,732	$ 30,002	$ 27,914	$ 24,512
Pension obligations	32,020	31,244	28,683	25,808	23,749
Surplus/(deficit)	$ (904)	$ (4,512)	$ 1,319	$ 2,106	$ 763
Investment Performance					
Investment rate of return-net	15.18%	-11.96%	6.23%	12.79%	14.66%
Benchmark return	9.77%	-8.98%	4.78%	11.88%	13.97%
Long-term return target	6.50%	6.50%	6.75%	7.00%	7.50%

Governance

First row (seated): Marlene Puffer, Jon Clark, Martin Reid, Julie Giraldi **Second row (standing):** Sue McSheffrey, Adrian Foster, Jim Flett, Dr. Kevin Smith, Louis Rodrigues, James Sanders, Helen Fetterly, Bryce Walker, Dan Anderson, John Oliver, Linda Haslam-Stroud, Yves Shank, R. Wayne Gladstone, Terry McCarthy

HOOPP's joint-governance structure was created in 1993 with the signing of the Agreement and Declaration of Trust by HOOPP's five Settlor organizations. An independent Board of Trustees made up of 16 voting members govern HOOPP, with eight Trustees appointed by the Ontario Hospital Association and eight by the four unions representing the majority of Plan members, including the:

- Ontario Nurses' Association (ONA)
- Canadian Union of Public Employees (CUPE)
- Ontario Public Service Employees Union (OPSEU)
- Service Employees International Union (SEIU)

There are also two non-voting Board members. One observer representing pensioners is appointed by the OHA, and one is appointed by the Settlor Unions.

The Board is responsible for overseeing all aspects of the Plan and the HOOPP Trust Fund, with duties including:

- changes to the Plan and benefits,
- setting contribution levels,
- establishing investment policy,
- monitoring investment performance, and
- approving annual operating budgets

The Trustees have a fiduciary duty to act in the best interests of all members. The Board regularly reviews its approach to governance, in order to remain current with best practices.

Day-to-day responsibility for the overall leadership and management of the Plan is the responsibility of HOOPP's President & CEO.

Executive Leadership


Jim Keohane


Reno Bugiardini


Victoria S. Hubbell


David Long


Steven McCormick


David L. Miller


Barbara Thomson


Jeff Wendling

Lead by President & CEO, Jim Keohane, HOOPP's executive team is commited to the organization's mission in delivering on the pension promise and works in accordance with Board policy in the best interests of the Plan's members, pensioners and employees.

See Your Future. Now.

The HOOPP 2014 Annual Report was produced by
the Healthcare of Ontario Pension Plan.

HOOPP
Healthcare of Ontario
Pension Plan

Healthcare of Ontario Pension Plan
1 Toronto Street, Suite 1400
Toronto, ON M5C 3B2