Public Sector Pension Investment Board

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This report does not constitute a rating action.

Primary Contact

Amanpreet Kaur
Toronto
437-771-7950
Amanpreet.Kaur
@spglobal.com

Secondary Contact

Hector Cedano, CFA
Toronto
1-416-507-2536
hector.cedano
@spglobal.com

Research Contributor

Divy Rangan
CRISIL Global Analytical Center,
an S&P Global Ratings affiliate
Gurgaon Haryana

Outlook

The stable outlook reflects S&P Global Ratings' expectation that the Public Sector Pension Investment Board (PSPIB or the fund; AAA/Stable/A-1+) will continue to have good medium-term investment returns, strong liquidity levels, relatively low leverage, and strong management and risk management systems in the next two years. In addition, we do not anticipate any change to our assessment of a moderately high likelihood that the Canadian government would provide extraordinary support to the fund in the event of financial distress. The outlook on the fund also reflects the stable outlook on our sovereign rating on Canada.

Downside scenario

We could lower the ratings in the next two years if there was a material increase in risk appetite or erosion in the performance of risk management systems. This could include an increase in PSPIB's total liabilities above 40% of total assets, a relatively large investment loss, or a marked decline in liquid unencumbered assets relative to liabilities. We consider these scenarios unlikely over our two-year outlook.

Rationale

The ratings on PSPIB reflect the fund's stand-alone credit profile (SACP), which S&P Global Ratings assesses at 'aaa'. PSPIB is an investment manager that invests on behalf of the public sector pension plans of the Public Service of Canada, the Canadian Forces, the Royal Canadian Mounted Police, and the Reserve Force. The SACP reflects our view of the fund's operational independence from the Government of Canada, high operational effectiveness and management and governance, well-diversified portfolio, strong liquidity position, and low leverage. Offsetting some of these strengths are current macroeconomic headwinds like geopolitical uncertainties, slower economic growth, and increasing longevity. That said, the fund's long-term performance remains strong and we believe PSPIB will continue to realize good medium-term investment returns and sufficient liquidity to meet near-term debt obligations. The ratings also reflect our opinion of a moderately high likelihood that the Canadian government would provide extraordinary support in the event of financial distress.

We think PSPIB benefits from a strong institutional position because of its statutory role as the pension investment manager for four of the Government of Canada's pension plans. Although it invests the funds of these plans, PSPIB is a pension investment manager with no legal responsibility for the plans' underlying funding liabilities. PSPIB has expanded rapidly since its inception and is now one of Canada's largest pension asset managers.

We consider PSPIB operationally independent from the Government of Canada. The government has established a governance framework that supports the fund's independent functioning, while outlining a clear framework for transparency and accountability. PSPIB operates at arm's length from the government and we expect this will continue. We also believe that the fund would be financially resilient to political intervention, given its legal ownership of the investment assets and independent and highly qualified board of directors. Also, we do not expect significant changes to the governance framework over the next few years.

PSPIB benefits from strong management and a comprehensive risk management framework, in our opinion. We believe management maintains a clear and comprehensive set of operating principles, objectives, and strategies. Risk management is strong, with extensive and improving audit and control systems. The fund has formal enterprise risk management policies in place. The investment portfolio is diversified geographically, by asset class, credit quality, and sector, as part of these policies. The fund does not have a long-term real rate-of-return objective, but a reference portfolio that highlights the government's funding risk tolerance is communicated to it annually.

PSPIB has a record of high operational effectiveness. It generated a net return of 12.6% in fiscal 2025, which exceeded its reference portfolio return of 11.1%, but was below the benchmark of 17.4%. The fund's five- and 10-year net annualized returns remained strong at 10.6% and 8.2%, respectively, and exceeded their benchmarks. The strong return is due to notable gains in private equity and infrastructure, which were the best performing asset classes with a return of 16.6% and 17.8%, respectively. Public market equities also earned a strong return of 15.1%, supported by all segments of the market. In contrast, the real estate portfolio remains a drag on overall performance with a 0% return. The valuations remain dampened by large exposure to the office and residential sectors, which together comprise over half of the real estate portfolio. Net investment income increased to C$34.3 billion from C$18.5 billion in the previous year. Net assets rose by about 13% to C$299.4 billion in fiscal 2025 from C$264.5 billion in fiscal 2024.

PSPIB has low leverage, in our opinion. Total liabilities represented 13.5% of total assets as of March 31, 2025, up from 12.8% the year before.

Public Sector Pension Investment Board – Leverage

(%)	2025	2024	2023	2022	2021	2020
Total liabilities/total assets	13.4	12.7	14.2	12.8	12.2	18.3
Secured funding*/total assets	3.3	3.6	5.5	4.0	4.9	10.4
Unsecured debt/net assets	11.5	10.2	9.9	9.9	8.2	9.3

*Investment-related liabilities.

In accordance with our criteria for rating government-related entities and based on our assessment of the fund's important role and strong link, we view the likelihood of PSPIB receiving extraordinary government support as moderately high. PSPIB plays a major public policy role by investing the pension assets of four federally sponsored pension plans. We think the federal government has a strong link with the fund, demonstrated by its direct relationship as sponsor. Moreover, the federal government, through the Treasury Board Secretariat and Department of Finance, has formal ongoing interactions with PSPIB through an asset liability committee. This committee recommends funding risk targets, including the reference portfolio, indicating the government's risk appetite, but is not involved in day-to-day investment decisions. A clear corporate governance setup with independent management guides the fund, which continues to make its own business decisions. Because the fund's relationship with the federal government is less direct than what exists between pension funds and their related sponsors, the upward rating potential for PSPIB above that of Canada is capped at four notches. This is higher than the three-notch rating cap we apply to pension funds above their related sponsor governments. Nevertheless, given our 'AAA' rating on Canada, this cap doesn't currently limit our rating on PSPIB and we do not expect it to do so over the outlook horizon.

The fund issues debt through PSP Capital, a wholly owned subsidiary, and guarantees the debentures, which conform to our guarantee criteria. Accordingly, we equalize the ratings on the debt with those on PSPIB.

We apply a ratings to principles approach, using our "Principles Of Credit Ratings" in conjunction with "U.S. Public Finance: Public Pension Funds," and "Rating Government-Related Entities: Methodology And Assumptions," as our criteria foundation for our analysis of PSPIB's creditworthiness. We also use our "Methodology For Linking Long-Term And Short-Term Ratings" criteria as a basis to assign short-term ratings as well as our "Guarantee Criteria" as the basis for the rating on the debt of the fund's issuing trust. In our view, the fund's qualitative credit factors, like management (including operational effectiveness and financial risk management) and independence, are similar to those of rated pension funds and pension fund investment boards.

Liquidity

In our opinion, PSPIB has strong liquidity owing to its positive contribution cash flows, absence of redemption risk, large pool of liquid assets, and low debt. Contributions to the fund are required by federal statute, and we believe the funding profile is very predictable. The fund received C$1.3 billion in net plan contributions in fiscal 2025. It holds a sizable pool of liquid assets to meet funding requirements. As of March 31, 2025, it held C$8.6 billion of cash and money market securities, as well as C$19.0 billion of inflation-linked fixed-income securities, C$36.0 billion of government and corporate fixed-income securities, and C$67.5 billion of publicly traded equities. These well exceeded PSPIB's commercial paper and medium-term note programs, which totaled C$34.4 billion at that time. PSPIB has a revolving C$2 billion credit facility and a C$1 billion demand line of credit, both of which remained undrawn as of March 31, 2025.

During the year ended March 31, 2025, PSPIB transferred $1.9 billion to the Consolidated Revenue Fund of the Government of Canada to eliminate a non-permitted surplus in the Public Service plan. This transfer was related to legislation that contemplates limiting the funded status of the managed plans to no more than 125%, which the Public Service plan exceeded, and did not materially affect PSPIB's financial flexibility or strength. This exceptionally strong funded position, together with the fund's strong liquidity position, as well as the size of the transfer relative to the fund's net assets, limited the financial impact on PSPIB, in our view. At the same time, the transfer is not associated with any fiscal or external stress of the sponsor (AAA/Stable/A-1+). This is the first instance in which the government withdrew funds from PSPIB because of a non-permitted surplus. Funds can also be withdrawn from PSPIB if they are required to pay benefits, but we do not expect this to occur in the short term as we expect net contributions will remain positive until approximately 2030.

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7 2017

- General Criteria: Guarantee Criteria, Oct. 21 2016
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 24 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16 2011
- Criteria | Governments | U.S. Public Finance: Public Pension Funds, June 27 2007

Related Research

- S&P Global Ratings Definitions, Dec. 16, 2025

Ratings Detail (as of January 26, 2026)*

Public Sector Pension Investment Board	
Issuer Credit Rating	AAA/Stable/A-1+
Issuer Credit Ratings History	
10-Nov-2006	AAA/Stable/A-1+

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