

# Ontario Teachers' Finance Trust

Investor Presentation

August 2023



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Unless otherwise noted, all amounts stated herein are in Canadian dollars and are approximate, and all amounts are as of December 31, 2022 unless otherwise noted.

# Executive Summary

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

- Fully funded status for a tenth straight year
- History of strong performance since inception in 1990
- Highly rated plan (Moody's: Aa1, S&P: AA+, 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, EUR, GBP and CAD
- OTFT's debt is fully guaranteed by Ontario Teachers'
- Creditors rank senior to pension liabilities upon wind up of the plan

- 01. About Ontario Teachers'**
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'



**106%**

Funded Ratio

**9.4%**

total-fund net return  
since inception  
as of June 30, 2023



**80%+**

assets managed  
in-house

Invests in

**50+**

countries

**336,000**

working members and  
pensioners

**\$249.8B**

in Net Assets  
as of June 30, 2023



**Aa1**

Moody's

**AA+**

S&P Global

**AAA**

DBRS



# About Ontario Teachers'

- Fully funded defined benefit plan with benefits linked to Canadian inflation. A funding valuation is required by law to be filed with the regulatory authorities every 3 years.
- Governed by Ontario legislation, plan participation is mandatory by Ontario public school teachers
- Member contributions (11% of salary on average) matched by Government of Ontario (by law) for total of 22% of salary in contributions
- As at January 1, 2023, the plan was fully funded for the tenth straight year with a \$17.5 billion surplus and funding ratio of 106%. Sponsors elected to file valuation with the regulators.

## Our Mission

Deliver outstanding service and retirement security for our members

# An Independent Organization

## Plan Sponsors

Ontario Teachers' Federation



Ontario Government



## 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

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## Independent and Robust Pension Funding Process

- The Sponsors are required to contribute each year and cannot withdraw money
- The funding valuation process is robust and 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 56% to 83%.

## Conditional Inflation Protection

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

## CIP as a Stress Resistant

	2022	2032
Hypothetical plan deficit (C\$bn)	\$22	\$32
Decrease in level of CIP required to eliminate the hypothetical plan deficit	28%	19%
Asset loss capable of being absorbed by fully invoked CIP (C\$ bn)	\$54	\$111

All figures calculated as of December 31, 2022.

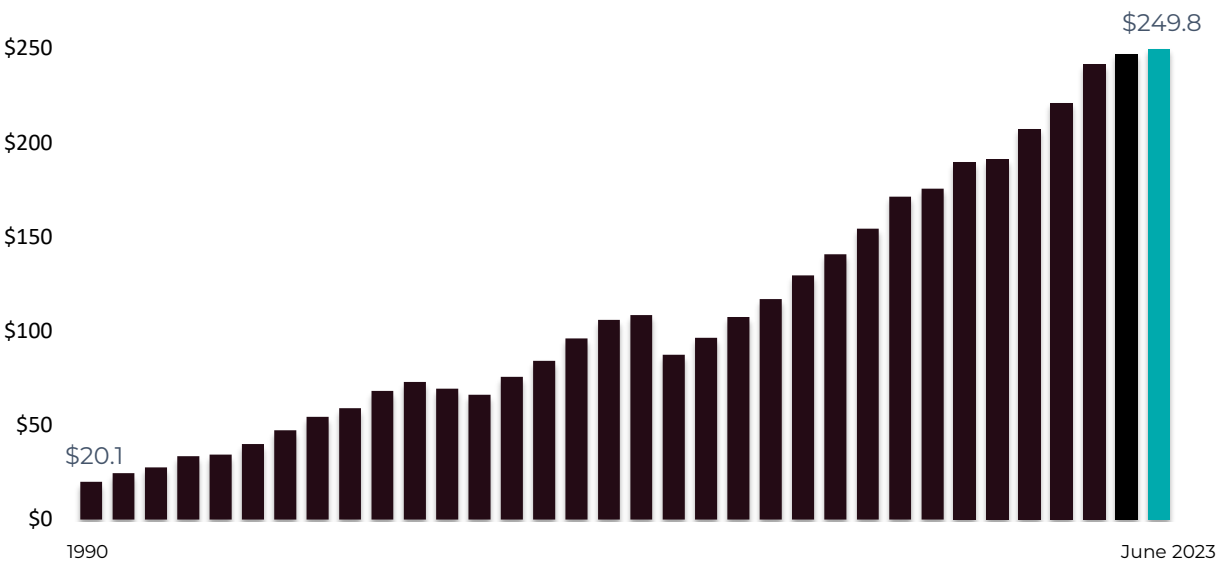
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# Investment Objectives

- Investment program is designed to meet the needs of the pension liabilities and help achieve stable returns over the long term
- Global investment program with holdings in **50+ countries**, diversified across asset classes and geographies

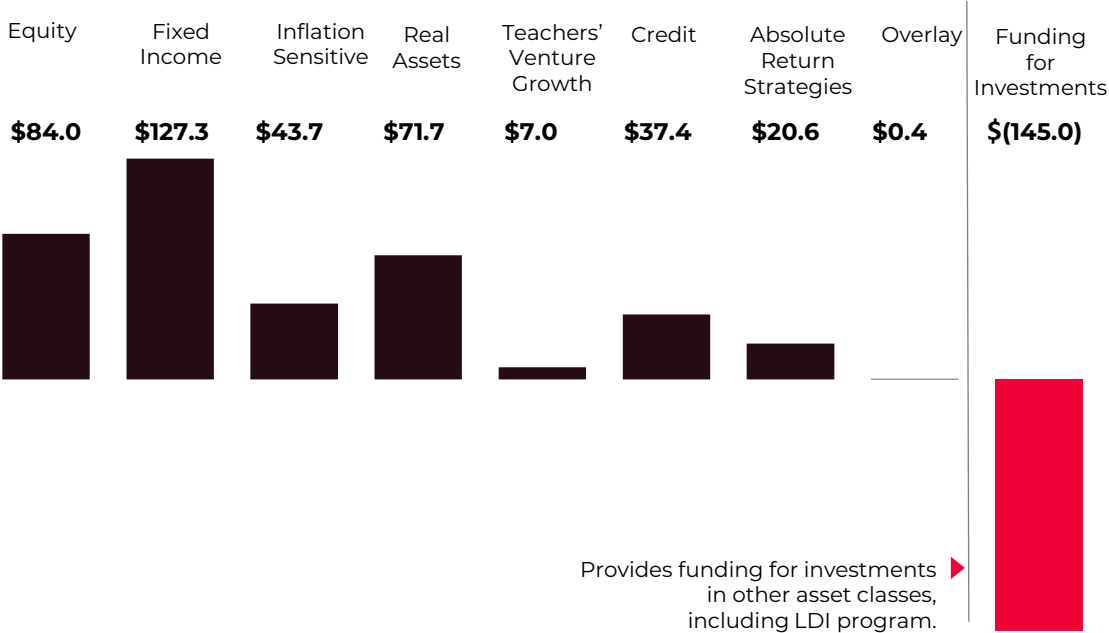
## Net Assets

As of June 30, 2023 (Canadian \$ billions)



## Net Investments by Asset Class

As of June 30, 2023 (Canadian \$ billions)



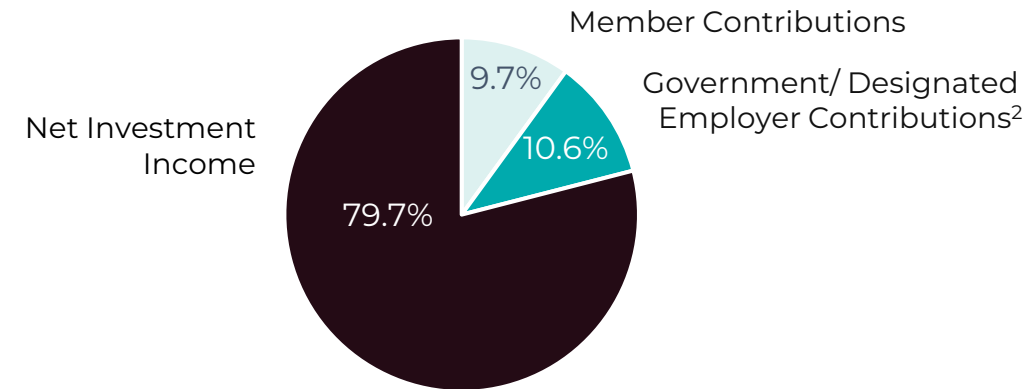


# Investment Performance

- As of June 30, 2023, six- and 12-month total-fund net returns were **1.9%** and **4.8%**, respectively, resulting from positive returns across multiple asset classes including public and private equities, infrastructure, and credit. The plan continues to deliver strong long-term returns of 8.6% over ten years and 9.4% since inception in 1990.
- For fiscal 2022 total-fund net return was **4.0%** resulting from solid results across the inflation sensitive and infrastructure asset classes.

Time period (all as of December 31, 2022)	2022	2021	5-Year	10-Year	Since Inception
Total-Fund Net Return	4.0%	11.1%	7.3%	8.5%	9.5%
Benchmark Return	2.3%	8.8%	6.8%	7.5%	7.8%
Return Above (or Below) Benchmark	1.8%	2.3%	0.4%	0.9%	1.7%

## Pension Funding Source since 1990<sup>1</sup>



<sup>1</sup> As of December 31, 2022

<sup>2</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 is Simply How We Invest

## Our sustainable investing principles

Actively managing ESG related risks and opportunities is central to our investment strategy and supports plan sustainability.



### INTEGRATE

We integrate ESG considerations into our investment process to manage risk and add value.



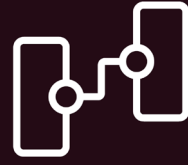
### ENGAGE

We engage with companies we invest in to promote positive change and sustainable practices.



### INFLUENCE

We use our influence as a global investor to create a supportive and sustainable business environment.



### EVOLVE

We constantly evolve our practices and approach to keep ahead of emerging issues.

**“We will continue to build on our strong foundation of success embedding ESG factors into the investment decisions we make. As we look to the future, we will evolve our investment approach to further drive environmental and social benefits that make a positive, real-world impact and help us deliver on our pension promise to our members.”**

Ziad Hindo

Chief Investment Officer

# Progress on Our Net-zero Journey

We are making headway on achieving net-zero greenhouse gas emissions by 2050. Our net-zero commitment and interim targets help ensure our long-term trajectory is pointed in the right direction

## Net Zero by 2050

Interim targets to reduce our portfolio carbon emissions intensity against a 2019 baseline

↓45%  
by 2025

↓67%  
by 2030

Achieved a  
↓32%<sup>1</sup>

reduction in our portfolio  
carbon footprint intensity  
since 2019

# Our Climate Strategy

Our multi-faceted climate strategy is rooted in driving significant real-world impact



## Decarbonizing our portfolio

Work with public and private companies where we have significant ownership stakes and influence to support them on a decarbonization pathway in line with our net-zero ambition.



## Decarbonizing high emitters

Play a key role in the energy transition by helping to accelerate the decarbonization of high-emitting businesses to maximize our impact.



## Significantly increasing green investments

Increase our capacity to deploy capital into companies that enable the net-zero transition, reduce net GHG emissions and help build a sustainable economy while also helping us generate value.



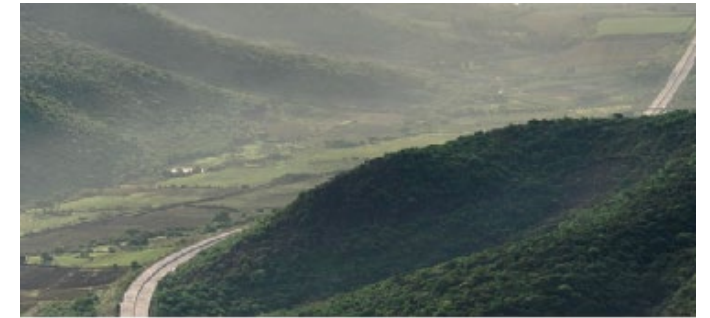
## Leveraging advocacy and partnerships

Engage on issues that help the broader economy shift toward net zero and partner with like-minded investors.



## Issuing green bonds

Issue green bonds to fund investments in eligible green assets with measurable impacts that support the transition to a sustainable future.



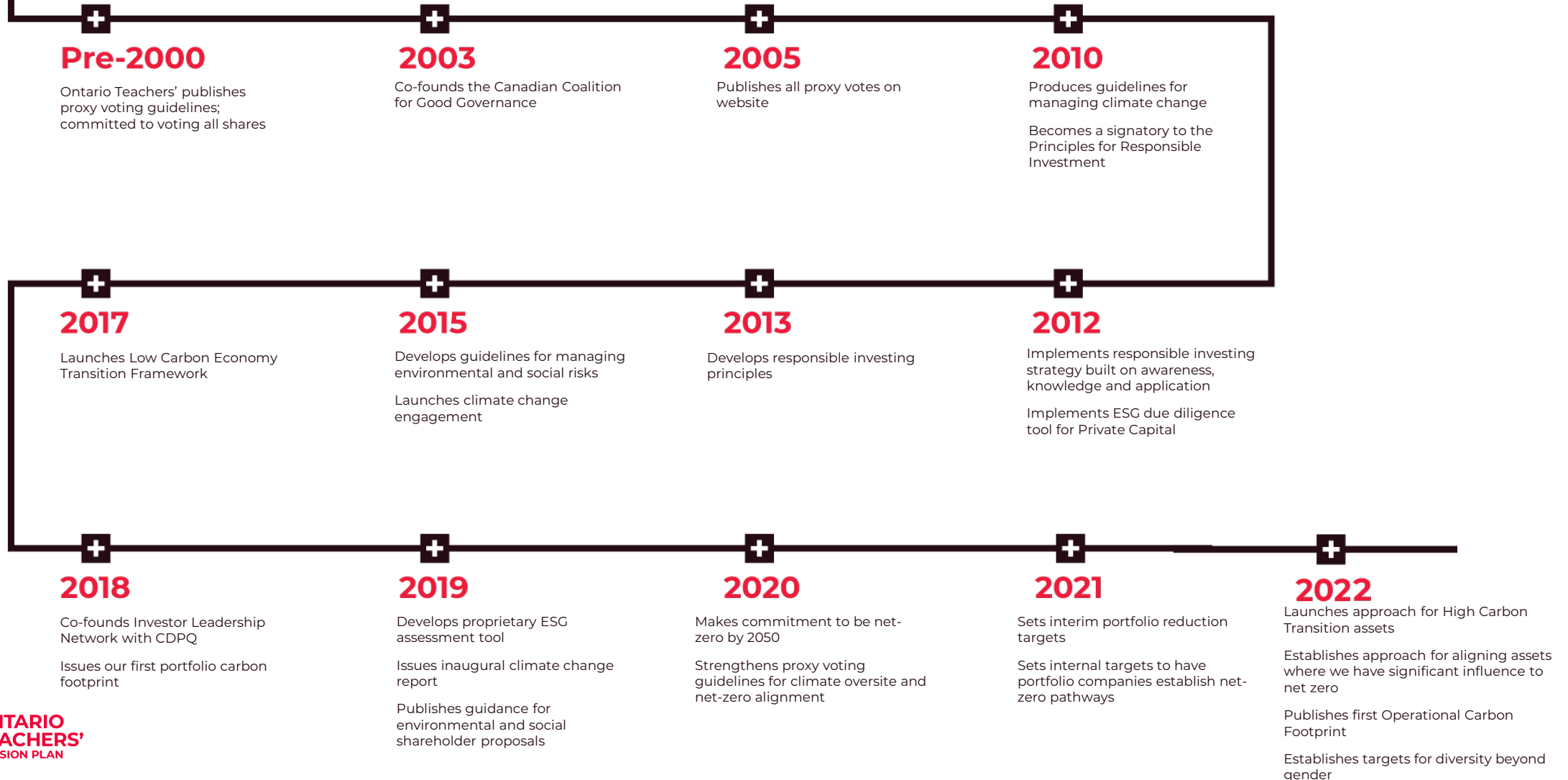
## Mitigating exposure to climate-related risks

Understand and mitigate physical and transition risk exposure while also considering climate change as part of our investment planning process.



# Evolution of Sustainable Investing at OТПP

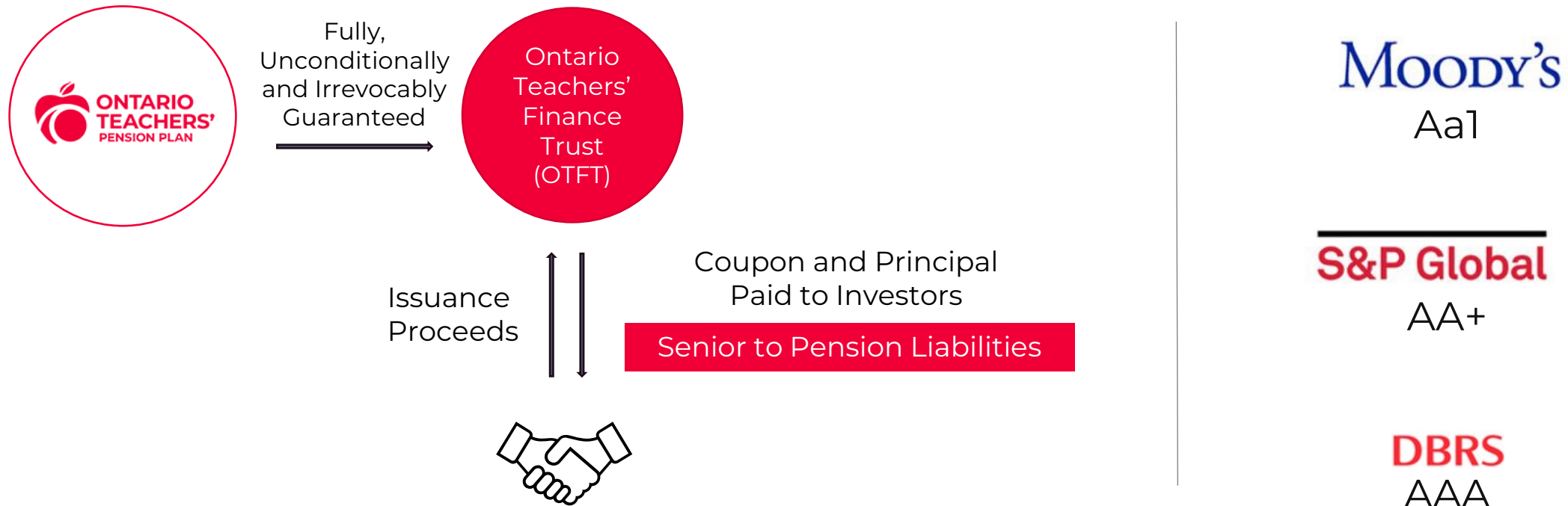
We have always been a trailblazer in sustainable investing - continuing to adapt to an evolving landscape.  
It is an important part of the conversation - past, present and future.



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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, manage total fund liquidity and mitigate pension liability risk

## 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

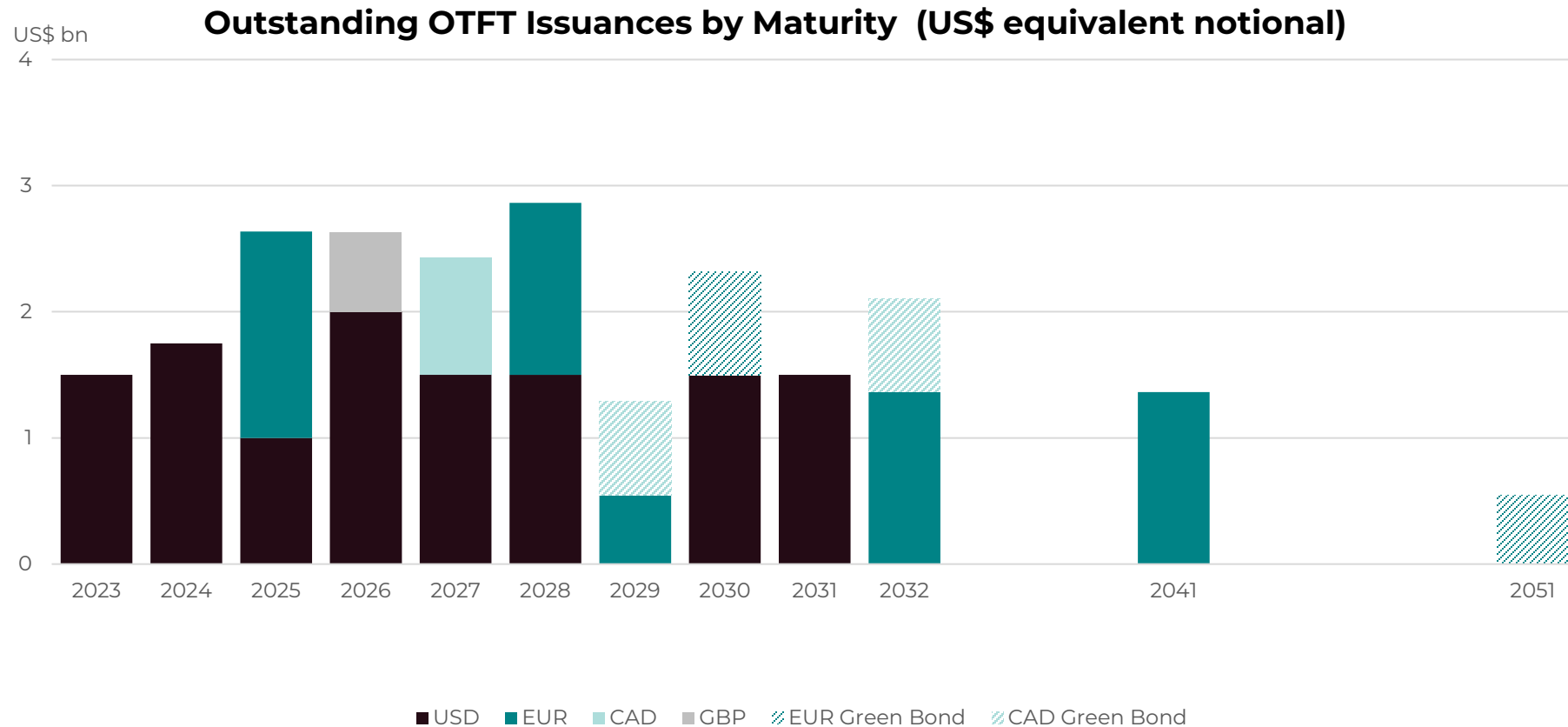
Outstanding <sup>1</sup>	C\$27.0 billion
Credit Ratings	Aa1, AA+, AAA
Issuance Currency	CAD, EUR, GBP, USD

## Commercial Paper Program Highlights

Outstanding <sup>1</sup>	C\$2.6 billion
Credit Ratings	P-1/A-1+/R-1 (high)
Issuance Currency	CAD, USD

# OTFT Term Debt Issuances

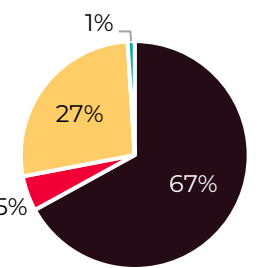
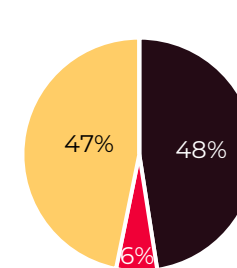
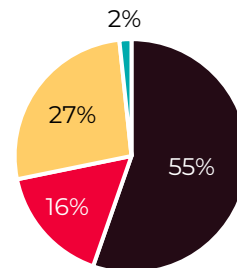
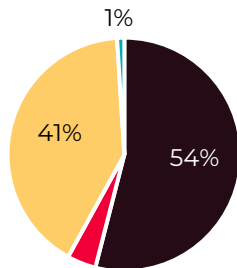
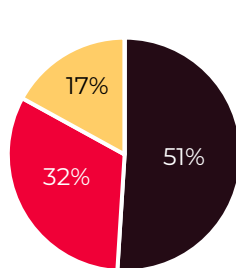
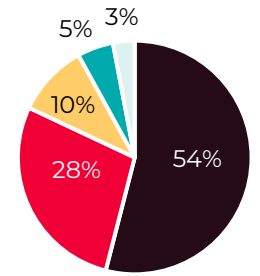
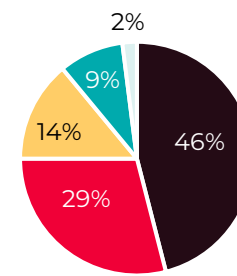
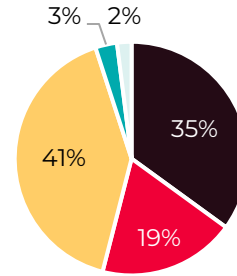
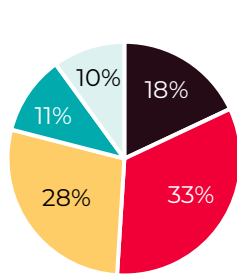
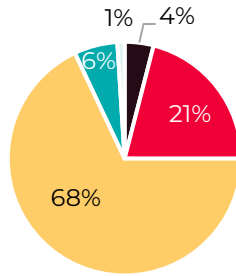
- OTFT is an established global SSA issuer with outstanding issuances in USD, EUR, CAD & GBP
- At least one USD benchmark issuance per calendar year since program inception in 2017
- In November 2020, OTFT launched its Green Bond Framework rated Dark Green by CICERO, with governance procedures rated as Excellent



# OTFT Outstanding Term Debt – USD

	US\$1.75 billion	US\$1 billion	US\$1.5 billion	US\$1.5 billion	US\$1.5 billion
Coupon and Maturity	1.625% due 12Sep24	1.375% due 15Apr25	0.375% due 29Sep23	1.25% due 27Sep30	2% due 16Apr31
Rating	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA
Issue Date	September 2019	April 2020	September 2020		April 2021
Issue Spread	MS+36bps	MS+80bps	MS+24bps	MS+62bps	MS+40bps
Bookrunners	BAML, Citi, HSBC, RBC	BAML, Citi, HSBC, Scotiabank	Barclays, JP Morgan, RBC, TD		BMO, HSBC, 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

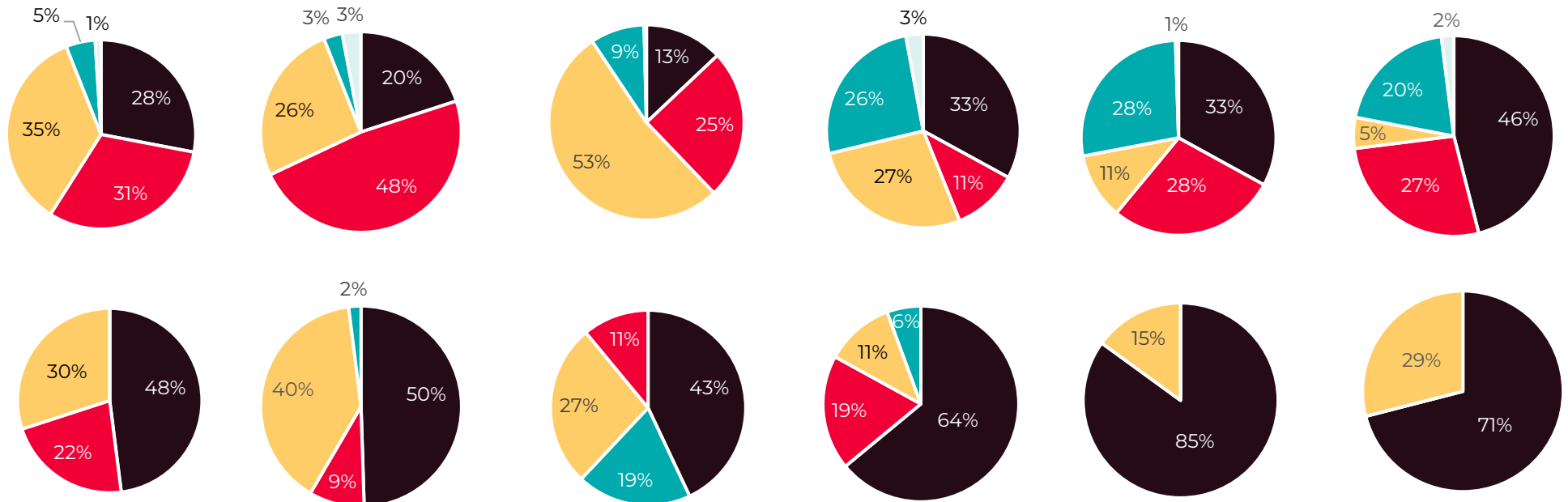
	US\$2.0 billion	US\$1.5 billion	USD\$1.5 billion	CAD\$1.25 billion	CAD\$1.0 billion Green Bond	CAD\$1.0 billion Green Bond
Coupon and Maturity	0.875% due 21Sep26	3.000% due 13Apr27	4.25% due 25Apr28	1.1% due 19Oct27	4.450% due 02Jun32	4.15% due 01Nov29
Rating	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA
Issue Date	September 2021	April 2022	April 2023	October 2020	November 2022	February 2023
Issue Spread	MS+10bps	MS+55bps	MS+78bps	GoC+75bps	GoC+100bps	GoC+80bps
Bookrunners	BAML, CIBC, Citi, RBC	BMO, Citi, JP Morgan, RBC	BAML, Citi, National Bank of Canada, RBC	BMO, CIBC, RBC, Scotiabank, TD	BMO, CIBC, National, RBC, TD	BMO, CIBC, Desjardins, RBC, TD

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- Corporate, Insurance, Pension
- Other (Brokers, Dealers, Hedge Funds)

**Geographical Breakdown**

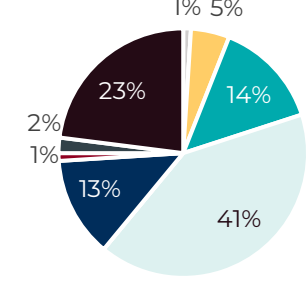
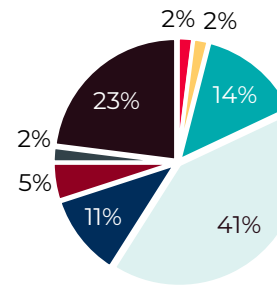
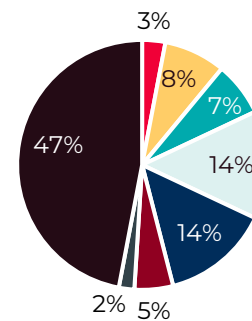
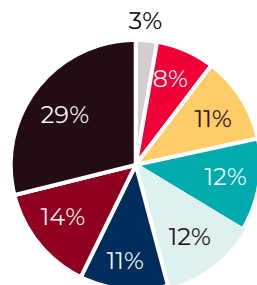
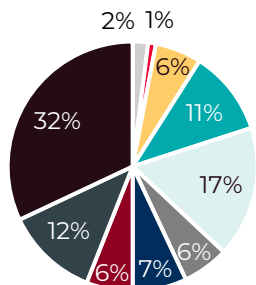
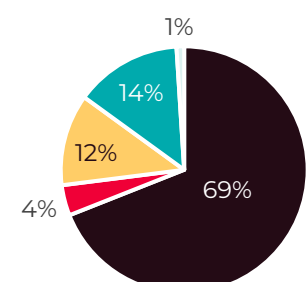
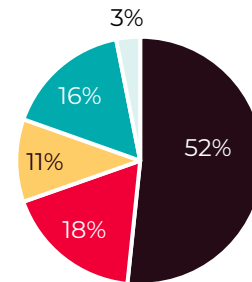
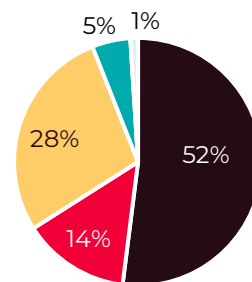
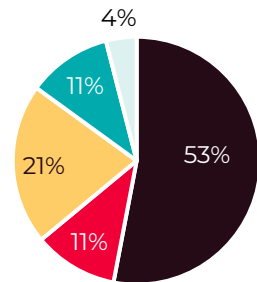
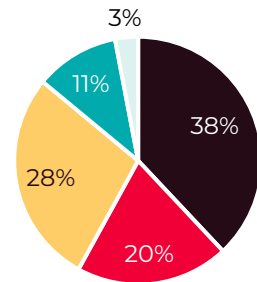
- Americas
- Asia
- Europe
- MEA



# 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

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- Americas
  - Benelux
  - Germany
  - Nordics
  - Switzerland
  - UK
  - Asia
  - France
  - MEA
  - Other Europe





# OTFT Outstanding Term Debt – EUR and GBP

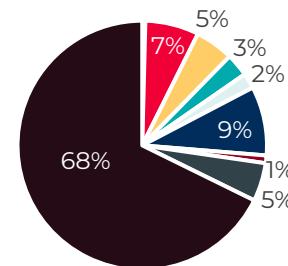
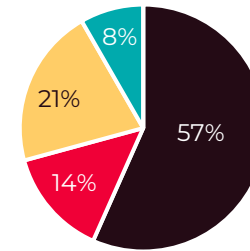
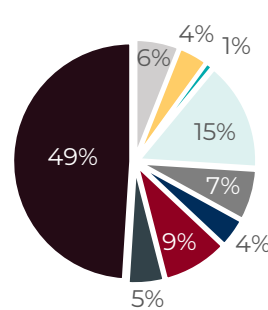
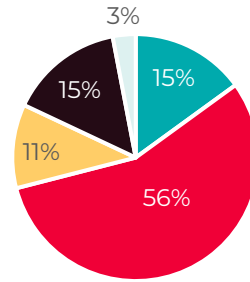
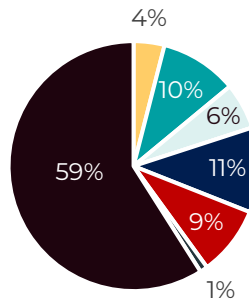
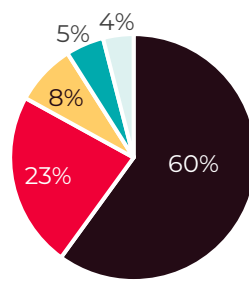
	EU€1.25 billion	EU€500 million	GB£500 million
Coupon and Maturity	1.85% due 03May32	3.30% due 05Oct29	1.125 due 15May26
Rating	Aa1/AA+/AAA	Aa1/AA+/AAA	Aa1/AA+/AAA
Issue Date	April 2022	October 2022	October 2021
Issue Spread	MS+32bps	MS+32bps	Gilt+43bps
Bookrunners	BAML, Barclays, BNP, TD	BNP, Credit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

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- Nordics
- Other Europe
- Switzerland
- UK



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- 05. Concluding Remarks**

# Concluding Remarks

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

- Solid positioning relative to pension liabilities - funding ratio of 106% as of January 1, 2023; and maintained a fully funded status for 10th year
- 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 8.6%<sup>1</sup> and 9.4%<sup>1</sup> respectively)
- Highly rated plan (Moody's: Aa1/Stable, S&P: AA+/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

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