



Your Plan • Your Way



# ***Public Employees Pension Plan***

2022-2023 Annual Report

# Vision

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



**Megan McKenny**  
GIS Analyst  
Ministry of Energy and Resources  
PEPP Member

# 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.

# Mission

To provide members with an exceptional defined contribution pension plan.



**Juneses Santillana**  
Immigration Officer  
Ministry of Immigration and Career Training  
PEPP Member



**Vision • Mission • Goals**  
Guiding all we do for you.



**Shirley Stenko**  
Visitor Services Manager  
Western Development Museum, Moose Jaw  
PEPP Member

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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, 2023.

A handwritten signature in black ink that reads "Donna Harpauer". The signature is fluid and cursive.

Donna Harpauer  
Minister of Finance

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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, 2023.

A handwritten signature in black ink that reads "Roger Brandvold". The signature is bold and somewhat stylized.

Roger Brandvold  
Chair, Public Employees Pension Board

**Roger Brandvold**  
Chair



## Message from the Chair

It is a privilege to be writing this message as Chair of the PEPP Board. While I am only a few months into my tenure as Chair, I am honoured to highlight the achievements of the past year.

In 2022-2023, the Board supported the Public Employees Benefits Agency (PEBA, the Agency) in its transition to a not-for-profit corporation (NPC). The Board, alongside the Municipal Employees' Pension Commission, initiated this transition in 2021 to ensure the Plan's sound governance and stable investment returns in the long term.

Members' pension plans are not changing. PEPP will continue to be overseen by the Board, and PEPP's investments will continue to be managed by the same world-class firms. Member contribution rates, entitlements and services are unaffected.

Throughout the process, we've worked hard to engage PEPP members, employers, unions and other stakeholders to ensure they understand the need for the transition and how it will affect them.

This included online updates and member town halls, which are available on the PEPP website.

The new NPC will begin operations on January 1, 2024, under its new name, *Plannera Pensions & Benefits (Plannera)*. The name reflects the Agency's ongoing commitment to helping members plan for retirement.

### **Committed to providing an exceptional defined contribution pension plan.**

The Board continued its strategic review of PEPP's investments throughout 2022-2023 and made decisions with respect to PEPP's asset mix. The Board conducts this strategic review every four to six years with the goal of incorporating best practices from the institutional investment industry. The Board approved the PEPP Strategic Business Plan 2022-2023 to 2024-2025 in May 2022.

The Board also approved a decision framework to identify strategies to improve outcomes for members. The Outcome Risk Monitoring framework provides us the ability to track outcomes across member groups, and subsequently informs Plan decisions.

### **Stakeholder engagement is a priority.**

Continuing from our work last year, we refreshed our engagement strategy and continued to engage with members, employers, and stakeholders. This included resuming in-person workshops to augment the virtual workshops offered throughout the pandemic. We are pleased to see interest in these workshops remains high.

In May 2022, members gained access to a new online retirement planner. Members can enter their retirement income sources and expenses to create a retirement projection unique to them.

As well, we surveyed members in October 2022 to get a pulse on member satisfaction with PEPP along with measuring their readiness for receiving digital services. Satisfaction ratings remain strong and the findings will be used to support strategies, communications and services to members in 2023.

### **An exciting milestone – PEPP turns 45!**

PEPP celebrated its 45th birthday in 2022. Since the Plan was established in 1977, we have grown to over 71,000 members and have over \$11.6 billion in assets. We look forward to many more years of administering member pensions as Canada's largest defined contribution pension plan.

### **Looking ahead, welcome and thank you.**

I want to take this opportunity to recognize the contributions of our outgoing Chair, Louis Martel, who completed his time on the Board in December 2022. Thank you for your exceptional leadership during some challenging economic years at a global level.

Thank you also to Andrew Zulkoski and Darren Henderson, who have finished their terms with the Board. We welcome new members Ryan Dionne and Mason Kaun in their place.

I look forward to delivering on our strategic initiatives to ensure PEPP remains well governed and accountable to Plan members and employers.

On behalf of the Board, I present the 2022-2023 PEPP Annual Report.

A handwritten signature in black ink, appearing to read 'Roger Brandvold', written over a horizontal line.

Roger Brandvold  
Chair, Public Employees Pension Board

# 2022-2023 at a glance (as at March 31, 2023)

## Plan Assets Fees and Rates of Return<sup>1</sup> (as at March 31, 2023)



(%)

Fund	Benchmark Rate of Return	Gross Rate of Return	Fees			Net Rate of Return
			PEBA & Board <sup>2</sup>	Investments <sup>3</sup>	Total Fund	
Accelerated Growth	(2.80)	1.08	0.11	0.77	<b>0.88</b>	<b>0.20</b>
Growth	(2.40)	1.03	0.11	0.72	<b>0.83</b>	<b>0.20</b>
Balanced	(1.90)	1.06	0.11	0.65	<b>0.76</b>	<b>0.30</b>
Moderate	(1.40)	0.89	0.11	0.58	<b>0.69</b>	<b>0.20</b>
Conservative	(1.10)	0.35	0.11	0.44	<b>0.55</b>	<b>(0.20)</b>
Bond	(1.20)	(1.57)	0.11	0.12	<b>0.23</b>	<b>(1.80)</b>
Money Market	2.80	2.96	0.11	0.05	<b>0.16</b>	<b>2.80</b>

<sup>1</sup> The rate of return and fee data for the PEPP Steps Fund varies with each step.  
<sup>2</sup> Of the 0.11% fees shown, the Board accounts for less than 0.01%.  
<sup>3</sup> Investment fees include fees for investment managers, consulting and custody.

*Table 1.0*

Total **Contributions**  
to the plan

**\$415.2**  
million

Total **Transfers in**  
to the plan

**\$5.1**  
million

Total **Transfers out**  
of the plan

**\$368.2**  
million



**Sebastian Avila**  
 Engineering Unit Summer Student  
 Ministry of Agriculture  
 PEPP Member

**71,387**  
 Plan members

7,603 VPB  
 35,158 Active  
 28,626 Inactive

**44**

Active member average age

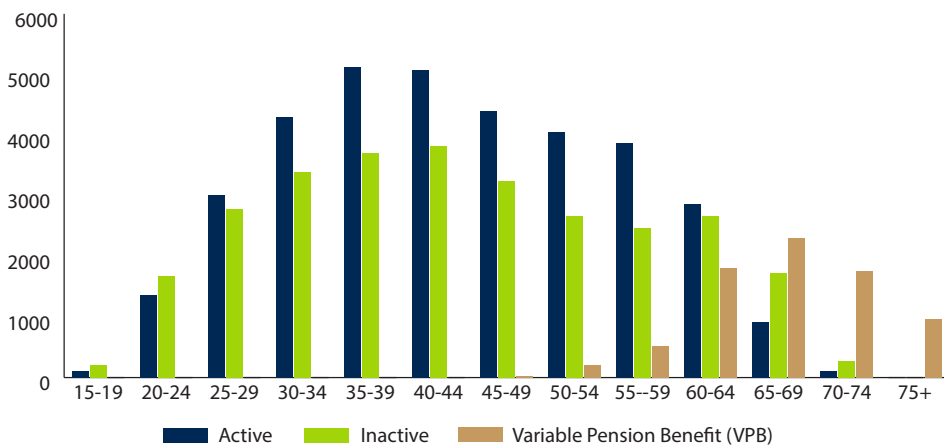
**68**

VPB member average age

**90**

Age of eldest member

Membership Distribution by Age Band



Member Satisfaction\*

**91%** Satisfied with quality of customer service.

Satisfied with materials and communication received. **85%**

**81%** Satisfied with PEPP's plan administration.

\* The biennial Member Satisfaction Survey was conducted October 2022.

**6,956**

Online Interfund Transfers

**147**

Participating Employers

*As a member, PEPP is giving me a choice to decide what the best investment would be for me. It's also great that I have PEPP consultants I can reach out to when I have questions.*

**Ann Balmes**

Tenure Disposition Analyst at Oil and Gas Tenure  
Ministry of Energy and Resources  
PEPP member





**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 71,387 members at March 31, 2023. Participating employers include the Government of Saskatchewan, Crown corporations, agencies, boards and other public institutions.

PEPP is a defined contribution (DC) pension plan. The member's contributions, their employer's contributions, plus any return on investment, provide that member with a retirement income when they retire.

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, 2022	69,118
Add:	
Enrolment during the year	5,542
Variable Pension Benefit (VPB)	874
Less:	
Exiting members*	4,147
<b>Membership at March 31, 2023</b>	<b>71,387</b>

\*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.



Roger Brandvold, Chair



Mason Kaun, Member  
International Brotherhood of Electrical  
Workers Union Local 2067



Charlene Gavel, Vice-Chair  
SaskEnergy, SaskPower and SaskTel



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



Darcia Connelly, Member  
Public Service Commission



Mac Trost, Member  
Saskatchewan Government and General  
Employees' Union



Ryan Dionne, Member  
Unifor



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



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

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 (PSC). The Chair is remunerated with a retainer set by the Board as per Table 1.2.

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

Table 1.2

Louis Martel was paid a retainer of \$31,875.00 and meeting fees of \$3,140.64 for Q1-Q3 of 2022-2023. Roger Brandvold was paid a retainer of \$10,625.00 and meeting fees of \$1,078.14 for Q4 of 2022-2023.

The Board had nine regular meetings in the 2022-2023 fiscal year. Table 1.3 shows the number of meetings each Board member attended.

Name	Meetings Attended	Expenses (\$)	Preparation Fee
Roger Brandvold*	3	\$ 4,894.70	\$ 0.00
Charlene Gavel	8	0.00	1,250.00
Darcia Connelly	9	0.00	1,500.00
Ryan Dionne*	6	1,317.80	1,500.00
Jim Engel	6	101.00	1,250.00
Mason Kaun*	5	2,082.88	1,250.00
Nancy Seman	7	457.96	1,000.00
Mac Trost	6	3,259.54	1,000.00
Christine Virostek	9	2,475.35	1,500.00
Louis Martel*	6	469.99	0.00
Darren Henderson*	3	2,204.40	0.00
Andrew Zulkoski*	3	0.00	0.00
<b>Total</b>		<b>\$17,263.62</b>	<b>\$10,250.00</b>

Table 1.3

\*These individuals were Board members for a portion of 2022-2023.

Note: As per section 9.02 of its Governance Manual, Board members are paid a preparation fee of \$250 to compensate for personal time spent preparing for Board meetings.

## 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 PSC.

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 1.4 lists the education events attended by Board members to March 31, 2023.

## Seminars, Courses and Other Events Attended by Board Members in 2022–2023

Name	Education Events Attended	Total Expenses
Roger Brandvold, Chair	<ul style="list-style-type: none"> <li>• Chair Orientation</li> </ul>	\$750.00
Charlene Gavel, Vice-chair	<ul style="list-style-type: none"> <li>• Do Pension Fund Investments Make a Difference? (webinar)</li> <li>• Canada’s Proposed Cybersecurity Bill - Key Insights (webinar)</li> </ul>	\$0.00
Darcia Connelly	<ul style="list-style-type: none"> <li>• University of Regina Pension Plan Investment Basics</li> <li>• International Centre for Pension Management Rotman Pension Governance Education Program</li> </ul>	\$14,506.27
Ryan Dionne	<ul style="list-style-type: none"> <li>• Orientation Parts I and II</li> <li>• Foundations of Trust Management Standards</li> <li>• University of Regina Pension Plan Investment Basics</li> </ul>	\$5,484.30
Jim Engel	<ul style="list-style-type: none"> <li>• Advanced of Trust Management Standards - Session B</li> <li>• University of Regina Pension Plan Investment Basics</li> </ul>	\$6,059.30
Mason Kaun	<ul style="list-style-type: none"> <li>• Orientation Parts I and II</li> </ul>	\$0.00
Christine Virostek	<ul style="list-style-type: none"> <li>• Foundations of Trust Management Standards</li> <li>• University of Regina Pension Plan Investment Basics</li> <li>• School of Pension Investment Management</li> </ul>	\$8,845.24
<b>Total Expenditures</b>		<b>\$35,645.11</b>

Table 1.4

In addition to the education events listed above, the Board received comprehensive education sessions during regular meetings on private debt; global real estate; guiding principles for sustainable investing; environmental, social and governance integration; and co-investment.

*As a PEPP member, I have peace of mind knowing that some money is being put aside for my retirement.*

**Dustin Gill**

Senior Communications Consultant  
Ministry of Corrections, Policing and Public Safety  
Ministry of Justice and Attorney General  
PEPP member



**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 2022-2023, the Board paid PEBA \$12,953,000 for administrative services.

The Board and PEBA engage other service providers as required.

PEBA reports performance measurement against standards to the Board quarterly. Table 1.5 and Table 1.6 provide measurement results for the 2022-2023 year.



**Mike Morrison**  
Maintenance Supervisor  
Western Development Museum, Moose Jaw  
PEPP Member



## PEBA Periodic Requirements April 1, 2022 to March 31, 2023

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	-
<b>Total</b>	<b>16</b>	<b>16</b>	<b>100.0</b>		

Table 1.5

\* 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, 2022 to March 31, 2023

Task	Completed	Met or Exceeded Standard		Standard (Days)*	Statutory Requirement (Days)**
		Number	%		
Statement on Termination of Membership (option letter)	4,153	4,017	96.7	4	90
Payment of Termination Benefits	1,775	1,543	86.9	4	-
Statement on Retirement (option letter)	1,802	1,701	94.4	4	90
Retirement Payments	2,644	1,836	69.4	4	-
Statement on Death (option letter)	229	131	57.2	5	90
Payment of Death Benefits	212	117	55.2	4	-
Pension Estimates	192	80	41.7	4	-
Marriage Breakdown Estimates	109	58	53.2	5	-
Portability Transfer Values	97	23	23.7	5	-
Inter-fund Transfer	504	473	93.8	1	-
VPB Lump Sum Payment	1,145	1,106	96.6	4	-
<b>Total</b>	<b>12,862</b>	<b>11,085</b>	<b>86.2</b>		

Table 1.6

\* 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*.

**33,436**

members have registered for PLANet

**8,750**

members receive electronic statements and newsletters

**>28,500**

phone inquiries answered

**>16,000**

email inquiries answered

**75**

meetings held with PEPP employers

**2,036**

attendees at 86 virtual and in-person workshops

**919**

member meetings with a retirement information consultant

**1,285/379**

members follow us on Facebook/Twitter

*It is reassuring to know that my pension is in the hands of a group of professionals who are managing it in the best way to ensure my money grows as much as possible.*

*PEPP doesn't have the same service fees of many investment firms and has managed, even during tough times, to maintain a decent rate of return given the circumstances.*

**Katherine Fitton**

Manager

Western Development Museum, Moose Jaw

PEPP member



# INVESTMENTS

Investment returns over the 12-month period ending March 31, 2023, were narrowly positive across most of PEPP's asset allocation funds. The Accelerated Growth Fund appreciated by 0.2 per cent, the Balanced Fund increased 0.3 per cent, while the Conservative Fund edged 0.2 per cent lower. Furthermore, the Bond Fund declined 1.8 per cent, and the Money Market Fund returned a positive 2.8 per cent. The past year was marked by a very aggressive rate-hiking response by global central banks to combat inflation, bouts of financial instability within segments of the banking sector, elevated geopolitical risks, and periods of above-average return correlation between equities and fixed-income.

### **Equities**

In aggregate, the PEPP equity portfolio experienced moderately negative returns, however, all major equity segments within the Plan delivered above-index results on a net of fees basis. This widespread outperformance in the PEPP equity portfolio helped limit the losses that occurred in the broader market. Portfolio constituents that exhibit value style attributes outperformed those that emphasize growth characteristics. Oil and gas sector names generally outperformed, while influential market decliners were in banking, real estate, technology, and clean-energy related industries.

Market value losses within the equity portfolio were also somewhat offset by favourable currency movements. Major currencies such as the U.S. dollar (the Plan's largest foreign currency exposure), the Euro, and the British

pound appreciated versus the Canadian dollar over the period. As a result, unhedged returns in Canadian dollar terms benefitted from a positive currency swing. However, in order to moderate the volatility 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 Plan's asset allocation funds benefitted from approximately half of the currency translation effect.

The PEPP Canadian equity portfolio delivered mid-single digit market losses although the group outperformed its benchmark. Positive excess returns were achieved in both the Canadian large cap and small cap portfolio. The group as a whole benefitted from above-index exposure to food retail, consumer staples, and packaging companies.

### **Alternatives**

The Plan's alternative investments portfolio was a top-performing segment, generating positive returns that exceeded both the equity and fixed-income portfolio. The group also outperformed its benchmark as liquid alternative holdings and the infrastructure program yielded positive excess returns. The real estate portfolio was more challenged over the period, delivering low, single-digit positive returns. While income returns were positive and relatively stable across property type and location, they were partially offset by modestly negative capital returns that were attributable to softening valuation assumptions on office properties. Overall, the alternatives portfolio had a solid year that exceeded expectations.

### **Income**

The income segment, consisting of dedicated fixed income and money market investments, declined in market value over the period. It was a year that saw substantial monetary policy action from both the U.S. Federal Reserve and the Bank of Canada. The bond yield on the benchmark Government of Canada 10-year bond, rose by 0.5 percentage points to 2.9 per cent as at the close of the Plan year. While higher bond yields led to negative returns for the PEPP income portfolio, the allocation to absolute-return fixed-income strategies helped limit the market declines, albeit to a modest degree. The FTSE Canada Universe Bond Index, which tracks broad Canadian bond market investments, declined two per cent over the Plan year, a loss that was 0.2 percentage points steeper than the PEPP income portfolio.

In summary, most of the Plan's asset allocation funds experienced small but positive returns on the year. Despite the fact that both the income and the equity portfolio declined in market value, the favourable net-of-fee results achieved in the alternatives group, were significant enough to have a net positive impact on fund returns over 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.



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 and total fund fees (for each fund as at March 31, 2023.)

## Accelerated Growth Fund

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 25.1 per cent (foreign exposure of 47.4 per cent, less hedged exposure of 22.3 per cent)

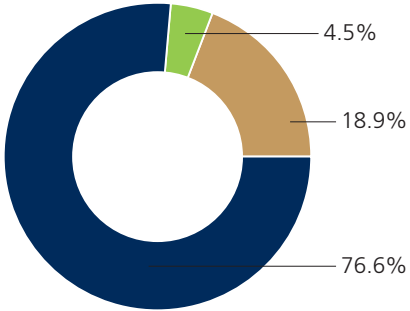
### Rate of Return

Net Rate of Return

**0.20%**

One year rate of return	Less fund fees
<b>1.08%</b>	<b>0.88%</b>

### Asset Mix



Income Alternatives Equities

## Growth Fund

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 21.7 per cent (foreign exposure of 40.9 per cent, less hedged exposure of 19.3 per cent).

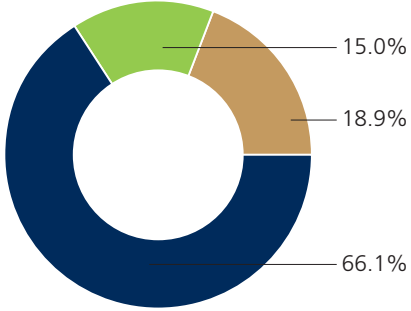
### Rate of Return

Net Rate of Return

**0.20%**

One year rate of return	Less fund fees
<b>1.03%</b>	<b>0.83%</b>

### Asset Mix



## Balanced Fund

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 16.5 per cent (foreign exposure of 31.2 per cent, less hedged exposure of 14.7 per cent).

### Rate of Return

#### Net Rate of Return

**0.30%**

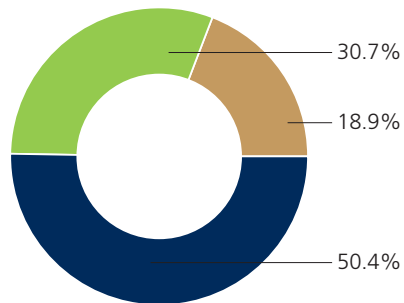
One year rate of return

**1.06%**

Less fund fees

**0.76%**

### Asset Mix



Income

Alternatives

Equities

## 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 11.3 per cent (foreign exposure of 21.4 per cent, less hedged exposure of 10.1 per cent).

### Rate of Return

#### Net Rate of Return

**0.20%**

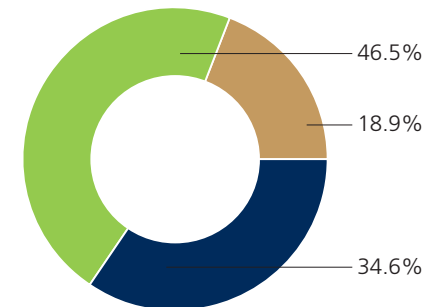
One year rate of return

**0.89%**

Less fund fees

**0.69%**

### Asset Mix



Income

Alternatives

Equities



## 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 six per cent (foreign exposure of 11.3 per cent, less hedged exposure of 5.3 per cent).

### Rate of Return

#### Net Rate of Return

**(0.20%)**

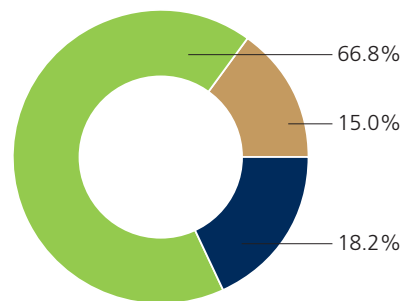
One year rate of return

**0.35%**

Less fund fees

**0.55%**

### Asset Mix



Income

Alternatives

Equities

## 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.

### Rate of Return

#### Net Rate of Return

**(1.80%)**

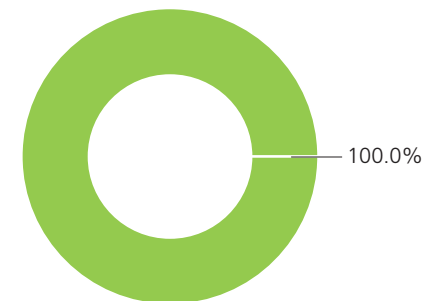
One year rate of return

**(1.57%)**

Less fund fees

**0.23%**

### Asset Mix



## 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.

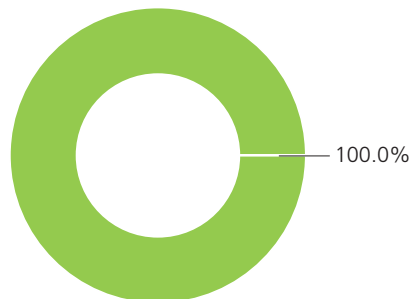
### Rate of Return

#### Net Rate of Return

# 2.80%

One year rate of return	Less fund fees
<b>2.96%</b>	<b>0.16%</b>

### Asset Mix



■ Income

## 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.

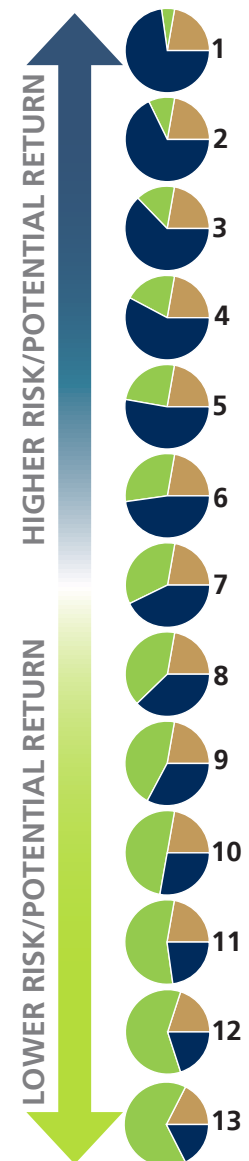
### Rate of Return

PEPP Step Fund	One year (%)		
	Rate of Return	Less Fund Fees	Net Rate of Return
Step 1	1.07	0.88	0.19
Step 2	1.08	0.85	0.23
Step 3	1.08	0.83	0.25
Step 4	1.06	0.80	0.26
Step 5	1.06	0.78	0.28
Step 6	1.04	0.76	0.28
Step 7	1.01	0.73	0.28
Step 8	0.97	0.71	0.26
Step 9	0.94	0.69	0.25
Step 10	0.89	0.66	0.23
Step 11	0.84	0.64	0.20
Step 12	0.62	0.60	0.02
Step 13	0.35	0.55	(0.20)

■ Alternatives

■ Equities

### Asset Mix



## 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 2022-2023

The Board engaged three private equity managers:

1. L Catterton;
2. Lexington Partners; and
3. SK Capital.

four infrastructure managers:

1. CIM Group;
2. IFM Investors;
3. Kohlberg Kravis Roberts & Co; and
4. Tiger Infrastructure Partners.

and one private credit manager:

1. ASOF Investment Management.

BC Partners Advisors, L.P. has been reclassified from private equity to private credit.

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
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
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

*continued*

Investment Manager (Multi-manager program)	Reference Name	Mandate(s)
BC Partners Advisors, L.P.	BCP	Private Credit
ASOF Investment Management	ASOF	Private Credit
Clayton, Dubilier & Rice, LLC	CDR	Private Equities
FSN Capital Partners	FSH	Private Equities
General Catalyst	General Catalyst	Private Equities
Insight Partners	Insight Partners	Private Equities
K1 Investment Management, LLC	K1	Private Equities
L Catterton	L Catterton	Private Equities
Lexington Partners	Lexington	Private Equities
Neuberger Berman	NB	Private Equities
Oak Hill Capital Management, Inc.	Oak Hill	Private Equities
Quad-C Partners	Quad-C	Private Equities
Silver Lake Partners	Silver Lake	Private Equities
SK Capital	SK Capital	Private Equities
Technology Crossover Ventures	TCV	Private Equities
The Jordan Company, L.P.	Resolute	Private Equities
Tiger Infrastructure Partners	Tiger	Private Equities
Thoma Bravo, LLC	Thoma Bravo	Private Equities
Verdane Capital	Verdane	Private Equities
Antin Infrastructure Partners	Antin	Infrastructure
Arroyo Energy Investor Partners, LLC	Arroyo	Infrastructure
CIM Group	CIM	Infrastructure
DIF Management B.V.	DIF	Infrastructure
Digital Colony Partners Management, LLC	Digital Colony	Infrastructure
IFM Investors	IFM	Infrastructure
I-Squared Capital	I-Squared	Infrastructure
Kohlberg Kravis Roberts & Co	KKR	Infrastructure
Macquarie Asia-Pacific Infrastructure	Macquarie	Infrastructure
Northleaf Infrastructure Capital Partners	Northleaf	Infrastructure
Stonepeak Infrastructure Partners	Stonepeak	Infrastructure
Insight Investment Management Ltd.	Insight	Hedge 50 per cent of foreign currency exposure

Table 1.6

## Investment Performance

The Board retains 62 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)	(5.2)	8.9
		Beutel (active manager)	(1.7)	8.6
		Fidelity (active manager)	(5.7)	n/a
		Benchmark (S&P/TSX Capped Composite Index)	(5.2)	9.0
	Canadian SMID Cap Equity Manager			
		QV (active manager)	(0.7)	8.7
		Benchmark (S&P/TSX Completion Index)	(3.2)	7.8
	Canadian Small Cap Equity Managers			
		Zechner (active manager)	(12.5)	18.6
		Benchmark (S&P/TSX Small Cap Index)	(12.6)	7.7

Table 1.7

		Net Rate of Return		
		1-Year	4-Year	
US Equities	US Equity Managers			
		TDAM (passive manager)	-	11.9
		Benchmark (S&P 500 Index - \$Cdn)	-	11.9
	US Small Cap Equity Manager			
		GWK (active manager)	1.0	9.9
		Pzena (active manager)	6.3	n/a
		Benchmark (Russell 2000 Index - \$Cdn)	(4.2)	5.7

Table 1.8

Non-North American/Global, Emerging Market Equities		Net Rate of Return	
		1-Year	4-Year
	<b>Global Equity Managers</b>		
	Maj (active manager)	(3.1)	n/a
	Benchmark (MSCI World Index - \$Cdn)	1.3	9.9
	Burgundy (active manager)	2.4	6.5
	MSIM (active manager)	(2.5)	n/a
	Pzena (active manager)	7.0	n/a
	Benchmark (MSCI AC World Index - \$Cdn)	0.8	8.9
	<b>EAFE Small Cap Equity Managers</b>		
	Oberweis (active manager)	(13.7)	5.4
	Benchmark (MSCI World ex US Small Cap index - \$Cdn)	(2.1)	5.0
	TSW (active manager)	10.5	7.5
	Benchmark (MSCI EAFE Small Cap Index - \$Cdn)	(1.8)	4.4
	<b>Emerging Market Managers</b>		
	ARGA (active manager)	14.6	n/a
	T. Rowe (active manager)	(2.1)	(0.7)
	Benchmark (MSCI Emerging Market Index - \$Cdn)	(2.8)	1.5

Table 1.9

Alternatives	Net Rate of Return	
	1-Year	4-Year
<b>Real Estate Manager</b>		
TDAM (active manager)	2.3	6.2
Benchmark (MSCI/REALPAC Quarterly Property Fund Index)	2.8	4.8
MSIM (active manager)	6.4	n/a
Benchmark (NCREIF NFI-ODCE Index)	7.0	8.4
Barings LLC (active manager)	(4.4)	n/a
Benchmark (MSCI Balanced Pan-European Property Fund Index)	(2.7)	1.7
<b>Liquid Alternative Managers</b>		
Elementum	8.1	n/a
Rokos	36.1	10.4
One William Street	15.0	n/a
LMR	15.7	n/a
Transtrend	(4.8)	n/a
Benchmark (3-Month US Treasury Bills - \$Cdn)	11.8	1.6
King Street	(3.2)	n/a
Hudson Bay	4.3	n/a
GMO	11.5	2.4
Benchmark (FTSE TMX Cda 91-Day T-Bill Index)	2.8	1.3
Private Equity Managers	18.4	n/a
Infrastructure Managers	16.3	n/a

Table 1.10



Fixed Income		Net Rate of Return	
		1-Year	4-Year
	<b>Canadian Bond Managers</b>		
	TDAM (passive manager)	(2.0)	(0.2)
	CIBC (active core manager)	(2.1)	n/a
	AB (active CorePlus manager)	(2.4)	(0.9)
	PIMCO (active CorePlus manager)	(1.9)	0.5
	Benchmark (FTSE TMX Canada Universe Bond Total Return Index)	(2.0)	(0.2)
	Manulife (active absolute return manager)	(1.6)	n/a
	Benchmark (Bloomberg Barclays Multiverse Index - \$Cdn)	(0.2)	(1.2)
	PGIM (active absolute return manager)	(1.3)	n/a
	Benchmark (FTSE TMX Cda 91-Day T-Bill Index)	2.8	1.3

Table 1.11

Cash and Equivalents		Net Rate of Return	
		1-Year	4-Year
	<b>Money Market Manager</b>		
	TDAM (active manager)	3.0	1.5
	Benchmark (FTSE TMX Cda 91-day T-Bill Index)	2.8	1.3

Table 1.12

## Investment Consulting

The Plan's Strategic Investment Consultant is Aon. In 2022-2023, Aon provided strategic investment guidance and education to the Board. Aon was paid \$272,000.

PEBA's General Investment Consultant is Mercer (Canada) Ltd. (Mercer). In 2022-2023, Mercer collaborated with PEBA and provided regular investment consulting services including performance monitoring. Mercer was paid \$374,000.

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 \$457,000.

## 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 \$1,366,000 in custodial fees for the year ended March 31, 2023.

## 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.

<b>Special Aide Remuneration</b>	<b>Total</b>
Annual Retainer	\$25,000.00
<b>Total</b>	<b>\$25,000.00</b>

*Table 1.13*

# Investment Manager Fees

(for the 2022-2023 fiscal year)

## \$67,447,000

Total Investment Manager  
and Performance Fees

Investment Manager	Total Cost (\$000's)	(%)
Pzena Investment Management, LLC	4,697	9.55
Morgan Stanley Investment Management Inc.	3,223	6.55
Infrastructure*	3,121	6.35
Burgundy Asset Management Ltd.	3,055	6.21
TD Asset Management Inc.	2,964	6.02
Maj Invest	2,805	5.70
Private Equity*	2,792	5.68
LMR Partners LLP	2,552	5.19
ARGA Investment Management, LP	2,428	4.94
Hudson Bay Capital Management LP	2,319	4.72
Rokos Capital Management LLP	1,958	3.98
T. Rowe Price (Canada), Inc.	1,796	3.65
One William Street Capital Management, L.P.	1,301	2.65
Thompson, Siegel & Walmsley LLC	1,234	2.51
Fidelity Investments Canada ULC.	1,226	2.49
Oberweis Asset Management, Inc.	1,165	2.37
Gannett Welsh & Kotler, LLC	1,156	2.35
Beutel, Goodman & Company Ltd.	1,070	2.18
Grantham, Mayo, Van Otterloo & Co	1,051	2.14
PIMCO Canada Corp.	1,026	2.09
QV Investors Inc.	930	1.89
AllianceBernstein Canada, Inc.	905	1.84
Manulife Investment Management Limited	835	1.70
King Street Capital Management, L.P.	795	1.62
Transtrend B.V.	742	1.51
CIBC Asset Management Inc.	553	1.12
Elementum Advisors, LLC	524	1.07
J. Zechner Associates Inc.	472	0.96
Insight Investment Management Inc.	302	0.61
Private Credit*	178	0.36
<b>Total investment manager fees</b>	<b>49,175</b>	<b>100.00</b>
<b>Performance fees</b>		
Liquid alternatives	15,151	82.92
Infrastructure*	2,960	16.20
Private Credit*	161	0.88
<b>Total performance fees</b>	<b>18,272</b>	<b>100.00</b>

Table 1.14

\* Private Equity, Private Credit and Infrastructure have multiple managers. See complete list in Table 1.6

*Being a PEPP member means I am part of a reputable and secure system for retirement benefits. I have taken advantage of PEPP options to achieve greater financial security in later years.*

**Ikenna Mbakwe**

Research Specialist  
Ministry of Agriculture  
PEPP member



**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 biannual basis. A review of the Plan's performance during the year ended March 31, 2023 is provided in the following pages.

## Summary

The Plan met 12 of its 13 performance targets in 2022-2023.

Member satisfaction with information sessions, quality of service and communication materials all met their targets for the year.

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 2022-2023 all service providers met the target of providing "satisfactory" service.

Eight of nine Board members completed their educational requirement for the year.

Breakage as a percentage of total financial transactions did not meet its target for the year due to unit valuation errors, staff shortages and late contributions.

## 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 <sup>1</sup>
Performance to budget	Administration cost	Administration cost within budgeted amount.	Met
Supplier management	Breakage as a percentage of total financial transactions	Fewer than one per cent of financial transactions incur breakage.	Not Met <sup>2</sup>

<sup>1</sup> Four-year benchmarks are available on the Plan's website.

<sup>2</sup> 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.*

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

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



**Inderjit Kaur**

Processing Support Analyst  
Ministry of Health  
PEPP Member

# Strategic Goals

In 2022-2023, the Board received updates on its Strategic Business Plan for 2022-2023 to 2024-2025. 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 members to earn competitive long-term returns 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 varying investment preference and risk appetite. To that end, PEPP engages in a periodic review of its investment options to ensure they meet member needs.

### 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 2022-2023

- The Board completed 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 21 private market investments.

## Service

*Deliver exceptional and innovative products and services 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 important choices that play a large part in whether they achieve the retirement outcomes they desire. This means that PEPP must provide the information and services that can help members make those crucial decisions. The Board is committed to reviewing member outcomes to ensure that investment options will give members the opportunity to achieve their retirement goals.

The best way that 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 2022-2023

- The Board approved a framework to gain insights from reporting documents to enhance monitoring of PEPP member retirement outcomes.
- The Board monitored the feasibility of offering new decumulation options to plan members.
- The Board increased frequency of member surveys from biennially to once per year.

## 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 2022-2023

- The Board received reports comparing PEPP's administrative costs and quality of service to those of peer Canadian pension plans.

## 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 2022-2023

- The Board made several decisions in support of implementing a more appropriate governance model to ensure optimal oversight of the Plan.

## 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 these decisions.

PEPP provides the tools and information that members need. PEPP strives to ensure that members are aware of their responsibilities and the ways PEPP can help.

PEPP also makes every effort to ensure that its provision of information and services is proactive and anticipates the needs of the Plan's members.

### Objectives

- Support member understanding of the Plan, including individual member benefits and responsibilities for making informed decisions pursuant to the Plan.
- Increase awareness and usage of member resources.
- 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 2022-2023

- The Board received updates on a strategy to engage with plan members and stakeholders to increase awareness of, and user experience with, PEPP tools and resources.

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.

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**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.

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**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.

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*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: Risks are to be considered at a Plan level, and assessed on the residual risk left after current mitigation strategies are employed.

## Financial Risk

- **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.

## Operational Risk

- **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 in services, 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.

## Regulatory Risk

- **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.

## Strategic Risk

- **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 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.

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 the PEPP Retirement Planner (formerly Retire@Ease).
- The Board consults with Plan members and participating employers on a regular basis to determine their needs.

## Activities planned and accomplished in 2022-2023

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

- The Board received updates on its Strategic Business Plan for 2022-2023 to 2024-2025.

### *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 September 2022.
- The Board reviewed the performance of its auditor in September 2022.
- The Board reviewed the performance of its strategic investment consultant in September 2022.
- The Board reviewed the performance of its private markets consultant in April 2022.
- The Board reviewed the performance of its custodian in October 2022.

### *Quarterly updates comparing actual expenditures versus budgeted amounts.*

- The Board received quarterly updates on expenditures for the quarters ended March, June, September, and December 2022.

## *Semi-annual completion of the Periodic Checklist.*

- PEBA provided the Board with the final Periodic Checklist for 2022-2023 in May 2022 and the interim Periodic Checklist for the first six months of 2022-2023 in November 2022. No exceptions were noted.

### *Monitoring member outcomes.*

- The Board worked with its strategic investment consultant to implement a program to monitor outcomes for members.

## Activities planned for 2023-2024

- 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

### 2021-2022

**\$11.8** billion in assets

**Total Contributions**

415.5 million

**Transfers-in**

9.1 million

**Transfers-out**

372.7 million

### 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



**Jeremy Phillips**  
Assistant Deputy Minister  
PEBA

## 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.

A handwritten signature in black ink, appearing to read 'J Phillips', with a long horizontal flourish extending to the right.

Jeremy Phillips  
Assistant Deputy Minister  
Public Employees Benefits Agency

Regina, Saskatchewan  
June 28, 2023



*As PEPP members we work hard to create economic livelihood for ourselves and our families.*

*Saving for retirement is part of my retirement plan and the contributions I make, along with the matched contributions, are benefits I value the most.*

**Patricia Crowe**

Indigenous Economic Development Specialist  
Ministry of Trade and Export Development

PEPP member

**FINANCIAL statements**



KPMG LLP  
Hill Centre Tower II  
1881 Scarth Street, 20th Floor Regina Saskatchewan S4P 4K9 Canada  
Telephone (306) 791-1200  
Fax (306) 757-4703

## INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 “*Auditor’s Responsibilities for the Audit of the Financial Statements*” section of our auditor’s report.

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

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



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### *Other Information*

Management is responsible for the other information. Other information comprises the 2023 Annual Report. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

We obtained the information, other than the financial statements and the auditor's report thereon, included in the 2023 Annual Report document as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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



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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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Chartered Professional Accountants

Regina, Canada

June 28, 2023

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

**Statement 1**

As at March 31	(in thousands)	
	2023	2022
<b>ASSETS</b>		
Investments (Note 4)	\$ 11,179,690	\$ 11,354,933
Investments Under Securities Lending Program (Note 4)	338,859	384,130
Repurchase Agreements (Note 4)	104,032	107,327
	<b>11,622,581</b>	<b>11,846,390</b>
Receivables		
Employee Contributions	2,969	4,717
Employee Contributions - Voluntary	137	162
	<b>3,106</b>	<b>4,879</b>
Employer Contributions	3,658	5,382
Accrued Investment Income	31,868	23,944
Other Receivables	30,837	20,773
	<b>69,469</b>	<b>54,978</b>
Cash	85,545	78,608
Due from General Revenue Fund (Note 7)	13,926	9,262
Total Assets	<b>11,791,521</b>	<b>11,989,238</b>
<b>LIABILITIES</b>		
Administrative Expenses Payable	9,094	11,686
Refunds, Transfers and Other Payables	34,235	21,157
Repurchase Agreement Liability	106,328	120,520
Total Liabilities	<b>149,657</b>	<b>153,363</b>
NET ASSETS AVAILABLE FOR BENEFITS	<b>11,641,864</b>	<b>11,835,875</b>
PENSION OBLIGATIONS	<b>11,641,864</b>	<b>11,835,875</b>
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**

<b>For the Year Ended March 31</b>	<b>(in thousands)</b>	
	<b>2023</b>	<b>2022</b>
<b>INCREASE IN ASSETS AND PENSION OBLIGATIONS</b>		
Investment Income (Note 4)	\$ 275,120	\$ 289,772
Increase in Fair Value of Investments	-	35,104
Contributions		
Employee Contributions	168,295	163,171
Employee Contributions - Voluntary	38,751	50,954
	207,046	214,125
Employer Contributions	208,126	201,360
External Transfers In	5,116	9,125
	420,288	424,610
Total Increase in Assets and Pension Obligations	695,408	749,486
<b>DECREASE IN ASSETS AND PENSION OBLIGATIONS</b>		
Transfers, Refunds and Benefits (Note 6)	619,958	586,043
Transfers to Saskatchewan Pension Annuity Fund	4,643	1,968
Investment Transaction Costs	2,843	4,108
Administrative Expenses (Note 8)	87,522	74,875
Other Expenses	381	117
Decrease in Fair Value of Investments	174,072	-
Total Decrease in Assets and Pension Obligations	889,419	667,111
Net (Decrease) Increase in Net Assets and Pension Obligations	(194,011)	82,375
NET ASSETS AVAILABLE FOR BENEFITS AND PENSION OBLIGATIONS, BEGINNING OF YEAR	11,835,875	11,753,500
NET ASSETS AVAILABLE FOR BENEFITS AND PENSION OBLIGATIONS, END OF YEAR	\$ 11,641,864	\$ 11,835,875

(See accompanying notes to the financial statements)



## Public Employees Pension Plan Notes to the Financial Statements

March 31, 2023

### 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 an independent 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, 2023 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 28, 2023.

### 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.

Private credit investments are valued at market values supplied by the private credit investment manager. These market values are based on the latest available private credit 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)	
	<b>2023</b>	<b>2022</b>
<b>Investments</b>		
Short-term	\$ 47,355	\$ 68,691
Bonds and Debentures	418,924	462,028
Equities	5,024,875	5,067,738
Pooled Funds	5,290,352	5,595,220
Private Equity	133,576	79,691
Private Credit	15,800	-
Infrastructure	248,808	81,565
	<u>11,179,690</u>	<u>11,354,933</u>
<b>Investments Under Securities Lending:</b>		
Short-term	5,271	32,381
Bonds and Debentures	42,347	3,855
Equities	291,241	347,894
	<u>338,859</u>	<u>384,130</u>
<b>Repurchase Agreements</b>	<u>104,032</u>	<u>107,327</u>
	<u>\$ 11,622,581</u>	<u>\$ 11,846,390</u>

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

	(in thousands)	
	<b>2023</b>	<b>2022</b>
<b>Investment Income</b>		
Interest	\$ 15,149	\$ 13,483
Pooled Funds	109,806	153,355
Dividends	134,179	111,354
Private Equity	1,049	489
Private Credit	783	-
Infrastructure	1,608	2,695
Security Lending	1,131	1,493
Other	11,415	6,903
	<u>\$ 275,120</u>	<u>\$ 289,772</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, 2023 had effective rates of 4.3 per cent to 14.3 per cent (2022 – 0.4 per cent to 3.3 per cent), and an average remaining term to maturity of 55 days (2022 - 66 days).

Other than the Government of Canada, no single issue represents more than 2.28 per cent (2022 – 6.34 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:

2023 (in thousands)							
Years to Maturity	Federal	Provincial	Corporate	Municipal	Total Market Value	Coupon Rate	Effective Interest Rate
Under 5	\$ 71,647	\$ 4,587	\$ 99,153	\$ 2,787	\$ 178,174	0.50% - 8.88%	3.16%
5 to 10	31,165	19,468	73,775	3,668	128,076	0.50% - 6.67%	3.32%
Over 10	21,594	105,431	23,946	4,050	155,021	1.50% - 8.05%	3.96%
<b>Market Value</b>	<b>\$ 124,406</b>	<b>\$ 129,486</b>	<b>\$ 196,874</b>	<b>\$ 10,505</b>	<b>\$ 461,271</b>		

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%
<b>Market Value</b>	<b>\$ 84,338</b>	<b>\$ 137,901</b>	<b>\$ 229,186</b>	<b>\$ 14,458</b>	<b>\$ 465,883</b>		

Included in the above amounts of corporate bonds are foreign bonds, issued by foreign entities in Canadian currency, with a market value of \$14.4 million (2022 – \$21.2 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, 2023, the market value of the Plan's directly held foreign equity investments in Canadian dollars amounted to \$4,008 million (2022 - \$3,947 million) and foreign equities represent 75.4 per cent (2022 – 72.9 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 2.50 per cent (2022 – 2.06 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, 2023 the Plan holds \$133.6 million in private equity investments (2022 – \$79.7 million) and was committed to further invest in private equity limited partnerships up to \$325.0 million in Canadian funds (2022 – \$177.6 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, 2023 the Plan holds \$248.8 million in infrastructure investments (2022 – \$81.6 million) and was committed to further invest in infrastructure limited partnerships up to \$364.1 million in Canadian funds (2022 - \$210.5 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.

##### Private Credit

Private credit investments are made through limited partnership arrangements. These investments represent a loan to a borrower, who agrees to pay back the loan in full along with fees and interest, which are set out in the terms of the loan. Risk levels will vary between borrowers and returns are based on the risk level of the individual loans and borrowers, as well as any security backing the loans.

As at March 31, 2023 the Plan holds \$15.8 million in private credit securities (2022- nil) and was committed to further invest in private credit partnerships up to \$11.3 million in Canadian funds (2022 - nil).

#### 4. Investments (continued)

Private credit managers use a variety of techniques to establish market values for the underlying investments. Factors taken into account for the valuation of private credit investments may include:

- Current interest rates and market yields;
- Changes in the credit worthiness of the borrower;
- Changes in the value of any underlying secured assets;
- Current market conditions; and/or
- Prices of similar debt instruments;

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

##### **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.

#### 4. Investments (continued)

##### 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)	
	2023	2022
Canadian Equity	\$ 742,837	\$ 960,794
U.S. Equity	42,480	196,518
Fixed Income Bond	2,098,921	2,136,486
Liquid Alternative Investments	868,391	773,728
Short-Term Investment	600,597	621,880
Real Estate	937,126	905,814
	<u>\$ 5,290,352</u>	<u>\$ 5,595,220</u>

##### 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, 2023, the Plan has entered into repurchase agreements with a notional value of \$104.0 million (2022 - \$107.3 million) and a fair value of negative \$2.3 million (2022 - negative \$13.2 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 \$18.9 million (2022 - \$19.2 million) in physical bonds which serve as a backing asset for the repurchase agreements with TD Asset Management. There is a \$105.5 million (2022 - \$120.7 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.

#### 4. Investments (continued)

##### 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.

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

2023 (in thousands)				
	Level 1	Level 2	Level 3	Total
Short-term	\$ -	\$ 52,626	\$ -	\$ 52,626
Bonds and Debentures	-	461,271	-	461,271
Equities	5,316,116	-	-	5,316,116
Pooled Funds	-	3,642,920	1,647,432	5,290,352
Private Equity	-	-	133,576	133,576
Private Credit	-	-	15,800	15,800
Infrastructure	-	-	248,808	248,808
Repurchase Agreements	-	104,032	-	104,032
Total	\$ 5,316,116	\$ 4,260,849	\$ 2,045,616	\$ 11,622,581
Repurchase Agreement Liability	\$ -	\$ 106,328	\$ -	\$ 106,328

2023 Fair Value measurement using level 3 inputs					
	Real Estate Fund	Liquid Alternatives	Private Equity, Private Credit and Infrastructure	Equity - US	Total
Balance at April 1, 2022	\$ 905,814	\$ 630,670	\$ 161,256	\$ 1,629	\$ 1,699,369
Purchases	15,085	-	226,819	-	241,904
Sales	-	(187)	(33,006)	-	(33,193)
Gains (Losses)					
Realized	-	110	2,056	(5,167)	(3,001)
Unrealized	16,227	79,713	41,059	3,538	140,537
Balance at March 31, 2023	\$ 937,126	\$ 710,306	\$ 398,184	\$ -	\$ 2,045,616

#### 4. Investments (continued)

Transfers between Level 1 and Level 3 during the current year was \$1,629 (2022 – nil). During the year, the transfer out of Level 3 was due to the merger between Private US-Equity and Public Global-Equity holdings. The transfer occurred on June 1, 2022.

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

## 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, 2023:

### 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:

<b>FOREIGN EXCHANGE FORWARD CURRENCY CONTRACTS</b>				
(in thousands)				
<b>2023</b>			<b>2022</b>	
Currency	*Notional Value	Gain (Loss)	*Notional Value	Gain (Loss)
AUD	(8,672)	\$ 50	(9,219)	\$ 4
CHF	(56,705)	(576)	(65,085)	1,238
DKK	(33,460)	(318)	(27,111)	331
EUR	(258,498)	(2,756)	(179,020)	2,038
GBP	(96,706)	(1,984)	(96,475)	2,440
HKD	(25,743)	106	(20,698)	574
JPY	(136,970)	(1,126)	(146,405)	10,184
MXN	(1,622)	15	(1,072)	(45)
NOK	(3,897)	70	(5,048)	13
NZD	-	-	(148)	2
SEK	(7,500)	(21)	(8,211)	(221)
SGD	-	-	(750)	16
USD	(1,041,438)	6,556	(1,155,637)	29,687
		<u>\$ 16</u>		<u>\$ 46,261</u>

*\*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, 2023, the forward contracts are in a net gain position of \$0.02 million (2022 – net gain position of \$46.2 million). The foreign currency forward exchange contracts are short-term in duration and all contracts as of March 31, 2023 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>2023</u>	<u>2022</u>
Termination Refunds	\$ 13,922	\$ 11,881
Death and Lump Sum Benefits	27,878	25,200
Variable Pension Benefits	256,367	215,351
Marital Transfers	3,243	1,869
Transfers to Registered Retirement Savings Plans and to Private Companies Providing Annuities	309,733	321,106
Transfers Out	<u>8,815</u>	<u>10,636</u>
	<u>\$ 619,958</u>	<u>\$ 586,043</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 2023 was 2.89 per cent (2022 – 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 bank fees, certain consulting fees, custodial fees, investment base fees, performance fees and other investment fees, which are paid directly.

	(in thousands)	
	2023	2022
Audit Fees	\$ 94	\$ 89
Administration Costs	12,859	12,765
Custodial Fees	1,366	1,245
Investment Manager Fees*	48,676	48,751
Performance Fees**	18,145	9,275
Other Investment Fees	6,382	2,750
Total	<u>\$ 87,522</u>	<u>\$ 74,875</u>

\* Included in the investment manager fees is a rebate of \$499 (2022 - \$469) for PGIM Funds Plc. Total investment manager fees, excluding this rebate is \$49,175 (2022 - \$49,220).

\*\*Included in the performance fee is a rebate of \$127 (2022 – nil). Total performance fee, excluding this rebate is \$18,272.

## 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, 2023 is limited to the carrying value of the financial assets summarized as follows:

	(in thousands)	
	<b>2023</b>	<b>2022</b>
Cash	\$ 85,545	\$ 78,608
Receivables	69,469	54,978
Fixed Income Investments <sup>1</sup>	511,601	553,762
Private Credit	15,800	-
Due from The General Revenue Fund	13,926	9,262
Equities Under Security Lending	291,241	347,894

<sup>1</sup> Includes short-term investments, bonds, bonds under security lending, and repurchase agreements

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, private credit 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)			
	2023		2022	
	Fair Value	Makeup of Portfolio (%)	Fair Value	Makeup of Portfolio (%)
AAA	\$ 149,732	32.46	\$ 108,132	23.21
AA	121,977	26.44	131,047	28.13
A	98,671	21.40	131,166	28.16
BBB	90,891	19.70	95,538	20.50
Total	<u>\$ 461,271</u>	<u>100.00</u>	<u>\$ 465,883</u>	<u>100.00</u>

Within directly held bonds and debentures, there are no holdings from one issuer other than the Government of Canada or a Canadian province over 3.36 per cent (2022 – 3.81 per cent) of the market value of the portfolio. No one holding of a province is over 2.18 per cent (2022 – 2.75 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 \$216.3 million at March 31, 2023 (2022 - \$231.4 million); representing 6.43 per cent of the \$3,364 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 \$216.3 million at March 31, 2023 (2022 - \$231.4 million); representing 6.43 per cent of the \$3,364 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, 2023, the Plan's exposure to U.S. equities was 18.12 per cent of total investments (2022 – 19.23 per cent) and its exposure to Non-North American equities was 16.79 per cent of total investments (2022 – 15.79 per cent).

At March 31, 2023, a 10 per cent change in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a \$264.3 million (2022 - \$242.4 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 \$177.2 million (2022 - \$177.3 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, 2023, the Plan's foreign exchange exposure that is hedged is \$1,671 million (2022 - \$1,715 million). A 10 per cent change in the aggregate exchange exposure would equate to a net change of \$167.1 million (2022 - \$171.5 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 46.60 per cent (2022 – 49.17 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, 2023:

	(Change in thousands of \$)	
	<u>10% increase</u>	<u>10% decrease</u>
Canadian Equities	\$136,047	\$(136,047)
U.S. Equities	210,816	(210,816)
Other Foreign Equities	195,364	(195,364)

## 9. Financial Risk Management (continued)

### Securities Lending Program

At March 31, 2023, 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, 2023, the total amount of collateral pledged to the Plan amounted to \$365.5 million (2022 - \$415.3 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, private credit, liquid alternatives and real estate risk

Private equity, infrastructure, private credit, 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, private credit 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 \$104.0 million (2022 - \$107.3 million) in fixed income exposure with a margin of \$18.9 million (2022 - \$19.2 million) in physical bond investments which take three days to liquidate, but also \$105.5 million (2022 - \$120.7 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, 2023, the Plan directly holds \$14.0 million (2022 - \$20.6 million) Province of Saskatchewan Bonds and Debentures. Investment gain on these bonds was \$0.5 million (2022 – gain of \$0.4 million). Included within accrued investment income is \$0.3 million (2022 - \$0.3 million) relating to Province of Saskatchewan Bonds.

The Plan has an accounts payable balance as at March 31, 2023 of \$1.1 million (2022 - \$1.6 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, private credit 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, 2023 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2023 was \$11,617 million (2022 - \$11,799 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.





## 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](http://pepp.peba.ca)

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