2023 Annual Report

L-R: HOOPP members Norma Campbell, retired Staff Nurse, and her daughter, Trixie Williams, Vice President, Clinical Programs

HOOPP
Healthcare of Ontario
Pension Plan

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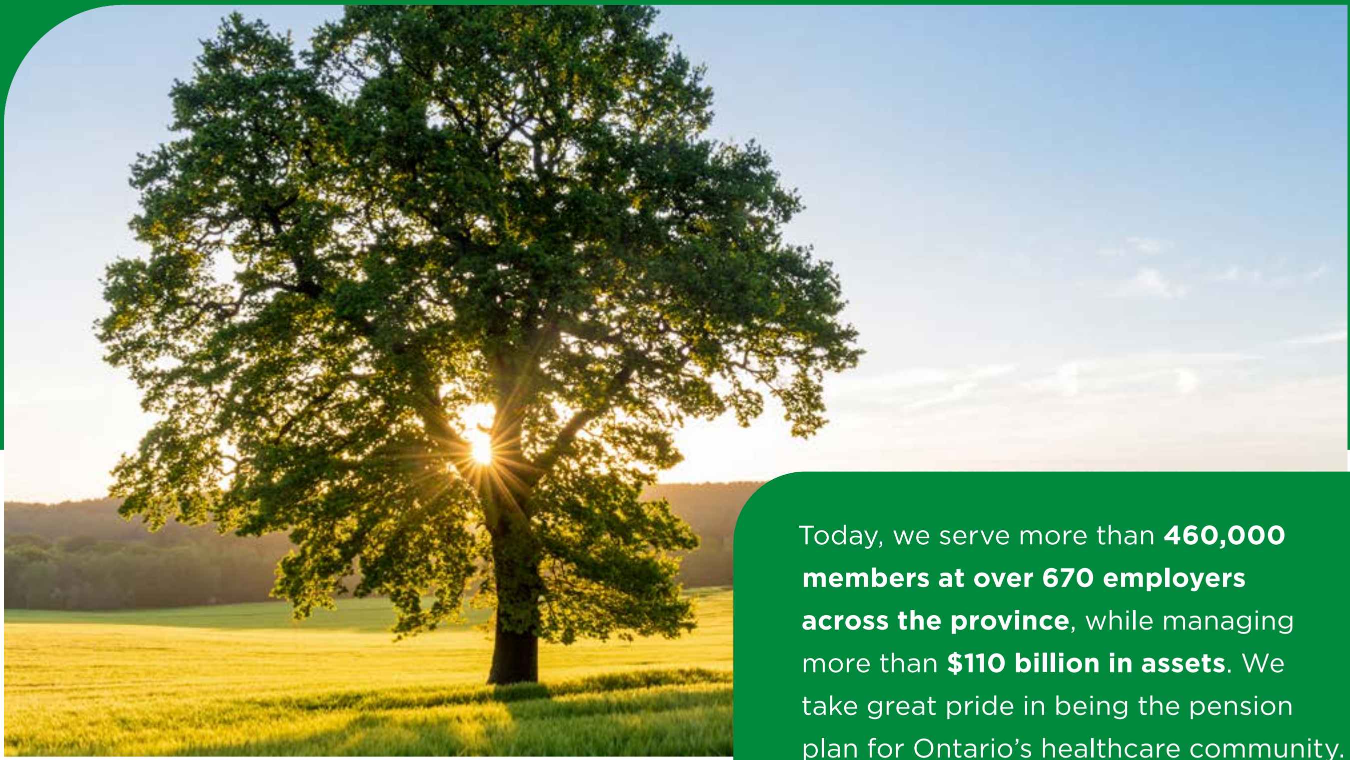
Our story



Today, we serve more than **460,000 members at over 670 employers across the province**, while managing more than **$110 billion in assets**. We take great pride in being the pension plan for Ontario's healthcare community.

Our history

> The Healthcare of Ontario Pension Plan (HOOPP, or the Plan) is one of Canada's leading pension plans, providing Ontario healthcare workers with a secure, lifetime pension in retirement.

Our history dates back to 1960. That's when the Ontario Hospital Association (OHA) recognized the need for a better way for the province's hospitals to help their healthcare workers plan and save for retirement. The OHA established the Hospitals of Ontario Pension Plan (our original name), to give hospitals and their workers access to a single defined benefit pension plan and greater retirement security. HOOPP started with 71 employers and just under 10,000 members.

Our membership and assets grew steadily and, in 1993, HOOPP became an independent, not-for-profit trust, governed by a Board of Trustees (Board) with nominees from the OHA and four unions: 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).

In 2010, HOOPP's name was changed to the Healthcare of Ontario Pension Plan, to better reflect the evolution of the healthcare sector and the organizations that we serve.

From our members…

"HOOPP is peace of mind for me. When I began my career, a pension plan wasn't at the top of my to do list and I probably wouldn't have approached it as I should have. Now that I edge closer to retirement, I'm so grateful that financial stability is one less thing I have to worry about."

- Susan Armel Randall

Senior Genetic Counsellor, HOOPP member

Today, we serve more than 460,000 members at over 670 employers across the province, while managing more than $110 billion in assets. Our Board and management team administer the Plan and invest the trust fund (the Fund) with a focus on the best interests of members. We take great pride in being the pension plan for Ontario's healthcare community.

Our mission

HOOPP's singular mission is to deliver on our pension promise to Ontario healthcare workers. This means we are committed to providing our members with the lifetime pension they have earned.

To help us accomplish that mission, we focus on three key areas:

Plan Resilience

- Providing retirement income security to our members in any environment.

Plan Delivery

- Delivering exemplary service, building trust and promoting HOOPP's value proposition.

Plan Excellence

- Fostering a healthy and inclusive culture to attract, retain and develop the best talent.

Our values

> In support of our mission, we are guided by a set of values that frame how we work together for our members.

Professional

We take pride in the work that we accomplish and adhere to the most appropriate, efficient and effective ways of working.

Accountable

We recognize our responsibility to our members and take deliberate action to achieve service, operational and investment excellence.

Compassionate

We show empathy for our members and for each other. Each member is a person with a unique set of life circumstances.

Collaborative

We value the ideas and inputs of our colleagues and others, acknowledging that we can accomplish more work collaboratively than alone.

Trustworthy

We act honestly and in good faith in the best interests of our members, employers, colleagues and stakeholders.

Our commitment to members and employers

> We are proud to serve our members and employers, who do so much for the people and communities in our province. They are at the centre of everything we do.

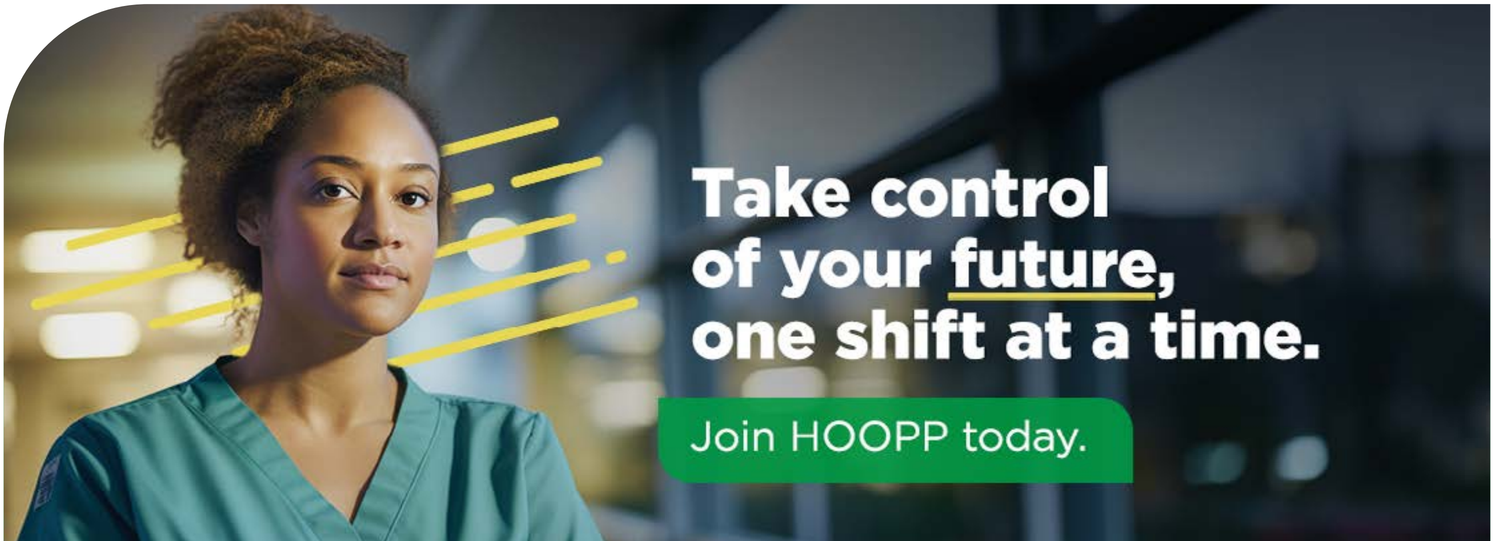
For members, we are committed to delivering on our pension promise and being a valuable contributor to their retirement security, which can provide them with more peace of mind during their working years.

We believe that an important part of that commitment is providing members with education and guidance throughout their pension journey. By doing that, our members can make the best decisions during their working years and get the most out of their pension in retirement.

Members can choose to access service and support in person, by phone or online, based on their needs and preferences. Our goal is to ensure that our members have easy access to the pension information they need, when they need it, and how they want to receive it.

HOOPP maintains strong relationships with Plan employers. We provide them with access to a world-class pension that can play an important part in their recruitment and retention activities. We also recognize employers play a critical role in promoting the value of HOOPP to their eligible employees. So, in support of that, we provide employers with a range of easy-to-share educational materials.

"Our goal is to ensure that our members have easy access to the pension information they need, when they need it, and how they want to receive it."



Our commitment in action:

Connecting with potential members

> As one of the best defined benefit plans available, HOOPP offers a great deal of value to all our members, no matter how many hours a week they work. We have a large and growing number of members who are employed part-time, and we wanted to understand what influenced them to join the Plan when they did. So, we decided to ask them.

This past year, we set up focus groups with nearly 70 members who are employed part-time and joined the Plan in the last 12 months but had waited more than three months from their hire date.

Many said they weren't even aware that they could become a member and once they learned they could join, they weren't sure how or whether it would be worth it. Many also indicated that they wanted to spend time in their role before enrolling in HOOPP.

That feedback resulted in new and improved materials addressing those specific concerns and others, while highlighting the value of joining the Plan as early as possible. That included relatable member scenarios on our website and content for employers to share with non-full-time employees.

We highlighted the value of the Plan with key messages like:

- **You'll get more than you put in.** Typically, the pension they receive will be a lot more than the contributions they make.
- **You can count on your pension for life.** The pension is based on a formula, not market returns, so they will receive a stable and secure monthly pension for as long as they live.
- **You can change employers and keep growing your pension.** If they move to another healthcare organization that offers HOOPP, they can continue to grow their pension.

With a greater appreciation of the challenges and concerns that part-time employees face when deciding whether to join HOOPP, we are better able to provide them with the information and support they need. For more, you can go to the **Joining HOOPP** page of hoopp.com.

Our commitment to equity, diversity and inclusion

At HOOPP, we believe that equity, diversity and inclusion (EDI) are critical to building and maintaining a positive culture that helps us attract and retain the best talent, and better serve our members. We are committed to fostering an inclusive and equitable environment that supports our employees and reflects the diversity of our membership.

Guiding us along this journey is our five-year EDI strategy, which was launched in 2021. It was developed by our Executive Team, in consultation with external experts.

Our strategy has five key goals:

- Consolidate the pipeline for diverse talent to attract and develop the best talent in the market.
- Foster inclusion and promote equity to retain diverse talent and leverage the diversity of our workforce.
- Build EDI metrics capability to track progress, identify potential barriers and inform decisions about related activities and initiatives.
- Design and deploy EDI structure and governance.
- Communicate and educate to build EDI buy-in throughout the organization.

From our staff...

"I'm so honoured to work for an organization that celebrates diversity, champions inclusion, and prioritizes equity. I find purpose in contributing to a culture where every unique perspective is valued and embraced."

- Travis Wright
Manager, Equity, Diversity & Inclusion,
HOOPP staff

To help us continue to make progress on our EDI strategy, we rely on our:

EDI Council: The council is made up of senior-level leaders from across the organization who help integrate EDI initiatives and practices at the divisional level, while sharing learnings and best practices, and creating new opportunities for communication and dialogue with their teams.

Employee Resource Groups (ERGs): We currently have five ERGs, which are employee-led and executive-sponsored groups that help foster a workplace where everyone feels respected, accepted and connected. They help amplify the voices of equity-seeking groups through events and activities, while also sharing insights to help guide the direction of corporate policies, activities and programs designed to advance our EDI program.

Celebrating diversity at our multicultural ERG-led international lunch

Our commitment in action:

Helping Black students succeed

> HOOPP's ERGs do a great deal to connect and educate our employees; they also recognize the difference they can make outside of the organization. As a great example, our BLACK ERG and Campus Recruitment team worked together last summer in support of young Black students looking for internships or employment.

Recognizing how stressful and intimidating looking for a job and successfully navigating the interview process can be, HOOPP's teams partnered with peer plans OMERS and OTPP to host in-person mock interviews with students and new graduates from Onyx Initiative: Onyx Scholars.

Onyx Initiative is an organization focused on eliminating barriers and gaps for Black students and new graduates entering the job market in Canada. They provide career development resources, opportunities to network with organizations, and mentorships to fulfill the demand for highly skilled talent as these Scholars develop their careers.

The students and new graduates visited our office to meet with recruiters and hiring managers for one-on-one interviews to gain valuable feedback on their interview skills. During the interviews, a variety of competencies were targeted to provide the participants with an opportunity to practice highlighting their different strengths, experience, and knowledge.

One of the participants had this to say:

"I thoroughly enjoyed networking with recruiters and sharpening my interview skills at Onyx's pension event. These opportunities are critical for showcasing Black talent and fostering mutually beneficial relationships between employers and our hardworking cohorts of Onyx Scholars."

Our partnership with Onyx Initiative is an example of our commitment to equity, diversity and inclusion, and giving back to our community.

Our commitment to sustainable investing

> At HOOPP, sustainable investing **is** investing. Sustainability considerations are simply part of our investment process.

Sustainable investing applies an environmental, social and governance (ESG) lens to the investment process and is premised on the belief that ESG factors can be financially material. The incorporation of ESG factors across the investment life cycle contributes to the prudent management of the Fund's investment assets.

Our three-pillar framework illustrates how sustainable investing is put into practice at HOOPP. Assessment of ESG factors that may affect the risk-return profile of an investment is part of our comprehensive analysis, due diligence and portfolio management activities.
Being good stewards while fostering sustainable communities, ecosystems and markets rounds out our approach to investing sustainably and delivering on our pension promise.

Our climate change strategy

In early 2023, we released our climate change strategy which outlines how we plan to achieve net-zero portfolio emissions by 2050. Our plan to achieve net zero seeks to lower our portfolio carbon footprint through real-world emissions reductions. We believe our strategy is good for the Plan and the planet.

Our commitment and plan to achieve net zero by 2050 is a multi-decade goal. To achieve that long-term goal, we have thoughtfully designed interim targets that work in tandem, with each reinforcing the other.

Our interim climate change targets

By 2025, we target:

80%

of our assets providing reported emissions* for more accurate measurement.

having initiated Scope 3 portfolio emissions measurement.

excluding new direct investments in private thermal coal and oil exploration and production companies**.

By 2030, we anticipate being well on our way to achieving net zero by 2050, and expect to have:

28
tCO_2eq/$M

reduced our portfolio's carbon footprint to 28 tCO_2eq/$M, compared to our baseline of 41 tCO_2eq/$M at the end of 2021.

reduced our real estate portfolio's emissions* by 50% on an absolute basis through direct decarbonization efforts at our owned properties under our operational control.

$23B
green investments

committed over $23 billion towards green investments.

50%
transition plans

50% of our infrastructure and private equity portfolios covered by credible transition plans.

* Scope 1 and scope 2. For more information on the various scopes, please see our Climate Change Plan on hoopp.com.
** We may make exceptions for high-emitting assets with credible and fully costed decarbonization plans.

Some examples of how we are moving towards those targets since the release of our climate change strategy include:

- We made no new direct investments in private thermal coal or oil exploration and production companies.
- We continued to build capabilities and partnerships in climate solutions. This was done through carefully analyzing emerging climate solutions, mapping and engagement with partners for climate and transition investments, and multiple education sessions with investment teams.
- We continued to increase HOOPP's green investments[1], with over $10 billion invested as of year end.

You can learn more about our sustainable investing activities in 2023 on pages 50-53. Learn more about our climate change strategy on **hoopp.com/climatechange.**

1 To define green investments, we reference the Climate Bonds Initiative (CBI) taxonomy, a set of criteria used globally by investors, issuers and governments, and financial markets to prioritize investments which contribute to addressing climate change. We also consider investments in green and sustainability bonds and climate change equity indices.

Green investing in action

- In early 2023, HOOPP invested in Breakthrough Energy Ventures (BEV) late-stage growth fund. BEV seeks to finance, launch, and scale companies that will eliminate greenhouse gas emissions throughout the global economy. BEV invests in technologies with the potential to mitigate at least ~1% of global emissions. Some of the exciting areas where BEV deployed capital in 2023 include carbon capture, building efficiency, mineral exploration technology and hydrogen.
- In 2023, HOOPP in partnership with Blackstone invested in the Champlain Hudson Power Express power project focused on connecting clean, renewable hydroelectric power generated in Canada by Hydro Quebec to New York state, contributing meaningfully to New York's transition from fossil fuels. The high voltage direct current transmission line is expected to be fully operational in 2026 and will deliver 1,250 MW of clean power directly into the New York City Metro area. This will help reduce carbon emissions by approximately 4 million metric tons annually, equivalent to removing 45% of the cars from New York City's streets.

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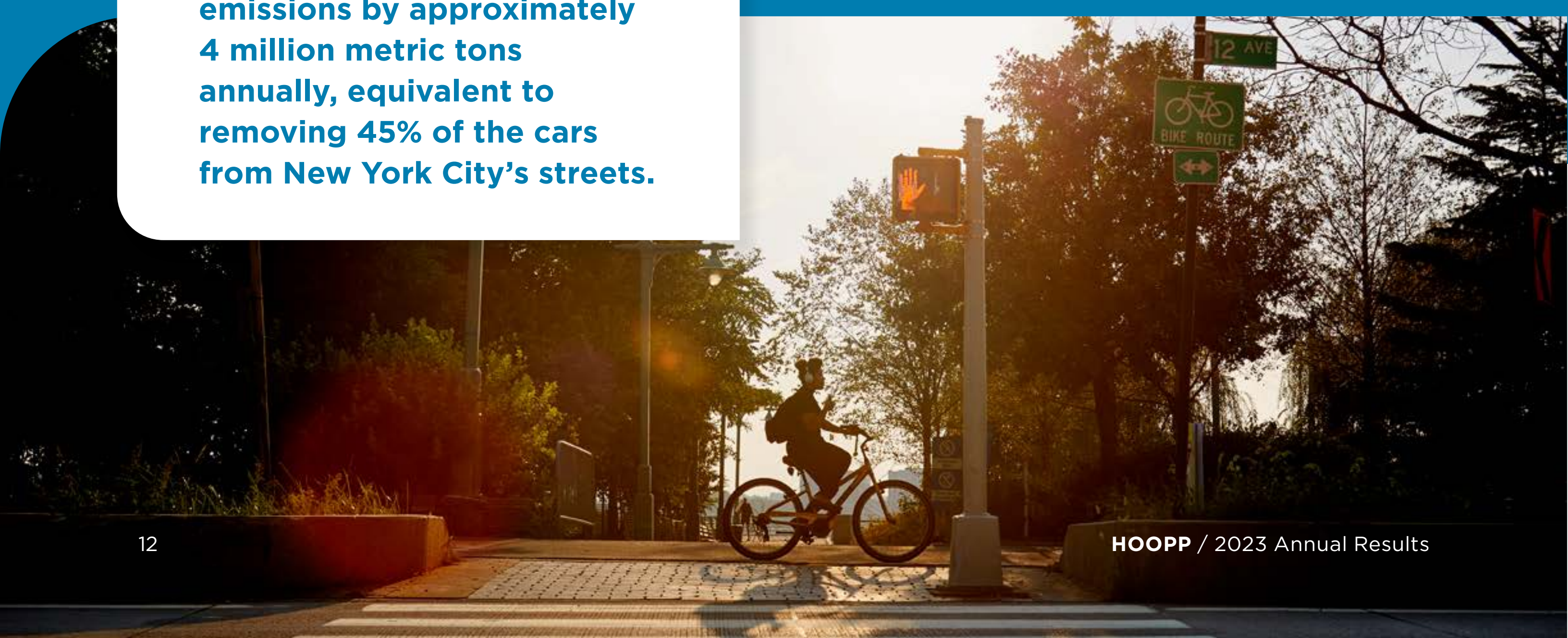


Using our influence

> Responsible stewardship, a key pillar of our sustainable investing approach, helps protect and enhance the value of our investment portfolio. Through our proxy voting and engagement activities, we support good governance practices and disclosure of useful sustainability information.

For example, through engagement and collaboration, HOOPP uses its influence as a large investor to help steer companies towards credible net-zero plans. If we simply divest from a company, there is no guarantee the next owner will be interested in pushing that company to decarbonize. Divesting may reduce emissions in our portfolio, but it will not reduce the actual emissions going into the atmosphere. And we want to make a real-world impact.

We believe that engagement is most effective when done privately, respectfully, persistently and collaboratively. HOOPP conducts engagements both directly with companies and through involvement with external initiatives, such as Climate Engagement Canada (CEC), of which HOOPP is a founding member. CEC is an investor-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net-zero economy. HOOPP is currently co-leading engagements with three companies at varying stages of progress.

Engagement in action

- In 2022, we took voting action against the chair of the committee responsible for sustainability for an industrials company, due to lack of climate disclosures. Following our vote, we engaged with the company to discuss our view. In 2023, the company published its first climate report and set a target for reducing scope 1 and 2 emissions by 2030. We are now monitoring the company's actions and progress towards the emissions reduction target.
- In 2021, HOOPP raised concerns with a payment processing company about their lack of ESG reporting and the need for more diversity on the board. In 2022, HOOPP met with the company to discuss board diversity again as part of a collaborative engagement through the 30% Club Canada Investor Group. By 2023, the company had published two ESG reports and created a board diversity policy. It has also increased the number of women on its board from one in 2021 to three in 2023.

Our commitment to promoting retirement security

We believe that when more Canadians have access to a secure retirement, we **all** benefit. That's why we are committed to advancing the conversation on retirement security in Canada. We know the value that Canada-model pension plans, like HOOPP, provide members and their families. We also recognize that retirement costs continue to rise, and more than half of Canadians don't have access to any form of collective savings arrangements. That understanding helps guide our efforts in advocating for more affordable retirement options.

Two of the key components of our advocacy work are:

Research

HOOPP regularly commissions research about the value good pension plans bring to members, employers and the economy, and to encourage dialogue and meaningful change to help improve retirement security for all Canadians.

As an example, for the past number of years, we have commissioned Abacus Data to conduct an annual **Canadian Retirement Survey**, which studies Canadians' retirement savings and explores economic factors that affect their retirement preparedness. Consistently, this research has helped draw attention to Canadians' concerns about their financial well-being.

From our members...

"Navigating a demanding career, and having a trustworthy pension plan is paramount. HOOPP has proven to be more than just a financial support system; it's an assurance that my hard work today is paving the way for a secure and comfortable retirement tomorrow."

- Simran Dhillon

Registered Pharmacy Technician, HOOPP member

2023 Canadian Retirement Survey

Released in May 2023, this survey found that a prolonged period of rising inflation and interest rates, volatile markets and a lack of affordable housing has led to a significant downturn in the financial well-being of Canadian adults in every age group, risking their retirement readiness and security. Yet despite the increased financial strain, most participants indicated they are willing to sacrifice pay for any or a better pension.

Key findings:

- Significantly fewer Canadians saved for retirement in the past year, as inflation continued to rise.
- Half of Canadians under 35 say they are living beyond their means, concerned about high interest rates.
- Canadians close to retirement are falling behind, with almost half reporting less than $5,000 in savings.
- Canadians know the personal and societal value of pensions and are willing to pay for one, while expecting employers to also contribute.

We also commission an annual **Canadian Employer Pension Survey** through the Angus Reid Group, to capture employers' views on the economy, retirement security and the benefits of offering retirement plans. This research has shown that retirement savings plans can play a key role in employee recruitment, productivity and retention.

In addition to these formal surveys, we commission a range of insightful research on the value of Canada-model pensions for Canadians and employers.

All this important research helps highlight the value of HOOPP to members and employers, and expands the conversation on retirement security. You can see the details of our research in the Advocacy section of **hoopp.com**.

The Pension Collective

Our pension advocacy group is a HOOPP-led community of individuals, including HOOPP members and non-members, who care about the future of retirement security and want to learn more about the pension issues that impact Canadians.

Our more than 14,000 group members have access to in-person and virtual events to expand their networks, participate in meaningful conversations, and stay informed about the latest developments related to retirement income security.

The goal of the program is to educate participants on the value of Canada-model pension plans, like HOOPP, while expanding the conversation around the importance of retirement security for all Canadians.

The Pension Collective

Messages from our leadership

Chairs' message

Gerry Rocchi
Board Chair

Dan Anderson
Board Vice-Chair

HOOPP's pension promise is to provide our members with a secure pension for life. As your Board of Trustees, we are responsible for overseeing all aspects of the Plan, including HOOPP's ability to deliver on this promise. We also provide governance and oversight to HOOPP management as the organization and the healthcare sector continue to grow and evolve.

The Plan remains strong

We continue to have confidence in the Plan's overarching investment approach, which focuses on the long-term growth of the Plan's assets meeting or exceeding its pension obligations (i.e., the pensions owed to members). We are pleased with the Plan's overall performance in 2023. Net assets in the HOOPP Fund grew to $112.6 billion, as at December 31, 2023, representing a return of 9.38% for 2023.

We are also pleased that the Plan's funded status remains strong at 115%. This is the one of the best indicators of the overall health of the Plan and its ability to pay pensions over the long run. The strength of the Plan helped us make several decisions that benefit our members.

For example, the Board provided cost-of-living adjustments (COLA) to help pensions keep up with rising prices. Retired and deferred members will receive an increase of 3.40%, starting April 1, 2024, in addition to the 6.32% increase received in 2023. We know how important this is for retired members, particularly in the current environment. HOOPP has a strong history of providing COLA at 100% of the rate of increase in the Consumer Price Index.

“Net assets in the HOOPP Fund grew to $112.6 billion, as at December 31, 2023, representing a return of 9.38% for 2023.”

The Board also approved keeping contribution rates unchanged until at least 2025. HOOPP’s contribution rates have been unchanged since 2004 – that will be more than 20 years of stability for members and employers, while offering remarkable value for the cost, and providing more Ontario healthcare workers with a secure pension in retirement. And lastly, as announced in 2022, our Board approved an increase to pensions, effective January 1, 2023, which provides active members with a larger lifetime pension for each year of service before 2023 when they retire. Taken together, these decisions illustrate how Plan strength can serve as a bedrock for putting members first.

Our confidence in the Plan is rooted in its long track record of strength and stability. Our confidence in management comes from seeing ongoing progress in important areas that are helping strengthen the organization.

A key example of this is on the investment side. HOOPP continues to explore ways to evolve its investment strategy and diversify its portfolio. This includes opening a new office in London, England, in 2024. This careful expansion will support that diversification and complement our more than $60 billion in Canadian investment assets; it will help make the Plan more resilient as it provides retirement income security throughout economic shifts and challenges.

Effective and efficient processes in place

As HOOPP has expanded its capabilities, our Board is focused on ensuring that governance keeps pace. The world is getting more complex and requires that we continuously improve our governance procedures and coordination with management.

One example of this is our Board's oversight of HOOPP's climate change strategy. Released in March 2023, it presents a thoughtful approach for achieving net-zero emissions in HOOPP's investment portfolio by 2050, and sets out interim activities and targets for 2025 and 2030. The strategy focuses on engagement and collaboration rather than divestment, so that we can use our influence as a large investor to help steer companies towards credible net-zero plans. We firmly believe that this approach will be more effective in helping reduce emissions, resulting in actual material change, not just change within our portfolio.

As another example, because climate change poses unique issues, we have separated discussion on it from broader ESG (environmental, social and governance) priorities for board-level governance. We have also prioritized board education on climate change and related governance, including current guidance and regulations on how a board fulfills its fiduciary obligations in this area.

As well, our Board is actively involved in developing the next iteration of HOOPP's multi-year strategic plan. This exercise includes examining a variety of factors to consider how to ensure the organization and the Plan remain strong in the demanding and evolving Ontario healthcare landscape.

In support of the Board, in 2023 our Settlors appointed several Trustees to fill vacant roles: Karli Farrow (OHA appointee) and Karim Mamdani (OHA appointee), who were previously Observers, as well as Julie Cays (OHA appointee). We would also like to acknowledge and thank Jon Clark (SEIU appointee), who left the Board at the end of 2023, following 13 years of service.

In closing, we would like to congratulate President & CEO Jeff Wendling, who celebrated his 25th year at HOOPP in September. This milestone stands out as a sign of long-standing commitment and continuity across the organization. We would also like to thank HOOPP staff and management for their continued dedication and hard work to ensure the Plan delivers on its pension promise. Most importantly, thank you to our members who do so much for our communities. Rest assured we remain committed to providing you with a secure pension.

Gerry Rocchi

Gerry Rocchi
Board Chair

Dan Anderson

Dan Anderson
Board Vice-Chair

A message from

our President & CEO

September 2023 marked my 25th year at HOOPP. Like so many of our employees, I have stayed with this organization because I am committed to the members that we support – Ontario's healthcare workers. Those members, and our promise to provide them with the pension they've earned, are our top priority. Our commitment is evident through our entire leadership group and our staff, and helps attract new employees to join us. I am proud of how we continued to demonstrate that focus through our accomplishments last year.

In 2023, there was considerable economic uncertainty resulting from factors such as persistent inflationary pressures and unsteady global growth. That, combined with the ongoing conflict in Ukraine and other regions, as well as rising geopolitical tension, made it a volatile year for investors.

Amidst this volatility, HOOPP posted a one-year return of 9.38%, bringing the Fund's net assets to $112.6 billion.

Most importantly the Plan's funded status remains very strong at 115%. In other words, the Plan has $1.15 in assets for every $1 that is owed in pensions. Funded status is one of the best indicators of the Plan's long-term health, and our strongly positive funded status confirms that pensions remain secure.

As mentioned in the Chairs' message, ongoing Plan strength helped us take several actions in support of members. These included a benefit improvement for active members that was announced in 2022 and took effect on January 1, 2023, keeping contribution rates stable until at least the end of 2025, and providing our retired and deferred members with a cost-of-living adjustment that will help protect their pensions against rising prices.

We are also pleased that membership growth continued in 2023, with the Plan adding more than 30 employers and increasing membership by approximately 20,000. As a result, the number of active members in HOOPP continued to grow by more than the number of retired members over the past year. Maintaining membership growth is important because over time, pension plans mature: as this happens, the rate of members retiring typically exceeds that of new members joining the Plan.

In 2023, we made progress in a number of important areas that will help position HOOPP and the Plan for continued success in the years ahead. These include:

- **Strengthening our investment activities**
  To complement our significant investment holdings in Canada, we are strengthening our ability to add to our global investment exposure. To this end, we were busy in 2023 preparing for the opening of our London, England office in the first half of 2024. This physical presence in the U.K. will enhance our access to high-quality investment opportunities in Europe, particularly in private markets, as we deepen existing relationships and develop new ones in the international investment community.
- **Strengthening our risk management activities**
  We also continued to strengthen and build out our risk management and compliance frameworks, capabilities and policies, including new analytical tools and methodologies for managing investment risks, enhanced tools for analyzing and reporting on operational risk, and further developments in comprehensive risk reporting. Robust policies, effective governance, and a strong risk aware culture help increase the organization's resilience.

"Most importantly the Plan's funded status remains very strong at 115%. In other words, the Plan has $1.15 in assets for every $1 that is owed in pensions. Funded status is one of the best indicators of the Plan's long-term health, and our strongly positive funded status confirms that pensions remain secure."

- **Delivering on our climate change strategy**
  In March, we launched our climate change strategy. We are now working towards meeting interim targets to keep us on track for reaching our goal of net-zero emissions in our investment portfolio by 2050. Our strategy is focused on investing in a way that is not only good for our members, and the long-term health of the Plan, but also good for the planet. More details about our progress are provided in the Sustainable Investing section of this report and on hoopp.com.
- **Strengthening equity, diversity and inclusion (EDI)**
  Our EDI program is a key contributor to our positive culture, which helps us attract and retain the best talent so we can better serve our diverse membership. Continuing our progress on our five-year EDI strategy, we took great strides in better understanding our workforce demographics through our self-identification program. The data our employees volunteered, combined with the strengthening of our various employee resource groups, helps give our employees a strong voice and ensures we are providing the right supports to help them succeed.
- **Advancing our technology**
  We continue to leverage existing and new technology in support of our pension promise, and we have taken steps to further strengthen our technology team. This includes hiring a Chief Technology Officer to lead our dynamic Information Technology team, head up our evolving technology strategy and ensure our cybersecurity program continues to protect our member and employer information.

HOOPP has accomplished a great deal this year and I am very pleased with our progress. I would like to thank our Executive Team for its leadership and the Board of Trustees for their steadfast support and guidance. I would also like to thank our staff for their hard work and commitment. Above all, I would like to thank our members for your dedication, and all you do to help support our communities.

Jeff Wendling
President & Chief Executive Officer

MD&A

Management's Discussion and Analysis

2023 Plan performance

as at December 31, 2023

Funded status

115%

Net assets

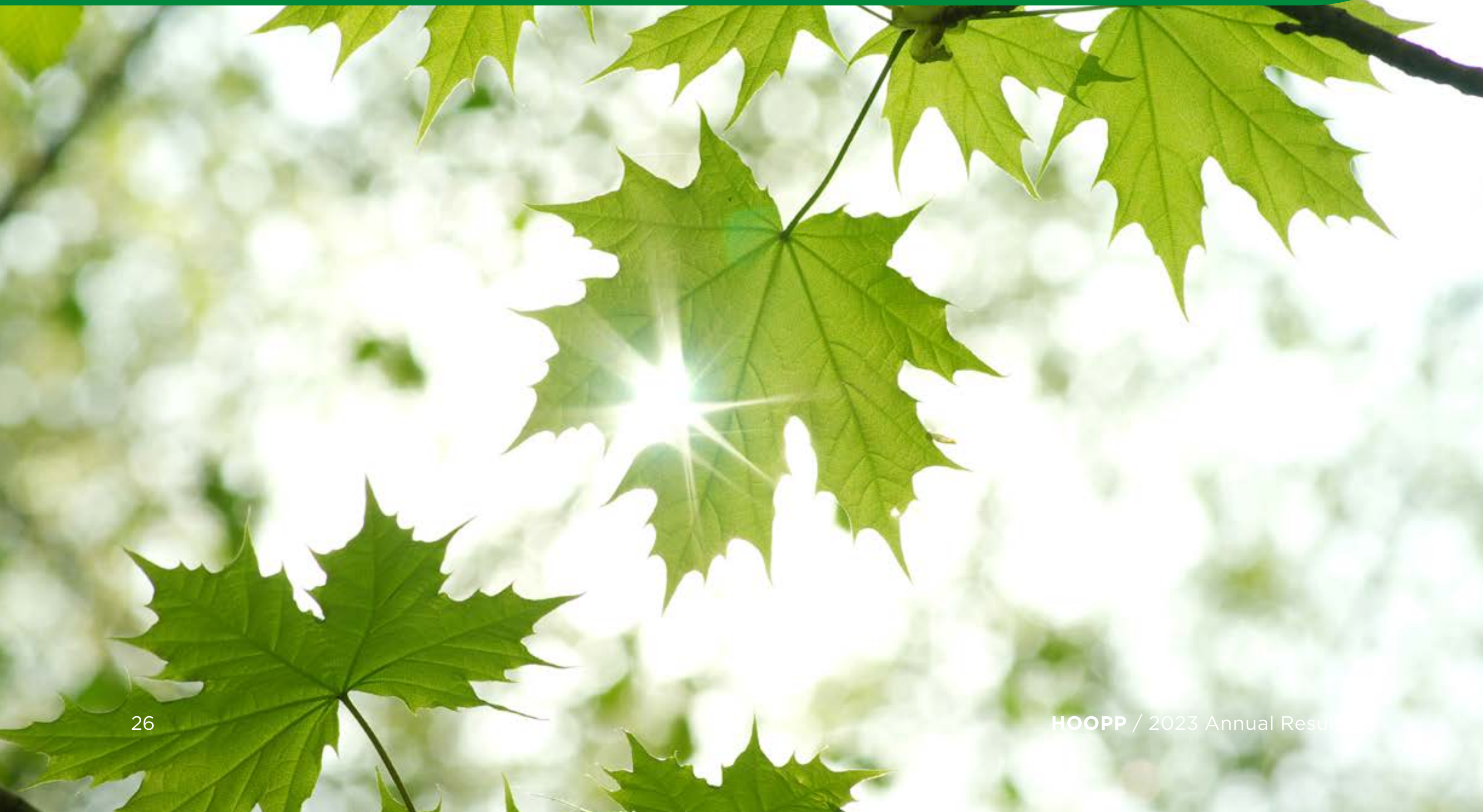
$112.6 billion

Rate of return for 2023[2]
9.38%

10-year annualized return
8.43%

Net investment income
$9.63 billion

[2] Return is for the Registered Pension Plan, net of direct investment costs. Return net of total cost of investing for 2023 is 9.12%. For more information on costs, see the *Cost management* section on page 64-65.



Plan overview & governance

HOOPP has been serving Ontario healthcare workers and their employers since it was first formed in 1960. Across the province, 677 employers participate in HOOPP and offer the Plan to their employees. HOOPP had 460,381 members, including 130,660 retired members, as at December 31, 2023.

In 1993, HOOPP was settled as a trust with a jointly governed Board of Trustees (the Board) by its original sponsor, the Ontario Hospital Association (OHA), and by four unions (the Settlor Unions):

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

The Plan is a contributory, defined benefit, multi-employer pension plan registered under the *Pension Benefits Act* (Ontario) and the *Income Tax Act* (Canada). The Plan is regulated under the *Pension Benefits Act* as a jointly sponsored pension plan (JSPP).

The Board and management team administer the Plan and manage and invest the Fund with a focus on, and dedication to, meeting this mission in the best interests of HOOPP members. This shared focus and dedication are consistent with the fiduciary duties owed to all Plan beneficiaries by our Trustees and staff.

The Agreement and Declaration of Trust (ADT) made as of November 22, 1993, and most recently amended and restated effective December 1, 2021, is the trust document entered into by the OHA and Settlor Unions that, among other things, constitutes and empowers the current Board. The ADT is the foundation for the governance of the HOOPP Plan and Fund.

The Board of Trustees

The Board's focus is on the administration of the HOOPP Plan and oversight of the investment and management of the assets of the Fund. Its duties include:

- approving changes to the Plan
- setting contribution levels
- establishing investment policy
- overseeing investment performance
- approving annual operating budgets

Members of the Board also serve on five specialized committees that are responsible for making recommendations to the Board within the scope of their mandates.

They are as follows:

Asset-Liability Management Committee

The Asset-Liability Management Committee supports the Board in the fulfilment of its responsibilities for the management of the Fund and the Plan liabilities, to ensure that HOOPP continues to be adequately funded to meet its pension promise.

Committee Chair: William Moriarty

Audit & Finance Committee

The Audit & Finance Committee supports the Board in the fulfilment of its responsibilities regarding HOOPP's annual business and financial plan and budget, external and internal audit, financial reporting, statutory compliance, internal control systems, sustainability reporting, information technology environment and enterprise risk management.

Committee Chair: Nick Zelenczuk

Governance Committee

The Governance Committee supports the Board in the fulfilment of its responsibilities and management of associated risks (including reputational risk) for: governance policies and initiatives; strategic planning process; the oversight of subsidiaries; advocacy, government and stakeholder relations; litigation; the oversight of HOOPP's climate change strategy; and overseeing the continuing effectiveness of the Board and its committees.

Committee Chair: Dan Anderson

Human Resources & Compensation Committee

The Human Resources & Compensation Committee supports the Board in the fulfilment of its responsibilities for human resources and compensation policies, and initiatives; President and CEO and executive team recruitment, retention, compensation, succession and performance assessment; and principles, policies, and practices governing employee recruitment, retention, compensation, succession and performance assessment.

Committee Chair: Gerry Rocchi

Plan Committee

The Plan Committee supports the Board in the fulfilment of its responsibilities for the design of benefits and administration of the Plan.

Committee Chair: Sharon Richer

HOOPP's Board of Trustees.
Standing (L-R): Julie Cays, Kristof Barocz, Sandi Blancher, Anthony Dale, William Moriarty, Dave Verch, Gerry Rocchi (Board Chair), Dan Anderson (Board Vice-Chair), Matthew Stout, Karim Mamdani, Nick Zelenczuk, Sara Labelle, Jon Clark, Laura Dumoulin
Seated (L-R): Karli Farrow, Andrea Kay, Giselle Branget, Sharon Richer
Absent: Cam Nelson, Treena Hollingworth

Delegations of authority

Authority for the day-to-day administration of the Plan and management of the Fund is delegated by the Board to the Plan Manager, who holds the title of President & Chief Executive Officer (President & CEO). This delegation is reviewed and approved by the Board at least once each year. In turn, the President & CEO delegates authority to select designated employee roles within HOOPP for a variety of investment and operational purposes. These delegations are also regularly reviewed and kept current and appropriate.

Board advisors

The Board's key service providers include:

- Plan actuary
- External auditors
- Custodians
- Independent legal counsel
- Investment advisors
- Compensation advisor
- Climate change advisor

Governance review processes

Good governance requires periodic reviews of an organization's structures, mandates, policies, practices and procedures to determine whether they should be updated or changed. Both our Board and management team conduct such periodic reviews to ensure that governance structures are kept up to date and responsive to organizational changes and HOOPP's operating environment.

Funded status

The funded status compares the Plan's assets to its liabilities (i.e., pension obligations), and is one of the most important measures of the current financial health of the Plan.

At the end of 2023, the Plan reported a surplus (i.e., more assets than liabilities) for the 14th consecutive year. The funded status declined slightly in 2023 due to the combined impact of a decrease in the discount rate used to value the Plan liabilities, economic and demographic experience and changes in other actuarial assumptions.

For regulatory filing purposes, we report our funded status on a smoothed asset value basis. The asset smoothing approach is reflective of the long-term nature of our pension promise because it gradually recognizes the Fund's investment returns over five years. This approach minimizes the impact of market volatility in any one year and helps the Plan avoid making decisions based on short-term market fluctuations.

The Plan's funded status for 2023 and 2022, both on a smoothed asset value and on a net asset basis, are shown below.

115%
Smoothed asset value to regulatory pension obligations
2022 value: 117%

110%
2023 net assets to regulatory pension obligations
2022 value: 112%

The *Investments* section includes a graph on page 38 that illustrates the Plan's net and smoothed assets against its liabilities over time. More information about changes in our liabilities can be found in the *Plan liabilities* section on pages 35-36.

Pension plan funding management

Fluctuations in the financial market environment have the potential to affect our Plan's funded status. Delivering on the pension promise is a complex challenge that involves prudently managing risks to ensure our funded status remains at acceptable levels.

We balance three main components to meet our promise to members:

- the level of pension benefits provided at retirement
- contribution rates from both Plan members and their employers
- total investment assets and future expected investment returns

Our objective in managing benefit levels is to provide a stable and predictable level of pension income that, together with income from other sources, contributes to a secure retirement for our members. Benefit levels are determined with thoughtful consideration of contribution rates. Our Board strives to keep contribution rates stable: they have not changed since 2004 and will remain at the current level until at least the end of 2025.

We also consider elements related to investments, including asset allocation, current and future expected returns, and risk. Investment returns play an essential role in our mission to deliver on the pension promise, because we estimate approximately 80% of pension benefits will be funded by investment returns. As such, HOOPP's approach to expected investment returns and risk is the component most actively managed by our management team with oversight by our Board.

Prudently and effectively balancing these three components is intended to ensure the long-term sustainability of our Plan.

Future funding sustainability

Funding risk, which is the risk that future investment returns (and to a lesser extent, contributions) are not able to fund Plan liabilities, is the greatest threat to our Plan's long-term sustainability. Funding risk is also discussed in Note 6 of the Financial Statements. In general, the two broad categories of risks that contribute to total funding risk are investment risk and demographic risk.

Investment risk

Prudently managing investment risk is key to mitigating funding risk. We take investment risk to earn sufficient returns to meet our pension obligations and to keep contribution rates stable, reasonable and affordable. Our Board-approved Risk Appetite Framework specifies how much investment risk HOOPP is willing to take in pursuit of its strategic objectives.

Investment returns are the most significant source of funding for pension benefits paid to members and are a critical determinant of how benefit levels and contribution rates are managed. In establishing an appropriate investment strategy, we strive to generate sufficient returns to meet our pension obligations and manage our contribution rates, while accepting a level of risk that does not jeopardize our ability to meet those obligations.

The three investment risks that have the greatest impact on our Plan are related to:

- **Interest rates:** Interest rates affect the prices of many investments, as well as their expected future rates of return. If they lead to a change in the discount rate assumption, interest rate changes can also affect Plan liabilities. More information about the discount rate can be found on page 36.
- **Inflation:** Increases in inflation could lead to higher wages, which form the basis of the pension benefits paid to our members. Increases in inflation can also lead to higher cost-of-living enhancements to the pension benefits.
- **Equity markets:** Investment returns may fall short of the levels necessary to pay future pension benefits if equities and other return-seeking strategies fail to generate sufficient returns. Extreme investment losses may cause substantial declines in our funded ratio.

Demographic risk

Demographic risk is an important consideration, though its magnitude is difficult to anticipate because changes associated with demographic risk occur gradually over long periods of time.

These changes include:

- **increasing life expectancy**
  (i.e., longevity risk)
- **changing retirement trends**
  (e.g, earlier retirements)
- **increase in the average age of members**

Both the longer-term trend and year-over-year changes in demographic changes must be duly considered. Demographic trends are part of our Board's annual review of all actuarial assumptions, with the support of the Board's Plan actuary. For example, an increase in members' life expectancy would increase the amount of pension benefits to be paid. For large pension plans like HOOPP, year-over-year changes are usually minor. The demographics of HOOPP today, and into the foreseeable future, are expected to remain relatively stable.

Plan maturity

The proportion of active to retired members in a pension plan naturally changes over time. This is often referred to as plan maturity. Plan maturity is important to monitor because it can affect our Plan's ability to recover from a severe decline in assets.

Newer plans have a greater proportion of working or active members contributing to the plan, relative to retired members drawing benefits from the plan. Among other factors, one key determinant of how quickly a plan matures is the rate at which new and younger members join the plan and replace newly retired members.

One measure of increasing Plan maturity is a decline in the ratio of active to retired members. As shown below, this ratio has declined from 2.7 in 2003 to 2.1 at the end of 2023, illustrating how our Plan is gradually maturing. It is projected to decline further to 1.9 by 2033.

Ratio of active to retired members by year

Over longer time periods, the average age of plan participants can rise. However, with consistent membership growth, HOOPP continues to be a relatively young pension plan; the average age of HOOPP's active participants is virtually unchanged from 20 years ago.

Net cash flow, which is the difference between contributions received and pension benefits paid, is another measure of a pension plan's maturity. More mature plans pay out much more in benefits to retired members than they receive in contributions from active members. This increases a plan's sensitivity to investment market declines because the remaining asset base, with which to recover from investment losses, is further reduced. Funding deficiencies are also more difficult to address in a mature plan. For example, a contribution rate increase among a small proportion of active members would have a lesser impact on addressing a deficiency, if one were to exist.

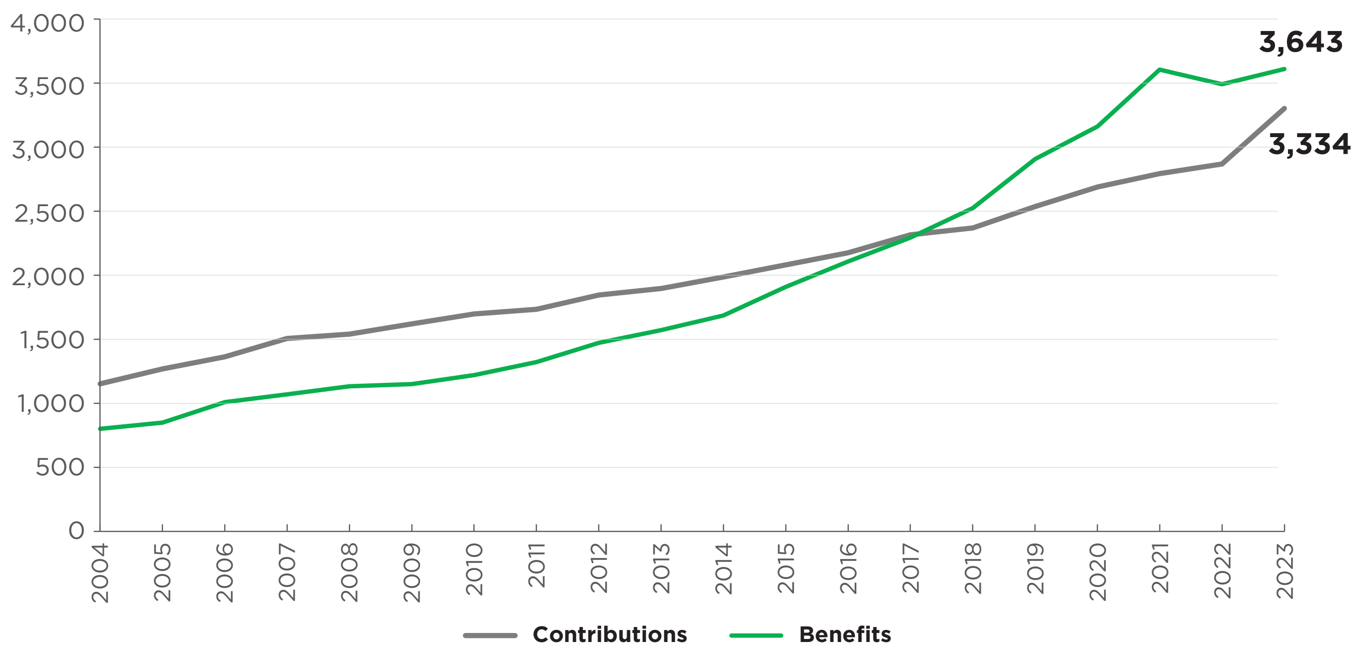
Ratio of active to retired members by year

Active to retired ratio as at Dec. 31 of stated year, except 2033, which is projected.

The chart below reflects the ongoing maturation of the Plan: total benefits paid have exceeded total contributions since 2018, producing a negative cash flow on this basis. This is an expected outcome as a pension plan naturally matures and does not indicate that HOOPP is unable to pay its promised benefits. The Plan remains fully funded, which means it is projected to have sufficient assets to pay the promised benefits. However, it is an aspect of plan maturity we must continue to monitor over time.

Contributions vs. benefits

($ millions)



Note: In the chart above, the contributions figure for 2023 excludes $63 million related to the Carefor asset merger/transfer.

The chart above illustrates net cash flow using total contributions and total benefits, which include past service purchases, transfers to and from other plans, and lump-sum transfers on termination or death. Total benefit payments were higher in 2021 due to an increase in lump sum commuted value payments in that year; total contributions were higher in 2023 in connection with retroactive pay increases as a result of employer-related arbitration awards in the year. Further details of all these amounts can be found in Notes 8 and 9 of the Financial statements.

Plan liabilities

> Our Plan's liabilities are estimated using current and future benefit payments and several economic and demographic assumptions.

Economic assumptions include:

- inflation and cost-of-living adjustment expectations
- future growth rate of employee wages
- future expected rate of return of our investment strategies

Key demographic assumptions include:

- retirement age of our members
- member life expectancy

In estimating our Plan's total pension obligation, all assumptions are made based on the principle that our Plan will continue to operate on a long-term basis. Using these and other assumptions, together with actual member data, the benefits owed to our Plan members are projected for each future year, out over almost 100 years.

Actual future economic and demographic outcomes will differ from the assumptions made. The difference between the actual outcomes and the assumptions made is a source of funding risk, as previously discussed in the *Future funding sustainability* section on page 32.

The Plan's pension liabilities fluctuate for a number of reasons.

First, as our members contribute to the Plan throughout the year, they accrue or earn future benefits. In addition, the value of previously earned benefits grows at the rate of expected return of the Fund. Pension benefits paid out during the year offset this growth, reducing the Plan's total pension obligation. The Plan's pension obligations increased by a larger amount in 2023 than in 2022 due, in part, to several employer-related arbitration awards with respect to pay increases.

Secondly, in 2022, the Board approved an increase to the Plan's benefit formula in respect of active members' service up to the end of 2022, increasing the pension obligation by $2,346 million. There were no benefit improvements for active members approved by the Board in 2023. Further details can be found in Note 11 of the Financial Statements.

Thirdly, changes in economic or demographic assumptions, such as changes in the discount rate, future expected inflation rate, estimated life expectancy or retirement age, affect the calculation of our pension obligation. The Plan's pension obligation increased by a total of $2,893 million in 2023 from changes in assumptions.

The table below shows, at a high level, what factors contributed to changes in the Plan's pension obligation in both 2022 and 2023.

Pension obligation	2023	2022
($ millions)		
Pension obligations at the start of the year	**92,721**	**85,902**
Increases in benefits due to interest, accruals, less benefit payments, and economic and demographic experience	6,840	5,977
Benefit improvement	-	2,346
Changes in assumptions	2,893	(1,504)
Pension obligations at year end	102,454	**92,721**

Key economic assumptions

The sum of the inflation rate assumption and the real discount rate assumption is the discount rate assumption, as outlined below.

Assumption	2023	2022
Inflation rate*	2.00%	2.00%
Real discount rate	3.65%	3.80%
Discount rate	5.65%	5.80%

* Rate of price inflation of 2.6% for 2024, 2.1% for 2025 and 2.0% per annum thereafter (2022: 3.5% for 2023, 2.3% for 2024, 2.1% for 2025 and 2.0% per annum thereafter). Assumed inflation protection: 100% of CPI for all years of service, notwithstanding its discretionary nature (2022: 100% of CPI for all years of service, notwithstanding its discretionary nature).

Financial results are sensitive to changes in assumptions. The discount rate is impacted by changes in interest rates and other asset class return assumptions. The table below shows how an increase or decrease of 1% in the discount rate assumption would affect pension obligations.

Change in assumption	Discount rate assumption	Pension obligations ($ millions)	Change in pension obligations (as a %)
+1.00%	6.65%	88,445	-14%
	5.65%	102,454	
-1.00%	4.65%	120,507	18%

Investments

> Economics (inflation, economic growth, etc.), central bank policies and geopolitics all contributed to a volatile 2023 for global markets. At HOOPP, we continued to adhere to our long-term investment approach, steadily holding course.

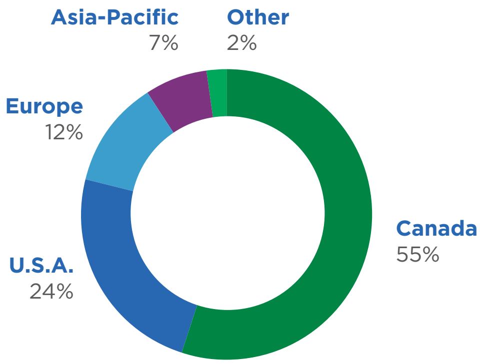
Our strategy produced positive outcomes for our members, as we delivered a 9.38% return[3], and our funded status once again ended the year in a strong position. This focus on safety and soundness allows us to continue delivering on our pension promise of providing members with a secure pension in retirement, and for providing other benefits such as inflation protection through cost-of-living adjustments (COLA).

As a pension management organization, we are focused on building a portfolio to best deliver on the pension promise. As an example, the market volatility provided an opportunity to increase our exposure to real return bonds (instruments that better protect investors against inflation), at attractive valuations and we increased our purchases during periods of market volatility. Generally, real return bonds are an excellent way to hedge (take action to protect ourselves from risk) our portfolio liabilities (e.g., pension obligations) while generating value for members.

Canada is a core market for HOOPP across asset classes. As global political dynamics create a challenging backdrop in international markets, we have taken a strategic approach to pursuing new opportunities and partnerships outside of our home market.

HOOPP geographic exposure as at December 31, 2023

Numbers below have been rounded to a whole percent



Our strategy is designed to weather both the challenging and supportive market conditions, by prioritizing the safety and security of pensions and our funded status.

3 Return is for the Registered Pension Plan, net of direct investment costs. Return net of total cost of investing for 2023 is 9.12%. For more information on costs, see the *Cost management* section on pages 64-65.

A great Canadian investment

In 2023, HOOPP exited a long-held investment in Alberta-based Champion Petfoods (best known for their ACANA and ORIJEN brands) after the company agreed to be acquired by a global US-based consumer goods company. HOOPP is proud to have been an investor in Champion, supporting the company with strategic advice through a period of outstanding growth and financial performance. During HOOPP's 13-year investment period, the company grew from a regional player in Canada to a globally recognized brand with a presence in more than 90 countries. The collaboration between our investment partners, HOOPP and Champion has benefited Champion's customers and delivered important value to HOOPP members.

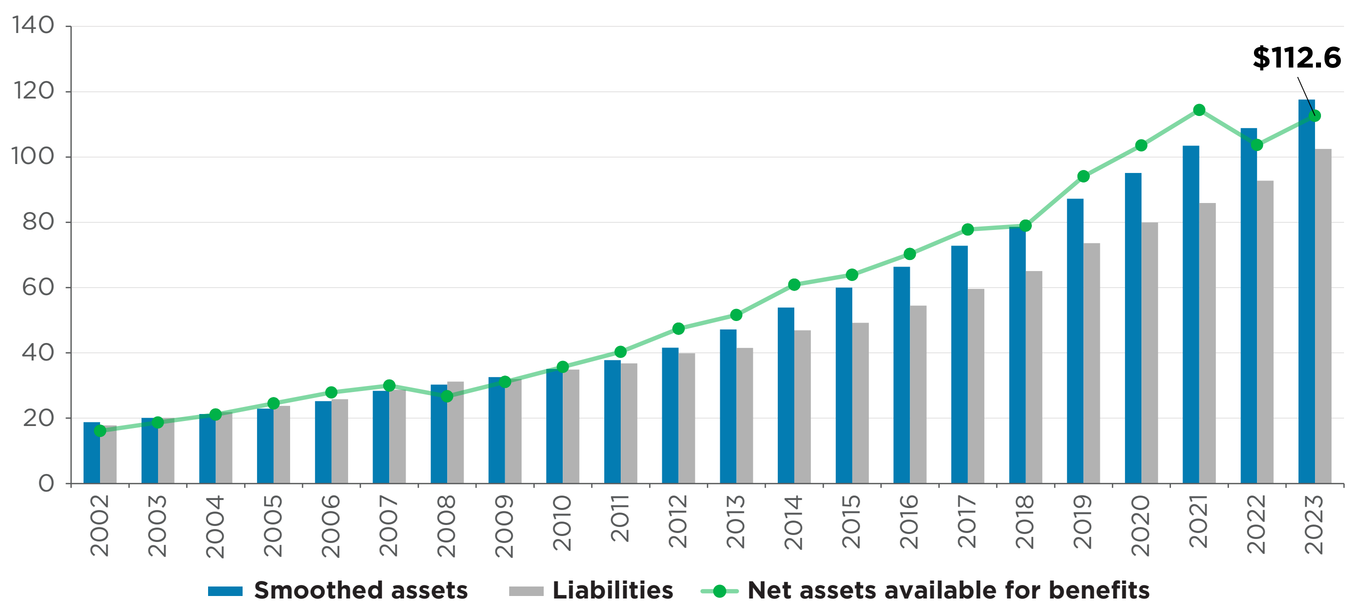
Funded status

Funded status is one of the most important indicators of the health of the Plan and our ability to pay pensions and provide cost of living adjustments (COLA) to members today and in the future. Our primary approach to maintaining a positive funded status and managing funding risk is a liability-driven investing (LDI) strategy, where our Plan's liabilities are closely considered when investing Fund assets. This approach is focused upon helping the growth of our investment portfolio meet or exceed the growth in our pension obligation to members.

In the chart below, the Plan's net and smoothed assets have been charted against its pension liabilities over time.

20-Year History - Assets and Liabilities

($billions)



HOOPP's funded status based on smoothed assets ended the year at 115%, down only slightly from where we finished 2022, due, in part, to a reduction in the discount rate and updates to the membership data, which included several employer-related arbitration awards in 2023 related to pay increases.

2023 results

HOOPP's investment results in 2023 were:

- a net investment income of $9.63 billion
- an increase in net assets to $112.6 billion from $103.7 billion in 2022

The table below shows investment performance for 2023 and 2022, as well as the 10-year and 20-year performance of the Fund (registered pension plan).

	2023	2022	10-year	20-year
Total return	9.38%*	-8.60%	8.43%	9.04%
Benchmark**	10.36%	-13.21%	6.10%	7.09%
Value-added return	-0.98%	4.61%	2.33%	1.95%

* Return is for the Registered Pension Plan, net of direct investment costs. Return net of total cost of investing for 2023 is 9.12%. For more information on costs, see the *Cost management* section on page 64.

** Benchmarks are established to measure the performance of investment strategies relative to the risk taken. Some of these benchmarks are discussed below in the discussion of specific investment strategies.

Although growing our assets is important to our future ability to deliver on our pension promise, we remain focused on the long term and conduct our planning in terms of multiple years, not single years. We are confident in our focus on funded status and our ability to pay pensions now and in the future.

Our LDI approach, including our real return bond holdings (which more closely align with HOOPP's liabilities), was an important tool helping us navigate volatile market conditions and enabled us to hedge our liabilities while delivering a positive overall return. Positioning the portfolio to limit losses in the event of higher-than-expected inflation is important for pension plans like HOOPP, which aim to provide inflation-adjusted benefits to their members.

Real-return bonds

A real-return bond is a type of government bond that offers returns adjusted for inflation, ensuring the purchasing power of the investment is maintained over time. The primary benefit of a real-return bond is that it provides a hedge against inflation.

As these bonds adjust their payouts based on inflation rates, they help maintain purchasing power over time, and in the case of pension plans like HOOPP, help hedge against the impact of inflation on our liabilities. This makes them a useful tool for investors looking to preserve their investments' real value, especially in periods of rising inflation.

As part of our investment strategy, we were well positioned to benefit as bond and equity markets recovered and rallied in the second half of the year.

You can read more about the performance of our portfolios starting on page 44.

Active management and relative performance

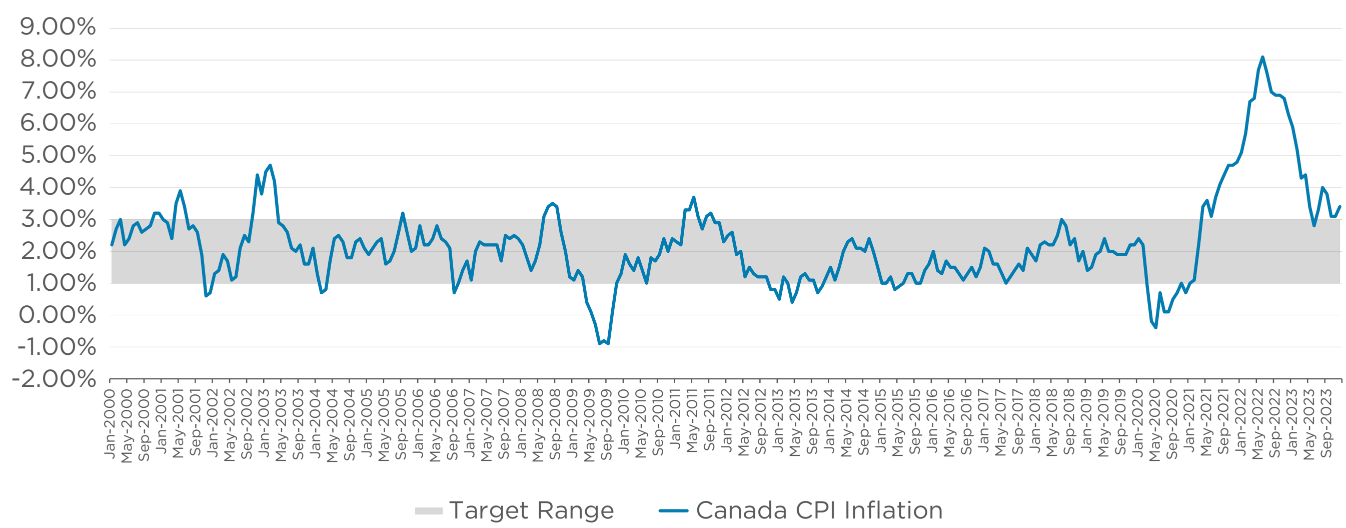
Active management return, or value add (the performance an active manager delivers that exceeds the result of a benchmark passive index), has been a consistent strength at HOOPP, especially over 10- and 20-year periods. Due to sharply rising equity and bond market benchmarks throughout 2023, our value add lagged these benchmarks, in contrast to 2022, when returns from active management outperformed broader markets. When measured over a longer time frame, HOOPP's investment teams have consistently generated value add.

2023 investment environment

We entered 2023 in an environment dominated by restrictive monetary policies globally (e.g., high interest rates) as central banks sought to combat inflation that reached multi-decade highs. Higher interest rates meant to reduce inflationary pressures began to raise recession risks in major economies and fears of stagflation (a period of low economic growth, high unemployment and high inflation).

As the year progressed, stagflation-related pressures did not manifest as expected, in part due to expansionary fiscal policies in the U.S.; this helped buoy positive economic growth, as did a general easing of global supply chain disruptions. By mid-year, inflation began to moderate towards central bank target levels, but remained above them, as the chart below shows. This trend in inflation and softening economic data created optimism late in the year that the U.S. Federal Reserve and the Bank of Canada would have the flexibility to ease monetary policy and begin to adjust interest rates lower in 2024, leading to a rally in bonds and stocks into year end.

Canada Consumer Price Index

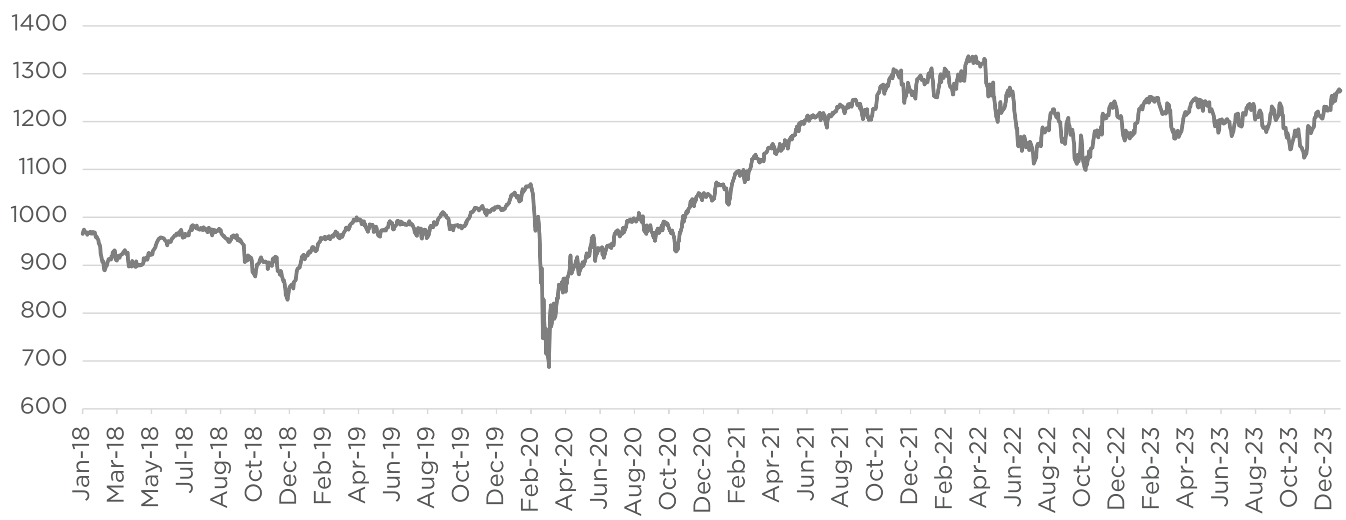


Against this backdrop, HOOPP's investment approach allowed us to stay the course and navigate volatile markets with a focus on prudence and safety. Because of inflation's impact on interest rates, and the effect interest rate changes can have on our liabilities (future pension obligations), we took measured steps to mitigate these risks. Our portfolio benefited from increasing our exposure to bonds after yields rose (i.e., bond prices fell) in the summer and fall, which contributed to our performance once bond markets rallied late in the year.

In Canada, rapidly rising interest rates put pressure on the economy in the first half of the year, and by the second half, GDP growth had moderated consistent with a soft-landing scenario. This increased the risk of recession going into 2024. However, potential interest rate reductions by the Bank of Canada (BoC) could offset some of the economic weakness experienced at the end of 2023.

During 2023, the Canadian stock market produced moderate results (as shown in the chart below), with gains driven largely by the information technology and financial sectors.

S&P/TSX 60 (CAD)



The U.S. economy surprised to the upside, as the slowing effect of restrictive central bank policy was balanced by robust job growth and consumer spending. U.S. interest rates increased at a slower pace relative to Canadian interest rates, while U.S. equity markets experienced strong returns, led by large technology stocks.

Global stock markets experienced significant growth, with most major global equity benchmarks delivering double-digit returns. This positive performance was attributed to several factors, including:

- easing global inflation and expectations of rate cuts by the U.S. Federal Reserve
- improved investor sentiment from very pessimistic levels at the end of 2022
- very strong performance of technology stocks related to artificial intelligence investments
- a decline in the U.S. dollar index

In the next section, we discuss the major drivers behind our funded position, followed by investment portfolio commentary.

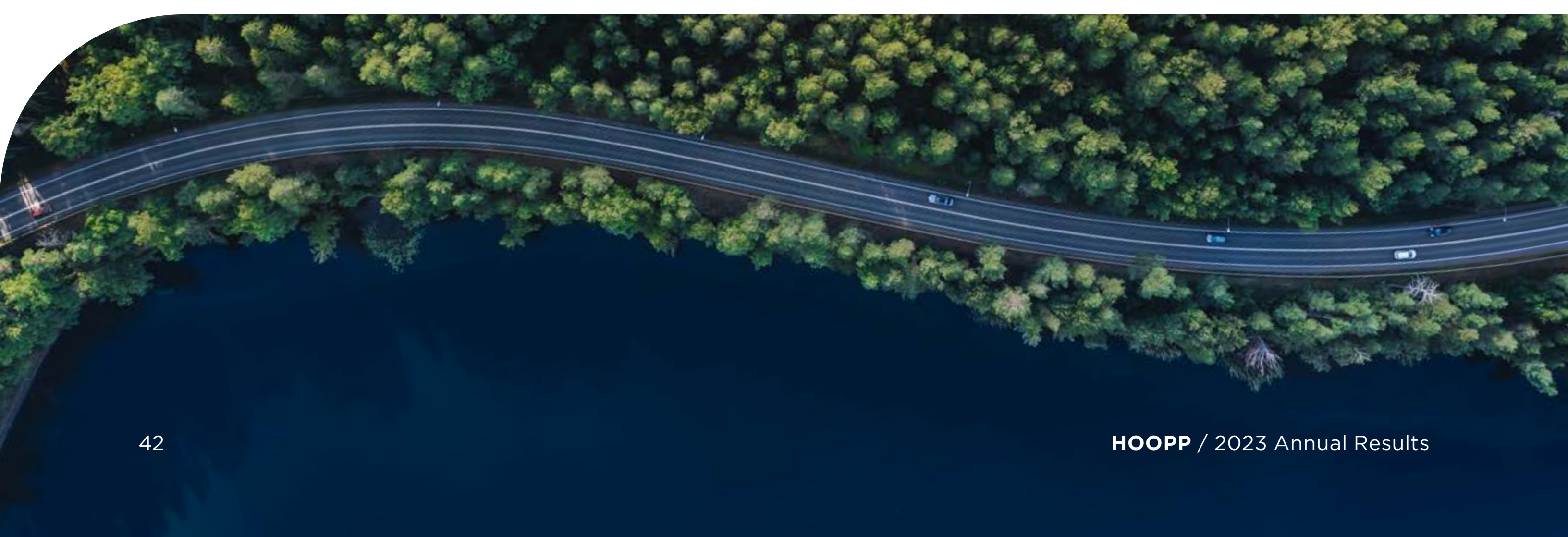
Major drivers in the change in funded position

The table below summarizes the change in the Plan's funded status compared to last year, based on changes in net assets and pension obligation as well as the smoothing adjustment for each year.

	2023	2022
($ millions)		
Net investment income	**9,625**	(9,758)
Changes due to operations		
Contributions*	**3,397**	2,894
Benefit payments	**(3,643)**	(3,524)
Operating expenses	**(418)**	(352)
Total changes due to operations	**(664)**	(982)
Total change in net assets available for benefits	**8,961**	(10,740)
Change in pension obligation**	**(9,733)**	(6,819)
Net change in surplus on a net assets basis	**(772)**	(17,559)
Funded ratio on a net assets basis	**110%**	112%
Change in smoothing adjustment†	**(196)**	16,121
Regulatory funded ratio	**115%**	117%

* The contribution figure for 2023 includes $63 million related to the Carefor asset merger/transfer.
** Information related to the change in pension obligation is provided on page 36.
† Change in the average of the current net assets and the net assets for the four preceding years brought forward with interest calculated based on each year's future expected rate of return and adjusted for contributions and benefit payments. The large change in the smoothing adjustment in 2022 was the result of the negative return that occurred in 2022.

As seen in the table above, a net investment income of $9,625 million is the largest driver in the $8,961 million increase in net assets in 2023. The funded ratio declined slightly in 2023, based on a net asset basis from 112% at the end of 2022 to 110% at the end of 2023. This is due to a higher increase in pension obligations from the combined impact of a decrease in the discount rate used to value the Plan liabilities, economic and demographic experience and changes in other actuarial assumptions during the year. Asset values are smoothed for regulatory filing purposes, where both investment gains and losses are recognized over a five-year period, leading to less volatility in the regulatory funded ratio, which changed from 117% at the end of 2022 to 115% at the end of 2023.



Details of the performance of individual strategies within the Private Markets and Capital Markets portfolios follow in subsequent sections. The table below shows how much each investment strategy contributed to net investment income in 2023 and 2022.

($ millions)	Net interest and dividend income	Net gain (loss)*	2023 net investment income	2022 net investment income
Capital markets				
Fixed income – short-term	(110)	297	187	207
Fixed income – bonds	1,412	1,644	3,056	(9,669)
Public equities	1,052	3,372	4,424	(4,138)
Credit	20	371	391	42
Other capital markets	(222)	(29)	(251)	1,283
Total capital markets	**2,152**	**5,655**	**7,807**	**(12,275)**
Private markets				
Real estate	473	(1,522)	(1,049)	523
Private equity	257	1,725	1,982	1,638
Infrastructure	70	355	425	356
Private credit**	46	414	460	-
Total private markets	**846**	**972**	**1,818**	**2,517**
Total	**2,998**	**6,627**	**9,625**	**(9,758)**

* Net of management fees and transaction costs.

** Private Credit was introduced as a separate investment strategy effective January 1, 2023, and comparative figures have not been restated.

The net investment income generated by the above-mentioned strategies is presented in the financial statements in accordance with the requirements of accounting standards. More detail on the performance of these portfolios is found in the section below.

Capital markets

Fixed income

The fixed-income portfolio consists of a bond portfolio holding fixed-rate and inflation-indexed bonds, and a short-term and cash portfolio. The bond portfolio is the backbone of HOOPP's LDI strategy and helps offset the sensitivity of the Plan's liabilities to changes in interest rates and inflation. The bonds in this portfolio provide government-guaranteed rates of return, serve as high-quality liquid collateral to support other investment activity, and are a diversifying asset for the Fund.

HOOPP's fixed-income portfolio weathered a high degree of volatility in global interest rate markets throughout 2023, delivering a return of 4.28%. Overall, the portfolio, comprised of Canadian Universe and Long Universe nominal government bonds, US Treasuries (USTs), US Treasury Inflation Protected Securities (US TIPS) and real-return bonds (RRBs), increased by $3.05 billion, aided by opportune adjustments to HOOPP's dynamic interest rate hedging and value add by the Fixed Income team.

In the first half of 2023, HOOPP navigated the evolving macroeconomic and geopolitical environment by adjusting its bond exposure to mitigate the rise in bond yields.

As North American nominal bond yields rose to their highest levels since 2007 – above 5% and 4% in the U.S. and Canada, respectively – HOOPP took the opportunity presented by more attractive pricing to increase fixed-income holdings, including inflation-indexed bonds (such as inflation-protected US Treasuries and Government of Canada RRBs) in the 2% to 2.6% real yield range. By year-end, inflation-indexed bonds comprised roughly half of HOOPP's target portfolio allocation to bonds, better aligning investment assets with the Plan liabilities and COLA objectives.

Looking ahead, HOOPP's bond portfolio is well positioned to take advantage of reasonable outcomes on the interest rate and inflation fronts while providing a meaningful hedge for the Fund's riskier return-seeking assets should a recession materialize. The primary risk to the outlook is a re-acceleration of inflation with accompanying large – and increasing – fiscal deficits by North American governments.

Public equities

The Fund's public equities portfolio delivered a return of 15.71% in 2023. Public equities provide HOOPP with long-term growth to generate investment returns. By building a balanced portfolio through index exposures, we aim to generate returns over time. HOOPP invests in public equities in Canada, the U.S. and internationally. This geographic diversification can provide improved return opportunities. Over time, HOOPP benefits from volatility in public equity markets by adding exposure when valuations are cheap and prices are low. We balance this by reducing equity exposure when valuations are high.

Public equity markets delivered strong performance in 2023, with the broad MSCI All Country World Index (MSCI ACWI) total return index up 22% (in U.S. dollars). Early in the year, many observers expected a recession or significant economic weakness in 2023. However, the U.S. economy demonstrated resilience as consumer spending and employment growth both remained strong. Further, realized inflation steadily declined through the year. By the fourth quarter, it appeared that many central banks, including the U.S. Federal Reserve, were at or near the end of their interest rate increases.

This shift in expectations, combined with continued strong economic data helped stocks stage a strong end-of-year rally.

Canadian equities

HOOPP's Canadian equity portfolio was up 9.5% in 2023, after being down 0.5% in 2022. The Canadian stock market posted a 12% return. Nine of the eleven index sectors posted positive returns in 2023. The technology sector, which is a small part of the Canadian index, returned 69%, with healthcare and financials returning 18% and 14% respectively. Communication services and materials were the two sectors with negative returns in 2023.

U.S. equities

After posting a return of -19% in 2022, the Fund's U.S. equity portfolios were up 22.43% in 2023. The S&P 500, the benchmark index for the U.S. equity market, posted a robust return of 26% in 2023, recovering from the sharp decline of 19% in 2022. The performance of the S&P 500 was dominated by a handful of mega-capitalization stocks, sometimes called the "Magnificent Seven" (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla), which collectively accounted for the majority of the index's gains in 2023. From an equity factor perspective, growth and high beta had strong performance, while low volatility and dividend related factors had low returns.

International equities

The Fund's international equity portfolio was up 15.35% in 2023, after having declined 6% in 2022. The MSCI World index, excluding the U.S., which is a proxy for non-U.S. developed markets, posted a total return in 2023 of 16% (in U.S. dollars) while the total return for Emerging Markets was 10%. Japan was the top performing international developed market with a 2023 return of 26%. Across emerging markets, India posted a return of 20% and Mexico 18%. The Chinese market was down by 13% in 2023 as economic performance declined and policy was only modestly stimulative further reducing investor confidence.

Credit

Credit markets (also known as bond or debt markets) are where companies can raise funds by issuing debt, and where investors can trade that debt. The credit team is responsible for investing and trading in these markets to provide returns for the Fund. The corporate credit group employs a relative value approach to investing, which compares the value of assets across all investable credit assets.

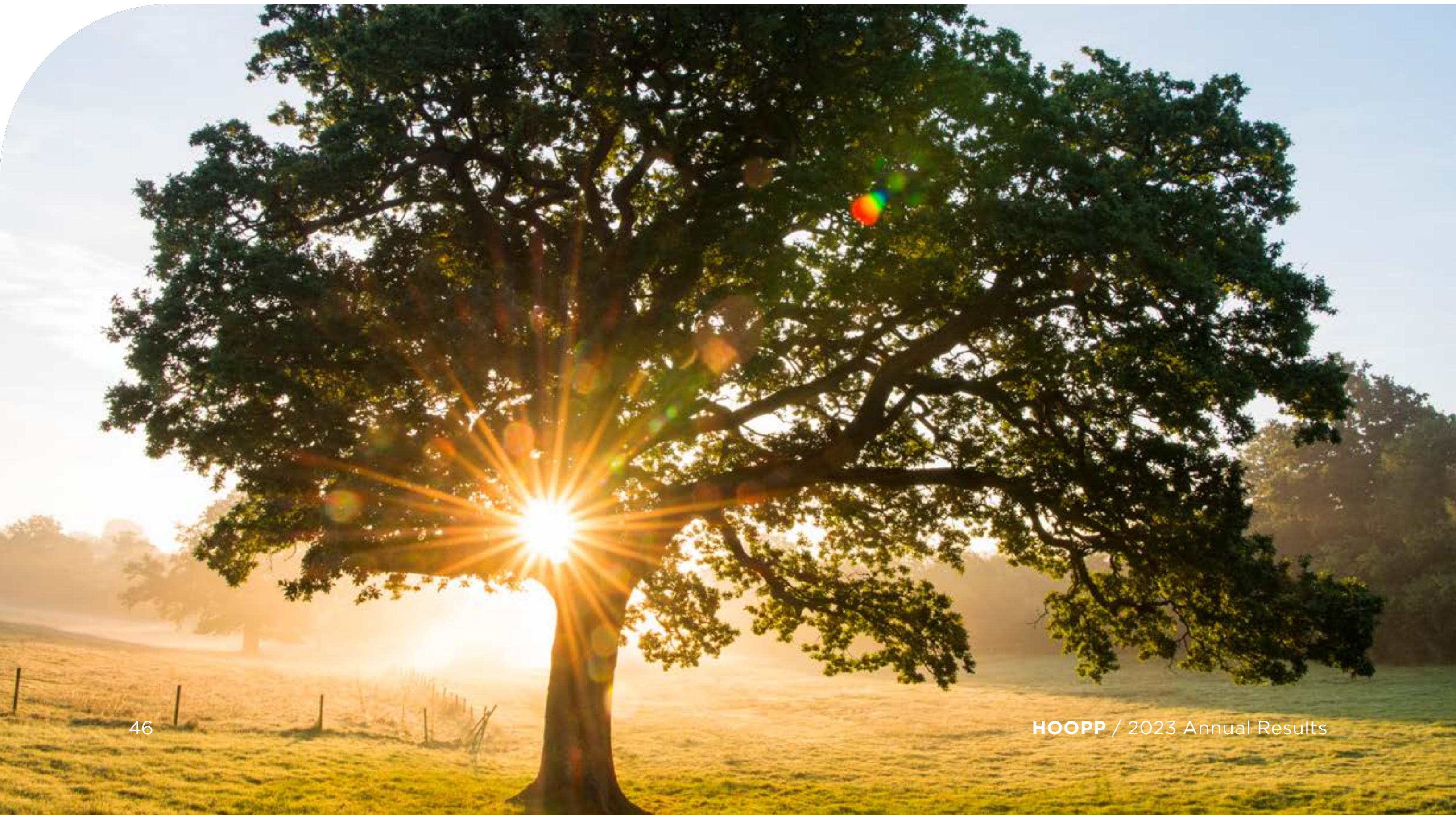
We increase or decrease capital allocation depending on expected risk-adjusted returns and relative value. HOOPP gains exposure to credit through a combination of corporate bonds, structured products and derivatives.

The credit portfolio saw an increase of $391 million, comprising our beta position and our alpha portfolios. HOOPP's beta portfolio increased $193 million while our active strategies delivered strong results for 2023, increasing $198 million over the year. Overall, the credit portfolio generated a 4.55% return versus a 1% return for 2022.

With dynamic positioning of our alpha portfolios, we took advantage of market conditions during the regional bank crisis and the October sell-off to add exposure at attractive levels. We added exposure across the credit spectrum: investment grade and high yield bonds, securitized products such as mortgage-backed securities and macro products. During subsequent market rallies, we realized gains as we reduced exposure commensurate with valuations.

Other capital market strategies

Other capital market strategies at HOOPP include the strategic reweighting of foreign exchange, equities, fixed income and corporate credit, and uncorrelated alternative investment programs. The alternative investment programs benefit the Fund by generating positive returns that have low correlation to traditional asset classes such as stocks and bonds. Other capital market strategies incurred a loss of $251 million in 2023, compared to a gain of $1,283 million in 2022.



Private Markets

Private equity

HOOPP Capital Partners' (HCP) mandate is to continue building a global portfolio that provides diversified exposure to private capital securities with attractive risk-adjusted returns.

HCP's platform is positioned to provide long-term, patient capital to companies seeking funding to grow and transform their business. HCP partners with founders, management teams and like-minded institutional investment partners to invest in private companies that need funding for activities such as:

- ownership transition and succession
- expansion and strategic growth initiatives
- strategic acquisitions

In 2023, a challenging year marked by higher interest rates and looming macro-economic uncertainty, HCP delivered a currency-hedged return of 14.13% compared to 11.04% in 2022, generating a profit of $2.3 billion, including approximately $0.3 billion in private credit. Returns were driven by strong performance in larger direct investments, including partial monetization and strong operating performance within our branded consumer assets. HCP ended 2023 with $18.0 billion of invested assets under management (AUM), and a further $9.6 billion of unfunded commitments in private investments.

During 2023, against a backdrop of depressed merger and acquisition transaction volumes, HCP also advanced its strategic objectives, originating a robust pipeline of investment opportunities supported by a newly implemented sector and product focused market coverage model.

HCP also made significant progress towards HOOPP's net zero interim targets and joined the ESG Data Convergence Initiative (EDCI), an initiative focused on enhancing the reporting and advancement of ESG metrics in the private equity industry. Within the external fund portion of our portfolio, HCP added several new strategic partnerships with private equity General Partner sponsors. These relationships are expected to generate attractive returns and future direct investment opportunities with our investment partners.

Infrastructure

Infrastructure investing encompasses the facilities, services, and installations considered essential to the functioning and economic productivity of a society. HOOPP Infrastructure (HI) aims to deliver attractive, sustainable returns through high-value and long-duration investments in sectors such as communications and data, power generation and transmission, energy, transportation, and utilities. HI is executing on this mandate through a combination of direct deals, a small number of private infrastructure funds and related co-investments.

The material movements in long-term interest rates have led to changing conditions for the infrastructure asset class, through which the buildout of the HI portfolio progressed at a gradual pace in 2023. Macro themes such as the energy transition, artificial intelligence, and communications and data capacity needs drove large capital needs. HI continues to be highly selective and committed to maintaining a healthy reserve of investable capital to preserve the ability to take advantage of more favourable buy-side conditions should they occur.

HI delivered a return of 8.17% in 2023, exceeding its benchmark by 1.7%. This return is somewhat lower than prior years (approximately 9% and 14% returns in 2022 and 2021 respectively), reflecting the gradual maturation of the portfolio and the impact of lower risk, lower-returning investments on overall portfolio performance.

The HI portfolio grew to a net asset value of $5.7 billion as at December 31, 2023, compared to $4.7 billion a year earlier, and is expected to continue to grow both in absolute terms and as a percentage of the HOOPP Fund. As at December 31, 2023, HI held:

- $4.3 billion of direct and co-investments, including in-year commitments to renewable energy assets that actively contribute to HOOPP's net zero carbon emissions goals. Existing portfolio holdings include assets such as renewable power, communication towers, fibre optic cable, and transportation.
- $1.4 billion of private infrastructure funds, representing positions in a wide variety of infrastructure sectors and geographies, with little exposure in countries that are not part of the Organization for Economic Cooperation and Development (OECD).

HI remains focused on capital deployment into investments offering strong risk-adjusted returns, with appropriate consideration given to HOOPP's commitment to achieving net-zero carbon emissions by 2050.

Real estate

The real estate mandate is to invest in commercial (industrial, office and retail), residential and certain "alternative" (e.g., life science, cold storage, student housing) real estate to produce steady cashflow with capital appreciation. These income streams have a high degree of reliability and, in times of inflation, can act as a good match for managing long-term pension liabilities.

Given the higher interest rate environment, 2023 proved to be a challenging year for real estate as an asset class. The sharp increase in interest rates over the recent past significantly increased financing costs and reduced transaction activity. Rent growth in certain sectors that originally offset these negative impacts also began to moderate. In 2023, the portfolio produced a net return of -6.5% on a currency-hedged basis, and -$963 million in value add – this negative value-add was primarily due to our large international portfolio, which experienced sharper downward mark-to-market adjustments relative to our all-Canadian benchmark. At year-end, HOOPP Real Estate's (HRE) portfolio had a gross market value of $19.5 billion versus $21.0 billion at the end of 2022.

In addition to the general increase in cost of capital impacting real estate valuations, key factors impacting returns included:

- **Industrial** – Continued relative strong fundamentals were neutralized by oversupply in certain markets and a pullback by significant historic occupiers making the year flat to slightly positive.
- **Office** – Continued uncertainty surrounding the workplace and work-from-home trends, regulatory scrutiny on lender exposure and an uncertain economic backdrop put significant downward pressure on office values – particularly in North America and the UK.
- **Residential** – Softening fundamentals, oversupply in certain markets and potential regulatory intervention given affordability concerns have negatively impacted values.
- **Retail** – Continued ecommerce penetration and its impact on physical retail, coupled with the concern of consumer health, has put downward pressure on certain retail segments.

Despite a challenging year, HRE had several successes in 2023, positioning the portfolio well for the years ahead. These include:

- Successfully selling over $550 million in non-strategic assets to improve portfolio quality, recycle capital and generate gains over our current carrying values
- Remaining disciplined on new acquisition opportunities and closing on a US$123 million direct joint venture acquisition of two U.S. student housing assets at a significant discount to replacement cost
- Advancing our development projects by investing nearly $1 billion in developing best-in-class assets to improve our portfolio and create future cash flows

Private credit

Private credit provides portfolio diversification and attractive risk-adjusted returns by providing debt capital to borrowers who need to raise funds for the purpose of financing, operating or growing their business or to fund infrastructure or real estate projects. HOOPP's private credit portfolio, which is managed collectively by our Credit, Private Equity, Real Estate and Infrastructure teams, generated a 9.33% return in 2023, representing a gain of $460 million. The portfolio was able to navigate the higher interest rate environment through substantial exposure to floating interest rate and higher-quality loans. In early 2023, the disruption in the U.S. regional banking sector produced opportunities to add well-structured and higher-yielding investments. Additionally, the reversal in market sentiment that accompanied the more accommodative U.S. Federal Reserve policy in the second half of 2023 boosted overall demand for private credit, resulting in strong returns for the asset class.

Sustainable investing

> This section underscores the pivotal role sustainability plays in shaping our strategic approach, illustrating how conscientious practices are woven into the fabric of our operations.

Our approach at HOOPP is to underpin critical decision-making and supervision on climate change with effective and efficient processes and practical steps. Climate change is a key priority and is overseen by the Board. The Governance, Asset-Liability Management and Audit & Finance Committees each play a key role in HOOPP's climate change governance. These committees report to the Board and make recommendations regarding their areas of oversight. At the Board level, climate change is a standing item of discussion at regular quarterly Board meetings.

In 2023, HOOPP took a series of steps to further strengthen our governance and oversight of this complex issue.

Some key highlights include:

- Conducting a competitive search and hiring an external advisor to provide independent advice to the Board. This advisor's focus is on board education and independent board research.
- Commissioning research on the most effective ways to incorporate climate change in incentive compensation.
- Prioritizing board education on climate change and related governance, including current guidance, regulations and court cases on how a board fulfills its fiduciary obligation with respect to climate change.

Our commitment to a net-zero portfolio by 2050

We continued our journey towards achieving net-zero portfolio emissions by 2050, as outlined in our climate change strategy. Our key areas of focus for 2023 were:

- Increasing the portion of companies covered by our Portfolio Carbon Footprint (PCF) with reported emissions. In our infrastructure and private equity asset classes, where we typically have a larger ownership stake and can strive to use our influence, we improved the reporting of emissions data from 28% in 2021 to 49% of their PCF AUM in 2023. This increases accuracy of our PCF reporting and is often the first step in setting decarbonization plans for companies. This was done through collaboration with our portfolio companies and investment partners.
- Tracking and working with portfolio companies and investment partners on the development and adoption of credible transition plans[4].
- We continued to increase our knowledge and expertise while establishing external partnerships that will help us deploy capital in green investments[5]. This was done by analyzing emerging climate technologies, engaging with partners to explore transition investments, and holding multiple internal education sessions with our investment teams.

Driving value through stewardship

Responsible stewardship, a key pillar of our sustainable investing approach, helps protect and enhance the value of our investment portfolio. Through our proxy voting and engagement activities, we promote corporate behaviour that is aligned with sustainability goals and long-term value creation. We use our influence as an investor to support good governance practices and appropriate disclosures.

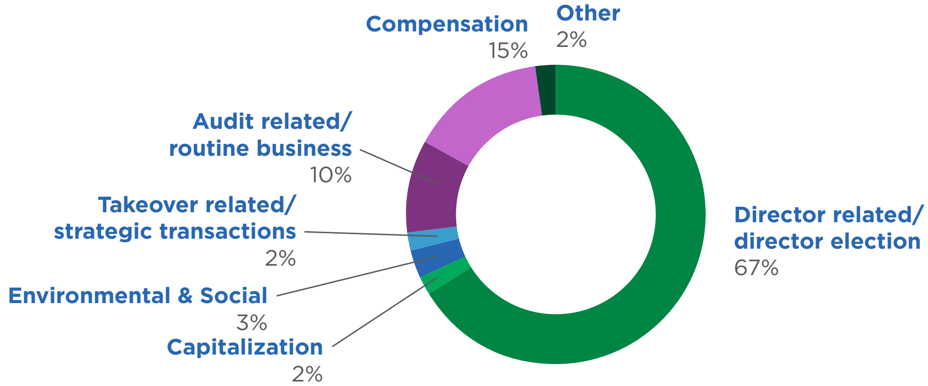
In 2023, we updated our **Proxy Voting Guidelines**. Specifically, we added language that reflects our expectation that companies have a plan to address the inclusion of underrepresented groups, beyond gender, in both their management teams and boards. We also updated our voting guidelines on shareholder proposals on climate-related matters to include how we evaluate say-on-climate proposals.

[4] A credible transition plan combines having an ambitious climate target and a plan that can be fully and effectively implemented. HOOPP leverages external frameworks such as the Science Based Targets Initiative and others to define and assess transition plans.

[5] To define green investments, we reference the Climate Bonds Initiative (CBI) taxonomy, a set of criteria used globally by investors, issuers and governments, and financial markets to prioritize investments which genuinely contribute to addressing climate change. We also consider investments in green and sustainability bonds and climate change equity indices.

2023 proxy vote highlights

Numbers below have been rounded to a whole percent



Over the past few years, we have enhanced our proxy voting practices advocating for diversity on company boards and for greater climate-related disclosure. As an example, we have been making board director voting decisions based on a company's board gender, racial and ethnic diversity and/or level of climate disclosures.

In 2023, we voted on over 14,000 proposals. The chart above illustrates the types of proposals we voted on, with over two-thirds relating to company directors or their board election, followed by proposals relating to compensation, and then those related to audit or other routine business functions. We evaluate ballot items on a case-by-case basis and consider multiple factors when determining how to vote. For example, when reviewing executive compensation proposals, we assess how pay and performance align, among other factors. When reviewing shareholder proposals we consider multiple factors, such as: does the proposal allow the company enough time to implement the actions requested, is the proposal repetitive (i.e., has the company already implemented the action being proposed), among other factors.

In 2023:

- We voted against management on approximately 15% of proposals, including both management proposals and shareholder proposals.
- We voted against 20% of executive compensation proposals.
- We supported 45% of proposals related to environmental or social themes and supported approximately 43% of climate-related shareholder proposals.

Stewardship through engagement

In addition to our proxy-voting activities, we regularly communicate our expectations to companies on ESG-related issues. These engagements are an important tool that allows us to use our influence as an investor to articulate our position on important topics directly to management teams. In 2023, we engaged with 81 companies to communicate our expectations on climate change and/or other ESG topics.

We also collaborate through collective organizations such as Climate Engagement Canada (CEC), 30% Club Canada Investor Group (30% Club) and the Canadian Coalition for

Good Governance (CCGG). Through CEC, we co-led engagements with three Canada-based companies as we seek to encourage companies to adopt and execute plans to reduce GHG emissions consistent with the goals of the Paris Agreement. Although we are in the early stages of our CEC engagements, our engagements through 30% Club and CCGG are more established and we expect to see continued progress over time.

As well, we applied for membership to Climate Action 100+ (CA100+), an investor-led initiative engaging companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures in order to create long-term shareholder value.

Supporting sustainability reporting standards and organizations

In the summer of 2023, the CEOs of 11 leading Canadian pension plans, including HOOPP, issued a joint statement of support for the inaugural International Sustainability Standards Board (ISSB) Sustainability Disclosure Standards. The new ISSB standards help consolidate existing global sustainability-related disclosure standards including the Sustainability Accounting Standards Board (SASB) standards and build on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) framework. Learn more about our climate disclosures on **hoopp.com/investments/sustainable-investing/tcfd-disclosures**.

During the year, we were elected to the Private Equity Advisory Committee (PEAC) of the Principles of Responsible Investment (PRI) in 2024. PRI is an organization supported by the United Nations and PEAC advises PRI on its private equity strategy. We also joined the ESG Data Convergence Initiative (EDCI), an organization with over 350 members. EDCI aims to drive convergence around a standardized set of ESG metrics in private equity.

Member and employer services

> Striving to deliver the highest level of service while meeting the needs of our members is an important part of our pension promise. In 2023, these efforts included continuing to enhance the guidance, service and education that we provide to help support members in their decision making.

As a trusted partner, we want to help members make informed decisions related to their HOOPP pension and their retirement with the support of our team of pension experts. To do that effectively, we continue to develop our people, broaden their knowledge and support them in achieving their accreditation as financial advisors. In turn, we continue to evolve our support in other ways, including:

- launching an updated digital experience for those joining the Plan, with the goal of increasing satisfaction and engagement among new members
- providing additional estate-planning information and resources to help members and their loved ones be prepared in the event of a member's passing
- enhancing our communications for potential members, highlighting the value of joining the Plan as soon as they can
- introducing a new online option to simplify the retirement process for eligible members
- launching redesigned annual statements for retired members, making them easier to read and understand
- introducing multi-factor authentication on our employer portals to help enhance security and better protect member information

From our members...

"HOOPP has provided me with reliable financial support throughout my retirement years."

- Norma Campbell
retired Staff Nurse, HOOPP member
(left)

"HOOPP brings peace of mind as I plan my retirement and financial goals."

- Trixie Williams
Vice President, Clinical Programs, HOOPP member
(right)

From our members...

"I have been a HOOPP member since 2011. It has been completely effortless and I feel very confident in knowing that when I decide to retire, I can do so comfortably. This is a great relief to me. When I have had questions and reached out to the staff at HOOPP, they have been an absolute delight to speak with and have always answered my questions going above and beyond to ensure that I get the information I need and more!

I am very happy with the support that I receive from HOOPP!"

- Rebecca Clifford
Forensic Psychiatry,
HOOPP member

In addition to the service we provide, our research shows that offering a HOOPP pension can be an important part of employers' talent attraction and retention efforts. In support of that, we developed a toolkit, which features resources and information needed to better understand all the benefits a HOOPP pension offers. Available on our website, this educational resource is easily accessible to employers and unions.

Lastly, from a Plan perspective, we are pleased that HOOPP was able to:

- provide a cost-of-living adjustment of 6.32%, effective April 1, 2023, for retired and deferred members, to help pensions keep up with rising prices
- keep contribution rates unchanged until at least the end of 2025

These measures complement the benefit formula improvement, announced in 2022, that took effect on January 1, 2023. That improvement, which built on measures announced in 2017 and 2021, provides a larger lifetime pension for active members.

With these three benefit formula improvements, a member working full-time with average earnings of $60,000 and 10 years of service in the Plan before 2023, who retires at 65, would see their annual pension increased by an estimated $2,520 once they retire.

Growing Plan membership

With over 30 employers joining HOOPP in 2023, we have continued to expand access to retirement security, while also assisting those employers with attracting and retaining healthcare workers. Most of the new HOOPP employer workplaces are family health teams, community healthcare, hospices and research institutes.

Our overall Plan membership surpassed 460,000 by the end of 2023. The number of active members in HOOPP continued to grow by more than the number of retired members, which is a positive sign for the ongoing health of the Plan.

Over the course of the year, we also continued to explore opportunities for further membership growth in areas of the healthcare sector where there is potential benefit to the Plan and our members.

Our members and the Plan

as at December 31, 2023

460,381
Total members

280,855
Active members

130,660
Retired members

48,866
Deferred members

$32,000
average annual pension for newly retired members

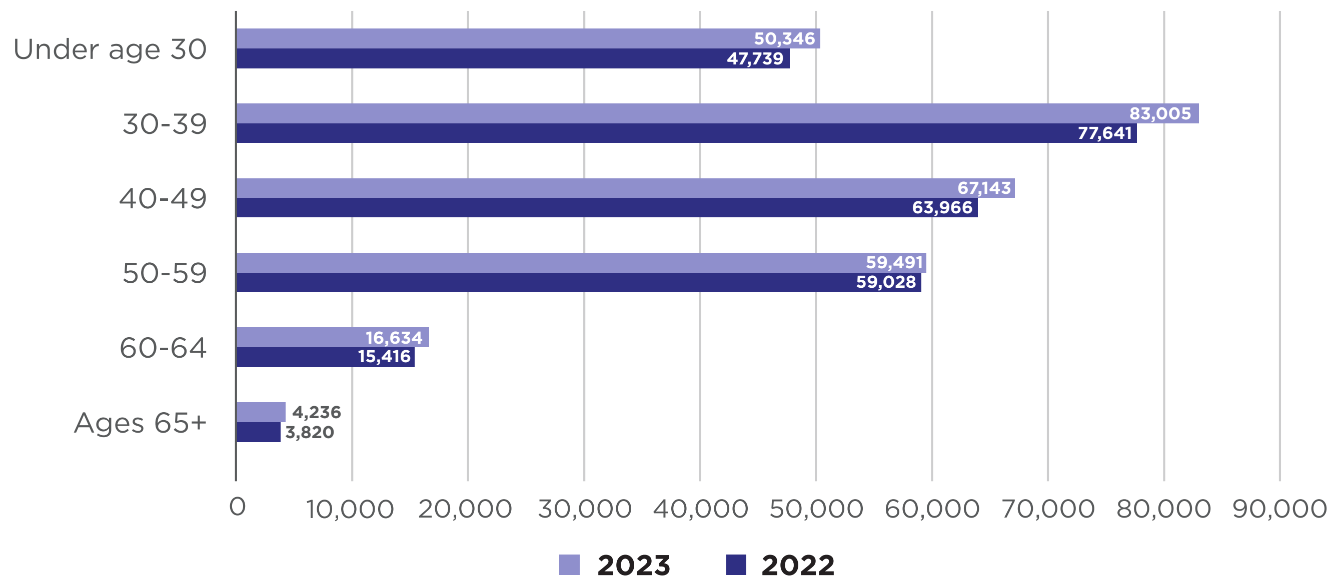
6.32%
COLA for retired and deferred members (effective April 1, 2023)

68%
of active members work full-time

32%
of active members work part-time

82%
of active members are female

Active members by age group



Active and retired member growth

Our employers

as at December 31, 2023

677
Total employers

201
Small healthcare organizations

141
Hospitals

97
Family health teams

92
Service providers

78
Foundations

68
Community health centres

Our people

Members of HOOPP's Finance Division.

> Our greatest strength is our people. Inspired by our members and employers in the healthcare sector, we remain committed to fostering a high-performance and inclusive culture; this will help us continue to attract and retain staff and deliver on our pension promise.

That commitment is particularly important as our organization evolves and grows. In 2023, we added 122 employees, bringing our workforce to approximately 940. The HOOPP team has grown by an estimated 26% in the past three years as the organization has expanded to meet the growing needs of our members and employers base, as well as the increased complexity of our business.

The growth has occurred across divisions and levels, including our senior leadership. For example, Alpesh Sethia joined HOOPP as Chief Technology Officer; he will lead our Information Technology team through a rapidly changing digital world. In addition, as part of some important changes within our Investment Management division, Senior Managing Director Shrirang Apte was appointed Head of Global Capital Markets. These are just a few examples of how we are continuing to strengthen our organizational leadership through the addition of new talent and promotion from within.

To effectively support our growth, it is important for us to maintain a strong culture and positive work environment. A key element of that work is our equity, diversity and inclusion (EDI) program. In 2023, we made progress in a number of key areas, including our diversity demographics program. The confidential information collected through this voluntary self-identification survey is helping us learn more about our organization and ensure

From our staff...

"I'm proud to work at HOOPP, where the heartbeat of our organization is our commitment to our members. My work helps me feel like I'm giving back to our members, who give so much to all of Ontario."

- Janae Diaz

Strategic Communications Manager, HOOPP staff

that we are providing our staff with equity of opportunity in learning, career growth and recognition. The data collected provides us with insight in several areas, including our staff's race/ethnicity, gender, and sexual orientation and disability status; for example, our data shows that currently more than 52% of our workforce is female. Information like this also helps inform our various employee offerings and supports, such as our benefits program.

Our Employee Resource Groups (ERGs), which are an important part of our EDI strategy, are each championed by a member of the executive team and consist of volunteer members from across the organization, who serve as a voice for equity-seeking groups. Over the course of the year, they helped bring staff together by promoting safe, inclusive spaces, and creating and sharing educational resources through events related to Black History Month, Pride Month, and International Women's Day, among others. Our ERGs also took an active role in helping us make informed decisions about how various employee programs and activities (e.g., benefits program features, speaker events, learning opportunities, etc.) can evolve to meet the changing needs of our employees.

To help ensure that our employees have the right skills and expertise to support the delivery of our pension promise, in 2023 we provided staff with a wide range of learning opportunities. Those included formal development programs for every stage of an employee's career and customized leadership courses. We also offered regular internal educational workshops, while supporting external training and certifications.

We are pleased that, in recognition of all these efforts and our unwavering commitment to our employees, HOOPP was recognized as one of Greater Toronto's Top Employers for the fourth year in a row. This prestigious award shows that we continue to demonstrate workplace best practices for retaining and attracting top talent to serve our members and employers.

Risk management and internal controls

> Risk management is a critical element in HOOPP's ability to provide members with a secure retirement pension for life. Managing risks appropriately ensures that future returns and asset growth will be sufficient to fund Plan liabilities.

Our Risk division covers all relevant risk categories, such as investment and liquidity risk, enterprise and operational risk, and risk related to compliance mandates. Reporting to the CEO, the Chief Risk Officer is responsible for the continuing development, maintenance and execution of risk management activities at HOOPP, in support of the delivery of HOOPP's strategic imperatives and pension promise.

The Risk division ensures our risk management and compliance programs continue to evolve to meet our future needs, while providing expertise and comprehensive risk reporting to the Board.

At the HOOPP management committee level, our Operations Committee provides management oversight for matters within their mandate relating to operational and compliance risks, and our Investment Risk Committee provides management oversight over all matters pertinent to investment and financial risks.

As part of its oversight role, our Board is responsible for ensuring that an effective risk management program is in place. The accountability for overseeing enterprise risk management (ERM) and compliance is delegated to the Audit & Finance Committee and Governance Committee, respectively, while the Asset Liability Management Committee provides oversight on investment and liquidity risk.

HOOPP's Board-approved Risk Appetite Framework (RAF) is reviewed annually and articulates the maximum risk that HOOPP is willing to take in pursuit of its strategic objectives. The RAF includes risk appetite statements, metrics, and limits as well as reporting requirements relative to major risk categories covering:

- **Funding risk** that HOOPP cannot generate sufficient return on investment to meet the pension promise.
- **Liquidity risk** that could result in HOOPP not meeting its short-term debt obligations or not being able to access markets when needed to sell or buy assets.
- **Operational risk** including the potential disruption or loss resulting from people, processes, systems, or external events.
- **Compliance risk** caused by the failure to abide by laws, rules, regulations, and internal governance processes and policies.
- **Reputational risk** that results from negative changes in perceptions of stakeholders (including members, employers, employees, market counterparties, regulators and government bodies, media, peers, and third-party vendors/suppliers), and/or ineffectively managed financial, operational, and compliance risks.

All these risks are managed within our firm-wide ERM capabilities. ERM is the establishment of common risk management practices and tools applicable to all risk categories enterprise wide. It is intended to increase positive outcomes and reduce negative surprises. Practices and tools are designed to facilitate the consistent and systematic identification, assessment, monitoring and reporting of key risks in a timely and complete manner. Such practices include, amongst other things:

- the use of robust stress testing tools designed to measure the impact of potential future economic scenarios on both Fund assets and Plan liabilities and also to best manage the risks relating to investment assets, pension obligations payable in the future, and the investment strategies employed to achieve the required risk-adjusted returns
- the use of an enterprise risk taxonomy, risk severity matrix, and key risk indicators to identify, analyze and measure financial and non-financial risks
- the establishment of, and adherence to, various financial and non-financial risk limits that are aligned with the RAF
- tools for analyzing operational risk and reporting on operational risk events
- programs designed to assess regulatory risk and manage the compliance control environment
- the integration of risk considerations in strategic and business planning processes
- the use of systems and data that enable and support the management of risk at HOOPP
- comprehensive risk reporting to management and the Board

Other important governance and risk management programs and processes include:

- **Code of Business Conduct, Respect in the Workplace (Harassment and Violence) Policy and supporting policies** that emphasize:
  - our commitment to members and other beneficiaries
  - the roles and responsibilities of Board members, staff and HOOPP's agents and advisors in helping to fulfill the commitment
  - the responsibilities and core values expected of our staff in the workplace
- **Efficient and effective Board and Committee reporting and decision-making processes**.
- An **internal audit** team that provides independent assurance to management, the Audit & Finance Committee and the Board relating to the design and operating effectiveness of internal controls.
- **Programs and processes** for managing the recruitment, retention, performance and development of HOOPP staff, our most critical resource.
- **Separate business-line level risk and governance functions** in the Finance, Plan Operations, and IT divisions that bolster our internal capabilities as we continue to navigate an increasingly complex regulatory and investment environment.
- **A Privacy Office** that works with HOOPP staff members to develop, maintain, and execute appropriate policies and procedures to protect the personal information of our members and staff.
- **Data and information security capabilities and ongoing maintenance of records and data retention schedules** in accordance with both Board and organization-level policies.
- **Disaster recovery and business continuity programs** that are mature and tested to help maintain and, where needed, improve the resiliency of our core operations and processes in the event of disruption.

Internal controls over financial reporting

As part of our commitment to good governance, we 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.

Our President & CEO and Senior Vice President, Finance & Chief Financial Officer are responsible for ensuring that procedures are in place to maintain appropriate internal controls over financial reporting (ICFR) and financial statement note disclosures. 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).

In 2023, we 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 our internal controls over financial reporting.

The results of our evaluation of the effectiveness of our ICFR confirm they are properly designed and operating effectively to provide reasonable assurance regarding the reliability of financial reporting as at December 31, 2023.

Cost management

HOOPP incurs costs to invest Fund assets and to administer Plan benefits on behalf of our membership. We ensure that we are cost-effective by:

- linking planned spending to our strategic priorities through an annual planning process
- having our budgets reviewed and approved by both our management team and our Board
- monitoring our spending continuously

HOOPP incurs operating costs for staff compensation, technology, facilities, and other items to support the administration of the Plan and the investment of Fund assets. Together, these make up HOOPP's total operating costs.

Plan administration costs

In 2023, HOOPP incurred $133 million to administer the Plan, an increase from $114 million in the previous year. The increase was due in part to higher than typical inflation, and strategic investments in risk management, technology, and other costs related to Plan administration. HOOPP remains focused on spending prudently to deliver the pension promise in a cost-effective way.

Investment operating costs

In 2023, HOOPP incurred $285 million or 26 basis points in investment operating costs, compared to $238 million or 22 basis points in 2022. Investment costs increased as a result of ongoing investments in staffing and technology to support new income-generating opportunities and enhanced risk management, and due to the impacts of inflation on costs.

Total operating costs

Our total operating costs are made up of our plan administration costs and investment operating costs. In 2023, HOOPP's total operating costs were $418 million or 39 basis points of our average net assets available for benefits, an increase from 32 basis points in 2022. The increase was largely due to lower average assets resulting from the Fund's investment loss in 2022 and higher costs related to inflation and strategic investments in staffing and technology to support Fund expansion and risk management. Based on publicly available information, HOOPP's operating costs continue to compare reasonably to other Canadian pension plans.

Direct investment costs

Costs related directly to investing include management fees for external third-party managers and transaction costs that are directly attributable to the acquisition or sale of investments. These direct investing costs are expensed as incurred and are reflected in our net investment income. In 2023, HOOPP incurred $354 million in direct investment costs, compared to $242 million in 2022. The increase is primarily due to an increase in indirect private market investments.

Total cost of investing

Our total cost of investing is made up of our investment operating costs and direct investment costs. HOOPP's total cost of investing represented 59 basis points of our average net assets available for benefits in 2023, compared to 44 basis points in 2022. Controlled investment cost growth is expected to continue over the coming years as we seek new opportunities for fund returns and mature as an organization.

10-year review

Ten Year Review

(unaudited)

For the years ended December 31

($ millions)	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS										
Net assets available for benefits, beginning of the year	**$103,674**	$114,414	$103,983	$ 94,102	$ 79,019	$ 77,755	$ 70,359	$ 63,924	$ 60,848	$ 51,626
Change in net assets available for benefits										
Net investment income	**9,625**	(9,758)	11,595	10,661	13,662	1,666	7,598	6,579	3,103	9,105
Contributions										
Employers	**1,795**	1,553	1,502	1,458	1,371	1,285	1,224	1,173	1,108	1,075
Members	**1,602**	1,341	1,318	1,257	1,190	1,106	1,112	1,022	991	929
Transfer of assets from merged pension plans	**—**	—	—	—	2,065	—	—	—	—	—
Benefits paid	**(3,643)**	(3,524)	(3,639)	(3,192)	(2,934)	(2,547)	(2,314)	(2,127)	(1,925)	(1,702)
Operating expenses	**(418)**	(352)	(345)	(303)	(271)	(246)	(224)	(212)	(201)	(185)
Total change in net assets available for benefits	**8,961**	(10,740)	10,431	9,881	15,083	1,264	7,396	6,435	3,076	9,222
Net assets available for benefits, end of the year	**$112,635**	$103,674	$114,414	$103,983	$ 94,102	$ 79,019	$ 77,755	$ 70,359	$ 63,924	$ 60,848
NET ASSETS AVAILABLE FOR BENEFITS										
Assets										
Investment assets										
Cash	**$ 27**	$ 57	$ 92	$ 24	$ 94	$ 8	$ 21	$ 19	$ 57	$ 2
Securities purchased under resell agreements	**6,058**	7,476	11,714	9,464	2,179	10,871	7,797	6,283	2,498	3,286
Fixed income	**101,043**	99,988	100,294	99,808	110,099	104,345	103,177	115,472	115,930	106,200
Public equities	**35,255**	23,703	57,342	46,547	31,371	24,351	36,326	16,106	9,150	2,182
Private equities	**20,285**	19,999	15,363	13,018	10,813	10,126	7,220	4,969	4,339	3,275
Real estate	**18,673**	18,155	17,916	14,477	13,601	13,255	11,952	10,053	9,063	7,717
Infrastructure	**5,742**	4,661	2,662	756	114	—	—	—	—	—
Commodities	**94**	—	—	—	—	—	—	—	—	—
Alternative investments	**5,720**	4,849	2,886	1,623	753	—	—	—	—	—
Derivative instruments	**4,293**	2,769	4,077	2,837	9,642	8,479	8,714	7,252	5,236	5,808
Investment receivables	**6,021**	2,966	4,384	2,832	1,772	1,052	3,103	3,635	1,063	934
Contributions receivable	**253**	212	210	229	196	173	173	171	156	156
Other assets	**292**	262	213	153	192	196	207	205	165	151
Total assets	**203,756**	185,097	217,153	191,768	180,826	172,856	178,690	164,165	147,657	129,711
Liabilities										
Investment liabilities	**(90,933)**	(81,248)	(102,551)	(87,638)	(86,581)	(93,701)	(100,803)	(93,661)	(83,616)	(68,753)
Other liabilities	**(188)**	(175)	(188)	(147)	(143)	(136)	(132)	(145)	(117)	(110)
Total liabilities	**(91,121)**	(81,423)	(102,739)	(87,785)	(86,724)	(93,837)	(100,935)	(93,806)	(83,733)	(68,863)
Net assets available for benefits	**112,635**	103,674	114,414	103,983	94,102	79,019	77,755	70,359	63,924	60,848
Pension obligations	**102,454**	92,721	85,902	79,852	73,547	65,128	59,602	54,461	49,151	46,923
Surplus	**$ 10,181**	$ 10,953	$ 28,512	$ 24,131	$ 20,555	$ 13,891	$ 18,153	$ 15,898	$ 14,773	$ 13,925
Investment Performance										
Investment rate of return-net	**9.38 %**(1)	(8.60)%	11.28 %	11.42 %	17.14 %	2.17 %	10.88 %	10.35 %	5.12 %	17.72 %
Benchmark return	**10.36 %**	(13.21)%	8.59 %	9.80 %	15.06 %	0.01 %	7.89 %	6.12 %	3.95 %	15.62 %
Value-Added return	**(0.98)%**	4.61 %	2.69 %	1.62 %	2.08 %	2.16 %	2.99 %	4.23 %	1.17 %	2.10 %

(1) Return is for the Registered Pension Plan, net of direct investment costs. Return net of total cost of investing for 2023 is 9.12%. For more information on costs, see the Cost Management section on page 64.

Financial Statements

as at December 31, 2023

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 have been prepared in accordance with the Canadian accounting standards for pension plans and are compliant with the requirements of Part IV of the Chartered Professional Accountants of Canada (CPA Canada) Handbook - Accounting, 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 - Accounting. The financial statements also comply with the financial reporting requirements of the *Pension Benefits Act* (Ontario) and *Regulations* (PBA). 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 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.

The financial statements have been prepared by management and approved by 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 audits of the financial statements that relate to the integrity of the Plan's financial reporting and the adequacy of the systems of internal control.

Jeff Wendling

President & Chief Executive Officer

Barbara Thomson

Senior Vice President, Finance & Chief Financial Officer

March 7, 2024

Actuaries’ Opinion

Mercer (Canada) Limited (Mercer) was retained by the Board of Trustees of the Healthcare of Ontario Pension Plan (the Board) to perform an actuarial valuation of the Plan as at December 31, 2023. The purpose of this valuation is to determine pension obligations of the Plan as at December 31, 2023, 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 - Accounting.

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 $102,454 million in respect of service accrued to December 31, 2023 and a smoothed value of net assets of $117,615 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, 2023 and members’ pay data provided as at December 31, 2022, all of which was projected to December 31, 2023, using management’s estimates of experience for the intervening periods;
- the benefits specified by the terms of the Plan including the 2023 CPI adjustment which will become effective April 1, 2024 in respect of all pensioners’ and deferred vested members’ benefits;
- subsequent events, if any, that were known by February 9, 2024, the date when our related report was completed, and that materially impacted the valuation; 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 Mercer 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, 2023, 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.

Mercer (Canada) Limited

Luc Girard	Joseph Fung
Fellow, Canadian Institute of Actuaries	Fellow, Canadian Institute of Actuaries

March 7, 2024

Independent auditor's report

To the Board of Trustees of Healthcare of Ontario Pension Plan

Our opinion

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

What we have audited

HOOPP's financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HOOPP's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on HOOPP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause HOOPP to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants

Toronto, Ontario

March 7, 2024

Statements of Financial Position

As at December 31	2023	2022
($ millions)		
Assets		
Investment assets (note 2)	**$ 203,211**	$ 184,623
Contributions receivable		
Employers	**142**	119
Members	**111**	93
Other assets (note 7)	**292**	262
	203,756	185,097
Liabilities		
Investment liabilities (note 2)	**90,933**	81,248
Other liabilities	**188**	175
	91,121	81,423
Net assets available for benefits	**112,635**	103,674
Pension obligations (note 11)	**102,454**	92,721
Surplus (note 11)	**$ 10,181**	$ 10,953

See accompanying Notes to the Financial Statements.

ON BEHALF OF THE BOARD OF TRUSTEES

Gerry Rocchi	Dan Anderson	Nick Zelenczuk
Chair, Board of Trustees	Vice Chair, Board of Trustees	Chair, Audit & Finance Committee

March 7, 2024

Statements of Changes in Net Assets Available for Benefits

For the years ended December 31		2023		2022
($ millions)				
Net assets available for benefits, beginning of year	**$**	**103,674**	$	114,414
Investment operations				
Net investment income (note 4)		**9,625**		(9,758)
Investment operating expenses (note 10)		**(285)**		(238)
		9,340		(9,996)
Plan operations				
Contributions (note 8)				
Employers		**1,795**		1,553
Members		**1,602**		1,341
Benefits paid (note 9)		**(3,643)**		(3,524)
Plan operating expenses (note 10)		**(133)**		(114)
		(379)		(744)
Change in net assets available for benefits		**8,961**		(10,740)
Net assets available for benefits, end of year	**$**	**112,635**	$	103,674

See accompanying Notes to the Financial Statements.

Statements of Changes in Pension Obligations

For the years ended December 31		2023		2022
($ millions)				
Pension obligations, beginning of year	**$**	**92,721**	$	85,902
Changes in pension obligations				
Interest accrued on benefits		**5,374**		4,116
Benefits accrued		**3,571**		4,058
Amendments to the plan (note 11)		**—**		3,623
Changes in actuarial assumptions (note 11)		**2,893**		(1,504)
Experience losses (note 11)		**1,538**		50
Benefits paid (note 9)		**(3,643)**		(3,524)
		9,733		6,819
Pension obligations, end of year	**$**	**102,454**	$	92,721

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

Description of the Plan

The following description of the Healthcare of Ontario Pension Plan (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 of Trustees (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 appoints two Trustees. Each Trustee has a legal obligation to administer the Plan in the best interests of all its members, regardless of their union or other affiliation.

HOOPP is registered with the Financial Services Regulatory Authority of Ontario (FSRA), and with the Canada Revenue Agency (CRA) under Registration Number 0346007. HOOPP is a Registered Pension Plan (RPP), which is generally exempt from income taxes for contributions and investment income earned in Canada. The Plan may be subject to taxes as a result of income earned in other jurisdictions.

The Board is responsible for administering the Plan in accordance with the PBA, the *Income Tax Act* (Canada) and *Regulations* (ITA), 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 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 five-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 Canada Pension Plan benefits normally begin.

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, when they must begin to receive their pension.

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, disabled members who may not qualify for an immediate disability pension may instead be eligible for a waiver of contributions and continuation of service accrual until the earlier of age 65 or 35 years of contributory service.

Death Benefits

A death benefit may be available to a surviving spouse or designated beneficiary upon the death of a member. Depending on 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, provided the transfer meets all eligibility requirements.

Inflation Protection

Retirement pensions and deferred 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. The Board may approve an annual increase above the guaranteed level up to 100% of the increase in the previous year's CPI, to an annual maximum of 10%.

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%.

Retirement Compensation Arrangement

In conjunction with its RPP, HOOPP operates a Retirement Compensation Arrangement (RCA). The RCA provides supplementary pension benefits to members whose earnings result in a pension that exceeds the maximum pension permitted under the ITA for RPPs. The RCA is funded by member and employer contributions, as well as investment earnings, and is administered as part of the overall Plan; however, its assets are held in a segregated account. The allocation of contributions to the RCA and RPP are driven by the requirements of the ITA in a manner that is expected to be sufficient to pay the benefits as they come due. Additional information on the RCA is disclosed in note 13.

Contributions received and income earned in the RCA are subject to tax, which is disclosed in note 7 as refundable withholding tax on contributions. Depending on the contributions received, benefit payments made, and investment income earned through the RCA, a portion of taxes may be refunded each year.

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. These financial statements have been prepared in accordance with the Canadian accounting standards for pension plans and are compliant with the requirements of Part IV of the Chartered Professional Accountants of Canada (CPA Canada) Handbook - Accounting (referred to herein as the "Handbook"), specifically Section 4600, *Pension Plans*, and the relevant sections of the Canadian accounting standards for private enterprises (ASPE) in Part II of the Handbook.

The financial statements comply with the financial reporting requirements of the PBA and address certain disclosure requirements maintained by FSRA. The requirements are addressed by disclosures within certain notes to the financial statements.

The significant accounting policies used in the preparation of these financial statements are summarized below.

Investments

Valuation

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, volatilities and others. 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. Other factors, including liquidity and redemption restrictions or lock up periods, may also be taken into consideration in the determination of fair value for both quoted and unquoted investments where applicable.

The fair values of investments are determined as follows:

i. Cash is recorded at cost, which is equivalent to fair value.

ii. Securities purchased under resell agreements and securities sold under repurchase agreements are recorded at cost, which together with accrued interest approximates fair value due to their short-term nature.

iii. Short-term securities are generally valued 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.

iv. 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 independent third parties.

v. Commercial loans are valued at quoted market prices if they exist. Where quoted prices are not available, fair values are calculated using discounted cash flows based on current market yields on comparable securities or prices provided by independent third parties. In some instances, certain loans may be valued at cost plus accrued interest, which approximate fair value, where appropriate.

vi. Public equities are valued at quoted closing market prices. When quoted closing market prices are not available, appropriate valuation techniques and pricing models are used to estimate fair value.

vii. Investments in private equities include investments held directly, through ownership in limited partnership funds and co-investments with limited partnership funds. Directly held private equity investments are valued at estimated fair value using appropriate valuation techniques such as capitalized earnings or discounted cash flow methodologies. 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 and co-investments are valued at estimated fair value based on 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 Partners). Also included are other direct private investments, valued primarily using discounted cash flows based on current market yields on comparable securities.

viii. Investments in real estate include investments held directly and through ownership in limited partnership funds. Direct investments are valued at estimated fair values based on external appraisals, which are completed by independent appraisers accredited under the locally prevailing professional governing bodies. HOOPP's semi-annual appraisal process is completed mid-year (effective June 30) and at year-end (effective October 31, November 30 and December 31). HOOPP requires external appraisers to provide a reaffirmation letter for any year-end appraisal with an effective date before December 31. The reaffirmation letter will either confirm that the value has not changed or provide an updated value as at December 31. 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 at estimated fair value based on 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 Partners). Mortgages held on direct real estate investments are valued using discounted cash flows based on current market yields on comparable securities.

ix. Investments in infrastructure include investments held directly, through ownership in limited partnership funds and co-investments with limited partnership funds. Directly held infrastructure investments are valued at estimated fair value using appropriate valuation techniques such as discounted cash flow methodology where future cash flows generated by the investments are discounted using a risk-adjusted discount rate. 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 and co-investments are valued at estimated fair value based on 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 Partners).

x. Commodities include investments in emission allowances, such as carbon offset credits. The fair value of commodities is based on quoted closing market prices or, for carbon offset credits which do not have quoted prices, recent prices established through regulated auctions among registered participants.

xi. Alternative investments include investments in hedge funds, insurance funds and reinsurance funds and are valued at estimated fair value based on net asset values reported by the funds' administrators.

xii. 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, primarily pricing models, are used to estimate fair value. These pricing models are based on generally accepted valuation models, use observable market prices and 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 that 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.

xiii. Investment receivables and investment payables also include cash collateral pledged or received, pending trades, accrued investment income and accrued investment liabilities. These investments are recorded at cost or amortized cost, which approximates fair value due to their short-term nature.

Investment Income

Investment income consists of net interest income, recognized on an accrual basis, net dividend income, recognized on the ex-dividend date, and net operating income from investments in private equity, real estate, infrastructure and alternative investments, recognized on an accrual basis. Investment income also includes realized and unrealized gains (losses).

Management Fees and Performance Fees

Management fees and performance fees related to investments in real estate, private equity, infrastructure and alternative investments are expensed as incurred and reported as a component of net investment income.

Transaction Costs

Transaction costs, which are incremental costs directly attributable to the acquisition, issue or disposal of investments, are expensed as incurred and reported as a component of net investment income.

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 and unrealized gains and losses arising from these foreign currency translations are included in net realized and unrealized gains (losses).

Pension Obligations

Pension obligations are determined based on an actuarial valuation prepared by an independent actuarial firm. These pension obligations are measured in accordance with accepted actuarial practice 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, 2023. The valuation uses the projected accrued benefit actuarial cost method and management's estimate of certain future events.

The pension obligations included in these financial statements are consistent with the results that would be used for a December 31, 2023 regulatory filing 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.

Benefits Paid

Benefits paid consist of retirement pensions, bridge benefits, commuted value transfers, disability benefits, death benefits as well as transfers to other plans and refunds. These are payments to members and pensioners, which are recorded in the period in which they are paid. Any benefit payment amounts accrued and not yet paid are reflected in the pension obligations.

Fixed Assets and Intangible Assets

Fixed assets and intangible assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives.

Use of Estimates and Judgments

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

While management makes its best estimates and assumptions, actual results could differ from those estimates. Judgments, estimates and assumptions are reviewed periodically and revisions to accounting estimates are recognized prospectively.

Related Party Transactions

HOOPP's Board, management, and unconsolidated subsidiaries are considered related parties according to the Handbook. 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.

Future Accounting Standards

Amendments to Section 4600, *Pension Plans* were issued in December 2022 and will be effective for fiscal years beginning on or after January 1, 2024. The amendments will not have a significant impact on HOOPP.

A new Accounting Guideline, AcG-20, *Customer's Accounting for Cloud Computing Arrangements,* was issued in November 2022, and will be effective for fiscal years beginning on or after January 1, 2024. The new guideline will not have a significant impact on HOOPP.

Note 2 – INVESTMENTS

a. Investment fair value and cost

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

	2023		2022	
($ millions)	Fair Value	Cost	Fair Value	Cost
INVESTMENT ASSETS				
Cash	**$ 27**	**$ 27**	$ 57	$ 57
Securities purchased under resell agreements (note 5)	**6,058**	**6,083**	7,476	7,487
Fixed income				
Short-term securities	**2,813**	**2,814**	3,260	3,260
Bonds				
Canadian	**75,912**	**79,205**	74,089	79,720
Non-Canadian	**21,680**	**21,708**	22,052	22,606
Commercial loans				
Non-Canadian	**638**	**628**	587	593
	101,043	**104,355**	99,988	106,179
Equities				
Public equities				
Canadian	**3,202**	**2,778**	2,563	2,129
Non-Canadian	**32,053**	**30,021**	21,140	21,561
Private equities				
Canadian	**528**	**610**	3,033	659
Non-Canadian	**19,757**	**15,416**	16,966	13,503
	55,540	**48,825**	43,702	37,852
Real assets				
Real estate	**18,673**	**15,784**	18,155	13,974
Infrastructure	**5,742**	**4,813**	4,661	4,008
	24,415	**20,597**	22,816	17,982
Commodities	**94**	**88**	—	—
Alternative investments	**5,720**	**5,142**	4,849	4,544
Derivative instruments (notes 3 & 5)	**4,293**	**1,196**	2,769	1,266
Investment receivables				
Cash collateral pledged (note 5)	**3,925**	**3,925**	1,730	1,730
Pending trades	**1,399**	**1,401**	662	663
Accrued investment income	**697**	**697**	574	574
	6,021	**6,023**	2,966	2,967
Total investment assets	**203,211**	**192,336**	184,623	178,334
INVESTMENT LIABILITIES				
Securities sold under repurchase agreements (note 5)	**(33,184)**	**(33,594)**	(29,643)	(29,712)
Bonds sold short (note 5)	**(10,921)**	**(11,250)**	(11,339)	(12,593)
Equities sold short (note 5)	**(23,262)**	**(18,792)**	(23,325)	(24,161)
Derivative instruments (notes 3 & 5)	**(2,977)**	**(1,180)**	(2,728)	(1,273)
Investment payables				
Cash collateral received (note 5)	**(19,110)**	**(19,110)**	(12,252)	(12,252)
Pending trades	**(951)**	**(952)**	(1,499)	(1,498)
Accrued investment liabilities	**(528)**	**(546)**	(462)	(482)
	(20,589)	**(20,608)**	(14,213)	(14,232)
Total investment liabilities	**(90,933)**	**(85,424)**	(81,248)	(81,971)
NET INVESTMENTS	**$ 112,278**	**$ 106,912**	$ 103,375	$ 96,363

b. Fair value hierarchy

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 evaluation of 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 and cash collateral are also included as Level 1.

Investments that are classified as Level 2 include securities purchased under resell agreements, securities sold under repurchase agreements, short-term securities, equity investments not actively traded, most bonds, over-the-counter derivatives, certain commodities, some investment receivables and some investment payables. For most of 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.

For the year ended December 31, 2023, there were no transfers between Level 2 and Level 1 (year ended December 31, 2022: $887 million transfers from Level 2 to Level 1). Transfers between Level 2 and Level 1 occur when unadjusted quoted market prices are used for valuing an investment asset or investment liability that was previously valued using valuation techniques with significant observable inputs.

Investments that are classified as Level 3 include investments in private equity, real estate, infrastructure, alternative investments, commercial loans, some over-the-counter derivatives and some marketable securities. 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 that were previously unobservable. Transfers from Level 1 to Level 3 occur when an investment asset's or investment liability's fair value, which was determined previously through unadjusted quoted prices in active markets is now determined using a valuation technique with significant unobservable inputs. Transfers from Level 3 to Level 1 occur when unadjusted quoted market prices are used for valuing an investment asset or investment liability that was previously valued using a valuation technique with significant unobservable inputs.

Transfers between Level 2 and Level 3, and/or between Level 1 and Level 3, if any, are disclosed in note 2c.

The table below presents the Plan's investment assets and investment liabilities within the fair value hierarchy described in note 2a:

	2023			
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment assets				
Cash	$ 27	$ —	$ —	**$ 27**
Securities purchased under resell agreements	—	6,058	—	**6,058**
Short-term securities	—	2,813	—	**2,813**
Bonds	—	96,650	942	**97,592**
Commercial loans	—	—	638	**638**
Public equities	35,250	5	—	**35,255**
Private equities	—	458	19,827	**20,285**
Real estate	—	—	18,673	**18,673**
Infrastructure	—	—	5,742	**5,742**
Commodities	—	94	—	**94**
Alternative investments	—	—	5,720	**5,720**
Derivative instruments	47	4,049	197	**4,293**
Investment receivables	3,925	2,096	—	**6,021**
	39,249	112,223	51,739	**203,211**
Investment liabilities				
Securities sold under repurchase agreements	—	(33,184)	—	**(33,184)**
Bonds sold short	—	(10,921)	—	**(10,921)**
Equities sold short	(23,262)	—	—	**(23,262)**
Derivative instruments	(31)	(2,832)	(114)	**(2,977)**
Investment payables	(19,110)	(1,479)	—	**(20,589)**
	(42,403)	(48,416)	(114)	**(90,933)**
Net Investments	**$ (3,154)**	**$ 63,807**	**$ 51,625**	**$ 112,278**

	2022			
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment assets				
Cash	$ 57	$ —	$ —	$ 57
Securities purchased under resell agreements	—	7,476	—	7,476
Short-term securities	—	3,260	—	3,260
Bonds	—	95,275	866	96,141
Commercial loans	—	—	587	587
Public equities	23,555	148	—	23,703
Private equities	—	—	19,999	19,999
Real estate	—	—	18,155	18,155
Infrastructure	—	—	4,661	4,661
Alternative investments	—	—	4,849	4,849
Derivative instruments	49	2,567	153	2,769
Investment receivables	1,730	1,236	—	2,966
	25,391	109,962	49,270	184,623
Investment liabilities				
Securities sold under repurchase agreements	—	(29,643)	—	(29,643)
Bonds sold short	—	(11,339)	—	(11,339)
Equities sold short	(23,325)	—	—	(23,325)
Derivative instruments	(128)	(2,398)	(202)	(2,728)
Investment payables	(12,252)	(1,961)	—	(14,213)
	(35,705)	(45,341)	(202)	(81,248)
Net Investments	$ (10,314)	$ 64,621	$ 49,068	$ 103,375

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 years ended December 31.

($ millions)	Fair Value Dec 31, 2022	Total Gains (Losses) Included in Net Income[1]	Purchases and Issues	Sales and Settlements	Transfers In[2][4]	Transfers Out[2][4]	Fair Value Dec 31, 2023
				2023			
Bonds	$ 866	$ (11)	$ 318	$ (231)	$ —	$ —	**$ 942**
Commercial loans	587	19	255	(223)	—	—	**638**
Private equities	19,999	2,088	3,503	(4,663)	—	(1,100)	**19,827**
Real estate[3]	18,155	(1,458)	1,623	(188)	541	—	**18,673**
Infrastructure	4,661	297	905	(121)	—	—	**5,742**
Alternative investments	4,849	320	1,532	(981)	—	—	**5,720**
Derivative instruments – assets	153	59	82	(97)	—	—	**197**
Derivative instruments – liabilities	(202)	105	(98)	83	(2)	—	**(114)**
Total	**$ 49,068**	**$ 1,419**	**$ 8,120**	**$ (6,421)**	**$ 539**	**$ (1,100)**	**$ 51,625**

(1) For those investment assets and investment liabilities held at the end of the year, the total gains were $480 million.
(2) Transfers between Level 2 and Level 3 are assumed to occur at the end of the year. Transfers out of Level 3 to Level 2 and Level 1 were $458 million and $101 million, respectively.
(3) For real estate, mortgage debt borrowings of $196 million are netted in Purchases and Issues and mortgage debt repayments of $246 million are netted in Sales and Settlements.
(4) Includes $541 million in limited partnership fund investments transferred from private equities to real estate. The transfer occurred at the beginning of the year.

($ millions)	Fair Value Dec 31, 2021	Total Gains (Losses) Included in Net Income[1]	Purchases and Issues	Sales and Settlements	Transfers In[2]	Transfers Out[2]	Fair Value Dec 31, 2022
				2022			
Bonds	$ 48	$ 4	$ 814	$ —	$ —	$ —	$ 866
Commercial loans	465	24	251	(153)	—	—	587
Private equities	15,363	2,181	5,020	(2,527)	—	(38)	19,999
Real estate[3]	17,916	79	1,143	(638)	—	(345)	18,155
Infrastructure	2,662	481	1,630	(112)	—	—	4,661
Alternative investments	2,886	324	2,541	(902)	—	—	4,849
Derivative instruments – assets	100	43	17	(7)	—	—	153
Derivative instruments – liabilities	(101)	21	(132)	10	—	—	(202)
Total	$ 39,339	$ 3,157	$ 11,284	$ (4,329)	$ —	$ (383)	$ 49,068

(1) For those investment assets and investment liabilities held at the end of the year, the total gains were $2,183 million.
(2) Transfers between Level 2 and Level 3 are assumed to occur at the end of the year. Transfers out of Level 3 to Level 2 and Level 1 were $nil and $383 million, respectively.
(3) For real estate, mortgage debt borrowings of $187 million are netted in Purchases and Issues and mortgage debt repayments of $151 million are netted in Sales and Settlements.

d. Sensitivity to changes in assumptions for investments in Level 3

The following table illustrates the impact to fair value for certain investments in Level 3 when changing the significant inputs to reasonable alternative assumptions.

			2023		2022	
($ millions)	Significant Inputs	Change in Significant Inputs	Fair Value	Increase (Decrease) to Fair Value	Fair Value	Increase (Decrease) to Fair Value
Private equity	**EBITDA multiple**	**+/- 10%**	**$ 1,173**	**$ 128 / (119)**	$ 763	$ 113 / (113)
	Discount rate	**+/- 1%**	**1,242**	**(43) / 45**	806	(51) / 55
Private debt[(1)]	**Discount rate**	**+/- 1%**	**812**	**(41) / 44**	714	(41) / 44
Infrastructure	**Discount rate**	**+/- 0.25%**	**1,386**	**(60) / 64**	1,295	(56) / 60
Real estate[(2)]	**Capitalization rate**	**+/- 0.25%**	**11,713**	**(642) / 816**	11,482	(603) / 730

(1) Included within private equities in note 2a.
(2) Real estate is reported net of mortgage borrowings. The fair value of direct investments in real estate is net of $953 million (2022: $1,009 million), for which interest rates are a significant input. A +/- 1% change in interest rates would result in a (decrease) / increase to the fair value of mortgage borrowings of $(1) million / $1 million (2022: $(1) million / $1 million).

The above sensitivity analysis excludes investments where cost is used as an approximation for fair value (e.g., newly acquired real estate properties, private equity and infrastructure investments). In addition, it excludes investments where fair values are based on information provided by the general partners or the external fund administrators as the Plan does not have access to the assumptions and methodologies used to determine the fair value of the underlying investments. For other investments included in Level 3, management's judgment is that changing one or more of the inputs to a reasonable alternative assumption would not change the fair value of the Plan significantly.

e. 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. HOOPP presents these financial instruments as gross amounts in the statements of financial position, since the netting provisions contained in the respective agreements apply in limited circumstances. However, where HOOPP has a legally enforceable right to set-off the recognized amounts and intends to settle on a net basis, HOOPP offsets financial assets and financial liabilities and presents the net amount in the statements of financial position. 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:

	2023					
($ millions)	Gross Amounts of Recognized Financial Instruments	Amounts Set Off in the Statements of Financial Position	Net Amounts of Financial Instruments Presented (note 2a)	Amounts Subject to Enforceable Master Netting Arrangements or Similar Agreements[(1)]	Cash and Securities Collateral Pledged (Received)[(2)]	Net Amount
Financial assets						
Securities purchased under resell agreements[(3)]	$ 7,356	$ (1,140)	$ 6,216	$ (6,080)	$ (136)	$ —
Securities on loan[(4)]	20,700	—	20,700	—	(20,550)	**150**
Derivative instruments[(5)]	4,469	—	4,469	(2,742)	(1,432)	**295**
Total financial assets	**32,525**	**(1,140)**	**31,385**	**(8,822)**	**(22,118)**	**445**
Financial liabilities						
Securities sold under repurchase agreements[(3)]	(34,348)	1,140	(33,208)	6,080	27,004	**(124)**
Derivative instruments[(5)]	(3,291)	—	(3,291)	2,742	478	**(71)**
Total financial liabilities	**$ (37,639)**	**$ 1,140**	**$ (36,499)**	**$ 8,822**	**$ 27,482**	**$ (195)**

(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) Includes pending trade receivables and payables of $158 million and $24 million, respectively.
(4) Included within fixed income and public equity investment assets in note 2a.
(5) Includes pending trade receivables and payables of $176 million and $314 million, respectively.

($ millions)	Gross Amounts of Recognized Financial Instruments	Amounts Set Off in the Statements of Financial Position	Net Amounts of Financial Instruments Presented (note 2a)	Amounts Subject to Enforceable Master Netting Arrangements or Similar Agreements[1]	Cash and Securities Collateral Pledged (Received)[2]	Net Amount
	2022					
Financial assets						
Securities purchased under resell agreements	$ 8,334	$ (858)	$ 7,476	$ (7,312)	$ (163)	$ 1
Securities on loan[4]	19,365	—	19,365	—	(19,321)	44
Derivative instruments[5]	2,877	—	2,877	(1,937)	(826)	114
Total financial assets	30,576	(858)	29,718	(9,249)	(20,310)	159
Financial liabilities						
Securities sold under repurchase agreements[3]	(30,507)	858	(29,649)	7,312	22,294	(43)
Derivative instruments[5]	(3,107)	—	(3,107)	1,937	1,076	(94)
Total financial liabilities	$ (33,614)	$ 858	$ (32,756)	$ 9,249	$ 23,370	$ (137)

(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) Includes pending trade payables of $6 million.
(4) Included within fixed income and public equity investment assets in note 2a.
(5) Includes pending trade receivables and payables of $108 million and $379 million, respectively.

f. Significant investments

Investments, excluding short sales and derivative exposures, where the cost or fair value exceeds 1% of the cost or fair value of the Plan, being approximately $1,070 million and $1,120 million respectively, as at December 31, 2023 (2022: $960 million and $1,030 million respectively), are as follows:

($ millions)	Fair Value	Cost
	2023	
Fixed income		
Canadian bonds[1]	**$ 15,283**	**$ 15,101**
Non-Canadian bonds[2]	**4,617**	**4,367**
Equities		
Non-Canadian public equities[3]	**11,389**	**10,198**
Non-Canadian private equities	**1,242**	**927**

(1) Includes Canadian government and real return bonds.
(2) Includes non-Canadian government and real return bonds.
(3) Includes shares of exchange-traded funds.

($ millions)	Fair Value	Cost
	2022	
Fixed income		
Canadian bonds[1]	$ 14,550	$ 14,785
Non-Canadian bonds[2]	10,014	10,302
Equities		
Non-Canadian public equities[3]	2,655	2,907
Canadian private equities	2,490	7

(1) Includes Canadian government and real return bonds.
(2) Includes non-Canadian government and real return bonds.
(3) Includes shares of exchange-traded funds.

Note 3 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial contracts, the value of which is derived from changes in the 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:

Forwards

Forwards are contractual agreements between two parties to either buy or sell an asset at a predetermined price on a specified future date. HOOPP invests in currency forwards and bond forwards. Currency forwards are used to modify the Plan's exposure to currency risk. Bond forwards are used to manage the Plan's exposure to market risk and to enhance returns.

Futures

Futures are standardized agreements, which can be purchased or sold on a regulated futures exchange. HOOPP invests in commodity, equity, and interest rate futures. Equity and commodity futures are agreements to either buy or sell at a predetermined date and price, a single equity or commodity, an equity or commodity index, or a basket of equities. Interest rate futures are agreements to either buy or sell an interest rate-sensitive instrument, such as bonds, on a predetermined future date at a specified price. 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 purchaser for this right. HOOPP invests in interest rate options, swaptions, foreign currency options, equity options, options on futures and options on credit default swaps. 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 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. HOOPP also invests in equity-based swaps such as variance, volatility, and dividend swaps. These 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 and 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.

- Commodity swaps are agreements between two parties to exchange a series of cash flows based on the return of a commodity index. One party typically agrees to pay a fixed or floating interest rate in return for receiving the commodity return. These commodity-based swaps are used for yield enhancement purposes and for risk mitigation.

Warrants

Warrant certificates give the holder the right, but not the obligation, to buy shares in a company at a certain price on or before a specified future date. The key difference between warrants and options is that warrants are issued by the company itself as a way to raise capital.

a. Derivative notional and fair values

The following table summarizes the notional and fair values of the Plan's derivative positions.

	2023		
		Fair Value(2)	
($ millions)	Notional value(1)	Assets	Liabilities
Commodity derivatives			
Futures	$ 184	$ —	$ (2)
Swaps	588	—	—
Credit derivatives			
Credit default swap options	45,411	18	(12)
Credit default swaps(3)	30,475	216	(165)
Currency derivatives			
Forwards	51,247	927	(325)
Options	6,813	29	(34)
Swaps	12,134	435	(53)
Equity derivatives			
Futures	12,009	19	(1)
Options	21,354	1,355	(1,150)
Swaps	87,787	893	(808)
Warrants	256	8	—
Interest rate derivatives			
Futures	5,446	1	—
Options	41,428	11	(9)
Swaps	30,239	367	(409)
Swaptions	1,698	14	(9)
Total	**$ 347,069**	**$ 4,293**	**$ (2,977)**

(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 on 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) Includes the sale of credit protection, which HOOPP indirectly guarantees the underlying reference obligations. The notional amount of the credit protection sold is $12,077 million and the fair values of related assets and liabilities are $170 million and $90 million respectively. All of these contracts mature within 5 years.

		2022	
		Fair Value(2)	
($ millions)	Notional value(1)	Assets	Liabilities
Commodity derivatives			
Futures	$ 112	$ 1	$ (1)
Swaps	339	—	—
Credit derivatives			
Credit default swap options	46,287	31	(28)
Credit default swaps(3)	13,841	165	(253)
Currency derivatives			
Forwards	35,112	111	(550)
Options	2,324	38	(7)
Swaps	5,490	222	(116)
Equity derivatives			
Futures	13,454	19	(109)
Options	20,282	1,110	(636)
Swaps	69,170	488	(826)
Warrants	397	19	—
Interest rate derivatives			
Forwards	241	1	—
Futures	5,331	1	—
Options	26,160	7	(4)
Swaps	28,565	448	(187)
Swaptions	7,235	108	(11)
Total	$ 274,340	$ 2,769	$ (2,728)

(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 on 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) Includes the sale of credit protection, which HOOPP indirectly guarantees the underlying reference obligations. The notional amount of the credit protection sold is $8,999 million and the fair values of related assets and liabilities are $53 million and $187 million respectively. All of these contracts mature within 5 years.

b. Derivative notional values by term to maturity

The following table summarizes the notional values for the Plan's derivative positions by term to maturity.

2023				
($ millions)	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Commodity derivatives				
Futures	$ 184	$ —	$ —	$ **184**
Swaps	588	—	—	**588**
Credit derivatives				
Credit default swap options	45,411	—	—	**45,411**
Credit default swaps	1,153	28,898	424	**30,475**
Currency derivatives				
Forwards	51,247	—	—	**51,247**
Options	5,453	1,294	66	**6,813**
Swaps	1,247	9,666	1,221	**12,134**
Equity derivatives				
Futures	12,009	—	—	**12,009**
Options	11,267	9,371	716	**21,354**
Swaps	63,864	21,090	2,833	**87,787**
Warrants	23	224	9	**256**
Interest rate derivatives				
Futures	1,259	4,187	—	**5,446**
Options	40,439	989	—	**41,428**
Swaps	4,926	22,661	2,652	**30,239**
Swaptions	1,278	320	100	**1,698**
Total	**$ 240,348**	**$ 98,700**	**$ 8,021**	**$ 347,069**

2022				
($ millions)	Within 1 Year	1 to 5 Years	Over 5 Years	Total
Commodity derivatives				
Futures	$ 112	$ —	$ —	$ 112
Swaps	339	—	—	339
Credit derivatives				
Credit default swap options	46,287	—	—	46,287
Credit default swaps	374	13,128	339	13,841
Currency derivatives				
Forwards	35,111	1	—	35,112
Options	598	1,659	67	2,324
Swaps	254	3,997	1,239	5,490
Equity derivatives				
Futures	13,454	—	—	13,454
Options	10,017	6,591	3,674	20,282
Swaps	49,538	17,276	2,356	69,170
Warrants	32	314	51	397
Interest rate derivatives				
Forwards	241	—	—	241
Futures	4,440	891	—	5,331
Options	24,805	1,355	—	26,160
Swaps	13,747	13,103	1,715	28,565
Swaptions	4,117	2,122	996	7,235
Total	$ 203,466	$ 60,437	$ 10,437	$ 274,340

Note 4 – NET INVESTMENT INCOME

Net investment income based on investment assets and investment liabilities

The Plan's net investment income for the years ended December 31, presented by investment assets and investment liabilities, is as follows:

	2023					
($ millions)	Net Interest and Dividend Income(1)	Net Gain (Loss) on Investments (2)(3)	Investment Income(4)	Management Fees	Transaction Costs	Net Investment Income
Cash and pending trades	$ (513)	$ 319	**$ (194)**	$ —	$ —	**$ (194)**
Net repurchase agreements	(944)	437	**(507)**	—	—	**(507)**
Fixed income						
Short-term securities	218	2	**220**	—	—	**220**
Bonds						
Canadian	2,370	1,474	**3,844**	—	—	**3,844**
Non-Canadian	693	316	**1,009**	—	—	**1,009**
Commercial loans						
Non-Canadian	61	19	**80**	—	—	**80**
	3,342	1,811	**5,153**	—	—	**5,153**
Equities						
Public equities						
Canadian	62	(763)	**(701)**	—	(2)	**(703)**
Non-Canadian	152	538	**690**	—	(13)	**677**
Private equities						
Canadian	24	192	**216**	(2)	(1)	**213**
Non-Canadian	234	1,904	**2,138**	(197)	(1)	**1,940**
	472	1,871	**2,343**	(199)	(17)	**2,127**
Real assets						
Real estate	571	(1,458)	**(887)**	(53)	—	**(940)**
Infrastructure	70	297	**367**	(21)	—	**346**
	641	(1,161)	**(520)**	(74)	—	**(594)**
Commodities	—	6	**6**	—	—	**6**
Alternative investments	—	375	**375**	(55)	—	**320**
Derivative instruments	—	3,323	**3,323**	—	(9)	**3,314**
Total	**$ 2,998**	**$ 6,981**	**$ 9,979**	**$ (328)**	**$ (26)**	**$ 9,625**

(1) Includes net operating income (loss) from investments in private equity, real estate and infrastructure.
(2) Includes net realized gains from investments of $8,564 million and change in unrealized losses from investments of $1,583 million.
(3) Includes gain (loss) from foreign exchange.
(4) Net of performance fees.

($ millions)	Net Interest and Dividend Income[1]	Net Gain (Loss) on Investments[2][3]	Investment Income[4]	Management Fees	Transaction Costs	Net Investment Income
	2022					
Cash and pending trades	$ (228)	$ (1,178)	$ (1,406)	$ —	$ —	$ (1,406)
Net repurchase agreements	(339)	(775)	(1,114)	—	—	(1,114)
Fixed income						
Short-term securities	106	(112)	(6)	—	—	(6)
Bonds						
Canadian	2,124	(10,563)	(8,439)	—	—	(8,439)
Non-Canadian	301	(171)	130	—	—	130
Commercial loans						
Non-Canadian	39	24	63	—	—	63
	2,570	(10,822)	(8,252)	—	—	(8,252)
Equities						
Public equities						
Canadian	86	555	641	—	(3)	638
Non-Canadian	255	(3,055)	(2,800)	—	(13)	(2,813)
Private equities						
Canadian	63	1,151	1,214	(2)	(1)	1,211
Non-Canadian	358	1,035	1,393	(133)	(1)	1,259
	762	(314)	448	(135)	(18)	295
Real assets						
Real estate	482	79	561	(18)	(7)	536
Infrastructure	62	481	543	(9)	(5)	529
	544	560	1,104	(27)	(12)	1,065
Alternative investments	—	361	361	(37)	—	324
Derivative instruments	—	(657)	(657)	—	(13)	(670)
Total	$ 3,309	$ (12,825)	$ (9,516)	$ (199)	$ (43)	$ (9,758)

(1) Includes net operating income (loss) from investments in private equity, real estate and infrastructure.
(2) Includes net realized gains from investments of $2,226 million and change in unrealized losses from investments of $15,051 million.
(3) Includes gain (loss) from foreign exchange.
(4) Net of performance fees.

Note 5 – TRANSFERS OF FINANCIAL ASSETS

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, whereby 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 that 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.

In most cases, when collateral is pledged, the counterparty has the right to re-pledge, loan or use it under repurchase agreements in the absence of default by the owner of the collateral.

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, whereby 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.

In most cases, when collateral is 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. On termination of the agreement, the Plan is obligated to return the collateral received to the owner. As at December 31, 2023, the fair value of total collateral rehypothecated by the Plan is $1,803 million (2022: $4,107 million).

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:

	2023		
($ millions)	Repurchase Agreements	Securities Lending/Borrowing and Other Transfers	Derivatives
Fair value/carrying amount of financial assets transferred out[1]	$ —	$ 30,089	$ —
Fair value/carrying amount of collateral pledged[2]	35,769	41,244	6,329
Fair value/carrying amount of financial assets received[3]	—	(14,911)	—
Fair value/carrying amount of collateral received[4]	(8,303)	(20,722)	(5,271)
Fair value/carrying amount of associated receivables (note 2)	6,058	—	4,293
Fair value/carrying amount of associated liabilities[5]	(33,184)	(34,277)	(2,977)
Net position	**$ 340**	**$ 1,423**	**$ 2,374**

(1) Includes securities lent, both directly and through a third party, of $20,700 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 $9,389 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 $3,925 million. The remaining amount represents securities that have not been derecognized from HOOPP's statements of financial position, as the risks and rewards remain with HOOPP.

(3) These securities have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with the counterparty.

(4) Includes cash collateral received of $19,110 million. The remaining amount represents securities that 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.

(5) Includes $94 million of accrued investment liabilities relating to investments sold short. Amounts for repurchase agreements and derivatives are presented in note 2.

	2022		
($ millions)	Repurchase Agreements	Securities Lending/Borrowing and Other Transfers	Derivatives
Fair value/carrying amount of financial assets transferred out[1]	$ —	$ 28,430	$ —
Fair value/carrying amount of collateral pledged[2]	30,487	46,613	4,362
Fair value/carrying amount of financial assets received[3]	—	(20,780)	—
Fair value/carrying amount of collateral received[4]	(8,208)	(17,656)	(2,112)
Fair value/carrying amount of associated receivables (note 2)	7,476	—	2,769
Fair value/carrying amount of associated liabilities[5]	(29,643)	(34,738)	(2,728)
Net position	$ 112	$ 1,869	$ 2,291

(1) Includes securities lent, both directly and through a third party, of $19,365 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 $9,065 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 $1,730 million. The remaining amount represents securities that have not been derecognized from HOOPP's statements of financial position, as the risks and rewards remain with HOOPP.

(3) These securities have not been recognized on HOOPP's statements of financial position as the risks and rewards remain with the counterparty.

(4) Includes cash collateral received of $12,252 million. The remaining amount represents securities that 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.

(5) Includes $74 million of accrued investment liabilities relating to investments sold short. Amounts for repurchase agreements and derivatives are presented in note 2.

Note 6 – RISK MANAGEMENT

HOOPP's 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 the Plan's net investments, which HOOPP manages and measures in concert. The risk that the imbalance between the net investments and pension obligations becomes a deficit is referred to as funding risk.

The Plan's investments 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 management, 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 investments 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 net investments 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 investments to the Plan's pension obligations, which helps determine appropriate investments and reduces funding risk;
- setting and managing to a minimum and a target expected 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 PBA, the ITA, the Plan's *Agreement and Declaration of Trust*, and the *Plan Text*.

The Board provides a framework for the investment of the Plan's investments through the following key documents, which collectively form HOOPP's policy framework, and which the Board reviews and approves at least annually:

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

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

The Board's ALM Committee oversees the management and investment of the Plan's investments 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 ALM 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.

The Board's Plan Committee (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 Plan Committee also monitors compliance with legislative and regulatory requirements and the Board's policies.

Funding Risk

The primary risk that HOOPP faces is funding risk - the risk that the Plan's net investment 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 investments or pension obligations, which may result in a mismatch between the Plan's net investments and its pension obligations. The most significant economic contributors to funding risk are as follows:

- 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 such as changes in member demographics.

As at December 31, 2023, the Plan had a surplus for financial statement purposes of $10,181 million (2022: $10,953 million) based on the difference between the fair value of net assets available for benefits and the pension obligations. On a regulatory filing basis at December 31, 2023, the Plan had a regulatory filing surplus of $15,161 million, compared to $16,129 million as at December 31, 2022 (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, relying on the results of various scenarios, 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 FSRA and is required to file a regulatory filing valuation periodically. It last filed a regulatory filing valuation for the year ended December 31, 2022. See note 12 for more information on HOOPP's regulatory filing valuation.

Financial Risk Management

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

- market risk (including interest rate risk, foreign currency risk and other price risk);
- credit risk; and
- 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.

i. 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 interest rate risk as a result of the policy decision to invest in interest rate 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.

	2023				
($ millions)	Within 1 Year(5)(6)	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Short-term securities	$ 2,813	$ —	$ —	$ —	$ **2,813**
Bonds(1)(2)	9,182	28,841	7,627	41,044	**86,694**
Commercial loans(3)	108	263	178	93	**642**
Preferred shares(4)	—	—	—	5	**5**
Exchange-traded funds(4)	—	289	—	260	**549**
Derivative instruments	14,988	(13,204)	(2,579)	9	**(786)**
Net repurchase agreements	(27,126)	—	—	—	**(27,126)**
Total	**$ (35)**	**$ 16,189**	**$ 5,226**	**$ 41,411**	**$ 62,791**

(1) Net of bonds sold short of $10,921 million.
(2) Includes accrued interest of $493 million.
(3) Includes accrued interest of $4 million.
(4) These financial instruments are interest rate sensitive and are classified as public equities in note 2.
(5) Excludes cash of $21 million.
(6) Excludes net cash collateral liabilities of $15,185 million.

	2022				
($ millions)	Within 1 Year(5)(6)	1 to 5 Years	5 to 10 Years	Over 10 Years	Total
Short-term securities	$ 3,260	$ —	$ —	$ —	$ 3,260
Bonds(1)(2)	12,572	22,599	11,997	37,783	84,951
Commercial loans(3)	110	166	288	27	591
Preferred shares(4)	—	—	—	4	4
Exchange-traded funds(4)	12	—	269	111	392
Derivative instruments	6,682	(14,610)	(1,470)	11	(9,387)
Net repurchase agreements	(22,167)	—	—	—	(22,167)
Total	$ 469	$ 8,155	$ 11,084	$ 37,936	$ 57,644

(1) Net of bonds sold short of $11,339 million.
(2) Includes accrued interest of $428 million.
(3) Includes accrued interest of $4 million.
(4) These financial instruments are interest rate sensitive and are classified as public equities in note 2.
(5) Excludes cash of $39 million.
(6) Excludes net cash collateral liabilities of $10,522 million.

Risk measurement

The Plan's interest rate sensitive portfolio is reviewed to ensure compliance to policy. The ALM Committee receives quarterly reports, which include interest rate exposure for the interest rate sensitive portfolio. As at December 31, 2023, a 1% increase in interest rates would have decreased the Plan's net assets available for benefits by $6,396 million (2022: $6,334 million); a 1% decrease in interest rates would have increased the Plan's net assets available for benefits by $7,836 million (2022: $7,787 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 rate 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 obligations. 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.

ii. 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 financial instruments are denominated in other currencies. The Plan's significant foreign currency exposure (including through derivatives) as at December 31 is presented below. The table also includes the Canadian dollar equivalent impact of a 5% increase/decrease in the applicable foreign exchange rate on the Plan's net assets available for benefits.

	2023			2022		
($ millions)	**Local Currency**	**Canadian Dollar Equivalent**	**Impact of +/- 5% Change**	**Local Currency**	**Canadian Dollar Equivalent**	**Impact of +/- 5% Change**
Japanese Yen	**(12,451)**	**$ (117)**	**$ (3) / 7**	(6,869)	$ (71)	$ (4) / 4
British Pounds	**(48)**	**(81)**	**(4) / 4**	(137)	(224)	(11) / 11
United States Dollars	**7,244**	**9,594**	**467 / (507)**	(397)	(538)	(27) / 27
Other[(1)]		**98**	**5 / (5)**		(58)	(2) / 2
Total		**$ 9,494**	**$ 465 / (501)**		$ (891)	$ (44) / 44

(1) Comprised of insignificant exposures to other foreign currencies not separately disclosed.

Risk measurement

The exposures to foreign currency are measured daily and reported monthly for compliance purposes. Each quarter, management provides the Board with reports and analysis, illustrating the impact on assets of foreign currency rate changes.

Risk management

While certain limited risk-taking activities are permitted, 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 generally require the Plan's foreign currency exposure to be hedged within a 15% (2022: 10%) tolerance of the Plan's net asset value. This is accomplished through the use of derivatives, which include foreign exchange forward contracts and cross-currency swaps.

iii. Other price risk

The Plan is also exposed to other price risk, which 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 foreign currency risk). HOOPP is exposed to other price risk, which includes primarily equity price risk through its investment in public equities and derivative instruments. HOOPP also invests in funds and securities linked to insurance contracts and is exposed to losses stemming from higher than expected insurance claims. The total fair value of these investments is $1,366 million (2022: $973 million).

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% increase/decrease in the equity markets benchmark price index on the Plan's net assets available for benefits.

		2023			
($ millions)		Effective Equity Exposure	% of Net Assets Available for Benefits	Benchmark	Impact of a 10% Increase/ (Decrease)
Canadian	$	6,068	5.4 %	S&P/TSX 60 Total Return Index	$ 610 / (603)
United States		9,140	8.1 %	S&P 500 Total Return Index	925 / (855)
International		14,187	12.6 %	Blend of International Indices[1]	1,432 / (1,416)
	$	**29,395**			**$2,967 / (2,874)**

(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), SPI 200 Index, MSCI EM Index, MSCI World Climate Paris Aligned, S&P Global Clean Energy Custom Index, Nasdaq Clean Edge Green Energy Custom Index.

		2022			
($ millions)		Effective Equity Exposure	% of Net Assets Available for Benefits	Benchmark	Impact of a 10% Increase/ (Decrease)
Canadian	$	5,220	5.0 %	S&P/TSX 60 Total Return Index	$ 523 / (522)
United States		8,545	8.2 %	S&P 500 Total Return Index	860 / (853)
International		14,481	14.0 %	Blend of International Indices[1]	1,450 / (1,433)
	$	28,246			$2,833 / (2,808)

(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), SPI 200 Index, MSCI EM Index, MSCI World Climate Paris Aligned, S&P Global Clean Energy Custom Index, Nasdaq Clean Edge Green Energy Custom Index.

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.

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 occurs regularly to ensure the weighting of the equity 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) defaults on a transaction, 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 lent/borrowed, 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:

	2023		2022	
($ millions)	Total Credit Exposure	% of Total	Total Credit Exposure	% of Total
Sovereign securities AAA[(1)]	**$ 24,988**	**20.5 %**	$ 26,046	21.1 %
Fixed income instruments				
AAA	**19,838**	**16.3 %**	17,366	14.1 %
AA	**32,582**	**26.9 %**	29,621	23.9 %
A	**8,544**	**7.0 %**	11,303	9.2 %
BBB	**2,187**	**1.8 %**	2,204	1.8 %
BB or below	**1,883**	**1.5 %**	2,059	1.7 %
Credit derivatives	**9,980**	**8.2 %**	20,549	16.7 %
Counterparty credit risk exposure				
Derivative instruments	**1,727**	**1.4 %**	940	0.8 %
Repurchase agreements	**698**	**0.6 %**	318	0.3 %
Securities lending program	**19,284**	**15.8 %**	12,820	10.4 %
Maximum credit risk exposure	**121,711**	**100.0 %**	123,226	100.0 %
Credit risk protection (credit derivatives)	**(16,977)**		(16,793)	
Collateral received	**(17,752)**		(10,849)	
Total	**$ 86,982**		$ 95,584	

(1) As at December 31, 2023, includes bonds issued or guaranteed by the governments of Canada, Germany, Australia and the United States (2022: Canada, Germany, Australia 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 overall exposure limits, single-name limits, and 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 ALM Committee and the Board. Investments in any one issuer are limited to 5% of the total net assets of the Plan.

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 has a long-term focus on credit risk; therefore, changes in the market value of securities due to fluctuations in credit spreads are not of primary concern.

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.

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.

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 for liquidity, factors such as market value, collateral pledged and received, securities purchased under resell agreements and securities sold under repurchase agreements, and securities lending and borrowing positions are considered. The potential margin call is based on the Plan's exposure to various derivatives and their potential daily market movement.

In addition, consideration is given to the Plan's financial liabilities, which include investment-related liabilities (note 2), accrued pension obligations (note 11), and contracts that give rise to commitments for future payments (notes 14 and 15).

Risk management

HOOPP manages liquidity risk by maintaining sufficient cash and cash equivalents, investing in highly liquid securities which can be easily converted to cash, and through the use of investment income and contributions received, to meet liquidity requirements. Highly liquid securities mainly consist of sovereign, supranational and provincial debt, as well as shares of corporations listed in major equity indices. These sources of funds are used to pay pension benefits, settle financial liabilities and pay for operating expenses.

The Plan's assets available for liquidity needs, as at December 31 are as follows:

($ millions)		2023		2022
Liquid securities	**$**	**89,657**	$	77,608
Less: net liquid securities transferred[(1)]		**(58,574)**		(50,177)
Securities available for liquidity needs	**$**	**31,083**	$	27,431

(1) Includes securities purchased under resell agreements and securities sold under repurchase agreements, securities lent and borrowed, and collateral pledged and received.

Interest Rate Benchmark Reform

Global regulators have prioritized the reform and replacement of benchmark interest rates such as USD LIBOR, GBP LIBOR, and other interbank offered rates (IBORs). As a result, public authorities and other market participants are selecting new benchmark interest rates in key currencies with the objective that these rates will be based on liquid underlying market transactions. The publication for the overnight and 12-month US dollar LIBOR settings ceased immediately after June 30, 2023. On May 16, 2022, Refinitiv Benchmark Services (UK) Ltd, the administrator of the Canadian Dollar Offered Rate (CDOR), announced that it will cease the calculation and publication of all tenors of CDOR after June 28, 2024.

Risk measurement

HOOPP established an enterprise-wide transition program to assess the impact of interest rate benchmark reform on its investment portfolio, operational processes, and internal controls, and to execute the transition to alternate reference rates. As at December 31, 2023, HOOPP was evaluating the investment contracts that reference an IBOR tenor and mature after the expected cessation of that IBOR. As a result, HOOPP continues to be exposed to interest rate risk, albeit the investment contracts will be indexed to different reference rates. Refer to the section above for a discussion on interest rate risk.

Risk management

As at December 31, 2023, the Plan did not hold any financial instruments that reference LIBOR tenors. As at December 31, 2022, the Plan held non-derivative financial assets and liabilities with a fair value of $670 million and $72 million respectively, and derivatives with a total notional value of $11,034 million referencing LIBOR tenors that ceased after June 30, 2023. As at December 31, 2023, the Plan held non-derivative financial assets and liabilities with a fair value of $1,341 million and $nil (2022: $2,603 million and $nil) respectively, and derivatives with a total notional value of $7,372 million (2022: $10,998 million) referencing CDOR that will cease after June 28, 2024. Management's assessment is that the impact of these transitions on the Plan's investments will not be significant. Management will continue to monitor benchmark rates in other jurisdictions as they evaluate benchmark reforms.

Note 7 – OTHER ASSETS

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

($ millions)	2023	2022
Refundable withholding tax on contributions	**$ 247**	$ 217
Fixed assets and intangible assets	**38**	38
Other	**7**	7
Total	**$ 292**	$ 262

Note 8 – CONTRIBUTIONS

Contributions received are reconciled annually, within one year, 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 any overpayments are refunded or credited towards future remittances.

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

($ millions)	2023	2022
Employers		
Current service contributions	**$ 1,795**	$ 1,553
Members		
Current service contributions	**1,424**	1,232
Past service contributions from members	**46**	32
Transfers from other plans	**132**	77
	1,602	1,341
Total	**$ 3,397**	$ 2,894

Note 9 – BENEFITS PAID

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

($ millions)	2023	2022
Retirement pension and bridge benefits	**$ 3,054**	$ 2,724
Death benefits	**207**	199
Disability benefits	**77**	75
Commuted value transfers	**233**	475
Transfers to other plans and refunds(1)	**72**	51
Total	**$ 3,643**	$ 3,524

(1) Includes refunds of $38 million (2022: $14 million).

Note 10 – OPERATING EXPENSES

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

($ millions)	2023	2022
Investment[1]		
Administration	**$ 272**	$ 224
Legal, actuarial and other professional fees[2]	**9**	10
Custodial	**4**	4
	285	238
Plan[1]		
Administration	**128**	109
Legal, actuarial and other professional fees[2]	**5**	5
	133	114
Total	**$ 418**	$ 352

(1) Based on an allocation of corporate expenses that includes direct and indirect expenses associated with Investment and Plan related activities. Costs are allocated using estimates of time associated with each activity.
(2) Includes amounts paid or payable to the auditors pertaining to statutory audit services of $1,371,000 (2022: $1,190,000), audit-related services of $717,000 (2022: $773,000) and non-audit services of $37,000 (2022: $135,000). Also includes amounts paid or payable to the actuary pertaining to actuarial services of $398,000 (2022: $444,000).

Note 11 – PENSION OBLIGATIONS

Pension Obligations

The pension obligations are based on management's assumptions and include a provision for 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. 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.

The Board approved changes to certain assumptions at each reporting date as set out in the table below.

To determine the pension obligations as at December 31, 2023 and December 31, 2022, the following economic assumptions were analyzed and reviewed by management and the Plan's actuarial advisor for reasonableness and approved by the Board for financial reporting purposes:

	2023[4]	2022[4]
Discount rate[1]	**5.65 %**	5.80 %
Rate of price inflation[2]	**2.00 %**	2.00 %
Real discount rate	**3.65 %**	3.80 %
Salary escalation rate[3]	**3.50 %**	3.50 %

(1) Net of allowance for investment and plan expenses of 0.40% (2022: 0.40%).
(2) Rate of price inflation of 2.6% for 2024, 2.1% for 2025 and 2.0% per annum thereafter (2022: 3.5% for 2023, 2.3% for 2024, 2.1% for 2025 and 2.0% per annum thereafter). Assumed inflation protection: 100% of CPI for all years of service, notwithstanding its discretionary nature (2022: 100% of CPI for all years of service, notwithstanding its discretionary nature).
(3) Rate of salary escalation of 3.50% per annum (2022: a two-tiered rate of 2.75% per annum for the first three years following the valuation date and 3.50% per annum thereafter).
(4) Net impact from changes to assumptions resulted in an actuarial loss of $2,893 million (2022: actuarial gain of $1,504 million).

Actuarial Methodology for Financial Reporting

For the determination of the actuarial present value of the pension obligations as at December 31, 2023, an actuarial valuation was conducted by Mercer (Canada) Limited. 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 management as at October 1, 2023 and members' pay data provided as at December 31, 2022, all of which were projected to December 31, 2023 using management's estimates of experience for the intervening periods. The pensionable earnings estimates were determined based on 2022 experience and estimate assumptions.

Using this method and data, the pension obligations (or going concern actuarial pension obligations) as at December 31, 2023, were $102,454 million (2022: $92,721 million).

Experience Gains and Losses

Experience gains and losses represent the change in the pension obligations due to the difference between actual economic and demographic experience and assumed economic and demographic experience. The Board has the discretion to provide ad hoc inflation protection for retirees and deferred retirees and the experience gains and losses after December 31, 2022 include discretionary ad hoc inflation increases granted by the Board after December 31, 2022 that differ from the ad hoc inflation increases assumed in the pension obligation at the prior year end.

The net experience loss for 2023 is $1,538 million (2022: loss of $50 million).

Plan Provisions

During 2022, the Board approved 100% of the 2022 CPI increase as an ad hoc increase effective April 1, 2023. The December 31, 2021 valuation did not assume that the Board would grant an ad hoc increase effective April 1, 2023. As at December 31, 2022, the additional impact to the pension obligations for this ad hoc inflation protection adjustment was $1,277 million.

During 2022, the Board also approved an amendment to the Plan provisions for eligible members active in the Plan on or after January 1, 2023, which increased the benefit formula accrual rate in respect of years up to the end of 2022. The additional impact for this improvement was an increase to the pension obligations of $2,346 million as of January 1, 2022.

Surplus

According to the Handbook, 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 for financial statement purposes on December 31, 2023, was $10,181 million (2022: $10,953 million).

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. The market values for the four preceding years are adjusted for contributions, benefit payments and operating expenses (for periods prior to 2020). They are also adjusted to include assumed investment return, which is based on long-term expected fund returns. The regulatory filing surplus on December 31, 2023, was $15,161 million (2022: $16,129 million).

The market value of net assets available for benefits is less than the smoothed value of net assets, resulting in a difference between the surplus for financial statement purposes and that for regulatory filing purposes of $4,980 million at December 31, 2023 (2022: $5,176 million).

Note 12 – REGULATORY FILING VALUATION

In accordance with the PBA and the ITA, 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. Mercer (Canada) Limited, prepared the last actuarial valuation for regulatory filing purposes, as at December 31, 2022, and a copy of that valuation was filed with FSRA and CRA. The effective date of the next required valuation is December 31, 2025.

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.

Mercer (Canada) Limited, in consultation with management, recommended the actuarial assumptions to be used for the regulatory filing valuation. The economic assumptions used for the December 31, 2022 regulatory filing valuation were as follows:

Economic Assumptions	Rates
Discount rate[1]	**5.80 %**
Rate of price inflation[2]	**2.00 %**
Real discount rate	**3.80 %**
Salary escalation rate[3]	**3.50 %**

(1) Net of allowance for investment and plan expenses of 0.40%.
(2) Rate of price inflation: 3.5% for 2023, 2.3% for 2024, 2.1% for 2025 and 2.0% per annum thereafter. Assumed inflation protection: 100% of CPI for all years of service, notwithstanding its discretionary nature.
(3) A two-tiered rate of 2.75% per annum for the first three years following the valuation date and 3.50% per annum thereafter is assumed.

The most recent regulatory filing valuation conducted as at December 31, 2022, disclosed a smoothed value of net assets of $108,850 million with accrued going concern pension obligations of $92,721 million, resulting in a going concern regulatory filing surplus of $16,129 million. In accordance with the PBA, the solvency deficiency as at December 31, 2022 was $nil.

Note 13 – RETIREMENT COMPENSATION ARRANGEMENT

Under the RCA, 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 ITA for an RPP. The net asset value available for RCA benefits as at December 31, 2023 was $461 million (2022: $362 million).

Note 14 – RELATED PARTY TRANSACTIONS

As at December 31, a wholly-owned subsidiary of the Plan held a significant ownership interest in a commercial office building. The Plan is also a tenant in this office building. The term of the lease is 15 years with two renewal options, each for 5 years. The lease payments are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The future minimum lease payments by year, and in aggregate, are as follows:

($ millions)		2023
2024	$	7
2025		7
2026		7
2027		7
2028		8
Thereafter		59
Total minimum lease payments	**$**	**95**

Note 15 – COMMITMENTS

As part of normal business operations, the Plan has committed to enter into investment and other transactions including funding of real estate, private equity, infrastructure and alternative investments and extending credit in the form of loans. For loan commitments, the maximum exposure to credit risk is the committed undrawn amount under the agreements. These commitments will be funded over the next several years in accordance with agreed-on terms and conditions. As at December 31, the Plan's commitments, excluding those commitments that are deemed insignificant to be disclosed, are as follows:

($ millions)		2023		2022
Funding commitments	**$**	**17,889**	$	18,655
Loan commitments		**123**		116
Total	**$**	**18,012**	$	18,771

Note 16 – CAPITAL

HOOPP defines its capital as the Plan's surplus or deficit. The objective of managing the Plan's capital is to ensure that the Plan is fully funded in order to meet the pension obligations over the long term. Refer to note 6 for further disclosure on HOOPP's 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 by the Plan are disclosed in note 3. The nature of any assets held as collateral is disclosed in note 5.

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, 2023, the amount recorded as a liability for claims under these arrangements was $nil (2022: $nil).

Contingencies

As at December 31, 2023, the Plan was involved in defending against certain claims, such as tax 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. 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.

Leadership at HOOPP

Leadership at HOOPP

Below you will find a list of HOOPP's Chairs, Board Trustees, Observers, Executives, Senior Management and Board advisors, as at December 31, 2023.

Board Members

Chairs

Dan Anderson, ONA-appointed Trustee

Board Vice-Chair

Chair, Governance Committee

Retired Director/Chief Negotiator, Ontario Nurses' Association (ONA)

Gerry Rocchi, OHA-appointed Trustee

Board Chair

Chair, HR & Compensation Committee

Trustees

Sandi Blancher, OPSEU-appointed Trustee

Vice Chair, OPSEU Hospital Professionals Division

Giselle Branget, OHA-appointed Trustee

Julie Cays, OHA-appointed Trustee

Jon Clark, SEIU-appointed Trustee

SEIU Healthcare

Anthony Dale, OHA-appointed Trustee

President & CEO, Ontario Hospital Association

Laura Dumoulin, OPSEU-appointed Trustee

OPSEU Local 675 Membership Secretary / Communications Chairman

Karli Farrow, OHA-appointed Trustee

President & CEO, Trillium Health Partners

Andrea Kay, ONA-appointed Trustee

Chief Executive Officer, Ontario Nurses' Association

Karim Mamdani, OHA-appointed Trustee

President & CEO, Ontario Shores Centre for Mental Health Sciences

William Moriarty, OHA-appointed Trustee

Chair, Asset-Liability Management Committee

Cam Nelson, SEIU-appointed Trustee

Sharon Richer, OCHU-CUPE-appointed Trustee

Chair, Plan Committee

Secretary-Treasurer, Ontario Council of Hospital Unions (OCHU)

Dave Verch, OCHU-CUPE-appointed Trustee

Vice President OCHU-CUPE

Nick Zelenczuk, OHA-appointed Trustee

Chair, Audit & Finance Committee

Observers

Kristof Barocz, Observer SEIU

Deputy Chief of Staff and Interim Director of Hospitals at SEIU Healthcare SEIU Local 1

Treena Hollingworth, Observer OCHU-CUPE

Vice President, OCHU-CUPE

Sara Labelle, Observer, OPSEU

OPSEU Regional Vice-President

Matthew Stout, Observer ONA

Advisor to the CEO Executive Lead Labour Relations, ONA

Board advisors

Mercer (Canada) Limited
Actuary

Pricewaterhouse Coopers LLP
External Auditor

Paul Litner, Osler, Hoskin & Harcourt LLP
Board Legal Counsel

Willis Towers Watson
Board Compensation Advisor

EY Canada
Board Climate Change Advisor

Executives

Jeff Wendling
President & Chief Executive Officer

Mary Abbott
Senior Vice President & General Counsel

Saskia Goedhart
Senior Vice President & Chief Risk Officer

Steven McCormick
Senior Vice President, Plan Operations

Elena Palumbo-Sergnese
Senior Vice President, Human Resources

Alpesh Sethia
Chief Technology Officer

Tim Shortill
Chief Operating Officer

Barbara Thomson
Senior Vice President, Finance & Chief Financial Officer

Michael Wissell
Chief Investment Officer

Senior Leadership

Corporate Operations & Strategy

Christopher Poulo
Vice President, Communications & Public Affairs

Jennifer Rook
Vice President, Strategy, Global Intelligence & Advocacy

Finance

Nancy Borges
Vice President, Investment Reporting, Data Governance & Valuation

Juliana Duray Kikuchi
Vice President, Finance Governance & Tax

Linda Halley
Vice President, Controller

Jeff Rabb
Vice President, Office of the CFO

Nan Samaroo
Vice President, Investment Operations

Human Resources

Nick D'Souza
Vice President, Total Rewards

Kristine Lalonde
Vice President, Talent Management

Alicia Yetman
Vice President, Human Resources

Information Technology & Facilities Services

Juan Jose Diz
Vice President, Pension Solutions Group

Nehal Gerges
Vice President, Project Management Office & Governance

Ryan Van Luttikhuisen
Vice President, Corporate Solutions Group

Stephen Tin Kin Wang
Vice President, Investment Solutions Group

Jennifer Williams
Vice President, Information Security

Investment Management

Stephen Anderson
Senior Managing Director, Equity Derivatives & Collateral Management

Shrirang Apte
Senior Managing Director & Head of Global Capital Markets

Scott Clausen
Vice President, Actuarial Services

Robert Goobie
Senior Managing Director, Collateral & Balance Sheet Management

Lori Hall-Kimm
Senior Managing Director & Head of Global Private Equity

Jacky Lee
Senior Managing Director, Total Portfolio

Lori Marchildon
Senior Manager Director, Liquid & Macro Credit

Drew McFadzean
Vice President, Office of the Chief Investment Officer

Adrian Mitchell
Senior Managing Director, Public Equities

Eric Plesman
Senior Managing Director & Head of Global Real Estate

Jennifer Shum
Senior Managing Director, Structured & Private Credit

Stephen Smith
Senior Managing Director & Head of Global Infrastructure

Ray Tanveer
Senior Managing Director, Interest Rates

Legal Services & Governance

Debbie Caruso
Associate General Counsel, Investments

Angela Waite
Associate General Counsel, Corporate & Privacy, Legal Services & Governance

Plan Operations

Rachel Arbour
Head of Plan Benefits, Design & Policy

Tabitha Chinniah
Vice President, Product & Service Experience

Victoria Sampson
Vice President, Member Services

Silvano Trinca
Vice President, Plan Operations

Diana Wintermans
Vice President, Plan Operations, Actuarial Services

Ivana Zanardo
Head of Plan Services

Risk & Internal Audit

Stephane Arvanitis
Deputy, Chief Risk Officer, Total Fund & Investment Risk

Stephen Choi
Vice President, Investment Risk Public, Capital & Private Markets

Abas Kanu
Vice President, HOOPP Compliance Officer

Helena Przybycien
Vice President, Enterprise & Operational Risk

Janine Ho Soong
Vice President, Internal Audit