

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Financial Statements
June 30, 2024

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Pension Plans and the integrity and objectivity of these statements are management's responsibility. Management is responsible for the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal control to provide reasonable assurance that reliable financial information is produced.

The Prince Edward Island Teachers' Pension Plan Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Commission reviews internal financial reports on a regular basis and externally audited financial statements yearly.

The Office of the Auditor General conducts an independent examination, in accordance with Canadian generally accepted auditing standards, and expresses their opinion on the financial statements. The Office of the Auditor General has full and free access to financial information and management of the Prince Edward Island Teachers' Pension Plan to meet as required.

On behalf of the Prince Edward Island Teachers' Pension Plan



Mr. Jamie Horvat, MSc
Director, Pensions and Capital Management
Department of Finance



Mr. Arun Rooban, CPA
Manager, Accounting and Pension Payroll
Department of Finance

April 15, 2025

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the Prince Edward Island Teachers' Pension Plan

Opinion

We have audited the financial statements of the **Prince Edward Island Teachers' Pension Plan**, which comprise the statement of financial position as at June 30, 2024, the statement of changes in net assets available for benefits and changes in pension obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at June 30, 2024, and the changes in its net assets available for benefits and its pension obligation for the year then ended in accordance with Canadian Accounting Standards for Pension Plans.

Basis for Opinion

We conducted the 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 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Pension Plans and for such internal control that 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 an intention exists to liquidate or cease the operations of the Plan, or there is 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

We 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.



Darren Noonan, CPA, CA
Auditor General



Elvis Alisic, CPA, CA
Assistant Auditor General

Charlottetown, Prince Edward Island
April 15, 2025

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Statement of Financial Position
June 30, 2024

	2024	2023
	\$	\$
Assets		
Cash	3,519,517	3,075,210
Investments (Note 3(a))	972,649,100	920,205,864
Notes receivable (Note 5)	117,600,072	141,120,086
Receivables		
Contributions - employee	1,042,621	1,168,235
- employer	1,042,621	1,168,235
Accrued interest	2,434,321	2,921,186
Other	410,913	655,344
Total Assets	<u>1,098,699,165</u>	<u>1,070,314,160</u>
Liabilities		
Accounts payable and accrued liabilities	1,427,755	1,107,477
Remittances payable	1,182,993	1,003,932
Investment fees payable	815,115	806,210
Total Liabilities	<u>3,425,863</u>	<u>2,917,619</u>
Net Assets Available for Benefits	<u>1,095,273,302</u>	<u>1,067,396,541</u>
Accrued Pension Obligation (Note 4)	<u>1,095,273,302</u>	<u>1,067,396,541</u>
Net Surplus (Deficit)	<u>-</u>	<u>-</u>
Supplementary Information		
Commitments (Note 10)		

(The accompanying notes are an integral part of these financial statements.)

Approved on behalf of the Prince Edward Island Teachers' Pension Plan


Chairperson


Commissioner

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Statement of Changes in Net Assets Available for Benefits
for the year ended June 30, 2024

	2024	2023
	\$	\$
Increase in Net Assets		
Investment income (Note 3(a))	31,701,332	32,142,691
Change in fair value of investments (Note 3(a))	<u>27,423,027</u>	<u>27,034,310</u>
	59,124,359	59,177,001
Interest income from notes receivable (Note 5)	5,355,507	6,329,236
Other interest income	164,462	92,954
Contributions		
Employee	15,646,464	15,284,618
Employer	15,646,464	15,284,618
Transfers from other plans	2,441,395	755,916
Purchased service	<u>128,521</u>	<u>229,727</u>
	<u>98,507,172</u>	<u>97,154,070</u>
Decrease in Net Assets		
Benefits paid (Note 6)	60,005,849	55,776,768
Operating expenses (Note 7)	9,375,812	4,970,457
Refunds (Note 6)	757,792	596,623
Transfers to other plans (Note 6)	<u>490,958</u>	<u>58,375</u>
	<u>70,630,411</u>	<u>61,402,223</u>
Change in Net Assets Available for Benefits	27,876,761	35,751,847
Net Assets Available for Benefits, beginning of year	<u>1,067,396,541</u>	<u>1,031,644,694</u>
Net Assets Available for Benefits, end of year	<u>1,095,273,302</u>	<u>1,067,396,541</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Statement of Changes in Pension Obligation
for the year ended June 30, 2024

	2024	2023
	\$	\$
Accrued Pension Obligation, beginning of year	<u>1,067,396,541</u>	<u>1,031,644,694</u>
Change in Accrued Pension Obligation		
Interest accrued on benefits	67,572,896	63,768,257
Benefits accrued	18,541,686	18,282,496
Increase due to purchases of service	2,569,990	985,643
Benefits paid (Note 6)	(61,254,599)	(56,431,766)
Loss on experience, assumption changes and contingent indexation	<u>446,788</u>	<u>9,147,217</u>
Change in Accrued Pension Obligation	<u>27,876,761</u>	<u>35,751,847</u>
Accrued Pension Obligation, end of year (Note 4)	<u>1,095,273,302</u>	<u>1,067,396,541</u>

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

1. Plan Description

The following description of the Prince Edward Island Teachers' Pension Plan (the Plan) is a summary only. For more complete information, reference should be made to the *Teachers' Pension Plan Act* and *Regulations*.

a) General

The Plan is a contributory defined benefit plan covering members as defined in the *Teachers' Pension Plan Act*.

b) Contributions

Under the Plan, members make contributions amounting to 8.3 percent of that part of the members' salary up to the amount of the year's maximum pensionable earnings (YMPE) as defined in the *Canada Pension Plan Act* and 10.0 percent on the amount that exceeds the YMPE. Participating employers match member contributions. Herein, these are considered the Base Contributions. Beginning in 2017, variable contributions have been introduced based on the funded benefits ratio as defined below (note that contribution changes by funded level are total and not cumulative).

Funded Benefits Ratio	Employee Contributions ¹	Participating Employer Contributions ¹
<100% ²	Base Contributions plus 1%	Base Contributions plus 4%
100% to 110% ³	Base Contributions plus 1%	Base Contributions plus 2%
110% to 135%	Base Contributions	Base Contributions
135% to 145% ⁴	Base Contributions less 1%	Base Contributions less 2%
145% + ⁵	Base Contributions less 1%	Base Contributions less 4%

¹. Subject to the Income Tax Act Rules for maximum contributions.

². If triggered, contributions based on funded benefits ratio <100% remain in effect until funded benefits ratio of ≥ 105% is attained.

³. If triggered, contributions based on funded benefits ratio <110% remain in effect until funded benefits ratio of ≥ 115% is attained.

⁴. If triggered, contributions based on funded benefits ratio ≥135% remain in effect until funded benefits ratio of ≤ 130% is attained.

⁵. If triggered, contributions based on funded benefits ratio ≥145% remain in effect until funded benefits ratio of ≤ 140% is attained.

c) Retirement Benefits

Pension Formula: The annual pension is based on the number of years of service times two percent of average salary with a reduction at age 65 for estimated Canada Pension Plan ("CPP") benefits. The reduction is referred to as a bridge pension and only payable to age 65. The bridge is based on the number of years of service times 0.7 percent of average salary to a maximum of the average CPP year's maximum pensionable earnings. For service prior to December 31, 2013, average salary and year's maximum pensionable earnings is based on the best five-year average. For service commencing January 1, 2014, average salary and year's maximum pensionable earnings is based on career average.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

1. Plan Description (continued...)

Pre-Retirement Indexation: Benefits earned during 2014 to 2016, were automatically indexed at 1.5 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits, which are the Plan benefits prior to any future contingent indexation. In 2017 and beyond, pre-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 100 percent. If there are years that full indexation is not awarded, and if the funded benefits ratio subsequently reaches 115 percent, then a portion of Plan funds is available to make up for missed indexation in the past. The maximum indexation is 100 percent of the increase in the Average Wage Measure (AWM) in Canada; however, if in any year the assets available to be spent on inflation protection are not adequate to provide the full amount, partial indexation will be awarded.

Post-Retirement Indexation: For 2014 to 2016, post-retirement indexation was automatically awarded at 0.9 percent per annum. As this indexation is guaranteed, it is included in the Base Benefits. In 2017 and beyond, post-retirement indexation will only be awarded if the funded benefits ratio (as determined at the April 1st immediately prior to the calendar year in which indexation is to be awarded) is greater than 110 percent. If there are years that full post-retirement indexation is not awarded, and if the funded benefit ratio subsequently reaches 118 percent, then a portion of Plan funds is available to make up for missed past indexation on a go-forward basis (i.e. no retroactive payments). The maximum indexation is 100 percent of the Consumer Price Index (CPI); however, if the Plan cannot afford that amount, partial indexation will be awarded. Indexation also applies to deferred vested benefits and is applied in the same manner as the post-retirement indexation.

Retirement Age: For pensionable service prior to January 1, 2019, the earliest unreduced retirement age remains at the earlier of 30 years of pensionable service (minimum of age 55) and attained age 60. For pensionable service after December 31, 2018, the earliest unreduced retirement age will be the earlier of 32 years of pensionable service (minimum of age 55) and attained age 62. The earliest retirement age is 55 with two years of continuous service.

d) Disability Benefits

Disability benefits are available at any age to a member who retires from teaching service because of total and permanent disability provided the member contributed to the Plan for two or more years.

e) Death Benefits

Less than two years of continuous service: On the death of a member prior to completing two years of pensionable service, the member's accumulated contributions with interest will be refunded.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

1. Plan Description (continued...)

Greater than or equal to two years of continuous service: If a member dies prior to retirement but after completing two years of service, the member's spouse is entitled to an immediate lifetime pension equal to 60 percent of the accrued, unreduced pension of the member at the time of death. In addition to the spousal pension, an allowance equal to ten percent of the members' or vested former members' pension entitlement at death prior to retirement is payable in respect of each dependent child, up to a maximum of four children, until the child is no longer a dependent child or upon the death of the dependent child. Where a member dies after two years of service and before retirement and does not leave a surviving spouse or dependent children, the personal representative of the member shall receive a lump sum amount equal to one and a half times the member's accumulated contributions plus interest.

If the spouse of the member dies before the member, or where having survived the member the surviving spouse dies leaving children by the member, the 60 percent pension that was payable to the spouse will be paid to the dependent child or the guardian of that child, if the member or vested former member is survived by only one dependent child, or the oldest dependent child or the guardian of that child.

f) Termination and Portability of Benefits

In the event of termination of employment for reasons other than retirement or death, a member may elect to receive either:

- a refund of the member's own contributions with interest; or
- if the member has completed at least two years of service, a deferred pension subject to the provisions outlined in the Retirement Age section at Note 1(c).

Where there are portability arrangements between the Plan and other plans, members may be able to carry certain pension benefits to those other plans or transfer contributions and service from those other plans to increase pension benefits under the Plan.

g) Marriage Breakdown

Upon application, the pension benefits to which a person is entitled may be divided between the person and the spouse or former spouse.

h) Income Tax

The Plan is a Registered Pension Plan as defined under the federal *Income Tax Act* and is not subject to taxation.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with Canadian Accounting Standards for Pension Plans as outlined in the Chartered Professional Accountants of Canada (CPA) Handbook Section 4600, Pension Plans. For accounting policies that do not relate to either investments or pension obligations, the Plan has elected to comply on a consistent basis with International Financial Reporting Standards (IFRS) in Part 1 of the CPA Handbook. To the extent that IFRS in Part 1 is inconsistent with Section 4600, Section 4600 takes precedence.

These financial statements were authorized for issue by the Commission of the Teachers' Pension Plan on April 15, 2025.

Included in the determination of the accrued pension obligation for pension retirement benefits is a liability for contingent indexation.

For the year ended June 30, 2024, the contingent indexation liability is calculated based on total plan assets less the accrued pension obligation on base benefits assuming no further contingent indexation. This calculation does not incorporate the potential impact of future events such as contributions, gains or losses on asset returns, and new benefit accruals.

Significant judgment is involved in the accounting treatment of contingent indexation. Management recognizes that the contingent indexation liability represents a challenge for pensions in Canada. Going forward, management will continue to monitor developments in the accounting standards and practices when assessing the most appropriate accounting treatment for plans with a contingent indexation liability component.

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate reporting entity.

a) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Pension Plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include investments, accrued interest, accrued liabilities, and the accrued pension obligation.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates and the differences could be material.

b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the transaction date. The fair value of foreign investments

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements

June 30, 2024

2. Summary of Significant Accounting Policies (continued...)

and cash held at year-end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in the current period change in fair value of investments.

c) Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and/or discounted cash flow analysis.

d) Financial Instruments

The Plan's financial instruments include cash, investments, notes receivable, contributions receivable, accrued interest, other receivables, accounts payable, accrued liabilities, remittances payable, and investment fees payable. Due to their nature, the Plan's financial instruments, with the exception of investments, are carried at amortized cost which approximates their fair value. Credit risk is considered low for non-investment financial assets since most are from the Province or other government organizations. Investments are classified as fair value through the statement of changes in net assets available for benefits. Investments are carried at fair value and are subject to interest rate, price, credit, foreign currency, liquidity, and valuation risks as described in Note 3.

e) Investments

The Province sponsors various defined benefit pension plans. The primary plans are the PEI Public Sector Pension Plan, and the PEI Teachers' Pension Plan. Investments of the primary plans are held within the Province of PEI Master Trust, which is administered by external investment managers under policy guidelines set down by Executive Council and supervised by a Joint Investment Advisory Committee to the Minister of Finance. Investments are allocated to each primary plan by units of their participation. For more details see Note 9.

Significant accounting policies for the investments held in the Master Trust consist of:

(i) Investment Transactions

Investment transactions are recognized on the transaction date. Distributions are recognized on the record date. Investments include receivables and payables at June 30, 2024 for interest, dividends, and settled derivative contracts.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

2. Summary of Significant Accounting Policies (continued...)

(ii) Income Recognition

Income from investments is recorded on an accrual basis and includes interest and dividends as well as realized and unrealized gains and losses on investments.

(iii) Investment Valuation

Equity and debt

Equity and debt investments are valued at fair value based on quoted market values. Changes in the market value of investments, including realized and unrealized gains and losses, are reflected in the financial statements as a change in the fair value of investments.

Equity investment in real estate

Investment in real estate is represented by an equity investment in a corporation that invests in real estate, participating mortgages, and property for development or resale. Properties within the corporation are valued annually by independent appraisers in accordance with generally accepted appraisal practices and procedures. The appraisal methodology followed is an income approach which is mainly based on discounted cash flows. In estimating future cash flows, certain assumptions are made with respect to future economic conditions and rates of return.

Pooled funds

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represents the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

Private equity

The Plan holds investments in a limited partnership fund structure which makes investments in high-growth, predominantly late-stage private companies across sectors and around the globe. Fair value is based upon a number of factors, including but not limited to, original transaction prices, recent transactions in the same or similar instruments, completed or pending third party transactions in the underlying or comparable investments, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in equity or debt capital markets, implied multiples for comparable investments, and changes in financial performance or cash flows.

Private debt

The Plan holds investments in private debt instruments, which include loans and other fixed-income securities issued by private entities across various sectors and geographies. These investments are typically not traded in public markets and are valued at fair value using inputs that reflect observable market data where available, or internally developed models where market data is not readily available. Valuation methods for private debt may include, but are not limited to, discounted cash flow analysis based on contractual cash flows and current market lending rates, market comparable and changes in credit quality and interest rate spreads. Fair value estimates incorporate adjustments for credit risk, liquidity, and other factors affecting

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

2. Summary of Significant Accounting Policies (continued...)

valuation. Changes in the fair value of private debt investments, including both realized and unrealized gains and losses, are reflected in the financial statements as a change in the fair value of investments.

Derivative contracts

The derivative contracts held by the Plan are stated at fair value and are valued using quoted market indices. Realized and unrealized gains or losses on investments from derivative contracts are included in the change in the fair value of investments.

Investment in foreign infrastructure

The Plan owns units in a foreign infrastructure partnership. The partnership invests in portfolio companies that own, operate, develop, manage, and support infrastructure assets. Fair value is based upon a number of factors, including readily available market quotes with appropriate adjustments for trading restrictions, the most recent round of financing, earnings-multiple analysis using comparable companies, or discounted cash flow analysis.

(iv) Transaction Costs

Investment management fees are costs directly attributable to the external management of the assets. All fees incurred on the management of investments are recorded as an investment expense. Investment expenses are disclosed in Note 7.

f) Revenues and Expenses

Revenues of the Plan consist of investment income, change in fair value of investments, interest income from notes receivable, other interest income, and contributions. Expenses of the Plan consist of benefits paid, operating expenses, refunds and transfers to other plans. Revenues and expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the revenue or expense occurred.

g) Accrued Pension Obligation

The value of the accrued pension obligation of the Plan is based on an annual actuarial valuation prepared on an accounting basis by an independent actuary using the projected unit credit method pro-rated on service and best estimate assumptions. The accrued pension obligation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the Plan.

3. Investments and Derivatives

a) Investments

Investments consist of units held in the Master Trust. At year-end, there were 742,872.706 units held in the Master Trust (2023 – 711,085.903) with a fair value of \$1,309.31 (2023 - \$1,294.09) per unit.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

3. Investments and Derivatives (continued...)

Investments of the Master Trust consist of the following listed assets:

	<u>2024</u>	<u>%</u>	<u>2023</u>	<u>%</u>
	\$		\$	
Cash and Short-Term Investments	34,845,001	1.0	32,925,649	1.0
Long Core Plus Bond	348,191,738	10.2	321,849,729	10.0
Core Plus Bond	858,858,927	25.1	854,409,993	26.4
Canadian Equities	274,386,538	8.0	347,215,955	10.7
Global Equities	1,020,248,430	29.8	991,764,199	30.8
Private Equity	42,809,384	1.3	22,115,325	0.7
Canadian Real Estate	141,897,148	4.2	146,001,676	4.5
Global Real Estate	189,206,221	5.5	195,035,550	6.0
Global Infrastructure	307,972,132	9.0	300,860,732	9.3
Currency Overlay and Hedging	(4,913,628)	(0.1)	20,807,254	0.6
Private Debt	204,388,548	6.0	-	0.0
Total	3,417,890,439	100.0	3,232,986,062	100.0
Plan's pro-rated share	28.4576%		28.4630%	
Plan investments*	972,649,100		920,205,864	

*Rounded

Investment income and realized and unrealized gains (losses) of the Master Trust consist of the following:

	<u>Investment</u>	<u>Change in</u>	<u>Investment</u>	<u>Change in</u>
	<u>Income</u>	<u>Fair Value of</u>	<u>Income</u>	<u>Fair Value of</u>
	<u>2024</u>	<u>Investments*</u>	<u>2023</u>	<u>Investments*</u>
	\$	\$	\$	\$
Cash and Short-Term Investments	2,018,779	(4,614,320)	836,887	5,140,914
Long Core Plus Bond	16,438,394	(10,096,385)	12,055,213	6,312,372
Core Plus Bond	33,684,705	8,764,229	33,379,970	(3,102,642)
Canadian Equities	9,836,411	8,435,554	10,779,957	23,341,137
Global Equities	24,154,205	111,283,633	41,875,858	83,176,149
Private Equity	-	5,065,676	29,426	(2,493,482)
Canadian Real Estate	13,798	(1,329,395)	-	313,999
Global Real Estate	6,121,922	(6,913,515)	6,386,906	(9,554,894)
Global Infrastructure	11,439,888	16,478,106	8,120,311	16,775,561
Currency Overlay and Hedging	(4,252)	(39,445,425)	1,041	(25,662,594)
Private Debt	8,083,804	9,331,849	-	-
Total	111,787,654	96,960,007	113,465,569	94,246,520
Plan's pro-rated share	28.3585%	28.2828%	28.3281%	28.6847%
Plan investments**	31,701,332	27,423,027	32,142,691	27,034,310

*Includes realized gains of \$42.7 million (2023 - losses of \$17.0 million) and unrealized gains of \$54.3 million (2023 - gains of \$111.2 million).

**Rounded

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

3. Investments and Derivatives (continued...)

Investments include amounts which investment managers of the Master Trust have invested in their own pooled funds. The fair values of these investments are as follows:

	<u>2024</u> \$	<u>2023</u> \$
Baillie Gifford International LLC	42,809,384	22,115,325
Baillie Gifford Overseas Limited	419,238,147	357,285,758
Beutel, Goodman & Company Ltd.	29,141,112	32,589,925
CBRE Investment Management Fund	89,694,880	91,653,076
Global Infrastructure Management, LLC	201,722,499	186,876,734
Goldman Sachs Asset Management L.P.	539,888,979	528,014,137
Lazard Asset Management (Canada) Inc.	106,249,633	113,983,999
Morgan Stanley Real Estate Advisor, Inc.	99,511,341	100,138,277
State Street Global Advisors Trust Company	-	3,244,197
TD Asset Management Inc.	1,205,273,383	1,214,680,208
Wellington Management Funds LLC	<u>204,795,733</u>	<u>214,045,494</u>
Total	2,938,325,091	2,864,627,130
Plan's pro-rated share	<u>28.4576%</u>	<u>28.4630%</u>
Plan's pooled funds*	836,176,381	815,359,742
Plan's non-pooled investments*	<u>136,472,719</u>	<u>104,846,122</u>
Plan investments*	<u>972,649,100</u>	<u>920,205,864</u>

*Rounded

b) Derivative Contracts

Derivative contracts are financial contracts, the value of which is "derived" from the value of underlying assets or exchange rates. Derivative contracts provide flexibility in implementing investment strategy.

Forward contracts are used to manage currency exposure and mitigate risk with respect to investments held in foreign currencies. The net notional amount of the currency forwards represents the volume of outstanding transactions and serves as the basis upon which the return and market value of the contract is determined.

The details of the Master Trust's derivative contracts are as follows:

	<u>2024</u> \$	<u>2023</u> \$
Notional Amount	1,203,771,233	886,022,975
Fair Value	(4,913,628)	20,807,254

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

3. Investments and Derivatives (continued...)

c) Fair Value Disclosure

Plan investment assets recorded at fair value have been categorized based upon a fair value hierarchy of significant inputs used in measuring fair value. The following fair value hierarchy tables present information about the Plan's assets measured at fair value on a recurring basis at June 30, 2024 and June 30, 2023.

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date. Level 1 primarily includes publicly listed investments.

Level 2: Inputs other than quoted prices that are observable either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes debt securities, investments in real estate and derivative contracts not traded in an open market.

Level 3: Inputs that are unobservable. There is little, if any, market activity. Inputs into the determination of fair value require significant management judgment and/or estimation. Level 3 primarily consists of foreign infrastructure investments, private equity, and private debt.

The following tables illustrate the classifications of the Plan's financial instruments using the fair value hierarchy as at June 30.

	2024			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and Short-Term Investments	34,845,001	-	-	34,845,001
Long Core Plus Bond	-	348,191,738	-	348,191,738
Core Plus Bond	-	858,858,927	-	858,858,927
Canadian Equities	274,386,538	-	-	274,386,538
Global Equities	1,020,248,430	-	-	1,020,248,430
Private Equity	-	-	42,809,384	42,809,384
Canadian Real Estate	-	141,897,148	-	141,897,148
Global Real Estate	-	189,206,221	-	189,206,221
Global Infrastructure	106,249,633	-	201,722,499	307,972,132
Currency Overlay and Hedging	-	(4,913,628)	-	(4,913,628)
Private Debt	-	-	204,388,548	204,388,548
Totals	1,435,729,602	1,533,240,406	448,920,431	3,417,890,439
Total financial assets at fair value				3,417,890,439
Plan's pro-rated share				28.4576%
Plan investments*				972,649,100

*Rounded

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements

June 30, 2024

3. Investments and Derivatives (continued...)

	2023		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	\$	\$	\$
Cash and Short-Term Investments	32,925,649	-	-
Long Core Plus Bond	-	321,849,729	-
Core Plus Bond	-	854,409,993	-
Canadian Equities	347,215,955	-	-
Global Equities	991,764,199	-	-
Private Equity	-	-	22,115,325
Canadian Real Estate	-	146,001,676	-
Global Real Estate	-	195,035,550	-
Global Infrastructure	113,983,999	-	186,876,733
Currency Overlay and Hedging	-	20,807,254	-
Totals	<u>1,485,889,802</u>	<u>1,538,104,202</u>	<u>208,992,058</u>
Total financial assets at fair value			3,232,986,062
Plan's pro-rated share			28.4630%
Plan investments*			<u>920,205,864</u>

*Rounded

There were no significant transfers between any financial instrument levels during the years ended June 30, 2024 and June 30, 2023.

The following table details changes in fair value measurement in Level 3 of the fair value hierarchy:

	<u>2024</u>	<u>2023</u>
	\$	\$
Level 3 investments, July 1	208,992,058	184,918,066
Transfers in	235,168,567	29,234,103
Disbursements	(28,147,753)	(16,776,694)
Net income received	409,617	1,087,355
Realized gains	5,987,891	12,543,402
Unrealized gains (losses)	<u>26,510,051</u>	<u>(2,014,174)</u>
Level 3 investments at fair value	448,920,431	208,992,058
Plan's pro-rated share	<u>28.4576%</u>	<u>28.4630%</u>
Level 3 investments, June 30*	<u>127,751,917</u>	<u>59,485,476</u>

*Rounded

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

3. Investments and Derivatives (continued...)

d) Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, price, credit, foreign currency, liquidity and valuation risks. The Plan has set formal goals, policies, and operating procedures that establish an asset mix among equity and fixed income, require diversification of investments within categories, and set limits on the size of exposure to individual investments and counter parties. Risk and credit considerations are periodically assessed in consultation with external consultants, the Department of Finance, and the Joint Investment Advisory Committee. Plan sponsor oversight, procedures, and compliance functions are incorporated into Plan processes to achieve consistent controls and to mitigate operational risk.

(i) Interest Rate Risk

Interest rate risk refers to the fact that the Plan's financial position will change with market interest rate changes as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Plan's assets and liabilities.

Assuming all other variables are held constant, a one percentage point change in nominal interest rates would change the fair value of the Plan by \$32.1 million (2023 - \$30.4 million).

	Value of Fixed Income Securities (millions) \$	Weighted Average Duration years	Percentage Point Change %	Impact on Fair Value of the Master Trust (millions) \$	Plan's Pro-rated Share %	Pro-rated Impact on Fair Value of the Plan (millions) \$
2024	1,411.1	8.00	1	112.9	28.4576	32.1

(ii) Price Risk

Price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. Price risk includes interest rate and foreign currency risk. Price risk is managed by the Plan through the use of diversified investment portfolios traded on various markets and across various industries. Assuming all other variables are held constant, a ten percent change in market values of all public equities would change the fair value of the Plan by \$49.3 million (2023 (restated) - \$51.1 million).

	Value of Public Equities (millions) \$	Percentage Change %	Impact on Fair Value of the Master Trust (millions) \$	Plan's Pro-rated Share %	Pro-rated Impact on Fair Value of the Plan (millions) \$
2024	1,732.0	10	173.2	28.4576	49.3

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

3. Investments and Derivatives (continued...)

(iii) Credit Risk

Credit risk is the risk of loss in the event the counter party to a transaction fails to discharge an obligation and causes the other party to incur a loss. Credit risk associated with the Plan is periodically assessed in consultation with external consultants, the Department of Finance, and the Joint Investment Advisory Committee.

Fixed Income

The Plan is exposed to credit risk from interest earning investments at June 30 as follows:

	2024 (millions) \$	2023 (millions) \$
Federal government	180.7	255.2
Provincial government	467.7	428.8
Corporate	742.4	469.3
Government agencies	<u>20.6</u>	<u>23.0</u>
Total investment credit risk exposure	1,411.4	1,176.3
Plan's pro-rated share	<u>28.4576%</u>	<u>28.4630%</u>
Plan's investment credit risk exposure	401.7	334.8
Provincial government promissory notes	<u>117.6</u>	<u>141.1</u>
Plan's total credit risk exposure	<u><u>519.3</u></u>	<u><u>475.9</u></u>

All fixed income investments are considered to have low credit risk.

Security Lending

The Plan participates in a Securities Lending Program whereby it lends securities for a fee to approved borrowers. To alleviate the credit risk, borrowers must provide collateral with a value of 105 percent when the value of the securities lent is denominated in a different currency and 102 percent when denominated in the same currency. The market value of the collateral is monitored by the custodian at least daily to ensure that the security thresholds are maintained. In addition, security loans are allocated across various borrowers within the program and the Plan holds indemnification coverage, which mitigates the credit and market risk on the collateral.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

3. Investments and Derivatives (continued...)

The fair value of security loans outstanding and collateral held is as follows:

	<u>2024</u> \$	<u>2023</u> \$
Total security loans outstanding	28,141,881	36,811,567
Plan's pro-rated share	<u>28.4576%</u>	<u>28.4630%</u>
Plan's security loans outstanding*	<u>8,008,504</u>	<u>10,477,688</u>
Total collateral held	30,255,299	39,533,453
Plan's pro-rated share	<u>28.4576%</u>	<u>28.4630%</u>
Plan's collateral held*	<u>8,609,932</u>	<u>11,252,419</u>

*Rounded

Derivatives

The Plan is exposed to credit related losses in the event of non performance by counter parties to derivative financial instruments. In order to mitigate this risk, the Plan deals only with highly rated counter parties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with a minimum credit standard of "A-/A3" rating, as supported by a recognized credit rating agency.

Credit risk represents the maximum amount that would be at risk as at the reporting date if the counter parties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative financial instruments is represented by the receivable replacement cost of contracts with counter parties, less any prepayment collateral or margin received as at the reporting date.

(iv) Foreign Currency Risk

Foreign currency risk is the risk that the value of the future cash flow of the financial instrument will fluctuate because of changes in foreign exchange rates. Consequently, the Plan is exposed to the risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Plan's assets denominated in currencies other than the Canadian dollar. Foreign currency exposure arises from the holding of investments denominated in foreign currencies. A strategy of hedging a portion of the currency exposure is used to mitigate this risk.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements

June 30, 2024

3. Investments and Derivatives (continued...)

The Plan's estimated unhedged currency exposure from net investment assets as at June 30 is summarized in the following table:

	2024 (millions) \$	2023 (millions) \$
Currency		
Australia	14.9	13.2
China	18.1	15.9
Euro Zone	25.1	36.4
India	24.0	20.1
Japan	136.1	134.7
Malaysia	13.2	15.6
South Korea	14.7	10.7
Sweden	11.9	10.1
Taiwan	30.0	23.3
United Kingdom	11.4	22.7
United States	-	82.6
Other	40.8	36.3
Total	340.2	421.6
Plan's pro-rated share	28.4576%	28.4630%
Plan's foreign currency exposure*	96.8	120.0

*Rounded

After the effect of hedging, and without a change in all other variables, a ten percent change in the Canadian dollar against all other currencies would change the fair value of the Plan by \$9.7 million (2023 - \$12.0 million).

(v) Liquidity Risk

Liquidity risk is the risk of not meeting the cash obligations of the Plan in an efficient manner. Cash obligations are fulfilled from contributions to the Plan, cash income of the Plan, and disposition of Plan assets as required. Cash requirements of the Plan are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations of the Plan.

The Plan's cash management policy ensures that the quality and liquidity of the investment vehicles within the portfolios are consistent with the needs of the Plan.

(vi) Valuation Risk

Valuation risk is the risk of fluctuation in asset values resulting from the change of one or more inputs to an alternative assumption for a particular asset which would result in a change of fair value of that asset. Significant valuation inputs used to value level 3 Plan investment assets include earnings multiple, discount rate and capitalization rate. Valuation risk is managed by the Plan through the use of high-quality diversified investment portfolios composed of various long-lived assets that have strong market positions, and operate globally across multiple sectors. Assuming all other variables are held constant, a five percent change in market values of all level 3 assets would change the fair value of the Plan by \$6.4 million (2023 - \$3.0 million).

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

4. Accrued Pension Obligation

a) Actuarial Valuation

The present value of the accrued pension obligation was determined using the projected unit credit method pro-rated on service and management's best estimate, as at the valuation date, of future economic events and involves economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality and retirement rates. The primary economic assumptions include the return on investment, discount, inflation, and salary escalation rates.

The most recent actuarial valuation for accounting purposes, prepared by the actuarial consulting firm TELUS Health (formerly LifeWorks (Canada) Ltd.), disclosed a base benefit liability of \$950,614,400 as at April 1, 2024.

The actuarial valuation on April 1, 2024 was based on data as at September 1, 2022, and the actuarial liability was then extrapolated to April 1, 2024 based on current period benefit cost, benefit payments and interest, and adjusted for changes in actuarial assumptions. An actuarial valuation of the Teachers' Pension Plan is performed annually as at April 1st.

On March 11, 2020, the World Health Organization declared that COVID-19 was a pandemic. The long-term effect of the outbreak on the mortality incidence for the Plan and on the economic conditions is still uncertain at this time. As a result, no adjustments to the mortality assumptions nor to any other assumptions have been made on the latest valuation report with regards to any long-term impact the COVID crisis might have on the population and on the economy. The effect of the COVID-19 on the Plan, if any, will be recognized in the gains or losses on future reports. The results of the actuarial valuation and related assumptions as of April 1, 2024 only reflect the financial impact on plan assets and future return expectations up to that date, but do not reflect any further potential impacts on the Plan to occur after that date which may be caused by either economic and/or demographic outcomes different from the assumptions being used in the valuations. Such impacts will result in gains and losses to be revealed in future valuations.

The total accrued pension obligation as at April 1st, consists of the following:

	<u>2024</u>	<u>2023</u>
	\$	\$
Base benefit liability	950,614,400	885,118,600
Contingent indexation liability ¹	<u>145,384,600</u>	<u>179,944,900</u>
Total accrued pension obligation	<u>1,095,999,000</u>	<u>1,065,063,500</u>

¹The contingent indexation liability is calculated based on total plan assets less the accrued pension obligation assuming no future contingent indexation. This calculation does not incorporate the potential impact of future events such as contributions, gains or losses on asset returns and new benefit accruals.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

4. Accrued Pension Obligation (continued...)

The assumptions used in the valuations performed as at April 1st, are as follows:

	2024	2023
Inflation	2.00%	2.00%
Discount Rate	6.40%	6.35%
Expected Rate of Return of Plan Assets	6.40%	6.35%
Salary Escalation	Inflation plus 0.50% + promotional scale	Basic increase of 2.50% per annum + promotional scale
Pre-Retirement Indexation	2.48% for 2023, 3.14% for 2024 2.50% for the following 14 years, and 0% thereafter	2.48% per annum for 2023, 2.50% per annum for the following 17 years, 0% thereafter
Post-Retirement Indexation (includes deferred pensioners)	3.74% for 2023, 6.86% for 2024 2.00% for the following 5 years, and 0% thereafter	3.74% per annum for 2023, 2.00% per annum for the following 9 years, 0% thereafter
Mortality	CPM2014 Public Sector with Scale CPM-B and size adjustments of 1.15 for males & 1.0 for females	CPM2014 Public Sector with Scale CPM-B and size adjustments of 1.0 for males & 0.95 for females
Termination	Tenure - based scale	Tenure - based scale
Retirement Age	Service and age - based scale	Service and age - based scale
Proportion Married	Males: 80% Females: 75%	Males: 80% Females: 75%
Age Difference for Spouses	Males 2 years older than female spouses on average	Males 2 years older than female spouses on average

b) Extrapolation

The accrued pension obligation at June 30, 2024 is estimated by the Plan, based on an extrapolation of the April 1, 2024 actuarial valuation. The total accrued pension obligation as of June 30th consists of the following:

	<u>2024</u>	<u>2023</u>
	\$	\$
Base benefit liability	955,748,688	890,076,888
Contingent indexation liability	<u>139,524,614</u>	<u>177,319,653</u>
Total accrued pension obligation	<u>1,095,273,302</u>	<u>1,067,396,541</u>

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

4. Accrued Pension Obligation (continued...)

c) Sensitivity of Changes in Major Assumptions

The Plan's future experience may differ from the assumptions used in the actuarial valuation and the extrapolation. Any differences between the actuarial assumptions and future experience could be significant and will emerge as experience gains or losses in future valuations which will affect the financial position of the Plan.

5. Notes Receivable

Prior to plan amendments in 2014, the Province was committed to make payments if the assets of the Plan were insufficient to provide for pension payments as they became due. In addition, a funding policy existed which required the Province to make special contributions when the Plan's funded level declined below 90 percent.

Special contributions made under this funding policy were as follows:

As a result of an unfunded liability at July 1, 2011, the Province of Prince Edward Island made a special contribution through the signing of a \$80,369,000 promissory note. The note, issued December 11, 2012, was held by the Plan and was receivable in ten equal annual instalments of \$8,063,900 beginning April 1, 2013. Interest on the note was accrued from April 1, 2012, at a rate of 2.9 percent per annum, and was receivable semi-annually on April 1 and October 1. All principal and interest payments were completed as of April 1, 2022, for this note.

As part of the plan amendments in 2014, the Province's requirement to make payments if the assets of the Plan were insufficient to provide for pension payments as they became due was removed. The funding policy was rescinded and was replaced by the following government guarantee:

- Effective April 1, 2016, if the funded benefits ratio of the Plan falls below 100 percent (of base benefits) and, after reflecting the future contributions as described in Note 1(b), the Plan is still not projected to achieve a funded benefits ratio of at least 100 percent within five years, the Province is required to make an additional contribution within six months equal to one fifth of the additional amount required to restore the funded benefits ratio to 100 percent within five years. This is reviewed on an annual basis and the contribution amount will be subject to change each year.

In addition, the Province committed to make a one-time transitional contribution (transitional government funding amount) to the Plan on or before December 31, 2014 such that, if that contribution had been made on January 1, 2014, the total assets of the Plan would have equalled:

- 122 percent of the total liabilities of the Plan, excluding the liabilities for salary indexing and pension indexing for any year after 2013; plus
- 100 percent of the liabilities for salary indexing and pension indexing for 2014, 2015, and 2016.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

5. Notes Receivable (continued...)

The transitional government funding amount was contributed to the Plan by the Province of Prince Edward Island through the signing of a \$164,640,100 promissory note. The note, issued December 22, 2014, is held by the Plan and is receivable in seven equal annual instalments of \$23,520,014 beginning January 1, 2023. Interest on the note is accrued from January 1, 2014 at a rate of 4.14 percent per annum and is receivable semi-annually on January 1 and July 1. The note receivable balance outstanding at June 30, 2024 is \$117,600,072 (2023 - \$141,120,086).

The following is a schedule of principal and interest payments as disclosed in the promissory note:

<u>Date of Payment</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	
	<u>Principal Payment</u> \$	<u>January 1</u> \$	<u>July 1</u> \$
January 1, 2014	-	-	3,408,050
January 1, 2015	-	3,408,050	3,408,050
January 1, 2016	-	3,408,050	3,408,050
January 1, 2017	-	3,408,050	3,408,050
January 1, 2018	-	3,408,050	3,408,050
January 1, 2019	-	3,408,050	3,408,050
January 1, 2020	-	3,408,050	3,408,050
January 1, 2021	-	3,408,050	3,408,050
January 1, 2022	-	3,408,050	3,408,050
January 1, 2023	23,520,014	3,408,050	2,921,186
January 1, 2024	23,520,014	2,921,186	2,434,321
January 1, 2025	23,520,014	2,434,321	1,947,457
January 1, 2026	23,520,014	1,947,457	1,460,593
January 1, 2027	23,520,014	1,460,593	973,729
January 1, 2028	23,520,014	973,729	486,865
January 1, 2029	23,520,016	486,865	-
	<u>164,640,100</u>	<u>40,896,601</u>	<u>40,896,601</u>

Subsection 9(5) of the *Teachers' Pension Plan Act* stipulates that no promissory note issued by the Province to the Plan may be cancelled or recalled by the Province prior to maturity unless the Province contributes to the Plan an asset with a value equal to or greater than the value of the outstanding promissory note on the date of cancellation or recall. The note is non-transferrable.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

6. Benefits Paid

A breakdown of benefits by type is as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Benefits paid to retired members	55,644,909	51,844,322
Benefits paid to survivors	3,628,938	3,133,607
Benefits paid to members on disability	732,002	798,839
Benefits paid to terminated members	803,652	654,998
Benefits paid to deceased members	445,098	-
	<u>61,254,599</u>	<u>56,431,766</u>

These benefits are presented in the Statement of Changes in Net Assets Available for Benefits as follows:

	<u>2024</u>	<u>2023</u>
	\$	\$
Benefits paid	60,005,849	55,776,768
Refunds	757,792	596,623
Transfers to other plans	490,958	58,375
	<u>61,254,599</u>	<u>56,431,766</u>

7. Operating Expenses

The Plan is charged with administrative and operating expenses. The following is a summary of these expenses.

	<u>2024</u>	<u>2023</u>
	\$	\$
Administrative expenses - pension section	626,561	556,668
- investment section	62,807	61,635
	<u>689,368</u>	<u>618,303</u>
Consulting fees*	153,653	136,572
Actuarial fees	12,127	47,168
Investment expenses		
Custodian	49,218	55,197
Monitoring	109,522	105,112
Management	7,824,420	3,356,286
Withholding tax	537,504	651,819
	<u>9,375,812</u>	<u>4,970,457</u>

*Includes other actuarial services

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

8. Related Party Transactions

The Province of Prince Edward Island is the sponsor of the Plan. At the financial statement date, the Province has committed to the funding requirements as defined by the funding policy (Note 5). As a participating employer, the Province contributes regular bi-weekly employee, employer and eligible prior period service contributions. Employee and employer contributions receivable from the Province as at June 30, 2024 totalled \$2,072,332 (2023 - \$2,321,367). Total contributions funded by the Province for the fiscal year ended at June 30, 2024, were \$15,571,703 (2023 - \$15,222,948).

The Province provides pension and investment administration services to the Plan. A portion of the Province's costs relating to these services is recovered annually from the Plan. Costs recovered for the pension section totalled \$492,356 (2023- \$399,468). Recoveries related to the investment section totalled \$62,807 (2023 - \$61,635).

Total promissory note and interest receivable from the Province at June 30, 2024, was \$120,034,393 (2023 - \$144,041,272). Total interest income earned on the promissory notes receivable from the Province for the fiscal year ended June 30, 2024, was \$5,355,507 (2023 - \$6,329,236).

9. Capital Management

The main objective of the Plan is to sustain a level of net assets in order to meet the pension obligation of the Plan. The Plan sponsor manages the contributions received and benefits paid as required by the *Teachers' Pension Plan Act*.

In an effort to utilize economies of scale, contributions for the Province's two registered pension plans are pooled and invested together in the Province's Master Trust. Each pension plan holds units of the Master Trust in proportion to the value of contributions made. The Province has developed a Statement of Investment Policies and Procedures (SIP&P) to provide the framework for how the Master Trust's assets are to be invested, monitored, and evaluated. Assets are managed by engaging knowledgeable, external investment managers who are charged with the responsibility of investing new and existing funds in accordance with the SIP&P. A Joint Investment Advisory Committee exists for the purpose of protecting the pension plan assets, monitoring asset mix, reviewing costs, reviewing investment returns, and assessing investment manager performance, as well as providing advice to the Minister of Finance who serves as Trustee for the Province's two registered pension plans.

10. Commitments

The Master Trust has entered into significant financial commitments as at June 30, 2024. The following table summarizes outstanding commitments at year-end, along with the funds invested as at the audit report date.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2024

10. Commitments (continued...)

Fund Manager	Asset Class	Original Commitment (millions)	Invested as of the Audit Report Date (millions)
Baillie Gifford Private Companies Fund II L.P. ⁽¹⁾	Private Equity	\$70 USD	\$41.3 USD
Global Infrastructure Partners II ⁽²⁾	Infrastructure	\$35 USD	\$31.8 USD
Global Infrastructure Partners III ⁽²⁾	Infrastructure	\$75 USD	\$66.9 USD
Global Infrastructure Partners IV ⁽²⁾	Infrastructure	\$60 USD	\$47.2 USD
Global Infrastructure Partners V ⁽²⁾	Infrastructure	\$60 USD	\$9.1 USD
First Eagle Investment Management ⁽³⁾	Private Debt	\$250 USD	\$249.9 USD
KKR Diversified Core Infrastructure ⁽⁴⁾	Infrastructure	\$60 CAD	\$60 CAD
IFM Global Infrastructure ⁽⁵⁾	Infrastructure	\$60 CAD	\$60 CAD

⁽¹⁾ Baillie Gifford is an independent fund manager that invests in high-growth, predominately late-stage private companies across sectors and around the globe.

⁽²⁾ GIP is an independent infrastructure fund manager that invests in high quality infrastructure assets in the energy, transport, water, and waste sectors.

⁽³⁾ First Eagle is an independent fund manager that offers a range of investment strategies, including alternative credit (private debt).

⁽⁴⁾ KKR is an independent global fund manager that offers alternative asset investment services spanning infrastructure, real estate, private credit, and private equity.

⁽⁵⁾ IFM is an independent global fund manager that offers alternative asset investment services spanning infrastructure, private credit, and private equity.

11. Comparative Figures

Certain prior period comparative figures have been restated to conform to the presentation format adopted in the current year.

12. Subsequent Events

Subsequent to June 30, 2024, the Master Trust has entered into agreements with several new investment managers for a total financial commitment of \$383.5 million which will be funded in accordance with agreed upon conditions over the next several years.

In 2025, the United States Government announced several rounds of tariffs. This has created volatility within financial markets that could significantly impact the future value of the Plan's investments.

