

# Ontario Teachers' Pension Plan Board

June 5, 2025

This report does not constitute a rating action.

## Outlook

Ontario Teachers' Pension Plan (OTPP; AAA/Stable/A-1+) is Canada's largest single-profession pension plan. OTPP invests its assets on behalf of its two sponsors: the Province of Ontario and Ontario Teachers' Federation (OTF). The stable outlook reflects our expectation that OTPP will continue to realize medium-term investment returns higher than its discount rate, and that it will preserve its strong net asset holdings over the next two years. Furthermore, we expect OTPP will maintain its independence, strong financial management, and risk management systems. We do not expect any change in the relationship or level of support between OTPP and its sponsors, the province and OTF.

## Downside scenario

We could lower our ratings if OTPP realizes sustained investment returns below its discount rate, which could lead us to reassess whether its investment strategies are achievable. We could also take a negative rating action if we saw a material increase in risk appetite or erosion in the performance of risk management systems. This could include large investment losses, an increase in total liabilities relative to total assets exceeding 40%, a marked decrease in liquid unencumbered assets relative to liabilities, or a sharp erosion of funded status. In addition, because we cap the ratings on OTPP at one rating category (three notches) above those on its sponsor, a downgrade on the province would lead to a similar action on the fund. As well, we could equalize the ratings on the fund with those on Ontario if we saw evidence of increased provincial involvement (causing us to revise OTPP's link with the province to very strong) or negative provincial interference. We consider these scenarios unlikely during our two-year outlook horizon.

## Rationale

The ratings on OTPP reflect the fund's stand-alone credit profile (SACP), which S&P Global Ratings assesses at 'aaa'. The SACP reflects our assessment of the fund's independence from its sponsors, its strong financial and operating performance with a diversified portfolio, and strong fund management that includes a well-established and comprehensive enterprise risk management framework and robust investment strategies. We expect the fund will remain resilient to the ongoing macroeconomic uncertainty including international tariffs, that are in

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turn leading to slower economic growth globally. For information on our updated forecasts due to tariffs' implementation and potential macroeconomic effects on the Canadian economy, see ["Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth,"](#) published May 1, 2025; and ["Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief,"](#) published May 15, 2025, on RatingsDirect.

The ratings also reflect our opinion of a moderate likelihood that the province would provide extraordinary support in the event of financial distress. That said, we limit pension fund ratings to one full rating category (three notches) above those on their sponsors. As a result, the upgrade of the Province of Ontario (AA-/Stable/A-1+) in December 2024 led to a similar action for OTPP.

OTPP, Canada's largest single-profession pension plan, has C\$266.3 billion in net assets as of Dec. 31, 2024, which it invests on behalf of its two sponsors: the province and OTF. In addition to managing the assets of the OTPP, the fund manages its liabilities, administers the pension plan, and pays benefits. Since its establishment in 1990, OTPP has generated strong returns for its members (9.3% net annualized return since inception to Dec. 31, 2024) and developed into a sophisticated long-term global investor. The fund's increasing size has benefited from strong management, which has built out OTPP's investment capabilities as well as the fund's risk management in tandem with the increasing size and complexity of its assets.

In our view, OTPP is independent of the Ontario government. The fund was established as a nonshare capital corporation and has legal ownership of fund assets. Its independent board appoints senior management. The fund alone establishes policies for investments, asset allocation, and risk management; and develops and executes its own investment strategies. Independent actuaries effectively determine funding requirements and actuarial assumptions.

OTPP is a strong organization, with an experienced and skilled management team, in our view. Its independent management maintains a clear set of operating and funding principles and has designed an organizational structure that we believe is well aligned with the fund's performance goals. The fund experienced several organizational changes over the past 24 months, which we do not expect will lead to any material shifts in its strategic direction. The changes include the appointment of a new chief financial officer, a newly appointed role of chief strategy officer, implementation of a co-chief investment officer model, and the restructuring of the real estate division to create an in-house team dedicated to global real estate investing and portfolio management. Cadillac Fairview, the fund's Canadian real estate subsidiary, continues to focus on growth and diversification of the real estate portfolio in Canada. We believe Ontario Teachers' Cadillac Fairview Properties Trust's assets are well aligned with the fund's investment strategy and will remain an important strategy over the medium term. Our view also reflects OTPPB's moderate likelihood of providing extraordinary support to the subsidiary in financial distress.

OTPP's investment strategies are consistent with the fund's expertise and funding needs, and management has a long track record of exceeding performance benchmarks. We believe internal controls are very robust, and include codes of conduct, segregation of duties, and a pre-trade clearance process, among many other safeguards. The enterprise risk framework is very strong, in our opinion, and includes several risk committees and a chief risk officer. Moreover, the fund's risk management practices are consistently evolving in line with OTPP's growth, investment activities, and complexity. We believe OTPP management continues to demonstrate strong operational effectiveness and risk management.

We view the fund's medium-term operating and financial performances as strong, with a 10-year net return of 7.4%. The fund's performance bounced back in 2024 with a robust net return of

9.4%, compared with 1.9% in 2023. The fund generated positive results across all asset classes, except real estate, which continued to post losses for a third consecutive year with a reported loss of 0.7% in 2024, albeit lower than in the previous year, a theme common among other pension funds as well. This underperformance for the asset class relative to the benchmark return of 5% is primarily due to concentration in sectors with weaker relative performance, particularly office. On the other hand, the best performing asset classes were equities with a 16.7% return, credit at 17.2%, and inflation-sensitive at 18.6%. We view OTPP's investment portfolio as well diversified by asset class and geographically. However, net returns continued to underperform the benchmark rate of 12.9%. The fund is mature and made net payments of \$3.9 billion in 2024; however, owing to investment returns, net assets continued to increase. Total liabilities (excluding accrued pension benefits) as a percent of total assets decreased slightly to about 19% in 2024, from 20% in the previous year. OTPP remains fully funded in 2024, while maintaining a conservative discount rate of 4.7%. Along with other pension funds, OTPP faces difficult economic and demographic trends. Life expectancy has risen in the past decade, increasing the net present value of benefit obligations. The ratio of active-to-retired members is 1.2 to 1.

In accordance with our government-related entity criteria, we view the likelihood of the fund receiving extraordinary government support as moderate, reflecting our assessment of the strong link with the province and limited importance for the province. The government's joint stewardship of the fund and the provisions under the fund's enabling statute demonstrate a strong link with the province. We believe OTPP's role is of limited importance to the government because it is a not-for-profit entity that could be replaced by another one without compromising the government's relationship with teachers, in our opinion. In addition, the fund's mandate is to provide pensions to a single profession and is one of many pension plans receiving money from the government.

We continue to rate OTPP above the province, based on our belief that the fund's SACP is stronger than that of the province. We believe the government's willingness and ability to impair OTPP's creditworthiness in periods of stress is limited. Moreover, we believe the fund could effectively mitigate negative government intervention through its independence, effective governance structure, and legal ownership of fund assets. In addition, we believe OTPP's significant financial assets would be sufficient to allow the fund to meet its benefit obligations and debt service payments during periods of stress, including a default by the province.

Because OTPP unconditionally and irrevocably guarantees Ontario Teachers' Finance Trust's senior unsecured debt and commercial paper (CP) programs, we equalize the ratings on the debt and the programs with those on OTPP. In 2024, OTPP had about C\$2.8 billion in CP and C\$28.5 billion in term debt outstanding.

We apply a ratings to principles approach, using our "Principles Of Credit Ratings" in conjunction with "USPF Criteria: Public Pension Funds" and "Rating Government-Related Entities: Methodology And Assumptions" as our criteria foundation for our analysis of OTPP's creditworthiness. We believe there is sufficient similarity between U.S. and Canadian pension systems such that the U.S. pension fund criteria are an appropriate methodology for evaluating Canadian public pension funds' credit quality. We also use our "Methodology For Linking Long-Term And Short-Term Ratings" criteria as a basis to provide short-term ratings on the fund.

## Liquidity

OTPP benefits from robust liquidity, in our opinion. It has a policy of maintaining a portfolio of highly liquid assets, including Canadian and U.S. government bonds. It tracks its liquidity

position daily and monitors liquidity via coverage ratios and stress testing. The fund held C\$81.5 billion in level 1 fixed income assets and C\$14.3 billion in level 1 equity at the end of 2024. According to OTPP's calculations, it held C\$64.3 billion of available liquid assets to support fund liquidity as of Dec. 31, 2024. This well exceeds the total guaranteed debt outstanding of C\$31.3 billion at year-end 2024.

## Key Statistics

### Ontario Teachers' Pension Plan Board -- Selected Ratios

	2024	2023	2022	2021	2020
UAAL (mil. C\$)*	53,173	36,120	41,038	(15,900)	(36,089)
UAAL ratio (%)*	124.9	117.1	119.9	93.8	86.0
Return on net investments (%)	9.7	2.3	4.3	11.3	8.8
Return on assets (%)	6.1	0.1	7.3	7.3	5.2
Return on net assets (%)	7.6	0.1	2.3	9.2	6.7
Total margin (%)	67.4	3.1	41.2	72.5	65.1
Pension benefit expense delivery efficiency (%)	89.4	89.4	89.2	89.4	90.4
Pension benefit expense (% of Ontario's adjusted operating revenues)	1.0	0.8	0.9	1.1	1.0
UAAL* (% of sponsor's budget)§	24.6	17.9	21.4	(10.4)	(23.9)
UAAL* per capita (C\$)§	3,298	2,314	2,710	(1,065)	(2,433)
Benefit contributions (% of total revenues)	15.3	37.7	24.5	12.0	15.2
Ontario's contributions (% of total revenues)§	7.6	18.5	12.2	5.9	7.5

\*Based on S&P Global Ratings' calculations. §Based on Ontario forecast for 2024. UAAL--Unfunded actuarial accrued liability.

## Related Criteria

- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Guarantee Criteria](#), Oct. 21, 2016
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [Criteria | Governments | U.S. Public Finance: Public Pension Funds](#), June 27, 2007

## Related Research

- [Global Credit Conditions Special Update: U.S.-China Tariff De-Escalation Brings Some Temporary Relief](#), May 15, 2025
- [Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth](#), May 1, 2025

Ontario Teachers' Pension Plan Board

- [Ratings On Three Ontario Pension Funds Raised To 'AAA' From 'AA+' Following Province Of Ontario Upgrade](#), Dec. 4, 2024
- [Province of Ontario Upgraded To 'AA-' From 'A+' On Solid Foundation; Outlook Stable](#), Dec. 3, 2024
- [S&P Global Ratings Definitions](#), Dec. 2, 2024

Ratings Detail (as of June 05, 2025)\*

Ontario Teachers' Pension Plan Board	
Issuer Credit Rating	AAA/Stable/A-1+
Issuer Credit Ratings History	
04-Dec-2024	AAA/Stable/A-1+
15-Jun-2023	AA+/Positive/A-1+
17-Jun-2016	AA+/Stable/A-1+

\*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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