

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Financial Statements
June 30, 2022

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



Pamela MacEachern
Acting Manager, Pensions and Benefits
Department of Finance

February 1, 2023

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the financial statements of the **Prince Edward Island Teachers' Pension Plan**, which comprise the statement of financial position as at June 30, 2022, the statements 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 my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at June 30, 2022 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

I conducted the audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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

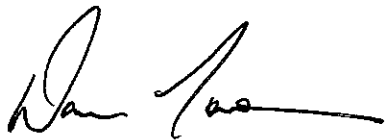
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.



Darren Noonan, CPA, CA
Auditor General



Elvis Alisic, CPA, CA
Audit Director

Charlottetown, Prince Edward Island
February 1, 2023

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**


Statement of Financial Position
June 30, 2022

	2022	2021
	\$	\$
Assets		
Cash	2,900,829	1,883,579
Investments (Note 3)	860,957,225	935,266,334
Notes receivable (Note 5)	164,640,100	172,677,000
Receivables		
Contributions - employee	1,017,778	926,695
- employer	1,031,624	940,883
Accrued interest	3,408,050	3,466,318
Other	<u>460,224</u>	<u>169,681</u>
Total Assets	<u>1,034,415,830</u>	<u>1,115,330,490</u>
Liabilities		
Accounts payable and accrued liabilities	1,019,229	1,008,850
Remittances payable	923,208	920,903
Investment fees payable	<u>828,699</u>	<u>772,690</u>
Total Liabilities	<u>2,771,136</u>	<u>2,702,443</u>
Net Assets Available for Benefits	<u>1,031,644,694</u>	<u>1,112,628,047</u>
Accrued Pension Obligation (Note 4)	<u>1,031,644,694</u>	<u>1,112,628,047</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, 2022

	2022	2021
	\$	\$
Increase in Net Assets		
Investment income (Note 3(a))	38,101,131	29,040,588
Change in fair value of investments (Note 3(a))	<u>(96,469,016)</u>	<u>98,452,151</u>
	(58,367,885)	127,492,739
Other interest income	7,005,692	7,235,855
Contributions		
Employee	14,093,196	13,833,501
Employer	14,093,196	13,833,501
Transfers from other plans	399,499	157,299
Purchased service	<u>382,817</u>	<u>271,836</u>
	<u>(22,393,485)</u>	<u>162,824,731</u>
Decrease in Net Assets		
Benefits paid (Note 6)	52,887,127	51,803,191
Operating expenses (Note 7)	5,512,186	5,078,343
Refunds (Note 6)	179,927	84,970
Transfers to other plans (Note 6)	<u>10,628</u>	<u>24,581</u>
	<u>58,589,868</u>	<u>56,991,085</u>
Change in Net Assets	(80,983,353)	105,833,646
Net Assets Available for Benefits, beginning of year	<u>1,112,628,047</u>	<u>1,006,794,401</u>
Net Assets Available for Benefits, end of year	<u>1,031,644,694</u>	<u>1,112,628,047</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, 2022

	2022	2021
	\$	\$
Accrued Pension Obligation, beginning of year	<u>1,112,628,047</u>	<u>1,006,794,401</u>
Change in Accrued Pension Obligation		
Interest accrued on benefits	61,381,636	57,021,512
Benefits accrued	19,242,697	18,546,960
Increase due to purchases of service	782,316	429,134
Benefits paid (Note 6)	(53,077,682)	(51,912,742)
Loss (gain) on experience and assumption changes and contingent indexation	<u>(109,312,320)</u>	<u>81,748,782</u>
Change in Accrued Pension Obligation	<u>(80,983,353)</u>	<u>105,833,646</u>
Accrued Pension Obligation, end of year (Note 4)	<u>1,031,644,694</u>	<u>1,112,628,047</u>

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

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

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 January 1, 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, 2022

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 Industrial Wage (AIW) 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, 2022

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, 2022

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.

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, 2022, 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, 2022

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, and liquidity 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.

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, 2022 for interest, dividends, and settled derivative contracts.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

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.

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

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Notes to Financial Statements
June 30, 2022

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

financings, 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 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 688,763.311 units held in the Master Trust (2021 - 654,831.646) with a fair value of \$1,250.00 (2021 - \$1,428.25) per unit.

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

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
	\$		\$	
Cash and Short-Term Investments	68,233,391	2.3	65,116,791	2.1
Long Core Plus Bond	303,482,143	10.0	299,434,872	9.6
Core Plus Bond	817,132,665	27.0	837,785,543	26.9
Canadian Equities	340,615,091	11.3	393,687,835	12.7
Global Equities	937,177,639	31.0	1,073,486,877	34.5
Canadian Real Estate	147,687,677	4.9	110,582,970	3.6
Global Real Estate	199,717,059	6.6	159,678,884	5.1
Global Infrastructure	221,303,404	7.3	184,259,616	5.9
Currency Overlay	(12,397,906)	(0.4)	(13,997,113)	(0.4)
Total	<u>3,022,951,163</u>	<u>100.0</u>	<u>3,110,036,275</u>	<u>100.0</u>
Plan's pro-rated share	<u>28.4807%</u>		<u>30.0725%</u>	
Plan investments*	<u>860,957,225</u>		<u>935,266,334</u>	

*Rounded

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

3. Investments and Derivatives (continued...)

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

	Investment Income	Change in Fair Value of Investments*	Investment Income	Change in Fair Value of Investments*
	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>
	\$	\$	\$	\$
Cash and Short-Term Investments	39,747	(7,153,046)	85,701	(3,087,733)
Long Core Plus Bond	9,788,959	(85,741,688)	16,032,939	(31,871,307)
Core Plus Bond	24,680,980	(126,333,859)	39,381,654	(34,860,695)
Canadian Equities	9,944,301	(6,059,631)	9,626,183	113,940,078
Global Equities	58,709,863	(180,863,684)	20,381,619	203,613,116
Canadian Real Estate	-	20,225,077	-	6,164,280
Global Real Estate	5,286,281	36,165,407	4,598,513	(5,760,281)
Global Infrastructure	19,743,064	27,996,379	6,415,491	13,296,518
Currency Overlay	-	(18,867,353)	-	65,440,326
Total	<u>128,193,195</u>	<u>(340,632,398)</u>	<u>96,522,100</u>	<u>326,874,302</u>
Plan's pro-rated share	<u>29.7216%</u>	<u>28.3206%</u>	<u>30.0870%</u>	<u>30.1193%</u>
Plan Investments**	<u>38,101,131</u>	<u>(96,469,016)</u>	<u>29,040,588</u>	<u>98,452,151</u>

*Includes realized gains of \$84.1 million (2021 - gains of \$192.6 million) and unrealized losses of \$424.7 million (2021 - gains of \$134.3 million).

**Rounded

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>2022</u>	<u>2021</u>
	\$	\$
Baillie Gifford International LLC	15,465,447	-
Baillie Gifford Overseas Limited	294,895,348	383,509,121
Beutel, Goodman & Company Limited	33,100,489	39,199,519
CBRE Global Investment Management	91,383,922	77,208,543
Global Infrastructure Partners (GIP)	169,452,619	132,697,983
Goldman Sachs Asset Management	505,699,667	520,121,862
Lazard Asset Management	51,850,785	51,561,633
Morgan Stanley Prime Property Fund	105,044,901	78,847,537
State Street Global Advisors Ltd.	3,288,236	3,622,804
TD Asset Management	1,206,593,730	1,187,948,010
Wellington Global PERSP (CAD)	<u>182,825,933</u>	<u>229,711,269</u>
Total	<u>2,659,601,077</u>	<u>2,704,428,281</u>
Plan's pro-rated share	<u>28.4807%</u>	<u>30.0725%</u>
Plan's pooled funds*	<u>757,472,628</u>	<u>813,289,782</u>
Plan's non-pooled investments*	<u>103,484,597</u>	<u>121,976,552</u>
Plan investments*	<u>860,957,225</u>	<u>935,266,334</u>

*Rounded

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

3. Investments and Derivatives (continued...)

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>2022</u>	<u>2021</u>
	\$	\$
Notional Amount	<u>766,127,455</u>	<u>771,503,641</u>
Fair Value	<u>(12,397,906)</u>	<u>(13,997,113)</u>

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, 2022 and June 30, 2021.

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 and private equity.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

3. Investments and Derivatives (continued...)

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

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
Cash and Short-Term Investments	68,233,391	-	-	68,233,391
Long Core Plus Bond	-	303,482,143	-	303,482,143
Core Plus Bond	-	817,132,665	-	817,132,665
Canadian Equities	340,615,091	-	-	340,615,091
Global Equities	921,712,192	-	15,465,447	937,177,639
Canadian Real Estate	-	147,687,677	-	147,687,677
Global Real Estate	-	199,717,059	-	199,717,059
Global Infrastructure	51,850,785	-	169,452,619	221,303,404
Currency Overlay	-	(12,397,906)	-	(12,397,906)
Totals	<u>1,382,411,459</u>	<u>1,455,621,638</u>	<u>184,918,066</u>	<u>3,022,951,163</u>
Total financial assets at fair value				3,022,951,163
Plan's pro-rated share				<u>28.4807%</u>
Plan investments*				<u>860,957,225</u>

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
Cash and Short-Term Investments	65,116,791	-	-	65,116,791
Long Core Plus Bond	-	299,434,872	-	299,434,872
Core Plus Bond	-	837,785,543	-	837,785,543
Canadian Equities	393,687,835	-	-	393,687,835
Global Equities	1,073,486,877	-	-	1,073,486,877
Canadian Real Estate	-	110,582,970	-	110,582,970
Global Real Estate	-	159,678,884	-	159,678,884
Global Infrastructure	51,561,633	-	132,697,983	184,259,616
Currency Overlay	-	(13,997,113)	-	(13,997,113)
Totals	<u>1,583,853,136</u>	<u>1,393,485,156</u>	<u>132,697,983</u>	<u>3,110,036,275</u>
Total financial assets at fair value				3,110,036,275
Plan's pro-rated share				<u>30.0725%</u>
Plan investments*				<u>935,266,334</u>

*Rounded

There were no significant transfers between any financial instrument levels during the years ended June 30, 2022 and June 30, 2021.

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Notes to Financial Statements
June 30, 2022

3. Investments and Derivatives (continued...)

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Level 3 investments, July 1	132,697,983	117,038,861
Transfers in	54,937,618	14,172,816
Disbursements	(40,344,239)	(8,570,712)
Net income received	9,615,655	4,248,916
Realized gains	19,698,304	1,648,092
Unrealized gains	<u>8,312,745</u>	<u>4,160,010</u>
Level 3 investments at fair value	184,918,066	132,697,983
Plan's pro-rated share	<u>28.4807%</u>	<u>30.0725%</u>
Level 3 investments, June 30*	<u>52,665,934</u>	<u>39,905,630</u>

*Rounded

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, and liquidity risk. 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 \$28.0 million (2021 - \$33.4 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) \$
2022	1,121	8.76	1	98.2	28.4807	28.0

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Notes to Financial Statements
June 30, 2022

3. Investments and Derivatives (continued...)

(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 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 10 percent change in market values of all public equities would change the fair value of the Plan by \$45.8 million (2021 - \$52.2 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) \$
2022	1,609.7	10	160.9	28.4807	45.8

(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:

	<u>2022</u> <u>(millions)</u> \$	<u>2021</u> <u>(millions)</u> \$
Federal government	213.8	117.4
Provincial government	377.5	458.5
Corporate	500.5	560.4
Government agencies	28.8	1.0
Total investment credit risk exposure	<u>1,120.6</u>	<u>1,137.3</u>
Plan's pro-rated share	<u>28.4807%</u>	<u>30.0725%</u>
Plan's investment credit risk exposure	<u>319.2</u>	<u>342.0</u>
Provincial government promissory notes	<u>164.6</u>	<u>172.7</u>
Plan's total credit risk exposure	<u>483.8</u>	<u>514.7</u>

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

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

3. Investments and Derivatives (continued...)

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.

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Total security loans outstanding	61,876,850	16,274,064
Plan's pro-rated share	<u>28.4807%</u>	<u>30.0725%</u>
Plan's security loans outstanding*	<u>17,622,951</u>	<u>4,894,022</u>
Total collateral held	65,785,239	17,154,510
Plan's pro-rated share	<u>28.4807%</u>	<u>30.0725%</u>
Plan's collateral held*	<u>18,736,087</u>	<u>5,158,794</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

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Notes to Financial Statements
June 30, 2022

3. Investments and Derivatives (continued...)

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.

The Plan's unhedged currency exposure from net investment assets is summarized as follows:

	2022 (millions) \$	2021 (millions) \$
Currency		
China	17.8	29.2
Euro Zone	24.8	27.6
United Kingdom	27.0	39.5
India	17.0	14.1
Malaysia	15.9	12.3
Japan	121.8	99.1
Sweden	8.9	14.8
Taiwan	27.2	33.4
United States	151.8	145.2
South Africa	0.9	12.1
Other	<u>40.1</u>	<u>43.4</u>
Total	453.2	470.7
Plan's pro-rated share	<u>28.4807%</u>	<u>30.0725%</u>
Plan's foreign currency exposure*	<u>129.1</u>	<u>141.6</u>

*Rounded

After the effect of hedging, and without a change in all other variables, a 10 percent change in the Canadian dollar against all other currencies would change the fair value of the Plan by \$12.9 million (2021 - \$14.2 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.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

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 LifeWorks (Canada) Ltd., disclosed a base benefit liability of \$873,074,900 as at April 1, 2022.

The actuarial valuation on April 1, 2022 was based on data as at September 1, 2019 and the actuarial liability was then extrapolated to April 1, 2022 based on current period benefit cost, benefit payments and interest and adjusted for changes in actuarial assumptions. An actuarial valuation of the Plan is performed annually as at April 1st.

The world is in the midst of the COVID-19 health pandemic. Although the pandemic could have a material impact on the financial status of the Plan, there is currently insufficient information to determine the extent of either the short-term impact or the long-term impact of this pandemic on the Plan. The results of the actuarial valuation as at April 1, 2022 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 1, 2022 consists of the following:

	<u>2022</u>
	\$
Base benefit liability	873,074,900
Contingent indexation liability ¹	<u>224,728,000</u>
Total accrued pension obligation	<u>1,097,802,900</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, 2022

4. Accrued Pension Obligation (continued...)

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

	2022	2021
Inflation	2.00%	2.05%
Discount Rate	6.15%	5.40%
Expected Rate of Return of Plan Assets	6.15%	5.40%
Salary Escalation	Basic increase of 2.50% per annum + promotional scale	Basic increase of 2.55% per annum + promotional scale
Pre-Retirement Indexation	7.15% per annum for 2022, 2.50% per annum for the following 21 years, 0% thereafter	3.22% per annum for 2021, 2.55% per annum for the following 14 years, 0% thereafter
Post-Retirement Indexation (includes deferred pensioners)	0.61% per annum for 2022, 2.00% per annum for the following 13 years, 0% thereafter	2.00% per annum for 2021, 2.05% per annum for the following 6 years, 0% thereafter
Mortality	CPM2014Publ with future improvements based on CPM Scale B and size adjustments of 1.0 for males and 0.95 for females	CPM2014Publ with future improvements based on CPM Scale B and size adjustments of 1.0 for males and 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	Males 2 years older than female spouses

b) Extrapolation

The accrued pension obligation at June 30, 2022 is estimated by the Plan, based on an extrapolation of the April 1, 2022 actuarial valuation. The total accrued pension obligation at June 30, 2022 consists of the following:

	<u>2022</u>
	\$
Base benefit liability	877,610,984
Contingent indexation liability	<u>154,033,710</u>
Total accrued pension obligation	<u>1,031,644,694</u>

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Notes to Financial Statements
June 30, 2022

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, is held by the Plan and is receivable in ten equal annual instalments of \$8,036,900 beginning April 1, 2013. Interest on the note is accrued from April 1, 2012, at a rate of 2.9 percent per annum, and is receivable semi-annually on April 1 and October 1.

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>April 1</u> \$	<u>October 1</u> \$
April 1, 2012	-	-	1,165,351
April 1, 2013	8,036,900	1,165,351	1,048,815
April 1, 2014	8,036,900	1,048,815	932,281
April 1, 2015	8,036,900	932,281	815,746
April 1, 2016	8,036,900	815,746	699,210
April 1, 2017	8,036,900	699,210	582,675
April 1, 2018	8,036,900	582,675	466,140
April 1, 2019	8,036,900	466,140	349,605
April 1, 2020	8,036,900	349,605	233,070
April 1, 2021	8,036,900	233,070	116,535
April 1, 2022	<u>8,036,900</u>	<u>116,535</u>	-
	<u>80,369,000</u>	<u>6,409,428</u>	<u>6,409,428</u>

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

5. Notes Receivable (continued...)

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 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.

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.

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Notes to Financial Statements
June 30, 2022

5. Notes Receivable (continued...)

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	<u>23,520,016</u>	<u>486,865</u>	-
	<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 none of the above promissory notes may be cancelled or recalled by the Province prior to maturity unless the Province contributes an amount equal to or greater than the value of the outstanding promissory notes on the date of cancellation or recall. The notes are non-transferrable.

**PRINCE EDWARD ISLAND
TEACHERS' PENSION PLAN**

Notes to Financial Statements
June 30, 2022

6. Benefits Paid

A breakdown of benefits paid by type is as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Benefits paid to retired members	49,073,846	48,190,357
Benefits paid to survivors	3,011,846	2,778,446
Benefits paid to members on disability	801,435	834,388
Benefits paid to terminated members	130,784	94,971
Benefits paid to deceased members	<u>59,771</u>	<u>14,580</u>
	<u>53,077,682</u>	<u>51,912,742</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Benefits paid	52,887,127	51,803,191
Refunds	179,927	84,970
Transfers to other plans	<u>10,628</u>	<u>24,581</u>
	<u>53,077,682</u>	<u>51,912,742</u>

7. Operating Expenses

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Administrative expenses - pension section	549,711	486,634
- investment section	<u>58,062</u>	<u>54,796</u>
	607,773	541,430
Consulting fees*	200,911	410,345
Actuarial fees	8,898	23,457
Investment expenses		
Custodian	44,894	70,116
Monitoring	79,776	71,026
Management	<u>4,569,934</u>	<u>3,961,969</u>
	<u>5,512,186</u>	<u>5,078,343</u>

*Includes other actuarial services

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

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, 2022 totalled \$2,037,754 (2021 - \$1,857,612). Total contributions funded by the Province for the fiscal year ended at June 30, 2022, were \$14,030,550 (2021 - \$13,772,021).

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 \$418,690 (2021 - \$425,110) and recoveries related to the investment section totalled \$58,062 (2021 - \$54,796).

Total promissory note and interest receivable from the Province at June 30, 2022, was \$168,048,150 (2021 - \$176,143,318). Total interest income earned on the promissory notes receivable from the Province for the fiscal year ended June 30, 2022, was \$6,990,903 (2021 - \$7,223,973).

9. Capital Management

The main objective of the Plan is to sustain a level of net assets in order to meet the pension obligations 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 fund 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 an arrangement with Global Infrastructure Partners (GIP). GIP is an independent infrastructure fund manager that invests in high quality infrastructure assets in the energy, transport, water, and waste sectors. The Master Trust has committed to invest \$35 (US) million in its GIP II Fund; \$31.8 (US) million has been invested as of the audit report date. The Master Trust has committed to invest \$75 (US) million in its GIP III Fund; \$66.7 (US) million has been invested as of the audit report date. The Master Trust has committed to invest \$60 (US) million in its GIP IV Fund; \$43.2 (US) million has been invested as of the audit report date.

PRINCE EDWARD ISLAND TEACHERS' PENSION PLAN

Notes to Financial Statements
June 30, 2022

10. Commitments (continued...)

The Master Trust has entered into an arrangement with TD Asset Management Inc. The Master Trust has committed to invest \$8 (CDN) million with a commitment period of 18 months in its TD Greystone Mortgage Fund; \$8 (CDN) million has been invested as of the audit report date. The commitment end date is August 25, 2023.

The Master Trust has entered into an arrangement with Baillie Gifford International LLC. The Master Trust has committed to invest \$70 (US) million in its Baillie Gifford Private Companies Fund II L.P.; \$15.6 (US) million has been invested as of the audit report date.

11. Impact of COVID-19

On March 11, 2020, the World Health Organization declared a global pandemic due to Coronavirus (COVID-19). The pandemic had significant impacts on the financial status of the Plan at year-end. Global financial markets have experienced significant volatility, and given the extent of the crisis, it is difficult to estimate the future financial impact on the Plan at this time.

12. Comparative Figures

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