

# Credit Rating Report

## Ontario Teachers' Pension Plan Board and Ontario Teachers' Finance Trust

### Morningstar DBRS

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### Credit Ratings

Issuer	Debt	Credit Rating	Credit Rating Action	Trend
Ontario Teachers' Pension Plan Board	Issuer Rating	AAA	Confirmed May'26	Stable
Ontario Teachers' Finance Trust	Long-Term Notes	AAA	Confirmed May'26	Stable

Note: For full list of credit ratings refer to page 14.

### Credit Rating Drivers

#### Factors With Positive Credit Rating Implications

- Not applicable as the highest credit rating is already assigned.

#### Factors With Negative Credit Rating Implications

- We would downgrade the credit ratings if Ontario Teachers' were to experience a material adverse change in its legislated framework.
- The credit ratings would also be downgraded if there were a material increase in recourse debt combined with the Plan no longer being fully funded.

### Credit Rating Considerations

#### Legislated Framework (AAA)

- The Teachers' Pension Act gives Ontario Teachers' Pension Plan Board (Ontario Teachers' or OTPP) an exclusive mandate to administer the defined-benefit pension plan (Ontario Teachers' Pension Plan or the Plan) and to manage the associated pension fund providing benefits for active and retired teachers in Ontario. This mandate makes assets highly captive and contributes to growth in assets under management (AUM) for OTPP.

#### Plan Sponsors and Demographics of a Plan's Membership (AA)

- The Ontario Teachers' Pension Plan is jointly sponsored by the Province of Ontario (the Province; rated AA with a Stable trend) and the Ontario Teachers' Federation (OTF). With the Province as a joint sponsor of the Plan, this arrangement provides stability of contributions and certainty of cash flows, ensuring the Plan remains appropriately funded. However, the aging demographics of the Plan present a challenge, leading to higher pension payments compared to contributions.

#### Management Framework (AAA)

- The board of OTPP is independent of the sponsors and is fully responsible for overseeing the management of the pension fund and the administration of the Plan. OTPP's enterprise risk management practices are prudent with sophisticated investment risk management and stress testing practices in place.

#### Financial Resources (AAA)

- OTPP reported \$279.4 billion net assets as of YE2025 compared with \$266.3 billion in the prior year. The increase is driven by investment income that is partially offset by net pension payments of \$4.5 billion. OTPP achieved a sufficiently high net return of 6.7% in 2025, despite underperforming its benchmark rate. OTPP maintains sufficient and diversified liquid resources and has comprehensive liquidity policies in place.

#### Funding Status (AAA)

- As at January 1, 2026, the Plan is fully funded on a going-concern basis with a preliminary surplus of \$31.2 billion and a funding ratio of 111%. The funding valuation discount rate of 4.7% remains an achievable threshold for the Plan to remain fully funded considering its investment strategy and historical performance.

#### Liabilities (AAA)

- OTPP's total recourse debt, including senior notes and commercial paper, amounted to \$29.6 billion, or approximately 9.6% of adjusted net assets as of December 31, 2025, which we view as conservative. OTPP also makes use of repurchase (repo) agreements to fund its investment and liquidity needs.

## Financial Information

(\$ Billions)	For the year ended December 31				
	2025	2024	2023	2022	2021
Net Assets Available for Benefits	279.4	266.3	247.5	247.2	241.6
Surplus (Deficit)	64.9	53.2	36.1	41.0	(15.9)
Recourse Debt	29.6	31.3	28.5	26.7	25.9
- As % of Adjusted Net Assets (%) <sup>1</sup>	9.6	10.5	10.3	9.8	9.7
Total Net Return (%) <sup>2</sup>	6.7	9.4	1.9	4.0	11.1
BM Return (%)	11.7	12.9	8.7	2.3	8.8

Source: Morningstar, Inc. and company documents.

<sup>1</sup> Adjusted Net Assets include Net Assets available for benefits and Recourse Debt.

<sup>2</sup> Total net return is net of all investment costs.

## Issuer Description

### Ontario Teachers' Pension Plan Board

Per the Teachers' Pension Act R.S.O. 1990, OTPP was created by the Province as an independent organization to exclusively manage the assets and administer the benefits of the Plan, a defined-benefit pension plan for teachers in Ontario. The Plan is jointly sponsored by the Province and the OTF.

### Ontario Teachers Finance Trust

Ontario Teachers' Finance Trust (OTFT) is a wholly owned subsidiary of OTPP that was established in 2015 to raise financing for investment activities through short-term and long-term borrowing. OTPP unconditionally and irrevocably guarantees the full payment of principal and interest on OTFT's long-term and short-term notes.

## Credit Rating Rationale

The credit ratings are supported by the stable legislative and governance frameworks that provide Ontario Teachers' with a large and highly captive asset base, requiring the sponsors of the Plan to address any significant deterioration in its funding status, and impose high standards of care and prudence on Ontario Teachers' management. The credit ratings are further supported by the Plan's fully funded status on a going-concern basis for more than a decade, substantial net assets and liquidity, solid long-term investment returns, and low recourse debt burden. OTFT is a wholly owned subsidiary of Ontario Teachers', and issues debt with recourse to the plan. The credit ratings on the debt issued by OTFT are supported by the unconditional and irrevocable guarantee provided by Ontario Teachers'.

## Legislated Framework: AAA

The legislative framework, per the Teachers' Pension Act, established Ontario Teachers' at arm's length from plan sponsors and gave OTPP an exclusive and indefinite mandate to manage the assets and administer the benefits of the Plan. Membership in this pension plan is mandatory for all district school board teachers and those from designated private educational institutions in Ontario, which makes the asset base highly captive and contributes to the growth of assets under management.

While the Teachers' Pension Act has undergone several amendments over the years, adapting to the changing economic and demographic environment, Ontario Teachers' exclusive authority to manage the Plan assets has remained constant and is unlikely to change. The associated governance framework is

comprehensive and establishes a high degree of independence between the plan sponsors and Ontario Teachers'. OTF and the Province, the joint sponsors of the Plan, are responsible for electing five board members each to be on Ontario Teachers' board and to jointly elect the chairperson of the board. The OTF represents teachers, while the Province represents employers. Ontario Teachers' is independent of both sponsors and is responsible for ensuring that the decisions taken serve the best interest of the beneficiaries. OTPP also has the responsibility of overseeing the overall strategic direction and risk appetite of the pension fund.

### **Plan Sponsors and Demographics of a Plan's membership: AA**

Participation in the Plan is mandatory for all public school teachers and almost all certified teachers employed in education in Ontario. The contributions made by the teachers (averaging around 11% of salary) are fully matched by the Province, amounting to a full contribution of around 22% of teachers' salaries. Both sponsors are responsible for ensuring the funding status of the Plan and jointly decide the contribution rate, member benefits, and ways to address funding shortfalls or apply funding surplus. Moreover, the Province's involvement as a sponsor adds considerable stability and certainty to pension contributions, given its strong financial profile and its ability to address funding challenges as they arise. Ontario Teachers' also has a Funding Management Policy in place that provides guidance to plan sponsors with the intention of building sufficient surplus, before benefit improvements or contribution rate reductions are considered.

As of YE2025, the Plan has 346,000 members, including 160,000 retired members. The demographics of the Plan expose it to relatively higher longevity risk as teachers in Ontario have a higher life expectancy than the general Canadian population.

#### **Exhibit 1** Demographics of the Plan

	<b>2025</b>	<b>2010</b>	<b>2005</b>	<b>1990</b>	<b>1970</b>
Average Retirement Age (years)	59	59	57	58	61
Ratio of Active Teachers to Pensioners (x)	1.2	1.5	1.6	4	10

Source: Morningstar, Inc. and company documents.

The declining ratio of active teachers to pensioners, at 1.2 times (x) in 2025 (Exhibit 1), down from 1.5x in 2010 and 4.0x in the 1990s, is also indicative of the maturing of the Plan. The active-to-retired members ratio of 1.2x is considered relatively low compared with other public pension plans in Canada and is expected to further decline. Similarly, the average age of a retired teacher is 74 years in 2025, which is considered high. Considering that the average retirement age for members of the Plan is 59, and that members also have relatively high life expectancy, the expected number of years on pension in the Plan is above that of other pension plans, which contributes to the higher proportion of retired members.

The aging demographics result in growing net pension payments (contributions minus benefit payments) and reduced ability to equitably offset significant investment losses through contribution increases. To help mitigate the risk of its declining active-to-retired ratio, the Plan sponsors introduced conditional inflation protection (CIP) in the Plan in 2008. The CIP allows sponsors to adjust the amount

of inflation increase provided to pensioners based on the Plan's funded status. This feature promotes intergenerational equity. While all pension credits earned before 2010 are fully indexed to inflation, the liabilities subject to CIP are growing over time, which we view positively. We also note that the plan sponsors have the ability to increase contributions if required. We generally expect plan sponsors to be proactive and responsive to a deterioration in the funding status before any drastic change needs to be introduced.

### **Management Framework: AAA**

#### **Governance Framework**

Ontario Teachers' governance framework provides the board and management with a high degree of independence from Plan sponsors and a clear delegation of duties and responsibilities regarding the funding valuation, day-to-day operations, and investment processes. The board oversees the management of the pension fund and administration of the Plan in accordance with the Teachers' Pension Act (Ontario), the Pension Benefits Act (Ontario), the Income Tax Act (Canada), and other relevant regulations.

The board fulfills its obligations and reviews the progress of management against the stated strategy and investment objectives through six committees (Audit & Actuarial Committee, Benefits Adjudication Committee, Enterprise Risk Committee, Governance Committee, Investment Committee, and People & Compensation Committee). Additionally, the Governance Committee conducts annual assessments of the effectiveness of each of Ontario Teachers' standing committees as well as of the board and presents the results to the two sponsors. This committee also implements governance-related policies and monitors governance best practices and developments.

The board committees oversee strategic plans, risk appetite, investment strategy and policies, benchmarks and performance, compensation as well as succession planning. The board reviews any transactions that are above the pre-set limits and conducts regular preliminary funding valuations to assess the pension plan's long-term financial health. In addition, the board also works closely with an independent actuary in setting key actuarial assumptions such as the discount rate. However, the day-to-day investment management and plan administration is delegated to the president and chief executive officer (CEO) and their executive team.

#### **Investment Management Framework**

Ontario Teachers' uses a total fund approach whereby teams responsible for specific asset classes work together to leverage their collective expertise, while the management looks at the assets and liabilities from a total fund perspective. Capital is shared across asset groups to optimize returns. The fund is actively managed, and the investments are diversified across assets classes, geography, style, and time horizons. Leverage is used in the investment strategies as a means of achieving the targeted overall risk profile and to manage liquidity. Risks associated with the use of leverage, including liquidity risk, are actively monitored and managed.

The objective of Ontario Teachers' is to achieve investment returns that, at a minimum, support the long-term sustainability of the Plan. Since 1990 approximately 80% of the Plan's funding has come from net investment income, highlighting the importance of a comprehensive investment management framework as a cornerstone for the Plan.

Ontario Teachers' manages 75% of its assets in house, with external managers being used for mandates where the Plan desires external support or lacks internal resources. Nevertheless, all external managers are overseen by Ontario Teachers' to ensure appropriate accountability. Ontario Teachers' robust investment management framework takes into account investments-related criteria and limitations contained in the statement of investment policies and procedures (the SIPP). The December 4, 2025 SIPP provides for the updated long-term policy mix shown in Exhibit 4. The SIPP is subject to board review at least annually.

#### Exhibit 2 Net Investments by Asset Class

	Long-Term Asset Mix Policy <sup>1</sup>		As at December 31				
	Min.	Max.	2025	2024	2023	2022	2021
Equities (%)	30.0	45.0	42.6	41.5	37.5	32.9	34.4
Fixed Income (%)	0.0	67.0	22.7	29.9	39.3	35.2	18.9
Inflation Sensitive (%)	15.0	25.0	20.6	20.7	18.6	19.6	20.1
Real Assets (%)	18.0	32.0	22.9	27.8	27.7	27.8	21.9
Innovation (%) <sup>2</sup>	-	-	-	-	-	3.0	3.0
Credit (%)	10.0	20.0	14.1	14.3	15.8	14.4	10.2
Absolute Return Strategies (%)	4.0	14.0	9.2	9.2	8.0	7.7	6.2
Overlay (%)	0.0	0.0	0.0	0.0	0.0	(0.1)	(0.2)
Funding for Investments (%)	(103.0)	10.0	(32.0)	(43.3)	(46.8)	(40.5)	(14.5)

Source: Morningstar, Inc. and company documents.

<sup>1</sup> The asset allocation to money markets is negative because Ontario Teachers' uses short borrowings to fund investments in other asset classes.

<sup>2</sup> Effective January 1, 2023, investments formerly included in the Innovation asset class are now included in Equity and Credit asset classes.

In addition to the SIPP, Ontario Teachers' abides by the board-agreed target asset allocation ranges, total risk parameters, liquidity requirements and other strategies, policies, and procedures guided by the investment committee of the board. The committee receives quarterly updates on the performance of the fund against the investment plan and benchmarks as well as other asset class specific metrics.

To enhance the investment management framework, other policies have also been put in place such as the CEO investment risk policy, investment division policy, portfolio policies for each investment department, trading operations policy, investment division and counterparty credit policy and a pre-investment approval policy. We believe that the investment management framework and policies that complement the investment management framework are extensive and appropriate for an AAA-rated entity.

### **Risk Management**

Ontario Teachers' has a comprehensive enterprise risk management (ERM) framework, including a risk-appetite statement where the board sets the overall direction for risk tolerance and risk-management activities. The board monitors enterprise wide risks, including investment, operational, strategic, and governance and ensures that appropriate mitigation plans are in place. Additionally, per industry best practices, Ontario Teachers' has an independent risk function that reports directly to the CEO and the board.

The risk measures used by the board consider long-term as well as short-term factors. Long-term factors are used to calculate potential losses based on volatility of returns, which helps in assessing a broad range of investment risks. Short-term risk measures focus on counterparty credit risk as they relate to derivatives and repurchase agreements.

As each investment department is responsible for managing the risks associated with the investments they manage, Ontario Teachers' has an investment committee or an equivalent for each department across the organization. Moreover, the finance division independently measures and publishes investment risk exposures, including the liquidity position on a daily basis. These risk metrics are shared with the management's investment committee biweekly and with the board on a quarterly basis.

In practice, Ontario Teachers' uses risk budgets informed by the risk-appetite statements to allocate risk across investment departments. Ontario Teachers' measures total asset risk using the expected tail loss methodology, a Value at Risk (VaR)-type approach, over a one-year horizon at a 99% confidence level.

The board has set up an enterprise risk committee that provides oversight on enterprise risk governance and oversees the identification, assessment, monitoring, and reporting of risk that could significantly affect Ontario Teachers' overall risk profile, strategy, and objectives. This committee is also responsible for overseeing the independence of the risk management function from the operational management team. In 2025, OTPP has adjusted its currency risk exposure, notably reducing its exposure to the U.S. dollar. As such, in our view, Ontario Teachers' ERM practices remain prudent and appropriate for an AAA rated entity.

### **Valuation of Private Market Assets**

As the relative share of private market assets continues to grow for Canadian pension funds, valuation methods for level 3 assets and liabilities are an increasingly important consideration. Valuations for level 3 assets and liabilities go through a three-step sign off process within the finance team, which is independent of the investment team. Additionally, independent external valuation experts are also involved in the process, and year-end valuations are subject to audit by an external auditor valuation specialist. There are also periodic internal valuations of level 3 investments as well as semi-annual reporting to the audit and actuarial committee.

## Financial Resources: AAA

### Net Assets and Investment Performance

With \$279.4 billion in net assets as of YE2025, compared with \$266.3 billion in the prior year, Ontario Teachers' has considerable scale. The increase in 2025 is mainly driven by net investment income of \$18.5 billion compared with \$23.6 billion in the prior year, comfortably offsetting net pension payments of \$4.5 billion.

#### Exhibit 3 Changes in Net Assets Available for Benefits

(\$ Millions)	For the Year Ended December 31				
Change in Net Assets Available for Benefits	2025	2024	2023	2022	2021
Net Investment Income	18,459	23,654	5,525	10,360	24,711
Contributions	4,070	4,264	3,347	3,367	3,354
Pension Payments	(8,448)	(8,124)	(7,684)	(7,205)	(6,909)
Operating Expenses	(1,017)	(968)	(910)	(869)	(815)
<b>Increase (Decrease) in Net Assets</b>	<b>13,064</b>	<b>18,826</b>	<b>278</b>	<b>5,653</b>	<b>20,341</b>
<b>Net assets available for benefits</b>	<b>279,403</b>	<b>266,339</b>	<b>247,513</b>	<b>247,235</b>	<b>241,582</b>

Source: Morningstar, Inc. and company documents.

Ontario Teachers' achieved a net return of 6.7% in 2025, in line with an overall return of 6.8% over the last 10 years but below the 9.2% earned since inception. Performance continues to underperform the fund's benchmark of 11.7%, with allocation to private equity and real estate significantly reducing returns in 2025. The overperformance of large publicly traded technology companies remains the key source of the underperformance of Ontario Teachers'. On the positive side, OTPP gained materially from its commodity exposure during the year, with oil and gold prices contributing to returns.

#### Exhibit 4 Investment Returns

	For the Year Ended December 31						
	10-Year Average	Five-Year Average	2025	2024	2023	2022	2021
Portfolio (%)	6.8	6.6	6.7	9.4	1.9	4.0	11.1
BM (%) <sup>1</sup>	7.9	8.8	11.7	12.9	8.7	2.3	8.8

Source: Morningstar, Inc. and company documents.

<sup>1</sup> Based on the BM returns from each of the asset classes.

Ontario Teachers' has a diversified portfolio of investments, with a relatively stable allocation per each asset class. Equities were the largest asset class in 2025. The value of the equity portfolio, which consists of both public and private equity, grew to \$116.1 billion in 2025 from \$108.1 billion in 2024. Favourable market movements in the public equities sub-portfolio accounted for most of the gains in this asset class, offset by private equity losses. The private equities subclass underperformed its benchmark by a wide margin of 23.3 percentage points as higher interest rates and a lack of exit liquidity are hurting private company valuations. Fixed-income and credit returns performed close to their benchmark, providing modest gains in 2025 despite rising interest rates.

**Exhibit 5** Investment Returns by Asset Class<sup>1</sup>

	For the Year Ended December 31						
	2025			2024	2023	2022	2021
	Return	BM	Variance	Return	Return	Return	Return
<b>Fixed Income (%)<sup>2</sup></b>	2.6	2.6	-	4.8	1.2	(3.5)	(6.3)
Bonds (%)					0.6	(5.9)	(9.4)
Real-Return Products (%)					7.3	7.3	(1.4)
<b>Equity (%)</b>	6.1	16.7	(10.6)	16.7	7.4	0.1	21.3
Publicly Traded (%)	15.0	13.9	1.1	23.2	20.0	(12.5)	9.0
Non-Publicly Traded (%)	(5.3)	18.0	(23.3)	11.7	3.6	6.1	29.0
<b>Venture Growth<sup>3</sup></b>	30.2	18.5	11.7	25.8	(0.7)		
<b>Real Assets (%)</b>	(0.4)	5.3	(5.7)	4.9	(4.1)	8.3	5.4
Real Estate (%)	(3.1)	2.2	(5.3)	(0.7)	(5.9)	(3.5)	2.5
Infrastructure (%)	1.8	7.8	(6.0)	9.1	(2.8)	18.7	7.9
<b>Inflation Sensitive (%)</b>	13.6	13.2	0.4	18.6	(1.0)	19.2	11.4
Natural Resources (%)	1.8	0.0	1.8	13.3	0.2	29.6	28.1
Commodities (%)	27.0	27.0	-	25.2	(0.5)	19.5	7.9
Inflation Hedge (%)	(4.7)	(4.7)	-	9.8	(3.0)	9.2	8.0
<b>Credit (%)<sup>3</sup></b>	5.8	4.5	1.3	17.2	9.1	3.6	3.5
<b>Innovation (%)<sup>4</sup></b>						(12.1)	39.0
<b>Total Plan (%)<sup>5</sup></b>	6.7	11.7	(5.0)	9.4	1.9	4.0	11.1

Source: Morningstar, Inc. and company documents.

<sup>1</sup> Gross returns by asset class; net returns for total fund return.

<sup>2</sup> Effective January 1, 2024, the embedded funding cost impact of Futures exposures is excluded from Equity, Fixed Income, and Inflation-sensitive investment and benchmark returns.

<sup>3</sup> Credit asset class created in F2017; includes corporate and emerging-markets debt.

<sup>4</sup> Innovation asset class created in F2019; focuses on emerging opportunities as a result of the unprecedented technological change. Effective January 1, 2023, investments included in the innovation asset class are now included in Equity and Credit.

<sup>5</sup> Absolute return strategies and money markets are included in the total plan return, but their returns are not attributed to specific asset classes.

Ontario Teachers' benefit payments continue to outpace the contributions received from members, resulting in negative net contributions. Over the long term, as has been the case thus far, investment income is expected to generate gains that will be sufficient to meet the pension obligations in the future. As such, strong investment performance remains a key objective for Ontario Teachers'.

**Liquidity Management**

Ontario Teachers' has an extensive framework for liquidity management and reporting, monitoring their liquidity position daily, via a liquidity coverage ratio (LCR) and a cash LCR metric, to ensure sufficient liquid assets to meet margin payments and over-the-counter derivative settlements under normal and stress scenarios. For both LCR metrics, stress testing is done under various historical and hypothetical scenarios. The board's investment committee receives regular updates on the liquidity position and defines limits for LCR across multiple horizons.

Liquidity risk management falls within Ontario Teachers' broader enterprise risk framework. Overall liquidity management is dictated by board-level policies seeking to ensure that Ontario Teachers' will have sufficient liquidity to meet its expected and unexpected liquidity requirements as they arise.

Ontario Teachers' has diversified sources of funding that include repos, derivatives, commercial paper, term debt and liquidity reserves, with a focus on managing the cost and maturity profile of the liabilities and maintaining a presence in key funding markets. As of December 31, 2025, Ontario Teachers' held \$97.6 billion of available liquid assets, a significant increase over the \$64.3 billion held in 2024, as OTPP has been more cautious in deploying capital to private markets. Liquid assets primarily consist of sovereign, provincial, and territorial government debt, liquid investment-grade debt and publicly traded equities. In addition, there is a USD 1.0 billion credit facility, to backstop the short-term borrowing programs.

#### **Funding Status: AAA**

Ontario Teachers', like other defined-benefit pension plan administrators, is required to file an actuarial funding valuation with regulatory authorities at least triennially. The funding status established by the actuarial funding valuation differs from that used for financial statements as it includes future contributions and benefits as well as smoothed investment earnings. The actuarial funding valuation provides a representation of the Plan's long-term sustainability, which is used by Plan sponsors to determine whether changes in benefit levels, contribution rates, and inflation protection are warranted.

As per the preliminary funding valuation on January 1, 2026, the Plan is fully funded on a going-concern basis with a preliminary surplus of \$31.2 billion and a funding ratio of 111%. The 4.7% funding valuation discount rate is still conservative and allows the plan to navigate headwinds posed by the Plan's maturity, global economic challenges, and uncertain long-term outlook. On a going-concern basis, the Plan has been fully funded for 13 consecutive years.

On an IFRS basis, Ontario Teacher's had a surplus of \$64.9 billion as of December 31, 2025, which increased from \$53.2 billion in the previous year. This is the largest funding surplus in at least the last five years. The financial statement surplus increase is mainly driven by the net investment income in 2025 and the impact of higher bond yields on the discount rate economic assumption. The discount rate used to value the pension liability in the financial statements is based on market rates of bonds issued by the Province as the obligations under the plan have similar characteristics.

**Exhibit 6** Net Assets Available for Benefits and Accrued Pension Benefits

(\$Millions)	As at December 31				
<b>Assets</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Cash	774	741	501	1,107	484
Receivable From the Province	4,134	3,767	3,284	3,298	3,234
Receivables From Brokers	2,828	1,969	792	562	26
Investments	345,785	322,622	305,335	311,270	317,714
Premises and Equipment	289	328	291	83	91
<b>Total assets</b>	<b>353,810</b>	<b>329,427</b>	<b>310,203</b>	<b>316,320</b>	<b>321,549</b>
<b>Liabilities</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Accounts Payable and Accrued Liabilities	810	826	686	590	693
Due to Brokers	439	494	592	1,364	523
Investment-Related Liabilities	73,158	61,768	61,412	67,131	78,751
<b>Total Liabilities</b>	<b>74,407</b>	<b>63,088</b>	<b>62,690</b>	<b>69,085</b>	<b>79,967</b>
Net Assets Available for Benefits	279,403	266,339	247,513	247,235	241,582
Pension Obligations	214,538	213,166	211,393	206,197	257,482
<b>Funding Surplus (Deficit)</b>	<b>64,865</b>	<b>53,173</b>	<b>36,120</b>	<b>41,038</b>	<b>(15,900)</b>

Source: Morningstar, Inc. and company documents

We note that Ontario Teachers' has a Funding Management Policy that provides clear guidance on how funding deficiencies and surpluses are to be addressed. As such, we expect that the Plan sponsors will be responsive to any potential deterioration in the funding status.

**Liabilities: AAA**

Ontario Teachers' liabilities can be bifurcated as (1) pension-benefit liabilities and (2) investment-related liabilities. The strength of the pension-benefit liabilities is measured in part through the Plan's funding status (see the Funding Status section above), summarized through the funding ratio of 111%.

Within investment-related liabilities, total recourse debt amounted to \$29.6 billion, or approximately 9.6% of adjusted net assets as of December 31, 2025. Ontario Teachers' debt consists of senior notes denominated in Canadian dollars, U.S. dollars and Euros, and commercial paper programs denominated in Canadian and U.S. dollars. Recourse debt compared with total net assets remains low, providing room for cyclical fluctuations in net asset values.

In 2015, OTFT was established for issuing debt guaranteed by Ontario Teachers', which has now developed into a sizable global issuer. Ontario Teachers' unconditionally guarantees, by way of separate guarantees, the full payment of principal and interest for the short-term notes and long-term debt of OTFT. The guarantees are unconditional, cannot be revoked for any reason, and will continue until the debts are repaid. OTFT's short-term borrowing programs in Canada and the U.S. have an authorized aggregate limit of \$10.0 billion, with \$2.7 billion balance outstanding as of YE2025.

Ontario Teachers' also uses other forms of leverage as a part of its investment strategy to achieve the desired risk-return profile and to manage total fund liquidity. Investment-related liabilities totaled \$73.2 billion as of December 31, 2025 (\$61.8 billion as of December 31, 2024), consisting of recourse debt,

securities sold under repurchase agreements, derivatives, securities sold short, and commercial paper. Guidance for the use of derivatives, repos, and leverage, among other things, is provided in the SIPP overseen by the board's investment committee.

Ontario Teachers' makes use of repurchase agreements to fund its investment activities and to manage day-to-day liquidity while it maintains economic exposure to the underlying securities. Repo balance increased to \$29.1 billion as of December 31, 2025, from \$18.3 billion in 2024.

Derivatives are used to achieve various portfolio objectives, including attaining geographic, commodity, and equity market exposure; carrying out absolute-return strategies; and hedging. Ontario Teachers' seeks to manage credit and counterparty risks related to its derivatives positions by conducting internal credit assessments, imposing counterparty concentration limits, establishing international Swaps and Derivatives Association Master Agreements for over-the-counter derivatives, and exchanging collateral through credit-support annexes.

In our view, Ontario Teachers' has well-defined policies for managing the use of leverage in investment. The board members approve risk appetite, acceptable range of risk, and monitor investment risks to ensure that mitigation strategies are in place.

#### **Exhibit 7** Investment-Related Liabilities and Capital Market Debt

As at December 31 (\$ Millions)	For the Year Ended December 31				
	2025	2024	2023	2022	2021
Securities Sold Short	9,563	7,336	6,181	10,718	19,174
Securities Sold Under Repo Agreements	29,119	18,313	23,795	26,316	25,529
Derivative-Related Liabilities	2,093	3,791	2,072	2,237	2,200
Cash Collateral Received	2,753	1,044	909	1,121	449
CP	2,669	2,785	2,557	2,640	2,501
Real Estate Debt (Including Debentures) <sup>2</sup>	-	-	-	-	5,489
Term Debt	26,961	28,499	25,898	24,099	23,409
<b>Total</b>	<b>73,158</b>	<b>61,768</b>	<b>61,412</b>	<b>67,131</b>	<b>78,751</b>
<b>Total Recourse Debt</b>	<b>29,630</b>	<b>31,284</b>	<b>28,455</b>	<b>26,739</b>	<b>25,910</b>
As a Share of Adjusted Net Assets (%) <sup>1</sup>	9.6	10.5	10.3	9.8	9.7

Source: Morningstar, Inc. and company documents.

<sup>1</sup> Adjusted Net Assets include Net Assets available for benefits and Recourse Debt.

<sup>2</sup> Effective January 1, 2022, real estate investment assets are presented on a nonconsolidated basis.

## Ontario Teachers' Pension Plan Board ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
<b>Environmental</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Emissions, Effluents, and Waste</b>	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N		N
<b>Carbon and GHG Costs</b>	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N		N
<b>Land Impact and Biodiversity</b>	Is there a financial risk to the issuer due to the loss of biodiversity and/or the mitigation of such loss, including land conversion and rehabilitation?	N		N
<b>Climate and Weather Risks</b>	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N		N
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by physical and/or transition risks under key IPCC climate scenarios?	N		N
<b>Climate and Weather Risks</b>		N		N
<b>Passed-through Environmental credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N		N
<b>Social</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Social Impact of Products and Services</b>	Do we consider that the social impact of the issuer's products and services pose a financial or regulatory risk to the issuer?	N		N
	Do changes in consumer behaviour or secular social trends pose a financial or regulatory risk to the issuer?	N		N
	<b>Social Impact of Products and Services</b>		N	
<b>Human Capital and Human Rights</b>	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts, that could result in a material financial or operational impact?	N		N
	Do violations of rights create a potential liability that can negatively affect the issuer's financial wellbeing or reputation?	N		N
	<b>Human Capital and Human Rights</b>		N	
<b>Product Governance</b>	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N		N
<b>Data Privacy and Security</b>	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could it result, in financial penalties or client attrition to the issuer?	N		N
<b>Community Relations</b>	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N		N
<b>Access to Basic Services</b>	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N		N
<b>Passed-through Social credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N		N
<b>Governance</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Bribery, Corruption, and Political Risks</b>	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N		N
	Are there any political risks that could affect the issuer's financial position or its reputation?	N		N
	<b>Bribery, Corruption, and Political Risks</b>		N	
<b>Business Ethics</b>	Do general professional ethics pose a financial or reputational risk to the issuer?	N		N
<b>Corporate / Transaction Governance</b>	Does the issuer's corporate structure allow for appropriate board and audit independence?	N		N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N		N
	Does the board and/or management lack a formal framework to assess climate related financial risks to the issuer?	N		N
	<b>Corporate / Transaction Governance</b>		N	
<b>Passed-through Governance credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N		N
<b>Consolidated ESG Criteria Output:</b>		<b>N</b>		<b>N</b>

\* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

**ESG Considerations****Environmental**

There were no environmental factors that had a relevant or significant effect on Ontario Teachers' credit ratings or trend. OTPP does not directly provide investment management services or sell any product that contributes to the emission of carbon or greenhouse gases. Any impact from exposure to climate and weather risks is expected to be indirect in nature. As part of its investment management mandate, Ontario Teachers' aims to have a positive environmental and climate influence in addition to ongoing effort to reduce the environmental impact of its operations.

**Social**

Product governance and data privacy and security are important considerations for Ontario Teachers' given the direct administration of retirement benefits. However, these factors did not affect the assigned credit ratings or trend. There have been no reported cases of governance or data breaches. While OTPP has not faced any material issues with data breaches, future breaches or security failures could damage its reputation and risk profile. Failures related to data privacy and security could also lead to future expenses, given Ontario Teacher's exposure to sensitive members' private information.

**Governance**

None of the Governance factors are relevant or significant to the credit ratings or trend assigned to Ontario Teachers'. There have been no reported cases of failure in governance. The board of directors consists of 11 members and is fully independent of management. The Province and the OTF each appoint five board members who jointly select the chair. Board members are subject to maximum term limits. Ontario Teachers' has various board committees with complementary roles and responsibilities that provide strong corporate governance oversight to the executive leadership. OTPP's day-to-day investment decisions and business operations are managed by the president and CEO and executive management team.

### Credit Rating Methodology

The applicable methodologies are *Canadian Methodology for Rating Public Pension Funds & Exclusive Asset Managers* (April 14, 2026), *Morningstar DBRS Global Corporate Criteria* (December 19, 2025), and *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* (May 16, 2025), which can be found on <https://dbrs.morningstar.com> under Methodologies & Criteria.

### Credit Ratings

Issuer	Obligation	Credit Rating	Credit Rating Action	Trend
Ontario Teachers' Pension Plan Board	Issuer Rating	AAA	Confirmed	Stable
Ontario Teachers' Finance Trust	Long-Term Notes	AAA	Confirmed	Stable
Ontario Teachers' Finance Trust	U.S. Commercial Paper Notes	R-1 (high)	Confirmed	Stable
Ontario Teachers' Finance Trust	Canadian Short-Term Promissory Notes	R-1 (high)	Confirmed	Stable

### Credit Ratings History

	Current	2025	2024	2023	2022
<b>Ontario Teachers' Pension Plan Board</b>					
• Issuer Rating	AAA	AAA	AAA	AAA	AAA
<b>Ontario Teachers' Finance Trust</b>					
• Long-Term Notes	AAA	AAA	AAA	AAA	AAA
• U.S. Commercial Paper Notes	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)
• Canadian Short-Term Promissory Notes	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)	R-1 (high)

### Previous Actions

- *"Morningstar DBRS Confirms Ontario Teachers' Pension Plan Board at AAA and Ontario Teachers' Finance Trust at AAA and R-1 (high), Stable Trends,"* May 30, 2025
- *"Morningstar DBRS Confirms Ontario Teachers' Pension Plan Board at AAA and Ontario Teachers' Finance Trust at AAA and R-1 (high), Stable Trends,"* May 31, 2024
- *"DBRS Morningstar Confirms Ontario Teachers' Pension Plan Board at AAA and Ontario Teachers' Finance Trust at AAA and R-1 (high), Stable Trends,"* June 2, 2023
- *"DBRS Morningstar Confirms Ontario Teachers' Pension Plan Board at AAA and Ontario Teachers' Finance Trust at AAA and R-1 (high), Stable Trends,"* June 2, 2022

### Related Research

- *Canadian Pensions Increase Debt Issuance in 2025; Momentum Likely to Continue Through 2026* (January 26, 2026)
- *Canadian Pension Funds: Investment Returns Constrained in H1 2025 Following Financial Market Volatility* (September 23, 2025)
- *Canadian Pension Funds' Debt Issuances Continue Steady Growth in 2024, Outlook Remains Largely Stable* (February 6, 2025)
- *Corporate Risk Assessment Scorecard for the Pension Plan Real Estate Industry* (January 9, 2025)
- *Weakness in Real Estate Assets Persists as Canadian Pension Funds Deliver Weak Returns in H1 2024* (August 27, 2024)
- *DBRS Morningstar-Rated Canadian Public Pension Funds Hold No Material Exposures to Credit Suisse, SVB, or Signature Bank* (March 24, 2024)

**Previous Report**

- Ontario Teachers' Pension Plan Board and Ontario Teachers' Finance Trust: [Credit Rating Report](#), July 30, 2025
- Ontario Teachers' Pension Plan Board and Ontario Teachers' Finance Trust: [Rating Report](#), May 31, 2024
- Ontario Teachers' Pension Plan Board and Ontario Teachers' Finance Trust: [Rating Report](#), June 2, 2023
- Ontario Teachers' Pension Plan Board and Ontario Teachers' Finance Trust: [Rating Report](#), June 2, 2022

## Notes:

All figures are in Canadian dollars unless otherwise noted.

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