

# Ontario Teachers' Finance Trust

Investor Presentation

March 2025



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Unless otherwise noted, all amounts stated herein are in Canadian dollars and are approximate, and all amounts are as at December 31, 2024 unless otherwise noted.

# Executive Summary

## **Ontario Teachers' is one of the largest public pension plans in North America**

- Fully funded status for a 12<sup>th</sup> year in a row
- History of strong performance since inception in 1990
- Highly rated plan (S&P: AAA, Moody's: Aa1, DBRS: AAA)

## **Strong plan sponsorship with available pension funding flexibility**

- Mandatory contributions from teachers that are matched by the Province of Ontario
- Jointly sponsored defined benefit plan with robust pension funding levers

## **Strategic focus to meet pension requirements through stable returns**

- Manage global investments to achieve positive risk adjusted returns
- Long-standing focus on climate change, corporate governance and sustainable investing

## **Ontario Teachers' has strong risk and governance practices**

- Ontario Teachers' is established by legislation
- The board acts independently from the Sponsors to establish strategy and oversee investment program

## **Debt guarantee with priority of payment**

- OTFT is an established global SSA issuer with outstanding benchmark bonds in USD, CAD, EUR and GBP
- OTFT's debt is fully guaranteed by Ontario Teachers'
- Creditors rank senior to pension liabilities upon wind up of the plan

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02. Investment Management
03. Sustainable Investing
04. Investment Funding Strategy
05. Concluding Remarks

# About Ontario Teachers'



One of the largest  
defined benefit  
public pension  
plans in North  
America



Operates as an  
independent  
organization from  
the Province of  
Ontario



Mandate to invest  
pension assets to  
help pay pensions  
and administer  
benefits



Creditors have  
priority over  
pension liabilities

# About Ontario Teachers'



**110%**

Funding Ratio

**9.3%**

total-fund net return  
since inception



Global investor

**80%+**

assets managed  
in-house

**343,000**

working members  
and pensioners

**\$266.3B**

in net assets  
as at December 31, 2024



**AAA**

S&P Global

**Aa1**

Moody's

**AAA**

DBRS



# About Ontario Teachers'

- Governed by Ontario legislation, plan participation is mandatory by Ontario public school teachers
- Fully funded defined benefit plan with benefits linked to Canadian inflation.
- Member contributions (11% of salary on average) matched by Government of Ontario (by law) for total of 22% of salary in contributions
- A funding valuation is required by law to be filed with the regulatory authorities every 3 years.
- As at January 1, 2025, the plan was fully funded for the twelfth straight year with a preliminary surplus of \$29.1 billion and a funding ratio of 110%.

## Our Mission

Deliver outstanding service and retirement security for our members

# An Independent Organization

## Plan Sponsors

Ontario Government



Ontario Teachers' Federation



## Ontario Teachers'

Board Members

Management

### Together

- Set contribution rate and benefit levels
- Address funding shortfalls or use of surplus
- Select the board Chair

### Individually

- Appoint independent board members (5 each)

### Board Members

- Articulate appetite for risk
- Oversee investment program and plan administration
- Set actuarial assumptions for funding valuation
- Inform Sponsors of plan's funded status, sustainability

### Management

- Day-to-day investment management & plan administration
- Develop and implement strategy, manage risk

## Independent and Robust Pension Funding Process

- Sponsors are required to contribute each year and cannot withdraw money
- Robust funding valuation process that is independent of the Sponsors



# Pension Funding Risk

## Funding Management Policy

- The Sponsors have put in place a formal Funding Management Policy to guide how surplus can be spent and deficits recouped
- Available pension funding levers:
  - Contribution rate increases
  - Conditional Inflation Protection (CIP)
- Over the next 15 years, the percentage of the plan's total liability that is subject to CIP will increase from 59% to 85%.

## Conditional Inflation Protection

- Powerful funding lever
- Effective lever for mitigating funding risks
- Promotes intergenerational equity

## CIP as a Stress Resistant

	2024	2034
Hypothetical plan deficit (C\$bn)	\$23B	\$33B
Decrease in level of CIP required to eliminate the hypothetical plan deficit	27%	18%
Asset loss capable of being absorbed by fully invoked CIP (C\$ bn)	\$59B	\$121B

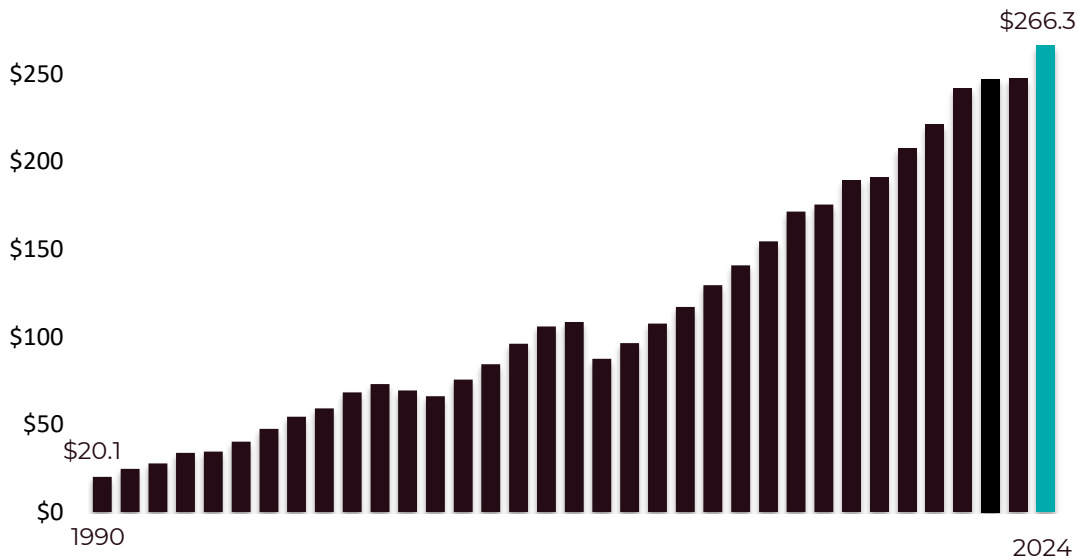
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# Investment Objectives

- Investment program is designed to meet the needs of the pension liabilities and help achieve stable returns over the long term
- Diversification through portfolio construction spreads risk across time horizons, asset classes, geographies, and sectors

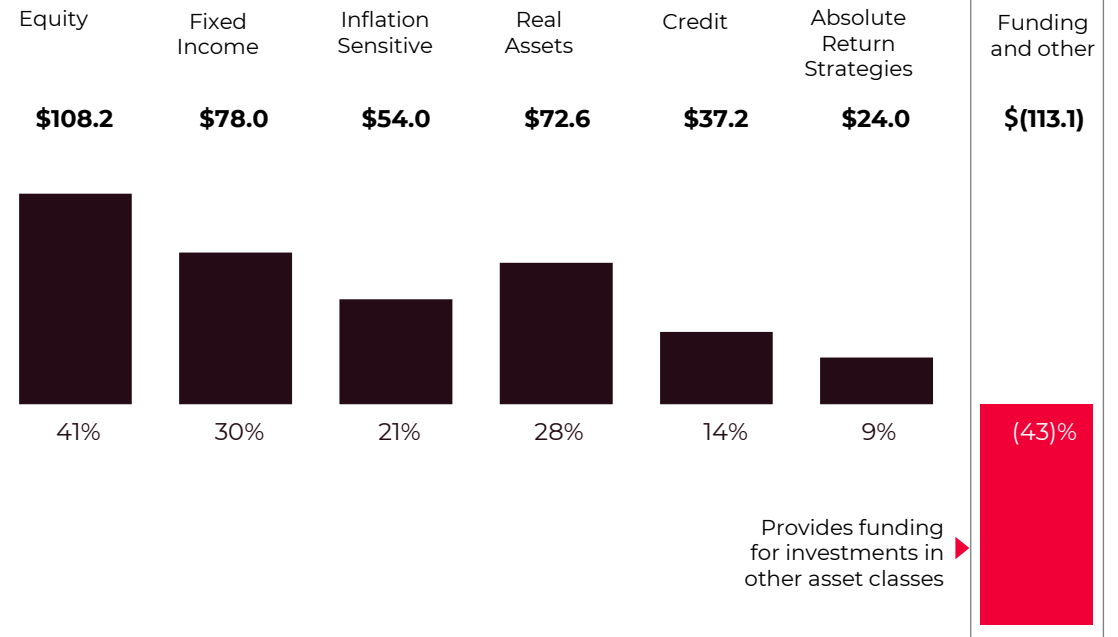
## Net Assets

As at December 31, 2024 (Canadian \$ billions)



## Net Investments by Asset Class

As at December 31, 2024 (Canadian \$ billions)



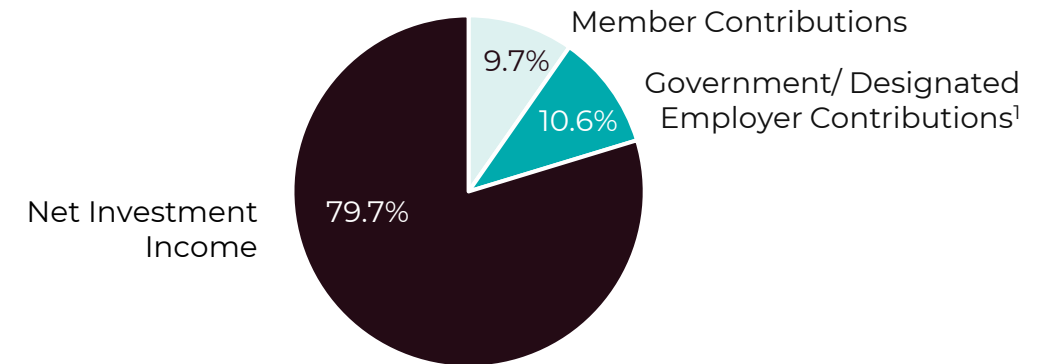
# Investment Performance

- Total-fund net return in 2024 was **9.4%** resulting from strong returns across public equity, inflation sensitive and credit asset classes.
- The plan continues to deliver strong long-term returns of **7.4%** over ten years and **9.3%** since inception in 1990 as at December 31, 2024.

As at December 31, 2024	2024	5-Year	10-Year	Since Inception
Total-Fund Net Return	9.4%	6.9%	7.4%	9.3%
Benchmark Return	12.9%	8.6%	7.7%	7.9%
Return Above (or Below) Benchmark	(3.5)%	(1.7)%	(0.4)%	1.3%

Numbers may not add up due to rounding.

## Pension Funding Source since 1990



<sup>1</sup> The additional 0.9% includes original plan deficit funding and contributions related to conditional inflation protection.

# Investment Management Risk

## Risk Governance

- Risk Appetite defined by board coupled with Enterprise Risk Framework
- Independent risk function reporting directly to CEO and board
- Risk Management is about having a strong culture of risk awareness and accountability throughout the organization
- Comprehensive board and management level policies, limits and reporting

## Risk Measurement

Risk is assessed and monitored regularly; some key risk dimensions include:

- **Market and Credit Risk** is measured and monitored daily using enterprise risk system and monitors the active and asset risk usage relative to budgets
- **Liquidity Risk** via Liquidity Coverage Ratio framework
- **Counterparty Credit Risk** is measured through internal scoring and a framework of potential future exposure

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# Sustainable Investing

We believe that sustainable investing can support the creation of long-term, sustainable value creation or value protection and contributes to higher risk-adjusted returns to help pay pensions

**Our climate strategy aims to invest in areas that benefit from and help to accelerate the broad transition to a low-carbon future**



## Decarbonizing our portfolio companies

In 2021, we set a target to align the portfolio companies in which we have significant stakes (minority or control) with a credible plan for net-zero emissions by 2050, known as our Paris Aligned Reduction Target (PART) program.



## Issuing green bonds

We issue green bonds to fund investments in eligible green assets with measurable impacts that support the transition to a sustainable future. We define eligible green assets as investments in businesses that align with our Green Investment Principles and the International Capital Market Association (ICMA) Green Bond Principles.



## Increasing green investments

To increase our capacity to deploy capital into companies that enable the net-zero transition, we aim to increase our green investments to reduce GHG emissions<sup>1</sup>. This helps us take advantage of attractive investment opportunities while at the same time reducing GHG emissions.

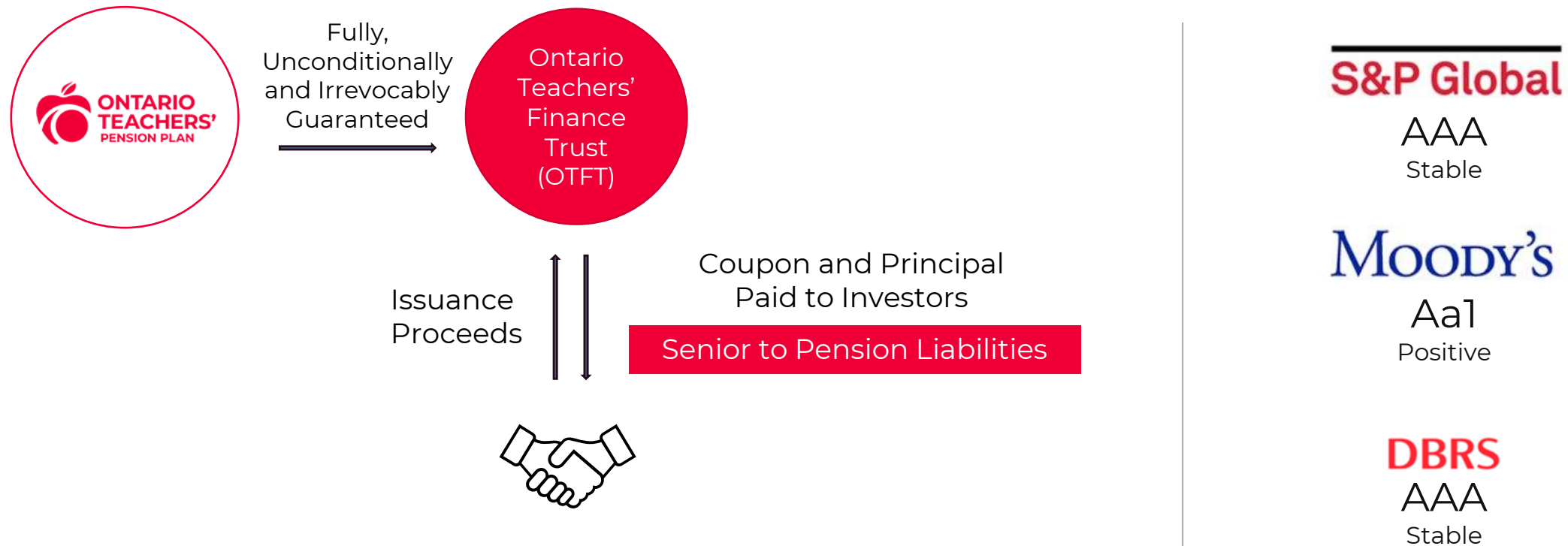
Achieved a  
**49%**  
reduction in our portfolio carbon emissions intensity since 2019, **reaching our target<sup>2</sup> a full year early**, as part of our goal to achieve net zero by 2050.

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# Ontario Teachers' Finance Trust (OTFT)

Debt issued by OTFT is fully, unconditionally and irrevocably guaranteed by Ontario Teachers'



## Creditor Priority – Schedule 1 to the Teachers' Pension Act (Ontario)

**Section 118a** - "If the pension plan is wound up within the meaning of the *Pension Benefits Act*, the assets of the pension fund shall first be used to pay or satisfy properly incurred liabilities to creditors, following which the remaining assets of the pension fund shall be used to pay or satisfy the accrued benefit entitlements of members..."

# Investment Funding Strategy

Leverage is used to achieve desired overall risk-return profile for the investment program and manage total fund liquidity

## A strategic focus on funding serves to:

- Manage the maturity profile
- Diversify across funding sources
- Reduce the overall cost of funding
- Manage the overall currency exposure

## Term Debt Program Highlights

Outstanding <sup>1</sup>	C\$28.5 billion
Credit Ratings (S&P, Moody's, DBRS)	AAA, Aa1, AAA
Issuance Currency	USD, CAD, EUR, GBP

<sup>1</sup> Market Value as at December 31, 2024

## Commercial Paper Program Highlights

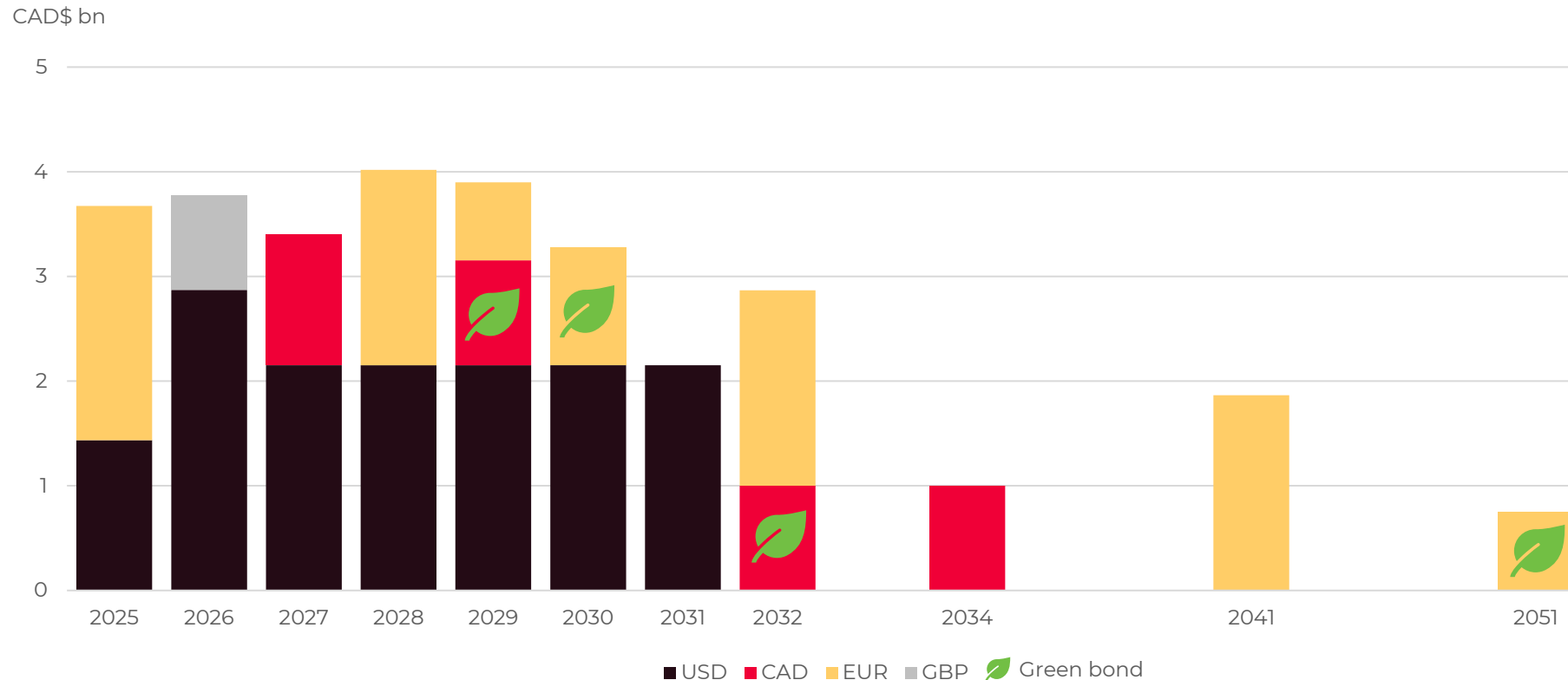
Outstanding <sup>1</sup>	C\$2.8 billion
Credit Ratings (S&P, Moody's, DBRS)	A-1+/P-1/R-1 (High)
Issuance Currency	USD, CAD

<sup>1</sup> Market Value as at December 31, 2024

# OTFT Term Debt Issuances

- OTFT is an established global SSA issuer with outstanding issuances in USD, CAD, EUR & GBP
- Frequent issuer of benchmark sized notes since program inception in 2017
- Green Bond issuer since 2020, with a refreshed Green Bond Framework in 2023 that is rated Dark Green by S&P Global

**Outstanding OTFT Issuances by Maturity (CAD\$ equivalent notional)**

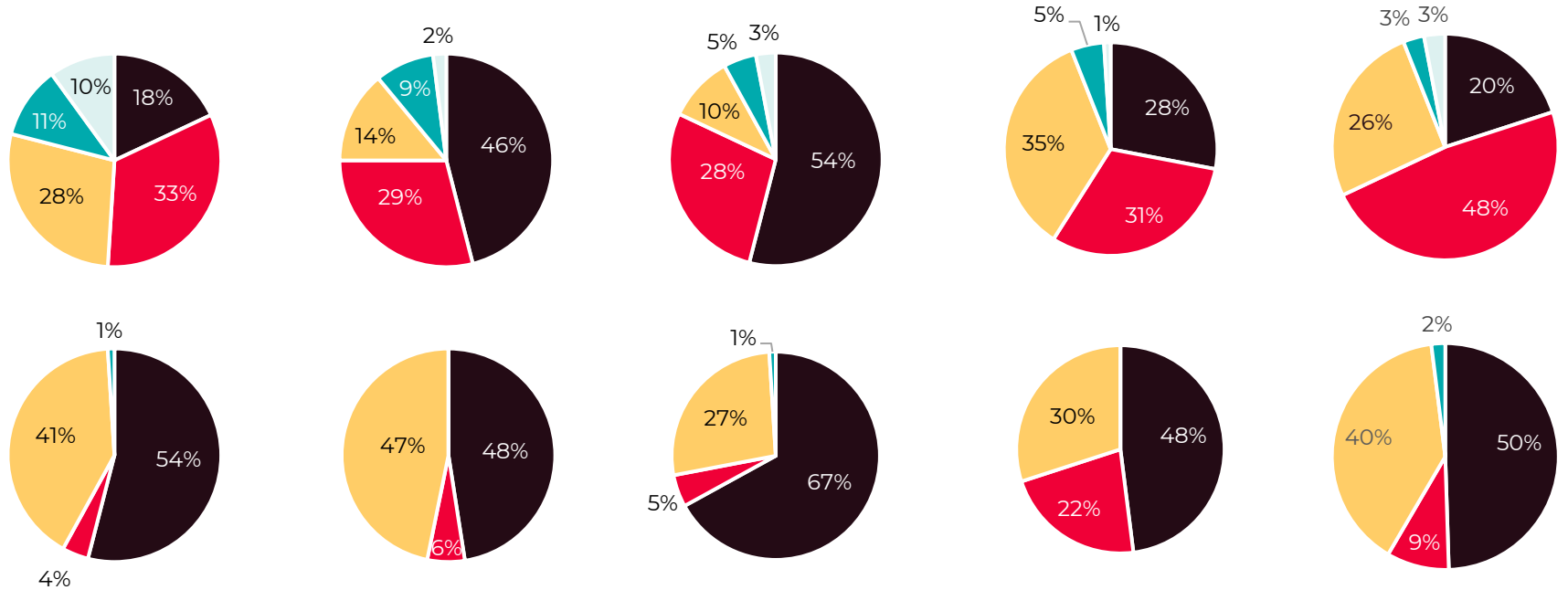


# OTFT Outstanding Term Debt – USD

	US\$1 billion	US\$1.5 billion	US\$1.5 billion	US\$2.0 billion	US\$1.5 billion
Coupon and Maturity	1.375% due 15Apr25	1.25% due 27Sep30	2% due 16Apr31	0.875% due 21Sep26	3.000% due 13Apr27
Rating	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA
Issue Date	April 2020	September 2020	April 2021	September 2021	April 2022
Issue Spread	MS+80bps	MS+62bps	MS+40bps	MS+10bps	MS+55bps
Bookrunners	BAML, Citi, HSBC, Scotiabank	Barclays, JP Morgan, RBC, TD	BMO, HSBC, JP Morgan, RBC	BAML, CIBC, Citi, RBC	BMO, Citi, JP Morgan, RBC

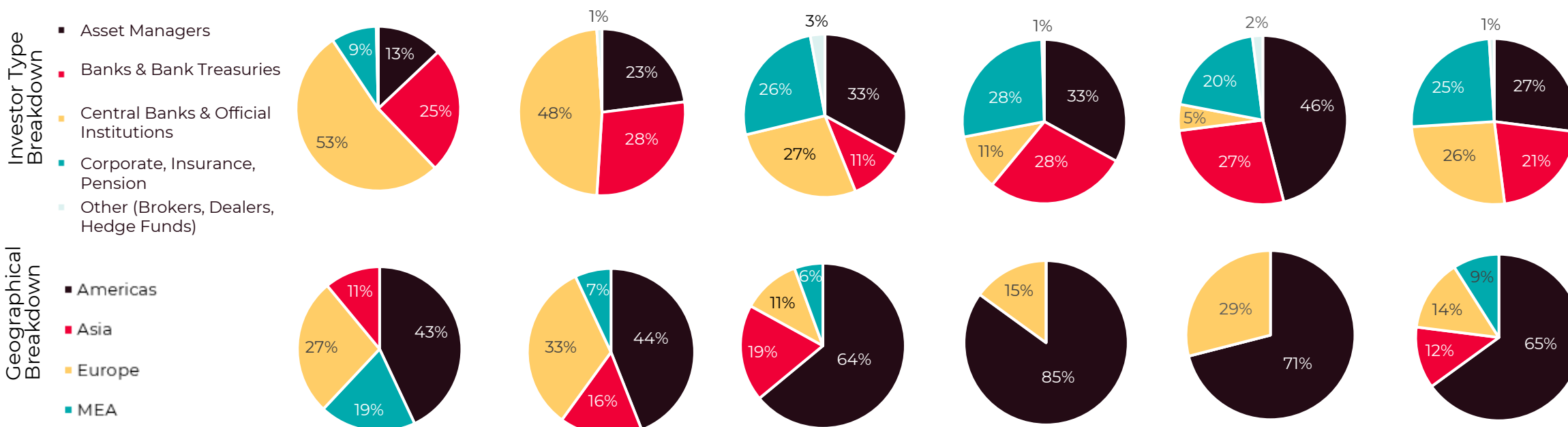
- Investor Type Breakdown**
- Asset Managers
  - Banks & Bank Treasuries
  - Central Banks & Official Institutions
  - Corporate, Insurance, Pension
  - Other (Brokers, Dealers, Hedge Funds)

- Geographical Breakdown**
- Americas
  - Asia
  - Europe
  - MEA



# OTFT Outstanding Term Debt – USD and CAD

	USD\$1.5 billion	USD\$1.5 billion	CAD\$1.25 billion	CAD\$1.0 billion Green Bond	CAD\$1.0 billion Green Bond	CAD\$1.0 billion
Coupon and Maturity	4.25% due 25Apr28	4.625% due 10Apr29	1.1% due 19Oct27	4.450% due 02Jun32	4.15% due 01Nov29	4.30% due 02Jun34
Rating	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA
Issue Date	April 2023	April 2024	October 2020	November 2022	February 2023	June 2024
Issue Spread	MS+78bps	MS+61bps	GoC+75bps	GoC+100bps	GoC+80bps	GoC+81.5bps
Bookrunners	BAML, Citi, National Bank of Canada, RBC	BNP, JP Morgan, National Bank of Canada, TD	BMO, CIBC, RBC, Scotiabank, TD	BMO, CIBC, National, RBC, TD	BMO, CIBC, Desjardins, RBC, TD	BMO, CIBC, RBC, Scotiabank, TD

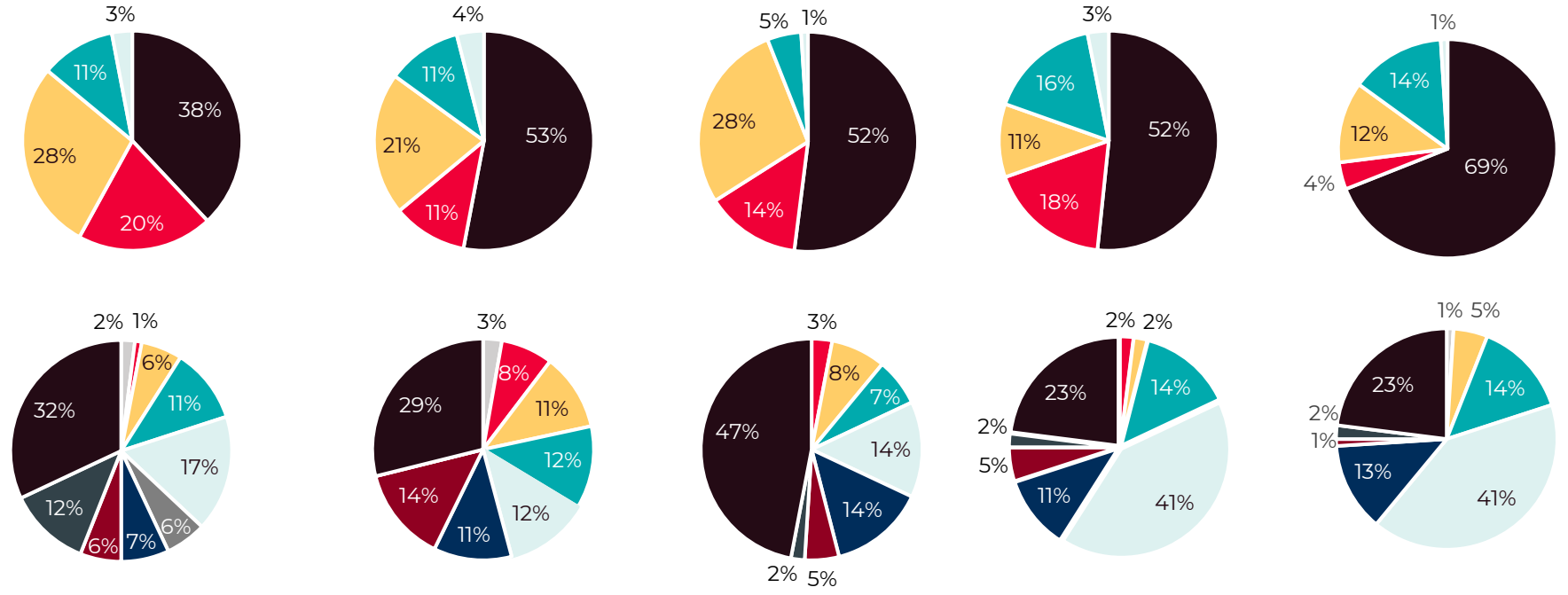


# OTFT Outstanding Term Debt – EUR

	EU€1.5 billion	EU€750 million Green Bond	EU€1.25 billion	EU€1.25 billion	EU€500 million Green Bond
Coupon and Maturity	0.5% due 06May25	0.05% due 25Nov30	0.1% due 19May28	0.9% due 20May41	0.95% due 24Nov51
Rating	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA
Issue Date	May 2020	November 2020	May 2021		November 2021
Issue Spread	MS+78bps	MS+34bps	MS+18bps	MS+38bps	MS+65bps
Bookrunners	BAML, Barclays, BNP, JP Morgan	BNP, Citi, Credit Agricole, HSBC	BAML, Barclays, GS, JP Morgan		BNP, HSBC, JP Morgan, TD

- Investor Type Breakdown**
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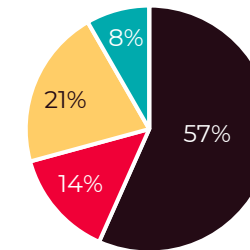
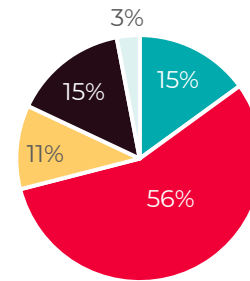
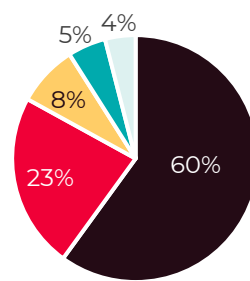
- Geographical Breakdown**
- Americas
  - Benelux
  - Germany
  - Nordics
  - Switzerland
  - UK
  - Asia
  - France
  - MEA
  - Other Europe



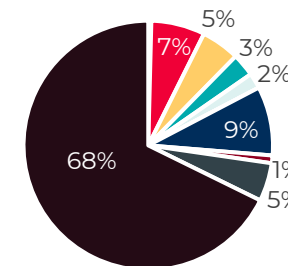
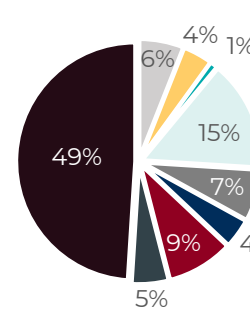
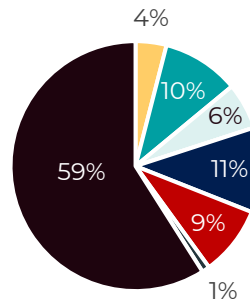
# OTFT Outstanding Term Debt – EUR and GBP

	EU€1.25 billion	EU€500 million	GB£500 million
Coupon and Maturity	1.85% due 03May32	3.30% due 05Oct29	1.125 due 15May26
Rating	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA
Issue Date	April 2022	October 2022	October 2021
Issue Spread	MS+32bps	MS+32bps	Gilt+43bps
Bookrunners	BAML, Barclays, BNP, TD	BNP, Credit Agricole, JP Morgan, TD	Barclays, HSBC, RBC, TD

- Investor Type Breakdown**
- Asset Managers
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- Geographical Breakdown**
- Americas
  - Benelux
  - Germany
  - Nordics
  - Switzerland
  - UK
  - Asia
  - France
  - MEA
  - Other Europe



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# Concluding Remarks

## **Ontario Teachers' is one of the largest public pension plans in North America**

- Solid positioning relative to pension liabilities - funding ratio of 110% as at January 1, 2025; fully funded for the 12<sup>th</sup> year in a row
- Robust pension funding levers, including a flexible inflation protection mechanism
- Strong long-term performance (10-year and since inception annualized total-fund net return of 7.4% and 9.3% respectively<sup>1</sup>)
- Highly rated plan (S&P: AAA/Stable, Moody's: Aa1/Positive, DBRS: AAA/Stable)

## **Independence from the Province of Ontario**

- Funding valuation and investment process cannot be influenced by the Sponsors

## **Strong Risk/Governance Culture**

- Independent sophisticated board with extensive industry experience
- Embedded risk culture throughout the organization

## **Responsible Investor**

- Have set industry-leading targets and practices for sustainable investing and climate change

## **OTFT Debt Fully, Unconditionally and Irrevocably Guaranteed**

- Financial liabilities take priority to pension liabilities

# Thank you

**Contact:**

For more information, please send an email to:

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[www.otpp.com](http://www.otpp.com)

