

PUBLIC EMPLOYEES PENSION PLAN

2021
2022

ANNUAL REPORT
PUBLIC EMPLOYEES PENSION PLAN

Your Plan • Your Way



pepp



Vision • Mission • Goals

Guiding all we do for you.

VISION

To be a leading pension plan through product and service innovation.

MISSION

To provide members with an exceptional defined contribution pension plan.

GOALS

Investment

Earn competitive long-term investment returns for members while managing risk.

Service

Deliver exceptional and innovative products and services to members and employers.

Cost-Effectiveness

Operate efficiently and cost-effectively

Stewardship

Ensure PEPP is well governed and accountable to plan members and employers.

Engagement

Ensure members understand their responsibilities and have the right tools and information available.

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Letters of Transmittal



Donna Harpauer
Minister of Finance

His Honour the Honourable Russ Mirasty, S.O.M., M.S.M., Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2022.

A handwritten signature in black ink that reads "Donna Harpauer". The signature is written in a cursive, flowing style.

Donna Harpauer
Minister of Finance

The Honourable Donna Harpauer
Minister of Finance

Madam:

On behalf of the Public Employees Pension Board, I have the honour of submitting the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2022.

A handwritten signature in black ink that reads "Louis R. Martel". The signature is written in a cursive, flowing style.

Louis Martel
Chair

Message from the Chair



Perseverance has been the defining quality for PEPP during this past year. As the largest defined contribution pension plan in Canada with \$11.8 billion in assets, PEPP has worked hard to remain on solid footing during uncertain times.

A heartfelt thank you to my fellow Public Employees Pension Board (the Board) members for navigating PEPP through another year of uncertainty due to the global pandemic with inflation, interest rate hikes, and global supply chain disruptions posing challenges for everyone.

“Fostering financial wellness” is the guiding vision for the Public Employees Benefits Agency (PEBA). Led by Assistant Deputy Minister, Jeremy Phillips, PEBA’s dedicated team of employees brings a high degree of passion and commitment

to the administration of PEPP. The Board appreciates this support, knowing its impact on members.

This past year, PEPP completed many member-focused initiatives.

The Board’s key goal is to meet member needs in an ever-changing environment.

The Board approved a three-year strategic business plan charting PEPP’s path forward addressing:

- a changing investment landscape;
- employer and stakeholder trends;
- member demographics; and
- Increasing demand for digital services and products.

The Board also reviewed its governance structure based on pension industry best practices. It focused on improving performance and efficiency, as well as bettering service to Plan members and employers.

Knowing the importance of sound investment management during periods of instability, PEPP worked diligently to strengthen its investments. The Board initiated a strategic review to assess best practices in the pension industry. PEPP continues to build its private equity and infrastructure investment programs. Implementation of these programs is unfolding as planned and will continue over the next several years.

Stakeholder engagement continued to be a priority among our members and stakeholders.

The Board approved a new three-year stakeholder engagement strategy. This was driven by recommendations from a third-party review in late 2020. In October 2021, PEPP invited Plan members to have their say in the biennial satisfaction survey. The impressive results reaffirm PEPP’s commitment to exceptional service, plan administration and member information.

PEPP continued to strengthen its digital services. In late February, PEPP launched a new website. The easy-to-navigate website works on all browsers and digital devices and features a simplified address – pepp.peba.ca. As well, PEPP’s new online member portal – PLANet, celebrated its one-year anniversary. As of March 31, 2022, over 28,000 members have registered to access their account online.

Looking forward and thank you.

The Board looks forward to embracing key initiatives impacting members’ lives. This includes the strategic investment review, reviewing retirement products and enhancing retirement outcomes.

In closing, thank you to our almost 70,000 members and participating employers who remind us why we’re here – to help members achieve their retirement goals. With PEPP’s strong governance and PEBA’s high-performing team, I’m certain we’ll continue to achieve our goals and deliver value to members.

2021-2022 at a glance (as at March 31, 2022*)

Plan Assets



Fees and Rates of Return¹ (as at March 31, 2022)

| Fund | Fees and Rates of Return (%) | | | | |
|--------------------|------------------------------|----------------------|--------------------------------|-------------------------------|--------------------|
| | Benchmark Rate of Return | Gross Rate of Return | Fees PEBA & Board ² | Fees Investments ³ | Net Rate of Return |
| Accelerated Growth | 7.0 | 5.1 | 0.11 | 0.67 | 4.3 |
| Growth | 5.7 | 4.1 | 0.11 | 0.62 | 3.4 |
| Balanced | 3.7 | 2.8 | 0.11 | 0.54 | 2.1 |
| Moderate | 1.7 | 1.4 | 0.11 | 0.47 | 0.8 |
| Conservative | (0.7) | (0.5) | 0.11 | 0.36 | (1.0) |
| Bond | (4.2) | (3.6) | 0.11 | 0.11 | (3.8) |
| Money Market | 0.3 | 0.3 | 0.11 | 0.05 | 0.1 |

¹ The rate of return and fee data for the PEPP Steps Fund varies with each step.

² Of the 0.11% fees shown, the Board accounts for less than 0.01%.

³ Investment fees include fees for investment managers, consulting and custody.

Table 1.0

Total **Contributions**
to the plan

\$415.5
million

Total **Transfers in**
to the plan

\$9.1
million

Total **Transfers out**
of the plan

\$372.7
million



69,118

Plan members

7,160 VPB

34,357 Active

27,601 Inactive

44

Active member average age

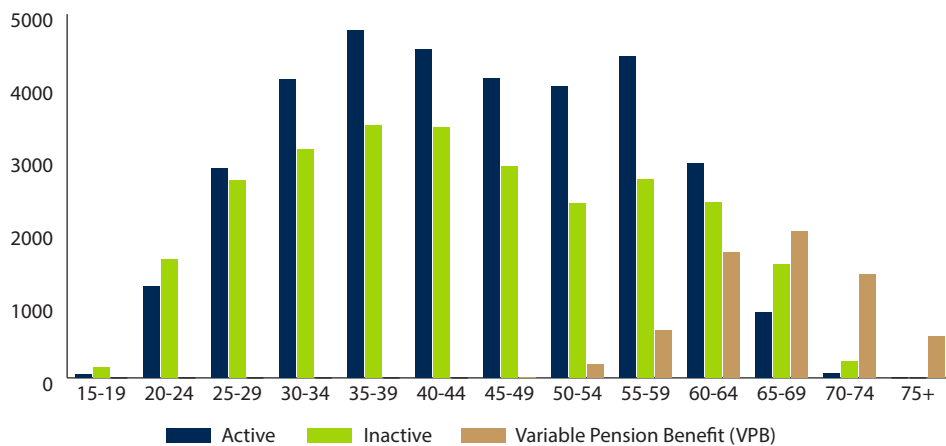
67

VPB member average age

89

Age of eldest member

Membership Distribution by Age Band



Member Satisfaction*

95% Satisfied with quality of customer service.

Satisfied with materials and communication received. **89%**

92% Satisfied with PEPP's plan administration.

* The biennial Member Satisfaction Survey was conducted October-November 2021.

6,533

Online Interfund Transfers

147

Participating Employers

↑ 12%
from 2019

frequency of members
reviewing pension plan details
increased in 2021

PLAN profile



Plan Profile

PEPP was established and is governed by *The Public Employees Pension Plan Act* (the Act). It is a registered pension plan pursuant to *The Pension Benefits Act, 1992* and the *Income Tax Act* (Canada).

PEPP has 147 participating employers and 69,118 members at March 31, 2022. Participating employers include the Government of Saskatchewan, Crown corporations, agencies, boards and other public institutions.

PEPP is a defined contribution (DC) pension plan. A member's retirement income is based on the account balance they have built at retirement. The member's contributions, their employer's contributions, plus any return on investment, provide that member with income based upon the account balance built at retirement.

Enrolment in PEPP is mandatory for employees who hold a permanent position with an employer participating in the Plan.

Non-permanent employees may choose to join the Plan at any time.

Member and employer contributions are calculated as a percentage of the member's total gross regular earnings. Unless otherwise specified in an agreement, the contribution percentage is five per cent. Member contributions are made by payroll deduction.

Contributions to PEPP are tax deductible up to a maximum set by the *Income Tax Act* (Canada). Members do not pay taxes on contributions or the accumulated investment income until they withdraw an amount from the Plan.

Contributions are forwarded to the Plan and are used to purchase units in the PEPP investment option(s) of the member's choice.

Units are valued daily. Once a new unit value is declared, member accounts are valued using the new unit value. Return on investment is

reflected in the changing unit value. The amount the member receives at payout or transfer is calculated using the unit value in effect at the date of payment.

Members may retire and begin to receive retirement income at age 50 or older.

Members may defer purchasing a retirement income option after retirement. The *Income Tax Act* (Canada) states that a pension must begin by the end of the calendar year in which a member turns age 71.

Membership Activity

| | |
|--------------------------------|--------|
| Membership at March 31, 2021 | 67,372 |
| Add: | |
| Enrolment during the year | 4,573 |
| Variable Pension Benefit (VPB) | 982 |
| Less: | |
| Exiting members* | 3,809 |
| Membership at March 31, 2022 | 69,118 |

*Includes transfers to VPB

Table 1.1

Public Employees Pension Board

The Board consists of nine members; four are appointed on behalf of participating employers, four on behalf of employees. The Board retains a Chair who is appointed for a three-year term.



Louis Martel, Chair



Nancy Seman, Member
Canadian Union of Public Employees,
Local 600



Darren Henderson, Vice-Chair
International Brotherhood of Electrical
Workers Union Local 2067



Mac Trost, Member
Saskatchewan Government and General
Employees' Union



Darcia Connelly, Member
Public Service Commission



Christine Virostek, Member
Saskatchewan Crop Insurance Corporation,
Workers' Compensation Board,
Saskatchewan Cancer Agency



Jim Engel, Member
Saskatchewan Polytechnic, Saskatchewan
Liquor and Gaming Authority



Andrew Zulkoski, Member
Unifor



Charlene Gavel, Member
SaskEnergy, SaskPower and SaskTel

Table 1.2

Meeting Attendance

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members. Most notable are travel-related expenses, which are reimbursed at rates specified by the Public Service Commission. The Chair is remunerated with a retainer set by the Board as per Table 1.3.

| Remuneration | Fees (\$) |
|-------------------------------------|-------------|
| Board Chair Retainer (per year) | \$40,000.00 |
| Committee Chair Retainer (per year) | 2,500.00 |

Table 1.3

Louis Martel was paid a total retainer of \$42,500 and meeting fees of \$6,000 in 2021-2022.

The Board had nine regular meetings in the 2021-2022 fiscal year. Table 1.4 shows the number of meetings each Board member attended.

| Name | Meetings Attended | Expenses (\$) |
|---------------------------------|-------------------|-------------------|
| Louis Martel | 9 | \$ 0.00 |
| Darren Henderson | 9 | 1,215.44 |
| Janice Brunas ¹ | 3 | 0.00 |
| Darcia Connelly | 9 | 0.00 |
| Jim Engel | 8 | 0.00 |
| Charlene Gavel | 8 | 0.00 |
| Nancy Seman | 9 | 0.00 |
| Mac Trost | 7 | 1,168.43 |
| Christine Virostek ¹ | 5 | 329.72 |
| Andrew Zulkoski | 8 | 0.00 |
| Total | | \$2,713.59 |

Table 1.4

¹These individuals were Board members for a portion of 2021-2022.

Board Education

The Board has an education program in place for Board members. The purpose of the program is to ensure the Board members possess a sound knowledge and understanding of pension, investment, and governance related issues. Yearly, the Board allocates registration fees for each Board member. Expenses related to travel and accommodation are reimbursed at rates established by the Public Service Commission.

Upon appointment to the Board, new members receive an orientation provided by PEBA's Executive Management.

Board members are required to undertake a formal education program. The program provides a list of courses and seminars that deliver specific investment and governance-related information relevant to Board members.

Within one year of appointment, members complete a basic trustee development course facilitated by an industry-recognized pension and benefits organization.

Within three years of appointment, members must complete the Pension Governance Education Program, presented by the International Centre for Pension Management at the Rotman School of Management, University of Toronto.

Board members who have completed the formal education program are also required to attend one educational event annually that is facilitated by an industry-recognized pension and benefits organization. A Board member who is actively pursuing the formal education program is exempt from the obligations found in the ongoing development for all members. However, all members are strongly encouraged to attend education events.

Conferences and other events attended by Board members as part of their ongoing education provide the Board with information on the current governance, investment and legal environment affecting pension plans. They also provide opportunities for Board members to meet with pension experts and pension trustees from other pension plans to discuss common issues.

Table 1.5 lists the education events attended by Board members to March 31, 2022.

Seminars, Courses and Other Events Attended by Board Members in 2021–2022

| Name | Education Events Attended | Total Expenses |
|------------------------------|--|-----------------|
| Louis Martel, Chair | <ul style="list-style-type: none"> Tapping the Strategic Potential of Boards - webinar | \$0.00 |
| Darren Henderson, Vice-chair | <ul style="list-style-type: none"> National Economic Outlook - Canadian Pension & Benefits Institute (CPBI) webinar | \$35.00 |
| Janice Brunas | <ul style="list-style-type: none"> Orientation Parts I and II | \$0.00 |
| Darcia Connelly | <ul style="list-style-type: none"> Recent Developments in Pensions and Benefits Law - CPBI webinar | \$25.00 |
| Jim Engel | <ul style="list-style-type: none"> Big Change is Everywhere: Key Economic Themes - CPBI webinar | \$15.00 |
| Charlene Gavel | <ul style="list-style-type: none"> CIBC Market Update - webinar | \$0.00 |
| Nancy Seman | <ul style="list-style-type: none"> National Economic Outlook - CPBI webinar | \$35.00 |
| Christine Virostek | <ul style="list-style-type: none"> Orientation Parts I and II | \$0.00 |
| Andrew Zulkoski | <ul style="list-style-type: none"> How Absolute Return Strategies Play an Important Role in Improving Portfolio Risk Adjusted Performance - The Association of Canada Pension Management (ACPM) webinar Ransomware? Privacy breaches? Hacking? How to help protect your organization - ACPM Roundtable Broadcast | \$100.00 |
| Total Expenditures | | \$210.00 |

Table 1.5

The Board received education during regular meetings on responsible investing, emerging trends for defined contribution pension plans, governance and cyber security.

89%

of members are satisfied with
being kept up to date about
important details of their
pension plan

PLAN administration



The Board has contracted PEBA to carry out the day-to-day administration of PEPP and management of its assets. The cost for this is charged to the Plan. PEBA is a branch of the Ministry of Finance and administers a wide range of pension and benefit plans.

PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan.

To administer the Plan, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund (member accounts);
- transfers contributions to the custodian of the Fund for investment;
- handles all questions regarding plan provisions and methods of providing or arranging for the provision of pension benefits;

- calculates and pays all pension benefits;
- communicates with members and participating employers; and
- prepares the annual report.

PEBA also provides senior executive officer services and executive secretary services to the Board.

In 2021-2022, the Board paid PEBA \$12,854,000 for administrative services.

The Board and PEBA engage other service providers as required.

Administration Service Standards

PEBA reports performance measurement against standards to the Board quarterly. *Table 1.15* and *Table 1.16* provide measurement results for the 2021-2022 year.

PEBA Periodic Requirements April 1, 2021 to March 31, 2022

| Task | Completed | Met or Exceeded Standard | | Standard (Days)* | Statutory Requirement (Days)** |
|---|-----------|--------------------------|--------------|------------------|--------------------------------|
| | | Number | % | | |
| Member Statement | 3 | 3 | 100.0 | 75 | 180 |
| Reporting on Budget Variances | 4 | 4 | 100.0 | Quarterly | - |
| Proposed Annual Budget | 1 | 1 | 100.0 | By March 31 | - |
| Performance Measurement | 4 | 4 | 100.0 | Quarterly | - |
| Board Decision Affecting Individual Clients | 0 | n/a | n/a | 1 Month | - |
| Newsletter (Pension Perspectives) | 4 | 4 | 100.0 | Quarterly | - |
| Total | 16 | 16 | 100.0 | | |

Table 1.16

* Standard is set within the contract between the Board and PEBA.

** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993*.

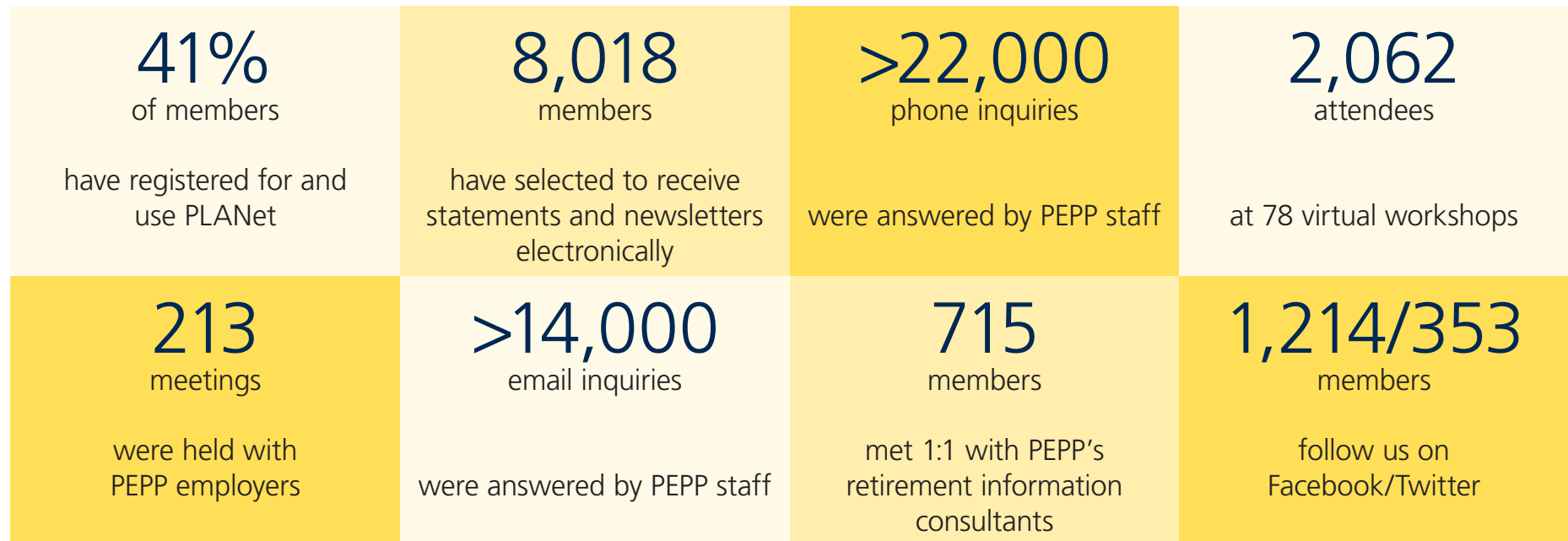
PEBA Service Standards April 1, 2021 to March 31, 2022

| Task | Completed | Met or Exceeded Standard | | Standard (Days)* | Statutory Requirement (Days)** |
|--|---------------|--------------------------|-------------|------------------|--------------------------------|
| | | Number | % | | |
| Statement on Termination of Membership (option letter) | 3,846 | 3,746 | 97.4 | 4 | 90 |
| Payment of Termination Benefits | 1,591 | 1,278 | 80.3 | 4 | - |
| Statement on Retirement (option letter) | 1,803 | 1,751 | 97.1 | 4 | 90 |
| Retirement Payments | 2,400 | 1,497 | 62.4 | 4 | - |
| Statement on Death (option letter) | 195 | 124 | 63.6 | 5 | 90 |
| Payment of Death Benefits | 189 | 89 | 47.1 | 4 | - |
| Pension Estimates | 235 | 135 | 57.4 | 4 | - |
| Marriage Breakdown Estimates | 109 | 64 | 58.7 | 5 | - |
| Portability Transfer Values | 57 | 18 | 31.6 | 5 | - |
| Inter-fund Transfer | 586 | 543 | 92.7 | 1 | - |
| VPB Lump Sum Payment | 2,137 | 2,053 | 96.1 | 4 | - |
| Total | 13,148 | 11,298 | 85.9 | | |

Table 1.15

* Standard is set within the contract between the Board and PEBA.

** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992* and *The Pension Benefits Regulations, 1993*.



88%

of members are satisfied with
information on
how well their pension
plan is performing

INVESTMENTS



Investment returns over the 12-month period ending March 31, 2022 were positive at the more aggressive end of the risk spectrum and progressively less favourable towards the conservative end. The Accelerated Growth Fund appreciated by 4.3 per cent, the Balanced Fund increased 2.1 per cent, and the Conservative Fund declined 1.0 per cent. Furthermore, the Bond Fund declined 3.8 per cent, and the Money Market Fund returned 0.1 per cent. Investor uncertainty was elevated, as market participants were concerned about inflation, monetary policy, interest rates, energy shortages, and the invasion of Ukraine in the heart of Europe.

In aggregate, the PEPP equity portfolio experienced positive returns led by the Canadian equity portfolio, while the Global large cap equity portfolio endured below-index results. Equity returns were quite varied by geography and market capitalization. For example, emerging market stocks declined by nearly 12 per cent and non-Canadian small cap markets delivered losses in the four to seven per cent range. Portfolio constituents that exhibit value style attributes (companies that are attractive on a market-price basis) outperformed those that emphasize growth characteristics, and after enduring a multi-year bear market, energy was top-performing over the year. The sector benefitted from stable demand, constrained supply, and responsible management teams that focused less on growth and more on balance sheet risk reduction, cash flow yield, and returning capital to shareholders.

Major currencies such as the U.S. dollar (the Plan's largest foreign currency exposure) depreciated versus the Canadian dollar over the period. As a result, unhedged returns in Canadian dollar terms incurred a negative currency translation effect. However, in order to moderate the impact of foreign currency market swings, the Plan implements a passive 50 per cent currency hedge program to reduce currency risk. With the hedge program in place, the currency drag on the Plan's asset allocation funds was therefore only half of the fully unhedged position.

The PEPP Canadian equity portfolio delivered returns of over 19 per cent which was broadly in line with its benchmark. Positive excess returns in the Canadian small cap portfolio helped offset the relative showing of the large cap portfolio whose above-average returns did not fully keep pace with the broader market. Canadian energy companies in particular outperformed over the 12-month period. Investors saw Canadian oil as having a low geographic risk profile compared to Russia, Venezuela, and the Middle East. Moreover, energy assets in Canada rank

relatively high on most environmental, social and governance metrics. In contrast, information technology, a sector that had enjoyed broad outperformance in recent years, declined by nearly 23 per cent over the year and was the biggest performance drag within the S&P/TSX Composite Index,

The Plan's allocation to alternative investments was top-performing, and generated positive returns that exceeded both the equity and fixed-income portfolio. The group also outperformed its benchmark as real estate and liquid alternative holdings generated positive excess returns. The real estate portfolio experienced a recovery in valuations from the previous annual period, which was negatively impacted by government-imposed restrictions and periodic shutdowns due to the COVID-19 pandemic. Income returns were positive but appraisal gains were by far the largest driver of performance on the year. The implementation build-out of the infrastructure program, which began in 2020-21, will see continued growth (as will the private equity program) over the next several years, but its impact on PEPP performance remains muted at this time.

The income segment, consisting of dedicated fixed income and money market investments, declined in market value over the period. It was a year when inflation was no longer considered transitory, ushering in the launch of more aggressive monetary policy from both the U.S. Federal Reserve and the Bank of Canada. While higher bond yields led to negative returns for the PEPP income portfolio, the allocation to absolute-return fixed-income strategies helped moderate the severity of the market decline. The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, declined 4.5 per cent over the Plan year, a loss that was over 0.6 percentage points steeper than the retracement in the PEPP income portfolio.

In summary, the Plan's three major asset-class portfolios experienced a wide dispersion of return outcomes. The income portfolio declined in market value, the equity portfolio posted moderately positive returns, and the alternatives group delivered solidly positive results for the year.

Overview

The Plan has eight investment fund options. These funds offer a mix of asset classes within three portfolios – Equities, Income and Alternatives.

The PEPP investment options:

- PEPP Steps Fund
- Accelerated Growth Fund
- Growth Fund
- Balanced Fund
- Moderate Fund
- Conservative Fund
- Money Market Fund
- Bond Fund

Members can invest in any one of the listed funds. The only funds eligible to be added as a specialty fund are the Money Market Fund and/or Bond Fund.



PEPP Members

choose the fund
they want to be
invested in



Investment Fund

that are
invested in
three portfolios



Asset Classes

Options

- PEPP Steps
- Accelerated Growth
- Growth
- Balanced
- Moderate
- Conservative
- Money Market
- Bond

Equities

- Canadian
- Foreign
- Private
- Currency Hedging

Alternatives

- Real Estate
- Infrastructure
- Liquid Alternatives

Income

- Bonds
- Cash & Equivalents

Asset allocation funds invest in a mix of asset classes, including equities (Canadian, foreign and private), real estate, liquid alternatives, infrastructure, fixed income, and cash equivalents. The mix depends on the fund; more conservative funds are weighted more heavily toward fixed-income investments where more aggressive funds are weighted more heavily toward equities. The Bond Fund is invested solely in fixed-income investments and the Money Market Fund is invested solely in highly liquid short-term debt securities.

Equities offer the greatest potential return, but are exposed to a high level of market volatility, meaning that they are susceptible to losses over the short-term. As such, equities are best suited for long-term investors who are able to ride out short-term volatility in return for long-term growth potential.

Fixed-income investments, such as bonds and cash equivalents, are lower-volatility investments, meaning they are much better suited to capital preservation. For this reason, members with less tolerance for short-term volatility may prefer funds with a greater percentage of fixed income.

Members are encouraged to make an investment choice that fits their risk tolerance and investment profile. PEPP's eight investment options offer members a range from the Accelerated Growth Fund, an equity-heavy fund, to the Conservative Fund while also offering the Bond Fund (invested solely in fixed-income investments) and the Money Market Fund (invested solely in money market securities).

The PEPP Steps Fund is the default investment fund for the Plan. Members who have not made an investment choice on their own are automatically invested in the PEPP Steps Fund by default. PEPP Steps is an asset allocation fund that automatically moves members to more conservative exposures over time. Equity and alternatives holdings decrease and bond holdings increase through the 13 steps.

Investment Options

(The charts for all of the investment options list the actual asset mix for each fund as at March 31, 2022.)

*

| Description | Rate of Return | Asset Mix |
|---|---|---|
| <p>Accelerated Growth Fund</p> <p>The Accelerated Growth Fund offers the highest risk and highest potential return. The goal of this fund is to provide capital growth over the long term. It invests primarily in equities. Foreign currency exposure for this fund is 24.7 per cent (foreign exposure of 47.3 per cent, less hedged exposure of 22.6 per cent)</p> | <p>Net Rate of Return</p> <p>4.3%</p> <hr/> <p>One year rate of return 5.1% Less fund fees 0.78%</p> | <p>Asset Mix: Equities 81.1%, Alternatives 15.5%, Income 3.4%</p> |

| Description | Rate of Return | Asset Mix |
|---|---|--|
| <p>Growth Fund</p> <p>The Growth Fund is an aggressive fund offering relatively high risk and high potential return. Its goal is to provide capital growth over the long term by investing largely in equities. Foreign currency exposure for this fund is 21.4 per cent (foreign exposure of 40.9 per cent, less hedged exposure of 19.5 per cent).</p> | <p>Net Rate of Return</p> <p>3.4%</p> <hr/> <p>One year rate of return 4.1% Less fund fees 0.73%</p> | <p>Asset Mix: Equities 70.0%, Alternatives 15.5%, Income 14.5%</p> |

| Description | Rate of Return | Asset Mix |
|--|---|--|
| <p>Balanced Fund</p> <p>The Balanced Fund offers relatively balanced potential risk and return. Its goal is to provide long-term capital growth. The Balanced Fund provides target weight of 48.0 per cent for equities. Foreign currency exposure for this fund is 16.3 per cent (foreign exposure of 31.1 per cent, less hedged exposure of 14.8 per cent).</p> | <p>Net Rate of Return</p> <p>2.1%</p> <hr/> <p>One year rate of return 2.8% Less fund fees 0.65%</p> | <p>Asset Mix: Equities 53.3%, Alternatives 15.5%, Income 31.2%</p> |

Income Alternatives Equities

Description

Moderate Fund

The Moderate Fund is designated to provide a balance of security and long-term growth by balancing the risk and potential returns of the major asset classes. The Moderate Fund provides target weight of 45.0 per cent for fixed income. Foreign currency exposure for this fund is 11.2 per cent (foreign exposure of 21.4 per cent, less hedged exposure of 10.2 per cent).

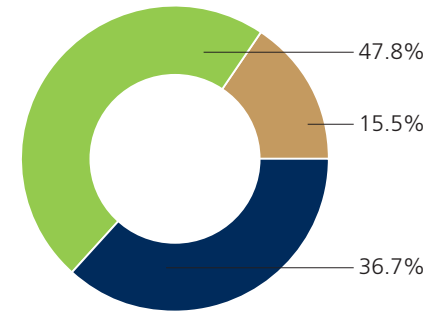
Rate of Return

Net Rate of Return

0.8%

| | |
|-------------------------|----------------|
| One year rate of return | Less fund fees |
| 1.4% | 0.58% |

Asset Mix



Description

Conservative Fund

The Conservative Fund is designated to provide returns with little fluctuation. By focusing mainly on fixed-income investments, it offers lower risk and lower potential for return than other PEPP asset allocation funds. Foreign currency exposure for this fund is 5.8 per cent (foreign exposure of 11.1 per cent, less hedged exposure of 5.3 per cent).

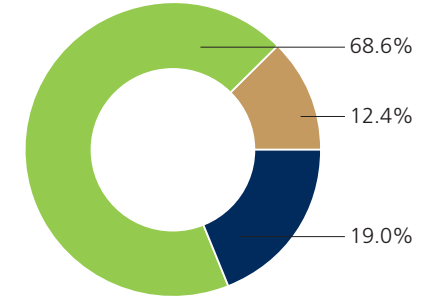
Rate of Return

Net Rate of Return

(1.0%)

| | |
|-------------------------|----------------|
| One year rate of return | Less fund fees |
| (0.5%) | 0.47% |

Asset Mix



Description

Bond Fund

The Bond Fund is one of the most conservative investment options within PEPP and offers low potential risk and return. Because its goal is to provide broad exposure to the bond market, earn interest income and preserve capital, it invests strictly in bonds. Due to its conservative nature foreign currency exposure for this fund is negligible at 1.2 per cent.

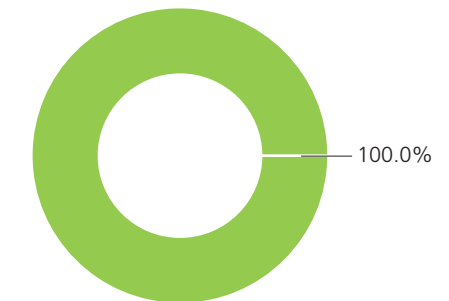
Rate of Return

Net Rate of Return

(3.8%)

| | |
|-------------------------|----------------|
| One year rate of return | Less fund fees |
| (3.6%) | 0.22% |

Asset Mix



Income Alternatives Equities

Description

Money Market Fund

The Money Market Fund is the most conservative investment choice within PEPP and offers the lowest potential risks and returns. This fund is designed for members who have a very short time horizon and are looking for the ultimate capital preservation option. There is no foreign currency exposure for this fund.

Rate of Return

Net Rate of Return

0.1%

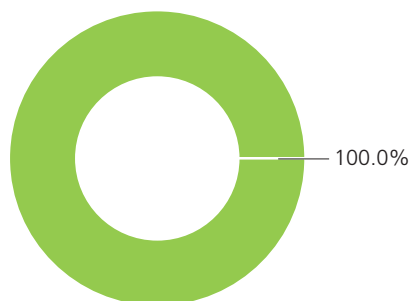
One year rate of return

0.3%

Less fund fees

0.16%

Asset Mix



Description

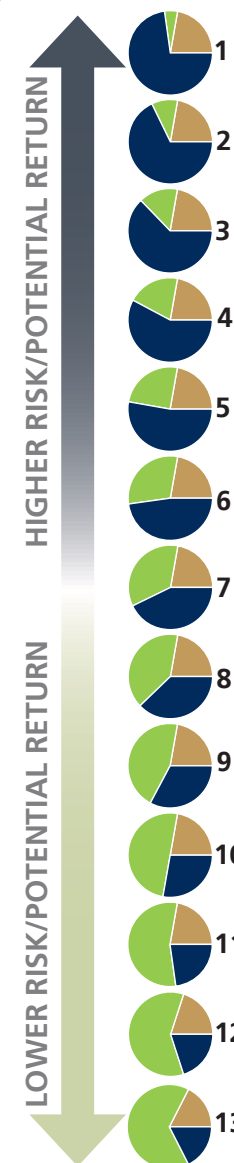
PEPP Steps Fund

The PEPP Steps Fund is the default investment option for the Plan. It is a diversified investment portfolio that automatically moves members to more conservative investments over time. Equity and Alternative exposures decrease and bond holdings increase by increments of about five per cent for each step. Because of its unique structure, the PEPP Steps Fund does not have a single rate of return or fee level.

Rate of Return

| PEPP Step Fund | One year (%) | | |
|----------------|----------------|----------------|--------------------|
| | Rate of Return | Less Fund Fees | Net Rate of Return |
| Step 1 | 5.1 | 0.77 | 4.3 |
| Step 2 | 4.6 | 0.75 | 3.9 |
| Step 3 | 4.2 | 0.73 | 3.4 |
| Step 4 | 3.7 | 0.70 | 3.0 |
| Step 5 | 3.3 | 0.68 | 2.6 |
| Step 6 | 2.8 | 0.65 | 2.1 |
| Step 7 | 2.3 | 0.63 | 1.7 |
| Step 8 | 1.9 | 0.61 | 1.2 |
| Step 9 | 1.4 | 0.58 | 0.8 |
| Step 10 | 0.9 | 0.56 | 0.3 |
| Step 11 | 0.4 | 0.54 | (0.1) |
| Step 12 | (0.1) | 0.50 | (0.6) |
| Step 13 | (0.5) | 0.47 | (1.0) |

Asset Mix



Income

Alternatives

Equities

Investment Managers

Within each asset class, one or more investment managers are used for each investment option. The use of different managers allows for further diversification of the investments within each investment option. The use of different investment managers allows the Plan to employ different investment styles that can focus on different regions or sectors for investment, reducing the risk that any one region, sector or style may suffer during any economic cycle or event.

Investment Manager Changes in 2021-2022

The Board engaged six private equity managers:

1. FSN Capital Partners;
2. General Catalyst;
3. Insight Partners;
4. Neuberger Berman;
5. Quad-C Partners; and
6. The Jordan Company, L.P. (Resolute).

and three infrastructure managers:

1. Antin Infrastructure Partners;
2. Macquarie Asia-Pacific Infrastructure; and
3. Northleaf Infrastructure Capital Partners.

| Investment Manager | Reference Name | Mandate(s) |
|--|--------------------|---|
| AllianceBernstein Canada, Inc. | AB | Core Plus Fixed Income |
| ARGA Investment Management, LP | ARGA | Emerging Markets Equity |
| Barings LLC | Barings | European Real Estate |
| Beutel, Goodman & Company Ltd. | Beutel, Goodman | Canadian Equity |
| Burgundy Asset Management Ltd. | Burgundy | Global Equity |
| CIBC Asset Management Inc. | CIBC | Core Fixed Income |
| Elementum Advisors, LLC | Elementum | Liquid Alternatives |
| Fidelity Investments Canada ULC | Fidelity | Canadian Equity |
| Grantham, Mayo, Van Otterloo & Co. | GMO | Liquid Alternatives |
| Gannett Welsh & Kotler, LLC | GWK | U.S. Equity |
| Hudson Bay Capital Management LP | Hudson Bay | Liquid Alternatives |
| Insight Investment Management Ltd. | Insight | Currency Overlay |
| J. Zechner Associates Inc. | Zechner | Canadian Equity |
| King Street Capital Management, L.P. | King Street | Liquid Alternatives |
| LMR Partners LLP | LMR | Liquid Alternatives |
| Fondsmæglerselskab Maj Invest A/S | Maj | Global Equity |
| Manulife Investment Management Distributors Inc. | Manulife | Absolute Return Fixed Income |
| Morgan Stanley Investment Management Inc. | Morgan Stanley | Global Equity, Real Estate |
| Multi-manager program | Infrastructure | A long-term program with a diversified array of limited partnerships. |
| Multi-manager program | Private Equity | A long-term program with a diversified array of limited partnerships. |
| Oberweis Asset Management, Inc. | Oberweis | EAFE Equity |
| One William Street Capital Management, L.P. | One William Street | Liquid Alternatives |
| PGIM Funds Plc | PGIM | Absolute Return Fixed Income |
| PIMCO Canada Corporation | PIMCO | Core Plus Fixed Income |
| Pzena Investment Management LLC | Pzena | Global Equity, U.S. Equity |
| QV Investors Inc. | QV Investors | Canadian Equity |
| Rokos Capital Management LLP | Rokos | Liquid Alternatives |
| T. Rowe Price (Canada), Inc. | T.Rowe Price | Emerging Markets Equity |
| TD Asset Management Inc. | TDAM | Real Estate, Fixed Income, Money Market, Canadian Equity, U.S. Equity |
| Transtrend B.V. | Transtrend | Liquid Alternatives |
| Thompson, Siegel & Walmsley, LLC | TSW | EAFE Equity |

Table 1.6

Investment Performance

The Board retains 41 investment managers through 47 investment mandates to invest the assets of the Plan as well as one passive currency hedge manager. Those managers employing an “active” investment management style are given the objective of outperforming the market index or benchmark selected for their mandate. Managers employing a “passive” investment management style are given the objective of equalling the market index or benchmark selected for their mandate.

| | | Net Rate of Return | | |
|----------------------|---|--|--------|------|
| | | 1-Year | 4-Year | |
| Canadian Equities | Canadian Equity Managers | | | |
| | | TDAM (passive manager) | 20.1 | 12.6 |
| | | Beutel (active manager) | 19.2 | 11.0 |
| | | Fidelity (active manager) | 18.3 | n/a |
| | | Benchmark (S&P/TSX Capped Composite Index) | 20.2 | 12.6 |
| | Canadian SMID Cap Equity Manager | | | |
| | | QV (active manager) | 14.4 | 9.1 |
| | | Benchmark (S&P/TSX Completion Index) | 14.7 | 10.1 |
| | Canadian Small Cap Equity Managers | | | |
| | | Zechner (active manager) | 25.4 | 19.1 |
| | | Benchmark (S&P/TSX Small Cap Index) | 18.8 | 10.9 |

Table 1.7

| | | Net Rate of Return | | |
|----------------|------------------------------------|--|--------|------|
| | | 1-Year | 4-Year | |
| US Equities | US Equity Managers | | | |
| | | TDAM (passive manager) | 14.9 | 15.5 |
| | | Benchmark (S&P 500 Index - \$Cdn) | 14.9 | 15.6 |
| | US Small Cap Equity Manager | | | |
| | | GWK (active manager) | (1.6) | 10.1 |
| | | Pzena (active manager) | 3.2 | n/a |
| | | Benchmark (Russell 2000 Index - \$Cdn) | (6.4) | 8.4 |

Table 1.8

| | Net Rate of Return | | |
|--|--|--------|------|
| | 1-Year | 4-Year | |
| Non-North American/Global, Emerging Market Equities | Global Equity Managers | | |
| | Maj (active manager) | 0.1 | n/a |
| | Benchmark (MSCI World Index - \$Cdn) | 9.9 | 11.8 |
| | Burgundy (active manager) | 5.2 | 7.9 |
| | MSIM (active manager) | (19.0) | n/a |
| | Pzena (active manager) | 4.6 | n/a |
| | Benchmark (MSCI AC World Index - \$Cdn) | 7.1 | 10.5 |
| | EAFE Small Cap Equity Managers | | |
| | Oberweis | (14.3) | 6.4 |
| | Benchmark (MSCI World ex US Small Cap index - \$Cdn) | (1.9) | 4.3 |
| | TSW | (5.7) | 3.0 |
| | Benchmark (MSCI EAFE Small Cap Index - \$Cdn) | (3.9) | 3.3 |
| | Emerging Market Managers | | |
| ARGA (active manager) | 3.2 | n/a | |
| T. Rowe (active manager) | (20.2) | (0.9) | |
| Benchmark (MSCI Emerging Market Index - \$Cdn) | (11.6) | 1.3 | |

Table 1.9

| Alternatives | Net Rate of Return | |
|--|--------------------|--------|
| | 1-Year | 4-Year |
| Real Estate Manager | | |
| TDAM (active manager) | 16.5 | 7.5 |
| Benchmark (MSCI/REALPAC Quarterly Property Fund Index) | 14.8 | 6.1 |
| MSIM (active manager) | 28.9 | n/a |
| Benchmark (NCREIF NFI-ODCE Index) | 27.7 | 9.5 |
| Barings LLC (active manager) | 8.2 | n/a |
| Benchmark (MSCI Balanced Pan-European Property Fund Index) | 4.0 | 2.2 |
| Liquid Alternative Managers | | |
| Elementum | (3.8) | n/a |
| Rokos | (23.7) | 9.4 |
| Hudson Bay | 4.4 | n/a |
| Transtrend | 39.8 | n/a |
| Benchmark (3-Month US Treasury Bills - \$Cdn) | (0.5) | (0.2) |
| King Street | 7.2 | n/a |
| One William Street | 7.0 | n/a |
| LMR | 9.2 | n/a |
| GMO | (0.3) | (0.9) |
| Benchmark (FTSE TMX Cda 91-Day T-Bill Index) | 0.3 | 1.0 |
| Private Equity Managers | (2.1) | n/a |
| Infrastructure Managers | (10.2) | n/a |

Table 1.10

| Fixed Income | | Net Rate of Return | |
|--------------|--|--------------------|--------|
| | | 1-Year | 4-Year |
| | Canadian Bond Managers | | |
| | TDAM (passive manager) | (4.5) | 1.6 |
| | CIBC (active core manager) | (5.0) | n/a |
| | AB (active CorePlus manager) | (4.4) | 0.8 |
| | PIMCO (active CorePlus manager) | (4.7) | 2.3 |
| | Benchmark (FTSE TMX Canada Universe Bond Total Return Index) | (4.5) | 1.6 |
| | | | |
| | Manulife (active absolute return manager) | (2.4) | n/a |
| | Benchmark (Bloomberg Barclays Multiverse Index - \$Cdn) | (6.8) | (0.3) |
| | | | |
| | PGIM (active absolute return manager) | 0.1 | n/a |
| | Benchmark (FTSE TMX Cda 91-Day T-Bill Index) | 0.3 | 1.0 |

Table 1.11

| Cash and Equivalents | | Net Rate of Return | |
|-------------------------|--|--------------------|--------|
| | | 1-Year | 4-Year |
| | Money Market Manager | | |
| | TDAM (active manager) | 0.2 | 1.2 |
| | Benchmark (FTSE TMX Cda 91-day T-Bill Index) | 0.3 | 1.0 |

Table 1.12

Investment Consulting

The Plan's Strategic Investment Consultant is Aon. In 2021-2022, Aon provided strategic investment guidance and education to the Board. Aon was not paid any fees.

PEBA's General Investment Consultant is Mercer (Canada) Ltd. (Mercer). In 2021-2022, Mercer collaborated with PEBA and provided regular investment consulting services including performance monitoring. Mercer was paid \$365,000.

The Plan's private markets consultant is Hamilton Lane Advisors LLP (Hamilton Lane) who provides investment guidance and education on future investments for privately held asset classes. Hamilton Lane was paid \$583,000.

Investment Custody and Valuation

The Board retains CIBC Mellon as the Custodian of the Plan. The Custodian is responsible for custody of all financial assets for PEPP, settles all investment transactions and ensures all investment income (dividends and interest) is collected. The custodian also reports all investment transactions and conducts a valuation for the Plan.

CIBC Mellon received \$1,245,000 in custodial fees for the year ended March 31, 2022.

Investment Administration

This includes declaring unit values for all investment options, monitoring of investment performance, communicating with external investment managers and the investment consultant, research, compliance monitoring and managing asset mix and cash flows.

The Board retains Rondeau Capital Inc. as a Special Aide to the Board. The Special Aide assists the Board in its oversight of the Board's investment service providers.

| Special Aide Remuneration | Total |
|----------------------------------|--------------|
| Annual Retainer | \$25,000.00 |
| Total | \$25,000.00 |

Table 1.13

Investment Manager Fees

(for the 2021-2022 fiscal year)

\$58,495
thousands

Total Investment
Manager and
Performance Fees

| Investment Manager | Total Cost (\$000's) | (%) |
|---|----------------------|---------------|
| Pzena Investment Management, LLC | 5,312 | 10.79 |
| Morgan Stanley Investment Management Inc. | 3,674 | 7.47 |
| Burgundy Asset Management Ltd. | 3,326 | 6.77 |
| Maj Invest | 3,234 | 6.57 |
| TD Asset Management Inc. | 2,850 | 5.79 |
| ARGA Investment Management, LP | 2,564 | 5.21 |
| Infrastructure | 2,518 | 5.12 |
| Hudson Bay Capital Management LP | 2,295 | 4.66 |
| LMR Partners LLP | 2,266 | 4.60 |
| T. Rowe Price (Canada), Inc. | 2,014 | 4.09 |
| Rokos Capital Management LLP | 1,604 | 3.26 |
| Oberweis Asset Management, Inc. | 1,552 | 3.15 |
| Thompson, Siegel & Walmsley LLC | 1,550 | 3.15 |
| Fidelity Investments Canada ULC. | 1,458 | 2.96 |
| Private Equity | 1,424 | 2.89 |
| Gannett Welsh & Kotler, LLC | 1,325 | 2.70 |
| Beutel, Goodman & Company Ltd. | 1,213 | 2.47 |
| PIMCO Canada Corp. | 1,173 | 2.38 |
| One William Street Capital Management, L.P. | 1,164 | 2.36 |
| QV Investors Inc. | 1,061 | 2.16 |
| Grantham, Mayo, Van Otterloo & Co | 1,024 | 2.08 |
| AllianceBernstein Canada, Inc. | 977 | 1.98 |
| Manulife Investment Management Limited | 969 | 1.97 |
| CIBC Asset Management Inc. | 607 | 1.23 |
| J. Zechner Associates Inc. | 606 | 1.23 |
| BP Transtrend Diversified Fund LLC | 562 | 1.14 |
| Elementum Advisors, LLC | 504 | 1.02 |
| Insight Investment Management Inc. | 369 | 0.75 |
| Arrowgrass Capital Partners LLP | 25 | 0.05 |
| Total investment manager fees | 49,220 | 100.00 |
| Performance fees | | |
| Liquid alternatives | 8,482 | 91.45 |
| Private Equities | 778 | 8.39 |
| Infrastructure | 15 | 0.16 |
| Total performance fees | 9,275 | 100.00 |

Table 1.14

↑ 4%
from 2019

satisfaction remains strong
for the administrative aspects
of PEPP

Governance



Key Performance Indicators

Key performance indicators allow the Board to monitor the services delivered to PEPP members and the tasks that are critical for the Plan's ongoing success.

The Plan needs to measure its performance in areas that are critical for success if it is to deliver the services that members expect. The Plan measures these critical success factors in four categories:

Customer measures track the performance of key customer-related tasks and how well members tell the Plan it is doing in terms of the information and services it provides members.

Financial measures track the Plan's performance in the areas of administration costs and investment performance.

Internal measures track the Plan's performance in the area of internal administration and governance processes.

Innovation and Learning measures track the Board's performance of educational activities supporting its oversight of the Plan's administration and investment activities.

Establishing targets ensures that the Board is able to review the Plan's performance of key administrative tasks against a standard of practice, to track any changes in performance over time, and to be aware of the areas of strength and weakness in the Plan's administration.

The Board reviews these key performance indicators on a bi-annual basis. A review of the Plan's performance during the year ended March 31, 2022 is provided in the following pages.

Summary

The Plan met 11 of its 13 performance targets in 2021-2022.

Member satisfaction with information sessions, quality of service and communication materials all met their targets for the year based on feedback received from members through the biennial member satisfaction survey.

Although benchmarks were not met for the one-year period, all of the Plan's investment funds met or exceeded their four-year benchmarks.

The Board evaluates the performance of its service providers annually as per its acquisition and retention of services policy. For 2021-2022 all service providers met the target of providing "satisfactory" service.

Despite many of the mandatory education requirements not being available due to COVID-19, eight of nine Board members completed their educational requirement for the year.

Administrative costs were above budget for 2021-2022 and therefore this indicator did not meet its target for the year. Additionally, breakage as a percentage of total financial transactions did not meet its target for the year due to staffing and system issues.

Customer

| Critical Success Factor | Measure | Target | Result |
|---|---|--|--------|
| Provide service within service standard | Member transactions within service standards | More than 80 per cent of transactions meet the service standard. | Met |
| Quality of service satisfaction | Member satisfaction with information sessions | More than 80 per cent of member survey responses indicate satisfaction with information sessions. | Met |
| Quality of service satisfaction | Member satisfaction with quality of service | More than 80 per cent of member survey responses indicate satisfaction with the quality of service provided by the Plan. | Met |
| Quality of service satisfaction | Member satisfaction with quality of communication materials | More than 80 per cent of member survey responses indicate satisfaction with the quality of communication materials provided by the Plan. | Met |
| Member retention | Member fund retention | More than 87 per cent of funds available for withdrawal remain in the Plan. | Met |

Financial

| Critical Success Factor | Measure | Target | Result |
|---------------------------------|--|--|----------------------|
| Returns greater than benchmarks | Investment fund rate of return compared to benchmark | All funds perform better than their respective benchmarks over a four-year period. | Met ¹ |
| Performance to budget | Administration cost | Administration cost within budgeted amount. | Not Met ² |
| Supplier management | Breakage as a percentage of total financial transactions | Fewer than one per cent of financial transactions incur breakage. | Not Met ³ |

¹ Four-year benchmarks are available on the Plan's website.

² Administrative costs exceeded the amount budgeted for 2021-2022.

³ Breakage as a percentage of total financial transaction did not meet its target for the year.

Internal

| Critical Success Factor | Measure | Target | Result |
|-------------------------|--|--|--------|
| Supplier management | Satisfactory performance of service provider | Performance of all service providers is satisfactory. | Met |
| Governance | Compliance with Governance Self-Assessment and CAP Guidelines | Board demonstrates 100 per cent compliance with CAPSA governance and CAP guidelines. | Met |
| Supplier management | Executive management services are satisfactory | Executive management services are satisfactory. | Met |
| Supplier management | Investment manager compliance reporting is 100 per cent annually | All required compliance reports are submitted. | Met |

Innovation and Learning

| Critical Success Factor | Measure | Target | Result |
|---------------------------|-----------------------------|---|--------|
| Board leadership capacity | Board training requirements | Board as a whole has completed at least 80 per cent of individual training requirements for the year. | Met |



STRATEGIC goals

Vision

To be a leading pension plan through product and service innovation.

Mission

To provide members with an exceptional defined contribution pension plan.

The Board identified the following five strategic goals and accompanying objectives as part of its Strategic Business Plan:

- Investment
- Service
- Cost-effectiveness
- Stewardship
- Engagement

Strategic Goals

In 2021-2022, the Board received updates on its Strategic Business Plan for 2021-2022 to 2023-2024. The Strategic Business Plan is built on the vision and mission as stated on the previous page.

Investment

Earn competitive long-term investment returns for members while managing risk.

PEPP members need their retirement savings to grow. They also need the risk of investing their retirement savings to be in line with the return expectations they adopt when they choose an investment option.

PEPP recognizes the fundamental need for sound long-term returns for members to achieve their desired retirement outcomes. Because members are responsible for their investment choices, PEPP ensures that the options members can choose from are appropriate and offer something for members of every investment preference and risk appetite.

To that end, PEPP engages in a periodic review of its investment options to ensure they meet member needs. In 2021-2022, the Board commenced a strategic review of the Plan's investments.

Objectives

- Ensure through periodic reviews of PEPP's investment options that members have access to a portfolio of investments that is well adapted to their retirement needs.
- Provide a range of investment solutions to meet the diverse needs of individual members including controlling their individual risk.

Activities planned and accomplished in 2021-2022

- The Board commenced a strategic review of the Plan's investments.
- The Board approved an annual plan for investing in private markets. The Private Investments Committee evaluated prospective investments and approved 16 private market investments.

Service

Deliver exceptional and innovative service to members and employers.

PEPP is committed to ensuring that Plan members have access to pension services and information which meet their needs.

PEPP is determined to maintain its position as an industry leader in the value-added services it offers its members. The Plan is continually exploring leading industry practices, but its primary benchmark in service delivery is the satisfaction of Plan members.

PEPP members are responsible for making very important choices that play a large part in whether they achieve the retirement outcomes they desire. This means PEPP must provide the information and services that can help members make those crucial decisions.

The only way PEPP can know whether the service it provides is meeting member needs is to ask members. PEPP is committed to facilitating two-way communication with members to gather their feedback.

Objectives

- Maintain an up-to-date suite of products and services that meet evolving member needs, that provide members with a reason to remain in the Plan, that attract voluntary contributions from members, and that attract other public-sector employers to join the Plan to maintain economies of scale.

Activities planned and accomplished in 2021-2022

- The Board began working on a framework to interpret the results of reporting developed to monitor retirement outcomes.
- The Board reviewed research regarding the information required to determine the appropriateness and feasibility of providing additional decumulation options to plan members.

Cost-effectiveness

Operate efficiently and cost-effectively.

PEPP members participate in a pension plan that provides excellent value through economies of scale. It is crucial to ensure that members receive the full benefit of this value.

Efficiency of service minimizes costs and maximizes value for Plan members.

Objectives

- Allocate resources to maximize effectiveness and efficiency of services provided to Plan members and employers.

Activities planned and accomplished in 2021-2022

- The Board reviewed strategies to assist members in making better informed decisions regarding their assets in the Plan.

Stewardship

Ensure PEPP is well-governed and accountable to Plan members and employers.

The Board recognizes that good governance is crucial to the long-term success of the Plan. Good governance requires appropriate control mechanisms that encourage good decision-making, proper and timely execution, and regular review and assessment. The Board strives to be an industry leader in its pension plan governance practices.

The Board believes that good governance requires a strong focus on accountability, the basis of which is the establishment of measurable objectives, the monitoring of progress against these objectives, and the communication of the results to Plan stakeholders.

Objectives

- Implementing an appropriate plan governance structure to improve performance and efficiency.
- The Board demonstrates that it governs the Plan responsibly.
- The Board provides appropriate oversight of service providers.

Activities planned and accomplished in 2021-2022

- The Board reviewed its governance structure.

Engagement

Ensure members understand their responsibilities and have the right tools and information available.

PEPP members are responsible for making decisions while they participate in the Plan. Members may not understand this responsibility, and may be unaware of the ways in which PEPP can help them make the decisions they are responsible for making.

PEPP provides the tools and information that members need. PEPP strives to ensure that members are aware of their responsibilities and the ways in which PEPP can help. PEPP also makes every effort to ensure that its provision of information and services is responsive to the needs of the Plan's members.

Objectives

- Support member understanding of the Plan, including individual member benefits and responsibilities for making decisions pursuant to the Plan.
- Increase awareness and usage of member services.
- Provide relevant, timely and accurate information which is easy to understand.
- Provide useful information on asset retention and decumulation options so members understand the value of remaining in the Plan.

Activities planned and accomplished in 2021-2022

- The Board approved a strategy to engage with plan members and stakeholders.

Within its mandate, the Board is responsible for managing risks that could affect the Plan's members, the operation of PEPP and other stakeholders.

The Board's annual Risk Management Cycle begins in November with a review of the Plan's risk register to confirm risks.

Next, the Board votes on the approved risk register.

The Board reviews the outcome of its risk register voting and conducts its annual risk-management review. This annual review is designed to identify potential events and trends that may positively or negatively affect the Board's ability to achieve its strategic goals or maintain its operations. These events and trends are defined as risks.

The Board also reviews and approves a new Risk Management Plan annually.

Mid-year, the Board reviews a Risk Management Dashboard which reports on the status of the risks identified in the Risk Management Plan.

The risk management process and review ensure the Board, along with its administrator, identifies and evaluates risks, ensures appropriate strategies are in place to manage these risks, and reviews the performance of the risk management strategies for the previous year.

The Risk Management Plan and its annual review ensure that a regular, documented process is in place for the management of the Plan's foreseeable risks. Documenting the rationale for arriving at decisions strengthens accountability and demonstrates due diligence.

The Board's Risk Management Philosophy Statement:

The Board is committed to creating and maintaining value for members of the Plan. The Plan faces risks as the Board fulfills this commitment. Therefore, the Board is responsible for implementing a process to identify and manage all foreseeable risks that could affect the operation of the Plan and the Plan's stakeholders. Through its risk management process, the Board identifies, measures, monitors and manages these risks in a manner that is consistent with the Board's governance model.

Risk: The potential events and trends that may positively or negatively affect the operation of the Plan, the members or other stakeholders of the Plan or the attainment of strategic goals.

The Board believes that the broad-based risks are integrated with each other and with the processes of the Plan. Therefore, the Board has resolved to retain a balanced approach in the management of all four types of risks.

Key Risks

In order to assist in the identification and assessment of all foreseeable risks in the Plan, the Board has identified the following key broad-based risks to the Plan:

Broad-based Risks

Key Risks

| | | |
|------------------|---|---|
| Strategic Risk | Strategic Risk is the risk of failing to meet objectives. Strategic risk is further categorized into governance, reputation, plan design and communication considerations. | <ul style="list-style-type: none">• Uninformed decisions by members – At a Plan level, members may make decisions that are not in their best interest if the Plan does not or cannot provide sufficient, timely, or appropriate information, resulting in many members achieving poor outcomes or becoming dissatisfied and leaving the Plan when able.• Governance – The composition of the appointed Board and its governance practices and policies may not be, or may not remain, sufficient to effectively govern the Plan and meet stakeholder expectations regarding performance and risk management.• Plan structure – Plan structure may not meet the needs of all members or employers into the future as demographics and employment patterns change. |
| Financial Risk | In order to meet the long-term needs of members and employers, sustainable pension products responsive to and valued by members, employers, unions and the sponsor must be maintained. This must be achieved in a way that considers the affordability and adequacy of the Plan's services. | <ul style="list-style-type: none">• Investment structure – The investment policies may not be designed or executed appropriately to achieve the expected longer-term returns and mitigate the market risks of the Plan's various investment options, resulting in loss or damage to members or reputational damage.• Plan costs – The Plan costs may not be offset by a commensurate level of benefits and rewards, causing members to perceive the Plan cost as too high, resulting in members becoming dissatisfied and leaving the Plan when able.• Risk of losses – The risk of financial, legal or reputational loss to the Plan including, but not limited to, errors, fraud, ethical or privacy breaches, information loss, or a hacking attack. |
| Regulatory Risk | Regulatory risk is the risk of not meeting objectives due to non-compliance with legislation or regulation, or due to changes in legislation or regulations, or precedent-setting court decisions. | <ul style="list-style-type: none">• Non-compliance – There is a risk of non-compliance with an extensive and evolving set of authorities and court decisions in multiple jurisdictions, which could result in loss or damage to members or additional costs or fines. |
| Operational Risk | Operational risk is the risk of failing to meet objectives due to inadequate or failed internal processes, human performance, technology, or due to external events. Operational risk includes service-provider risk, which is the risk of failing to meet objectives due to the inability or unwillingness of a service provider to fulfill its obligations. | <ul style="list-style-type: none">• Investment Manager performance – At a Plan level, enough of the Investment managers' performance deviates from expectations and their mandate sufficiently to impair overall returns for members.• PEBA as a service provider performance – The risk that poor performance by, or disruption of service from PEBA, may result in delays of services or loss or damage to members or reputational damage to the Plan. Also, risk that PEBA's service model may limit its ability to attract or retain highly talented resources.• Other service provider performance – Risk that poor performance by, or disruption of service, from a service provider other than PEBA, may result in delays in services, loss or damage to members, or reputational damage to the Plan. |

The Board has developed and implemented these strategies and ongoing business practices to manage the key risks facing the Plan:

- The Board implemented a Statement of Investment Policies and Goals (SIP&G) that outlines the Board's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

The SIP&G defines the benchmark to which investment performance is measured. The Board annually reviews the SIP&G.

The Board communicates investment performance.

Independent monitoring is carried out by:

- PEBA;
- Mercer;
- CIBC Mellon; and
- custodians of pooled funds used by the Board.
- The Board ensures initiatives and Plan-related activities are adequately funded through its budgeting process.
- The Board receives a report comparing the administrative and investment costs for public-sector pension plans, including other public-sector defined contribution pension plans, every two to four years.

- The Board reviews the performance standards for the Board's administrator and investment managers quarterly. The Board reviews the performance of its auditor, private markets consultant, strategic investment consultant, custodian and special aide annually.
- The Board annually evaluates the performance of the executive management services provided by its administrator.
- The Board requires that service providers confirm that they maintain disaster recovery plans and adhere to a code of conduct.
- There are two levels of audit:
 - The Board retains KPMG LLP to conduct an audit of the Plan; and
 - the Provincial Auditor reports to the Legislative Assembly regarding the audit of the Plan.
- The Board has an Acquisition and Retention of Services policy that details how the Board is to retain and evaluate service providers.
- The Board's administrator reviews and reports compliance with legislative requirements annually.
- The Periodic Checklist is a list of major items identified by the Board that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic

Checklist is provided to the Board on a semi-annual basis.

- Board members are required to review and sign the Board's Code of Conduct and Conflict of Interest Procedures at least annually.
- The Board has outlined the education required to aid Board members in executing their fiduciary and governance duties.
- The Board formally reviews its Strategic Business Plan annually.
- The Board regularly consults with legal counsel and outside advisors regarding issues on which it is deliberating.
- The Board retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.
- PEBA staff provides retirement information seminars and individual information to Plan members.
- Information tools include member and employer seminars, employer bulletins and guides, written materials, and online resources such as the Plan website, PLANet and Retire@Ease.
- The Board consults with Plan members and participating employers on a regular basis to determine their needs.

Activities planned and accomplished in 2021-2022

The Board continued its oversight of the implementation of strategic initiatives.

- The Board received updates on its Strategic Business Plan for 2021-2022 to 2023-2024.

Periodic evaluation by the Board's administrator of the performance of the auditor, Special Aide, strategic investment consultant, private markets consultant and custodian.

- The Board reviewed the performance of its Special Aide in June 2021.
- The Board reviewed the performance of its auditor in November 2021.
- The Board reviewed the performance of its strategic investment consultant in October 2021.
- The Board reviewed the performance of its private markets consultant in April 2021.
- The Board reviewed the performance of its custodian in October 2021.

Quarterly updates comparing actual expenditures versus budgeted amounts.

- The Board received quarterly updates on expenditures for the quarters ended March, June, September, and December 2021 within the year.

Semi-annual completion of the Periodic Checklist.

- PEBA provided the Board with the final Periodic Checklist for 2021-2022 in May 2021 and the interim Periodic Checklist for the first six months of 2021-2022 in November 2021. No exceptions were noted.
- The Board worked with its strategic investment consultant to implement a program to monitor outcomes for members.

Activities planned for 2022-2023

- The Board will continue to periodically evaluate the performance of its auditor, Special Aide, strategic investment consultant, private markets consultant, custodian, and administrator.
- The Board will continue to receive quarterly updates comparing actual expenditures to budgeted amounts.
- Information regarding the completion of activities identified in the Periodic Checklist will be provided to the Board on a semi-annual basis.
- The Board will complete the activities identified within its annual risk management cycle.

Looking back

2020-2021

11.7 billion in assets

Total Contributions
391.1 million

Transfers-in
26.7 million

Transfers-out
295.0 million

2019-2020

9.3 billion in assets

Total Contributions
365.6 million

Transfers-in
32.2 million

Transfers-out
334.2 million

2018-2019

9.9 billion in assets

Total Contributions
358.6 million

Transfers-in
25.9 million

Transfers-out
346.8 million

2017-2018

9.7 billion in assets

Total Contributions
348.0 million

Transfers-in
24.2 million

Transfers-out
340.6 million

2016-2017

9.3 billion in assets

Total Contributions
363.2 million

Transfers-in
25.8 million

Transfers-out
280.0 million

2015-2016

8.4 billion in assets

Total Contributions
331.5 million

Transfers-in
19.1 million

Transfers-out
264.1 million

2014-2015

7.2 billion in assets

Total Contributions
292.0 million

Transfers-in
17.9 million

Transfers-out
203.1 million

2013-2014

6.5 billion in assets

Total Contributions
276.6 million

Transfers-in
12.5 million

Transfers-out
157.1 million

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Public Employees Pension Board is comprised of four members appointed on behalf of participating employers, four members appointed on behalf of employees, and a Chairperson selected through a formal recruitment process. The Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow, have been prepared by management in conformity with Canadian accounting standards for pension plans and have been approved by the Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Public Employees Pension Plan.

The financial statements were audited by KPMG LLP. Their report follows.



Jeremy Phillips
Assistant Deputy Minister
Public Employees Benefits Agency

Regina, Saskatchewan
June 22, 2022



FINANCIAL statements





INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Public Employees Pension Plan (the Plan), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of changes in net assets available for benefits and pension obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(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 March 31, 2022, and its changes in net assets available for benefits and 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 “*Auditors’ Responsibilities for the Audit of the Financial Statements*” section of our auditors’ 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 2022 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 auditors' report thereon, included in the 2022 Annual Report document as at the date of this auditors' 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 auditors' 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.

Auditors' 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 auditors' 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.



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 auditors' 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 auditors' 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Regina, Canada

June 22, 2022

**Public Employees Pension Plan
Statement of Financial Position**

Statement 1

| As at March 31 | (in thousands) | |
|---|----------------|---------------|
| | 2022 | 2021 |
| ASSETS | | |
| Investments (Note 4) | \$ 11,354,933 | \$ 11,496,283 |
| Investments Under Securities Lending Program (Note 4) | 384,130 | 159,449 |
| Repurchase Agreements (Note 4) | 107,327 | 130,340 |
| | 11,846,390 | 11,786,072 |
| Receivables | | |
| Employee Contributions | 4,717 | 4,293 |
| Employee Contributions - Voluntary | 162 | 109 |
| | 4,879 | 4,402 |
| Employer Contributions | 5,382 | 4,868 |
| Accrued Investment Income | 23,944 | 24,594 |
| Other Receivables | 20,773 | 8,605 |
| | 54,978 | 42,469 |
| Cash | 78,608 | 81,801 |
| Due from General Revenue Fund (Note 7) | 9,262 | 10,654 |
| Total Assets | 11,989,238 | 11,920,996 |
| LIABILITIES | | |
| Administrative Expenses Payable | 11,686 | 10,530 |
| Refunds, Transfers and Other Payables | 21,157 | 21,079 |
| Repurchase Agreement Liability | 120,520 | 135,887 |
| Total Liabilities | 153,363 | 167,496 |
| NET ASSETS AVAILABLE FOR BENEFITS | 11,835,875 | 11,753,500 |
| PENSION OBLIGATIONS | 11,835,875 | 11,753,500 |
| SURPLUS | \$ - | \$ - |

(See accompanying notes to the financial statements)

Public Employees Pension Plan
Statement of Changes in Net Assets Available for Benefits and Pension Obligations

Statement 2

| For the Year Ended March 31 | (in thousands) | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| INCREASE IN ASSETS AND PENSION OBLIGATIONS | | |
| Investment Income (Note 4) | \$ 289,772 | \$ 257,942 |
| Increase in Fair Value of Investments | 35,104 | 2,352,985 |
| Contributions | | |
| Employee Contributions | 163,171 | 155,371 |
| Employee Contributions - Voluntary | 50,954 | 44,212 |
| | 214,125 | 199,583 |
| Employer Contributions | 201,360 | 191,482 |
| External Transfers In | 9,125 | 26,722 |
| | 424,610 | 417,787 |
| Total Increase In Assets and Pension Obligations | 749,486 | 3,028,714 |
| DECREASE IN ASSETS AND PENSION OBLIGATIONS | | |
| Transfers, Refunds and Benefits (Note 6) | 586,043 | 472,775 |
| Transfers to Saskatchewan Pension Annuity Fund | 1,968 | 158 |
| Investment Transaction Costs | 4,108 | 4,529 |
| Administrative Expenses (Note 8) | 74,875 | 77,169 |
| Other Expenses | 117 | 5,686 |
| Total Decrease In Assets and Pension Obligations | 667,111 | 560,317 |
| Net Increase In Net Assets and Pension Obligations | 82,375 | 2,468,397 |
| NET ASSETS AVAILABLE FOR BENEFITS AND PENSION OBLIGATIONS, BEGINNING OF YEAR | 11,753,500 | 9,285,103 |
| NET ASSETS AVAILABLE FOR BENEFITS AND PENSION OBLIGATIONS, END OF YEAR | \$ 11,835,875 | \$ 11,753,500 |

(See accompanying notes to the financial statements)

Public Employees Pension Plan Notes to the Financial Statements

March 31, 2022

1. Description of Plan

The following description of the Public Employees Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Public Employees Pension Plan Act*.

a) General

The Public Employees Pension Plan Act (the Act) is the legislative authority and plan text for the Plan which is domiciled in Regina, Saskatchewan, and which is a defined contribution plan that covers the employees of the employers prescribed by *The Public Employees Pension Plan Regulations, 2015*. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly. Members who are employed outside of Saskatchewan, and monies earned outside of Saskatchewan, are subject to the minimum standards of the jurisdiction in which the income was earned. The Plan's policy with respect to those members and monies subject to extra-provincial jurisdiction is documented in the Plan's Policy for the Extra-Jurisdictional Application of the Act (Saskatchewan) and Regulations thereunder.

The Act established the Plan to accumulate all contributions and earnings for plan members. The Plan consists of five asset allocation Funds: the Accelerated Growth Fund, the Growth Fund, the Balanced Fund, the Moderate Fund and the Conservative Fund; one Lifecycle Fund: the PEPP Steps Fund; and two other stand-alone funds: the Bond Fund and the Money Market Fund. Members of the Plan may choose either one of the five asset allocation funds or the PEPP Steps Fund. In addition, each member may also choose the Bond Fund and/or Money Market Fund.

All Funds receive and hold, in trust for members, contributions from the members and employers (collectively Participants) and investment income derived from the Plan's investments.

The Plan holds varying percentages of bonds and debentures, equities, private equities, infrastructure, pooled funds, short-term investments, repurchase agreements and derivative financial instruments. The asset mix of each fund is established based on the expected volatility of the underlying securities and assets. The Accelerated Growth Fund is considered the most volatile and contains the highest percentage of equities relative to fixed-income investments of all the funds.

The Plan uses a unitized method of plan participation whereby each member has a certain number of units of ownership in the net assets of the investment funds. Investment income including changes in the market value of the investments and expenses is reflected in the market value of the net asset value per unit of participation. The total available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

1. Description of Plan (continued)

The Plan introduced a Variable Pension Benefit option (VPB) in May 2006 whereby retired members could elect to withdraw all or some of their pension funds either through lump-sum withdrawals or scheduled monthly payments. Members who participate in the VPB may choose to invest in any of the funds which are offered by the Plan. A VPB is a periodic payment made from a registered plan to a member of that plan and which must conform to certain minimum payment requirements but not to any maximum payment requirements according to Saskatchewan legislation. Members subject to extra-provincial jurisdiction may be subject to a maximum payment requirement.

b) Administration

The Act established the Public Employees Pension Board (Pension Board) to administer the Plan. The Pension Board is composed of nine members: four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term. The Public Employees Benefits Agency (PEBA) is under contract with the Board to provide day-to-day administration.

c) Retirement

Members may retire as early as age 50.

Upon retirement a member may choose to receive a VPB from the Plan, purchase a prescribed Registered Retirement Income Fund (RRIF) or transfer to a Locked-in Retirement Account (LIRA) purchased from an outside financial institution and/or to purchase an annuity from the Saskatchewan Pension Annuity Fund (SPAF) or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 71, or be transferred to another registered pension plan by means of a portability agreement.

Members who elect to receive a VPB retain their account balances within the Plan. Those members who purchase their annuities from the SPAF or have their account balances transferred to a financial institution have their accumulated balance, or any portion of their balance, in the Plan at the date of payment, transferred to the SPAF or financial institution respectively.

d) Completeness of Contributions

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan. Accordingly, these financial statements presume the accuracy and completeness of the Participants' contributions.

2. Basis of Preparation

a) Statement of Compliance

The financial statements for the year ended March 31, 2022 have been prepared in accordance with Canadian accounting standards for pension plans as defined in the CPA Canada Handbook section 4600, *Pension Plans*. For matters not addressed in Section 4600, International Financial Reporting Standards (IFRS) have been followed.

These financial statements were authorized and issued by the Pension Board on June 22, 2022.

b) Functional and Presentation Currency

These financial statements are presented in Canadian Dollars, which is the Plan's functional currency, and are rounded to the nearest thousand unless otherwise noted.

3. Significant Accounting Policies

The significant accounting policies are as follows:

a) Investments

Investments are stated at their fair value in the Statement of Financial Position. The change in the fair value of investments from the beginning to the end of each year is reflected in the Statement of Changes in Net Assets Available for Benefits and Pension Obligations.

Fair value of investments is determined as follows:

Short-term investments are valued at cost which, together with accrued investment income, approximates fair value given the short-term nature of these investments.

Bonds and debentures are valued at year-end quoted prices in an active market when available. When quoted market prices are not available, the fair value is based on a valuation technique, being the present value of the principal and interest receivable discounted at the appropriate market interest rates.

Equities are valued at year-end quoted prices from accredited stock exchanges on which the security is principally traded.

3. Significant Accounting Policies (continued)

Private equity investments are valued at market values supplied by the private equity investment manager. These market values are based on the latest available private equity manager capital account statements and are adjusted for subsequent cash flows and changes in exchange rates for investments outside Canada.

Infrastructure investments are valued at market values supplied by the infrastructure investment manager. These market values are based on the latest available infrastructure manager capital account statements and are adjusted for subsequent cash flows and changes in exchange rates for investments outside Canada.

Pooled-fund investments are valued at the unit value supplied by the pooled-fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing prices. Real estate pooled-fund underlying assets are valued by third-party appraisals.

Investments in derivative financial instruments, including futures, repurchase agreements, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

Investment transactions are recorded on the trade date.

b) Other Financial Instruments

Receivables, cash and payables are classified and measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

c) Investment Income and Transaction Costs

Investment income, which is recorded on an accrual basis, includes interest income, dividends, pooled-fund income, private equity income, infrastructure income, security lending income and other income.

Brokers' commissions and other transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits and Pension Obligations in the period incurred.

3. Significant Accounting Policies (continued)

d) Foreign Currency Translation

The fair values of foreign currency denominated investments included in the Statement of Financial Position are translated into Canadian dollars at year-end rates of exchange. Gains and losses from translations are included in the change in fair value of investments.

Foreign currency-denomination transactions are translated into Canadian dollars at the rates of exchange on the trade dates of the related transactions. Realized gains and losses on the sale of investments are included in the change in fair value of investments.

e) Income Taxes

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

f) Use of Estimates and Judgments

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

4. Investments

The fair values of the Plan's investments are as follows:

| | (in thousands) | |
|--|----------------------|----------------------|
| | 2022 | 2021 |
| Investments | | |
| Short-term | \$ 68,691 | \$ 26,258 |
| Bonds and Debentures | 462,028 | 470,108 |
| Equities | 5,067,738 | 5,236,902 |
| Pooled Funds | 5,595,220 | 5,743,230 |
| Private Equity | 79,691 | 10,189 |
| Infrastructure | 81,565 | 9,596 |
| | <u>11,354,933</u> | <u>11,496,283</u> |
| Investments Under Securities Lending: | | |
| Short-term | 32,381 | 19,471 |
| Bonds and Debentures | 3,855 | 459 |
| Equities | 347,894 | 139,519 |
| | <u>384,130</u> | <u>159,449</u> |
| Repurchase Agreements | <u>107,327</u> | <u>130,340</u> |
| | <u>\$ 11,846,390</u> | <u>\$ 11,786,072</u> |

The Plan's investment income is comprised of the following:

| | (in thousands) | |
|--------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Investment Income | | |
| Interest | \$ 13,483 | \$ 13,470 |
| Pooled Funds | 153,355 | 143,994 |
| Dividends | 111,354 | 92,183 |
| Private Equity | 489 | - |
| Infrastructure | 2,695 | - |
| Security Lending | 1,493 | 941 |
| Other | 6,903 | 7,354 |
| | <u>\$ 289,772</u> | <u>\$ 257,942</u> |

4. Investments (continued)

Securities Lending Program

Through its custodian, the Plan participates in an investment securities lending program for the purpose of generating fee income. Non-cash collateral of at least 102 per cent of the market value of the loaned securities is retained by the Plan until the loaned securities have been returned (see Securities Lending Program in Note 9). The market value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market value of the loaned securities fluctuates. In addition, the custodian provides indemnification against any potential losses in the securities lending program. While in the possession of counterparties, the loaned securities may be resold or re-pledged by such counterparties.

Short-term Investments

Short-term investments are comprised of treasury bills, discount notes, commercial paper, foreign exchange forward contracts, equity futures, swaps, and short-term investment funds. Directly held treasury bills and discount notes held at March 31, 2022 had effective rates of 0.4 per cent to 3.3 per cent (2021 – 0.1 per cent to 0.2 per cent), and an average remaining term to maturity of 66 days (2021 - 78 days).

Other than the Government of Canada, no single issue represents more than 6.34 per cent (2021 – 2.24 per cent) of the market value of the directly held treasury bills and discount notes.

Forward contracts are included in short-term investments when they are in a net gain position and included in derivative liability when they are in a net loss position. The foreign exchange forward contracts are discussed further in Note 5.

4. Investments (continued)

Bonds and Debentures

The Plan's segregated bonds and debentures are comprised of the following:

| 2022 (in thousands) | | | | | | | |
|---------------------|------------------|-------------------|-------------------|------------------|--------------------|---------------|-------------------------|
| Years to Maturity | Federal | Provincial | Corporate | Municipal | Total Market Value | Coupon Rate | Effective Interest Rate |
| Under 5 | \$ 49,567 | \$ 2,828 | \$ 69,654 | \$ 2,780 | \$ 124,829 | 0.75% - 8.88% | 2.82% |
| 5 to 10 | 21,313 | 8,790 | 114,449 | 8,234 | 152,786 | 1.00% - 6.50% | 3.17% |
| Over 10 | 13,458 | 126,283 | 45,083 | 3,444 | 188,268 | 1.50% - 6.75% | 3.44% |
| Market Value | \$ 84,338 | \$ 137,901 | \$ 229,186 | \$ 14,458 | \$ 465,883 | | |

| 2021 (in thousands) | | | | | | | |
|---------------------|-------------------|-------------------|-------------------|------------------|--------------------|---------------|-------------------------|
| Years to Maturity | Federal | Provincial | Corporate | Municipal | Total Market Value | Coupon Rate | Effective Interest Rate |
| Under 5 | \$ 4,018 | \$ 526 | \$ 80,584 | \$ - | \$ 85,128 | 0.99% - 8.85% | 2.44% |
| 5 to 10 | 71,818 | 20,109 | 115,235 | 11,427 | 218,589 | 1.00% - 8.88% | 2.48% |
| Over 10 | 25,091 | 91,697 | 47,372 | 2,690 | 166,850 | 1.50% - 6.75% | 3.45% |
| Market Value | \$ 100,927 | \$ 112,332 | \$ 243,191 | \$ 14,117 | \$ 470,567 | | |

Included in the above amounts of corporate bonds are foreign bonds, issued by foreign entities in Canadian currency, with a market value of \$21.2 million (2021 – \$21.1 million). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

4. Investments (continued)

Equities

As at March 31, 2022, the market value of the Plan's directly held foreign equity investments in Canadian dollars amounted to \$3,947 million (2021 - \$3,962 million) and foreign equities represent 72.9 per cent (2021 – 73.7 per cent) of the market value of the directly-held equity portfolio.

The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 2.06 per cent (2021 – 2.13 per cent).

Private Equities

Private equity investments are made through limited partnership arrangements. The investments represent partial equity ownership in entities that are not traded and priced in stock exchanges. Future commitments are due on demand and are based on the needs of the various partnerships the Plan has entered into. Liquidity requirements of meeting the future commitments are met through income generated from investments, holdings in pooled funds and investments in liquid assets traded on an active market which can be easily sold and converted into cash.

Private equity managers form limited partnerships to facilitate investments in private companies in various markets across the globe. As at March 31, 2022 the Plan holds \$79.7 million in private equity investments (2021 – \$10.2 million) and was committed to further investment in private equity limited partnerships up to \$177.6 million in Canadian funds (2021 – \$80.4 million).

Private equity managers utilize an internal valuation policy to establish a market value for the underlying assets within their portfolios. This policy outlines that any marketable assets within the portfolio will be valued at the price on the relevant securities exchange. Non-marketable securities will be subject to professional judgment and may take into account several factors such as:

- market conditions;
- purchase price;
- estimated liquidation value;
- third-party transactions in the private market;
- present value of expected future cash flows; and/or
- present value of anticipated sale or flotation when asset is soon to be divested.

The above factors involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

4. Investments (continued)

Infrastructure

Infrastructure investments are made through limited partnership arrangements. Advances are made to the limited partnerships, some of which are used to select and provide management support to the invested companies. The investments represent ownership in entities that invest in infrastructure assets. Future commitments are due on demand and are based on the needs of the various partnerships the Plan has entered into. Liquidity requirements of meeting the future commitments are met through income generated from investment, holdings in pooled funds and investments in liquid assets traded on an active market which can be easily sold and converted into cash.

Infrastructure managers form limited partnerships to facilitate investments in infrastructure projects in various markets across the globe. As at March 31, 2022 the Plan holds \$81.6 million in infrastructure investments (2021 – \$9.6 million) and was committed to further investment in infrastructure limited partnerships up to \$210.5 million in Canadian funds (2021 - \$131.5 million).

Infrastructure managers utilize an internal valuation policy to establish a market value for the underlying assets within their portfolios. This policy outlines that any marketable assets within the portfolio will be valued at the price on the relevant securities exchange. Non-marketable securities will be subject to professional judgment and may take into account several factors such as:

- market conditions;
- purchase price;
- estimated liquidation value;
- third-party transactions in the private market;
- present value of expected future cash flows; and/or
- present value of anticipated sale or flotation when asset is soon to be divested.

The factors involve various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

Real Estate

Investments in real estate consist of Canadian commercial property held through an investment in TD Asset Management Real Estate Fund and Foreign commercial real estate held through an investment with Morgan Stanley Real Estate Advisor, Inc. and Barings European Core Property Fund. The market appraisals used in valuing the real estate involves various assumptions. Changes in the underlying assumptions will have an impact on the market value of the investments.

4. Investments (continued)

Liquid Alternatives

Investments in liquid alternative investment strategies provide diverse exposure across multiple asset classes and employ a range of global macro and relative value trading strategies. These mandates invest in liquid financial instruments within various markets such as fixed income, foreign currency, commodities and equities. The Plan holds investments in liquid alternatives through pooled funds.

Pooled Funds

Pooled-fund investment vehicles provide exposure to a diverse range of asset classes such as money market, fixed income, large cap equities, real estate, and liquid alternative strategies without directly holding underlying securities. The Plan holds investments in both passive and actively managed pooled funds.

The Plan's pooled funds are comprised of:

| Pooled Funds | Market Value (in thousands) | |
|--------------------------------|--------------------------------|---------------------|
| | 2022 | 2021 |
| Canadian Equity | \$ 960,794 | \$ 1,205,018 |
| U.S. Equity | 196,518 | 316,583 |
| Fixed Income Bond | 2,136,486 | 2,146,005 |
| Liquid Alternative Investments | 773,728 | 788,056 |
| Short-Term Investment | 621,880 | 621,439 |
| Real Estate | 905,814 | 666,129 |
| | <u>\$ 5,595,220</u> | <u>\$ 5,743,230</u> |

4. Investments (continued)

Repurchase Agreements

A repurchase agreement is a contract entered into between two counterparties to sell securities together with an agreement for the seller to buy back the securities at a later date. At March 31, 2022, the Plan has entered into repurchase agreements with a notional value of \$107.3 million (2021 - \$130.3 million) and a fair value of negative \$13.2 million (2021 - negative \$5.5 million). The repurchase agreements have a term to maturity of less than one year.

Repurchase agreements require a fraction of their market value to be available as collateral to back the market exposure provided. PEPP has invested \$19.2 million (2021 - \$11.8 million) in physical bonds which serve as a backing asset for the repurchase agreements with TD Asset Management. There is a \$120.7 million (2021 - \$127.4 million) investment in the TD Emerald Canadian Short-term Investment Fund which is available as additional margin. No specific collateral is pledged for the repurchase agreement exposure as the investment is not leveraged. Collateral may be pledged to the Plan if the market value of the repurchase agreements changes significantly.

Fair Value

The Plan has classified its investments using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

4. Investments (continued)

The following table classifies the Plan's financial instruments within a fair value hierarchy:

| 2022 (in thousands) | | | | |
|--------------------------------|--------------|--------------|--------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Short-term | \$ - | \$ 101,072 | \$ - | \$ 101,072 |
| Bonds and Debentures | - | 465,883 | - | 465,883 |
| Equities | 5,414,003 | - | 1,629 | 5,415,632 |
| Pooled Funds | - | 4,058,736 | 1,536,484 | 5,595,220 |
| Private Equity | - | - | 79,691 | 79,691 |
| Infrastructure | - | - | 81,565 | 81,565 |
| Repurchase Agreements | - | 107,327 | - | 107,327 |
| Total | \$ 5,414,003 | \$ 4,733,018 | \$ 1,699,369 | \$ 11,846,390 |
| Repurchase Agreement Liability | \$ - | \$ 120,520 | \$ - | \$ 120,520 |

| 2022 Fair Value measurement using level 3 inputs | | | | | |
|--|---------------------|------------------------|--------------------------------------|----------------|--------------|
| | Real Estate Fund | Liquid Alternatives | Private Equity and Infrastructure | Equity - US | Total |
| Balance at April 1, 2021 | \$ 666,129 | \$ 627,210 | \$ 19,785 | \$ - | \$ 1,313,124 |
| Purchases | 116,469 | - | 151,398 | 5,167 | 273,034 |
| Sales | - | (458) | (22,734) | - | (23,192) |
| Gains (Losses) | | | | | |
| Realized | - | 244 | 111 | - | 355 |
| Unrealized | 123,216 | 3,674 | 12,696 | (3,538) | 136,048 |
| Balance at March 31, 2022 | \$ 905,814 | \$ 630,670 | \$ 161,256 | \$ 1,629 | \$ 1,699,369 |

4. Investments (continued)

| 2021 (in thousands) | | | | |
|--------------------------------|--------------|--------------|--------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Short-term | \$ - | \$ 45,729 | \$ - | \$ 45,729 |
| Bonds and Debentures | - | 470,567 | - | 470,567 |
| Equities | 5,376,421 | - | - | 5,376,421 |
| Pooled Funds | - | 4,449,891 | 1,293,339 | 5,743,230 |
| Private Equity | - | - | 10,189 | 10,189 |
| Infrastructure | - | - | 9,596 | 9,596 |
| Repurchase Agreements | - | 130,340 | - | 130,340 |
| Total | \$ 5,376,421 | \$ 5,096,527 | \$ 1,313,124 | \$ 11,786,072 |
| Repurchase Agreement Liability | \$ - | \$ 135,887 | \$ - | \$ 135,887 |

| 2021 Fair Value measurement using level 3 inputs | | | | |
|--|------------------|---------------------|-----------------------------------|--------------|
| | Real Estate Fund | Liquid Alternatives | Private Equity and Infrastructure | Total |
| Balance at April 1, 2020 | \$ 474,684 | \$ 179,237 | \$ - | \$ 653,921 |
| Purchases | 197,470 | 491,398 | 38,375 | 727,243 |
| Sales | - | (98,153) | (22,603) | (120,756) |
| Gains (Losses) | | | | |
| Realized | - | 263 | 118 | 381 |
| Unrealized | (6,025) | 54,465 | 3,895 | 52,335 |
| Balance at March 31, 2021 | \$ 666,129 | \$ 627,210 | \$ 19,785 | \$ 1,313,124 |

There were no investments transferred between levels during the current year.

5. Derivatives

Derivative financial instruments are financial contracts whose values are derived from changes in underlying assets, interest or currency exchange rates.

The Plan held the following derivatives as of March 31, 2022:

Forward Contracts

The Plan has entered into foreign exchange forward contracts to passively hedge some of its foreign currency exposure in foreign equities. Foreign exchange forward contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future.

5. Derivatives (continued)

The following summarizes the Plan's use of foreign currency forward exchange contracts within the passive currency hedging strategy:

| FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS | | | | |
|--|-----------------|------------------|-----------------|------------------|
| (in thousands) | | | | |
| 2022 | | | 2021 | |
| Currency | *Notional Value | Gain (Loss) | *Notional Value | Gain (Loss) |
| AUD | (9,219) | \$ 4 | (5,921) | \$ 136 |
| CHF | (65,085) | 1,238 | (52,620) | 945 |
| DKK | (27,111) | 331 | (25,598) | 454 |
| EUR | (179,020) | 2,038 | (171,725) | 3,125 |
| GBP | (96,475) | 2,440 | (99,792) | 1,181 |
| HKD | (20,698) | 574 | (33,652) | 107 |
| JPY | (146,405) | 10,184 | (155,162) | 3,068 |
| MXN | (1,072) | (45) | (896) | (14) |
| NOK | (5,048) | 13 | (6,419) | 92 |
| NZD | (148) | 2 | (290) | 9 |
| SEK | (8,211) | (221) | (16,167) | 477 |
| SGD | (750) | 16 | (3,100) | 13 |
| USD | (1,155,637) | 29,687 | (1,129,439) | 677 |
| | | \$ 46,261 | | \$ 10,270 |

**Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange rate of cash flows, and is therefore not recorded on the financial statements.*

Based on the current rate of exchange as of March 31, 2022, the forward contracts are in a net gain position of \$46.2 million (2021 – net gain position of \$10.3 million). The foreign currency forward exchange contracts are short-term in duration and all contracts as of March 31, 2022 have a maturity date of less than one year. Forward contracts are included in short-term investments when they are in a net gain position and included in derivative liability when they are in a net loss position.

6. Transfers, Refunds and Benefits

| | (in thousands) | |
|--|-------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Termination Refunds | \$ 11,881 | \$ 6,911 |
| Death and Lump Sum Benefits | 25,200 | 23,787 |
| Variable Pension Benefits | 215,351 | 177,740 |
| Marital Transfers | 1,869 | 1,159 |
| Transfers to Registered Retirement Savings Plans and to Private Companies Providing Annuities | 321,106 | 246,218 |
| Transfers Out | <u>10,636</u> | <u>16,960</u> |
| | <u>\$ 586,043</u> | <u>\$ 472,775</u> |

7. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's 30-day borrowing rate and the Plan's average bank account balance. The Government's average 30-day borrowing rate in 2022 was 0.19 per cent (2021 – 0.19 per cent).

8. Administrative Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees, investment management fees, and performance fees, which are paid directly.

| | (in thousands) | |
|-------------------------|------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Audit Fees | \$ 89 | \$ 102 |
| Administration Costs | 12,765 | 11,503 |
| Custodial Fees | 1,245 | 1,308 |
| Investment Manager Fees | 48,751 * | 35,802 |
| Performance Fees | 9,275 | 27,155 |
| Other Investment Fees | 2,750 | 1,299 |
| Total | <u>\$ 74,875</u> | <u>\$ 77,169</u> |

* Included in the investment manager fees is a rebate of \$469 for PGIM Funds Plc. Total investment manager fees, excluding this rebate is \$49,220 (2021 -\$36,192) .

9. Financial Risk Management

The nature of the Plan's operations results in a Statement of Financial Position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk), securities lending program and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Pension Board. The investment policy provides guidelines to the Plan's investment managers for the asset mix of the portfolio regarding quality and quantity. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Pension Board reviews and reports on regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. The Pension Board also reviews and reports on regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

9. Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: receivables and certain investments.

The maximum credit risk to which it is exposed at March 31, 2022 is limited to the carrying value of the financial assets summarized as follows:

| | (in thousands) | |
|---------------------------------------|----------------|-------------|
| | 2022 | 2021 |
| Cash | \$ 78,608 | \$ 81,801 |
| Receivables | 54,978 | 42,469 |
| Fixed Income Investments ¹ | 553,762 | 510,749 |
| Due from The General Revenue Fund | 9,262 | 10,654 |
| Equities Under Security Lending | 347,894 | 139,519 |

¹ Includes short-term investments, bonds, bonds under security lending, repurchase agreements, and derivatives

Credit risk related to cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit rating agencies.

Receivables are primarily made up of employee and employer contributions receivable and accrued investment income. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. It is managed at the mandate level as each portfolio must comply with various quality, issuer, and sector constraints appropriate and unique to the mandate.

9. Financial Risk Management (continued)

Credit ratings for bonds and debentures are as follows:

| Credit Rating | (In thousands) | | (In thousands) | |
|---------------|----------------|-------------------------|----------------|-------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | Fair Value | Makeup of Portfolio (%) | Fair Value | Makeup of Portfolio (%) |
| AAA | \$ 108,132 | 23.21 | \$ 134,186 | 28.51 |
| AA | 131,047 | 28.13 | 108,550 | 23.07 |
| A | 131,166 | 28.16 | 130,962 | 27.83 |
| BBB | 95,538 | 20.50 | 96,869 | 20.59 |
| Total | \$ 465,883 | 100.00 | \$ 470,567 | 100.00 |

Within directly held bonds and debentures, there are no holdings from one issuer other than the Government of Canada or a Canadian province over 3.81 per cent (2021 – 4.21 per cent) of the market value of the portfolio. No one holding of a province is over 2.75 per cent (2021 – 4.32 per cent) of the market value of the bond and debentures portfolio.

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The currency manager must receive approval from the Board prior to engaging a new counterparty.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk

The Plan is exposed to changes in interest rates in its investment in bonds, debentures and fixed income pooled funds. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits by \$231.4 million at March 31, 2022 (2021 - \$243.8 million); representing 6.66 per cent of the \$3,475 million fair value of bonds, debentures and fixed income pooled funds. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits by \$231.4 million at March 31, 2022 (2021 - \$243.8 million); representing 6.66 per cent of the \$3,475 million fair value of bonds, debentures and fixed income pooled funds.

9. Financial Risk Management (continued)

Foreign Exchange

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to changes in Non-North American exchange rates through its investments denominated in other foreign currencies. At March 31, 2022, the Plan's exposure to U.S. equities was 19.23 per cent of total investments (2021 – 20.55 per cent) and its exposure to Non-North American equities was 15.79 per cent of total investments (2021 – 15.89 per cent).

At March 31, 2022, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a \$242.4 million (2021 - \$251.4 million) change in net assets available for benefits. A 10 per cent change in the Canadian dollar versus the Non-North American currencies would result in approximately a \$177.3 million (2021 - \$142.5 million) change in the net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services are not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as described in Note 5. As at March 31, 2022, the Plan's foreign exchange exposure that is hedged is \$1,715 million (2021 - \$1,701 million). A 10 per cent change in the aggregate exchange exposure would equate to a net change of \$171.5 million (2021 - \$170.1 million).

Equity Prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and International markets. Equities, including equities invested in pooled funds, comprise 49.17 per cent (2021 – 52.20 per cent) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10 per cent of the market value of the Plan.

The following table indicates the approximate change that could be anticipated to the net assets available for benefits based on the following equity categories as of March 31, 2022:

| | (Change in thousands of \$) | |
|------------------------|-----------------------------|---------------------|
| | <u>10% increase</u> | <u>10% decrease</u> |
| Canadian Equities | \$167,382 | \$(167,382) |
| U.S. Equities | 227,464 | (227,464) |
| Other Foreign Equities | 188,826 | (188,826) |

9. Financial Risk Management (continued)

Securities Lending Program

At March 31, 2022, no Plan assets have been deposited or pledged as collateral as part of the securities lending strategy. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At March 31, 2022, the total amount of collateral pledged to the Plan amounted to \$415.3 million (2021 - \$172.4 million). The Plan obtains collateral of at least 102 per cent of the market value of the securities lent. Such loans must be secured by readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Private equity, infrastructure, liquid alternatives and real estate risk

Private equity, infrastructure, liquid alternatives and real estate assets are valued at estimated fair values supplied by the investment manager using appropriate valuation techniques. An independent auditor performs an annual audit of these investment managers and their valuation techniques to ensure the assets are fairly stated in all material aspects. Risk in private equity, infrastructure and liquid alternatives is managed through diversification across sectors and geographic regions. Adverse impacts in any one sector of the market or geographic location are minimized by having holdings diversified across sectors, geographic location and investment size. Risk in real estate investments is managed through diversification across geographic locations and property type. Adverse impacts in any one geographic location are minimized by having holdings in other locations and property types.

Liquidity Risk

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows. The Plan invests in repurchase agreements in order to increase Plan liquidity while maintaining fixed income exposure. Repurchase agreements provide \$107.3 million (2021 - \$130.3 million) in fixed income exposure with a margin of \$19.2 million (2021 - \$11.8 million) in physical bond investments which take three days to liquidate, but also \$120.7 million (2021 - \$127.4 million) invested in money market investments which can be liquidated for cash in a single day. All the Plan's financial liabilities are due within one year.

10. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

As at March 31, 2022, the Plan directly holds \$20.6 million (2021 - \$25.3 million) Province of Saskatchewan Bonds and Debentures. Investment gain on these bonds was \$0.4 million (2021 – loss of \$0.5 million). Included within accrued investment income is \$0.3 million (2021 - \$0.4 million) relating to Province of Saskatchewan Bonds.

The Plan has an accounts payable balance as at March 31, 2022 of \$1.6 million (2021 - \$1.5 million) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the Statement of Changes in Net Assets Available for Benefits and Pension Obligations and are settled at agreed upon exchange rates.

11. Capital Management

The Plan receives new capital from participant contributions. The Plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including equities, bonds and debentures, pooled funds, private equity, infrastructure and short-term investments. The Pension Board has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

12. Value and Performance of Members' Accounts

In accordance with Canadian accounting standards for pension plans, various accruals are included in the Statement of Financial Position. However, only transactions that were processed and unitized during the fiscal year ending March 31, 2022 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2022 was \$11,799 million (2021 - \$11,728 million).

Investment income including changes in the market value of the investments (investment performance) and expenses is reflected in the market value of the net asset value per unit of participation and is determined daily. Investment and administration expenses relating to each Fund are accrued to or paid from the Fund prior to establishing its daily unit price. The Funds' unit price will increase or decrease according to the Funds' investment performance after expenses.

12. Value and Performance of Members' Accounts (continued)

Fund transactions are processed using forward pricing. This means they are processed at the next unit price set after the Plan receives contributions or requests for transfers, refunds and benefits.

Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a Fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

13. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.



Publications

PEPP Member Booklet

Pension Perspectives - newsletter for plan members

PEPP Connection - newsletter of VPB members

PEPP Talks - provide detail about specific Plan aspects

Investment Basics Booklet

PEPP Retirement Planning Worksheet

Fund Performance Bulletins

Market Commentary

Investment Holdings Report

Annual Report

Publications and other information about PEPP, are available online at pepp.peba.ca

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