Teachers' Pension Plan

ANNUAL REPORT

2025

About the plan

BC's Teachers' Pension Plan is one of the largest pension plans in Canada.

The plan provides secure retirement income for more than 109,000 plan members, including teachers, principals, vice-principals and superintendents from school boards across the province.

As at December 31, 2025, the plan had net assets of more than $43 billion.

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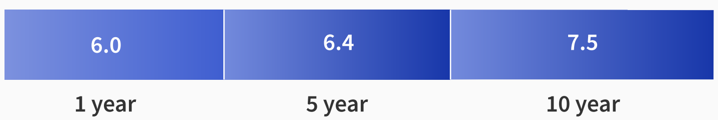
2025 in review

Financials

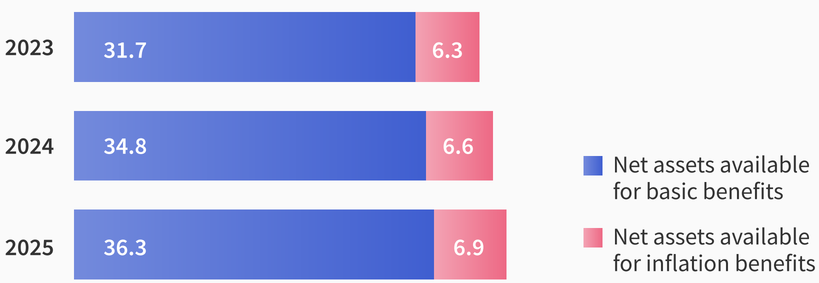
ANNUALIZED RATES OF RETURN (%)

as at December 31, 2025



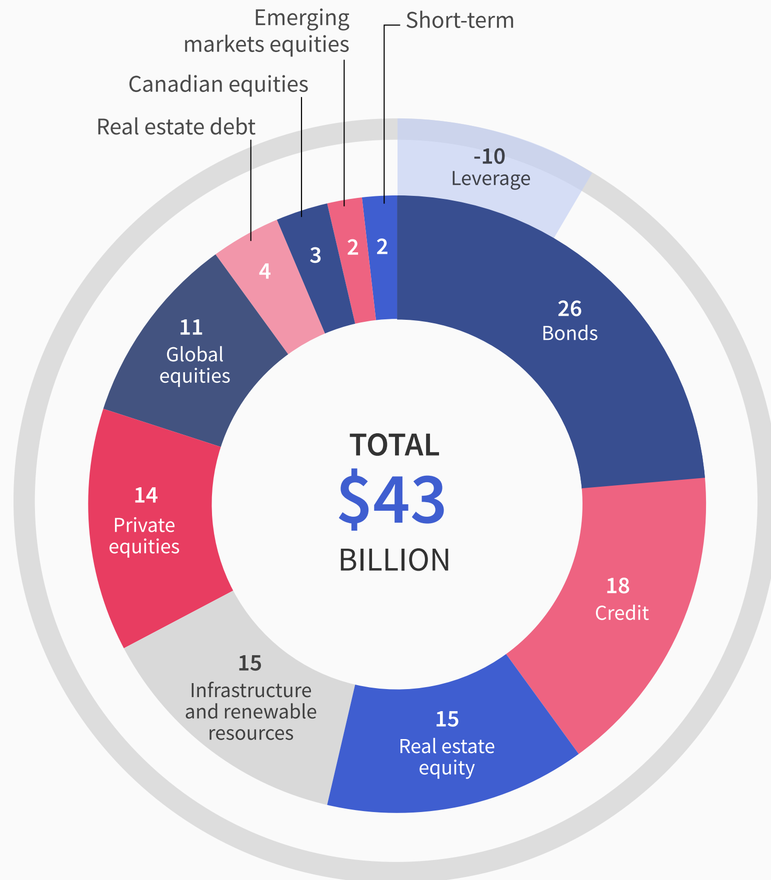
NET ASSETS AVAILABLE FOR BENEFITS ($ BILLIONS)

as at December 31



INVESTMENT HOLDINGS (%)

as at December 31, 2025



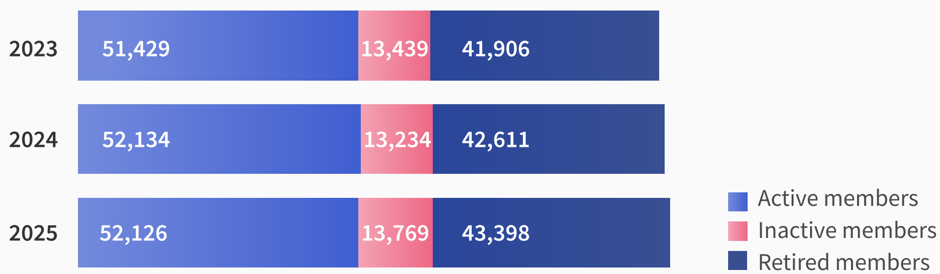
NET ASSETS ($ MILLIONS)

$41,371	+	2,551	+	1,005	–	1,749	=	$43,178
Net assets *as at December 31, 2024*		Investment income		Contributions		Pensions, benefits, expenses		Net assets *as at December 31, 2025*

Membership

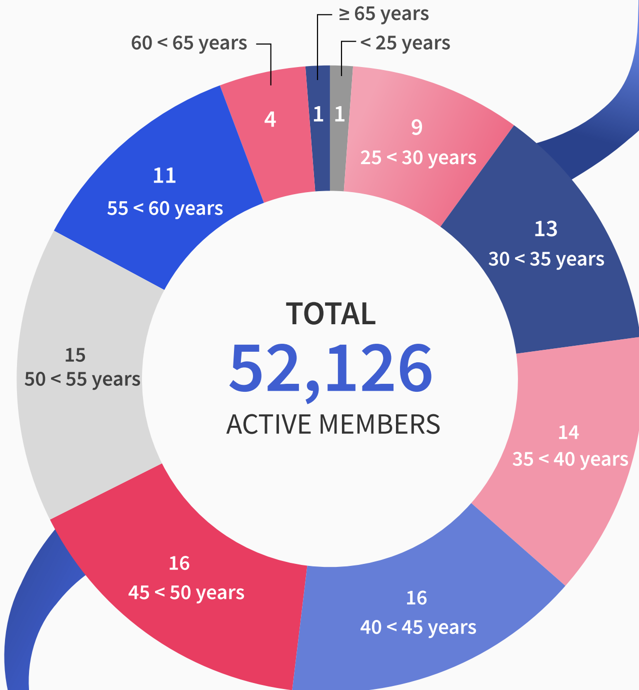
NUMBER OF MEMBERS

as at December 31



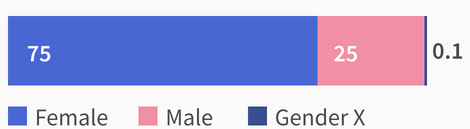
ACTIVE MEMBERS BY AGE (%)

as at December 31, 2025



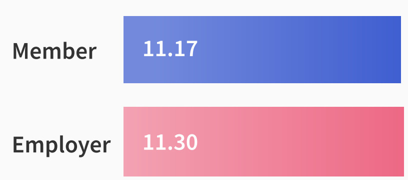
ACTIVE MEMBERS BY GENDER (%)

as at December 31, 2025



CONTRIBUTION RATES AS A PERCENTAGE OF SALARIES (%)

effective January 1, 2019



THE PLAN PAID OUT

as at December 31, 2025

$1.6 billion in benefits in 2025

$36,952 Average annual pension

$37,141 Median annual pension

43,398 Members receiving a pension

Trustees’ message

Predictable pensions in an unpredictable world

BC's Teachers' Pension Plan is an internationally recognized pension leader, delivering predictable and secure lifetime income to tens of thousands of British Columbia's retired educators.

As the plan's board of trustees, our role is to ensure that the plan remains sustainable and healthy and forms the cornerstone of our members' retirement income for generations to come.

Despite 2025 being economically unpredictable, the plan continued to deliver the pension promise.

In May 2025, as markets struggled in the face of economic uncertainty, our chair, Chung Yan Ip, penned a Board Communiqué that addressed the plan's economic challenges but demonstrated why short-term economic and political issues are not a cause for concern.

The May 2025 Board Communiqué noted that:

- There are enough funds in the plan to meet predicted pension obligations both now and into the future. Having a strong financial footing in times of pressure allows the plan to navigate volatility without needing to sell assets—and it enables the plan to stay disciplined and strategic in its investment decisions.
- The plan's investment approach is long-term and diversified. Working with BCI, the plan's investment agent, we have built a diversified portfolio and healthy liquidity that help navigate short-term shocks and position the plan to achieve its objectives over the long term.
- The plan has successfully navigated past downturns. From the 2008 financial crisis to COVID-19 and the subsequent inflationary period, the plan has consistently proven to be resilient.

Now, deep into 2026, the plan continues to fulfil its obligations and stay on course. We are pleased to look back and report that despite the economic shadows, the plan continued to grow in 2025. On a 5-year annualized basis, the plan saw a return of 6.4 per cent, and on a 10-year annualized basis, the plan saw a return of 7.5 per cent. Both exceed 5.75 per cent, the amount the plan actuary calculated needs to be earned long-term to maintain full funding. As at December 31, 2025, the plan had reached a new asset high of $43.2 billion. These results come in addition to the plan's most recent valuation that showed the plan has enough funds available to pay all current and future predicted pensions.

DEFINITION

LIQUIDITY

The ability to purchase or sell an asset quickly and easily without significantly affecting the fair market value. Strong liquidity allows the plan to seize new investment opportunities quickly as they arise.

Proud past, confident future

The plan celebrates its 97th anniversary in 2026. After almost a century, the plan remains a leading pension model both in Canada and beyond. The plan is recognized for its governance model, careful long-term approach and commitment to sustainability. This reputation is built on prudent stewardship, strong partnerships and a shared commitment to securing retirement income for generations of members.

The plan has evolved dramatically over the decades. The *Teachers' Pensions Act* of 1929 assisted only teachers who had at least 15 years' experience teaching in the province. It had no early retirement provisions and paid a maximum of only $13,000 in 2026 dollars—and a teacher would have had to teach for 30 years to receive that benefit.

But small steps can lead to great strides: the Teachers' Pension Plan was the first true pension plan for any public sector worker in the province. In the years that followed, provincial government employees, municipal employees and those working in post-secondary education joined BC's public sector pension family.

Although the Teachers' Pension Plan was initially administered solely by the Province of BC, the BC Teachers' Federation (BCTF), which was incorporated in 1919, was active from the very beginning in advocating for improved retirement outcomes for its members.

On April 2, 2001, 25 years ago, the plan became jointly trusteed. Joint trusteeship meant that decision-making authority and responsibilities would be shared equally between the Province and BCTF, and the Teachers' Pension Board of Trustees was formed.

You can learn more about joint trusteeship and the board in the *About us* section of the plan website.

Our commitment

We are committed to providing secure retirement income for more than 109,000 current and future retired teachers, principals, vice-principals and superintendents from across the province.

We will continue to be transparent and communicate with our members and other audiences on a proactive, ongoing basis.

Thank you for the opportunity to administer BC's Teachers' Pension Plan.

The Teachers' Pension Board of Trustees

About the board

The Teachers' Pension Board of Trustees is a group of 10 British Columbians who work together to govern BC's Teachers' Pension Plan.

The BC Teachers' Federation (the member plan partner) and the Province of British Columbia (the employer plan partner) each appoint five trustees to the board. Trustees are appointed for their unique perspectives, knowledge and critical thinking skills.

As a cohesive entity, the board ensures secure retirement income for plan members and upholds the trust put in it by the plan partners.

The board selects its own chair and vice-chair and appoints directors to two key organizations:

- BC Pension Corporation, the plan's administrative agent
- BCI, the plan's investment agent

In 2025, the board held four regular meetings and one strategic planning meeting.

Trustees

as at December 31, 2025

Chung Yan Ip

Chair

Appointed by
British Columbia Teachers’ Federation

Committees
Benefits and communications, Executive Forum, governance, interplan audit, interplan coordination

Trustee
Since 2011

Reg Bawa

Vice-chair

Appointed by
Province of British Columbia

Other boards
BCI board of directors

Committees
Executive Forum, governance, interplan coordination

Trustee
Since 2010

Elizabeth Baverstock

Appointed by
British Columbia Teachers’ Federation

Other boards
Pension Corporation Board of Directors

Committees
Benefits and communications (chair), interplan investment

Trustee
Since 2018

Sarvi Brent

Appointed by
Province of British Columbia

Committees
Interplan audit

Trustee
Since 2024

Ankie Carswell

Appointed by
British Columbia Teachers’ Federation

Committees
Benefits and communications

Trustee
Since 2024

Al Cornes

Appointed by
British Columbia Teachers' Federation

Committees
Benefits and communications

Trustee
Since 2022

Cheryl Eason

Appointed by
Province of British Columbia

Other boards
Pension Corporation Board of Directors

Committees
Governance, interplan investment (chair)

Trustee
Since 2018

Adam Molineux

Appointed by
Province of British Columbia

Other boards
Pension Corporation Board of Directors

Committees
None

Trustee
Since 2023

Lynda Reeve

Appointed by
Province of British Columbia

Committees
Benefits and communications, governance, interplan trustee education

Trustee
Since 2020

Leslie Roosa

Appointed by
British Columbia Teachers' Federation

Committees
Benefits and communications, governance (chair), interplan investment, interplan trustee education

Trustee
Since 2019

For more information about the board and the trustees, visit *About us > Who we are > Teachers' Pension Plan > Board trustees* on the plan website.

Trustee remuneration

Trustees attend cyclical and ad hoc board, committee and interplan meetings. Trustees also take training courses and attend conferences and events.

The plan pays trustees, or their employers, annual stipends and per diems. The plan also reimburses reasonable expenses, such as travel for board business.

Guidelines and rates are set out in the board's remuneration policy. Under the policy, remuneration may be adjusted annually by an amount equal to the cost-of-living adjustment made to pension payments.

To read the remuneration policy, visit *About us > Who we are > Teachers' Pension Plan > Board policies* on the plan website and navigate to *Remuneration policy*.

TRUSTEE REMUNERATION

year ended December 31, 2025

Trustee	Meeting days	Per diem	Annual stipend	Chair and vice-chair remuneration	Total payments	Paid to
Chung Yan Ip (chair)	28.0	$ 14,112	$ —	$ —	$ 14,112	BC Teachers' Federation
	—	—	5,036	5,036	10,072	Board member
Reg Bawa (vice-chair)	17.0	8,568	5,036	2,518	16,122	Ministry of Finance
Elizabeth Baverstock	21.5	10,836	—	—	10,836	Richmond Teachers' Association
	—	—	5,036	—	5,036	Board member
Sarvi Brent	9.5	4,788	5,036	—	9,824	Ministry of Finance
Ankie Carswell	18.0	9,072	—	—	9,072	Vancouver School Board
			5,036	—	5,036	Board member
Al Cornes	26.0	13,104	5,036	—	18,140	Board member
Cheryl Eason	21.0	10,584	5,036	—	15,620	Board member
Adam Molineux	13.5	6,804	5,036	—	11,840	Ministry of Finance
Lynda Reeve	12.0	6,048	—	—	6,048	Surrey School District
	4.0	2,016	—	—	2,016	Central Okanagan School District
	—	—	5,036	—	5,036	Board member
Leslie Roosa	22.5	11,340	—	—	11,340	BC Teachers' Federation
	—	—	5,036	—	5,036	Board member
Total		**$97,272**	**$50,360**	**$7,554**	**$ 155,186**	

Plan-specific committees

Trustees are assigned to plan-specific committees based on their knowledge, background, education and interests.

Benefits and communications

The benefits and communications committee meets to discuss issues including:

- Extended health and dental plans
- Plan rule amendments
- Communications products, including the *Report to Members* for active members, *Pension Life* for retired members and the *Annual Report*

For some items brought to this committee, the committee has the authority to make decisions under authority delegated by the board. For other items, the committee might recommend they be taken to the board for further discussion or decision.

The committee met twice in 2025.

Governance

The governance committee helps the board fulfil its governance responsibilities by considering items such as:

- Policy development
- Risk management
- Strategic planning mechanisms
- Development of the board's assessment tools
- Succession planning

The committee met twice in 2025.

Interplan committees

Interplan committees address issues common to the four BC public sector pension plans. In addition to the Teachers' Pension Plan, the public sector pension plans are the College, Municipal and Public Service pension plans.

Some interplan committees do not include the Municipal Pension Plan.

Executive Forum

The Executive Forum is designed to share areas of common interest among the Teachers', College, Municipal and Public Service pension plans. It provides an opportunity for the board chairs, the board vice-chairs and senior administrators from the plans' secretariats to keep up with the activities of the boards and, in some cases, to find common ground and areas of collaboration.

The forum met twice in 2025.

Interplan audit

The Interplan Audit Committee includes representatives from the Teachers', College, Municipal and Public Service pension boards of trustees, who help provide and maintain:

- A timely and cost-effective system of accounting and reporting
- Financial statements consistent with Canadian accounting standards for pension plans
- An independent audit of the financial statements
- An *Annual Report* with the audited financial statements

The committee met four times in 2025

Interplan coordination

The Interplan Coordination Committee facilitates communication to ensure that the Teachers', College and Public Service pension boards of trustees meet their common governance and operational requirements. Additionally, this committee oversees the operations of Pension Board Secretariat.

The committee met three times in 2025.

Interplan investment

The Interplan Investment Committee discusses investment issues common to the Teachers', College and Public Service pension boards of trustees. It makes recommendations to each board on general investment policy and procedure statements and on investment issues identified by a board, BCI or the committee itself. It considers things like:

- Trends in the investment industry
- Regulatory and legal developments
- Responsible investing issues
- Asset class reviews
- Updates on capital markets
- New investment products

The committee met four times in 2025.

Interplan trustee education

The Interplan Trustee Education Committee allows the Teachers', College, Municipal and Public Service pension boards of trustees to develop trustee knowledge and skills; work together on common educational issues; and provide information on trends in various areas, such as benefits, pensions and investments. This group organizes the annual BC Public Sector Pension Conference.

The committee met three times in 2025.

Agents and service providers

BC Pension Corporation

BC Pension Corporation provides professional pension services for the plan on behalf of the board. One of Canada's largest pension service providers, Pension Corporation serves the largest public sector pension plans in British Columbia, representing more than 780,000 members and more than 1,000 employers. Pension Corporation's services include providing plan information to members and employers, managing contributions and member records, and paying pensions. Pension Corporation also provides policy, financial and communications support to the board.

Pension Board Secretariat

Pension Board Secretariat is a branch of Pension Corporation. It provides day-to-day professional and operational support to help the board meet its governance and fiduciary obligations.

BCI

BCI provides investment management services to the board. BCI is one of Canada's largest institutional investors, managing a portfolio of more than $300 billion. It offers investment options across a range of asset classes, including public and private equity, real estate, and infrastructure and renewable resources.

Eckler Ltd.

Eckler is the plan's independent actuary. It conducts an actuarial valuation of the plan's funding every three years and supports the board in its decision making as appropriate. The results of the most recent valuation, as at December 31, 2023, are on page 38 of this report.

GreenShield

GreenShield is a not-for-profit benefits carrier that provides retired plan members with access to non-guaranteed extended health and dental plans.

KPMG LLP

KPMG provides external audit services to the plan.

Lawson Lundell LLP

Lawson Lundell is the plan's legal counsel. It works with the board to ensure compliance and plan security. It also counsels the board on a broad range of governance and trustee matters.

WTW

WTW is the board's benefits advisor. It works closely with the board and GreenShield to provide retired plan members with access to non-guaranteed extended health and dental plans.

Plan financials

Investment strategy

The primary objective of the board is to meet the pension promise. Additional objectives of the board include stabilizing contribution rates and providing inflation increases to pensions. To achieve these goals, the board and BCI take a long-term approach to investing to ensure the plan is secure and sustainable for both current and future members. This is an important responsibility, because for every $100 of pension benefits a plan member receives, about $75 comes from investment income.

The goal is to meet or exceed the plan's investment return objective (the long-term returns required to pay for the plan's pensions) while taking on an appropriate level of risk. To achieve this, the board and BCI have built a diversified portfolio that is invested in multiple asset types, industry sectors and global markets. Diversification is a key part of risk management, as it limits the impact on the whole portfolio during times of lower returns, such as a market downturn.

BCI's active management approach grants investment teams the discretion to adjust portfolio positioning in response to evolving risk conditions and the market outlook—whether to preserve capital during periods of stress or to capture value-add opportunities as they arise.

Maintaining a healthy liquidity level is important for the plan and BCI. The plan's liquidity level remains strong, which means the plan is secure and benefits will continue uninterrupted, even during periods of market stress or volatility. Additionally, BCI maintains disciplined liquidity management, because market uncertainty can create opportunities to buy high-quality assets at attractive prices that support the plan's long-term objectives.

The Statement of Investment Policies and Procedures (SIPP) governs the plan's overall framework for managing assets. The SIPP is established and updated by the board. BCI is responsible for applying the investment strategy and working toward the financial goals outlined in the SIPP. The board oversees and monitors BCI's performance in carrying out this responsibility.

DEFINITION

RETURN OBJECTIVE

The expected rate of return assumed by the plan actuary in determining the plan's liabilities and overall financial health. Meeting or exceeding this objective over the long term means the plan can cover its pension commitments.

Overall plan performance

In 2025, the plan's assets grew from $41.3 billion to $43.2 billion.

For the year ended December 31, 2025, the plan returned 6.0 per cent. This exceeds the plan's return objective of 5.75 per cent but is below its 8.9 per cent benchmark.

On a five-year basis, the plan had an annualized return of 6.4 per cent, exceeding the return objective but falling short of the 7.1 per cent benchmark. On a 10-year basis, the plan had an annualized return of 7.5 per cent, exceeding the return objective but falling short of the 7.7 per cent benchmark.

The return objective is the expected rate of return assumed by the plan actuary in the actuarial valuation of the plan. Exceeding the return objective over the long term generally means the plan is in a strong financial position.

The benchmark is a standard set by the board to measure BCI's performance. While benchmarks serve as reliable guides over longer time periods, short-term volatility can cause temporary mismatches.

Over the year, absolute performance was largely driven by public equities. Strong corporate earnings, rate cuts and broad stock market gains supported returns, despite volatility. Relative performance was negatively impacted by real estate equity and private equity, both of which underperformed their respective benchmarks. Real estate equity continued to be impacted in 2025 by interest rates that increased faster than at any time in the past four decades. While private equity has delivered strong long-term performance, returns over the past year lagged behind the public equity benchmark, which was heavily driven by technology stocks and enthusiasm around artificial intelligence (AI).

DEFINITION

ANNUALIZED RETURN

The compound average yearly return over a specific period, calculated to show performance over time. This helps compare investment results across different time periods.

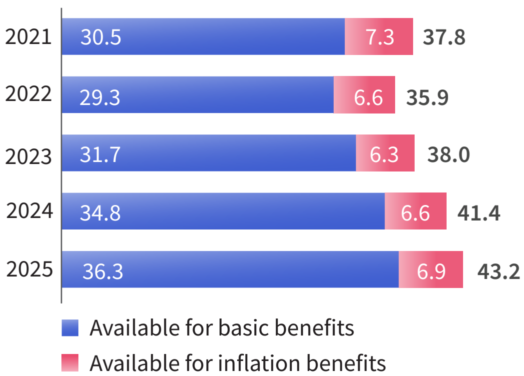
DEFINITION

BENCHMARK

A standard used to evaluate BCI's investment performance, typically market indexes and other measures. Benchmarks are set by the board. For some investment types, they represent what the investments would have earned if they had followed market indexes passively; for others, they represent long-term performance expectations.

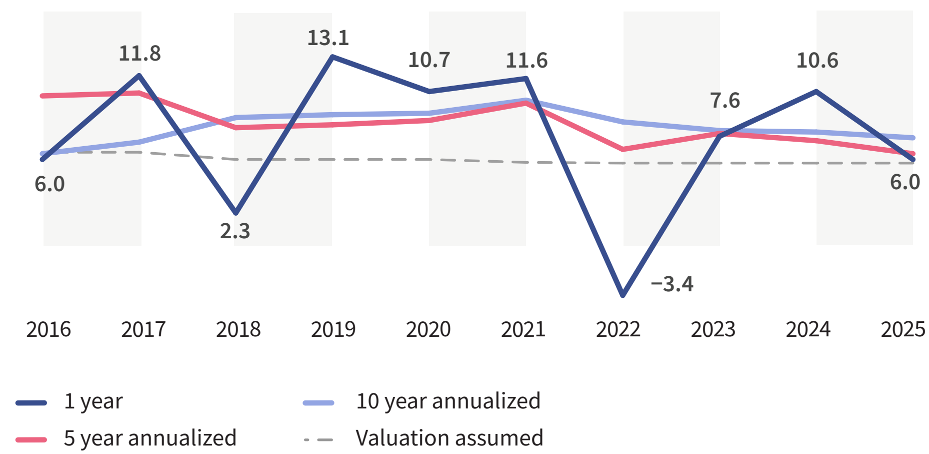
NET ASSETS AVAILABLE FOR BENEFITS ($ BILLIONS)

as at December 31



INVESTMENT RETURNS (%)

10-year history



DEFINITION

ABSOLUTE RETURN

The per cent or dollar amount that an investment rises or declines in a given period, without comparing it to a benchmark.
For example, a nine per cent return is a positive absolute return even if it's below the benchmark, because the investment grew in value.

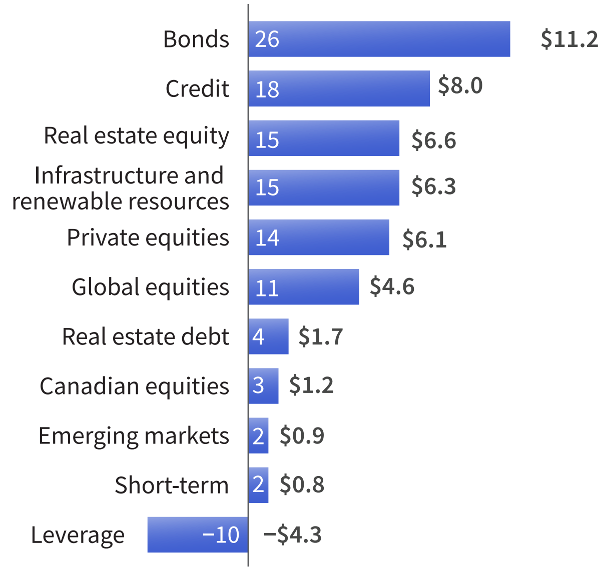
INVESTMENT PERFORMANCE (%)

year ended December 31

	Rate of return	Performance benchmark
Annual rates		
2025	**6.0**	**8.9**
2024	10.6	13.9
2023	7.6	11.5
2022	−3.4	−5.9
2021	11.6	8.4
5-year annualized rates		
2025	**6.4**	**7.1**
2024	7.3	7.5
10-year annualized rates		
2025	**7.5**	**7.7**
2024	7.9	7.6

INVESTMENT HOLDINGS (% MARKET VALUE) ($ BILLIONS)

as at December 31, 2025



DEFINITION

LEVERAGE

The process of borrowing capital to increase investment in certain assets, with the expectation that it will improve overall long-term risk-adjusted investment returns and enhance short-term liquidity. For example, BCI's funding program borrows capital for investment across the portfolio's asset mix. The borrowed capital and associated costs are reported as leverage.

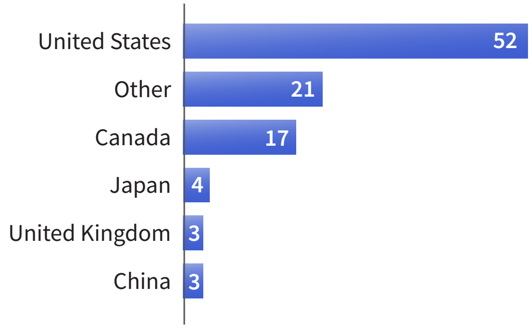
ASSET MIX AND PERFORMANCE (%)

as at December 31, 2025

	Approved range	Target asset mix	Actual asset mix	Rate of return	Performance benchmark
Short-term	0–8	2	2.0	1.1	0.9
Government bonds	15–33	25	26.1	2.1	2.1
Credit[1]	3–25	18	18.5	7.2	5.8
Fixed income	**22–55**	**45**	**46.6**	**4.0**	**3.5**
Developed markets[2]	3–30	13	13.4	18.3	18.1
Emerging markets	0–8	2	2.0	28.6	27.3
Private equity	8–20	13	14.0	8.1	18.6
Equity	**16–52**	**28**	**29.4**	**14.5**	**19.2**
Real estate[3]	12–32	22	19.3	(2.7)	6.5
Infrastructure and renewable resources	6–20	15	14.7	7.4	6.5
Real assets	**18–50**	**37**	**34.0**	**1.4**	**6.5**
Other	**0–5**	**0**	**0.0**	**N/A**	**N/A**
Leverage	**(15)–0**	**(10)**	**(10.0)**	**3.6**	**3.6**
Total asset mix		**100**	**100.0**	**6.0**	**8.9**

1 Corporate bonds and private debt.
2 Canadian and global equities.
3 Real estate equity and real estate debt (mortgages).

EQUITY EXPOSURE BY REGION (%)
as at December 31, 2025



DEFINITION

ASSET CLASS

A category of investments with similar characteristics and market behaviour, such as fixed income, public equity, private equity, real estate and infrastructure.

Public markets

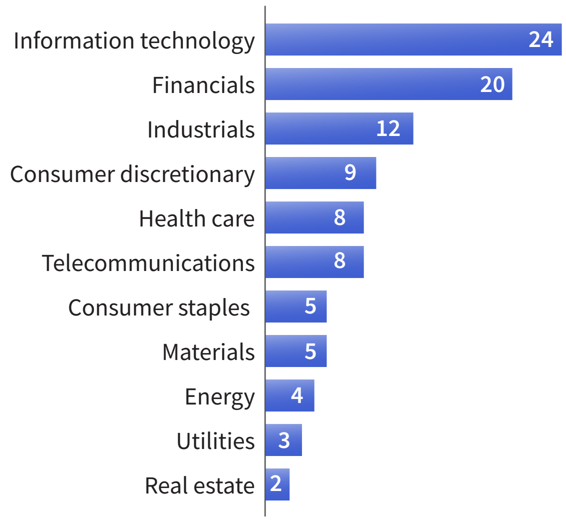
Within public markets, the plan invests in fixed income (short-term money market securities and government and corporate bonds) and public equities (publicly traded stocks and strategies that aim to deliver returns similar to a broad stock market index).

Over the year, fixed income achieved a 4.0 per cent return, outperforming the 3.5 per cent benchmark. All fixed income allocations posted positive returns, with credit being the strongest contributor to the plan's overall performance. Fixed income's five-year annualized return was 1.5 per cent, above the 0.9 per cent benchmark.

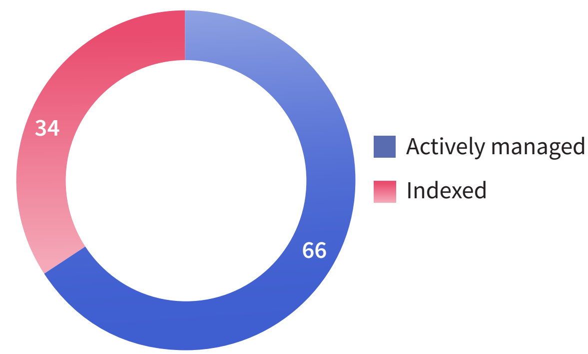
Public equities also delivered a strong one-year performance. The asset class returned 19.8 per cent, above the 19.6 per cent benchmark. Its performance was supported by developed and emerging markets equity, both delivering double-digit returns. AI also remained a dominant investment theme throughout the year. Companies supplying AI infrastructure were especially high performing.

Over five years, public equities had an annualized return of 12.7 per cent, above the 12.6 per cent benchmark. This outperformance reflects the portfolio's strategic diversification across Canadian, developed and emerging markets.

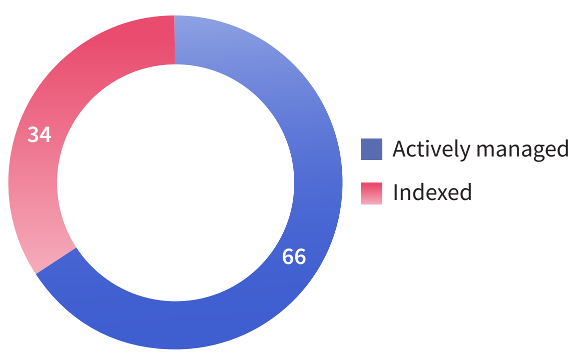
DEVELOPED MARKETS EQUITIES BY SECTOR (%)
as at December 31, 2025



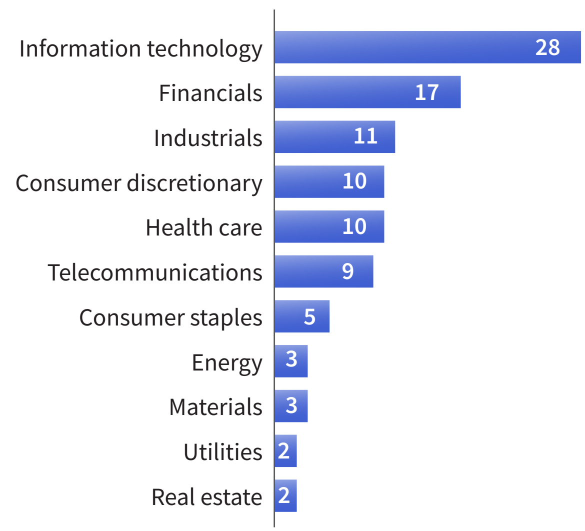
DEVELOPED MARKETS EQUITIES (MARKET VALUE) (%)
as at December 31, 2025



GLOBAL EQUITIES (MARKET VALUE) (%)
as at December 31, 2025

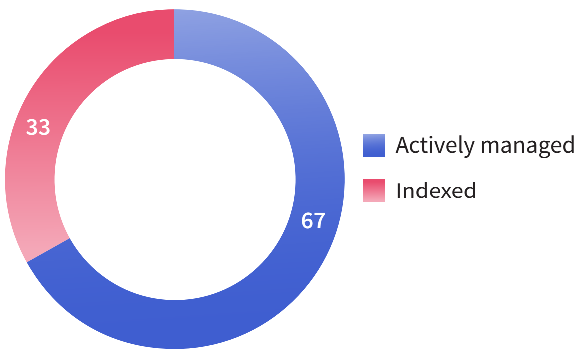


GLOBAL EQUITIES BY SECTOR (%)
as at December 31, 2025



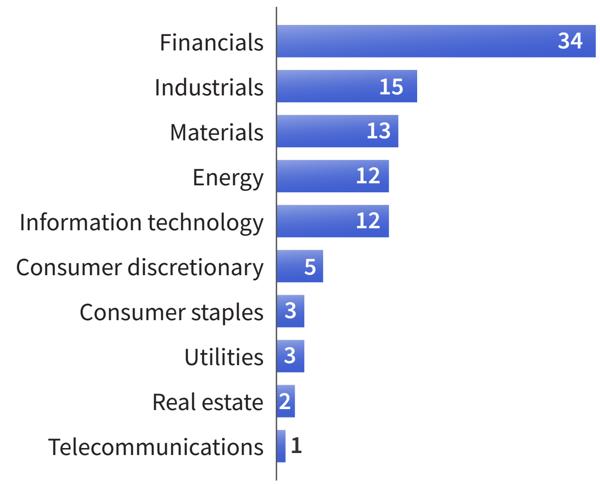
CANADIAN EQUITIES (MARKET VALUE) (%)

as at December 31, 2025



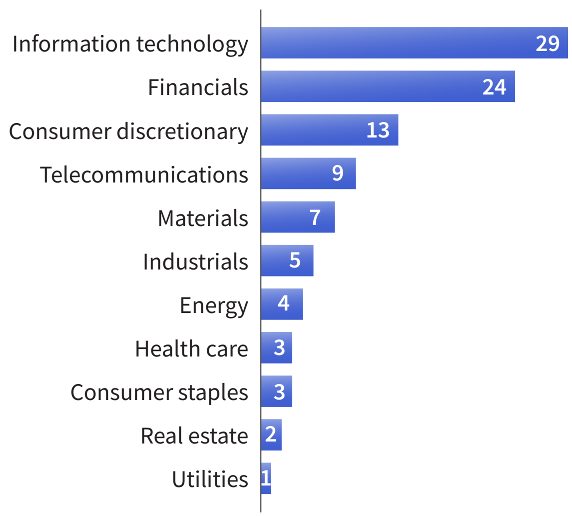
CANADIAN EQUITIES BY SECTOR (%)

as at December 31, 2025



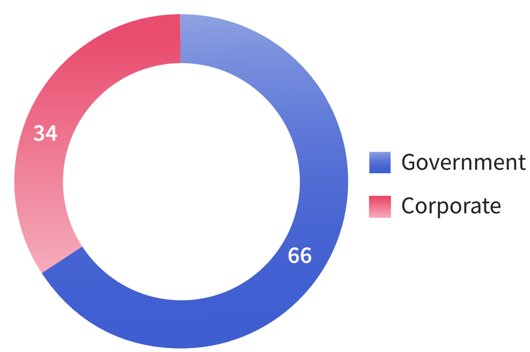
EMERGING MARKETS EQUITIES BY SECTOR (%)

as at December 31, 2025



BONDS (MARKET VALUE) (%)

as at December 31, 2025



Private equity

Private equity as an asset class involves taking an ownership stake in private companies that are not publicly traded. As with public equity, investors participate in the company's performance rather than receiving fixed interest payments. Many private equity opportunities are limited to investors with significant capital.

Private equity provided strong returns for the plan over both one- and five-year periods, positively impacting the plan's total fund return.

Over the past year, however, returns from private equity did not keep pace with a rapidly rising public equity benchmark. On a one-year basis, private equity achieved an 8.1 per cent return, below the 18.6 per cent benchmark.

Soaring technology stocks, particularly the Magnificent Seven (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla), continued to drive up the public equity benchmark that private equity is measured against.

Over five years, private equity posted an annualized return of 12.5 per cent, underperforming the 14.8 per cent benchmark. The portfolio continues to focus on delivering strong long-term returns and sustainable value creation.

DEFINITION

PORTFOLIO

The complete collection of investments held by the plan. A diversified portfolio spreads investments across different asset classes, sectors and regions to manage risk.

Real estate

Real estate as an asset class involves investing in land and income-producing buildings, such as residential, commercial, office, industrial and alternatives, through either ownership interests or lending secured by real property.

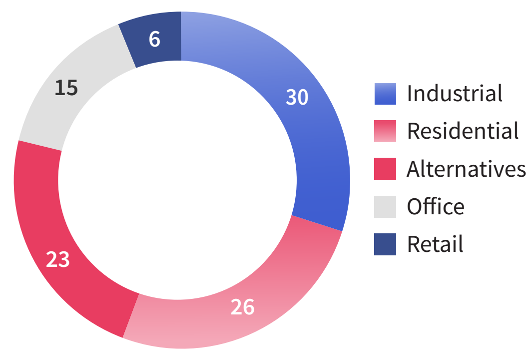
The global real estate market continued to face challenges in 2025 due to economic uncertainty, including trade tensions and tariff concerns. However, the plan's real estate portfolio is strongly positioned, with diversified assets across regions and sectors.

Global real estate markets stabilized as the year progressed, although recovery remained uneven across sectors and regions.

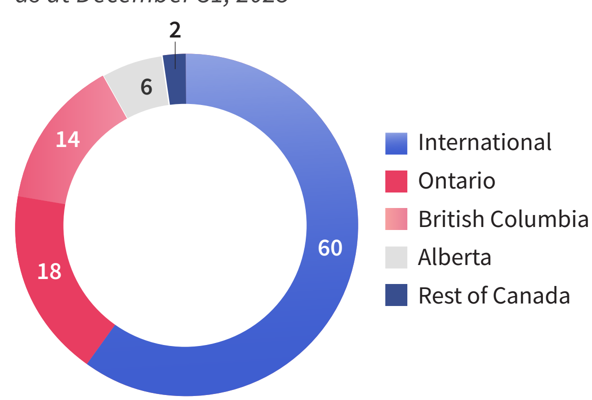
Real estate equity returned −4.7 per cent over the year, reflecting a challenging market environment and underperforming the 6.8 per cent benchmark. The portfolio continues to focus on high-conviction sectors, with strong occupancy in residential, industrial, student housing and self-storage. Over five years, the asset class delivered a 1.8 per cent annualized return, compared with the 6.8 per cent benchmark.

Real estate debt outperformed on a one-year basis, returning 5.3 per cent against the 5.2 per cent benchmark. Real estate debt markets showed strong momentum in 2025 and continued to generate stable income from high-quality borrowers. New investments were directed toward high-conviction property sectors, which allowed the plan to navigate market challenges and capitalize on growth opportunities. Real estate debt's five-year annualized return was 5.2 per cent, outperforming the 4.2 per cent benchmark.

REAL ESTATE EQUITY BY TYPE (%)
as at December 31, 2025



REAL ESTATE EQUITY BY LOCATION (%)
as at December 31, 2025



Infrastructure and renewable resources

This asset class focuses on investments in infrastructure and renewable resources (IRR) that provide essential services, generate stable long-term cash flows and operate in supportive regulatory environments.

Over the year, IRR achieved a 7.4 per cent return, outperforming the 6.5 per cent benchmark. The plan benefited from diversified investments and stable cash flows in essential infrastructure assets like regulated utilities, timber, farmlands and digital infrastructure.
On a five-year basis, the asset class returned 8.8 per cent, outperforming the 6.4 per cent benchmark. The overall outlook for IRR remains positive, in part due to growing electricity demand, expanding power grids and the transition to renewable energy.

I am very grateful to have a pension. Even though I have been a plan member for only 10 years, the pension I will be getting will provide a stable foundation. When you look at it from month to month, the value of the pension over the rest of your life is an incredible amount of money that will be there for you in the future.

Laurel Matthew,
active member

INVESTMENT PORTFOLIO[1]

as at December 31, 2025

	Market value ($ millions)	Asset mix market value (%)
Short-term	$ 847	2.0
Leverage	(4,330)	(10.0)
Bonds	11,250	26.1
Credit	8,002	18.5
Canadian equities	1,175	2.7
Global equities	4,628	10.7
Emerging markets equities	868	2.0
Private equity	6,053	14.0
Real estate equity	6,584	15.3
Real estate debt	1,742	4.0
Infrastructure and renewable resources	6,331	14.7
Centralized currency management	(12)	0.0
Cash and unsettled trades	8	0.0
Total investments	**$ 43,146**	**100.0**
2024 comparison	**$ 41,333**	

1 Asset classifications vary from the financial statements for the purpose of performance reporting.

Responsible investing

Responsible investing is a key component of the plan's investment approach. BCI applies the plan's responsible investing practices as its investment agent, which involves integrating environmental, social and governance (ESG) factors into investment decisions. BCI also encourages positive ESG performance in its portfolio companies through its stewardship approach.

The board and BCI believe that ESG integration is important in growing and protecting the value of the plan. ESG factors may be specific to a company, such as board composition, executive compensation and employee safety, or widespread systemic factors like climate change.

Our shared belief is that companies with strong ESG practices are better positioned to deliver risk-adjusted returns for plan members.

BCI's ESG Strategy focuses on four key actions to address the material factors to the plan's investments:

- **Integrate:** ESG analysis and risk management are part of investment processes and decisions.
- **Influence:** Through engagement and advocacy, BCI seeks to influence the companies it invests in, its partners and other participants in capital markets.
- **Invest:** BCI actively seeks ESG-related investment opportunities that help improve long-term outcomes for clients.
- **Insight:** BCI uses its understanding of emerging trends and insights across all ESG activities to continually adapt and improve its strategies, processes and approaches.

Addressing climate change

Climate change is an investment opportunity and a long-term material systemic risk to the plan.

On behalf of its clients, BCI is committed to supporting the global goal of achieving net-zero greenhouse gas emissions by 2050. Its Climate Action Plan outlines the actions BCI is taking to support this goal, aligned with creating and preserving financial value for clients through the uncertainty of the climate transition. This is achieved by actively engaging with portfolio companies, advocating for supportive policy changes and participating in global initiatives on climate action reporting and transparency.

There is progress: BCI's portfolio carbon footprint has decreased by 63 per cent compared with fiscal year 2020. More detailed information and metrics on climate action can be found in BCI's Corporate Annual Report.

Additionally, BCI manages climate change risk across all asset classes and pursues meaningful opportunities in climate solutions. As at December 31, 2025, BCI's total exposure to climate-related opportunities reached $12.3 billion, demonstrating how climate action creates value alongside risk mitigation.

BCI also invests in sustainable bonds, which can provide low-risk returns and help finance projects with positive environmental or social outcomes. It exceeded its 2025 objective of $5 billion in sustainable bond investments, reaching $6.9 billion as at March 31, 2026.

BCI's approach to stewardship

BCI's stewardship approach supports positive ESG performance in its portfolio companies through global policy advocacy, proxy voting and engagement. BCI's annual Stewardship Report outlines key engagement activities, priorities and outcomes. This year's report will be published to BCI's website in fall 2026.

BCI is committed to supporting the global goal of achieving net-zero greenhouse gas emissions by 2050.

Policy advocacy

BCI engages at the policy and market levels to strengthen the investment landscape. By advocating for policy changes that incorporate ESG principles into regulatory frameworks, it contributes to greater policy certainty within global capital markets.

BCI also participates in collaborative initiatives with like-minded investors and engages with regulators to promote robust ESG disclosure standards and practices that benefit the plan's investments.

Proxy voting

BCI uses proxy voting as a tool to encourage ESG improvements through board and management accountability. A full record of BCI's votes and rationale can be found through a searchable database on its website.

Direct and collaborative engagement

BCI engages with public and private companies on a broad range of ESG topics. Some interactions consist of targeted outreach on a specific, material ESG issue, while others involve multiple topics and milestones.

Climate-related disclosure

Transparency plays a major role in climate action, and BCI follows market practices for climate-related disclosures. BCI supports the new Canadian Sustainability Disclosure Standards, which align with the global baseline set out by the International Sustainability Standards Board. The Canadian Sustainability Disclosure Standards aim to help Canadian companies voluntarily report on their sustainability practices and ESG activities.

For more information and ESG case studies, please see BCI's Stewardship Report.

Divestment and engagement

The term "divestment" is often used to describe the decision by an investor to sell its economic interests in a company that may not be meeting its ESG goals. The board and BCI generally believe that broad-based divestment is not an effective strategy to address long-term and persistent ESG risks. Divestment eliminates an investor's right to engage and promote change with management.

Instead, through BCI's stewardship activities, including engaging with companies and using its ownership rights, BCI can influence corporate ESG practices. BCI continues to use its size and influence to address ESG matters through engagement and advocacy. When BCI does not see sufficient progress or responsiveness, it may explore alternative avenues to escalate its concerns. This may include voting against management and board directors, filing shareholder proposals, signing public letters or statements, or publicly commenting through other channels.

Investment costs

BCI operates on a cost-recovery basis, meaning the plan pays fees only to cover the cost of managing its investments (BCI does not build a profit margin into its fees). BCI's fees continue to be competitive with those of its peers.

Asset types, the plan's asset mix and BCI's investment strategy affect investment management fees. Some asset classes are more complex and expensive to manage, which affects fees.

BCI's transition to active, in-house fund management has helped reduce fees by moving away from more expensive external managers. Additionally, BCI has access to significant economies of scale when investing on behalf of the plan. The goal is to earn enough investment income to fulfil the plan's pension commitments at a reasonable cost.

TOP 25 SECURITY HOLDINGS
TOTAL PUBLIC EQUITY EXPOSURE—WORLDWIDE

as at December 31, 2025

Company	Percentage of total fund (%)	Total exposure ($ millions)
Nvidia Corp.	0.6	251.7
Apple Inc.	0.5	214.0
Microsoft Corp.	0.4	191.8
Alphabet Inc.	0.4	188.1
Amazon.com, Inc.	0.3	123.3
Taiwan Semiconductor Manufacturing Co., Ltd.	0.2	96.5
Royal Bank of Canada	0.2	87.2
Broadcom Inc.	0.2	84.6
Meta Platforms, Inc.	0.2	79.8
Shopify Inc.	0.2	78.1
Tesla, Inc.	0.1	62.1
Toronto-Dominion Bank	0.1	57.4
Samsung Electronics Co., Ltd.	0.1	45.6
Eli Lilly and Company	0.1	41.4
JPMorgan Chase & Co.	0.1	41.2
Tencent Holdings Ltd.	0.1	40.3
Waste Connections, Inc.	0.1	40.2
WSP Global Inc.	0.1	36.3
Constellation Software Inc.	0.1	35.3
Brookfield Corp.	0.1	35.2
TC Energy Corp.	0.1	32.7
Berkshire Hathaway Inc.	0.1	31.6
Dollarama Inc.	0.1	31.4
Mastercard Inc.	0.1	30.9
Visa Inc.	0.1	29.9

FIVE-YEAR FINANCIAL SUMMARY

year ended December 31

	2025	2024	2023	2022	2021
Increase in assets					
Investment income	$ 2,551	$ 4,118	$ 2,740	$ (1,205)	$ 4,049
Contributions					
Members	495	483	450	414	401
Employers	500	487	454	417	404
Transfers from other plans	10	5	10	12	10
Total increase (decrease) in assets	3,556	5,093	3,654	(362)	4,864
Decrease in assets					
Pension benefits	1,628	1,569	1,504	1,396	1,318
Transfers to other plans	9	10	5	9	11
Investment and administration costs[1]	112	102	99	87	50
Total decrease in assets	1,749	1,681	1,608	1,492	1,379
Increase (decrease) in net assets	1,807	3,412	2,046	(1,854)	3,485
Net assets available for benefits					
Beginning of year	41,371	37,959	35,913	37,767	34,282
End of year	**$ 43,178**	**$ 41,371**	**$ 37,959**	**$ 35,913**	**$ 37,767**

1 Investment costs as a percentage of net assets include certain external investment management costs totalling $76.7 million (2024: $58.3 million; 2023: $59.5 million; 2022: $75.8 million; 2021: $52.2 million) that are netted against investment income; they are not included in investment and administration costs in the financial statements.

FIVE-YEAR FINANCIAL SUMMARY CONTINUED

Year ended December 31

Investment and administration costs as a percentage of net assets (%)

	2025	2024	2023	2022	2021
Investment management[1,2]	0.41	0.36	0.39	0.41	0.24
Benefits administration	0.04	0.04	0.05	0.04	0.05

1 Investment costs as a percentage of net assets include certain external investment management costs totalling $76.7 million (2024: $58.3 million; 2023: $59.5 million; 2022: $75.8 million; 2021: $52.2 million) that are netted against investment income; they are not included in investment and administration costs in the financial statements.

2 Investment costs as a percentage of net assets exclude external indirect investment management costs netted against investment income on the statement of changes in net assets available for benefits. This is consistent with current industry practice; including these costs using the budgeted amount would have increased investment management costs as a percentage of net assets by an estimated 41.6 basis points in 2025. External indirect investment management costs include limited partnership management fees and other fees principally incurred within investments held in the private equity, infrastructure and real estate asset classes.

Actuarial valuation: The plan's report card

The actuarial valuation is the most important measurement of the plan's health.

In a valuation, an independent actuary (a professional with specialized training in financial modelling, laws of probability and risk management) determines how much money the plan needs to pay current and future pensions.

The actuary does this by making economic and demographic assumptions, analyzing current assets and liabilities, and anticipating future investment returns and contributions.

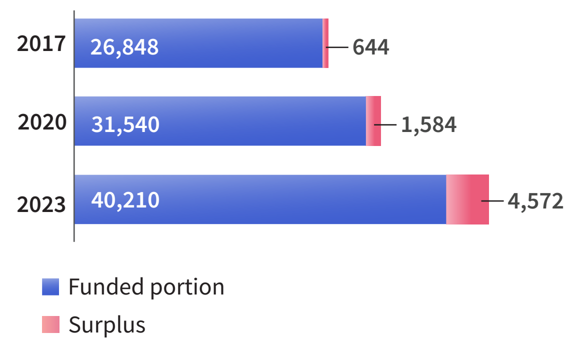
The actuary performs the valuation every three years.

In the last valuation, measured as at December 31, 2023, the actuary determined that the plan had an actuarial surplus. This means the plan has sufficient assets to pay all current and future pensions.

The next valuation will be measured as at December 31, 2026, with results expected in late 2027. Learn more about valuations on the plan website.

FUNDING OF THE TOTAL BASIC BENEFIT LIABILITY (ENTRY-AGE BASIS) ($ MILLIONS)

as at December 31



ACTUARIAL VALUATION HISTORY ($ MILLIONS)

as at December 31

	2023	2020	2017
Surplus	$ 4,572	$ 1,584	$ 644
Funding ratio	112.8%	105.3%	102.5%

Members and the plan

Members

Eligibility for membership

Plan membership is open to the following:

- As defined in BC's *School Act*:
  - » Teachers, principals, vice-principals and directors of instruction
  - » Francophone teachers, principals, vice-principals and directors of instruction
  - » Superintendents of schools and assistant superintendents of schools
  - » Directeurs généraux of a francophone education authority or assistants to the directeurs généraux of a francophone education authority
- BC Teachers' Federation members who provide professional support to an educational program provided by a plan employer

New employees are immediately enrolled in the plan by their employer and cannot opt out.

Ken Gibbard, retired member

Member types

Active members

Active members make up the largest group of plan members.

Active members are those working and contributing to the plan, on an approved leave of absence or receiving benefits from an approved long-term group disability plan (distinct from disability benefits provided to retired members by the Teachers' Pension Plan).

There are 52,126 active members in the plan. This is a 0.02 per cent decrease from 2024.

Retired members

Retired members are members receiving a pension, including those receiving a survivor pension.

There are 43,398 retired members in the plan. This is a 1.8 per cent increase from 2024.

Inactive members

Inactive members are members no longer working for a plan employer but who have chosen to leave their contributions in the plan. These members are entitled to receive a benefit from the plan in the future.

Members in this group might return to work for a plan employer at some point. If they do, they will make additional contributions and accrue additional service.

There are 13,769 inactive members in the plan. This is a 4.0 per cent increase from 2024.

Limited members

Limited members are former spouses of plan members who are entitled to a portion of the plan member's pension. One must apply to become a limited member. This is unlike other membership types, which have automatic enrolment.

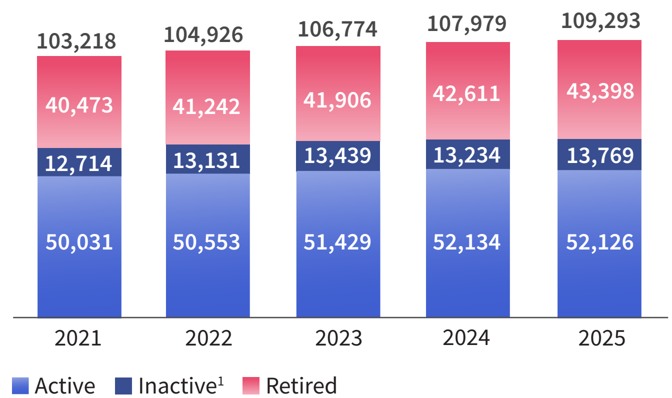
Limited members are included in the retired members total if they are receiving a pension.

Disabled members

Disabled members are individuals who have been granted a disability benefit under the plan rules.

NUMBER OF MEMBERS

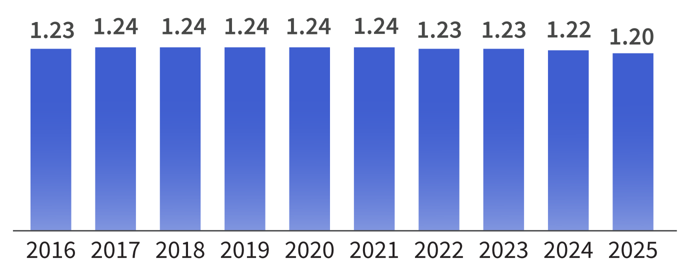
as at December 31



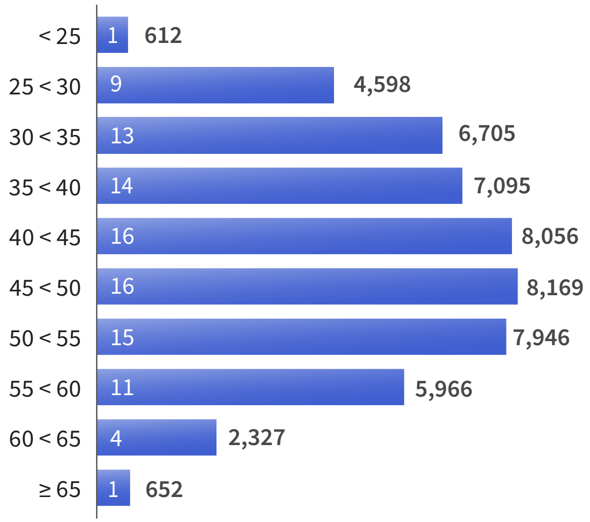
1 Members no longer employed by a plan employer but with money in the plan.

RATIO OF ACTIVE TO RETIRED MEMBERS

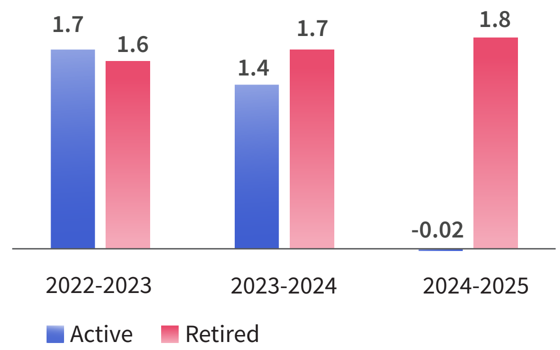
as at December 31



ACTIVE MEMBERS, BY AGE (%)
as at December 31, 2025



GROWTH OF ACTIVE VS. RETIRED MEMBERS (%)



How the plan works: A member's journey

The member joins the plan and starts contributing

When a new member joins the Teachers' Pension Plan, both the member and their employer start making contributions to the plan on the member's behalf. Contributions are automatically deducted from the member's pay and sent directly to the plan, along with employer contributions.

Contributions are based on a percentage of salary. Effective since January 1, 2019:

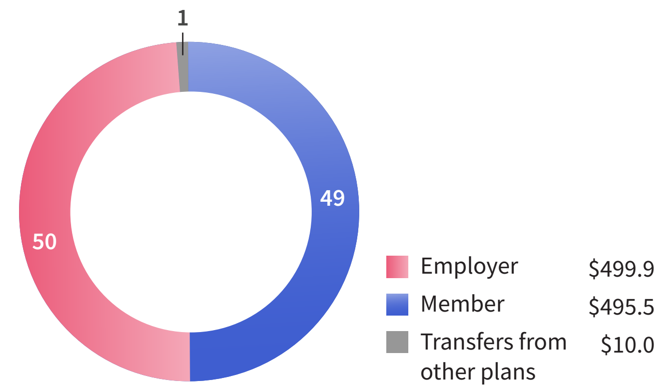
- Members contribute 11.17 per cent of salary.
- Employers contribute 11.30 per cent of salary.

These rates may change if an actuarial valuation (see page 38) determines that contribution rates need to change to ensure that current and future benefits are sustainable.

Once member and employer contributions are received by the plan, they are pooled and invested.

CONTRIBUTION REVENUE (%) ($ MILLIONS)

year ended December 31, 2025



CONTRIBUTION RATES AS A PERCENTAGE OF SALARY (%)

flat rate on all salaries

	Effective January 1, 2019
Member	11.17
Employer	11.30
Total	**22.47**

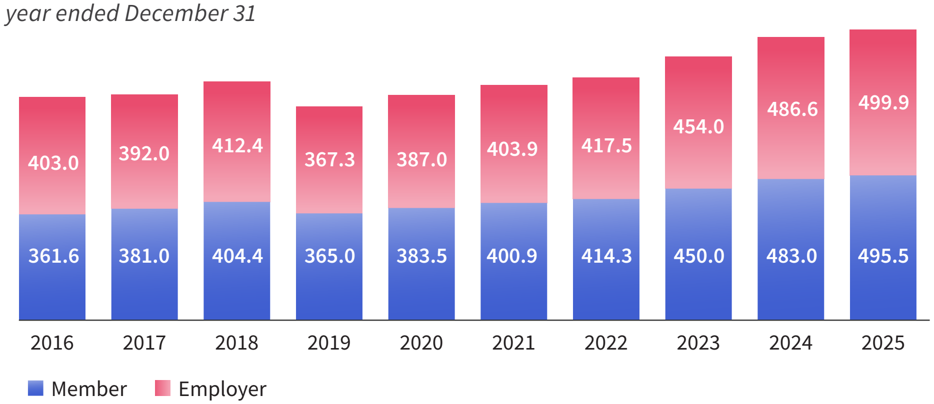
BCI invests the contributions

BCI, the plan's investment agent, determines how to best invest the plan's assets within the guidelines determined by the board of trustees. These guidelines include environmental, social and governance factors. BCI's relatively low fees (which come to about 0.4 per cent of the plan's 2025 net assets) help maximize the amount of contributions going toward pensions.

Over time, long-term investments form the basis of the plan's financial health, making up the largest portion of the funds needed to pay pensions. About 75 per cent of a member's lifetime pension is generated from investments.

CONTRIBUTION REVENUE ($ MILLIONS)

year ended December 31



Life happens

During a member's career, life doesn't always follow a straight line. The Teachers' Pension Plan supports members and their future pensions during life events with various tools, resources and options.

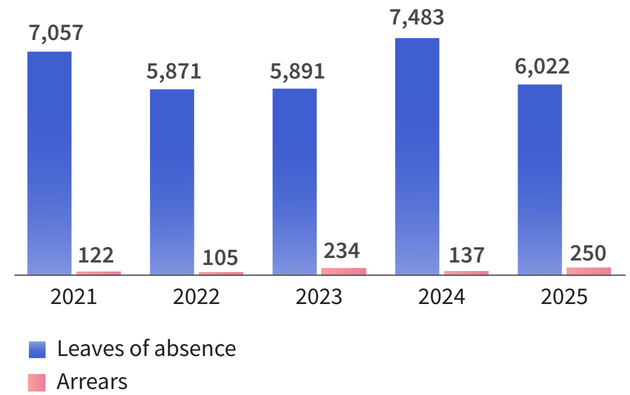
The member needs to take time off work

Sometimes, a member may need to take time off work to look after a personal responsibility. This might include welcoming a child, dealing with a family illness or even returning to school. If the member takes an approved leave of absence, the member can choose to buy service for that leave. Buying service may increase a member's pension or allow the member to retire earlier with an unreduced pension.

Buying service is a way for members to keep their retirement on track, even when life pulls them away from work.

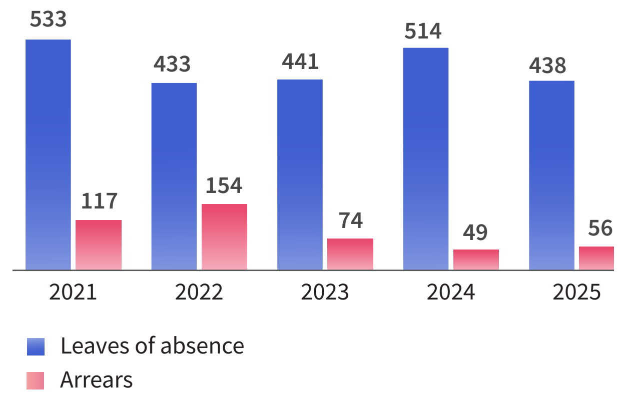
VALUE OF PURCHASES OF SERVICE ($ THOUSANDS)

year ended December 31



NUMBER OF PURCHASES OF SERVICE

year ended December 31



DEFINITION

ARREARS

A period of time when you and your employer should have contributed to the plan but did not.

The member leaves the plan before retiring

Sometimes, members leave the plan before their earliest retirement age. Perhaps they are changing careers or moving out of province. In cases like these, the plan offers several ways for the member to protect the value of their service.

If the member leaves the plan to move to an employer that is part of another pension plan, the member may be able to transfer contributory and pensionable service from the Teachers' Pension Plan to the new employer's pension plan. The new plan must have a transfer agreement with the Teachers' Pension Plan for this to take place.

This works both ways. If a new member of the Teachers' Pension Plan comes from an employer that has a pension transfer agreement with the plan, the member may be able to transfer contributory and pensionable service into the plan.

Sometimes members terminate employment with their plan employer and don't have the ability to transfer service. This might happen if the member is no longer teaching or has found work in another province. These members may be able to:

- Take an immediate pension. A member who terminates employment and has reached the earliest retirement age of 55 may choose to take an immediate pension (which may be reduced) at any time.
- Defer their pension. A member can keep their pension contributions in the plan until their earliest retirement age and up to December 1 of the year they turn 71, at which time they must start receiving their pension. When the member decides to start receiving their monthly pension, they may also receive non-guaranteed cost-of-living adjustments and access to group extended health care and dental coverage.
- Transfer the commuted value of their pension to a locked-in retirement vehicle, such as a registered pension plan or a life income fund. The commuted value equals the amount that would have been needed to pay the member's future pension if the member had not terminated employment.

The member's spousal relationship ends

Relationship changes can be emotionally and financially complex, but the plan works to make the pension aspect of those changes as smooth as possible.

Under BC law, a pension is considered family property, just like a home, a car or money in a bank account.

This means that if a plan member ends a spousal relationship, the value of their pension will be treated just like any other family property. The former spouse of the plan member may be entitled to an equal share of the pension earned while in the relationship.

When a member informs us of a separation or divorce, we'll send a letter to their former spouse inviting them to become a limited member of the plan. If the former spouse chooses to become a limited member, we pay their portion of the member's pension directly to them. The member's monthly pension is reduced to make up for the amount going to the limited member.

The member is ready to retire

Once a member begins planning for retirement, My Account provides a secure, personalized experience where the member can view their individual pension information. By accessing their own data, members can explore potential retirement timing and evaluate pension options based on their specific circumstances, supporting more informed decision making.

Lifetime defined benefit pension

The lifetime defined benefit pension is calculated based on:

- Years of pensionable service
- The average of the member's five highest years of salary (not necessarily the last five years)

The monthly pension payment the member receives also depends on factors that include:

- The member's age at retirement and, if applicable, their spouse's age
- The pension option they choose at retirement

Bridge benefit

Members who retire before age 65 may receive a temporary monthly payment called a bridge benefit.

The bridge benefit is designed to “bridge” the gap between the member’s early retirement income and income the member may receive after turning 65, such as income from the Canada Pension Plan or old age security. The bridge benefit ends when the member turns 65 or dies, whichever happens first.

Members earn the bridge benefit on pensionable service they accumulated in the plan up to and including December 31, 2017. Pensionable service earned on or after January 1, 2018, does not add to a member’s bridge benefit.

Changes to the formula used to calculate pensions were put in place on January 1, 2018, converting the bridge benefit to a lifetime pension benefit. This means that members now receive a higher lifetime pension, since there is no bridge benefit that will stop at age 65.

Temporary annuities

Some members who retire before age 65 want a little extra income right away.

A temporary annuity increases a member’s monthly payment until they reach age 65 or until their death, whichever comes first. However, a temporary annuity decreases a member’s lifetime pension after age 65.

The temporary annuity amount is based on the maximum old age security benefit. Amounts may change from year to year to reflect fluctuations in old age security, but payments will remain stable from the member’s retirement date until age 65.

There are a few reasons a member might choose a temporary annuity:

- A temporary annuity may help members meet certain expenses, such as paying off a mortgage or reducing debt.
- For those with significant taxable assets, such as a registered retirement savings plan, a temporary annuity can help lower income after age 65 and reduce income tax.

Members must remember:

- If a member chooses to take a temporary annuity, the younger they are when they retire, the larger the reduction to their pension after age 65.
- A reduced lifetime pension could have a significant impact on a member's spouse or dependants if the member dies first.

Life in retirement

A retired member receiving a pension from the plan receives a pension payment each month. This means greater financial independence and improved mental and physical health.

Please see pages 54—61 for information that demonstrates the advantages of defined benefit pension plans.

See below for specific benefits of being a retired plan member.

Cost-of-living adjustments (not guaranteed)

Inflation affects everyone. But cost-of-living adjustments (COLAs) help retired members' pensions keep pace with increases in the cost of living.

COLAs are granted only if there are available funds in the Inflation Adjustment Account (IAA). Member and employer contributions, plus the investment income earned on those contributions, fund the IAA.

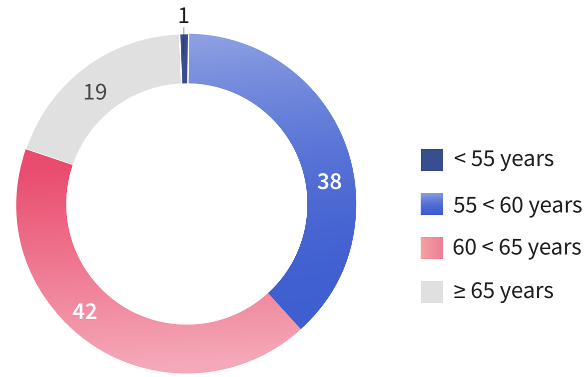
Traditionally, COLAs have been granted for the full consumer price index (CPI) increase each year. In any given year, however, the board may grant a COLA that is lower than the CPI increase.

COLAs add up over time. For example, if a member started receiving an annual pension of $25,000 in 2005, their annual pension in 2025 would have been more than $38,400 because of COLAs approved by the board.

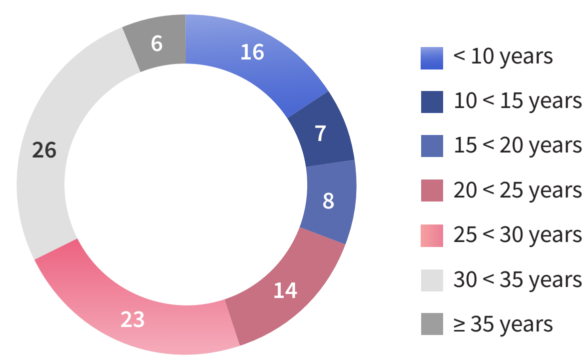
Once a COLA is granted to retired members, it becomes part of their lifetime pension.

Although COLAs are not guaranteed, the board is committed to ensuring that COLAs are sustainable over the long term so they can be provided to all members, both now and in the future.

NEW PENSION RECIPIENTS, BY AGE AT RETIREMENT (%)
as at December 31, 2025



NEW PENSION RECIPIENTS, BY YEARS OF SERVICE (%)
as at December 31, 2025



Optional extended health care and dental coverage

Health care needs often increase with age, and costs can add up quickly.

When a member applies for their pension, they have the option to enrol in extended health care and dental coverage through the plan.

This coverage gives members access to competitive group rates and covers some costs of medical treatment beyond what's provided by provincial health care plans. This can include the cost of prescription drugs, glasses or contact lenses; the services of physiotherapists and other paramedical practitioners; out-of-province emergency medical expenses; and dental care.

Disability benefits

Health can take unexpected turns, even before retirement.

The plan includes disability and survivor benefits to support members and their families in difficult circumstances.

A disability benefit is available to members under age 61 who apply within two years of the date of their last contribution to the plan if they meet all the following conditions:

- They have terminated all employment with any plan employers.
- They have become totally and permanently disabled, as defined by the plan.
- They have at least two years of contributory service.
- They are not eligible to receive benefits from an approved group long-term disability plan.

The disability benefit is calculated using a member's highest average salary and their years of pensionable service up to the date of termination of employment. Disability benefits continue for the member's lifetime, unless the member is no longer totally and permanently disabled before age 61 (as of January 1, 2018) or returns to work. A death benefit may be available to a surviving spouse or a designated beneficiary upon the death of an active member. Depending on eligibility requirements, the benefit may be paid in the form of a survivor pension or a lump-sum payment.

When a member dies

The plan continues to support loved ones, even after a member passes away.

After a member dies, depending on the pension option they chose at retirement, the plan may continue to pay:

- A pension to the member's spouse (if applicable)
- Pension benefits to other beneficiaries
- A lump-sum payment to the member's estate or an organization the member has named as their beneficiary

Member services and communications

The plan website and My Account

The plan website provides resources and tools that members can access to better understand the plan and make informed decisions about their pension.

The most important of these resources is My Account, a secure online portal that allows members to actively manage their pension information and complete common transactions online. My Account provides convenient, timely access to personal pension details and supports enhanced self-service and greater confidence in retirement planning.

Through My Account, members can:

- Use personalized pension and purchase of service cost estimators to help with planning
- Check service and salary summaries
- Update personal and beneficiary information
- Apply for their pension online
- Access Message Centre, where they can send secure messages to the plan

Member education

To help educate members at all career stages, the plan offers online courses and webinars that make pension information available to members at their convenience.

Getting to Know Your Pension is available as an online course, while *Making the Most of Your Pension* and *Approaching Retirement* are available as online courses and instructor-led webinars.

Pension communications

Active and retired members receive regular reports and statements, either digitally or in print.

Special bulletins are distributed to members via email notifications and/or through plan employers (active members only).

Personal assistance

The plan's contact centre has staff available by phone and through Message Centre to assist with issues such as separation and divorce, the death of a spouse or plan member, retirement planning and employment transfers.

Members within one year of retirement can book personalized pension-planning appointments, where they can speak with a plan representative to discuss pension questions.

The plan also offers over-the-phone translation through a third-party provider. The service provides access to more than 5,000 certified interpreters fluent in more than 300 languages. This service improves the pension experience for plan members whose first language is not English.

The contact centre is certified as a Centre of Excellence by BenchmarkPortal, underscoring the plan's commitment to high-quality, accessible, member-centric service.

Employers

The plan has 66 employers from across the province:

- **Boards of education for BC's 60 public school districts**, including the Conseil scolaire francophone de la Colombie-Britannique, the public school board for all French-language schools in BC
- **BC Principals' and Vice-Principals' Association**, the professional organization representing principals and vice-principals in BC's public education system
- **BC Public School Employers' Association**, the employers' association for all of BC's public boards of education
- **BC School Superintendents Association**, the association that provides services and support to superintendents, assistant superintendents, directors of instruction and other senior executives in BC's public education system
- **BC School Trustees Association**, the organization that represents and supports locally elected school trustees across the province
- **BC Teachers' Federation**, the union of professionals representing teachers in BC's public education system
- **Teacher Qualification Service**, the organization that assists teachers and their employing boards of education in establishing the qualifications of teachers for salary purposes

Defined benefit pension plans: Why we love them

Any form of pension is better than none. Defined benefit pension plans, like the Teachers' Pension Plan, however, are the most beneficial for workers, retired workers, employers and the broader community.

Here's why we love defined benefit pension plans.

They're great for members

An outstanding return on contributions

Every payday, Teachers' Pension Plan members and their employers contribute to the member's pension. These contributions don't sit still until the member retires; by the time a member retires, through the power of investing, these contributions can be worth up to nine times the total of the member's original contributions.

Having a defined benefit pension results in a retirement income significantly higher than that of a typical worker who may not have a defined benefit pension. This results in a more secure, financially stable retirement.

When I first got my pension statement with my retirement estimates, my first thought was "That's a century away; I hope to live that long!" Ten years into my career, I started paying attention to the pension statement, and I started to realize what a good deal it was.

John Dyer,
retired member

Payments that last a lifetime

Pension payments are provided to retired members every month for the lifetime of the member. In many cases, retired members receive their pension for many years longer than the length of their career.

The regular, ongoing payment provides assurance and security for retired members, giving them the freedom and long-term knowledge to plan their day-to-day lives and expenditures.

After retirement, a member's monthly pension payment remains constant. It may increase if the board grants non-guaranteed cost-of-living adjustments.

More certainty, less worry

While many retirement savings vehicles swing up and down with the economy, a defined benefit pension grows steadily. The plan uses a simple formula that considers the length of a member's career and their earnings, not market performance.

Because of this formula, which is not impacted by market or economic fluctuations, members gain an increasingly accurate idea of their monthly lifetime pension amount as they progress through their career. Predictability replaces uncertainty.

This, plus worry-free automatic deductions from their pay, eases members' stress about funding their retirement.

Healthy outcomes

A defined benefit pension is about more than money; it's also about well-being.

A recent Healthcare of Ontario Pension Plan (HOOPP) study, *The Impact of Having a Defined Benefit Pension Plan on Well-being,* showed that workers who were members of a defined benefit pension plan reported increased financial wellness and decreased financial stress compared with those without a pension.

These members also had more positive expectations of and optimism toward their retirement.

If costs increase, the increases are shared

The plan is managed through a Joint Trust Agreement. This means that plan members share costs with employers.

Here's what it means in real life:

- If the plan needs more money in the future—for example, if an actuarial valuation shows a funding shortfall—members and employers share any required contribution increase. No one carries the burden alone.
- If the plan is able to decrease contribution rates, members and employers both benefit from this decrease.

This shared approach keeps the plan stable, balanced and sustainable over the long term. It's one more way the plan protects members, both today and far into the future.

Beneficiaries are protected

In addition to the financial security a defined benefit pension provides to members, a member's pension can also provide financial care for their beneficiaries after the member's death. Beneficiaries can be family members, friends, or even charities or organizations the member is passionate about.

If the member dies before retirement, the plan will pay a death benefit to their beneficiaries.

If the member dies after retirement, the plan may pay a death benefit to their beneficiaries, based on the pension option the member chose at retirement.

Think of it as a financial safety net that extends beyond a lifetime—one that can support loved ones, honour values and leave a lasting impact.

The peace of mind that I get from having this stable pension is priceless. Without it, I would have significant financial worries and increased stress. I think it's that peace of mind that gives me the inspiration to keep as involved in so many things as I am.

Cheryl Hofweber, retired member

Great for employers

Easy administration

Most organizations can't afford to build an in-house pension department—and with the Teachers' Pension Plan, they don't have to.

Pension Corporation, on behalf of the plan, does the administration work for the employer, while BCI, one of Canada's largest institutional investors, does the investing.

Pension Corporation and BCI were established as agents of the Government of BC to provide services to BC's public sector pension plans. They are both based in Victoria, BC.

Pension Corporation works closely with each employer to ensure that the employer and its staff can provide the best pension experience for plan members.

Stable and predictable costs

Employers contribute a flat rate on all member salaries.

The plan's large scale and professional management mean that this flat contribution rate has remained remarkably stable over time.

That stability gives employers a clear advantage: long-term budgeting without surprises.

Tools and resources

Resources for employers include:

- Support from a team dedicated exclusively to working with and supporting employers
- Comprehensive and ongoing training through eLearning, workshops, instruction manuals and more
- A secure portal on the plan website for transactions and e-remittances
- A monthly newsletter featuring a to-do checklist, training information, plan updates and tips

A powerful advantage in recruitment and retention

A strong pension signals something meaningful: “We care about your future. Not only do we want you on board, but we also want you to stay.”

The 2025 Canadian Employer Pension Survey commissioned by the Healthcare of Ontario Pension Plan and conducted by Angus Reid indicated that employers rank retention (73 per cent) and recruitment (66 per cent) as the main advantages of offering retirement benefits.

In the same study, 88 per cent of employers that offered a defined benefit pension plan (like the Teachers’ Pension Plan) agreed that offering such a plan had helped their organization recruit and retain talent.

Wendy Mould, retired member

Great for BC

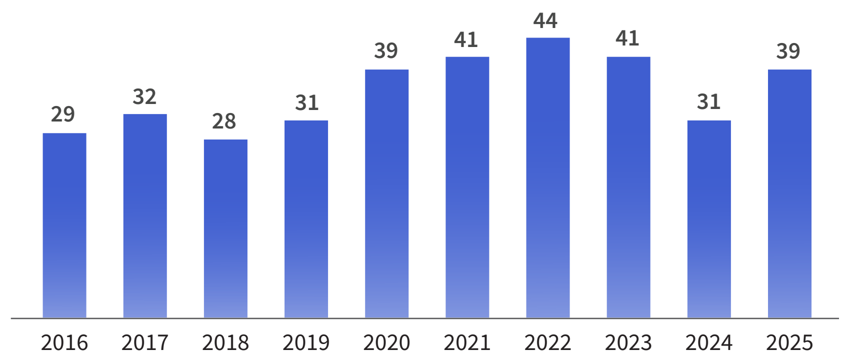
The economy gets a boost

According to a recent study by the Canadian Centre for Economic Analysis, a leading socio-economic advisory and analytics firm, every $10 paid to retired members across BC's public sector pension plans translates to $15 in economic activity.

Why? Because pension benefits paid flow directly into local communities. Whether retired members are spending on groceries, household goods, personal care or any number of other goods and services, British Columbians receiving a reliable defined benefit pension income have the means and ability to financially support BC businesses and the provincial economy dependably, year after year.

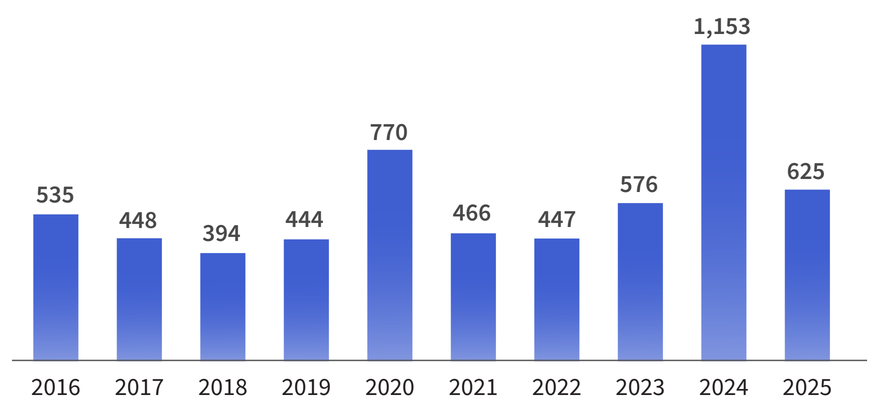
VALUE OF TERMINATION AND REFUND BENEFITS PAID ($ MILLIONS)

year ended December 31



NUMBER OF TERMINATION AND REFUND BENEFITS PAID

year ended December 31



AVERAGE AND MEDIAN PENSIONS IN PAY[1]

as at December 31, 2025

Average value[2]	$36,952
Median value[3]	$37,141

1 Includes bridge benefits for those receiving their pension before age 65.

2 The average value reflects the total value of all pensions paid by the plan divided by the total number of recipients in the plan.

3 The median value denotes the halfway point: half of the pensions paid by the plan are more than this amount and half are less.

Great for Canada

Less taxpayer money spent on supporting seniors

A surprising benefit of public sector pensions is how much they save taxpayers.

The Power of Pensions, a study by the Canadian Centre for Policy Alternatives, notes that governments and taxpayers alike benefit from retired plan members' pension income.

Across all levels of government, a $1 increase in pension income results in governments recouping $0.41 in tax revenue and the reduced need to support seniors.

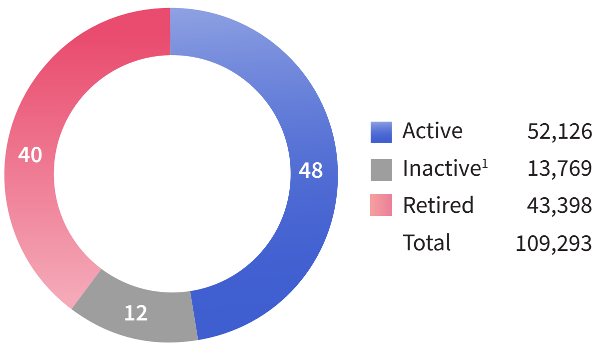
Government contributions to their own workers' plans provide even better returns. In 2023 and 2024, every $1 that governments contributed to their own workers' pension plans returned $2.38 in higher tax revenue and the reduced need to support seniors.

Defined benefit pension plan members tend to be more financially secure than non-members. An Ontario Teachers' Pension Plan study estimated that only 10 to 15 per cent of defined benefit beneficiaries collect the guaranteed income supplement, a supplemental payment to the old age security pension that is provided by the government to low-income seniors living in Canada. This compares with an average of 45 to 50 per cent of retirees without a defined benefit pension who collect the guaranteed income supplement.

Defined benefit pensions and their support of retired plan members help reduce the annual guaranteed income supplement payout to Canadians by approximately $2 to $3 billion annually.

MEMBERSHIP PROFILE (%)

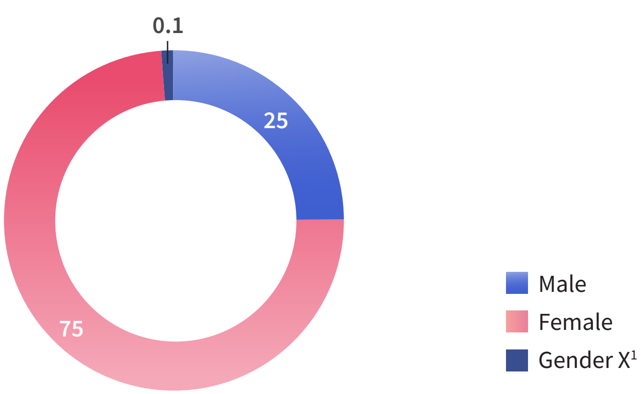
as at December 31, 2025



1 Members no longer employed by a plan employer but with money in the plan.

ACTIVE MEMBERS BY GENDER (%)

as at December 31, 2025



1 People who do not identify as female or male. Members who would like to identify as gender X should tell their employer, who will pass this information on to the plan.

Promotes equity

Public sector pensions—most of them defined benefit plans—play a powerful role in promoting financial equity in Canada.

The Power of Pensions study noted that public sector pensions, the majority of which are defined benefit plans, support demographic equity.

While a secure income in retirement is important for all Canadians, it's especially crucial for those who have traditionally required additional government and taxpayer assistance in old age due to a lack of savings.

Here's what that looks like:

- Women:
  - » 90 per cent of women in the public sector have a retirement plan
  - » Only 44 per cent in the private sector do
- Indigenous workers:
  - » 85 per cent of Indigenous workers in the public sector have a retirement plan
  - » Only 46 per cent in the private sector do
- New Canadians:
  - » 80 per cent of new Canadians in the public sector have a retirement plan
  - » Only 45 per cent in the private sector do

Without a workplace pension plan, these groups are much more likely to need taxpayer support later in life. But with a stable, defined benefit pension, they gain something powerful: a fair shot at a secure retirement, regardless of their background.

Public sector pensions help level the playing field and reduce income inequality—strengthening communities across the country.

NEW PENSIONS BY TYPE

year ended December 31

	Regular	Limited members	Survivor	Disability	LTD[1] to pension plus disability	Deferred	Total
2025	**1,128**	**50**	**28**	**1**	**84**	**219**	**1,510**
2024	1,100	46	13	1	91	190	1,441
2023	1,001	39	17	—	98	225	1,380
2022	1,214	31	12	—	96	144	1,497
2021	1,055	40	13	—	88	139	1,335
2020	989	28	15	—	83	143	1,258
2019	1,033	34	13	—	82	128	1,290
2018	1,080	38	17	—	82	116	1,333
2017	1,317	49	16	—	98	106	1,586
2016	1,256	36	12	—	92	122	1,518

1 Long-term disability.

NEW PENSION PROFILE[1,2]

year ended December 31, 2025

Years of service	Numbers of new pensions — Age at retirement < 55	55 < 60	60 < 65	≥ 65	Total	Average annual salary base	Average annual pension	Median annual pension	Average lifetime annual pension	Median lifetime annual pension
< 10	8	74	86	80	248	$ 85,000	$ 7,600	$ 6,000	$ 5,700	$ 4,600
10 < 15	2	33	35	33	103	90,000	20,200	19,800	15,900	15,100
15 < 20	4	36	61	29	130	97,000	31,200	31,000	24,600	25,400
20 < 25		83	88	36	207	102,000	41,200	40,600	32,900	32,100
25 < 30	2	149	146	48	345	105,000	53,200	51,800	42,200	40,800
30 < 35	1	178	177	32	388	109,000	65,600	63,100	52,000	49,400
≥ 35		12	47	30	89	113,000	73,000	68,700	63,200	56,400
Total	17	565	640	288	1,510					
Average/median						**$101,000**	**$44,200**	**$46,000**	**$35,300**	**$36,800**
	Average years of service									
Male	12	25	25	19	24					
Female	17	23	24	20	23					
Average					23					
Average age at retirement					61					

1 Average value reflects the total value of new pensions granted during the year divided by the total number of recipients—in the case of median pensions, half of retirees receive more than this amount and half receive less.

2 Pensions started before age 65 typically include a bridge benefit, which ends at age 65.

PROFILE OF PENSIONS

year ended December 31

	New pensions	Pension terminations	In force at end of year	Basic pensions paid ($ millions)	Cost-of-living adjustments paid ($ millions)	Total pensions paid ($ millions)
2025	**1,510**	**723**	**43,398**	**$ 1,170.9**	**$418.9**	**$1,589.8**
2024	1,441	736	42,611	1,131.3	407.0	1,538.3
2023	1,380	716	41,906	1,099.7	364.1	1,463.8
2022	1,497	728	41,242	1,068.5	283.5	1,352.0
2021	1,335	665	40,473	1,038.6	237.5	1,276.1
2020	1,258	601	39,803	1,014.3	239.8	1,254.1
2019	1,290	609	39,146	991.9	224.6	1,216.5
2018	1,333	438	38,465	969.9	206.0	1,175.9
2017	1,586	526	37,570	938.9	194.9	1,133.8
2016	1,518	607	36,510	906.2	187.8	1,094.0

Plan rule updates, amendments and administrative changes

The Teachers' Pension Board of Trustees regularly reviews and amends the plan rules and extended health and dental plan rules to ensure they remain in compliance with provincial and federal legislation, are clear and transparent, and continue to meet member and employer needs.

Effective November 27, 2025

The provincial government added unpaid "serious illness or injury leave" as a new leave type in BC's *Employment Standards Act*. This allows all eligible employees in BC to take job-protected leave of up to 27 weeks in a 52-week period to undergo medical treatment and recovery for serious personal illness or injury.

Effective June 3, 2025

We amended the plan rules for clarity and to repeal unnecessary sections and/or definitions. These changes have no material impact on the plan or plan members.

Effective January 1, 2025

The provincial government updated BC's *Family Law Act* to clarify provisions for pension division upon divorce or separation. As a result, we have updated how we administer limited member pensions.

Effective November 22, 2024

The federal government updated the federal Income Tax Regulations. If a member has worked for their employer for at least three months, the update allows them to buy service for periods of reduced pay that started in 2022 or later. The plan now administers its rules for buying service in line with the regulations update.

Effective June 4, 2024

We updated the plan rules' disability benefits criteria. This change streamlines medical exam requirements, adds "disabled member" as a defined term and clarifies when a disabled member is deemed to have become a retired member.

Effective March 31, 2024

We updated the plan rules to allow unlocked amounts payable from the plan to a member to be transferred to a registered retirement income fund. This update ensures compliance with BC's *Pension Benefits Standards Act.*

Financial statements

BC PENSION CORPORATION

June 2, 2026

Re: Teachers' Pension Plan

Administrative agent's responsibility for financial reporting

The financial statements of the Teachers' Pension Plan (TPP) were prepared by British Columbia Pension Corporation, the administrative agent for the Teachers' Pension Board of Trustees (Board) in accordance with Canadian accounting standards for pension plans. The Board is responsible for approving TPP's financial statements. The Board is assisted by the Interplan Audit Committee (Committee), which is made up of representatives from the College, Municipal, Public Service, and Teachers' pension boards of trustees. As part of its responsibility, the Committee reviews the financial statements and performs any necessary steps and procedures prior to recommending the financial statements to the Board for approval.

Pension Corporation prepares the financial statements and is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with Canadian accounting standards for pension plans. In discharging its responsibility, Pension Corporation maintains a system of internal controls designed to provide reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded, ensuring the fair presentation of the financial statements. Pension Corporation has assessed that TPP will continue as a going concern, and ensured that other financial information contained in the Teachers' Pension Plan *Annual Report* is consistent with these financial statements.

The Board appointed KPMG LLP as the independent auditor for TPP. The role of the auditor is to perform an independent audit of the financial statements of TPP in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the independent auditor's report attached to these financial statements.

Trevor Fedyna, CPA, C. Dir.	**Allan Chen, CPA**
Vice-president, Strategy, Insights and Chief Financial Officer	Controller
British Columbia Pension Corporation	British Columbia Pension Corporation

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KPMG LLP
777 Dunsmuir Street, 11th floor
Vancouver, BC V7Y 1K3
Canada
Tel 604 691 3000
Fax 604 691 3031

INDEPENDENT AUDITOR'S REPORT

To the Members of the Teachers' Pension Plan

Opinion

We have audited the financial statements of the Teachers' Pension Plan (the "Plan"), which comprise:

- the statement of financial position as at December 31, 2025
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued pension obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2025, and its changes in net assets available for benefits and its changes in accrued pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditor's Responsibilities for the Audit of the Financial Statements"*** section of our auditor's report.

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

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the annual report.

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

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

We obtained the information, other than the financial statements and the auditor's report thereon, included in the annual report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

KPMG

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada

June 2, 2026

TEACHERS' PENSION PLAN

Statement of financial position

($ millions)

As at December 31	Note		2025		2024
Assets					
Investments	3a	$	**43,132**	$	41,376
Directly held derivatives	3b		**168**		299
Contributions receivable			**56**		61
Interest and dividends receivable			**3**		3
Prepaid			**1**		-
Total assets			**43,360**		**41,739**
Liabilities					
Directly held derivatives	3b		**157**		344
Taxes payable			**17**		17
Accounts payable and accrued expenses			**8**		7
Total liabilities			**182**		368
Net assets available for benefits		$	**43,178**	$	**41,371**
Accrued pension obligations					
Accrued basic pension obligations	4a	$	**28,657**	$	27,670
Non-guaranteed pension obligations	4b		**6,881**		6,559
Accrued pension obligations			**35,538**		**34,229**
Surplus					
Accessible actuarial excess	5a		**2,441**		3,151
Measurement differences between funding and accounting positions	5a		**5,199**		3,991
Surplus			**7,640**		7,142
Accrued pension obligations and surplus		$	**43,178**	$	**41,371**

All accompanying notes are an integral part of the financial statements including:
Commitments (note 14)

Approved by the Teachers' Pension Board of Trustees:

Reg Bawa, Chair
Teachers' Pension Board of Trustees

Chung Yan Ip, Vice-chair
Teachers' Pension Board of Trustees

Sarvi Brent, Trustee
Teachers' Pension Board of Trustees

TEACHERS' PENSION PLAN

Statement of changes in net assets available for benefits

($ millions)

For the year ended December 31	Note	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Totals 2025	Totals 2024
Increase in assets						
Investment income	8	$ 2,137	$ 414	$ -	**$ 2,551**	$ 4,118
Contributions						
Members	9	407	88	-	**495**	483
Employers	9	406	93	1	**500**	487
		813	181	1	**995**	970
Transfers from other plans		8	2	-	**10**	5
Total increase in assets		2,958	597	1	**3,556**	**5,093**
Decrease in assets						
Benefits paid	10	1,618	9	1	**1,628**	1,569
Transfers to other plans		7	2	-	**9**	10
Investment and administration costs	11	96	16	-	**112**	102
Total decrease in assets		1,721	27	1	**1,749**	**1,681**
Increase in net assets before transfers		**1,237**	**570**	-	**1,807**	3,412
Account transfers	12	248	(248)	-	-	-
Increase in net assets		**1,485**	**322**	-	**1,807**	**3,412**
Net assets available for benefits at beginning of year		34,812	6,559	-	**41,371**	37,959
Net assets available for benefits at end of year		**$ 36,297**	**$ 6,881**	**$ -**	**$ 43,178**	**$ 41,371**

The accompanying notes are an integral part of the financial statements.

TEACHERS' PENSION PLAN

Statement of changes in accrued pension obligations

($ millions)

For the year ended December 31	Note	2025	2024
Increase in accrued pension obligations			
Interest on accrued pension obligations		$ 1,581	$ 1,527
Benefits accrued		800	776
Account transfers		248	544
Change in actuarial assumptions	4a	-	363
Experience gains	4a	-	284
Total increase in accrued pension obligations		2,629	3,494
Decrease in accrued pension obligations			
Benefits paid		1,642	1,587
Total decrease in accrued pension obligations		1,642	1,587
Net increase in accrued pension obligations		987	1,907
Accrued basic pension obligations at beginning of year		27,670	25,763
Accrued basic pension obligations at end of year	4a	28,657	27,670
Non-guaranteed pension obligations			
Increase in non-guaranteed pension obligations	4b	322	271
Non-guaranteed pension obligations at beginning of year		6,559	6,288
Non-guaranteed pension obligations at end of year	4b	6,881	6,559
Total accrued pension obligations		**$ 35,538**	**$ 34,229**

The accompanying notes are an integral part of the financial statements.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN

The following description of the Teachers' Pension Plan (TPP) is a summary provided for general information only. For more information, please refer to the Joint Trust Agreement (Agreement) and the TPP rules (plan rules).

a) General

TPP is a jointly trusteed pension plan continued under a joint trust agreement authorized by the *Public Sector Pension Plans Act*, SBC 1999, c. 44 (Act). The Act enabled the establishment of the Agreement. Joint trusteeship was established effective April 5, 2001. The partners to the Agreement are the Province of British Columbia and the BC Teachers' Federation (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Teachers' Pension Board of Trustees (Board) and provides the authority for the Board to make the plan rules.

TPP is registered with the Superintendent of Pensions at the BC Financial Services Authority, which has responsibility for enforcing the *Pension Benefits Standards Act* (PBSA). The PBSA governs employment pension plans registered in British Columbia that have active, inactive and retired members.

Membership in TPP is mandatory for all certified teachers (including teachers teaching on call), principals, vice-principals, superintendents, assistant superintendents, directors of instruction, associated professionals and certified professionals who are appointed by a board of education in the British Columbia public school system.

b) Roles and responsibilities

Partners

The Partners representing TPP members and employers are responsible for appointing 10 trustees to the Board. The Partners have responsibility for resolving trustee disputes and, if certain conditions are met, may direct amendments to the plan rules.

Board

The Board is responsible for the management of TPP, including the investment of assets and administration of TPP. The Board may amend the plan rules as long as changes can be funded by TPP's surpluses (subject to provisions on the use of surplus in the Agreement) or are cost-neutral to TPP. Unless required to ensure compliance with regulatory enactments applicable to TPP, only the Partners can initiate pension plan rule changes that result in contribution rate increases. The Chair and Vice-Chair are appointed by the trustees.

British Columbia Pension Corporation (Pension Corporation)

Pension Corporation provides benefit administration services as an agent of the Board. The Board appoints two members to the eight-member board of directors of Pension Corporation.

British Columbia Investment Management Corporation (BCI)

BCI provides investment management services, including the valuation of investments, as an agent of the Board. The Board appoints one member to the seven-member board of directors of BCI.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (CONTINUED)

c) Funding

Contributions and investment earnings fund TPP benefits. Contributions are made by active members and employers of TPP. The determination of the value of the benefits and required contributions is based on triennial actuarial valuations for funding purposes.

The Board's funding policy is intended to secure the pension benefit obligation, achieve long-term stability in contribution rates for both employers and members, to sustain cost-of-living adjustments at the highest possible level and to promote equity between active, retired, and deferred members.

d) Contributions

Basic Account

Members contributed 8.17% of salaries and employers contributed 8.17% of salaries, less amounts allocated to the Supplemental Benefits Account (SBA).

Inflation Adjustment Account

Members contributed 2.00% of salaries to the Inflation Adjustment Account (IAA). Employers contributed 2.13% of salaries to the IAA, less amounts allocated to the SBA.

Rate Stabilization Account

Members and employers each contributed 1.00% of salaries to the Rate Stabilization Account (RSA). The RSA is held notionally within the Basic Account.

e) Pension benefits

All members are eligible for a pension benefit.

For service on or after January 1, 2018, TPP provides a defined basic plan benefit of 1.90% of pensionable earnings for each year of pensionable service with no maximum for members who remained active on or after January 1, 2019.

Members are eligible for unreduced pension benefits

- at age 65;
- at age 61, with at least two years contributory service; or
- at age 55 or older, with at least 35 years of contributory service.

The early retirement reduction applicable for service accrued after 2017 is 4.5% for each year where members do not meet the unreduced pension benefit criteria above.

Future cost-of-living adjustments are not guaranteed. These adjustments are granted at the discretion of the Board and may not exceed the annual increase in the Canada consumer price index as at the previous September 30, subject to the availability of funds in the IAA. Any cost-of-living adjustment the Board grants is applied in January. The Board annually considers relevant factors to determine if an adjustment will be granted.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

1. DESCRIPTION OF THE TEACHERS' PENSION PLAN (CONTINUED)

f) Termination and portability benefits

Terminating members who have not yet reached the earliest retirement age may choose

- to leave their benefit on deposit – either for a deferred pension or in anticipation of future re-employment with a TPP employer, or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in retirement vehicle or similar tax-sheltered plan.

Where there are portability arrangements between TPP and other pension plans, members may be able to transfer service to another pension plan.

g) Other benefits

Disability and survivor benefits are also available under TPP. A disability benefit is available to a member under age 61 who has terminated employment, becomes totally and permanently disabled as defined by TPP, has at least two years of contributory service, is not eligible to receive benefits from an approved long-term group disability plan and meets other eligibility requirements.

The disability benefit is calculated using a member's years of pensionable service to the date of termination of employment and highest average salary. Disability benefits continue for the member's lifetime unless the member is no longer totally and permanently disabled before age 61 (since January 1, 2018) or returns to work.

A death benefit may be available to a surviving spouse or designated beneficiary upon the death of an active member. Depending on eligibility requirements, the benefit may be paid in the form of a survivor pension or lump-sum payment.

Supplemental benefits are funded from the SBA.

h) Tax registration

TPP is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada) (registration number 0227462), except for any supplemental benefits, which are funded in addition to the RPP. TPP is not subject to income tax but is subject to indirect taxes, including British Columbia provincial sales tax (PST) and Canadian federal goods and services tax (GST). TPP receives a 33% rebate of GST paid.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements are prepared on the going-concern basis in accordance with Canadian accounting standards for pension plans, Part IV of the *Chartered Professional Accountants of Canada Handbook* (CPA Canada Handbook), and present TPP as a separate financial reporting entity, independent of TPP's contributing employers and members, and independent of any associated retired member group benefit plans.

Accounting standards for private enterprises in Part II of the CPA Canada Handbook have been chosen for accounting policies that do not relate to TPP's investment portfolio or accrued pension obligations.

b) Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

Investment purchases and sales are recorded on the trade date (the date on which the substantial risks and rewards of ownership have been transferred).

c) Accrued pension obligations

Accrued pension obligations are determined based on an actuarial valuation prepared by an independent actuarial consulting firm. TPP's actuary is Eckler Ltd. The valuation of accrued pension obligations is based on data extrapolated to the financial statement date. The valuation uses the projected benefit method pro-rated on service that incorporates the independent actuary's estimate of various economic and demographic assumptions. These assumptions are the same as those used in the determination of the actuarial position of TPP for funding purposes.

d) Investment income

Income from investments is recorded on an accrual basis and represents pooled investment portfolio income attributable to TPP as a unit holder and income from directly held investments. The change in fair value includes realized and unrealized gains and losses that are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date, and interest is recognized on an accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

e) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing exchange rates on the year-end date. Income and expenses are translated into Canadian dollars at the prevailing exchange rates on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included within the current period change in fair value in investment income.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Use of estimates

The preparation of financial statements, in conformance with Canadian accounting standards for pension plans, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in assets and liabilities during the period. Significant areas requiring the use of management estimates relate to the valuation of investments based on unobservable inputs, as further described in note 7, and the calculation of the accrued pension obligations of the Basic Account for accounting and funding purposes as further described in notes 4 and 5. Actual results could differ materially from these estimates.

3. INVESTMENTS

a) Investments

Fair value of investment holdings	2025	2024
Short-term	$ 855	$ 631
Bonds	15,147	13,520
Repurchase agreements	(3,137)	(3,503)
Unsecured debt	(1,269)	(639)
	10,741	9,378
Canadian equities	1,175	1,214
Global equities	4,628	4,376
Emerging markets equities	868	1,144
Mortgages	1,733	1,908
Real estate	6,578	6,611
Private debt	4,181	3,685
Private equity	6,053	6,663
Infrastructure and renewable resources	6,320	5,766
	$ 43,132	$ 41,376

TPP investments consist primarily of direct ownership in units of pooled investment portfolios. Each unit gives its holder a proportionate share in the value of the net assets of the pooled investment fund. The Basic Account and IAA are combined for investment management purposes.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

a) Investments (continued)

One or more pooled investment portfolios exist for different types of investments, such as short-term investments; bonds; Canadian, global and emerging markets equities; mortgages; real estate; private debt; private equity; and infrastructure and renewable resources. While the purpose of each fund is to invest in a particular type of investment, given the timing of trading activities, the fund may at any time hold a certain amount of cash, short-term investments, accrued interest income and net accounts receivable or payable from outstanding sales and purchases of investments.

Short-term investments consist of Canadian and U.S. money market securities such as treasury bills with maturities of 15 months or less. Short-term investments are valued using current market yields.

Bonds consist of government bonds, investment grade and non-investment grade corporate bonds, and debentures. Bonds are valued based on current market yields and, in some cases, quoted market prices. Repurchase agreements and unsecured debt are used to borrow money to create leverage to purchase other bonds and enhance yields through a leverage bond fund strategy. Unsecured debt may also be used to finance other investment categories.

Canadian, global and emerging markets equities consist primarily of publicly traded shares and are valued based on quoted market prices on the primary exchanges on which they are traded.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. The mortgages are secured by real estate and valued using current market yields.

Real estate investments consist mainly of diversified Canadian and international income-producing properties. Real estate investments are valued quarterly and at least once per year by an external valuator.

Private debt consists of private debt instruments and private debt investee funds and are valued using discounted cash flows on current market yields and comparable securities, as applicable.

Private equity consists mainly of equity investments made outside the structure of public markets. Private equity investments are valued either quarterly or annually based on audited financial statements from external investment managers using a market-based approach.

Infrastructure and renewable resources consist of privately owned and managed infrastructure assets, as well as timber, agriculture and other renewable assets. Infrastructure and renewable resources investments are formally valued annually using a market-based approach or net asset value method.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives

Derivatives contracts are directly and indirectly held by TPP. The details of these contracts are as follows:

Fair value of derivative contracts	2025		2024	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Directly held				
Foreign currency forwards	$ 168	$ (157)	$ 299	$ (344)
Indirectly held in pooled investment portfolios				
Foreign currency forwards	$ 98	$ (47)	$ 8	$ (312)
Total return swaps	102	(44)	66	(53)
Interest rate swaps	26	(12)	36	(16)
Cross-currency swaps	-	(1)	-	(1)
Options	-	-	2	(4)
	$ 394	$ (261)	$ 411	$ (730)
Derivatives by investment asset classification				
Short term	$ -	$ (2)	$ 3	$ -
Bonds	64	(9)	36	(119)
Canadian equities	-	-	-	-
Global equities	116	(51)	64	(121)
Emerging markets equities	3	(2)	5	(7)
Mortgages	19	(12)	37	(56)
Real estate	65	(64)	128	(147)
Private debt	43	(39)	3	(137)
Infrastructure and renewable resources	84	(82)	135	(143)
	$ 394	$ (261)	$ 411	$ (730)

Derivative contracts consist of foreign currency forward contracts, total return swaps, interest rate swaps, cross–currency swaps, options, and futures held directly or indirectly through various pooled investment portfolios. Directly held and indirectly held derivative contracts are reflected at fair value based on expected settlement amounts at the date of the Statement of Financial Position. Directly held derivatives are disclosed on the face of the Statement of Financial Position while indirectly held derivatives are included in investments.

A foreign currency forward contract is a privately negotiated contractual obligation to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Foreign currency forward contracts are held to manage exposure to foreign currency risk.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

A total return swap is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, including both the income it generates and any capital gains. In total return swaps, the underlying asset (referred to as the reference asset) is usually an equity index or basket of equity securities. Interest rate swaps and total return swaps are held indirectly through various pooled investment portfolios for synthetic indexing purposes.

An interest rate swap is an agreement between two counterparties in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating interest rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally better interest rate than would have been possible without the swap.

Cross–currency swaps are agreements that involve the exchange of principal and interest payments in one currency for equivalent amounts in another currency. Cross–currency swaps are used to hedge against fluctuations in exchange rates in relation to future amounts that are receivable in foreign currencies. Cross–currency swaps are held to manage exposure to foreign currency risk.

Options are contracts that give the buyer the right, but not the obligation, to buy or sell a certain security or index at an agreed-upon price on or before a specified date. Futures contracts are exchange-traded contractual obligations to take or make delivery of an asset at a predefined price and date in the future. Options and futures are held for synthetic indexing, a modern technique used to replicate the performance of a security or index without directly purchasing or selling the underlying assets and for risk control.

Derivative transactions are supported with collateral to mitigate counterparty credit risk. A single net fair value amount is used to determine the value of collateral with each counterparty. Collateral approximately equal to the positive fair value of each derivative contract is provided by counterparties, and collateral approximately equal to the negative fair value of each derivative contract is delivered to counterparties. Acceptable forms of collateral are Canadian federal or provincial bonds, and U.S. federal government treasury bills and bonds.

The notional value of derivatives can be any of the total value of a position, how much value a position controls, or an agreed-upon amount in a contract.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Absolute notional value of the Canadian denominated portion of derivatives is disclosed in the table below.

Notional value of derivatives				2025	2024
Terms to maturity	Within 1 year	1 to 5 years	Over 5 years	Total	Total
Derivatives by type of contract					
Directly held					
Foreign currency forwards	$ 17,431	$ -	$ -	$ 17,431	$ 15,364
Options	28	-	-	28	-
Cross-currency swaps	-	7	-	7	24
Interest rate swaps	-	6	-	6	-
	$ 17,459	$ 13	$ -	$ 17,472	$ 15,388
Indirectly held in pooled investment portfolios					
Foreign currency forwards	$ 9,964	$ 237	$ 63	$ 10,264	$ 7,836
Total return swaps	6,504	506	-	7,010	6,133
Interest rate swaps	571	748	794	2,113	1,891
Cross-currency swaps	35	-	-	35	14
Options	63	-	-	63	839
Futures	163	-	-	163	-
	$ 34,759	$ 1,504	$ 857	$ 37,120	$ 32,101
Derivatives by investment asset classification					
Short-term	$ 195	$ -	$ -	$ 195	$ 100
Bonds	4,288	454	794	5,536	3,468
Canadian equities	-	2	-	2	8
Global equities	8,063	786	-	8,849	8,941
Emerging markets equities	330	58	-	388	515
Mortgages	2,006	-	-	2,006	2,021
Real estate	7,493	-	-	7,493	6,684
Private debt	4,361	-	-	4,361	3,486
Private equity	6	-	-	6	8
IRR*	8,017	204	63	8,284	6,870
	$ 34,759	$ 1,504	$ 857	$ 37,120	$ 32,101

* Infrastructure and renewable resources

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

c) Repurchase agreements

TPP has indirect exposure to repurchase agreements through its investment in the pooled investment portfolio underwritten on bond securities. Repurchase agreements are short-term agreements to sell securities in order to buy them back at a slightly higher price. The party selling the repurchase agreement is effectively borrowing, and the other party is lending, since the lender is credited the implicit interest in the difference in prices. Securities sold under repurchase agreements are accounted for as collateralized borrowing because they represent the sale of securities with a simultaneous agreement to buy them back at a specified future date. The securities sold under these agreements continue to be recognized on the Statement of Financial Position with any changes in fair value recorded as net gain (loss) on investments and included in investment income. Interest incurred on repurchase agreements is included in borrowing costs within investment-related expenses.

Repurchase agreements are carried at the amount at which the securities were initially acquired or sold, which, together with accrued interest income or expense, approximates fair value due to the short-term nature of these agreements.

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

a) Basic Account

In accordance with the Agreement and PBSA, an actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of TPP as described in note 5a. As part of the valuation, TPP's actuary also calculates values of the Basic Account assets and liabilities for accounting purposes. For accounting purposes, pension liabilities are based on those accrued to the financial statement date, and assets include the full impact of investment fair value changes as at the financial statement date. The liability for accrued basic pension obligations at the valuation date is determined using the projected benefit method pro-rated on service.

The latest full actuarial valuation for accounting purposes was prepared as at December 31, 2023, by Eckler Ltd. This valuation calculated the liability for accrued basic pension obligations for financial statement purposes to be $26,410 million (2020 valuation: $22,547 million).

Between valuations, an estimate of the actuarial position is required. This estimate, an extrapolation, has been made to December 31, 2025, using the following long-term actuarial assumptions:

- Annual investment return 5.75%
- Annual salary escalation rate 3.25%

The extrapolation calculated the liability for accrued basic pension obligations to be $28,657 million (2024: $27,670 million).

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (CONTINUED)

a) Basic Account (continued)

In 2024, the extrapolation reflected assumption changes made during the 2023 valuation that resulted in an increase in the 2023 accrued basic pension obligations of $363 million. The most significant change in the assumptions was a decrease in mortality rates, which increased the accrued basic pension obligations. Further, the 2023 valuation accrued basic pension obligations were $284 million higher than anticipated by the 2023 extrapolation, representing the net result of experience gains and losses (e.g., higher than expected salary increase, lighter mortality rates and later retirements than assumed).

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings, and the incidence of retirements, withdrawals and changes in other factors may vary significantly from the long-term assumptions used in the extrapolation. In the event of a major change to TPP, a new valuation or review of assumptions may be required.

The next full actuarial valuation will be carried out as at December 31, 2026, with the results included in the December 31, 2027, financial statements.

Actuarial liabilities are also affected by changes in the assumed investment return. Based on the actuarial valuation completed as at December 31, 2023, a reduction in the investment return assumption from 5.75% to 5.50% would have increased the December 31, 2025, liability for accrued basic pension obligations of $28,657 million by $893 million or 3.1%, and the impact of a 1% change would be approximately four times the amount. Changes to assumptions included in the actuarial valuation are interrelated, and the cumulative impact of changed assumptions may be offsetting.

b) Inflation Adjustment Account (IAA), non-guaranteed pension obligations

No unfunded liability exists for the IAA, since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. There is no minimum level of inflation adjustment required to be paid under the plan rules, nor is there any provision to fund the IAA to any minimum level of future potential inflation adjustments (note 5b). The non-guaranteed pension obligations are therefore equal to the net assets available for benefits in the IAA of $6,881 million (2024: $6,559 million). The net increase of $322 million (2024: $271 million) in the IAA balance consists of employee and employer contributions, investment income, and net transfers reduced by payments out of the account. (See note 12 for details on amounts transferred.)

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

The Basic Account is the account from which the defined basic benefits of TPP are paid. In accordance with the Agreement and PBSA, an actuarial valuation of TPP's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, TPP's actuary values both accrued assets and accrued pension obligations to the financial statement date, and contributions and benefits for future service. The contribution requirements are calculated by the actuary using the entry-age normal cost method (entry-age method).

This method produces the long-term rate of member and employer contributions sufficient to provide benefits for the average future new entrants to TPP. Contribution rate determinations exclude consideration of the assets in the Rate Stabilization Account (RSA), which is held notionally within the Basic Account.

Future cost-of-living adjustments are not guaranteed within the provisions and are granted to retired members only to the extent that sufficient assets are available in the IAA to fund those benefits (note 5b). As cost-of-living adjustments are granted, the Basic Account receives from the IAA the present value of the amount necessary to fund the cost-of-living adjustments granted, and the adjustments are paid from the Basic Account. Therefore, accrued basic pension obligations for valuation purposes include the liability for all cost-of-living adjustments granted to the date of the valuation, but not for as-yet-unknown future cost-of-living adjustments.

Actuarial valuation

The latest full actuarial valuation for funding purposes was prepared as at December 31, 2023, by the independent actuary based on the entry-age method; the valuation indicated an actuarial surplus of $4,572 million, excluding $1,438 million set aside for stabilization purposes (2020: $1,584 million excluding $892 million set aside for stabilization purposes).

The Agreement specifies that, if an actuarial valuation indicates increased basic contribution rates are required, the increase must be shared equally by members and employers. The Agreement also describes the manner in which the Board can elect to apply surplus assets.

In June 2025, the Board approved the transfer of $593 million of the December 31, 2023 valuation surplus from the Basic Account to the RSA. After adding interest at the smoothed rates of return for the period from December 31, 2023, to December 31, 2025, the total transfer amount was $657 million as at December 31, 2025.

An estimate of the actuarial position of TPP for funding purposes has been made to December 31, 2025, using the following long-term actuarial assumptions:

- Annual investment return 5.75%
- Annual salary escalation rate 3.25%

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

This estimate, an extrapolation, produced an estimated accessible actuarial excess of $2,441 million as at December 31, 2025 (2024: $3,151 million), as follows:

Funding extrapolation	2025	2024
Net assets available for basic pension benefits	$ 36,297	$ 34,812
Actuarial asset value adjustment	(243)	106
Smoothed assets for basic pension benefits	36,054	34,918
Rate stabilization account	(2,434)	(1,607)
Smoothed assets excluding rate stabilization account	33,620	33,311
Present value of future contributions (entry-age method)	9,119	8,869
Present value of temporary rate reduction below entry-age rate	(160)	(192)
Net actuarial assets for basic pension benefits	42,579	41,988
Actuarial liability for accrued and future basic pension benefits	(38,661)	(37,410)
Entry-age method actuarial surplus	3,918	**4,578**
PBSA 5% of net liabilities	(1,477)	(1,427)
Accessible actuarial excess	$ 2,441	$ **3,151**

Changes in the extrapolated entry-age method funded status	2025	2024
Extrapolated entry-age method actuarial surplus, beginning of year	$ 4,578	$ 4,840
Present value of temporary rate reduction below entry-age rate	32	(17)
Adjustment for the 2023 valuation	-	(444)
Extrapolated change in actuarial liability for accrued and future basic pension benefits	(1,251)	(1,772)
Extrapolated change in actuarial assets for basic pension benefits	559	1,971
Entry-age method actuarial surplus, end of year	3,918	**4,578**
PBSA 5% of net liabilities	(1,477)	(1,427)
Accessible actuarial excess	$ 2,441	$ **3,151**

Based on the funded position at the last actuarial valuation, as TPP had Accessible Going Concern Excess (AGCE) and the entry age normal cost exceeded the current contribution, the Joint Trust Agreement required that the AGCE be used to fund a contribution rate reduction below the entry–age normal cost. The extrapolation reflects the amount of surplus required for the contribution reduction as well as the 5% of net liabilities (total liabilities less the present value of future contributions at entry-age rate) that needs to be held in the Basic Account when the current contribution rate is below the entry–age normal cost.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, various factors, including actual wage increases, investment earnings, and the incidence of retirements and withdrawals, may vary significantly from the long-term assumptions used in the extrapolation.

While the accrued pension benefit liability for financial statement purposes uses the projected benefit method pro-rated on service, the pension liability for funding purposes uses an entry-age funding method, where the present value of future normal cost contributions, basic pension benefits for future service and future amortization amounts are included in the determination of the funded status of TPP.

The primary components of the measurement differences between the extrapolated entry-age method funding surplus and the financial statement accounting surplus are as follows:

Measurement difference between funding and accounting positions	2025	2024
Accessible actuarial excess	$ 2,441	$ 3,151
PBSA 5% of net liabilities	1,477	1,427
Actuarial asset value adjustment	243	(106)
Rate stabilization account	2,434	1,607
Difference in actuarial methods – present value of rate reduction	160	192
Difference in actuarial methods – present value of future contributions	(9,119)	(8,869)
Difference in actuarial methods – present value of future liabilities	10,004	9,740
Measurement differences between funding and accounting positions	5,199	3,991
Surplus for financial statement purposes	**$ 7,640**	**$ 7,142**

Actuarial asset value adjustment

To determine the entry-age method surplus for funding purposes, the actuarial value of net assets available for benefits is determined on an adjusted value basis that smooths the difference between the actual investment return and an expected long-term return rate over a five-year period.

The funding policy requires that the value of the assets be smoothed within a certain corridor. The corridor requires that the smoothed value be no more than 108% and no less than 92% of the market value of the assets. The smoothed value of the assets at December 31, 2025, was 99.3% of the market value of the assets (2024: 100.3%).

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

The following schedule indicates the year the components of the actuarial asset value adjustment will be recognized in the entry-age method actuarial surplus. The amounts are based on that proportion of the total fund related to the Basic Account assets.

Actuarial asset value adjustment		2025		2024
2025	$	-	$	(284)
2026		**(468)**		(485)
2027		**364**		348
2028		**331**		315
2029		**16**		-
Total adjustment	$	**243**	$	**(106)**

Rate Stabilization Account

Members and employers each contribute 1% to the RSA. The contributions are shifted from IAA to RSA with interest each fiscal year end. In fiscal 2025, the amount of $90 million (2024: $88 million), was transferred to the RSA, which is held notionally within the Basic Account.

Interest of $80 million (2024: $81 million) was transferred from the Basic Account to the RSA based on the 2025 opening balance and a smoothed rate of return of 4.96% (2024: 5.63%).

As approved by the Board in June 2025, $593 million of the December 31, 2023, valuation surplus, together with interest at the smoothed rates of return from December 31, 2023 to December 31, 2025 (for a total of $657 million), was transferred from the Basic Account to the RSA.

Rate stabilization account		2025		2024
Opening balance	$	**1,607**	$	1,438
Interest applied to balance		**80**		81
2023 valuation surplus transfer and interest		**657**		-
Contributions and interest		**90**		88
Ending balance	$	**2,434**	$	**1,607**

If an actuarial valuation indicates that increased basic contribution rates are required, the increase must be shared equally by members and employers. The Agreement also describes the manner in which the Board can elect to apply surplus assets.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. There is no minimum level of cost-of-living adjustment required to be paid under the plan rules, nor is there any provision to fund the IAA to any minimum level for future potential cost-of-living adjustments.

The Board annually considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions in pay and the amount of the cost-of-living adjustment, if any.

6. FINANCIAL RISK MANAGEMENT

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures (SIPP) and oversees the management of these assets through the Board's investment management agent, BCI. The SIPP requires diversification of investments among asset classes, sets guidelines on investment categories, and limits the exposure to individual investments and counterparties.

Significant risks are regularly monitored and managed by BCI, and actions are taken when appropriate, according to TPP's SIPP. In addition, these risks are reviewed periodically with the Board. Such risks include liquidity risk, as well as other financial risks, which comprise currency risk, interest rate risk, other price risk and credit risk.

Financial risks are disclosed on a unit-of-account basis (note 6b), which represents the legal ownership of securities held, and at the underlying securities level (note 6c), which provides additional insight to other risks that may impact the financial instruments of TPP. Both forms of disclosure provide valuable perspectives on the financial risks that may directly or indirectly impact the financial statements and the funded status of TPP. These two forms of risk disclosure are not additive to each other.

a) Liquidity risk

Liquidity risk is the risk of not being able to meet TPP's cash requirements in a timely and cost-effective manner. Expenditures relate primarily to pensions, termination and refund benefits, and investment and administration costs. TPP's approach to mitigating liquidity risk is to forecast its cash requirements over the near and long term to determine whether sufficient funds are available.

TPP's primary sources of liquidity are income generated from TPP's investments, and employer and employee contributions. Investments are primarily held in pooled funds. Many securities are held in pools, are traded in active markets and can readily be sold; the pooled fund units can thereby be redeemed to fund cash requirements. Accounts payable of $8 million (2024: $7 million) are generally due within one month. Derivatives payable of $157 million (2024: $344 million) are due within the next fiscal year.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Financial risks on a unit-of-account basis

TPP investments consist primarily of direct ownership in units of pooled investment portfolios. Each unit gives its holder a proportionate interest in the value of the net assets of the respective pooled investment fund. The unit-of-account for the majority of TPP's investments is the units of the pooled investment funds.

Market risk

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or by factors affecting all securities traded in the market. Market risk consists of currency, interest rate and other price risks.

The financial markets are a source of uncertainty, notably due to geopolitical tensions, ongoing tariff negotiations, and the volatility of stock markets and interest rates that are continuing to disrupt global economic activity.

Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the fund will fluctuate due to changes in foreign exchange rates. TPP holds primarily Canadian dollar–denominated investment pooled fund units and is exposed to currency risk through holdings of small amounts of foreign currency–denominated debt investments See note 6c for currency exposure related to underlying securities.

Foreign denominated investments held by TPP, in Canadian dollars, are $504 million United States (US), 1.2% of total investments (2024: $292 million US, 0.7% of total investments).

As at December 31, 2025, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets available for benefits would have decreased or increased by approximately $50 million (2024: $29 million).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of TPP's investments will change as a result of future fluctuations in market interest rates. The majority of TPP's investment assets are non–interest bearing and not subject to interest rate risk. See note 6c for interest rate risk related to underlying securities.

Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. TPP's investments are subject to other price risk through its public equity investments, private market investments and real estate equity investments, held directly and through pooled investment portfolios. This risk is managed by diversifying investments across asset classes based on criteria established in the SIPP.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Financial risks on a unit-of-account basis (continued)

Other price risk (continued)

As at December 31, 2025, if the pooled investment fund unit prices increased or decreased by 10%, with all other factors remaining constant, net assets available for benefits would have increased or decreased by approximately $4,313 million (2024: $4,137 million).

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into, resulting in a financial loss to TPP. The majority of TPP's investments are held in securities that are not subject to credit risk. See note 6c for credit risk related to underlying securities.

Credit exposure exists for contributions receivable directly held by TPP totalling $56 million (2024: $61 million), for the directly held derivatives $168 million (2024: $299 million) and interest and dividends receivable $3 million (2024: $3 million).

c) Financial risks of underlying securities held through pooled investment funds

Pooled investment funds exist for different types of investments, such as short-term investments; bonds; Canadian, global and emerging markets equities; mortgages; real estate; private debt; private equity; and infrastructure and renewable resources. Examining the risks of the underlying securities contained in pooled investment funds provides additional disclosure to assess the overall financial risks of TPP's investments. Viewing the financial risks of underlying securities is an alternative way of disclosing financial risks from the unit-of-account basis in note 6b. These risks are not considered additive to the financial risks already disclosed in note 6b.

Market risks are reduced through asset class diversification, diversification within each asset class and credit quality requirements on investments.

Currency risk

Currency exposure also arises from foreign currency–denominated investments held directly and from underlying investments held indirectly in pooled investment funds. BCI has currency exposure management programs under which it enters into economic hedges of foreign currency exposure through the use of forward foreign currency contracts.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Currency risk (continued)

TPP's total currency exposure, the impact of economic hedging activities, and its net notional exposure as at December 31 are as follows:

Foreign denominated investment holdings (Cdn dollar equivalent)	Total exposure	Economic hedging	Net exposure	% of total
		2025		
United States	$ 20,228	$ 8,498	$ 11,730	58%
United Kingdom	2,955	202	2,753	14%
Euro countries	3,356	1,244	2,112	11%
Asia-Pacific, excluding Japan	1,960	81	1,879	9%
Other	1,080	-	1,080	5%
Other Europe	557	146	411	2%
Japan	329	91	238	1%
	$ 30,465	$ 10,262	$ 20,203	100%
		2024		
United States	$ 20,101	$ 7,368	$ 12,733	59%
United Kingdom	2,700	137	2,563	12%
Asia-Pacific, excluding Japan	2,233	132	2,101	10%
Euro countries	2,946	822	2,124	9%
Other	1,489	-	1,489	7%
Other Europe	649	138	511	2%
Japan	331	116	215	1%
	$ 30,449	$ 8,713	$ 21,736	100%

The net foreign currency exposure of TPP's underlying investments represents 47% (2024: 53%) of its total investments.

Interest rate risk

TPP's pooled investment funds hold interest-bearing financial instruments in short-term investments, bonds, mortgages and private debt. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and interest rate swaps, and general diversification by security type and geographic region. TPP participates in a leveraged bond strategy using repurchase agreements and unsecured debt to borrow funds which are included in the terms to maturity table below.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Interest rate risk (continued)

The terms to contractual maturity of interest-bearing financial instruments held directly and through pooled investment, portfolios, as at December 31, are as follows:

Terms to maturity of interest-bearing financial instruments

	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Effective yield to maturity
			2025			
Short-term	$ 855	$ -	$ -	$ -	$ 855	3.26%
Bonds	921	5,390	4,638	4,198	15,147	3.90%
Repurchase agreements	(3,137)	-	-	-	(3,137)	-2.59%
Unsecured debt	-	(459)	(810)	-	(1,269)	-3.55%
Mortgages	505	1,216	12	-	1,733	6.96%
Debt*	-	4	-	-	4	5.45%
Private debt**	175	891	650	5	1,721	10.20%
	$ (681)	$ 7,042	$ 4,490	$ 4,203	$ 15,054	
			2024			
Short-term	$ 607	$ -	$ 24	$ -	$ 631	3.80%
Bonds	154	4,726	4,730	3,910	13,520	3.93%
Repurchase agreements	(3,503)	-	-	-	(3,503)	-3.37%
Unsecured debt	-	-	(639)	-	(639)	-3.57%
Mortgages	321	1,573	14	-	1,908	7.07%
Debt*	-	4	1	-	5	4.80%
Private debt**	192	821	571	23	1,607	9.90%
	$ (2,229)	$ 7,124	$ 4,701	$ 3,933	$ 13,529	

* Grouped with real estate investment category.

** An additional $2,460 million (2024: $2,078 million) of private debt are held in unlisted private debt investee funds which are generally illiquid.

As at December 31, 2025, if the prevailing interest rates had increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, the fair value of interest-bearing financial instruments and net assets available for benefits would have decreased or increased by approximately $1,058 million (2024: $1,007 million).

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Other price risk

As at December 31, 2025, if the underlying investment unit prices increased or decreased by 10%, with all other factors remaining constant, net assets available for benefits would have increased or decreased by approximately $667 million (2024: $673 million).

Credit risk

TPP's underlying investment assets held in pooled investment funds attract credit risk. This is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. It is also the risk of losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. Credit risk is managed by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties, and maximum concentration limits with given counterparties.

Credit risk ratings on financial instruments (short-term investments, bonds, mortgages, debt, and private debt) held directly and through pooled investment portfolios are as follows:

Credit rating of financial instruments

	AAA/AA	A	BBB	Non-investment grade	Unrated	Total
2025						
Short-term	$ 412	$ 308	$ 31	$ -	$ 104	$ 855
Bonds	10,460	2,094	802	820	971	15,147
Mortgages	-	-	-	-	1,733	1,733
Debt*	-	-	-	-	4	4
Private debt	55	5	-	98	4,023	4,181
	$ 10,927	$ 2,407	$ 833	$ 918	$ 6,835	$ 21,920
	50%	11%	4%	4%	31%	100%
2024						
Short-term	$ 302	$ 304	$ 19	$ -	$ 6	$ 631
Bonds	11,097	616	693	1,079	35	13,520
Mortgages	-	-	-	-	1,908	1,908
Debt*	-	-	-	-	4	4
Private debt	34	5	-	147	3,499	3,685
	$ 11,433	$ 925	$ 712	$ 1,226	$ 5,452	$ 19,748
	58%	5%	3%	6%	28%	100%

* Grouped with real estate investment category.

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Notes to the financial statements for the year ended December 31, 2025

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Credit risk (continued)

The ratings used are defined by Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned. The counterparty's capacity to meet its financial commitment on the obligation is very strong. Bonds rated A, BBB or non-investment grade are weaker. A BBB rating denotes an obligation with adequate protection parameters. A non-investment grade rating denotes major ongoing uncertainties or exposure to adverse business, financial or economic conditions that could lead to the debtor's inadequate capacity to meet its financial commitment on the obligation. Unrated financial instruments consist mainly of mortgages secured by real estate, private debt and corporate bonds.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

Fair value measurements of the investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. The three levels of the fair value hierarchy are as follows:

Level 1

Inputs that are unadjusted quoted prices in active markets for identical assets or liabilities

Level 2

Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level 3

Inputs that are not based on observable market data

TPP investments are carried at fair value in the financial statements. The following table details the classification of TPP's investments based on the fair value hierarchy as at December 31:

Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
		2025		
Pooled investments	$ 855	$ 19,526	$ 18,741	$ 39,122
Other investment entities	-	-	4,006	4,006
Direct debt*	-	-	4	4
Investments	**$ 855**	**$ 19,526**	**$ 22,751**	**$ 43,132**
Derivatives	**$ -**	**$ 11**	**$ -**	**$ 11**
		2024		
Pooled investments	$ 631	$ 18,447	$ 18,349	$ 37,427
Other investment entities	-	-	3,945	3,945
Direct debt*	-	-	4	4
Investments	**$ 631**	**$ 18,447**	**$ 22,298**	**$ 41,376**
Derivatives	**$ -**	**$ (45)**	**$ -**	**$ (45)**

*Grouped with real estate investment category.

During 2025 and 2024, there were no significant transfers of investments between levels.

Other investment entities are comprised of corporations, limited partnerships and trusts.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value hierarchy (continued)

The following table reconciles TPP's level 3 fair value measurements:

Level 3 fair value hierarchy	Pooled investments	Other investment entities	Direct debt	Total
		2025		
Balance, beginning of year	$ 18,349	$ 3,945	$ 4	$ 22,298
Net gain (loss) included in investment income	585	(116)	-	469
Purchases	7,114	788	-	7,902
Sales	(7,307)	(611)	-	(7,918)
Balance, end of year	$ 18,741	$ 4,006	$ 4	$ 22,751
Unrealized loss included in investment income	$ (1,896)	$ (143)	$ -	$ (2,039)
		2024		
Balance, beginning of year	$ 16,449	$ 3,327	$ 4	$ 19,780
Net gain included in investment income	1,927	122	-	2,049
Purchases	2,519	1,161	-	3,680
Sales	(2,546)	(665)	-	(3,211)
Balance, end of year	$ 18,349	$ 3,945	$ 4	$ 22,298
Unrealized gain included in investment income	$ 719	$ 279	$ -	$ 998

b) Valuation models

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants on the measurement date.

BCI uses widely recognized valuation methods for determining the fair value of common and less complex financial instruments such as investments in pooled funds, where fair value is based on the underlying net asset value of the respective pooled fund as determined by the underlying fund manager. Observable prices and model inputs are usually available in the market for listed equity and debt securities, simple derivatives such as forward or future currency contracts, and pooled funds.

The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the financial instrument and is subject to change based on specific events and general conditions in the financial markets.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Valuation models (continued)

For more complex financial instruments, BCI, either directly or through external independent valuators, uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates, or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of judgment and estimation in the determination of fair value. BCI and their external independent valuators are usually required to select the appropriate valuation model to be used, determine expected future cash flows of the financial instrument being valued, determine the probability of counterparty default and prepayments, and select appropriate discount rates.

BCI reviews the fair value estimates of external independent valuators and ultimately decides on the fair value estimate to be used. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that BCI and the external valuator believe that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to account for the credit risk of TPP and the counterparties where appropriate.

c) Valuation framework

BCI has an established framework with respect to the measurement of fair values of financial instruments. Where possible, for direct private debt investments held by TPP, external independent valuation specialists are engaged annually to assist in the determination of fair value. In those circumstances where BCI relies on the third-party manager for the determination of fair value, BCI reviews the appropriateness of such valuations using audited financial statements of the underlying investments, where available, and other information from the underlying third-party manager or other sources.

In addition, BCI applies the following specific controls in relation to the determination of fair values:

- Verification of observable pricing inputs
- Appraisal of domestic real estate properties is performed by accredited independent appraisers within 10 to 18 months of acquisition and on an annual basis thereafter
- International real estate investments are held through externally managed funds and receive a fair value audit annually
- Analysis and investigation of significant valuation movements
- Review of unobservable inputs and valuation adjustments

When third-party information, such as broker quotes or pricing services, is used to measure fair value, BCI assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations are appropriate. This includes:

- Verifying that the broker or pricing service is approved by BCI for use in pricing the relevant type of financial instrument
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Valuation framework (continued)

- Understanding how the fair value has been determined when a number of quotes for similar financial instruments have been obtained
- Understanding how prices for similar financial instruments used to measure fair value have been adjusted to reflect the characteristics of the financial instrument subject to measurement

d) Significant unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Significant unobservable inputs used in measuring fair value

Description	Fair value	Valuation technique	Unobservable input	Amount/ range	Sensitivity to change in significant unobservable input
			2025		
Pooled investments	**$ 18,741**	**Net asset value**	**Net asset value**	**$ 18,741**	**The estimated fair value would increase (decrease) if the net assets value was higher (lower)**
Other investment entities	**4,006**	**Net asset value**	**Net asset value**	**4,006**	**The estimated fair value would increase (decrease) if the net assets value was higher (lower)**
Direct debt	**$ 4**	**Discounted cash flow**	**Discount rate**	**5.5%**	**The estimated fair value would increase (decrease) if the discount rate was lower (higher)**
			2024		
Pooled investments	$ 18,349	Net asset value	Net asset value	$ 18,349	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Other Investment entities	3,945	Net asset value	Net asset value	3,945	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Direct debt	$ 4	Discounted cash flow	Discount rate	4.8%	The estimated fair value would increase (decrease) if the discount rate was lower (higher)

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Significant unobservable inputs used in measuring fair value (continued)

Net asset value

Net asset value is determined by BCI based on the fair value of assets less liabilities. Such investments are closed funds with significant restrictions on redemptions. Accordingly, BCI is unable to dispose of the pooled fund investment until the maturity or wind-up and liquidation of the respective pooled fund. In such cases, it is TPP's policy to categorize the pooled fund investment as level 3 within the fair value hierarchy.

Discount rate

This represents the discount rate applied to the expected future cash flows of the direct debt investments. For the discount rates used, the underlying investment manager assesses both the risk premium and the appropriate risk-free rate based on the economic environment in which the investee entity operates. The discount rate is adjusted for such matters as liquidity differences, credit and market factors. The estimated future cash flows are then discounted using the discount rate determined. Cash flows used in the discounted cash flow model are based on projected cash flows or earnings of the respective investee entity.

e) Effects of unobservable input on fair value measurement

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level 3, changing one or more of the assumptions used for a reasonable alternative assumption could have the following effects on net assets attributable to holders of redeemable units.

The pooled investments, other investment entities and direct debt investments were valued based on information received from BCI, the manager of the respective investments. The fair value of these investments fluctuates in response to changes to specific assumptions for these particular investments, as determined by BCI. The favourable and unfavourable effects of reasonable alternative assumptions for the valuation of pooled investments, other investment entities and direct debt investments have been calculated by adjusting the respective underlying net asset value by 10%.

Effects of unobservable input on level 3 fair value measurement

	2025		2024	
	Favourable	Unfavourable	Favourable	Unfavourable
Pooled investments	$ 1,874	$ (1,874)	$ 1,835	$ (1,835)
Other investment entities	401	(401)	395	(395)
Direct debt	-	-	-	-
	$ 2,275	$ (2,275)	$ 2,230	$ (2,230)

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

f) Financial instruments not measured at fair value

The carrying value of contributions receivable, receivable from sale of investments, interest and dividends receivable, accounts payable and accrued expenses and payable for purchase of investments approximate their fair value given their short-term nature. These financial instruments are classified as level 2 in the fair value hierarchy because, while prices are available, there is no active market for these instruments.

8. INVESTMENT INCOME

			2025			2024
	Income allocation	Change in fair value	Total	Income allocation	Change in fair value	Total
Short-term	$ 35	$ (19)	$ 16	$ 35	$ 52	$ 87
Bonds	423	(99)	324	385	(400)	(15)
Canadian equities	28	233	261	38	175	213
Global equities	138	643	781	147	1,057	1,204
Emerging markets equities	26	222	248	40	157	197
Mortgages	78	(15)	63	86	118	204
Real estate	198	(560)	(362)	168	(32)	136
Private debt	256	24	280	233	434	667
Private equity	937	(474)	463	363	508	871
IRR*	560	(102)	458	390	247	637
	2,679	(147)	2,532	1,885	2,316	4,201
Directly held derivatives	-	19	19	-	(83)	(83)
	$ 2,679	$ (128)	$ 2,551	$ 1,885	$ 2,233	$ 4,118

* Infrastructure and renewable resources

Investment income represents realized and unrealized pooled investment portfolio income attributable to TPP, as a unit holder, and income from directly held investments. Income allocation is composed of interest, dividends and other investment payments. Change in fair value is composed of realized gains and losses on the disposal of investments and derivatives, as well as unrealized gains and losses on investments and derivatives held at year-end. All income earned within a pooled investment portfolio is reinvested within the portfolio.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

9. CONTRIBUTIONS

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
		2025		
Members' contributions				
Regular	$ 404	$ 87	$ -	$ 491
Past service purchases	3	1	-	4
	407	88	-	495
Employers' contributions				
Regular	404	92	1	497
Past service purchases	2	1	-	3
	406	93	1	500
	$ 813	$ 181	$ 1	$ 995
		2024		
Members' contributions				
Regular	$ 394	$ 85	$ -	$ 479
Past service purchases	3	1	-	4
	397	86	-	483
Employers' contributions				
Regular	393	90	1	$ 484
Past service purchases	2	1	-	3
	395	91	1	487
	$ 792	$ 177	$ 1	$ 970

Member and employer contributions are as defined under the plan rules. Members' past service purchases are voluntary contributions.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

10. BENEFITS PAID

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
		2025		
Regular pension benefits	$ **1,170**	$ **-**	$ **1**	$ **1,171**
Indexing – regular pension benefits	**419**	**-**	**-**	**419**
Termination and refund benefits	**20**	**6**	**-**	**26**
Death benefit payments	**9**	**3**	**-**	**12**
	$ **1,618**	$ **9**	$ **1**	$ **1,628**
		2024		
Regular pension benefits	$ 1,130	$ -	$ 1	$ 1,131
Indexing – regular pension benefits	407	-	-	407
Termination and refund benefits	18	5	-	23
Death benefit payments	5	3	-	8
	$ **1,560**	$ **8**	$ **1**	$ **1,569**

11. INVESTMENT AND ADMINISTRATION COSTS

	2025	2024
Investment management	$ **95.1**	$ 84.3
Benefit administration	**15.1**	16.0
Other professional services	**0.4**	0.4
Board secretariat costs	**0.4**	0.4
Board remuneration and expenses	**0.3**	0.3
Audit and actuary expenses	**0.2**	0.2
	$ **111.5**	$ **101.6**

BCI and Pension Corporation are related parties to TPP. The Board appoints members to each of the respective corporate boards. Investment management and benefit administration costs are approved by the Board.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

11. INVESTMENT AND ADMINISTRATION COSTS (CONTINUED)

Investment management costs represent amounts charged to recover internal and external management costs incurred by BCI, except those external management fees related to investments managed by an underlying external manager, where management fees are embedded in the net assets of the respective investment. Underlying external investment management fees of $76.7 million (2024: $58.3 million) were netted against investment income.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by Pension Corporation. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts directly incurred by the Board for costs associated with supporting the Board.

Other professional services costs include insurance and legal fees incurred directly by TPP.

Board remuneration and expenses represent amounts for trustee compensation and direct expenses.

12. ACCOUNT TRANSFERS

	2025		2024	
	Basic account	Inflation adjustment account	Basic account	Inflation adjustment account
Indexing supplements	$ 243	$ (243)	$ 540	$ (540)
Indexing of deferred pensions	5	(5)	4	(4)
	$ 248	$ (248)	$ 544	$ (544)

The IAA is a separate account maintained for funding current and future cost-of-living adjustments. The IAA is funded through a portion of ongoing contributions from employers and members, investment income earned and excess investment return earned in the Basic Account.

Cost-of-living adjusted pension payments are made from the Basic Account. Each year, if members' pension payments are adjusted for the current cost-of-living adjustment, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current cost-of-living adjustment. The Board considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions in pay and the amount of the cost-of-living adjustment, if any. As at January 1, 2025, retired members received a cost-of-living adjustment of 1.6% (2024: 3.8%), and indexing supplements were transferred.

When a deferred pension commences, the present value of the cost-of-living adjustments during the deferral period is transferred from the IAA to the Basic Account. Approximately $75 million (2024: $71 million) of the current IAA balance is for cost-of-living adjustments already granted for deferred pensions but not yet transferred to the Basic Account.

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

12. ACCOUNT TRANSFERS (CONTINUED)

Excess investment return is based on investment income earned on those assets in the Basic Account required for pensions currently being paid, approximately $16.0 billion of assets for 2025 (2024: $15.2 billion). The excess investment return rate is determined by taking the difference between the actual five-year annualized market rate of return (6.40%) and the rate of return used by the TPP's actuary (5.75%) in valuing TPP's liabilities. The calculated excess investment return rate for 2025 was 0.65% (2024: 1.55%), resulting in a positive excess investment return amount of $104 million (2024: $236 million).

Plan rules allow the positive excess investment return transfer to occur at the discretion of the Board. Should the excess investment return in any year not be transferred to the IAA, it will be carried forward cumulatively with interest and if available, may be transferred to the IAA at the discretion of the Board in the future. The amount that may be transferred is subject to a number of factors, including the available surplus, which may be below the cumulative excess investment return balance. If the balance is ever negative, it will be offset against future positive excess investment returns before transfers to the IAA will recommence. The excess investment interest is an amount determined by applying the five-year annualized market rate of return to the fiscal year opening balance.

As approved by the Board in June 2025, $593 million of the December 31, 2023, valuation surplus, together with interest at the smoothed rates of return from December 31, 2023 to December 31, 2025 (for a total of $657 million), was transferred from the Basic Account to the RSA. Therefore, the accumulated excess investment return balance as at December 31, 2025 is deemed to have reduced by $657 million.

Excess investment return		2025		2024
Cumulative excess investment return, beginning of year	$	**3,591**	$	3,127
Interest applied to beginning of year amount		**230**		228
Excess investment return		**104**		236
2023 valuation surplus transferred to RSA with interest		**(657)**		-
Cumulative excess investment return, end of year	**$**	**3,268**	**$**	**3,591**

13. SUPPLEMENTAL BENEFITS ACCOUNT

The SBA funds certain supplemental benefits. For example, pension benefits that exceed *Income Tax Act* limits for registered pension plans are paid through this account.

14. COMMITMENTS

TPP participates in private equity, international real estate, mortgages, and infrastructure and renewable resource pools. As at December 31, 2025, TPP's share of commitments for future investment contracts in these pools over the next several years is approximately $7,842 million (2024: $7,512 million).

TEACHERS' PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

($ millions except as otherwise noted)

15. CAPITAL DISCLOSURES

Capital is defined as the funded status (surplus or deficit) of TPP as determined by the actuary. TPP's objective for managing capital is to ensure that the assets of TPP are invested prudently and effectively, and with contributions adequate to meet the obligations of TPP. Management of TPP's funded status is achieved by adjusting member and employer contribution rates, through implementation of the SIPP, which affects the earnings of TPP, and, in the case of the IAA, by changing the benefits paid. The Board has a funding policy that outlines the principles that provide guidance in managing this process. The investment performance of TPP's assets is reviewed by the Board on a regular basis and compared to relevant industry benchmarks. Benefit entitlement is based on the provisions of the Agreement and the plan rules. Funding deficits must be funded over a period not to exceed 15 years.

An actuarial valuation must be prepared at least once every three years. The latest actuarial valuation for funding purposes was prepared as at December 31, 2023, and has two components: the first component only for the Basic Account non-indexed benefits and, the second component considering the valuation of the Basic Account and IAA. The next full actuarial valuation will be carried out as at December 31, 2026, with the results included in the December 31, 2027, financial statements.

The Act and the Board's funding policy require that contribution rates comply with the going-concern requirements of PBSA.

16. PRIOR YEAR COMPARATIVES

The prior year comparatives have been reclassified to conform to the current year presentation.

Teachers' Pension Board of Trustees

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MISSION STATEMENT

To provide retirement income to plan members by effectively and efficiently meeting the pension promise and fulfilling the joint trust placed on us by the plan partners.

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