

# PSSP ANNUAL REPORT 2020-2021



# 2020-2021 PSSP Annual Report

## AT A GLANCE

As at March 31, 2021

### Funded Ratio

97.6%

The Public Service Superannuation Plan (PSSP or Plan) was 97.6 per cent funded on a fair market value basis\*. The *funded ratio* increased by 6.2 per cent from 91.4 per cent as at March 31, 2020.

\* fair market value basis:

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

### Financial Position

in billions  
(Deficit) Surplus

\$7.240

Net Assets  
available for Benefits

\$7.415

Liabilities

(\$0.175)

Unfunded Liabilities

Net assets available for benefits (*assets*) were \$7.240 billion. This is an increase of \$837 million from \$6.403 billion as at March 31, 2020.

### Investment Return

15.75%

The Plan

13.93%

Benchmark

5.25%

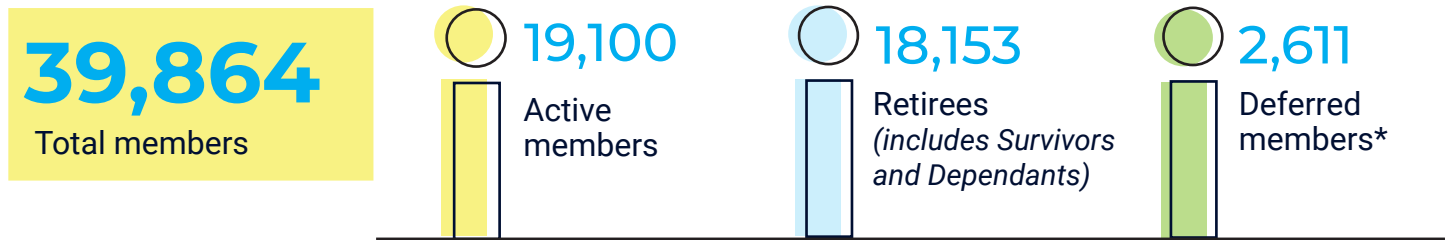
Discount Rate

The Plan's return on investment for fiscal 2020-2021 was 15.75 per cent (*net of investment fees*). The Fund outperformed the policy *benchmark* of 13.93 per cent on a net basis, and outperformed the *actuarial assumed rate of return*, or discount rate, of 5.25 per cent. The investment return *gross of investment management fees* was 15.93 per cent.

# 2020-2021 PSSP Annual Report

## AT A GLANCE As at December 31, 2020

### Plan Membership



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

### Membership Facts

- Active member

**47.5** Average age    **48.6** Median age
- Retiree

**70.9** Average age    **70.8** Median age
- Retirees over 100

**25** Centenarians (includes survivors)
- Pensionable earnings (Active members)

**\$69,541** Average    **\$64,380** Median
- Lifetime pension (Retirees)\*

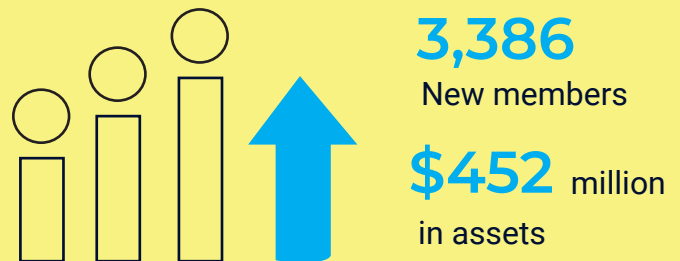
**\$23,795** Average    **\$18,837** Median

*\*This does not include any supplementary pension amount. Plan members may also receive income from the Canada Pension Plan, the Old Age Security program, and/or the Guaranteed Income Supplement.*

### Membership Growth

In 2020-2021, 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 3,386 members and \$452 million in assets have been added to the Plan. 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.



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.

# 2020-2021 PSSP Annual Report

## AT A GLANCE *As at December 31, 2020*

### Contributions Received

Plan member and employer contributions\* received by the Plan totalled:

**\$236** million

*\*includes all matched and unmatched current and past service contributions*



### Benefits Paid

Benefits Paid to retirees and survivors totalled:

**\$414** million

### Projected Retirements

There were approximately 3,806 Plan members eligible to retire from the Plan with an unreduced pension as at December 31, 2020. The chart below shows the number of Plan members over the next several years who will be able to retire with an unreduced pension\*.



*\*These figures are cumulative.*

### Annual Pensions in Pay

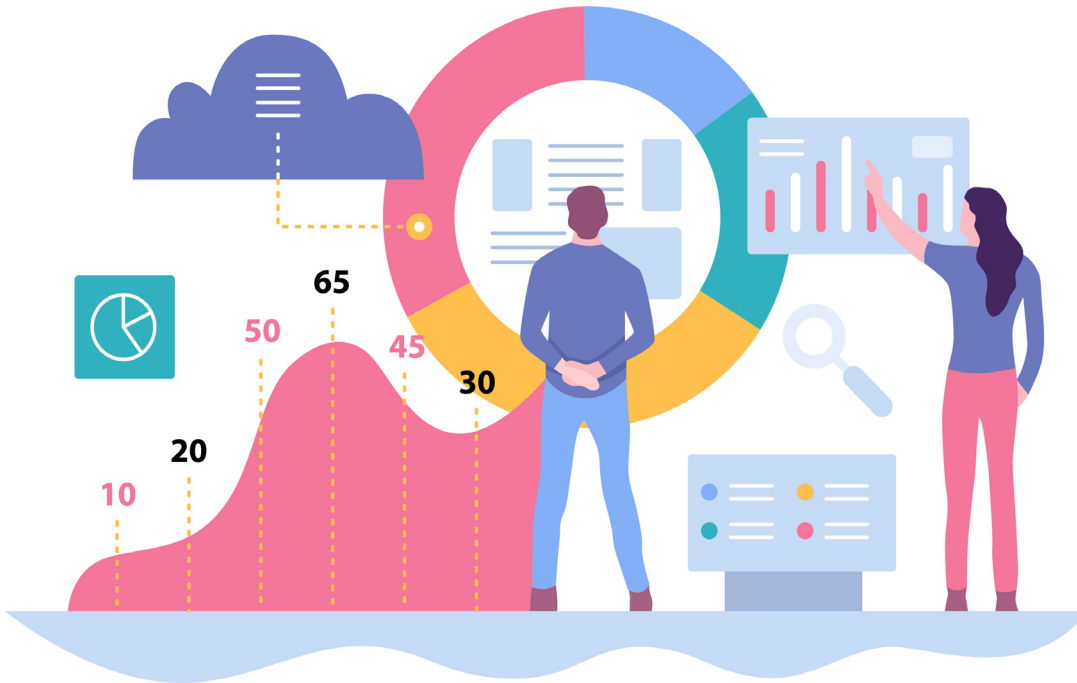
Value of Annual Pension (\$)

	<\$15K	\$15-\$30K	\$30-\$45K	\$45-\$60K	\$60K+
Retired Members <65	641	1,178	1,287	581	249
Retired Members >65	4,807	3,872	1,469	516	283
Survivors	2,290	782	149	39	10

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](http://www.nspssp.ca/publicservice/members/mid-career/pension-benefit/pension-benefit-formula)

# The 2022 PSSP Review

## HAVE YOUR SAY



PSSPTI is mandated by the *Public Service Superannuation Act* to ensure a comprehensive review of the PSSP is completed at least every five years. The next PSSP review is scheduled for 2022 (the 2022 PSSP Review), and work on that is now commencing.

An independent reviewer having experience in Canadian public pension plan structure and administration will be selected by PSSPTI in the autumn of 2021 and is expected to deliver its report to PSSPTI in the first half of 2022.

As part of the 2022 PSSP Review process, PSSPTI is asking for input from PSSP members. If you have any suggestions for improvements or changes to the PSSP or its administration that you would like PSSPTI to provide to the independent reviewer, please email same **by September 30, 2021** to: **PSSPTI@nspension.ca**. Please include '2022 PSSP Review' in the reference line.

PSSPTI will ensure that all comments are relayed to the independent reviewer.

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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 is one of the largest public sector pension plans in Atlantic Canada. The Plan is a registered defined benefit 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, 2021.

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 to: [PSSPTI@nspension.ca](mailto:PSSPTI@nspension.ca). For individual pension questions, please refer to our contact information on page 65.



## Message from the Trustee Chair

Ronald Smith, FCPA, FCA, ICD.D

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, 2021. This report provides you with details on the financial health of the Plan and a comprehensive review of its investment activities.

The COVID-19 pandemic presented some extraordinary challenges and accomplishments in the past year. The PSSPTI Board pivoted to a virtual platform from traditional in-person meetings and conduct of business. With the support of Nova Scotia Pension Services Corporation (NS Pension) staff, processes and protocols were quickly adjusted to meet the demands of the 'new normal'. The PSSPTI Board is proud of all the efforts made to maintain a high level of service for PSSP members and to preserve and protect the Plan in the unprecedented turbulence of the 2020-2021 fiscal year.

### Plan Performance

The impact of the pandemic on global financial markets held the attention of the Trustee in 2020-2021. Like many pension plans across the country, we saw a sharp decline in our investment performance in the first half of calendar 2020 as the impact of COVID-19 drove both advanced and developing economies into a global recession. Robust support by policy makers worldwide and positive vaccine developments in the latter half of 2020 fueled an economic recovery, which has continued into 2021. The unique circumstances created by the pandemic underscored the importance of maintaining well-diversified assets and provided an opportunity to understand how past changes to the policy asset mix impacted the Fund.

As at March 31, 2021, the Plan achieved a positive rate of return on investments of 15.75 per cent, net of investment management fees (15.93 per cent gross of investment management fees), generating \$1 billion in total investment income. The total net assets available for benefits were approximately \$7.240 billion and the Plan was 97.6 per cent funded. In a time of falling long-term interest rates, the actuarial liabilities of defined benefit plans tend to grow, as has been the case with the PSSP. However, the significant return this past year substantially offset the increasing liabilities and left the Plan in a well-funded position.

## Asset Liability Study

Working with an external consultant, an asset liability study was completed in fiscal 2020-2021. As a matter of industry best practice, PSSPTI conducts a review of the policy asset mix of the Fund approximately every five years. The purpose of the study is to assess the investment risk to which the Plan is exposed, the recent performance of the Plan, and identify potential improvements to the policy asset mix. The study was completed during the fiscal year and a new policy asset mix was approved by PSSPTI.

## Membership Growth

During the 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 3,386 members and \$452 million in assets have been added to the Plan. New employers joining in fiscal 2020-2021 included the Region of Queens and the Town 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.

## The 2022 PSSP Review

In 2021-2022, the PSSPTI Board will be conducting its comprehensive review of the Public Service Superannuation Plan. This review is mandated by the Public Service Superannuation Act (PSSA) to be completed every 5 years. The PSSA requires the review to be conducted by an independent reviewer with experience in Canadian public pension plan structure and administration. As part of the 2022 PSSP Review process, PSSPTI welcomes input from PSSP members and employers. The purpose of the review is to identify meaningful changes in order to improve the long-term financial sustainability of the Plan and increase the retirement security of its members.

## Acknowledgements

2021-2022 marks my last year serving as PSSPTI Board Chair. As my tenure as Chair winds down, I wanted to say that it has been a privilege serving in this role for more than eight years. The expertise and diligence of my fellow Board members have continually impressed me. They have worked as a team through times of challenge and change to strengthen the retirement security of the PSSP's members. I have the utmost confidence in the PSSPTI Board and know it will strive to continue enhancing the PSSP's health.

At the end of the fiscal year we saw the departure of Cathy Rankin and the addition to the Board of Claire Norman. Cathy served on the Board since its inception in April of 2013 (and before that on the PSSPTI 'transitional board'). Many thanks to Cathy for all her hard work over the years, and welcome to Claire.

Lastly, I would like to recognize the dedicated and resourceful staff of NS Pension. Throughout the COVID-19 pandemic they provided seamless service to Plan members and employers and steadily supported the PSSPTI Board with unwavering professionalism.

- **Ronald Smith**  
PSSPTI, Board Chair



# Board of Directors (As at March 31, 2021)

## Public Service Superannuation Plan Trustee Inc.

PSSPTI is comprised of an independent Chair and 12 directors, who represent the NSGEU, NSGREAA, 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 2020-2021. Directors also attended committee meetings and various educational training sessions throughout the year.

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. In fiscal 2020- 2021, PSSPTI directors received remuneration in aggregate of \$48,000. The Chair's remuneration, separate from the directors', is fixed at \$26,000 per annum.



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

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



**Geoff Gatien**

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



**Paula Boyd**

Chief Pension Officer  
HRM Pension Plan  
Committees:  
• Plan Rules  
• Audit, Actuarial, and Risk  
Employer Representative  
Meeting Attendance: 5 of 5  
Appointed: 2017



**Cynthia Yazbek**

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



**Bernie Conrad**

Retiree  
Committee: Investment  
NSGREAA Representative  
Meeting Attendance: 4 of 5  
Appointed: 2019



**Keiren Tompkins**

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

## Public Service Superannuation Plan Trustee Inc. continued...



**Nancy MacLellan**  
Deputy Minister  
Department of Seniors  
**PSSPTI Vice-Chair**  
Committee: Governance  
Non-Bargaining  
Employees Representative  
Meeting Attendance: 5 of 5  
Appointed: 2013



**Mike MacIsaac**  
Retiree  
Committee:  
Audit, Actuarial, and Risk  
CUPE Local 1867 Representative  
(NS Highway Workers)  
Meeting Attendance: 5 of 5  
Appointed: 2013



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



**Leo McKenna**  
Retiree  
Committee: Investment  
Employer Representative  
Meeting Attendance: 5 of 5  
Appointed: 2013



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



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



**Bruce Thomson**  
Director of Administration and  
Financial Services, NSGEU  
Committee: Investment  
NSGEU Representative  
Meeting Attendance: 5 of 5  
Appointed: 2020

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

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

# 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 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:

### 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.

### Governance, Communications, and Member Services

Ensures PSSPTI’s duties and responsibilities are clear and sets the goals for the administrator of the Plan.

### Investment

Monitors investment performance. Reviews and approves all investment management policies.

### Plan Rules

Supports PSSPTI in identifying, proposing and finalizing amendments to the plan text.

## The Board of Directors of Nova Scotia Pension Services Corporation

- oversees the operation of Nova Scotia Pension Services Corporation, 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

\* The *Public Service Superannuation Act* and the plan text are available on our website at: [www.nspssp.ca/publicservice/about/public-service-superannuation-plan](http://www.nspssp.ca/publicservice/about/public-service-superannuation-plan)

# Nova Scotia Pension Services Corporation

Nova Scotia Pension Services Corporation's (NS Pension) client, employer and internal services teams are responsible for providing a vast array of services to Plan members (active members, retirees, and deferred members) and employers. NS Pension assists Plan members with support in making informed retirement decisions throughout their career. NS Pension's services include: managing incoming pension contributions and pension data, assisting with a change in marital status, producing annual statements for active members and, ultimately, providing pension estimates and setting a retiree's first pension into pay.

## Client Services Results

> **86%**

The percentage of calls that were answered in less than 20 seconds

> **16,950**

The number of calls that were answered by Client Services

> **21**

Pre-Retirement seminars that were held across the province

> **28**

Reciprocal Transfers In

> **35**

Reciprocal Transfers Out

## My Retirement Plan website usage

<https://nspensions.hroffice.com>

> **15,776**

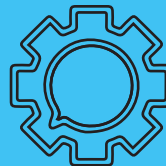
The number of times the Pension Projection tool was used

> **8,296**

The number of times the Annual Statement tool was used

> **3,108**

The number of times the Pension Profile tool was used



*"Like most organizations during the COVID-19 pandemic, we have had to manage short and long term office closures. Some of our team had to shift to a work-from-home format during the 2nd quarter of 2020. The health and wellness of our team, assisting our members, and paying pensions were our top priorities throughout this time. We also had to create different ways of interacting safely with our members. Thanks to our amazing team, we were able to quickly pivot and managed well through this unusual time."*

*- Kim Blinn  
Chief Pensions Officer*

Visit us online:

[www.novascotiapension.ca](http://www.novascotiapension.ca)

Follow us on Social Media:



@yourNSPSSP



[www.facebook.com/yourNSPSSP](https://www.facebook.com/yourNSPSSP)

## Financial Position

As at March 31, 2021, the Plan had *assets* of \$7.240 billion, *liabilities* of \$7.415 billion, equaling unfunded *liabilities* of \$175 million. The *funded ratio* increased to 97.6 per cent from 91.4 per cent the previous year.

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 Actuarial Valuation Report (December 31, 2020) which is available on our website at: [www.nspssp.ca/publicservice/about/plan-performance/actuarial-valuation](http://www.nspssp.ca/publicservice/about/plan-performance/actuarial-valuation)

### Plan Valuation highlights:

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

- The Plan's experience gain on investment *assets* in calendar year 2020, relative to the *assumed rate of return* at the beginning of the year of 5.50 per cent, decreased *liabilities* by \$135 million. However, the change in discount rate to 5.25 per cent from 5.50 per cent increased *liabilities* by \$213 million.
- Plan *liabilities* were valued at December 31, 2020 and measured against the *assets* at that date, resulting in a *funded ratio* of 97.9 per cent. Plan *liabilities* were extrapolated to March 31, 2021 and measured against the *assets* at that date, resulting in a *funded ratio* of 97.6 per cent.
- The Plan's *net return on investment assets* in fiscal year 2020-2021 was 15.75 per cent.

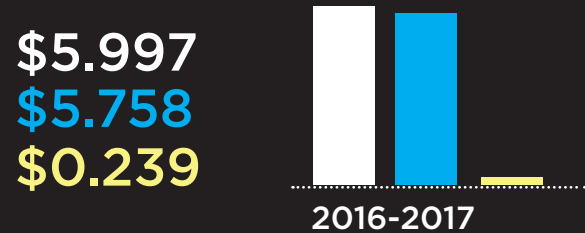
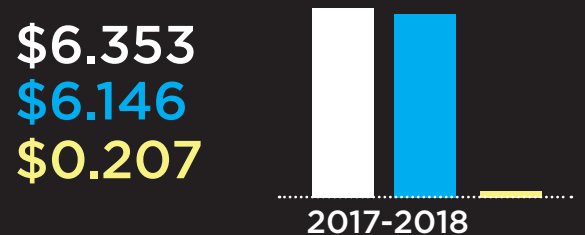
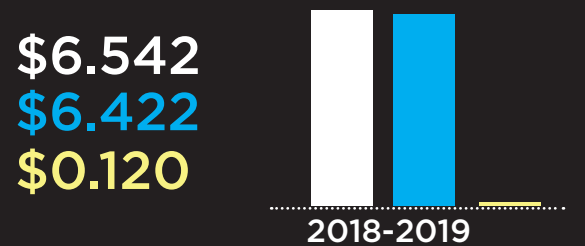
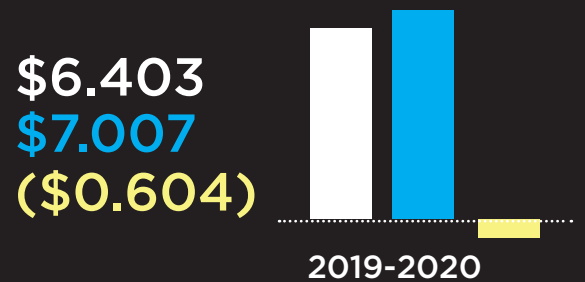
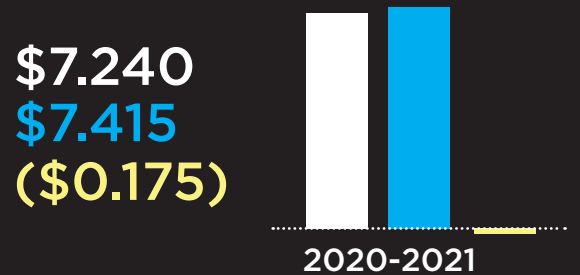
You can learn more about the financial position of the Plan by referring to the audited financial statements for the year ended March 31, 2021 located on page 23 of this Annual Report or on our website: [www.nspssp.ca](http://www.nspssp.ca)

## A look back...

### Net Assets Available for Benefits

#### Liabilities

#### (Unfunded Liabilities) Surplus



(in billions)



## **Investment Management Discussion and Analysis**

This section includes information on the Public Service Superannuation Fund and the factors that influenced its 2020-2021 investment performance.



## 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.

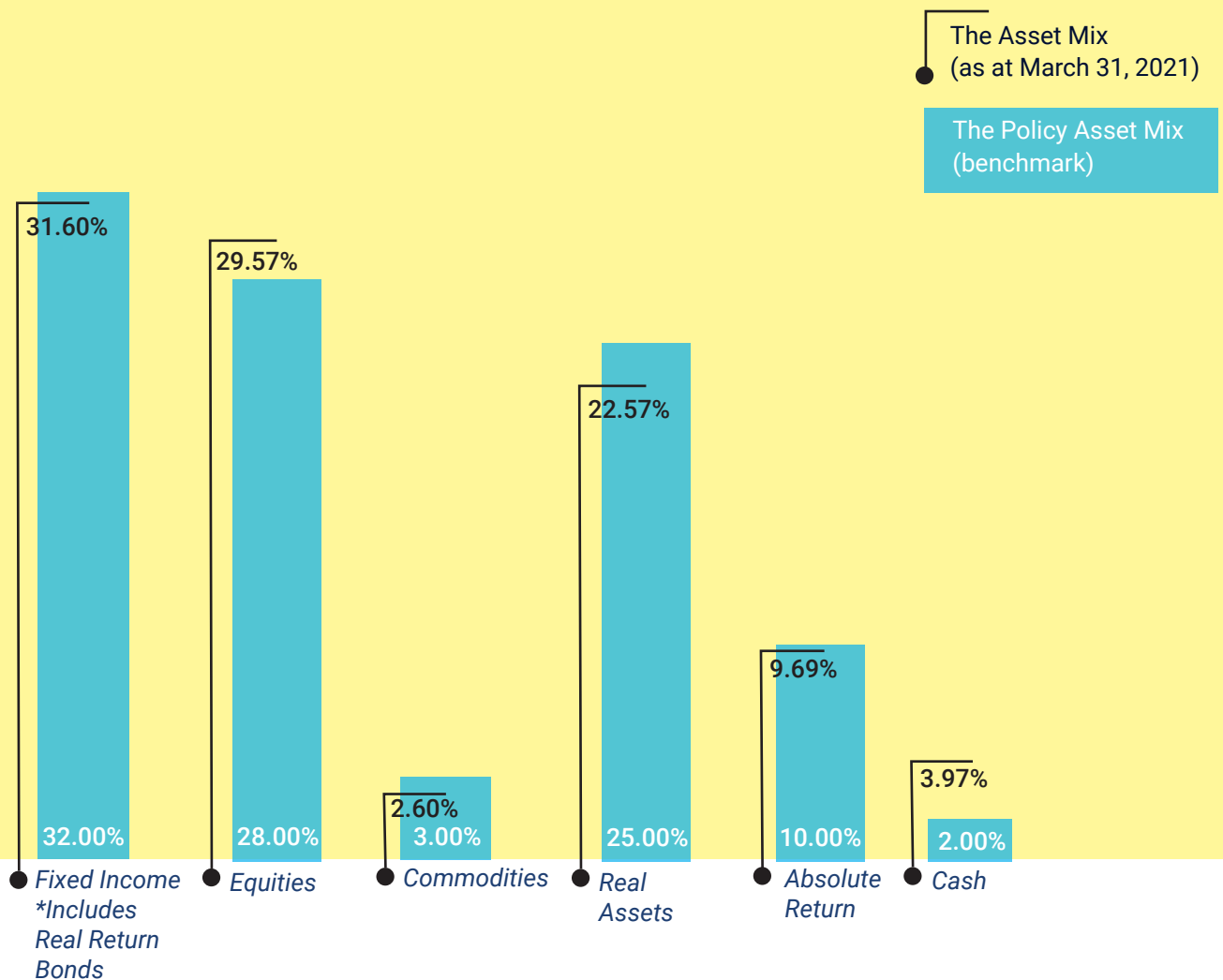
### The SIP&G

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](http://www.nspssp.ca/publicservice/about/psspti-policies)

## Asset Mix

Over the year, positioning of the Fund's *asset* classes was maintained relatively close to *benchmark*. The key driver for *asset* returns during the year centered around COVID-19 pandemic developments, which led to the sharpest *equity* market decline in history followed by an equally strong rebound.





## 2020-2021 Investment Performance

In fiscal 2020-2021, the Fund achieved a one-year return of 15.75 per cent, *net of investment management fees* (15.93 per cent *gross of investment management fees*). The Fund outperformed the policy *benchmark* of 13.93 per cent on a net basis and the *actuarial assumed rate of return*, or discount rate, of 5.25 per cent.

### Investment Return

15.75%

The Plan

13.93%

Benchmark

5.25%

Discount Rate

The US *equity* market, as measured by the S&P 500 Index, returned 56.35 per cent during the year. The pandemic was the catalyst for the largest and most sudden global stock market crash since 1929 in the first quarter of 2020. This led to extraordinary monetary and fiscal support which fed the sharpest 5-month rally in 80 years for the S&P 500 index, fully reversing the first quarter sell off in only 163 days<sup>1</sup>. Information technology stocks were largely spared by the pandemic and enjoyed a strong tailwind from the acceleration of existing trends into digital services such as online communication platforms, cloud services and e-commerce. The results of the November US elections lifted expectations of increased future fiscal stimulus measures, which helped support elevated *equity* levels at the end of the year.

Canadian *equities*, as measured by the S&P TSX Composite index, gained 44.25 per cent. Despite the positive returns, Canadian *equities* generally lagged many global peers. Similar to other regions, significant monetary and fiscal support in Canada helped boost *equities* during the pandemic. Gains in information technology and material sectors were offset by large declines in energy. The Saudi Arabia – Russian price war and the huge declines in demand due to the pandemic led to oil prices remaining depressed for much of 2020 before rallying at the end of the fiscal year on expectations for a continued economic rebound in the years ahead.

<sup>1</sup> *Almost There*, AGF Insights, Outlook 2021; *Capital Markets Review*; [https://www.agf.com/\\_files/pdf/outlook-2021/agf-insights-outlook-2021.pdf](https://www.agf.com/_files/pdf/outlook-2021/agf-insights-outlook-2021.pdf)

## 2020-2021 Investment Performance continued...

International *equities*, as measured by the MSCI EAFE index, returned 36.58 per cent. The large impact from the pandemic, especially within the European economies, weighed heavily on EAFE performance. Despite a strong response from governments throughout the summer, a second coronavirus wave in the fall forced cities back under strict lockdowns once again. UK *equities* under-performed most peers as the UK struggled to contain the coronavirus and continued to manage uncertainty over its exit from the European Union. Japanese *equities* performed well as the country was able to effectively contain the coronavirus until early 2021 when the government declared a state of emergency as COVID-19 cases surged to the highest level since the beginning of the pandemic.

Emerging Market *equities*, as measured by the MSCI EM index, returned 52.98 per cent. China, Taiwan, and South Korea now make up approximately 65 per cent of the EM index. These countries demonstrated an ability to swiftly contain the virus and recover more quickly than global counterparts, allowing economic activity to resume with fewer economic setbacks. This, coupled with the index shifting away from a reliance on *commodities* and financials to larger weights in information technology, consumer discretionary and communication services, allowed the index to participate in the growth-led global *equity* rally in the latter part of the year.

### Fund Investment Returns

as at March 31, 2021

	Annualized			
	1 year	4 year	10 year	Since Inception
<b>Fund</b>	15.75%	6.41%	7.06%	7.51%
<b>Benchmark</b>	13.93%	6.17%	6.50%	7.01%

\* Fund returns are reported *net of investment management fees*.

## 2020-2021 Investment Performance continued...

*Fixed income* returns were robust early in the year as global bond yields plummeted to historic lows as central banks globally cut rates to near zero as the pandemic spread and launched significant quantitative easing programs which helped further suppress longer term bond yields. However, positive vaccine news and the results of the US elections, in late 2020, caused the yield curve to steepen as long-term rates finally began to rise from their lows, while short-term rates remained anchored by central banks. US *fixed income*, as measured by the Bloomberg Barclays US Credit index, returned 7.88 per cent and Canadian *fixed income*, as measured by the FTSE Canada Universe Bond index, returned 1.62 per cent. The size of the stimulus measures raised expectations for a quicker economic recovery but also stoked concerns about rising inflation and government debt. The Federal Reserve upgraded its gross domestic product growth and inflation forecasts but indicated that it does not expect to hike rates through at least 2023.

For the Fund, overall active performance was positive. The significant negative decline and then sharp reversal, in the performance of many *asset* classes during the first half of 2020, led to rebalancing challenges that impacted relative performance. However, positive relative performance from the Fund's hedge fund, *real assets*, and corporate *fixed income* portfolios was only partially offset by negative relative performance in the international, emerging market and private *equity* portfolios. The Fund's overall performance, on a net basis, led the *benchmark* by 192 basis points.

## Fiscal Year 2020-2021 Economic Review

### Global

The impact COVID-19 has had on the economy is like nothing experienced in recent memory. For the first time since the Great Depression, both advanced economies and emerging market and developing economies faced a simultaneous recession. Global growth in 2020 declined by 3.3 per cent.<sup>2</sup> Unprecedented support, which was timely, by fiscal and monetary policy makers worldwide and positive vaccine developments drove a sharp economic recovery and momentum picked up in second half of 2020. Consumer spending drove the initial rebound in activity as many economies reopened in the summer, but growth remained broadly flat through the fourth quarter reflecting the resurgence of health concerns and the impact of renewed containment measures. As the year came to an end, increasingly positive vaccine development news raised hope that the worst of the crisis may soon be over and with it a corresponding decline in economic uncertainty.

- **Global growth in 2020 declined by 3.3%**
- **In Canada, real GDP contracted by 5.4%.**
- **In the United States, less restrictive public-health measures capped its decline in real GDP to 3.5%.**

### North America

Canada's economy had a rapid partial rebound from the spring 2020 confinement but slowed in the second half of the year. GDP contracted by 5.4 per cent for the year.<sup>3</sup> Real GDP fell by an annualized 7.3 per cent in the first quarter of 2020 and by a staggering 38.1 per cent in the second quarter. The speed of the rebound was also unprecedented, with growth surging by 40.5 per cent in the third quarter. Unemployment spiked up to almost 14%, before improving over the summer months, ending the year at 9.5 per cent. The Bank of Canada cut its policy rate to 0.25 per cent early in the pandemic and provided significant liquidity support with the purchase of government securities that eased borrowing conditions. The initial rebound in economic activity was rapid thanks to significant monetary and fiscal policy support.

In the United States, less restrictive public-health measures capped its decline in real GDP to 3.5<sup>4</sup> per cent in 2020. The government took unprecedented moves with the Federal Reserve taking its policy interest rate to virtually 0% and Congress issuing up to \$3 trillion in aid to support businesses and impacted citizens. GDP was down a record 31.4 per cent in the second quarter, but, by the second half of the year the economy recovered about three-fourths of the decline, growing by 33.4 per cent. Non-essential businesses were required to shut down due to the coronavirus pandemic, leading to the US economy losing 20.8 million jobs by April 2020. By the end of 2020, US unemployment had recovered some of the early losses, closing the year at 6.7 per cent. Despite stimulus checks from the government, consumer spending declined, driven by decreases in spending on durable goods and services. As 2021 began, the US led many nations in vaccine deployment and with it increased optimism for an extended economic rebound.

<sup>2</sup> IMF World Economic Outlook, *Managing Divergent Recoveries*, April 2021.

<sup>3</sup> IMF World Economic Outlook, *Managing Divergent Recoveries*, April 2021.

<sup>4</sup> OECD Economic Outlook, *Interim Report; Strengthening the recovery: The need for speed*; MARCH 2021.

### Fiscal Year 2020-2021 Economic Review continued...

#### Developed International

Growth in the Euro area declined by 6.6 per cent in 2020<sup>5</sup>. The COVID-19 crisis and the accompanying restrictions put in place hit the Eurozone extremely hard in the second quarter. The Eurozone experienced the strongest recession since its foundation with the economy contracting 11.8 per cent, more than three times the drop experienced during the global financial crisis. The EU economy rebounded stronger than expected in the third quarter, increasing 12.6 per cent. Despite the rebound in growth, output remained 4.4 per cent below pre-pandemic levels. After strong growth in the third quarter of 2020, economic activity contracted again in the fourth quarter as a second wave of the pandemic triggered renewed containment measures.

The pace of economic growth in the United Kingdom declined 9.9 per cent<sup>6</sup> in 2020. Beyond the pandemic resurgence which hit the UK especially hard in the fourth quarter, the December agreement on the terms of the UK's exit from the European Union has eliminated a key downside risk. UK monthly GDP declined again in the latter half of the fourth quarter after large swathes of the country returned to lockdown, as a spike higher in confirmed cases and deaths from COVID-19 left the government little option but to aggressively restrain activity.

Japanese growth declined by 4.8 per cent in 2020.<sup>7</sup> Japan emerged as one of the coronavirus success stories and as consequence Japan fared better than most other countries from an economic perspective. Japanese GDP declined by 7.8 per cent, which was less severe than its peers. However, Japan entered the pandemic already in a recession as GDP contracted in Q4 2019 after a consumption tax was implemented in October, and another contraction was recorded in Q1 2020. Japanese economic policy response has been significant. According to the International Monetary Fund, fiscal stimulus in response to COVID-19 in Japan has amounted to about 40 per cent of the GDP<sup>8</sup>.

#### Emerging Markets

Emerging market growth declined by 2.4 per cent in 2020<sup>9</sup>. Emerging markets, specifically Taiwan, South Korea, and China, implemented rapid and strict containment measures to contain the pandemic. Excluding China, emerging market GDP declined 6.1 per cent<sup>10</sup>. In the later part of 2020, emerging market economies continued to recover from a sharp decline in activity early in the year as global trade initially plummeted due to the pandemic. After a solid rebound in the third quarter, growth momentum slowed in the fourth quarter, and the near-term outlook faced headwinds from the resurgence in COVID-19 cases in Europe, the U.S., as well in several key export markets.

- **Growth in the Euro area declined by 6.8%.**
- **The pace of economic growth in the United Kingdom declined 9.9%.**
- **Japanese growth declined by 4.8%**

<sup>5</sup> Ibid

<sup>6</sup> IMF World Economic Outlook, *Managing Divergent Recoveries*, April 2021

<sup>7</sup> IMF World Economic Outlook, *Managing Divergent Recoveries*, April 2021

<sup>8</sup> International Monetary Fund (IMF), "Policy responses to COVID-19,"

<sup>9</sup> International Monetary Fund World Economic Outlook Update January 2021

<sup>10</sup> Economic Research: *Emerging Markets: Risks to Outlook Balanced as Recovery Momentum Set to Pick Up In 2021*; <https://www.spglobal.com/ratings/en/research/articles/201202-emerging-markets-risks-to-outlook-balanced-as-recovery-momentum-set-to-pick-up-in-2021-11761662>

### 2020-2021 Investment Accomplishments

The pandemic and the impact that it had on global financial markets was a focal point for the Trustee in 2020-2021. Despite financial markets bouncing back early in the fiscal year, volatility and uncertainty remained. The difficult investment environment did, however, provide an opportunity to understand how past changes to the policy *asset mix* impacted the Fund. While the fall-out from the pandemic has not completely waned, it seems that the Fund benefitted from its well-diversified *assets*.

Working with an external consultant, an *asset liability* study was completed. Every five years or sooner, Fund policy requires that the Trustee conduct a review of the policy *asset mix*. The purpose of the study is to review the investment risk to which the Fund is exposed, the performance of the Fund and to identify potential improvements to the policy *asset mix*. The study was completed during the year and a new policy *asset mix* was approved by the Trustee.

Prior to the *asset liability* study, the Trustee completed an exercise to review and revise the Fund's investment beliefs. This is an important part of the investment process as the beliefs set the direction on items such as investment practices, governance, risk etc.

A sustainability report was released this year to provide members with information on the Trustee's ongoing sustainable investment activities. The report advised members that work has begun to improve the resiliency of portfolios such as real estate to protect *assets* that could be negatively impacted by climate change.

The Trustee is a signatory of the United Nations Principles for Responsible Investment (UNPRI) and reports on sustainable activities that the Trustee has undertaken over the past year. This includes engaging with the Fund's external service providers to ensure that, at hire and throughout the relationship, ESG factors are taken into account.

### The New Target Policy Asset Mix

> **32.00%**

Fixed Income

> **27.00%**

Equity

> **29.00%**

Real Assets

> **10.00%**

Absolute Return  
Strategies

> **2.00%**

Cash



### Looking Ahead to 2021-2022

With the completion of the *asset liability* study and the approval of a new policy *asset mix*, the Trustee will focus on implementing the changes that have been identified. In the new *asset mix*, *real assets* which includes real estate, infrastructure, agriculture and timber, will continue to increase as will private *equity*. These *assets* will be funded by public *equities* and *fixed income assets* as stretched valuations in these areas may reduce future performance.

The process of implementing changes resulting from the *asset liability* study also provides opportunities to enhance the Fund. The Trustee will review existing investment strategies and investment manager mandates to enhance returns. The Trustee will also review the liquidity of the Fund and identify strategies to ensure that greater allocations to illiquid *assets* do not impair the Fund’s overall liquidity profile.

You can view the PSSP’s Quarterly Investment Reports online at:  
[www.nspssp.ca/publicservice/about/plan-performance/investment-reports](http://www.nspssp.ca/publicservice/about/plan-performance/investment-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, 2021**





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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, 2021;
- the statement of changes in 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, 2021, and the changes in net assets available for benefits and changes in pension obligation 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 ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises the 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 represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants  
Halifax, Canada  
June 22, 2021

# Financial Statements of Public Service Superannuation Plan Year ended March 31, 2021

## Contents

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# Statement of Financial Position

March 31, 2021, with comparative information for 2020	2021	2020
(in thousands of dollars)		
<b>Net assets available for benefits</b>		
<b>Assets</b>		
Cash	\$ 176,654	\$ 181,813
Contributions receivable:		
Employers'	6,056	4,421
Employees'	5,971	4,001
Accounts receivable	3,485	4,105
Receivable from pending trades	11,299	23,900
Accrued investment income	18,379	20,837
Investments (note 5)	7,055,589	6,421,383
<b>Total assets</b>	<b>7,277,433</b>	<b>6,660,460</b>
<b>Liabilities</b>		
Due to administrator (note 14)	2,714	2,383
Accounts payable and accrued liabilities	4,547	4,023
Payable for pending trades	20,465	52,414
Investment-related liabilities (note 5)	9,529	198,585
<b>Total liabilities</b>	<b>37,255</b>	<b>257,405</b>
<b>Net assets available for benefits</b>	<b>\$ 7,240,178</b>	<b>\$ 6,403,055</b>
<b>Purchases of service via instalments (note 7)</b>	<b>75</b>	<b>159</b>
<b>Fair value of net assets available for benefits</b>	<b>\$ 7,240,253</b>	<b>\$ 6,403,214</b>
<b>Accrued pension obligation and deficit</b>		
Accrued pension obligation (note 7)	\$ 7,414,946	\$ 7,007,434
Deficit:		
Funding deficit (note 9)	(174,693)	(604,220)
	(174,693)	(604,220)
Commitments (note 10)		
<b>Accrued pension obligation and deficit</b>	<b>\$ 7,240,253</b>	<b>\$ 6,403,214</b>

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

On behalf of the board:

Approved by Geoff Gatien, Vice-Chair, Public Service Superannuation Plan Trustee Inc.

Approved by Nancy MacLellan, Vice-Chair, Public Service Superannuation Plan Trustee Inc.



## Statement of Changes in Net Assets Available for Benefits

March 31, 2021, with comparative information for 2020	2021	2020
(in thousands of dollars)		
<b>Increase in assets</b>		
Contributions (note 4)	\$ 236,420	\$ 220,427
Transfers from other pension plans:		
Universities, municipalities & other (note 8)	26,917	55,393
Individuals	2,659	3,633
Interest on pension plan transfer deficits (note 8)	84	205
Investment income (note 5)	226,697	197,988
Change in market value of investments (note 5)	783,582	-
Total increase in assets	1,276,359	477,646
<b>Decrease in assets</b>		
Benefits paid (note 11)	414,249	395,549
Transfers to other pension plans	4,576	4,690
Administrative expenses (note 12)	20,411	21,802
Change in market value of investments (note 5)	-	194,761
Total decrease in assets	439,236	616,802
<b>Increase (decrease) in net assets available for benefits</b>	<b>837,123</b>	<b>(139,156)</b>
<b>Net assets available for benefits, beginning of year</b>	<b>6,403,055</b>	<b>6,542,211</b>
<b>Net assets available for benefits, end of year</b>	<b>\$ 7,240,178</b>	<b>\$ 6,403,055</b>

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



## Statement of Changes in Pension Obligation

March 31, 2021, with comparative information for 2020	2021	2020
(in thousands of dollars)		
<b>Accrued pension obligation, beginning of year</b>	\$ 7,007,434	\$ 6,422,252
<b>Increase in accrued pension benefits</b>		
Interest on accrued pension obligation	385,409	385,335
Benefits accrued	187,815	154,430
Purchases of service	3,230	6,192
Transfers from other pension plans	29,576	59,026
Changes in actuarial assumptions (note 9)	214,482	387,974
Net experience losses (note 9)	5,825	-
	826,337	992,957
<b>Decrease in accrued pension benefits</b>		
Benefits paid	414,249	395,549
Transfers to other pension plans	4,576	4,690
Net experience gains (note 9)	-	7,536
	418,825	407,775
<b>Net increase in accrued pension benefits</b>	407,512	585,182
<b>Accrued pension obligation, end of year</b>	\$ 7,414,946	\$ 7,007,434

## Statement of Changes in (Deficit) Surplus

March 31, 2021, with comparative information for 2020	2021	2020
(in thousands of dollars)		
<b>(Deficit) surplus, beginning of year</b>	\$ (604,220)	\$ 120,322
Increase (decrease) increase in net assets available for benefits	837,123	(139,156)
Decrease in purchases of service via instalments	(84)	(204)
Net increase in accrued pension obligation	(407,512)	(585,182)
<b>(Deficit), end of year</b>	\$ (174,693)	\$ (604,220)

See accompanying notes to financial statements.

# Notes to Financial Statements

Year ended March 31, 2021  
(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 a rate of 0.0% from January 1, 2021 through to December 31, 2025.

**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 22, 2021.

**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:**

Investment income is recorded on an accrual basis and includes interest, dividends, and distributions. Change in market value of investments includes 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 market value of investments.

**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. 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, equities, and repurchase and resell agreements 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, 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, commodities, and real estate. 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, credit default swaps, interest rate 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.
- viii. Promissory notes issued by subsidiaries are valued at cost, non-interest bearing and mature on-demand.

## 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. 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.

### g. 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.

### h. 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.

### i. 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.

### j. 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.

### k. 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.

## Significant accounting policies (continued)

### l. 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.

### m. Future changes to accounting policies

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

## 4.

### Contributions

	2021	2020
(in thousands of dollars)		
<b>Employer</b>		
Matched current service	\$ 115,651	\$ 106,937
Matched past service	292	434
	<b>115,943</b>	<b>107,371</b>
<b>Employee</b>		
Matched current service	115,716	106,867
Unmatched past service	3,955	5,323
Matched past service	292	434
Unmatched current service	514	432
	<b>120,477</b>	<b>113,056</b>
	<b>\$ 236,420</b>	<b>\$ 220,427</b>

## 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:

	2021		2020	
(in thousands of dollars)		%		%
<b>Investments</b>				
<b>Fixed income</b>				
Money market	\$ 286,943	4.1	\$ 233,625	3.6
Canadian bonds & debentures	626,707	8.9	557,711	8.7
Non-Canadian bonds & debentures	1,239,575	17.6	1,194,629	18.6
Canadian real return bonds	257,208	3.6	206,040	3.2
<b>Equities</b>				
Canadian	370,026	5.2	322,454	5.0
US	650,608	9.2	541,478	8.4
Global	865,010	12.3	691,222	10.8
Private	211,833	3.0	138,205	2.2
<b>Commodities</b>	186,683	2.6	153,260	2.4
<b>Real assets</b>				
Real estate	882,547	12.5	953,745	14.9
Infrastructure	673,877	9.6	687,216	10.7
Agriculture & timber	31,925	0.5	25,302	0.4
<b>Absolute return strategies</b>				
Hedge funds	696,763	9.9	650,632	10.1
<b>Investment-related receivables</b>				
Agreements to resell securities	-	-	33,733	0.5
Promissory notes	21,190	0.3	21,190	0.3
Derivative-related, net	54,694	0.7	10,941	0.2
	\$ 7,055,589	100.0	\$ 6,421,383	100.0
<b>Investment-related liabilities</b>				
Agreements to repurchase securities	\$ (3,503)	36.8	\$ -	-
Derivative-related, net	(6,026)	63.2	(198,585)	100.0
	\$ (9,529)	100.0	\$ (198,585)	100.0
<b>Net investments</b>	\$ 7,046,060		\$ 6,222,798	



## Investments and investment-related liabilities (continued)

2021

(in thousands of dollars)	Investment income	Changes in market value of investments and derivatives		
		Realized	Unrealized	Total
Fixed income	\$ 63,651	\$ 33,883	\$ (95,352)	\$ (61,469)
Equities	35,216	76,680	465,292	541,972
Commodities	-	-	33,422	33,422
Real assets	126,148	33,229	(72,394)	(39,165)
Absolute return strategies	-	37,274	3,231	40,505
Derivatives	(406)	32,005	236,312	268,317
Other	2,088	-	-	-
	\$ 226,697	\$ 213,071	\$ 570,511	\$ 783,582

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)

## 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. 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.

## Investments and investment-related liabilities (continued)

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 contracted 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.

### 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.

## Investments and investment-related liabilities (continued)

### 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:

<b>2021</b>				
(in thousands of dollars)				
	Notional value	Fair value		
		Assets	Liabilities	Net
<b>Derivatives</b>				
Futures	\$ 18,042	\$ 1,210	\$ (1,233)	\$ (23)
Credit default swaps	4,768	286	(49)	237
Interest rate swaps	80,800	1,374	(548)	826
Total return swaps	137,260	-	(2,322)	(2,322)
Currency forwards	2,891,247	50,113	(21)	50,092
	\$ 3,132,117	\$ 52,983	\$ (4,173)	\$ 48,810
<b>Cash collateral</b>	-	1,711	(1,853)	(142)
<b>Notional and fair value</b>	\$ 3,132,117	\$ 54,694	\$ (6,026)	\$ 48,668

<b>2020</b>				
(in thousands of dollars)				
	Notional value	Fair value		
		Assets	Liabilities	Net
<b>Derivatives</b>				
Futures	\$ 23,206	\$ 4,667	\$ (4,259)	\$ 408
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)
<b>Cash collateral</b>	-	3,419	(1,779)	1,640
<b>Notional and fair value</b>	\$ 3,499,752	\$ 10,941	\$ (198,585)	\$ (187,644)

## 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:

<b>2021</b>				
(in thousands of dollars)	<b>Under 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Derivatives, net</b>				
Futures	\$ (23)	\$ -	\$ -	\$ (23)
Credit default swaps	-	136	101	237
Interest rate swaps	-	(282)	1,108	826
Total return swaps	(2,322)	-	-	(2,322)
Currency forwards	50,092	-	-	50,092
	\$ 47,747	\$ (146)	\$ 1,209	\$ 48,810
<b>Cash collateral, net</b>				(142)
<b>Fair value, net</b>	\$ 47,747	\$ (146)	\$ 1,209	\$ 48,668

<b>2020</b>				
(in thousands of dollars)	<b>Under 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Derivatives, net</b>				
Futures	\$ 408	\$ -	\$ -	\$ 408
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)
<b>Cash collateral, net</b>				1,640
<b>Fair value, net</b>	\$ (190,999)	\$ (955)	\$ 2,670	\$ (187,644)

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 pending trades, accrued investment income, 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 includes real return bonds, private equity, real estate, infrastructure, and agriculture & timber investments valued based on financial statements and or investor statements. Promissory notes are valued at cost.

## Financial instruments (continued)

2021					
(in thousands of dollars)	Level 1	Level 2	Level 3	Total	
<b>Investments</b>					
<b>Fixed income</b>					
Money market	\$ 27,565	\$ 259,378	\$ -	\$	286,943
Canadian bonds & debentures	180,420	446,287	-		626,707
Non-Canadian bonds & debentures	57,341	1,182,234	-		1,239,575
Canadian real return bonds	-	187,326	69,882		257,208
<b>Equities</b>					
Canadian	297,870	72,156	-		370,026
US	195,315	455,293	-		650,608
Global	560,267	304,743	-		865,010
Private	-	-	211,833		211,833
<b>Commodities</b>	-	186,683	-		186,683
<b>Real assets</b>					
Real estate	-	167,550	714,997		882,547
Infrastructure	-	-	673,877		673,877
Agriculture & timber	-	-	31,925		31,925
<b>Absolute return strategies</b>					
Hedge funds	-	696,763	-		696,763
<b>Investment-related receivables</b>					
Agreements to resell securities	-	-	-		-
Promissory notes	-	-	21,190		21,190
Derivative-related, net	2,921	51,773	-		54,694
	\$ 1,321,699	\$ 4,010,186	\$ 1,723,704	\$	7,055,589
<b>Investment-related liabilities</b>					
Agreements to repurchase securities	\$ -	\$ (3,503)	\$ -	\$	(3,503)
Derivative-related, net	(3,086)	(2,940)	-		(6,026)
	\$ (3,086)	\$ (6,443)	\$ -	\$	(9,529)
<b>Net investments</b>	\$ 1,318,613	\$ 4,003,743	\$ 1,723,704	\$	7,046,060



## Financial instruments (continued)

**2020**

(in thousands of dollars)	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
<b>Fixed income</b>				
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
<b>Equities</b>				
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
<b>Commodities</b>				
	-	153,260	-	153,260
<b>Real assets</b>				
Real estate	-	196,220	757,525	953,745
Infrastructure	-	-	687,216	687,216
Agriculture & timber	-	-	25,302	25,302
<b>Absolute return strategies</b>				
Hedge funds	-	650,632	-	650,632
<b>Investment-related receivables</b>				
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
<b>Investment-related liabilities</b>				
Agreements to repurchase securities	\$ -	\$ -	\$ -	\$ -
Derivative-related, net	(6,038)	(192,547)	-	(198,585)
	\$ (6,038)	\$ (192,547)	\$ -	\$ (198,585)
<b>Net investments</b>	\$ 1,073,439	\$ 3,451,663	\$ 1,697,696	\$ 6,222,798

There were no significant transfers between level 1, level 2, and level 3 financial instruments during the years ended March 31, 2021 and 2020.

## Financial instruments (continued)

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

### 2021

(in thousands of dollars)

	Fixed income	Equities	Real assets	Investment - related receivables	Total
<b>Balance, beginning of year</b>	\$ 68,258	\$ 138,205	\$ 1,470,043	\$ 21,190	\$ 1,697,696
Purchases, contributed capital	-	53,037	94,341	-	147,378
Sales, capital returned	(1,020)	-	(101,555)	-	(102,575)
Realized gains	232	-	7,920	-	8,152
Unrealized gains (losses)	2,412	20,591	(49,950)	-	(26,947)
<b>Balance, end of year</b>	\$ 69,882	\$ 211,833	\$ 1,420,799	\$ 21,190	\$ 1,723,704

### 2020

(in thousands of dollars)

	Fixed income	Equities	Real assets	Investment - related receivables	Total
<b>Balance, beginning of year</b>	\$ 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
<b>Balance, end of year</b>	\$ 68,258	\$ 138,205	\$ 1,470,043	\$ 21,190	\$ 1,697,696

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, 2021 and 2020, respectively, was (\$18,795) and \$109,813.

#### 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, 2021 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

(in thousands of dollars)

Description	2021 Fair value	2020 Fair value	Valuation technique	Unobservable inputs
Unlisted real estate subsidiaries	\$ 664,753	\$ 688,046	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	967,879	920,202	Net asset value - audited financial statements	Information not available
Listed real return bond	69,882	68,258	Vendor supplied price - proprietary price model	Information not available
Unlisted promissory notes	21,190	21,190	Issued by subsidiaries; valued at cost	N/A
	\$ 1,723,704	\$ 1,697,696		

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.

	2021	2020
(in thousands of dollars)		
<b>Unlisted direct real estate subsidiaries</b>		
<b>Direct capitalization method</b>		
Minimum capitalization rate	3.50%	3.50%
Maximum capitalization rate	6.75%	6.80%
Increase of 25 basis points in capitalization rate	\$ (37,696)	\$ (36,626)
Decrease of 25 basis points in capitalization rate	\$ 37,861	\$ 37,604
<b>Discounted cash flow method</b>		
Minimum discount rate	3.50%	3.50%
Maximum discount rate	8.32%	8.22%
Increase of 25 basis points in discount rate	\$ (17,201)	\$ (16,446)
Decrease of 25 basis points in discount rate	\$ 17,315	\$ 17,019

Note: 1 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:

<b>March 31, 2021</b>				
(in thousands of dollars)				
	<b>Number of investments</b>	<b>Fair value</b>		<b>Cost</b>
Public market investments	-	\$	-	\$ -
Private market investments	18		2,836,323	2,053,722
	18	\$	2,836,323	\$ 2,053,722

<b>March 31, 2020</b>				
(in thousands of dollars)				
	<b>Number of investments</b>	<b>Fair value</b>		<b>Cost</b>
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

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, 2021						
(in thousands of dollars)						
	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Average yield (%)(1)
<b>Fixed income</b>						
Money market	\$ 285,284	\$ -	\$ -	\$ -	\$ 285,284	-
Bonds and debentures	23,448	476,930	477,002	502,323	1,479,703	3.5
Real return bonds (2)	-	-	-	69,882	69,882	5.3
	\$ 308,732	\$ 476,930	\$ 477,002	\$ 572,205	\$ 1,834,869	3.0
Pooled funds					575,564	
<b>Total fixed income</b>					\$ 2,410,433	

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)
<b>Fixed income</b>						
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	\$ 1,713,937	3.4
Pooled funds					478,068	
<b>Total fixed income</b>					\$ 2,192,005	

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:

	2021	2020
(in thousands of dollars)		
<b>Interest rate sensitive assets</b>	\$ 1,833,446	\$ 1,716,604
Average duration for 1% increase in interest rates	(6.5)	(6.4)
Sensitivity to 1% increase in interest rates	(119,632)	(110,121)
<b>Fair value after 1% increase in rates</b>	\$ 1,713,814	\$ 1,606,483
Average duration for 1% decrease in interest rates	6.5	6.4
Sensitivity to 1% decrease in interest rates	119,632	110,121
<b>Fair value after 1% decrease in rates</b>	\$ 1,953,078	\$ 1,826,725

### 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

### 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:

	2021	2020
(in thousands of dollars)		
<b>Total equity</b>	\$ 2,097,477	\$ 1,693,359
10% increase in market values	209,748	169,336
<b>Fair value after 10% increase in market values</b>	\$ 2,307,225	\$ 1,862,695
10% decrease in market values	(209,748)	(169,336)
<b>Fair value after 10% decrease in market values</b>	\$ 1,887,729	\$ 1,524,023

## Financial Instruments (continued)

### 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.

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

	2021	2020
(in thousands of dollars)		
<b>Fixed income</b>		
<b>Canadian</b>		
Governments	\$ 557,616	\$ 455,945
Corporate	206,832	187,830
<b>Non-Canadian</b>		
Governments	57,341	60,160
Corporate	1,013,080	1,010,002
	\$ 1,834,869	\$ 1,713,937
<b>Pooled funds</b>	575,564	478,068
<b>Total fixed income</b>	\$ 2,410,433	\$ 2,192,005

## Financial instruments (continued)

### 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.

### 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.



## Financial Instruments (continued)

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:

<b>March 31, 2021</b>		
(in thousands of dollars)	<b>Unhedged</b>	<b>Hedged</b>
<b>Summary FX exposure</b>		
Canadian dollar	\$ 2,958,442	\$ 5,752,932
United States dollar	3,551,619	1,675,096
Euro	263,913	(193,205)
British pound sterling	142,005	(38,563)
Japanese yen	104,608	51,425
Other	161,152	(15,852)
	<b>\$ 7,181,739</b>	<b>\$ 7,231,833</b>
<b>March 31, 2020</b>		
(in thousands of dollars)	<b>Unhedged</b>	<b>Hedged</b>
<b>Summary FX exposure</b>		
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
	<b>\$ 6,587,143</b>	<b>\$ 6,396,831</b>

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.

## Financial instruments (continued)

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:

	2021	2020
(in thousands of dollars)		
<b>Fund assets and liabilities</b>	<b>\$ 7,231,832</b>	<b>\$ 6,396,831</b>
10% increase in Canadian dollar	<b>(134,445)</b>	<b>(116,716)</b>
<b>Fund assets and liabilities after increase</b>	<b>\$ 7,097,387</b>	<b>\$ 6,280,115</b>
10% decrease in Canadian dollar	<b>164,322</b>	<b>142,653</b>
<b>Fund assets and liabilities after decrease</b>	<b>\$ 7,396,154</b>	<b>\$ 6,539,484</b>

### 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 39.0% (2020 - 39.1%) 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 24.4% (2020 - 23.9%) 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, 2021, the Plan had cash in the amount of \$176,654 (2020 - \$181,813).

## Financial instruments (continued)

### vi. COVID-19

On March 11, 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, was classified as a global pandemic, which has resulted in governments 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 business globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown currently, as is the efficacy of the government’s interventions. The Plan’s administrator has implemented procedures in response to the COVID-19 pandemic, including employee education, monitoring of symptoms, increased sanitation practices, as well as employees working remotely when possible. The duration of the outbreak and economic impacts are uncertain and there may be impacts in the future on the Plan’s operations.

## 7.

### Purchases of service via instalments

The purchases of services via instalments of \$75 as at March 31, 2021 (2020 - \$159) 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.



## 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, 2020 and issued their report in June 2021. The report indicated that the Plan had a funding deficit of \$156,497 (December 31, 2019 – deficit of \$105,080).

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:

	2021	2020
Discount rate	5.25% per annum	5.50% 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"> <li>• 10% at age 59;</li> <li>• 20% at age 60;</li> <li>• 10% at each age 61-64;</li> <li>• 50% at each age 65-69;</li> <li>• 100% at age 70</li> </ul> <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"> <li>• 10% at age 59;</li> <li>• 20% at age 60;</li> <li>• 10% at each age 61-64;</li> <li>• 50% at each age 65-69;</li> <li>• 100% at age 70</li> </ul> <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 liability and funding deficit as at March 31

	2021		2020	
(in thousands of dollars)	Extrapolated		Extrapolated	
Actuarial value of net assets	\$	7,240,253	\$	6,403,214
Accrued pension obligation		(7,414,946)		(7,007,434)
<b>Funding deficit</b>	<b>\$</b>	<b>(174,693)</b>	<b>\$</b>	<b>(604,220)</b>

## 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, 2021.

<b>March 31, 2021</b>				
(in thousands of dollars)				
	Committed		Outstanding	
<b>Canadian dollar</b>				
Infrastructure	CAD	15,000	CAD	75
	CAD	15,000	CAD	75
<b>United States dollar</b>				
Infrastructure	USD	608,110	USD	215,796
Private equity		275,000		138,012
Real estate		25,000		4,620
Agriculture & timber		85,000		60,000
	USD	993,110	USD	418,428
<b>Euro</b>				
Infrastructure	EUR	50,000	EUR	38,920
Real estate		20,000		829
	EUR	70,000	EUR	39,749
<b>British pound sterling</b>				
Infrastructure	GBP	15,000	GBP	1,427

## 11.

**Benefits**

	2021		2020	
(in thousands of dollars)				
Benefits paid to retired members	\$	352,225	\$	336,273
Benefits paid to surviving members		41,410		41,639
Refunds paid to terminated members		20,614		17,637
	\$	414,249	\$	395,549

## 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.

	2021	2020
(in thousands of dollars)		
<b>Plan administration</b>		
Office and administration services	\$ 6,123	\$ 6,324
Actuarial & consulting services	146	137
Legal services	114	79
Audit services	59	39
Other professional services	76	60
	<b>6,518</b>	<b>6,639</b>
<b>Pension plan transfer-related costs</b>		
Professional services	479	367
Recovery (note 8)	(479)	(367)
	-	-
<b>Investment expenses</b>		
Investment management services	10,484	11,557
Transaction costs	567	704
Custody services	474	472
Advisory & consulting services	378	313
Information services	216	210
	<b>12,119</b>	<b>13,256</b>
<b>Bad debt</b>	<b>13</b>	<b>12</b>
<b>HST</b>	<b>1,761</b>	<b>1,895</b>
	<b>\$ 20,411</b>	<b>\$ 21,802</b>

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 \$42,085 (2020 - \$34,917) using financial statements and or investor statements where available, and when not available, estimates based on investment management contracts. 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:

	2021	2020
(in thousands of dollars)		
Securities on loan	\$ 329,670	\$ 335,757
Collateral held	\$ 356,428	\$ 363,533

## 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 \$12,534 (0.2% of total investment assets and liabilities) as at March 31, 2021 (2020 - \$3,325 (0.1% 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, 2021 was \$6,867 (2020 - \$6,744). The amount due to the administrator as at March 31, 2021 was \$2,714 (2020 - \$2,383).



## 15.

**Interest in subsidiaries**

The Plan's subsidiaries were created for the purposes of providing investment earnings from US equities, private equities, real estate, and infrastructure. 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:

			2021	2020
(in thousands of dollars)				
Subsidiary	Purpose	Ownership %	Fair value	Fair value
PSS Investments RE Inc.	Real estate	100	\$ 480,516	\$ 517,316
NT Combined Investments Inc.	US equities	54	455,293	416,744
PSS Investments AI Inc.	Private equities	100	211,833	138,205
PSS Investments CS Inc.	Infrastructure	100	193,498	244,911
PSS Investments II Inc.	Real estate	100	195,254	190,669
PSS Investments IV Inc.	Infrastructure	100	60,015	91,054
PSS Investments AX Inc.	Infrastructure	100	54,843	54,352
HV Combined Investments Inc	Hedge funds	63	41,666	37,810
PSS Investments ES Inc	Real estate	100	39,227	49,540
PSS Investments III Inc.	Infrastructure	100	24,217	23,923
PSS Investments BR Inc.	Infrastructure	100	19,878	-
PSS Investments AC Inc	Infrastructure	100	12,427	-
PSS Investments KA Inc.	Infrastructure	100	7,488	-
PSS Investments CS II Inc	Infrastructure	100	18	17
			\$ 1,796,173	\$ 1,764,541

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 *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.

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 2020 comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

# 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.

**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.

For questions relating to your Public Service Superannuation Plan, contact Pension Services Corp. at:


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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.*