

PSSP ANNUAL REPORT 2019-2020



Message from the Trustee Chair

On behalf of the Public Service Superannuation Plan Trustee Inc. (PSSPTI), I am pleased to present the annual report of the Public Service Superannuation Plan (PSSP or Plan) for the fiscal year ended March 31, 2020. This report provides you with details on the financial health of the Plan and a comprehensive review of its investment activities.

The 2019-2020 fiscal period was an unprecedented one for the global economy and financial markets. During the first three quarters (April 1, 2019 to December 31, 2019), the Plan's investment returns were solid – despite steadily slowing economic growth in most parts of the world and a deteriorating interest rate environment. However, the last fiscal quarter (January 1, 2020 to March 31, 2020) witnessed the onset of the COVID-19 pandemic, precipitating a stock market plummet in March that led to the largest one-quarter drop in the past 40 years. Public pension plans across the board saw significant reductions in the value of their assets. The PSSP did not escape this drastic market decline, but fared relatively well compared to many other plans. The Plan still maintained a funded ratio of 91.4% as at March 31, 2020 (compared to 98.5% as at December 31, 2019).

Please be assured of the following:

1. The PSSP continues to be in overall healthy shape and your pension is safe. One of the fundamental advantages of a defined benefit pension plan is that a participant's earned base pension is not subject to fluctuation depending on the short-term ups and downs of the markets.
2. The PSSP portfolio is well-diversified and built to weather downside risks. It takes a long view, enabling a steady course to be maintained during turbulent times.

Membership Growth

During the 2019-2020 fiscal year, we continued our focus on membership growth. Our goal with this initiative is to expand the Plan's membership base and improve its aging demographic profile. Since the initiative commenced in 2015, we have grown the PSSP membership by about 3050 members. New employers joining in fiscal 2019-2020 included the Town of Truro, the DIRECTIONS Council for Vocational Services Society, and the Municipality of the District of Lunenburg. Our guiding principle for membership growth is that it must enhance the long-term sustainability of the Plan and be cost neutral to existing members.



Ronald Smith,
FCPA, FCA, ICD.D

**The PSSP continues
to be in overall
healthy shape and
your pension is safe.**

The Board will continue its work to improve the Plan's funded health between now and the next review valuation date, December 31, 2024, by carrying on with membership expansion, pursuing appropriate investment strategies, and assessing ways to reduce some Plan liabilities.

2020 Funded Health Review

In 2019-2020, we completed the funded health review of the Plan, as mandated by the Public Service Superannuation Act, for the 5-year cycle starting January 1, 2021 and ending December 31, 2025. The PSSP's funded ratio as at December 31, 2019, the valuation date, was 98.5%. Under the funding policy prescribed by the legislation, if the funded ratio is below 100% on the specified valuation date, there can be no indexing (also known as cost-of-living adjustments, or COLA) paid during the following 5-year cycle. This result is determined by the funding policy; the PSSPTI Trustee has no discretion. If the funded ratio is below 100% but above 96%, the Trustee may also consider contribution increases. In the current review, the Trustee determined to leave contribution rates unchanged.

A word of explanation is in order regarding how the Plan landed on a funded ratio of 98.5% as at December 31, 2019. At that point in time, the Plan's investments were doing relatively well and the Plan's assets were as yet unaffected by the subsequent market decline caused by the COVID-19 pandemic. The actuarial value of the assets increased by \$550 million from December 31, 2018 to December 31, 2019.

However, during 2019, the actuarial profession recognized that the economy had entered an extended period of entrenched low interest rates and slowing global growth. In compliance with professional actuarial standards, this resulted in a very substantial reduction of the Plan's 'discount rate', which in turn resulted in a large increase in the Plan's liabilities. The actuarial value of those liabilities increased by \$543.4 million from December 31, 2018 to December 31, 2019. As a result of this, even though the Plan's assets had significantly increased year-over-year, the almost equivalent increase in the Plan's liabilities produced a ratio of assets to liabilities below 100%.

The PSSPTI Board appreciates that the Plan's inability to provide indexing is disappointing for retirees. The Plan's funding policy was constructed for the long-term and it has always been understood that there will be fluctuations in the amount of indexing the Plan can afford to pay. That is the nature of 'contingent indexing'. The Board will continue its work to improve the Plan's funded health between now and the next review valuation date, December 31, 2024, by carrying on with membership expansion, pursuing appropriate investment strategies, and assessing ways to reduce some Plan liabilities.

On behalf of the PSSPTI directors, I want to acknowledge the contribution of Paul Hagen, who resigned from the Board during the past fiscal year. Paul served on the Board since its inception in 2013 and before that on the transitional board that preceded the formal creation of PSSPTI. Paul was a dedicated contributor to the work of the Board, including serving as Chair of the Audit, Actuarial, and Risk Committee for six years.

I also wish to welcome new PSSPTI director, Bruce Thomson. We look forward to working with Bruce.

Finally, I would like to thank the staff of Nova Scotia Pension Services Corporation for their continued dedication to providing high-quality Plan member services and investment administration. It has been particularly challenging during the COVID-19 pandemic, and Corporation staff have adapted admirably.

- Ronald Smith
PSSPTI, Board Chair

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Italicized terms, with the exception of statutes, that appear in the Report to Members and Investment Management sections are defined in the Glossary.

about.

The Public Service Superannuation Plan (PSSP or Plan) is one of the largest public sector pension plans in the Province. The Plan is a defined benefit registered pension plan, with a prescribed funding policy, that offers you a lifetime pension benefit when you retire. Your pension benefit is funded by contributions made by you and your employer, as well as by investment income generated by the Plan's investment assets. This Annual Report details the Plan's investment performance and financial health as at March 31, 2020.

We welcome your comments and feedback to help us better understand what information about your pension you would like to receive. Please email your comments on this Annual Report to: PSSPTI@nspension.ca. For individual pension questions, please refer to our contact information on page 65.

2019-2020 PSSP Annual Report

At a glance... (As at March 31, 2020)

Funded Ratio

The Plan was 91.4 per cent funded on a fair market value basis*.

* fair market value basis:

- Reflects the Plan's actual fair value of net assets



Financial Position

Net assets available for benefits (assets) were \$6.403 billion. This is a decrease of \$139 million from the previous year.

(in billions)



Investment Return

The Plan's return on investment for fiscal 2019-2020 was -0.19 per cent (net of investment fees). The Fund underperformed the policy benchmark of 0.15 per cent on a net basis, and underperformed the actuarial assumed rate of return, or discount rate, of 5.50 per cent. The investment return gross of investment management fees was -0.02 per cent.



Why was there a reduction in the Discount Rate?

The discount rate used for the PSSP's valuation as at March 31, 2020 was 5.50 per cent, being a significant reduction from the 2019 discount rate of 6.00 per cent. This reduction of the discount rate is not specific to the PSSP. Rather, it is reflective of the PSSP actuary's forecast of a protracted lower interest rate environment and a prolonged slowdown of global economic activity. A lower discount rate means an increase in the actuarial calculation of pension obligations and makes it more costly to fund pension benefits. It is anticipated that most defined benefit plans in Canada will be booking declines in their discount rates this year.

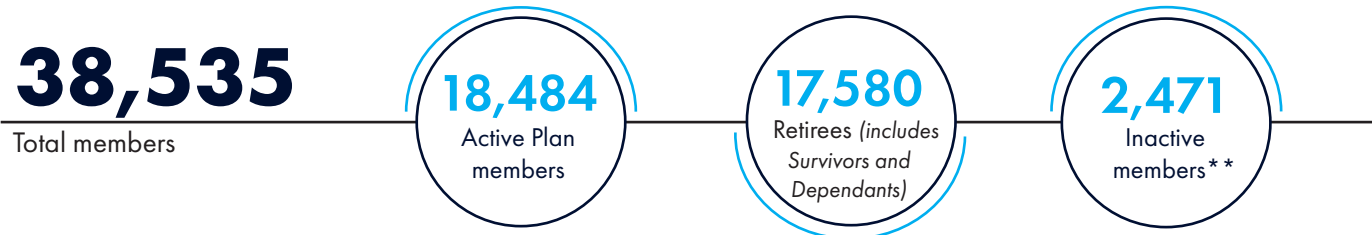


2019-2020 PSSP Annual Report

At a glance...

Plan Membership

The Plan had a total of 38,535 members. The number of retirees grew, by 789*, to 17,580. The number of active Plan members also increased, by 1,026, to 18,484.



* This figure reflects the net increase in retirees year over year. It factors in deaths, and also includes all persons receiving a pension (e.g. surviving spouses/ex-spouses, children, and dependants).

** Inactive members are Plan members who have terminated employment, but have not yet retired or removed their funds from the Plan.

Membership Facts

Age (Working member) 47.6 Average age 48.6 Median age	Age (Retiree) 70.5 Average age 69.5 Median age	Retirees over 100 22 Centenarians (Includes survivors)	Pensionable earnings (Active members) \$68,136 Average \$61,229 Median	Average lifetime pension (Retirees) \$21,382 Average \$19,031 Median
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The Plan has **1.05** active members for every 1 retiree. A higher ratio of active members to retirees is a good indicator of a healthier pension plan.

Membership Growth

In 2019-2020, Public Service Superannuation Plan Trustee Inc. (PSSPTI) continued to focus on its membership growth initiative. The goal of this initiative is to expand the Plan's membership and improve its aging demographic profile. Since the initiative commenced in 2015, the PSSP membership has grown by about 3,050 members. The guiding principles for membership growth are that it must enhance the long-term sustainability of the Plan and be cost neutral to existing members.



2019-2020 PSSP Annual Report

At a glance...

Contributions Received

\$220
million

Plan member and employer contributions received by the Plan (includes all matched and unmatched current and past service contributions)

Benefits Paid to retirees and survivors

\$378
million

Annual Pensions in Pay

	Value of Annual Pension (\$)				
	<\$15K	\$15-\$30K	\$30-\$45K	\$45-\$60K	\$60K+
Retired Members <65	671	1,286	1,432	616	262
Retired Members >65	4,786	3,140	1,400	504	259
Survivors	2,264	765	145	42	8

1. The "annual pension in pay" is the amount paid from the PSSP only. Plan members may also receive income from the Canada Pension Plan, the Old Age Security program, and/or the Guaranteed Income Supplement.
2. The category "survivors" includes surviving spouses/ex-spouses, children, and dependants.
3. The figures provided are estimates, based on currently-available data.
4. Determination of a pension is formulaic, based on each member's unique combination of years of pensionable service and highest average salary. For more information on the pension formula, please visit our website at www.nspssp.ca/publicservice/members/mid-career/pension-benefit/pension-benefit-formula

Projected Retirements

As at December 31, 2019, there were approximately 3,549 Plan members eligible to retire from the Plan with an unreduced pension. The chart below shows the number of Plan members over the next several years who will be able to retire with an unreduced pension.

Dec. 31, 2020
4,267
Members

Dec. 31, 2022
5,583
Members

Dec. 31, 2024
6,906
Members



Board of Directors

(As at March 31, 2020)

Public Service Superannuation Plan Trustee Inc.

Public Service Superannuation Plan Trustee Inc. (PSSPTI) is comprised of an independent Chair and 12 directors, who represent the NSGEU, NSGREA, CUPE Local 1867, non-union employees, the Nova Scotia Government, and other employers.

PSSPTI directors are senior representatives from each stakeholder group. They have extensive experience in a wide range of disciplines required to oversee the PSSP.

PSSPTI held 5 board meetings in 2019-2020. Directors also attended committee meetings and various educational training sessions throughout the year.

With the exception of the Chair, all PSSPTI directors are offered the same annual compensation, \$12,000 (plus \$3000 if serving as a committee chair). Director remuneration is payable only to an individual who, while serving on the PSSPTI Board or a committee, is not otherwise employed and paid in a full-time capacity by a third-party employer. The Chair's remuneration is fixed at \$26,000 per annum. In fiscal 2019-2020, PSSPTI directors received remuneration totalling \$72,000.



Ronald Smith, FCPA, FCA, ICD.D
PSSPTI Chair

The Chair is an Ex-Officio member on all committees.
Board Meeting Attendance: 5 of 5
Appointed: 2013



Paula Boyd

Superintendent of Pensions
Department of Finance and Treasury Board
Committees: Plan Rules
Audit, Actuarial, and Risk
Employer Representative
Board Meeting Attendance: 5 of 5
Appointed: 2017



Bernie Conrad

Retiree
Committee: Investment
NSGREA Representative
Board Meeting Attendance: 5 of 5
Appointed: 2019



Geoff Gatien

Associate Deputy Minister and Controller
Department of Finance and Treasury Board
PSSPTI Vice-Chair
Committee: Audit, Actuarial, and Risk, Chair
Employer Representative
Board Meeting Attendance: 5 of 5
Appointed: 2017



Cynthia Yazbek

Executive Director,
Labour and Advanced Education
Committees: Plan Rules, Chair
Governance
Employer Representative
Board Meeting Attendance: 5 of 5
Appointed: 2013



Keiren Tompkins

Retiree
Committees: Governance, Chair
Plan Rules
NSGEU Representative
Board Meeting Attendance: 5 of 5
Appointed: 2013

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Public Service Superannuation Plan Trustee Inc. continued...



Nancy MacLellan
Deputy Minister,
Department of Municipal Affairs and Housing
PSSPTI Vice-Chair
Committee: Governance
Non-Bargaining Unit Rep.
Board Meeting Attendance: 4 of 5
Appointed: 2013



Mike Maclsaac
Retiree
Committee: Audit, Actuarial, & Risk
CUPE Local 1867 Representative
(NS Highway Workers)
Board Meeting Attendance: 5 of 5
Appointed: 2013



Corinne Carey
Pensions and Benefits Officer
NSGEU
Committees: Audit, Actuarial, and Risk
Plan Rules
NSGEU Representative
Board Meeting Attendance: 5 of 5
Appointed: 2019



Leo McKenna
Chief Financial Officer
Workers' Compensation Board
Committee: Investment
Employer Representative
Board Meeting Attendance: 5 of 5
Appointed: 2013



Cathy Rankin
Director, Benefits, Public Service Commission
Committee: Governance
Employer Representative
Board Meeting Attendance: 5 of 5
Appointed: 2013



Chris Daly
Director of Policy, Planning and
Research College Services - NSCC
Committee: Investment, Chair
Employer Representative
Board Meeting Attendance: 4 of 5
Appointed: 2013



Bruce Thomson
Director of Administration and
Financial Services, NSGEU
Committee: Investment
NSGEU Representative
Board Meeting Attendance: 1 of 1
* Appointed February 2020



Paul Hagen
NSGEU, Local 8
Committee: Investment
NSGEU Representative
Board Meeting Attendance: 4 of 4
* Served until February 2020

For more information
on PSSPTI, please visit
our website at:

[www.nspssp.ca/
about](http://www.nspssp.ca/about)

Plan Governance

The Public Service Superannuation Plan is comprised of the *Public Service Superannuation Act (Act)* and the plan text made pursuant to the *Act*. The Plan transitioned to a joint governance structure on April 1, 2013. The trustee of the PSSP is Public Service Superannuation Plan Trustee Inc. (PSSPTI or Trustee). PSSPTI has the fiduciary responsibility for the PSSP, manages its investment assets, and is responsible for its overall operations and investment decisions. At the direction of and under the oversight of PSSPTI, Nova Scotia Pension Services Corporation (Pension Corp.) administers the PSSP.

The PSSP's governance structure and the respective roles and responsibilities of the key entities are:

Public Service Superannuation Plan Trustee Inc.

- is the Trustee of the PSSP and the Public Service Superannuation Fund
- has the fiduciary responsibility for the Plan and owns the investment assets
- is responsible for the Plan's overall operations and investment decisions
- sets policy framework and strategic direction for the investment assets
- is run by a 13-person board of directors (Board) that includes 6 representatives of employees including 3 members from NSGEU, 1 from NSGREU, 1 from CUPE, and 1 non-union employee member, as well as 6 representatives from the NS government and other employers, plus an independent chair

PSSPTI oversees all aspects of the Plan through the four following committees:

<p>Audit, Actuarial, and Risk Oversees the Plan's auditors and actuaries. Conducts a detailed review of the audited financial statements and actuarial valuation reports. Reviews quarterly compliance reports.</p>	<p>Governance, Communications, and Member Services Ensures PSSPTI's duties and responsibilities are clear and sets the goals for the administrator of the Plan.</p>
<p>Investment Monitors investment performance. Reviews and approves all investment management policies.</p>	<p>Plan Rules Supports PSSPTI in identifying, proposing and finalizing amendments to the plan text.</p>

The Board of Directors of Nova Scotia Pension Services Corporation

- oversees the operation of Pension Corp., the administrator of the Plan
- sets strategic direction, approves operational budget, and makes key decisions
- is comprised of joint representation from PSSPTI and Teachers' Pension Plan Trustee Inc. (TPPTI)
- is an 8-person board, with alternating co-chairs, comprised of 4 representatives from PSSPTI and 4 representatives from TPPTI

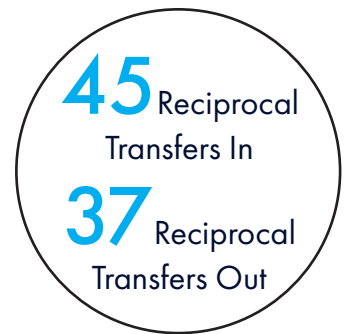
Nova Scotia Pension Services Corporation

- manages day-to-day operation of Plan investments and pension administration
- provides Plan member, retiree, and employer services

Nova Scotia Pension Services Corporation

Nova Scotia Pension Services Corporation’s (Pension Corp.) client and employer services teams are responsible for providing pension services to Plan members, retirees, and employers. When a Plan member retires, Pension Corp. client and employer services teams manage pension payments and provide assistance throughout the retirement process. Pension Corp. also assists Plan members with support in making informed retirement decisions.

Client Services Results



My Retirement Plan website usage - <https://nspensions.hroffice.com>



“Much of the past year has been spent connecting directly with members and retirees; and working with them to improve their financial futures. As Covid-19 arrived at the end of this year, it has presented its own challenges and reaffirmed that keeping in contact is key...particularly at times like these.”

- Kim Blinn, Chief Pensions Officer

Visit us online:
www.novascotiapension.ca

Follow us on Social Media:
 @yourNSPSSP
  www.facebook.com/yourNSPSSP



Financial Position

The *funded ratio* is equal to the Plan's *assets* divided by the Plan's *liabilities*, expressed as a percentage. A *funded ratio* of 100 per cent or more means that the Plan is fully funded (i.e. there are sufficient assets to cover *liabilities*, based on current market values and actuarial assumptions).

More details about the assumptions that were used, and their impact on the valuation of Plan *liabilities*, may be found in the Report on the Actuarial Valuation (December 31, 2019) which is available on our website at: www.nspssp.ca/publicservice/members/publications/actuarial-valuation

While the Plan Valuation Report is completed each year as at December 31, the Plan's fiscal year-end is March 31.

As at March 31, 2020, the Plan had *assets* of \$6.403 billion, *liabilities* of \$7.007 billion, equaling unfunded *liabilities* of \$604 million. The *funded ratio* was 91.4 per cent.

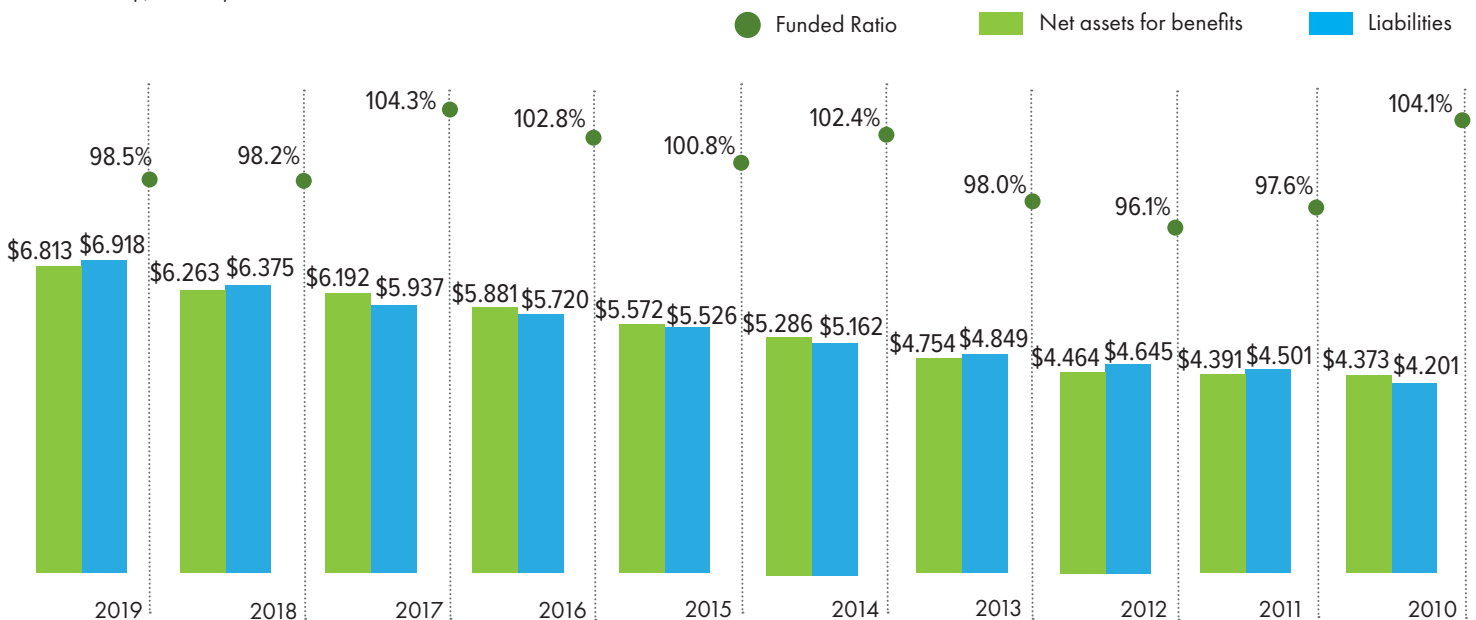
Plan Valuation highlights:

- The Plan's experience gain on investment assets in calendar year 2019, relative to the *assumed rate of return* at the beginning of the year of 5.50 per cent, decreased *liabilities* by \$335 million. However, the change in discount rate to 5.50 per cent from 6.00 per cent increased *liabilities* by \$383 million.
- Plan *liabilities* were valued at December 31, 2019 and measured against the *assets* at that date, resulting in a *funded ratio* of 98.5 per cent. Plan *liabilities* were extrapolated to March 31, 2020 and measured against the *assets* at that date, resulting in a *funded ratio* of 91.4 per cent.
- The Plan's net return on investment assets in fiscal year 2019-2020 was -0.19 per cent.

You can learn more about the financial position of the Plan by referring to the audited financial statements for the year ended March 31, 2020 located on page 22 of this Annual Report or on our website: www.nspssp.ca

10-Year History

As at Dec. 31 (\$ billions)



Investment Management *Discussion and Analysis*

This section includes information on the PSSP Fund and the factors that influenced its 2019-2020 investment performance.





INVESTMENT MANAGEMENT Discussion and Analysis

Overview

The Goal

The primary goal of the Public Service Superannuation Fund (Fund) is to invest pension assets in a manner that maximizes investment returns, within an acceptable level of risk, which enables the Fund to meet the long-term funding requirements of the Plan.

The SIP&G

The investment of pension assets is guided by the Fund's Statement of Investment Policies & Goals (SIP&G) as written by PSSPTI. The SIP&G sets out the parameters within which investments may be made. These parameters include permissible investments and the policy *asset mix* of the four main *asset classes*: *equities*, *fixed income*, *real assets*, and *absolute return strategies*. The Investment Beliefs, also found within the SIP&G, state the general principles upon which investments are made. The SIP&G is available on our website at: www.nspssp.ca/publicservice/about/psspti-policies

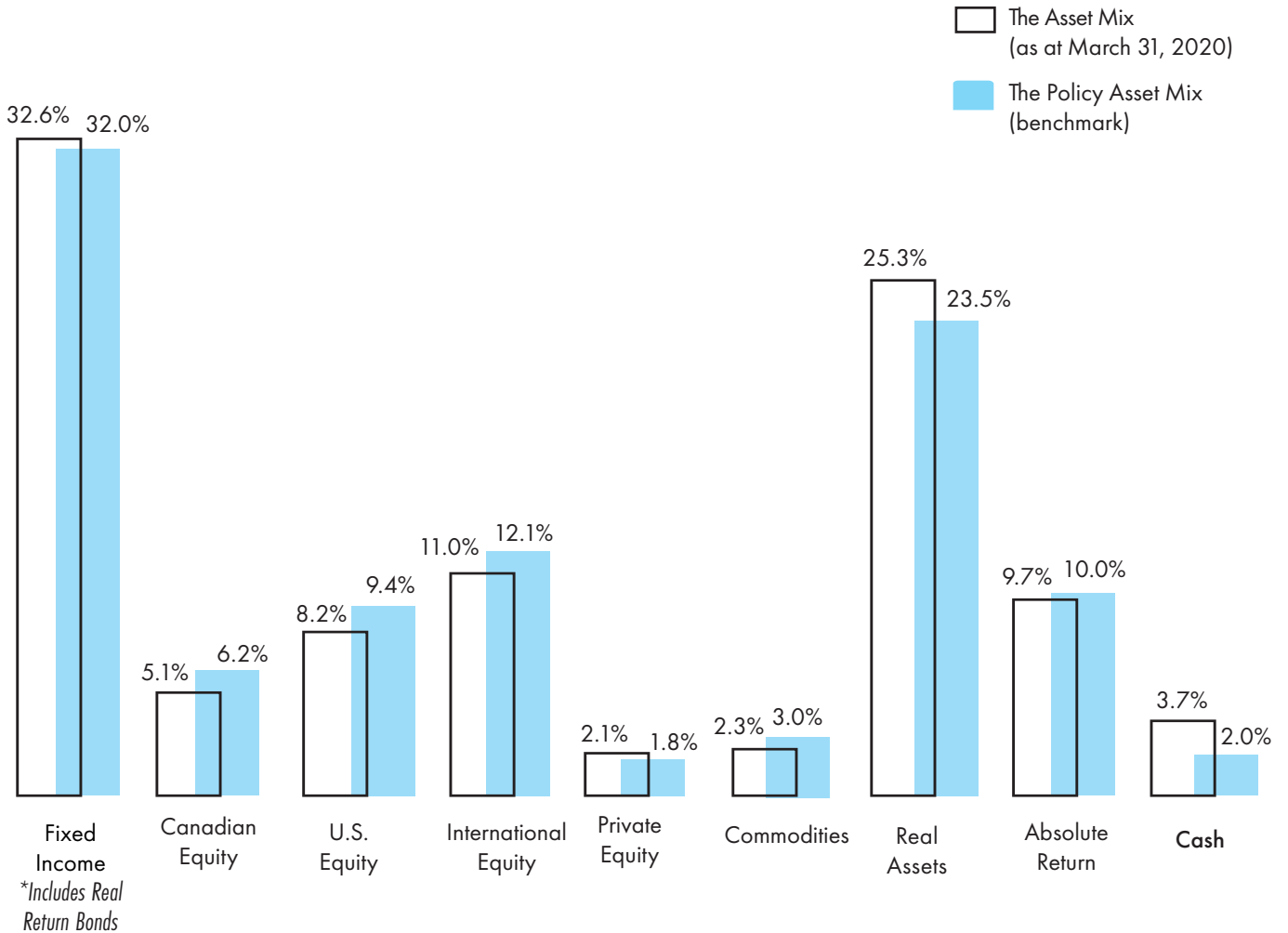


INVESTMENT MANAGEMENT
Discussion and Analysis



Asset Mix

Over the year, positioning of the Fund’s asset classes was maintained close to *benchmark*. Global economies began to lose momentum in the beginning of 2019 on the backdrop of tighter monetary policy in the US, trade policy uncertainty and concerns about China’s outlook. As 2020 began, the emergence of the novel coronavirus (COVID-19) shuttered world economies, requiring governments and central banks to take drastic policy measures in order to dampen the economic impact.





INVESTMENT MANAGEMENT

Discussion and Analysis

2019-2020 Investment Performance

In fiscal 2019-2020, the Fund achieved a one-year return of -0.19 per cent, *net of investment management fees* (-0.02 per cent *gross of investment management fees*). The Fund underperformed the policy benchmark of 0.15 per cent on a net basis and the *actuarial assumed rate of return* of 5.50 per cent.

The US *equity* market, as measured by the S&P 500 Index, declined 6.98 per cent in the year ending March 31, 2020. Trade tensions and central bank actions dominated the news cycle for much of 2019. The Federal Reserve shifted guidance fearing a slowdown in economic growth and followed up with 3 successive rate cuts. The easing of monetary policy was welcomed by investors, trade tensions with China eased, and lower corporate earnings forecasts moderated, all pushing *equities* higher. As 2020 started, the emerging threat of COVID-19 quickly became a global pandemic. This ended the longest bull market in American history, at nearly 132 months, on March 12th as the S&P 500 fell 20 per cent below a peak established only three weeks prior.

Canadian *equities*, as measured by the S&P TSX Composite index, lost 14.21 per cent. For much of 2019, a strong labour market and rebounding housing market were positive for Canadian *equities*. Moving into 2020 Canadian *equities* suffered from a dual crisis with the COVID-19 pandemic and an oil shock from a Russia-Saudi dispute on supply management.

International *equities*, as measured by the MSCI EAFE index, declined 12.58 per cent. International *equities* trailed their North American peers in the 2019 bull market and also collapsed in 2020. Weak economic growth and subdued inflation in 2019 prompted the European Central Bank (ECB) and the Bank of Japan (BoJ) to adopt accommodative policies, most notably with negative policy rates. As the COVID-19 crisis intensified, with interest rates already at theoretical minimum levels, the ECB and BoJ adopted a series of liquidity and stimulus measures to stabilize their economies.

The Plan's Investment Return

Fund Investment Returns		as at March 31, 2020		
	annualized			
	1 year	4 year	10 year	Since Inception
Fund	-0.19%	5.20%	6.58%	7.20%
Benchmark	0.15%	5.15%	6.20%	6.76%

* Fund returns are reported gross of investment management fees.

INVESTMENT MANAGEMENT

Discussion and Analysis



2019-2020 Investment Performance continued...

Emerging market *equities*, as measured by the MSCI EM index, retreated 12.99 per cent. The 2019 *equity* rally in emerging markets also came to an end in 2020. The range of returns amongst emerging market countries was wide as Chinese *equities* outperformed thanks to a rapid response to the pandemic, while other emerging markets were impacted by the Russia-Saudi oil supply shock.

US *fixed income* delivered positive results with the Bloomberg Barclays US Credit index returning 5.10 per cent. Softer economic data, particularly in manufacturing, renewed concerns about growth during the summer months of 2019. Bond yields declined rapidly with 10-year bond yields falling below 3-month and 2-year yields, resulting in yield curve inversion in the US. The Federal Reserve rate cuts in June, September and October helped the US yield curve rise out of inversion to an upward sloping trajectory as 2019 progressed. In October, the US repo market ran into liquidity issues and the Fed injected stimulus by once again growing its balance sheet. With a recession nearly inevitable due to the slowdown induced by the COVID-19 pandemic, most credit sectors within *fixed income* performed negatively. However, government bonds rallied as rates fell to historic lows as the Federal Reserve cut rates to zero and initiated large scale assets buying programs that eventually included investment grade bonds.

Canadian *fixed income* delivered positive results, despite trailing US *fixed income*, with the FTSE Canada Universe Bond index returning 4.46 per cent. Canadian government yield curves also entered inversion territory on softer economic data and global trade tensions. Unlike the Federal Reserve, the Bank of Canada left rates unchanged in 2019. As the global COVID-19 crisis unfolded in early 2020, the Bank of Canada followed closely in the footsteps of other central banks with three 50bps rate cuts bringing the overnight rate to 0.25 per cent. The Bank of Canada also announced two quantitative easing programs: one being a commercial paper purchase program to ease the strain on short term funding markets, and the second being the purchase of Government of Canada debt in the secondary market.

For the Fund, active performance was negative as Canadian and US *equity* portfolios underperformed, as did the hedge fund portfolio. This was partially offset by positive relative performance from the Fund's private *equity*, international *equity*, and *real asset* portfolios. The Fund's overall performance, on a net basis, trailed the *benchmark* by 34 basis points.



2019-2020 Economic Review

Global

Global growth in 2019 recorded its weakest pace since the global financial crisis of 2009. Uncertainty over rising trade tensions led to weakened business sentiment and lower activity around the globe. Signs of stabilization emerged near the end of 2019 as the US and China signed a “phase one” trade deal. The emergence of COVID-19 at the end of 2019 quickly turned into a global health crisis and the world economy came to a grinding halt in order to slow the spread of the virus.

North America

The Canadian economy stalled in late 2019 in response to one-off factors, such as the GM and CN Rail strikes, and less temporary restraints such as elevated household debt and a depressed energy sector. The housing market continued to support growth on the back of low mortgage rates and the fastest population gains in decades. The Canadian economy grew by 1.6 per cent in 2019.¹ Canada’s labour market remained solid up until February 2020 with over 30,000 jobs created that month. The COVID-19 pandemic quarantined entire workforces. In the week ending March 22, nearly 1 million Canadians filed for employment insurance benefits, the highest number in Canadian history. This has prompted the federal government to step in, providing over \$80 billion in stimulus and emergency aid.

The Canadian economy grew by 1.6 per cent in 2019.¹

In the United States GDP growth decelerated from 2.9 per cent in 2018, buoyed by tax cuts, down to 2.3 per cent in 2019.² This pace was still higher than the longer-term projected average US GDP increase of 1.8 per cent. The US economy navigated many obstacles during 2019, including US-China trade tensions, a slowing manufacturing sector and fading support from tax cuts. Despite headwinds, the labor market remained robust up until March of 2020, producing 225,000 and 273,000 jobs in January and February. The fallout from the quarantine measures have been devastating. At the end of March nearly 3.3 million Americans filed for jobless claims, nearly five time more than the previous record set in 1982.

In the United States GDP growth decelerated from 2.9 per cent in 2018, buoyed by tax cuts, down to 2.3 per cent in 2019.²

¹ World Economic Outlook, Update, April 2020; International Monetary Fund; Page IX, Table 1.1

² Ibid



2019-2020 Economic Review continued...

Developed International

Growth in the Euro area decelerated from 1.9 per cent in 2018 to 1.2 per cent in 2019 as economic activity deteriorated significantly.³ Several economies were on the verge of recession at some point during the year, with notable weakness in the German industrial sector as it struggled with falling demand from Asia and disruptions to car production. The European Central Bank continued to provide substantial monetary stimulus by pushing its policy rate deeper into negative territory, restarting quantitative easing, and providing inexpensive credit to banks. With an already weak economic outlook and central bank policy extremely accommodative, the COVID-19 pandemic prompted the ECB to announce the Pandemic Emergency Purchase Program (PEPP), a 750 billion euro program to buy government and corporate bonds until the end of the crisis. Forward looking indicators showed the collapse of economic activity in Europe, with the flash Markit index falling to a record low of 31.4 in March compared to 51.6 in February.

Growth in the Euro area decelerated from 1.9 per cent in 2018 to 1.2 per cent in 2019 as economic activity deteriorated significantly.³

The pace of economic growth in the United Kingdom was 1.4 per cent⁴ in 2019. Political uncertainty weighed on business investment, consumer spending and manufacturing production. Increased government spending partially offset weak consumer spending during the year on continued Brexit uncertainty through much of 2019. Against the backdrop of COVID-19 and in line with other central banks, the Bank of England cut rates by 65 basis points to 0.10 per cent and the government unveiled an unprecedented series of fiscal support measures.

The pace of economic growth in the United Kingdom was 1.4 per cent⁴ in 2019.

³ Ibid

⁴ Ibid

2019-2020 Economic Review continued...

Japanese growth increased to 0.7 per cent in 2019.⁵ The economy suffered from acute weakness in manufacturing and exports, particularly those to China, alongside declining consumer confidence. In response, the government continued to provide significant support. Despite weakness in activity levels, the unemployment rate remained near multi-decade lows, labor force participation continued to climb, and per capita income growth remained healthy. In terms of the actual virus spread, Japan has been on a very different trajectory to most other developed nations with a slower spread and lower mortality rate. This has resulted in a slightly less stringent response from the authorities to date.

Japanese growth increased to 0.7 per cent in 2019.⁵

Emerging Markets

Emerging market growth decelerated to 3.7 per cent in 2019 from 4.5 per cent in 2018.⁶ Substantial weakness in industrial production, trade flows and investment weighed on emerging market growth during the year. The spread of the virus beyond China led to lockdowns globally and resulted in sharp declines in economic activity, while in early 2020 some energy producing countries were starting to feel the impact of the Russia-Saudi oil supply shock. Against this backdrop, a stronger US dollar was a further headwind for emerging markets.

Emerging market growth decelerated to 3.7 per cent in 2019 from 4.5 per cent in 2018.⁶

⁵ Ibid

⁶ Ibid

INVESTMENT MANAGEMENT

Discussion and Analysis



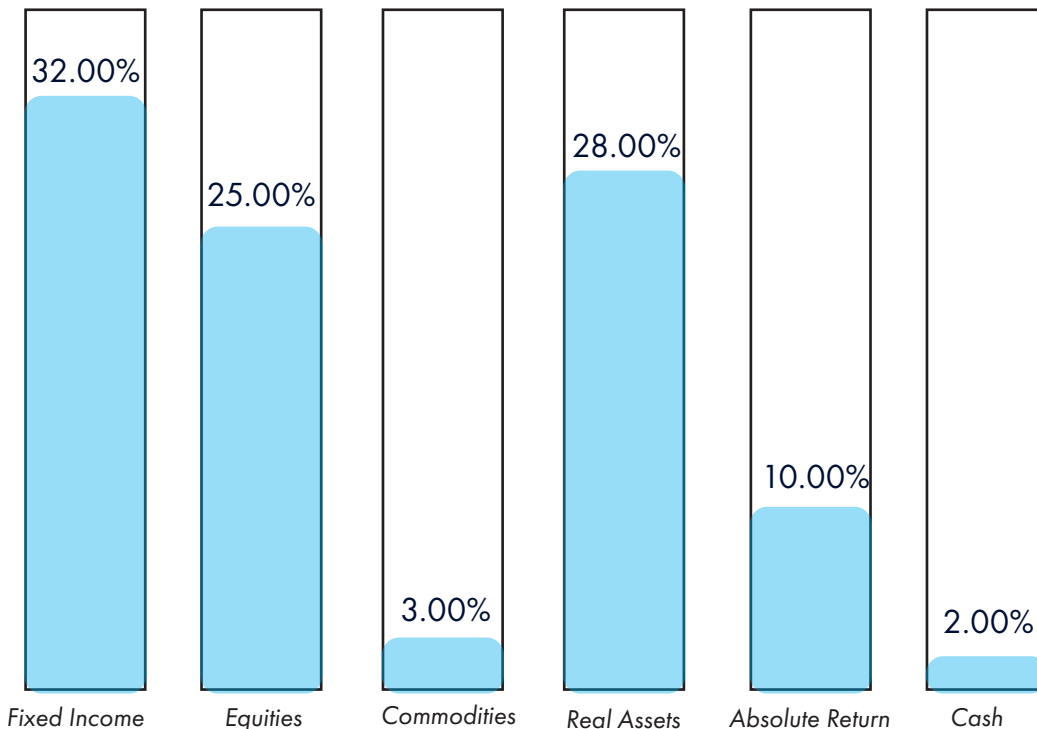
2019-2020 Investment Accomplishments

Over the past fiscal year, the Trustee devoted a good deal of its time to enhancing and diversifying Fund assets. Building out the private asset portfolio was a focal point. The private equity portfolio as well as the real asset portfolio expanded at the expense of public equities. Within real assets, investments in real estate, infrastructure and agriculture investments continued to increase.

Other initiatives completed over the past year included preparations for the upcoming asset liability study and implementation of a new strategy to enhance Fund liquidity during times of market stress.

The Trustee continued to make sustainable investing a part of its regular discussions. Ongoing work included engaging with investment managers, investing in renewable assets and, within the direct real estate program, monitoring emissions and identifying green capital projects. Being a recent signatory to the PRI (Principles of Responsible Investing), the Trustee began to explore aspects of its membership.

The New Target Policy Asset Mix



INVESTMENT MANAGEMENT Discussion and Analysis

Looking Ahead to 2020-2021

While investors benefited from strong financial markets for much of 2019-2020, in the final quarter of the fiscal year they experienced an extreme shift in conditions due to the spread of the coronavirus. By the end of the fiscal year, financial markets had experienced a significant crash, impacting all global regions and erasing most of the market gains experienced in 2019. Expectations are that the dislocation of markets and the impact of the coronavirus will remain for quite some time despite the significant fiscal and monetary measures put in place by governments.

Throughout the coming fiscal year, the Trustee will monitor the impact of these events on the short and long-term performance of the Fund. Monitoring the various strategies and asset classes within the Fund to ensure assets are performing as expected and to identify investment opportunities when possible will be ongoing throughout the year.

Every three to five years, the Trustee conducts an *asset liability* study. An *asset liability* study examines the differing asset allocation possibilities for the Fund. The goal is to identify the optimal allocation set, while considering Fund risk and *liabilities*. The study will be completed this year and the Trustee will devote considerable time to this project.

Sustainable investing will continue to be a focus for the Trustee. A sustainability report will be released this year to provide members more information on the Fund's ongoing sustainable activities. The Trustee will continue to work with partners such as Ceres and the United Nations-supported Principles for Responsible Investment (UNPRI) to identify new ways to enhance the sustainability program. Ceres is a nonprofit organization working with investors and companies to drive solutions through the economy to tackle the world's biggest sustainability challenges. The UNPRI is a global network of investors working together to put the PRI's six principles for responsible investment into practice.

You can view the PSSP's Quarterly Investment Reports online at:
www.nspssp.ca/publicservice/members/publications/investment-policies-and-reports

The PSSP's Quarterly Investment Reports are posted online shortly after each quarter end and include detailed information such as the Fund's investment returns and asset mix.



**Financial Statements of
Public Service Superannuation Plan
Year ended March 31, 2020**



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INDEPENDENT AUDITORS' REPORT

To the Public Service Superannuation Plan Trustee Inc.

Opinion

We have audited the financial statements of Public Service Superannuation Plan (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020;
- the statement of changes net assets available for benefits for the year then ended;
- the statement of changes in pension obligation for the year then ended;
- the statement of changes in deficit (surplus) for the year then ended;
- and notes, comprising a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and the changes in net assets available for benefits, changes in pension obligation and changes in deficit for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

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

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report".



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants
Halifax, Canada
June 23, 2020

Financial Statements of
Public Service Superannuation Plan
Year ended March 31, 2020

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Statement of Financial Position

March 31, 2020, with comparative information for 2019	2020	2019
(in thousands of dollars)		
Net assets available for benefits		
Assets		
Cash	\$ 181,813	\$ 38,738
Contributions receivable:		
Employers'	4,421	5,787
Employees'	4,001	5,708
Accounts receivable	4,105	3,487
Deposit on pending investment purchase (note 3)	-	5,344
Receivable from pending trades	23,900	13,961
Accrued investment income	20,837	19,838
Investments (note 5)	6,421,383	6,531,098
Total assets	6,660,460	6,623,961
Liabilities		
Due to administrator (note 14)	2,383	1,138
Accounts payable and accrued liabilities	4,023	3,223
Payable for pending trades	52,414	71,144
Investment-related liabilities (note 5)	198,585	6,245
Total liabilities	257,405	81,750
Net assets available for benefits	\$ 6,403,055	\$ 6,542,211
Purchases of service via instalments (note 7)	159	363
Fair value of net assets available for benefits	\$ 6,403,214	\$ 6,542,574
Accrued pension obligation and (deficit) surplus		
Accrued pension obligation (note 7)	\$ 7,007,434	\$ 6,422,252
(Deficit) surplus:		
Funding (deficit) surplus (note 9)	(604,220)	120,322
	(604,220)	120,322
Commitments (note 10)		
Accrued pension obligation and (deficit) surplus	\$ 6,403,214	\$ 6,542,574

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

On behalf of the board:



Ronald Smith, Chair
Public Service Superannuation Plan Trustee Inc.



Geoff Gaten, Vice-Chair
Public Service Superannuation Plan Trustee Inc.



Statement of Changes in Net Assets Available for Benefits

Year ended March 31, 2020, with comparative information for 2019	2020	2019
(in thousands of dollars)		
Increase in assets		
Contributions (note 4)	\$ 220,427	\$ 243,396
Transfers from other pension plans:		
Universities, municipalities & other (note 8)	55,393	14,700
Individuals	3,633	6,250
Interest on pension plan transfer deficits (note 8)	205	148
Investment activities (note 5)	197,988	200,644
Change in market value of investments (note 5)	-	134,099
Total increase in assets	477,646	599,237
Decrease in assets		
Benefits paid (note 11)	395,549	381,789
Transfers to other pension plans	4,690	5,295
Administrative expenses (note 12)	21,802	22,736
Change in market value of investments (note 5)	194,761	-
Total decrease in assets	616,802	409,820
(Decrease) increase in net assets available for benefits	(139,156)	189,417
Net assets available for benefits, beginning of year	6,542,211	6,352,794
Net assets available for benefits, end of year	\$ 6,403,055	\$ 6,542,211

See accompanying notes to financial statements.



Statement of Changes in Pension Obligation

Year ended March 31, 2020, with comparative information for 2019	2020	2019
(in thousands of dollars)		
Accrued pension obligation, beginning of year	\$ 6,422,252	\$ 6,146,368
Increase in accrued pension benefits		
Interest on accrued pension obligation	385,335	371,855
Benefits accrued	154,430	152,771
Purchases of service	6,192	34,290
Transfers from other pension plans	59,026	20,950
Changes in actuarial assumptions (note 9)	387,974	35,525
Net experience losses (note 9)	-	47,577
	992,957	662,968
Decrease in accrued pension benefits		
Benefits paid and transfers to other pension plans	400,239	387,084
Net experience gains (note 9)	7,536	-
	407,775	387,084
Net increase in accrued pension benefits	585,182	275,884
Accrued pension obligation, end of year	\$ 7,007,434	\$ 6,422,252

Statement of Changes in Surplus

Year ended March 31, 2020, with comparative information for 2019	2020	2019
(in thousands of dollars)		
Surplus, beginning of year	\$ 120,322	\$ 206,972
(Decrease) increase in net assets available for benefits	(139,156)	189,417
Decrease in purchases of service via instalments	(204)	(183)
Net increase in accrued pension obligation	(585,182)	(275,884)
(Deficit) surplus, end of year	\$ (604,220)	\$ 120,322

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2020
(in thousands of dollars)



Authority and description of Plan

The following description of the Public Service Superannuation Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan legislative documents and agreements.

General

The Plan is governed by the *Public Service Superannuation Act* (the "Act") as part of the Acts of Nova Scotia. It is a contributory defined benefit pension plan that covers employees of the Province of Nova Scotia (the "Province") and certain other public sector organizations. The Act established the Nova Scotia Public Service Superannuation Fund (the "Fund") for the purpose of crediting employer and employee contributions, investment earnings and meeting the Plan's obligations.

The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas, are also contained in the Act and in the plan text made under the Act.

Effective April 1, 2013, the Plan and the Fund transitioned to a new joint governance structure. The newly created Public Service Superannuation Plan Trustee Inc. ("PSSPTI") assumed fiduciary responsibility for the Plan and the Fund from the Minister of Finance and Treasury Board. As of April 1, 2013, the Minister of Finance and Treasury Board no longer has further legal liability for the Plan and the Fund. These changes are outlined in the 2012 *Public Service Superannuation Act*. That Act repealed the existing *Public Service Superannuation Act* and replaced it with a new *Public Service Superannuation Act*.

The PSSPTI is responsible for the administration of the Plan and the investment management of the Fund assets. The investment of the Fund assets is guided by the Plan's Statement of Investment Policies & Goals (the "SIP&G") as written by the PSSPTI. The SIP&G sets out the parameters within which the investments are made. These parameters include permissible investments and the policy asset mix. The Investment Beliefs, also found within the SIP&G, state the general principles upon which the investments are made.

Funding

The Plan is funded by investment earnings and employee and matching employer contributions of 8.4% of salary up to the Year's Maximum Pensionable Earnings (the "YMPE") and 10.9% of salary above the YMPE. The YMPE is a figure set annually by the Canada Pension Plan (the "CPP").

Authority and description of Plan (continued)

Retirement benefits

Members are eligible for a pension upon reaching any of the following criteria:

- age 50 with an age plus years of pensionable service totaling 80 (Rule of 80);
- age 55 with an age plus years of pensionable service totaling 85 (Rule of 85) for members first hired by a participating employer on or after April 6, 2010;
- age 55 with two years of pensionable service (reduced pension);
- age 60 with two years of pensionable service.

Pension benefits are made up of two components:

Lifetime pension:

- 1.3% of the members' highest average salary (best five years) below or up to the YMPE for each year of pensionable service (maximum 35 years), plus
- 2.0% of the member's highest average salary (best five years) above the YMPE for each year of pensionable service (maximum 35 years)

Pension benefits are integrated with CPP benefits at age 65. To supplement members' income until unreduced CPP benefits are payable from CPP at age 65, a bridge benefit is payable until age 65. Members who receive reduced CPP benefits before age 65 will still receive the bridge benefit until age 65.

Bridge benefit payable until age 65:

- 0.7% of the members' highest average salary (best five years) below or up to the average YMPE (best five years) for each year of pensionable service

Death benefits

Upon the death of a vested member, the surviving spouse is entitled to receive 66.67% of the member's pension benefit payable for life (60% for the surviving spouse of a member first hired by a participating employer on or after April 6, 2010). Eligible children are entitled to receive 10% of the member's pension benefit, payable until age 18 (or 25 while still in school).

Termination benefits

Upon termination of employment, a vested member may choose to defer their pension until they satisfy one of the above eligibility criteria, or they may remove their funds from the plan in the form of a commuted value.

Refunds

The benefit payable upon termination or death of a non-vested member, or upon death prior to retirement of a vested member with no eligible survivors, is a lump sum refund of the member's contributions with interest.

Indexing

Subject to the conditions specified in the Act, pensions in pay are indexed at an annual rate of 0.85% from January 1, 2016 through to December 31, 2020.

2.

Basis of Preparation

a. Basis of presentation

These financial statements are prepared in Canadian dollars, which is the Plan's functional currency in accordance with the accounting standards for pension plans in Part IV of the Chartered Professional Accountants ("CPA") Canada Handbook ("Section 4600 – Pension Plans"). Section 4600 – Pension Plans provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the Plan must consistently comply with either International Financial Reporting Standards ("IFRS") in Part I or Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook. The Plan has elected to comply on a consistent basis with IFRS in Part I of the CPA Canada Handbook. To the extent that IFRS in Part I is inconsistent with Section 4600, Section 4600 takes precedence.

Consistent with Section 4600, investment assets are presented on a non-consolidated basis even when the investment is in an entity over which the Plan has effective control. Earnings of such entities are recognized as income is earned and as dividends are declared. The Plan's total investment income includes valuation adjustments required to bring the investments to their fair value.

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

These financial statements were authorized for issue by the Board of Trustees of the Public Service Superannuation Plan Trustee Inc. on June 23, 2020.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value through the statement of changes in net assets available for benefits and derivative financial instruments which are measured at fair value. Units of subsidiaries held are measured at the fair value of the underlying assets and liabilities.

c. Use of estimates and judgments

The preparation of the financial statements in conformity with Section 4600 and IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position, the reported amounts of changes in net assets available for benefits and accrued pension benefits during the year. Actual results may differ from those estimates. Significant estimates included in the financial statements relate to the valuation of real estate, infrastructure and private equity investments and the determination of the accrued pension obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3.

Significant accounting policies

a. Investment transactions, income recognition and transaction costs

i. **Investment transactions:**

Investment transactions are accounted for on a trade date basis.

ii. **Income recognition:**

Income from investments is recorded on an accrual basis and includes interest, dividends and gains and losses that have been realized on disposal of investments and the unrealized appreciation and depreciation in the fair value of investments.

iii. **Transaction costs:**

Brokers' commissions and other transaction costs are recorded in the statement of changes in net assets available for benefits when incurred.

b. Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on re-translation are recognized in the statement of changes in net assets available for benefits as a change in net unrealized gains (loss).

c. Financial assets and liabilities

i. **Non-derivative financial assets:**

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument.

The Plan classifies all of its financial assets at fair value through the statement of changes in net assets available for benefits if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through the statement of changes in net assets available for benefits if the Plan manages such investment and makes purchase and sale decisions based on their fair value in accordance with the Plan's documented risk management or investment strategy. Upon initial recognition, attributed transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Financial assets at fair value through the statement of changes in net assets available for benefits are measured at fair value and changes therein are recognized in the statement of changes in net assets available for benefits.

ii. **Non-derivative financial liabilities:**

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are presented in the statement of financial position. The net amount is presented in the statement of financial position, when and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Plan considers its amounts payable to be a non-derivative financial liability.

Significant accounting policies (continued)

iii. Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and their related transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

Derivative-related assets and liabilities are presented in the statement of financial position. The net amount is presented in the statement of financial position, when and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

d. 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.

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

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, discounted cash flow analyses and option pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When a transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in market value of investments.

Significant accounting policies (continued)

Fair values of investments are determined as follows:

- i. Fixed income securities and equities are valued at year-end quoted closing prices, where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.
- ii. Short-term notes, treasury bills, repurchase agreements and term deposits maturing within one year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.
- iii. Pooled fund investments include investments in fixed income, equities, real estate and commodities. Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices. These net asset values are reviewed by management.
- iv. Directly held real estate is valued based on estimated fair values determined by appropriate techniques and best estimates by management, appraisers, or both. Where external appraisers are engaged to perform the valuation, management ensures the appraisers are independent and compares the assumptions used by the appraisers with management's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment.
- v. Private fund investments include investments in private equity, real estate, infrastructure and agriculture & timber assets. The fair value of a private fund investment where the Plan's ability to access information on underlying individual fund investments is restricted, such as under the terms of a limited partnership agreement, is equal to the value provided by the fund's general partner unless there is specific and objectively verifiable reason to vary from the value provided by the general partner. These net asset values are reviewed by management.
- vi. Derivatives, including futures, options, interest rate swaps, credit default swaps, total return swaps, and currency forward contracts, are valued at year-end quoted market prices, interest, spot and forward rates, where available. Where quoted prices are not available, appropriate alternative valuation techniques are used to determine fair value. The gains or losses from derivative contracts are included in the realized and unrealized gains or losses on investments.
- vii. Absolute return strategy investments, comprised of hedge funds, are recorded at fair value based on net asset values obtained from each of the hedge funds' administrators. These net asset values are reviewed by management.

Significant accounting policies (continued)

e. Non-investment assets and liabilities

The fair value of non-investment assets and liabilities are equal to their amortized cost value and are adjusted for foreign exchange where applicable.

f. Deposit on pending investment purchase

On March 31, 2019, the Plan wired funds to a hedge fund for subscription on April 1, 2019. Monies were due in advance of the value date.

g. Receivable/payable for pending trades

For securities transactions, the fair value of receivable from pending trades and payable for pending trades approximate their carrying amounts due to their short-term nature.

h. Accrued pension obligation

The value of the accrued pension benefit obligation of the Plan is based on a going concern method actuarial valuation prepared by an independent firm of actuaries using the projected unit credit method as at December 31 and then extrapolated to March 31. The accrued pension benefit obligation and its extrapolation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the PSSPTI for the purpose of establishing the long term funding requirements of the Plan. The actuarial valuation and extrapolated accrued pension benefit obligation included in the financial statements is consistent with the valuation for funding purposes.

i. Contributions

Basic contributions from employers and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases that include but are not limited to leaves of absence and transfers from other pension plans are recorded and service is credited when the purchase amount is received.

j. Benefits

Benefit payments to retired and surviving members, commuted value payments and refunds to former members, and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of the accrued pension benefit obligation.

k. Administrative expenses

Administrative expenses, incurred for plan administration and direct investment management services, are recorded on an accrual basis. Plan administration expenses represent expenses incurred to provide direct services to the Plan members and employers. Investment management expenses represent expenses incurred to manage the Fund. Base external manager fees for portfolio management are expensed in investment management expenses as incurred.

Significant accounting policies (continued)

l. Actuarial value of net assets and actuarial adjustment

The actuarial value of net assets of the Plan is used in assessing the funding position of the Plan, including the determination of contribution rates. The actuarial value of net assets is determined by smoothing investment returns above or below the actuarial long-term rate of return assumption over a five year period. The fair value of net assets is adjusted by the unrecognized actuarial value adjustment to arrive at the actuarial value of net assets.

m. Income taxes

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

n. Future changes to accounting policies

No relevant new guidance has been issued by the International Accounting Standards Board.

4.

Contributions

	2020	2019
(in thousands of dollars)		
Employer		
Matched current service	\$ 106,937	\$ 104,323
Matched past service	434	470
	107,371	104,793
Employee		
Matched current service	106,867	104,318
Unmatched past service	5,323	33,350
Matched past service	434	470
Unmatched current service	432	465
	113,056	138,603
	\$ 220,427	\$ 243,396

5.

Investments and investment-related liabilities

- a. The fair value of the Plan's investments and investment-related liabilities along with the related income as at March 31 are summarized in the following tables:

	2020		2019	
(in thousands of dollars)		%		%
Investments				
Fixed income				
Money market	\$ 233,625	3.6	\$ 176,031	2.7
Canadian bonds & debentures	557,711	8.7	659,088	10.0
Non-Canadian bonds & debentures	1,194,629	18.6	1,080,472	16.5
Canadian real return bonds	206,040	3.2	206,850	3.2
Equities				
Canadian	322,454	5.0	436,993	6.7
US	541,478	8.4	607,433	9.3
Global	691,222	10.8	815,520	12.5
Private	138,205	2.2	60,312	0.9
Commodities	153,260	2.4	190,660	2.9
Real assets				
Real estate	953,745	14.9	832,789	12.8
Infrastructure	687,216	10.7	659,571	10.1
Agriculture & timber	25,302	0.4	11,791	0.2
Absolute return strategies				
Hedge funds	650,632	10.1	678,238	10.4
Investment-related receivables				
Agreements to resell securities	33,733	0.5	92,448	1.4
Promissory notes	21,190	0.3	5,710	0.1
Derivative-related, net	10,941	0.2	17,192	0.3
	\$ 6,421,383	100.0	\$ 6,531,098	100.0
Investment-related liabilities				
Agreements to repurchase securities	\$ -	-	\$ (1,356)	21.7
Derivative-related, net	(198,585)	100.0	(4,889)	78.3
	\$ (198,585)	100.0	\$ (6,245)	100.0
Net investments	\$ 6,222,798		\$ 6,524,853	

Investments and investment-related liabilities (continued)

2020				
(in thousands of dollars)	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	\$ 70,559	\$ 46,354	\$ 22,851	\$ 69,205
Equities	43,653	71,310	(305,315)	(234,005)
Commodities	-	-	(37,400)	(37,400)
Real assets	77,468	10,500	102,067	112,567
Absolute return strategies	-	38,755	7,812	46,567
Derivatives	4,080	46,916	(198,611)	(151,695)
Other	2,228	-	-	-
	\$ 197,988	\$ 213,835	\$ (408,596)	\$ (194,761)

2019				
(in thousands of dollars)	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	\$ 69,178	\$ 11,006	\$ 63,445	\$ 74,451
Equities	47,013	50,227	(10,466)	39,761
Commodities	-	-	(4,453)	(4,453)
Real assets	83,594	3,936	21,067	25,003
Absolute return strategies	-	17,842	22,664	40,506
Derivatives	(269)	(84,855)	43,686	(41,169)
Other	1,128	-	-	-
	\$ 200,644	\$ (1,844)	\$ 135,943	\$ 134,099

b. Derivatives

Derivatives are financial contracts, the value of which is “derived” from the value of underlying assets or interest or exchange rates. The Plan utilizes such contracts to provide flexibility in implementing investment strategies and for managing exposure to interest rate and foreign currency volatility.

Notional amounts of derivative contracts are the contract amounts used to calculate the cash flows to be exchanged. They represent the contractual amount to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis upon which the returns from, and the fair value of, the contracts are determined. They do not necessarily indicate the amounts of future cash flows involved or the current fair value of the derivative contracts. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure.

Investments and investment-related liabilities (continued)

The derivative contracts become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in either market rates or prices relative to their terms. The aggregate notional amounts and fair values of derivative contracts can fluctuate significantly.

Derivative contracts transacted either on a regulated exchange market or in the over-the-counter ("OTC") market, directly between two counterparties include the following:

Futures

Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining. The futures contracts that the Plan enters into are as follows:

- Government futures - contractual obligations to either buy or sell at a fixed value (the contract-ed price) government fixed income financial instruments at a predetermined future date. They are used to adjust interest rate exposure and replicate government bond positions. Long future positions are backed with high grade, liquid debt securities.
- Money market futures - contractual obligations to either buy or sell money market financial instruments at a predetermined future date at a specified price. They are used to manage exposures at the front end of the yield curve. Futures are based on short-term interest rates and do not require delivery of an asset at expiration. Therefore, they do not require cash backing.

Options

Options are contractual agreements under which the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or sell (put option), a security, exchange rate, interest rate, or other financial instrument or commodity at a predetermined price, at or by a specified future date. The seller (writer) of an option can also settle the contract by paying the cash settlement value of the purchaser's right. The seller (writer) receives a premium from the purchaser for this right. Purchased options are used to manage interest rate volatility exposures. Written options generate income in expected interest rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option. In-the-money portion of written options are covered by high grade, liquid debt securities.

Swaptions are contractual agreements that convey to the purchaser the right but not the obligation to enter into or cancel a swap agreement at a fixed future date or at any time within a fixed future period. The seller receives a premium from the purchaser for this right.

Investments and investment-related liabilities (continued)

Credit default swaps

Credit default swaps (“CDS”) provide protection against the decline in value of the referenced asset as a result of specified events such as payment default or insolvency. The purchaser pays a premium to the seller of the CDS in return for payment related to the deterioration in the value of the referenced asset. The referenced asset for CDS is a debt instrument. They are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure (selling protection), obligating the Plan to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure (buying protection), providing the right to “put” bonds to the counterparty in the event of a default. Net long exposures are backed with high grade, liquid debt securities. Underlying credit exposures are continuously monitored.

Interest rate swaps

Interest rate swaps involve contractual agreements between two counterparties to exchange fixed and floating interest payments based on notional amounts. They are used to adjust interest rate yield curve exposures and substitute for physical securities. Long swap positions increase exposure to long-term interest rates and short positions decrease exposure. Long swap positions are backed with high grade, liquid debt securities.

Total return swaps

Total return swaps are contractual agreements under which the total return receiver assumes market and credit risk on a bond or loan, where the total return payer forfeits risk associated with market performance, but takes on the credit exposure that the total return receiver may be subject to. The total return receiver receives income and capital gains generated by an underlying loan or bond. In return, the total return receiver must pay a set rate and any capital losses generated by the underlying loan or bond over the life of the swap.

Currency forwards

Currency forwards are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date. Forward contracts are used to manage the currency exposure of investments held in foreign currencies. The notional amount of a currency forward represents the contracted amount purchased or sold for settlement at a future date. The fair value is determined by the difference between the market value and the notional value upon settlement.

Investments and investment-related liabilities (continued)

The following tables set out the notional values of the Plan's derivatives and their related assets and liabilities as at March 31:

2020				
(in thousands of dollars)				
	Notional value	Fair Value		
		Assets	Liabilities	Net
Derivatives				
Futures	\$ 23,206	\$ 4,667	\$ (4,259)	\$ 408
Options	-	-	-	-
Credit default swaps	7,079	60	(278)	(218)
Interest rate swaps	31,200	2,670	(737)	1,933
Total return swaps	136,608	-	(1,096)	(1,096)
Currency forwards	3,301,659	125	(190,436)	(190,311)
	\$ 3,499,752	\$ 7,522	\$ (196,806)	\$ (189,284)
Cash collateral	-	3,419	(1,779)	1,640
Notional and fair value	\$ 3,499,752	\$ 10,941	\$ (198,585)	\$ (187,644)

2019				
(in thousands of dollars)				
	Notional value	Fair Value		
		Assets	Liabilities	Net
Derivatives				
Futures	\$ 47,161	\$ 1,268	\$ (1,404)	\$ (136)
Options	38,850	1,137	(1,241)	(104)
Credit default swaps	12,639	106	(198)	(92)
Interest rate swaps	56,150	468	(295)	173
Total return swaps	16,300	1,217	-	1,217
Currency forwards	2,646,498	11,658	(1,751)	9,907
	\$ 2,817,598	\$ 15,854	\$ (4,889)	\$ 10,965
Cash collateral	-	1,338	-	1,338
Notional and fair value	\$ 2,817,598	\$ 17,192	\$ (4,889)	\$ 12,303

Investments and investment-related liabilities (continued)

The following tables set out the contractual maturities of the Plan's derivatives and their net related assets and liabilities as at March 31:

2020				
(in thousands of dollars)	Under 1 year	1 to 5 years	Over 5 years	Total
Derivatives, net				
Futures	\$ 408	\$ -	\$ -	\$ 405
Options	-	-	-	-
Credit default swaps	-	(218)	-	(218)
Interest rate swaps	-	(737)	2,670	1,933
Total return swaps	(1,096)	-	-	(1,096)
Currency forwards	(190,311)	-	-	(190,311)
	(190,999)	(955)	2,670	(189,284)
Cash collateral, net	1,640	-	-	1,640
Fair value, net	\$ (189,359)	\$ (955)	\$ 2,670	\$ (187,644)

2019				
(in thousands of dollars)	Under 1 year	1 to 5 years	Over 5 years	Total
Derivatives, net				
Futures	\$ (136)	\$ -	\$ -	\$ (136)
Options	(104)	-	-	(104)
Credit default swaps	(101)	9	-	(92)
Interest rate swaps	-	59	114	173
Total return swaps	1,217	-	-	1,217
Currency forwards	9,907	-	-	9,907
	10,738	68	114	10,965
Cash collateral, net		-	-	1,338
Fair value, net	\$ 12,121	\$ 68	\$ 114	\$ 12,303

Cash is deposited or pledged with various financial institutions as collateral if the Plan was to default on payment obligations on its derivative contracts. On the statement of financial position, collateral is represented as part of the net balance of derivative-related receivables and liabilities.

6.

Financial Instruments

a. Fair values

The fair values of investments and derivatives are as described in note 3(d). The fair values of other financial assets and liabilities, being cash, contributions receivable, receivable from repurchase agreements, receivable from pending trades, accrued investment income, payable for repurchase agreements, and payable from pending trades and approximate their carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1: Fair value is based on 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: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market.
- Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes real estate, infrastructure, and private equity investments valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

Financial instruments (continued)

2020				
(in thousands of dollars)	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Money market	\$ 1,724	\$ 231,901	\$ -	\$ 233,625
Canadian bonds & debentures	156,195	401,516	-	557,711
Non-Canadian bonds & debentures	60,160	1,134,469	-	1,194,629
Canadian real return bonds	-	137,782	68,258	206,040
Equities				
Canadian	271,033	51,421	-	322,454
US	124,734	416,744	-	541,478
Global	457,545	233,677	-	691,222
Private	-	-	138,205	138,205
Commodities	-	153,260	-	153,260
Real assets				
Real estate	-	196,220	757,525	953,745
Infrastructure	-	-	687,216	687,216
Agriculture & timber	-	-	25,302	25,302
Absolute return strategies				
Hedge funds	-	650,632	-	650,632
Investment-related receivables				
Agreements to resell securities	-	33,733	-	33,733
Promissory notes	-	-	21,190	21,190
Derivative-related, net	8,086	2,855	-	10,941
	\$ 1,079,477	\$ 3,644,210	\$ 1,697,696	\$ 6,421,383
Investment-related liabilities				
Agreements to repurchase securities	\$ -	\$ -	\$ -	\$ -
Derivative-related, net	(6,038)	(192,547)	-	(198,585)
	\$ (6,038)	\$ (192,547)	\$ -	\$ (198,585)
Net investments	\$ 1,073,439	\$ 3,451,663	\$ 1,697,696	\$ 6,222,798

Financial instruments (continued)

2019				
(in thousands of dollars)	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Money market	\$ 339	\$ 175,692	\$ -	\$ 176,031
Canadian bonds & debentures	208,495	450,593	-	659,088
Non-Canadian bonds & debentures	50,069	1,030,403	-	1,080,472
Canadian real return bonds	-	133,899	72,951	206,850
Equities				
Canadian	353,065	83,928	-	436,993
US	173,198	434,235	-	607,433
Global	530,297	285,223	-	815,520
Private	-	-	60,312	60,312
Commodities				
	-	190,660	-	190,660
Real assets				
Real estate	-	189,908	642,881	832,789
Infrastructure	-	-	659,571	659,571
Agriculture & timber	-	-	11,791	11,791
Absolute return strategies				
Hedge funds	-	678,238	-	678,238
Investment-related receivables				
Agreements to resell securities	-	92,448	-	92,448
Promissory notes	-	-	5,710	5,710
Derivative-related receivables	3,743	13,449	-	17,192
	\$ 1,319,206	\$ 3,758,676	\$ 1,453,216	\$ 6,531,098
Investment-related liabilities				
Agreements to repurchase securities	\$ -	\$ (1,356)	\$ -	\$ (1,356)
Derivative-related payables	(2,645)	(2,244)	-	(4,889)
	\$ (2,645)	\$ (3,600)	\$ -	\$ (6,245)
Net investments	\$ 1,316,561	\$ 3,755,076	\$ 1,453,216	\$ 6,524,853

There were no significant transfers between level 1 and level 2 financial instruments during the years ended March 31, 2020 and 2019.

Financial instruments (continued)

The following tables present the changes in the fair value measurement in Level 3 of the fair value hierarchy:

2020										
(in thousands of dollars)										
	Fixed income		Equities		Real assets		Investment - related receivables	Total		
Balance, beginning of year	\$	72,951	\$	60,312	\$	1,314,243	\$	5,710	\$	1,453,216
Purchases, contributed capital		-		64,617		146,642		15,480		226,739
Sales, capital returned		(968)		-		(91,104)		-		(92,072)
Realized gains		220		-		4,757		-		4,977
Unrealized gains (losses)		(3,945)		13,276		95,505		-		104,836
Balance, end of year	\$	68,258	\$	138,205	\$	1,470,043	\$	21,190	\$	1,697,696

2019										
(in thousands of dollars)										
	Fixed income		Equities		Real assets		Investment - related receivables	Total		
Balance, beginning of year	\$	73,184	\$	12,196	\$	1,228,674	\$	9,049	\$	1,323,103
Purchases, contributed capital		-		45,142		152,515				197,657
Sales, capital returned		(918)		-		(82,677)		(3,339)		(86,934)
Realized gains		209		-		(1,646)				(1,437)
Unrealized gains (losses)		476		2,975		17,377				20,828
Balance, end of year	\$	72,951	\$	60,313	\$	1,314,243	\$	5,710	\$	1,453,217

The total realized and unrealized gains (losses) included in the change in market value of investments from level 3 financial instruments held as at March 31, 2020 and 2019, respectively, was \$109,813 and \$19,391.

Fair value assumptions and sensitivity

Level 3 financial instruments are valued using various methods. Listed real return bonds are valued by a third party using broker prices and comparable securities. Certain unlisted private equity, real estate and infrastructure funds are valued using various methods including overall capitalization method and discount rate method. Real estate subsidiaries are valued using the overall capitalization method and discount rate method and the valuations are significantly affected by non-observable inputs, the most significant of which are the capitalization rate and the discount rate.

Financial instruments (continued)

Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at March 31, 2020 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

(in thousands of dollars)				
Description	2020 Fair value	2019 Fair value	Valuation technique	Unobservable inputs
Unlisted real estate subsidiaries	\$ 688,046	\$ 551,519	Income approach technique: overall capitalization rate method and discounted cash flow method	Capitalization rates, discount rates
Unlisted funds: private equity, real estate, infrastructure, agriculture & timber	920,202	823,037	Net asset value - audited financial statements	Information not available
Listed real return bond	68,258	72,951	Vendor supplied price - proprietary price model	Information not available
Unlisted promissory notes	21,190	5,710	Valued at cost	N/A
	\$ 1,697,696	\$ 1,453,217		

The following analysis illustrates the sensitivity of the Level 3 valuations to reasonably possible capitalization rate and discount rate assumptions for real estate properties where reasonably possible alternative assumptions would change the fair value significantly.

Valuations determined by the direct capitalization method and discounted cash flow method are most sensitive to changes in the capitalization and discount rates.

	2020	2019
(in thousands of dollars)		
Unlisted direct real estate subsidiaries		
Direct capitalization method		
Minimum capitalization rate	3.50%	3.50%
Maximum capitalization rate	6.80%	5.05%
Increase of 25 basis points in capitalization rate	\$ (36,626)	\$ (46,892)
Decrease of 25 basis points in capitalization rate	\$ 37,604	\$ 40,552
Discounted cash flow method		
Minimum discount rate	3.50%	3.70%
Maximum discount rate	8.22%	9.30%
Increase of 25 basis points in discount rate	\$ (16,446)	\$ (13,426)
Decrease of 25 basis points in discount rate	\$ 17,019	\$ 14,774

Note: basis point is equal to 0.01%

Financial instruments (continued)

The Plan does not have access to underlying information that comprises the fair market value of real return bonds, and certain private equity, real estate and infrastructure fund investments. The fair market value is provided by the general partner or other external managers. In the absence of information supporting the fair market value, no other reasonably possible alternative assumptions could be applied.

Significant investments

The Plan's investments, each having a fair value or cost exceeding one per cent of the fair market value or cost of net investment assets and liabilities as follows:

March 31, 2020			
(in thousands of dollars)			
	Number of investments	Fair value	Cost
Public market investments	1 \$	68,258 \$	27,057
Private market investments	18	2,633,369	2,007,357
	19 \$	2,701,627 \$	2,034,414

March 31, 2019			
(in thousands of dollars)			
	Number of investments	Fair value	Cost
Public market investments	1 \$	72,951 \$	27,804
Private market investments	17	2,453,791	1,897,745
	18 \$	2,526,742 \$	1,925,549

The Plan's significant private market investments consist of fixed income and equity pooled funds, commodities, real estate, and infrastructure.

b. 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 volatility, market price fluctuations, credit risk, foreign currency risk and liquidity risk. The Plan has set formal goals, policies, and operating procedures that establish an asset mix among equity, fixed income, real assets, absolute return strategy investments and derivatives that requires diversification of investments within categories, and set limits on the size of exposure to individual investments and counterparties. Risk and credit committees have been created to regularly monitor the risks and exposures of the Plan. Trustee oversight, procedures and compliance functions are incorporated into Plan processes to achieve consistent controls and to mitigate operational risk.

Financial instruments (continued)

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 cash flows related to the Plan's liabilities. To properly manage the Plan's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored.

March 31, 2020

(in thousands of dollars)

	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%)(1)
Fixed income						
Money market	\$ 232,595	\$ -	\$ -	\$ -	\$ 232,595	-
Bonds and debentures	23,990	496,628	410,489	481,977	1,413,084	3.9
Real return bonds (2)	-	-	-	68,258	68,258	5.3
	\$ 256,585	\$ 496,628	\$ 410,489	\$ 550,235	\$ 1,718,937	3.4
Pooled funds					478,068	
Total fixed income					\$ 2,192,005	

March 31, 2019

(in thousands of dollars)

	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%)(1)
Fixed income						
Money market	\$ 174,650	\$ -	\$ -	\$ -	\$ 174,650	-
Bonds and debentures	22,403	504,842	409,373	466,365	1,402,983	3.8
Real return bonds (2)	-	-	-	72,951	72,951	5.3
	\$ 197,053	\$ 504,842	\$ 409,373	\$ 539,316	\$ 1,650,584	3.4
Pooled funds					471,857	
Total fixed income					\$ 2,122,441	

1. The average effective yield reflects the estimated annual income of a security as a percentage of its year-end fair value. The total average yield is the weighted average of the average yields shown.
2. Real return bond yields are based on real interest rates. The ultimate yield will be impacted by inflation as it occurs.

The fair value of the Plan's investments is affected by short-term changes in nominal interest rates. Pension liabilities are exposed to the long-term expectation of rate of return of the Fund as well as expectations of inflation and salary escalation.

Financial instruments (continued)

Interest rate sensitivity

The Plan's investments in fixed income and fixed income related derivatives are sensitive to interest rate movements. The following table represents the assets held in the Plan as at March 31, subject to interest rate changes, average duration due to a one percent increase (decrease) in interest rate and the change in fair value of those assets:

	2020	2019
(in thousands of dollars)		
Interest rate sensitive assets	\$ 1,716,604	\$ 1,651,643
Average duration for 1% increase in interest rates	(6.4)	(6.5)
Sensitivity to 1% increase in interest rates	(110,121)	(106,895)
Fair value after 1% increase in rates	\$ 1,606,483	\$ 1,544,748
Average duration for 1% decrease in interest rates	6.4	6.5
Sensitivity to 1% decrease in interest rates	110,121	106,895
Fair value after 1% decrease in rates	\$ 1,826,725	\$ 1,758,538

ii. Market price risk

Market 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. Market price risk does not include interest rate risk and foreign currency risk which are also discussed in this note. As all of the Plan's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in financial position, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Plan through the construction of a diversified portfolio of instruments traded on various markets and across various industries.

Financial Instruments (continued)

Market sensitivity

The Plan's investments in equities are sensitive to market fluctuations. The following table represents the change in fair value of the Plan's investment in public and private equities due to a ten percent increase (decrease) in fair market values as at March 31:

	2020	2019
(in thousands of dollars)		
Total equity	\$ 1,693,359	\$ 1,920,258
10% increase in market values	169,336	192,026
Fair value after 10% increase in market values	\$ 1,862,695	\$ 2,112,284
10% decrease in market values	(169,336)	(192,026)
Fair value after 10% decrease in market values	\$ 1,524,023	\$ 1,728,232

iii. Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for the traded financial instrument is not backed by an exchange clearing house. Credit risk associated with the Plan is regularly monitored and analyzed through risk and credit committees.

Fixed income

The Plan's Fixed Income Program includes two main sectors: the Government Sector and the Corporate Sector. One benefit to managing these two pieces separately is to provide the opportunity to access physical government bonds when required. When markets are at their utmost distress these may be the only securities available for liquidation. Managing the Corporate Sector and the Government Sector separately allows for the adjustment of credit risk within the Fixed Income Program by changing the allocation between these two sectors - increasing the Government Sector through periods of market duress and increasing the Corporate Sector through periods of stability. This approach also allows the active management of the Corporate Sector and taking active decisions where returns can be maximized. In order to minimize the exposure to credit risk, a comprehensive investment policy has been developed. There were no significant concentrations of credit risk in the portfolio in 2020.

Financial instruments (continued)

The fair values of the Plan's fixed income investments exposed to credit risk are categorized in the following table as at March 31:

	2020	2019
(in thousands of dollars)		
Fixed income		
Canadian		
Governments	\$ 455,945	\$ 514,470
Corporate	187,830	188,769
Non-Canadian		
Governments	60,160	50,069
Corporate	1,010,002	897,276
	\$ 1,713,937	\$ 1,650,584
Pooled funds	478,068	471,857
Total fixed income	\$ 2,192,005	\$ 2,122,441

Derivatives

The Plan is exposed to credit-related losses in the event counterparties fail to meet their payment obligations upon maturity of derivative contracts. The Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating. In order to mitigate this risk, the Fund:

- i. Deals only with highly rated counterparties, with whom International Swap and Derivative Association agreements have been executed, normally major financial institutions with a minimum credit standard of "A" rating, as supported by a recognized credit rating agency; and
- ii. Credit risk represents the maximum amount that would be at risk as at the reporting date if the counterparties failed completely to perform under the contracts, and if the right of offset proved to be non-enforceable. Credit risk exposure on derivative contracts is represented by the receivable replacement cost of contracts with counterparties, less any prepayment collateral or margin received, as at the reporting date.

Financial Instruments (continued)

Securities lending

The Plan engages in securities lending to enhance portfolio returns (see note 13). Through a securities lending program at the Plan's custodian, the Plan lends securities for a fee to approved borrowers. Credit risk associated with securities lending is mitigated by requiring the borrowers to provide high quality collateral. In the event that a borrower defaults completely or in part, the custodian will replace the security at its expense. Regular reporting of the securities lending program ensures that its various components are continuously being monitored.

iv. Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan primarily invests in financial instruments and enters into transactions denominated in various foreign currencies, other than its measurement currency. Consequently, the Plan is exposed to 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 investment and non-investment assets or liabilities denominated in currencies other than the Canadian dollar. Foreign currency risk is hedged by using foreign exchange forward contracts. A policy of hedging up to 100% of the currency exposure helps to mitigate this risk.

The Plan's currency policy allows for the management of risk of investment and non-investment assets and liabilities held in the Fund through hedging strategies that are implemented through the purchase of forward currency contracts. The forward currency contracts offset the Plan's foreign currency exposure, hence reducing the Plan's foreign currency risk.

The Plan's investment and non-investment assets and liabilities that are held in the Fund are represented as unhedged and hedged currency exposures as at March 31 in the following table:

March 31, 2020		
(in thousands of dollars)	Unhedged	Hedged
Summary FX exposure		
Canadian dollar	\$ 2,714,345	\$ 5,112,954
United States dollar	3,311,433	1,475,481
Euro	189,973	(200,655)
British pound sterling	133,111	(68,300)
Japanese yen	85,150	65,761
Other	153,131	11,590
	\$ 6,587,143	\$ 6,396,831

Financial instruments (continued)

March 31, 2019		
(in thousands of dollars)	Unhedged	Hedged
Summary FX exposure		
Canadian dollar	\$ 2,635,175	\$ 5,045,784
United States dollar	3,285,665	1,491,754
Euro	181,460	(150,782)
British pound sterling	159,167	(7,267)
Japanese yen	92,642	67,082
Other	167,390	84,834
	\$ 6,521,499	\$ 6,531,405

After the effect of hedging, and without change in all other variables, a ten percent increase (decrease) in the Canadian dollar against all other currencies would (decrease) increase the fair value of the Plan's investment and non-investment assets and liabilities held in the Fund, respectively.

The following table below represents these changes in the Plan's investment and non-investment assets and liabilities held in the Fund as at March 31:

	2020	2019
(in thousands of dollars)		
Fund assets and liabilities	\$ 6,396,831	\$ 6,531,405
10% increase in Canadian dollar	(116,716)	(135,057)
Fund assets and liabilities after increase	\$ 6,280,115	\$ 6,396,348
10% decrease in Canadian dollar	142,653	165,069
Fund assets and liabilities after decrease	\$ 6,539,484	\$ 6,696,474

Financial instruments (continued)

v. **Liquidity risk:**

Liquidity risk is the risk that the Plan does not have sufficient cash to meet its current payment liabilities and acquire investments in a timely and cost-effective manner. Liquidity risk is inherent in the Plan's operations and can be impacted by a range of situation specific and market-wide events including, but not limited to, credit events and significant movements in the market. Cash obligations are fulfilled from contributions to the Plan, cash income of the Plan and planned dispositions 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 cash portfolios are consistent with the needs of the Plan.

Approximately 39.1% (2019 – 40.3%) of the Plan's investments are in liquid securities traded in public markets, consisting of fixed income and equities. Pooled funds consisting of exchange traded equities are approximately 23.9% (2019 – 25.4%) of the Plan's investments and are liquid within 30 days or less. Although market events could lead to some investments becoming illiquid, the diversity of the Plan's portfolio should ensure that liquidity is available for benefit payments. The Plan also maintains cash on hand for liquidity purposes and for payment of Plan liabilities. At March 31, 2020, the Plan had cash in the amount of \$181,813 (2019 - \$38,738).

7.

Purchases of service via instalments

The purchases of services via instalments of \$159 as at March 31, 2020 (2019 - \$363) represents the present value of outstanding employee and employer contributions that is due as a result of service purchases that are being paid for through payroll deductions. The liabilities associated with this service are already recognized in the accrued pension benefit obligation.

8.

Universities, municipalities & other authorities pension plan transfers

On May 4, 2015, the University Pension Plan Transfer Act (Bill No. 102) was proclaimed to facilitate the transfer of university pension plans to the Plan and on November 9, 2016, the Municipalities and Other Authorities Pension Plan Transfer Act (Bill No. 55) was also proclaimed to facilitate the transfer of pension plans of municipalities and other authorities to the Plan.

Both the University Pension Plan Transfer Act and the Municipalities and Other Authorities Pension Plan Transfer Act allow the Trustee to enter into an agreement with a university, municipality or other authority to transfer, in whole or in part, assets and liabilities of a designated plan to the Plan and to allow the members, the survivors of the members, the post-transfer employees of the transferring party and the survivors of the post-transfer employees to participate in the Plan.

The Trustee's guiding principle throughout this transfer process is that it must be beneficial to the long-term sustainability of the Plan and cost-neutral to the Plan and Plan members. A transfer to the Plan resulting in a deficit to the associated liability is recovered with interest owing from the transfer date.

9.

Accrued pension obligation

a. Actuarial assumptions

The actuarial present value of the accrued pension obligation is an estimate of the value of pension obligations of the Plan in respect of benefits accrued to date for all active and inactive members including pensioners and survivors. As the experience of the Plan unfolds, and as underlying conditions change over time, the actual value of accrued benefits payable in the future could be materially different than the actuarial present value.

Actuarial valuations of the Plan are conducted annually and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Mercer, performed a valuation as at December 31, 2019 and issued their report in June 2020. The report indicated that the Plan had a funding deficit of \$105,080 (December 31, 2018 – deficit of \$112,134).

The actuarial valuation calculates liabilities for each member based on service earned to date and the employee's projected five-year highest average salary at the expected date of retirement or on the pension in pay, for retired members and survivors. The projected unit credit method was adopted for the actuarial valuation to determine the current service cost and actuarial liability. Under this method, the cost of providing benefits to an individual member will increase as the individual member ages and gets closer to retirement.

The assumed increases in the real rate of pensionable earnings (i.e. increase in excess of the assumed inflation rate) are dependent on the attained age of the members. These rates are based on recent experience of the Plan and current expectations for future years.

Demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates, and patterns of early retirement. Each of these assumptions is updated periodically, based on a detailed review of the experience of the Plan and on the expectations for future trends.

Accrued pension obligation (continued)

The major economic and demographic assumptions used in the December 31 valuation were as follows:

	2020	2019
Discount rate	5.50% per annum	6.00% per annum
Inflation	2.00% per annum	2.00% per annum
Salary	2.50% per annum plus merit ranging from 0.00% to 2.50%	2.50% per annum plus merit ranging from 0.00% to 2.50%
Retirement age	<ul style="list-style-type: none"> • 10% at age 59; • 20% at age 60; • 10% at each age 61-64; • 50% at each age 65-69; • 100% at age 70 <p>However, 20% each year after EURD, if it is greater</p> <p>40% at 35 years of service</p>	<ul style="list-style-type: none"> • 10% at age 59; • 20% at age 60; • 10% at each age 61-64; • 50% at each age 65-69; • 100% at age 70 <p>However, 20% each year after EURD, if it is greater</p> <p>40% at 35 years of service</p>
Mortality	120% of CPM 2014 Publ with generational mortality using 100% of CPM-B	120% of CPM 2014 Publ with generational mortality using 100% of CPM-B

The accrued pension obligation as at March 31 is determined by an extrapolation performed by the Plan's actuary of the Plan's liabilities from December 31 of the immediately preceding calendar year, as reflected in the actuarial valuation. The following table reflects the extrapolated funding (deficit) surplus as at March 31:

	2020	2019
(in thousands of dollars)	Extrapolated	Extrapolated
Actuarial value of net assets	\$ 6,403,214	\$ 6,542,574
Accrued pension obligation	(7,007,434)	(6,422,252)
Funding (deficit) surplus	\$ (604,220)	\$ 120,322

10.

Commitments

The Plan has committed capital to investment in real estate and infrastructure over a definitive period of time. The future commitments are generally payable on demand based on the capital needs of the related investment. The table below indicates the capital amount committed and outstanding as at March 31, 2020.

March 31, 2020				
(in thousands of dollars)		Committed		Outstanding
United States dollar				
Infrastructure	USD	395,000	USD	26,127
Private equity		275,000		179,516
Real estate		25,000		4,711
Agriculture & timber		25,000		6,625
	USD	720,000	USD	216,979
British pound sterling				
Infrastructure	GBP	15,000	GBP	1,921
Euro				
Infrastructure	EUR	20,000	EUR	16,020
Real estate		25,000		829
	EUR	45,000	EUR	16,849

11.

Benefits

	2020	2019
(in thousands of dollars)		
Benefits paid to retired members	\$ 336,273	\$ 325,782
Benefits paid to surviving members	41,639	38,775
Refunds paid to terminated members	17,637	17,232
	\$ 395,549	\$ 381,789

12.

Administrative Expenses

The plan is charged by its service providers, including Nova Scotia Pension Services Corporation, a related entity, for professional and administrative services. The following is a summary of these administrative expenses.

	2020	2019
(in thousands of dollars)		
Plan administration		
Office and administration services	\$ 6,324	\$ 6,547
Actuarial & consulting services	137	95
Legal services	79	84
Audit services	39	41
Other professional services	60	65
	6,639	6,832
Pension plan transfer-related costs		
Professional services	367	148
Recovery (note 8)	(367)	(148)
	-	-
Investment expenses		
Investment management services	11,557	12,123
Transaction costs	704	818
Custody services	472	469
Advisory & consulting services	313	320
Information services	210	201
	13,256	13,931
Bad debt	12	-
HST	1,895	1,973
	\$ 21,802	\$ 22,736

Investment management and performance fees included in the unrealized gains/(losses) on investment vehicles consisting of pooled funds, limited partnerships and holding companies are estimated at \$34,917 (2019 - \$25,594). These fees are not direct expenses of the Plan and therefore are not included in administrative expenses.

13.

Securities lending

The Plan participates in a securities lending program where it lends securities that it owns to third parties for a fee. For securities lent, the Plan receives a fee and the borrower provides readily marketable securities of higher value as collateral which mitigates the credit risk associated with the program. When the Plan lends securities, the risk of failure by the borrower to return the loaned securities is alleviated by such loans being continually collateralized. The securities lending agent also provides indemnification if there is a shortfall between collateral and the lent security that cannot be recovered. The securities lending contracts are collateralized by securities issued by, or guaranteed without any limitation or qualification by, the Government of Canada or the governments of other countries.

The following table represents the estimated fair value of securities that were loaned out and the related collateral as at March 31:

	2020	2019
(in thousands of dollars)		
Securities on loan	\$ 335,757	\$ 411,320
Collateral held	\$ 363,533	\$ 443,907

14.

Related party transactions

Investments held by the Plan include debentures of the Province of Nova Scotia. The total fair value of these investments is \$3,325 (0.1% of total investment assets and liabilities) as at March 31, 2020 (2019 - \$15,632 (0.2% of total investment assets and liabilities)).

The Plan's administrator, Nova Scotia Pension Services Corporation, an entity co-owned by Teachers' Pension Plan Trustee Inc. and Public Service Superannuation Plan Trustee Inc. for the purpose of providing pension plan administration and investment services, charges the Plan, at cost, an amount equal to the expenses incurred in order to service the Plan. The administration expense charged to the Plan before HST for the year ending March 31, 2020 was \$6,744 (2019 - \$6,804). The amount due the administrator as at March 31, 2020 was \$2,383 (2019 - \$1,138).

15.

Interest in subsidiaries

The Plan's subsidiaries were created for the purposes of providing investment earnings from real estate, infrastructure and other investment arrangements. The Plan's subsidiaries are presented on a non-consolidated basis. The following table shows the fair values of the Plan's subsidiaries as at March 31:

Subsidiary	Purpose	Ownership %	2020 Fair value	2019 Fair value
(in thousands of dollars)				
PSS Investments RE Inc.	Real estate	100	\$ 517,316	\$ 436,251
NT Combined Investments Inc.	Equities	54	416,744	434,235
PSS Investments CS Inc.	Infrastructure	100	244,911	228,491
PSS Investments II Inc.	Real estate	100	190,669	158,681
PSS Investments AI Inc.	Private equity	100	138,205	60,312
PSS Investments IV Inc.	Infrastructure	100	91,054	80,777
PSS Investments AX Inc.	Infrastructure	100	54,352	53,323
PSS Investments ES Inc.	Real estate	100	49,540	47,949
HV Combined Investments Inc.	Hedge funds	63	37,810	33,114
PSS Investments III Inc.	Infrastructure	100	23,923	23,534
PSS Investments CS II Inc.	Infrastructure	100	17	4,177
			\$ 1,764,541	\$ 1,560,844

The Plan either has 100% controlling interest or significant influence over its subsidiaries' cash flows. Funding is made via capital investment from the Plan. Certain subsidiaries have commitments that must be funded directly through capital investment by the Plan. These amounts are included in the Plan's commitments (note 10). Financing is provided as required via shareholder loan and is payable on demand to the Plan.

16.

Capital management

The main objective of the Plan is to sustain a certain level of net assets in order to meet the Plan's pension obligations. The PSSPTI (note 1) manages the contributions and benefits as required by the Public Service Superannuation Act and its related Regulations. The PSSPTI approves and incurs expenses to administer the commerce of the Plan in accordance with the Act.

Under the direction of the PSSPTI, the Plan provides for the short-term financial needs of current benefit payments while investing members' contributions for the longer term security of pensioner payments. The PSSPTI exercises duly diligent practices and has established written investment policies and procedures, and approval processes. Operating budgets, audited financial statements, yearly actuarial valuations and reports, and as required, the retention of supplementary professional, technical and other advisors, are part of the Plan's governance structure.

Capital management (continued)

The Plan fulfils its primary objective by adhering to specific investment policies outlined in its SIP&G, which is reviewed annually by PSSPTI. The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the SIP&G. Increases in net assets are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and participating employers. The main use of net assets is for benefit payments to eligible Plan members.

17.

Comparative information

Certain 2019 comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

18.

Subsequent event

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian government, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Canada resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, which may also have a direct impact on the Plan's financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect the Plan is not known at this time.

Glossary

Absolute Return Strategies: An investment strategy which focuses on generating positive returns in rising and falling capital markets.

Actuarial assumed rate of return: The long term rate of return assumed by the Plan's external actuary in determining the value of the Plan's *liabilities*. Also, referred to as the Discount Rate.

Asset(s): Financial and real items owned by the Plan which have a monetary value, including cash, stocks, bonds, real estate, etc.

Asset mix: The allocation of funds to be used for investment purposes between different types of *assets*, including cash, stocks, bonds, real estate, etc.

Benchmark: A standard against which the performance of the Plan's return on investment can be measured.

Commodities: A commodity is a basic good used in commerce that is interchangeable with other *commodities* of the same type. *Commodities* are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers.

Equity(ies): Common or preferred stock representing ownership in a company.

Fixed Income: Assets that generate a predictable stream of interest such as bonds and debentures.

Funded ratio: A ratio of the Plan's *assets* to *liabilities*, expressed as a percentage. A ratio above 100 per cent indicates that the Plan has more *assets* than required to fund its future estimated *liabilities*.

Gross of investment management fees: Refers to the fact that the return on investment is reported before the deduction of management fees.

Liabilities: An estimate of the current value of future obligations of the Plan as a result of retirement commitments made to past, current, and future employees.

Net of investment management fees: Refers to the fact that the return on investment includes investment management fees.


Overweight/Underweight: Refers to the difference relative to the *benchmark* portfolio. *Underweight* indicates less than the *benchmark*, while *overweight* indicates more than the *benchmark*.

Real Assets: Physical real estate, infrastructure and commodity assets such as apartments, bridges, tolls, gold and farmland that are invested in either directly or through pooled vehicles.

Return on investment(s): A performance measure used to evaluate the efficiency of the Plan's investments, expressed as a percentage gain or loss on the initial investment at the beginning of the period.





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All information presented in this document is premised on the Plan rules and criteria which currently exist under the Public Service Superannuation Act (the "PSSA") and the plan text made thereunder. This document explains in plain language aspects of the rules and criteria of the Plan. Plan members, beneficiaries, and others who wish to determine their legal rights and obligations under the Plan should refer to the PSSA, the plan text, or other legal documents as appropriate. In the event of a discrepancy between the information provided in this document and the legislation and/or legal documents, the latter takes precedence.