



# Built for the long term.

ANNUAL REPORT 2022





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Your retirement savings are secure. **Your future is strong.** Because the true measure of our success is ensuring that your pension plan is sustainable over the long-term, a period measured in decades rather than years.

## Letter from the Board of Directors



With new growth and opportunity on the horizon, 2022 was a critical year in establishing an assured path to achieving Provident10's long-term goals.

This past year marked the development and launch of a Five-Year Strategic Plan, Now to Next: Our Path to 2026, as well as the execution of its first year – a process the Board was diligently involved in.

The strategic plan provides a solid framework for sustained growth and effective management of the Plan, ensuring Provident10 is well positioned to deliver on its pension promise of providing members with a secure retirement income.



Despite another year of navigating a complex and challenging economic environment, the Provident10 team demonstrated continued resilience. The Public Service Pension Plan (PSPP) maintained strong performance relative to market benchmarks with significant long-term value added. The Plan exceeded the -7.1% policy benchmark in 2022, earning a rate of return of -5.3%, ending the year with a funded ratio of 99.8% and net assets of \$10.9 billion.

As a Board that is deeply committed to leading with well-informed governance and to stewarding the management of the PSPP, we are pleased with this year's successes and advancements. Not only did we see a year of stable investments, but significant advancements were also made across operations.

In 2022, Fund101 launched as the first video in a series of digital resources aimed at providing members with clear and concise educational information about the Fund. This is an important step in the mobilization of information to deepen member knowledge and enhance the member service experience.


The past year also saw considerable progress on Provident10's Enterprise Risk Management Framework (ERM). This framework informs the risk exposure and risk assessment of the organization, ensuring effective management of the risks related to the stewardship of the Plan. 2022 was the first cycle of reporting under this framework, which will further the Board's ability to provide valuable and timely oversight and play a pivotal role in ensuring alignment on strategic priorities.

In 2022, the Board welcomed new Directors Debbie Forward, Allan Hawkins, and Lori Anne Companion. They each bring immense knowledge and expertise to Provident10 and we are thrilled to have them join us.

We also send our thanks and best wishes to our departing Directors, John Vivian, Mary Galway, and Theresa Heffernan, and thank them for their significant contributions.

As we set our sights on securing a strong future, we are very pleased to reflect on Provident10's significant achievements of 2022. This important work sets the foundation that the Plan will grow from in the coming years and enforces our commitment to building for the long term.

The Board looks forward to continuing to work closely with management to ensure Provident10 delivers on its promise to provide a secure income to members in retirement.



Loyola Sullivan,  
Chair



Bert Blundon,  
Vice Chair

## Letter from the CEO



I am pleased to report that your pension plan outperformed the broader market, exceeded its benchmark, and entered 2023 well positioned for the long-term. While this is a great achievement in and of itself, it is especially noteworthy in the

context of 2022, which will be remembered for challenging market conditions, persistent inflation, high interest rates, and geopolitical uncertainty in Europe.

I am proud of the results the ProvidentIO team delivered last year. We managed well through a period of short-term volatility. But the true measure of our success is ensuring that your pension plan is sustainable over the long-term, a period measured in decades rather than years.

That was the driving force behind our Five-Year Strategic Plan, Now to Next: Our Path to 2026. The plan launched last March to deliver stable, long-term growth while advancing service excellence, increasing transparency and engagement, developing talent and a purpose-driven culture, and leading with strong governance.

Twelve months into its execution, I am very pleased with the progress we are making on every front, all while continuing to meet our current pension promises to our members. This work is foundational, ensuring your Plan has a rock-solid base to grow from, one that is built to stand the test of time.

In the two core areas of ProvidentIO – investment management and pension administration – we took disciplined action in 2022 that supports this long-term view. Following the departure of our Chief Investment Officer, in early 2022, we re-evaluated the structure of our investment team, ensuring it reflects the special characteristics and growth trajectory of Newfoundland and Labrador's PSPP. At the conclusion of this process, I was pleased to elevate Mark Strangemore to lead our investment management team. As the Vice President, Investments, Mark brings a depth of local and international investment management experience to the role and is exceptionally well equipped to lead the continued evolution of the Plan.

On the administration side of our operations, we continued to advance our ability to serve our members in 2022, striving to ensure our operational service standards are

always met, if not exceeded, and pensions are paid. We also focused on new ways to assist our members throughout the different stages of their career journey to ensure they have access to the right information about Provident10, the long-term benefits of a defined benefit pension plan and their individual pension. We exist to serve our members, and we will continue to look for ways to improve our service offerings.

In 2022, the Provident10 Board and leadership team also focused on our approach to sustainable investing, an important component of our five-year plan. While sustainable investing can take many forms, we will look at it through the lens of risk and return; investment decisions that take a prudent approach to considering environmental, social and governance (ESG) factors tend to better manage risk and can deliver superior longer-term returns.

At Provident10, we see sustainable investing as an area for us to break new ground for a plan of our size, operating environment, and governance. To this end, we will be looking to add and develop specific expertise in this area, to ensure we are best positioned to seize opportunities as we continue to focus on building a sustainable plan that will bring value to future generations.

I am grateful for the Board's engagement as we evolve our strategy in support of sustainable investing and for their continued support of our broader strategic plan. We are making great progress in establishing Provident10 as an industry leader in pension and investment services, a trusted brand across Newfoundland and Labrador, a leader in member satisfaction, and an employer of choice for top talent on a provincial and national scale.

Lastly, I would like to acknowledge the hard work and dedication of the full Provident10 leadership team and all our employees. Their commitment to performance excellence has helped us create lasting value for our members in 2022 and achieve significant progress in the first year of our Five-Year Plan.

On behalf of everyone at Provident10, thank you for the trust you have placed in us to deliver you security and predictability, even during challenging and uncertain times. While 2023 may still bring more headwinds, we believe Provident10 is well positioned to weather these challenges and deliver for you over the long term.



Chuck Bruce,  
Chief Executive Officer



**"The Plan is designed to achieve long term results for members well into the future. The markets experienced significant volatility throughout 2022. We remained resilient and our portfolio of investments collectively delivered strong results in a challenging environment."**

– CHUCK BRUCE, CHIEF EXECUTIVE OFFICER



# 2022 in Review

No matter what stage of life our members are at, we're with them. Whether a member's retirement is today, or two decades away, our Plan is built to ensure a stable, secure future for the Newfoundlanders and Labradorians we serve.

## **-5.3%** total net investment return

The Plan's investment performance was strong in 2022, despite turbulence in the broader markets. The Plan exceeded the -7.1% policy benchmark for the year, earning a rate of return of -5.3%. In 2022, the S&P/TSX Composite Index was down 5.8%, and the MSCI All Country World Index was down 12.4%. The resilience of the Plan in these challenging conditions supports the long-term goals of the Fund and a stable retirement income for our members.

## **99.8%** funded ratio

Over time, it is not unusual for the funded ratio to rise above or dip below 100% based on market conditions and the performance of the Plan in any given year. In 2022, the overall health of the Plan was strong despite challenging market conditions, and we remain firmly on track to deliver on our long-term goal of ensuring your retirement is secure.

## **1-in-9** NLers impacted by the Plan

We are committed to the financial security of Newfoundlanders and Labradorians. Members and pensioners across the province are our top priority.

## **97%** member satisfaction rate

When you call us, we are committed to giving you the answers that you need. We're here to support our members at every stage.

## **1,077** new pensioners

When the time comes, you'll be supported through the transition process, and enjoy a secure, stable income through retirement.



# Delivering on Our Promise

## Built for the long term

In 2022, the Plan, our members and the broader economy weathered a challenging market. Headlines were dominated by unprecedented rates of inflation, rising interest rates, geopolitical uncertainty and the continued impacts of the pandemic. We're proud that we navigated that unpredictability, outperforming our broader market benchmark to deliver strong results for our members. The Plan returned -5.3%, exceeding our policy benchmark of -7.1%.

We don't just measure one year, though. Our true measure of success is the sustainability of the Plan over time. Members depend on us on to be there throughout their journey, from the new graduate setting out on their career path to the retiree enjoying the benefits of a stable income.

Since 2015 the Plan has experienced steady growth, delivering stable returns and a progressively stronger funded position. Securing the financial future of our members is our promise and our priority. That's why our investment strategy is built for long-term results – sustainable performance that goes beyond today and focuses on the years and decades ahead.



Anupama & Mohammad, Members

# Delivering on Our Promise

## 2022 performance

Our portfolio performance is measured using two key metrics:

- Long-term returns on invested assets in excess of the Funding Policy's discount rate
- The Plan's ability to exceed the return of the policy benchmark on a 4-year annualized basis.

In 2022, we met these performance goals. Our four-year net annualized return of 8.1% is well ahead of the benchmark policy return of 6.1%.

In 2022, significant sources of value add were contributed by Private Equity and Infrastructure. Private Equity contributed a net return of 11.3% compared to a benchmark return of -10.4% representing value-added of 21.7%. Infrastructure provided an additional return of 12.2% over its benchmark. Overall, public and private asset classes have substantially contributed to the Plan's four-year value-added objectives with a stronger impact from Private investments.

Net investment return for 2022:

**-5.3%**

Contributions:  
**\$361.5**  
million

vs.

Benefits:  
**\$706.2**  
million paid

Net assets available for benefits:

**\$10.9**  
billion

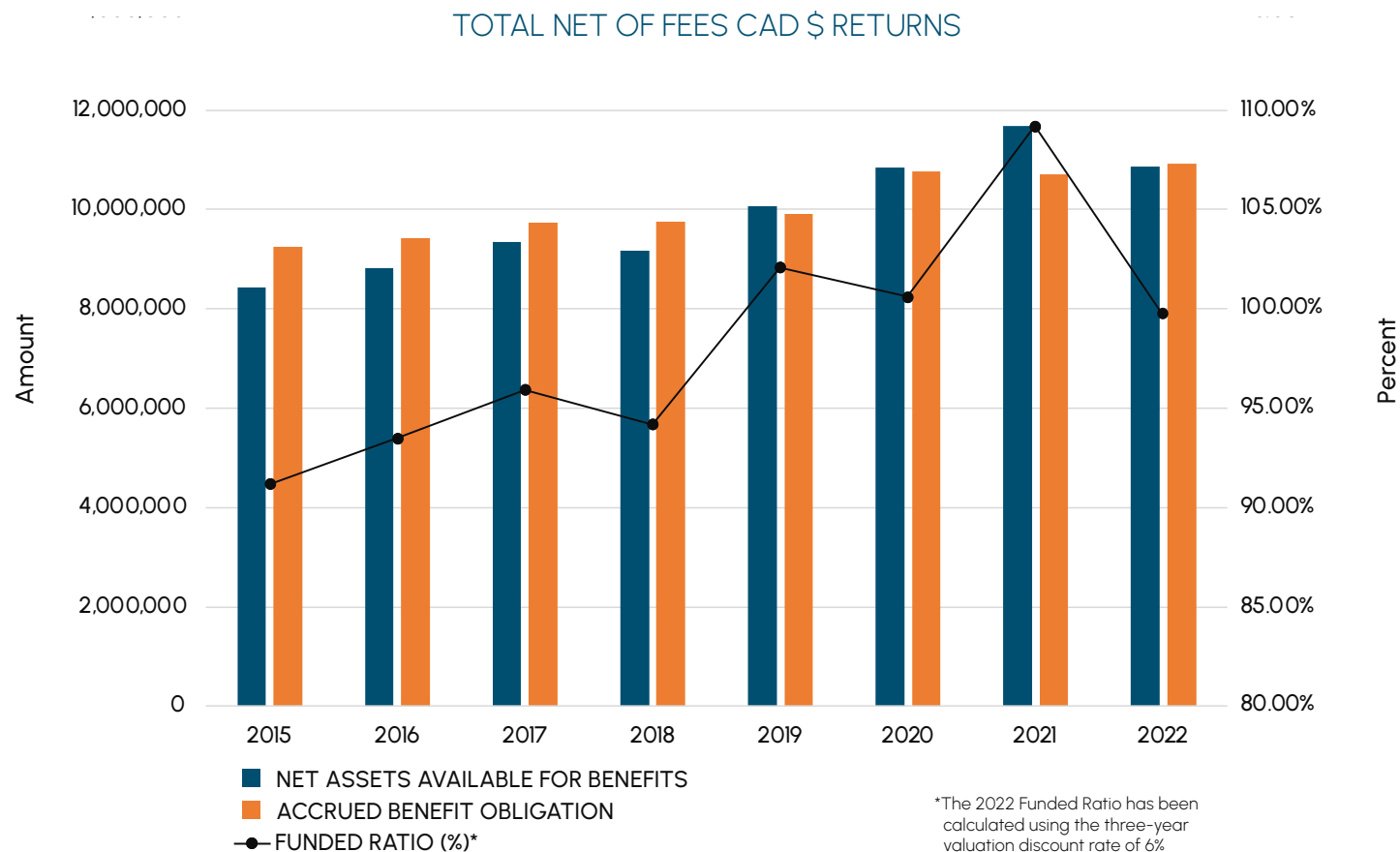
**8.6%**

10-year total net investment return

# Delivering on Our Promise

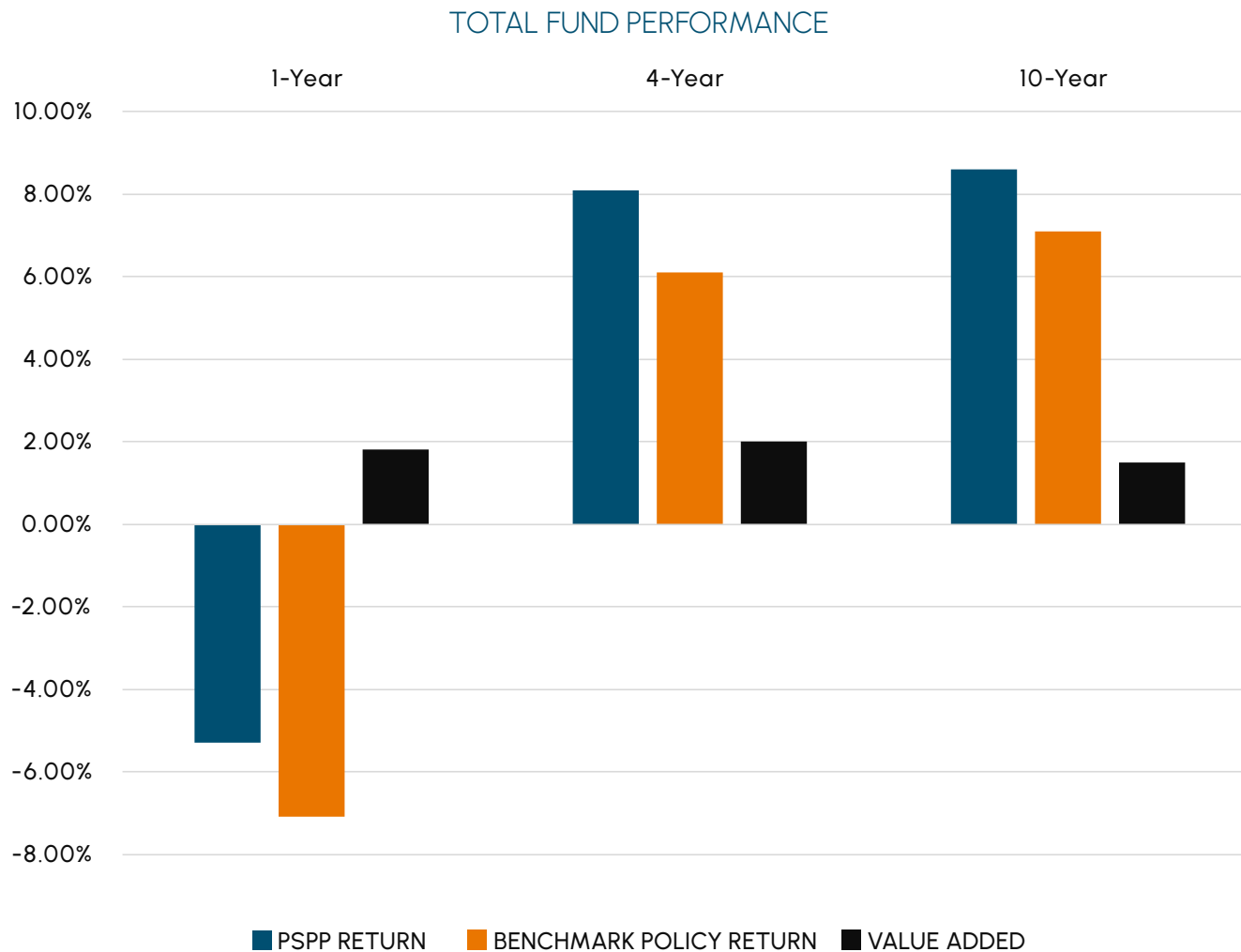
## Delivering results

Despite the economic challenges of 2022, our team continued to deliver strong results for our members. The health of the Plan, measured by our funded ratio, remains strong, and strong returns demonstrate the durability of our investment strategy.



# Delivering on Our Promise

As of December 31, 2022, the Fund's net assets available for benefits was \$10.9 billion, enabling us to fund the benefits that our members expect and continue to deliver significant added value.



# Learn More About the Discount Rate

## What is a discount rate?

The discount rate is the rate we use to value the current cost of future pension obligations of the Plan. We derive the discount rate from the expected rate of return on our investment portfolio, while also considering the general and administrative costs of the Plan as well as macro-events that could affect the Plan, such as rising inflation and increasing interest rates, as well as the global pandemic.

## Why does the discount rate matter?

The discount rate is a key assumption in calculating the funded ratio. It helps us measure our ability to fund the Plan. For example, if our investment portfolio earned less than the discount rate, the Plan risks not being fully funded. Alternatively, if our investments outperform the discount rate, this may result in a temporary surplus in the Plan.

## What is our discount rate?

The discount rate can be calculated on an annual basis or a three-year Actuarial Assumption Basis and Valuation which is set out in the Plan's funding Policy.

The three-year valuation evens out the variations in annual returns. Assessing the discount rate in this way takes a more stable, long-term view of investment performance when setting contribution rates and benefits. The annual assessment uses year end values based on best estimates and can vary year over year.

This year's funded ratio has been calculated using the three-year valuation discount rate of 6%.

Our team closely monitors financial markets, policy changes and other factors that could impact the Plan. This information is used by management to formulate their best estimate of the future rates of return on our investments. And it's also used by our actuaries to determine the value of the Plan's liabilities (or the current cost of our future obligations to members).

# Delivering on Our Promise

## Innovation for the future

Since our inception, the goal of our investment team has remained the same: deliver the best risk-adjusted returns for our members. Over the past six years, we've experienced the kind of disruptions that you simply cannot plan for – a global pandemic, conflict in Europe and persistent inflation – and have outperformed expectations. We're building value and security for our members by focusing on a sustainable long-term strategy and the team and tools that we need to succeed.

In 2022, we embraced changes to our investment team and tools that will make us stronger as we continue our evolution. Our team leverages the local and global expertise of our VP, Investments and supports our growth with investment managers who have the skills and perspective to deliver results for the next generation of Provident10 members.

Throughout last year, the investment team spent significant time building new reporting concepts. With increased utilization of our analytics platforms, research and implementation will continue into 2023 as the team begins delivery of enhanced manager monitoring reports.

Finally, we made great progress in documenting and substantiating the Actuarial Assumption Basis and Valuation, to further support our financial stewardship of our organization and the Plan. As a result, modifications to the discount rate, mortality and termination assumptions were approved for both financial statements reporting and the funding valuation. These activities further informed and enabled communications to the Sponsor Body around significant Plan funding risks resulting from the existing commuted value provisions of the Plan text.



# Delivering on Our Promise

## Building long-term results

Our members deserve a plan that puts their minds at ease. We know that some may still be decades away from retirement, and as the economy fluctuates, it's easy to worry about the future.

When we talk about the long-term, we don't just mean this year, or even the next five. Success for our members means delivering on our promise to the new graduate who just entered public service, decades down the road.

Our role is to ensure the Plan withstands the ups and downs of the global market. And our strongest tool to achieve this is our investment strategy and the continued evolution and diversification of our strategic asset mix.

**8.1%**  
4-year total net  
investment return

**\$10.9 billion**  
net assets available  
for benefits

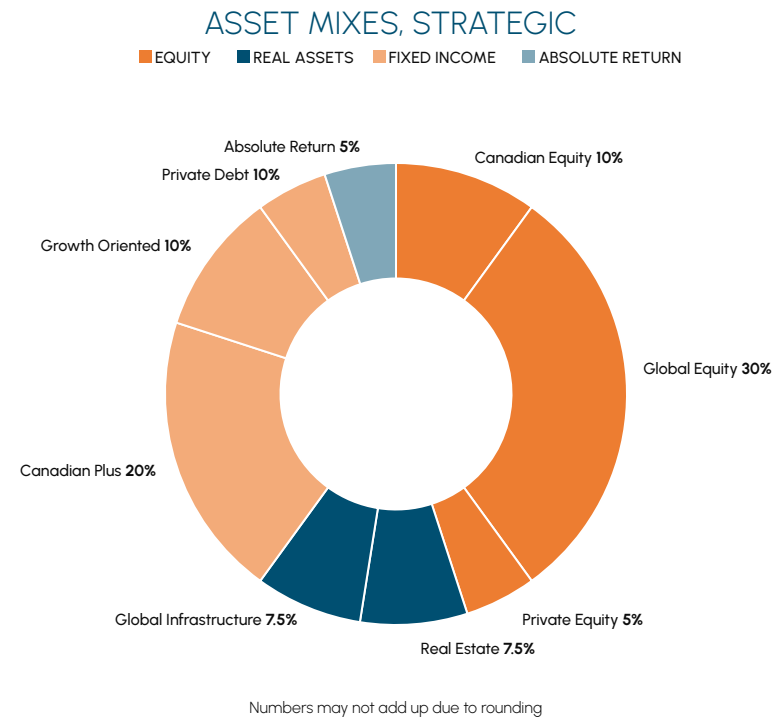
**99.8%**  
funded ratio

# Delivering on Our Promise

## Our strategic asset mix

Our investment strategy is set out in the [Statement of Investment Policies and Procedures \(SIP&P\)](#) and our team oversees that strategy with the goal of producing a well-diversified portfolio of investments, which will ultimately deliver the best risk-adjusted returns to support our members.

The most important aspect of Provident10's investment portfolio is strategically selecting the appropriate mix of assets to invest in. The current mix includes four key areas: equities (stocks), fixed income (bonds), absolute return (hedge funds), and real assets (real estate and infrastructure). This mix is reassessed every three to five years to ensure it remains aligned with the Plan's funding policy and investment goals.



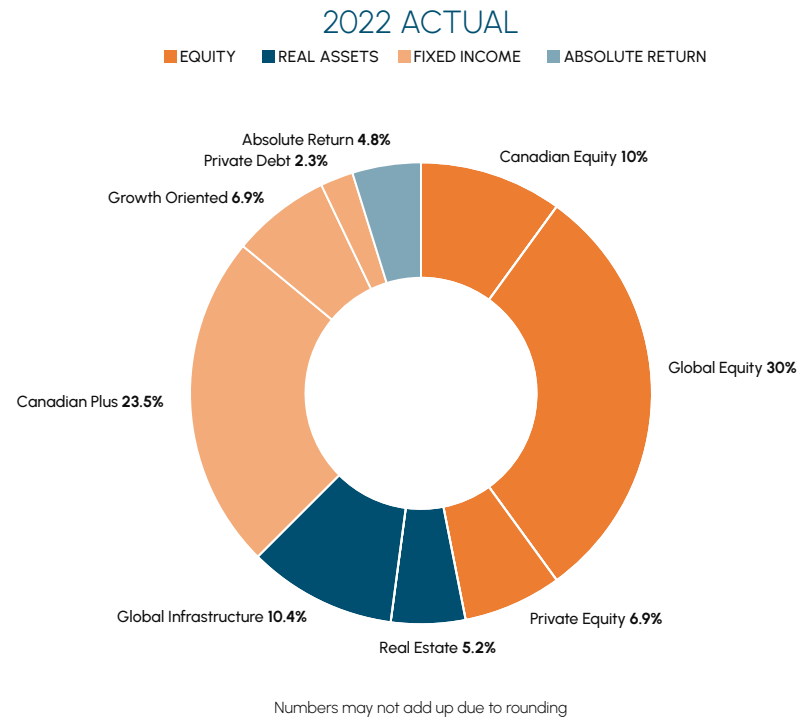
# Delivering on Our Promise

The diversification of our asset mix into several new asset classes over the past three years, including further additions to private and alternative asset classes, allowed us to weather the volatility that dominated headlines in 2022.

In 2022, we continued to evolve our strategic asset mix by:

1. Implementing small cap equity during Q2 (5% of Plan assets), which added an opportunity to further diversify the Plan's overall equity portfolio.
2. Implementing our remaining low-volatility equity allocation during Q3 (3% of Plan assets), completing a total allocation of 5%, adding increased defensive elements to the Plan's strategic asset mix. This allocation served us particularly well during 2022's volatile market drawdown.
3. Completing our absolute return hedge fund portfolio (5% of Plan assets). This allocation has added a risk diversifying low correlational opportunity set to the portfolio achieving high single digit returns during a year where markets experienced double digit declines

To learn more about the Strategic Asset Mix, watch our Fund 101 video at [provident10.com](https://provident10.com).



# Delivering on Our Promise

## Preparing for the road ahead

Each year brings unique – and sometimes unanticipated – challenges. Looking ahead to 2023, we see a broader economic environment that remains highly uncertain. However, our Plan is well-prepared for the road ahead. Our strategic asset allocation mix, prudent capital management and experienced management and investment team have supported members through six years of challenges. We'll continue to use our strategy, policy and expertise to navigate the Plan and those who depend on us through 2023 and beyond.



Catherine, Member

# Members First Mentality

Our members are at the heart of Provident10. They are our friends, neighbours and family and we take our commitment to each one seriously.

We are dedicated to delivering the best possible service to each of our 55,000+ members, throughout their journey. In 2022, we reached out to learn more about the information, education and supports that our members are looking for, and we're putting those findings into action with events, feedback channels and a refreshed web presence to meet the need.

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## Who are our members?

**28,393**

active members

**2,233**

new members

**23,668**

pensioners

**1,077**

new pensioners

**41**

participating  
employers

**1.2**

ratio of active members to  
pensioners

**11**

pensioners over  
100 years old



# Members First Mentality

## Welcoming new members

We want to meet members where they are in their retirement planning journey and provide helpful resources and educational tools from day one.

More than 2,200 people joined Provident10 as new plan members in 2022. It can be a lot to take in as you're starting a new job, so we continued to welcome them with support resources that introduced them to Provident10 and the most important aspects of the Plan. Our welcome package includes a letter from our CEO, with an invitation to our popular New Member Information Sessions and a copy of Plan at a Glance, a summary of the Top 10 things to know as a new member of the PSPP.

## Supporting members at every stage

Throughout 2022, our Member Services team delivered numerous virtual information sessions to support Plan members at all stages of their journey – from navigating life events to enhancing your pension benefits to planning for retirement.

In total, these webinars impacted 1,858 individual members, and many more who attended in groups with colleagues and/or family members.

In addition to our presentation schedule, we offered new and improved resources, like a new Fund 101 video, which we launched in late June to help explain the Plan and how we're building long-term sustainability. We also used our Annual Pension Statements as a vehicle to reach members, and included a copy of Take 10, which profiled our 2021 Investment Performance, promoted the new Fund 101 video and announced the launch of the Five-Year Strategic Plan. The insert also included QR codes to allow members to seamlessly link to the related information on the website from their mobile devices.



# Members First Mentality

And we're committed to meeting our members where they are in the community, by partnering with trusted local organizations and groups to educate and inform members and stakeholders about the PSPP, pensions, and other topics like financial literacy, cybersecurity and mental health. Our team members participated in events – both online and in-person – including:

- Moderating a session on employee mental health and the National Association of Canadian Pension Management Conference here in St. John's
- Participating in the Government of Canada's Cyber Security Awareness Month, by sharing cyber security tips through LinkedIn and with our team via email, and
- Celebrating Financial Literacy Month by sharing information about the Plan and financial literacy resources from the federal government and the Chartered Professional Accountants of Canada on our channels.

We also kicked off an exciting project to improve our website, with a focus on user experience and member-friendly content. Scheduled to launch mid-2023, the site is a significant step forward in connecting members and other stakeholders with the information they need and sets the stage for further growth of our digital footprint.



Jim, Member

# Members First Mentality

## Supporting you in retirement

After a long pandemic-related hiatus, we were thrilled to welcome members to our first in-person Retirement Ready seminar since 2019! This seminar is designed to connect members approaching retirement with our pension plan experts to ensure their personal retirement questions are answered.



Frank, Pensioner

But our support for members doesn't stop at retirement! We work hard to ensure our pensioners continue to receive support and information as they enjoy the next stage of life.

Income continuance is essential for our members as they transition to retirement. It's a responsibility we take seriously. After completing a smooth transition at the end of 2021, this was our first full year leading pensioner payments. This is an important step forward in serving our members as a modern, independent pension administrator.

We were honoured to be invited to present at the Annual General Meeting of the Newfoundland and Labrador Public Sector Pensioners Association. We'll continue to find opportunities to meet with our retired members to ensure that they have confidence in the Fund's performance, and to ensure their needs are met.



# Making Connections

Our members are not voices on the phone – with 1-in-9 people in the province benefitting from the Plan, we know that they are our friends, family and neighbours. That’s why we’re dedicated to being there for our members when they need us.

Over the course of 2022, we pushed ourselves to continue improving and have added additional resources to support members. Our team fielded 14,829 calls from members in 2022 and met or exceeded our service goals in several key areas, including supporting first retirement pensions and survivors.

Through it all, though, our team was applauded by members for their exceptional service. Of the nearly 15,000 callers who reach out to us, 2,084 completed member satisfaction surveys at the end of their call. 99% of members who participated reported that they were treated with courtesy and professionalism by our team, and 97% said their inquiry was addressed to their satisfaction.

## Understanding your needs

Our members are the heartbeat of our organization. To better understand their needs (and the needs of other internal and external partners throughout the province), we launched a Stakeholder Perception Study.

We wanted to learn more about the awareness, understanding, and attitudes towards pensions and Provident10 among our members, so we launched a voluntary online survey. More than 2,500 members from across the province participated in our survey, far surpassing our initial goal of 1,500.

In addition, we welcomed six groups of members and pensioners in for focus groups, to learn more about how we can better serve them. We also conducted 1:1 interviews with a number of our participating employers.

The findings of the Stakeholder Perception Study will be a cornerstone of our continued communications, member relations and corporate strategy efforts moving forward.

# Working With Employers

## Our participating employers

Our participating employers play a critical role in supporting members throughout their pension journey. In 2022, we invited all 41 of our employers from across the province to tell us how we can support them – and their employees – and we'll continue to work together to provide the best service possible to members.

## Welcoming new employers

As we continue our evolution, we're connecting with employers from around the province who have expressed an interest in participating in the Public Service Pension Plan. In 2022, we were thrilled to welcomed Willow House as a new participating employer to the Plan.

We're continuing our path of growth and expansion, including building connections with employers across Newfoundland and Labrador.



Paul, Member



# Working With Employers

## Improving employer communications

Our participating employers are essential to our support of members. They are key sources of information and operational support for their employees, as they navigate their career path, and we continue to find ways to improve and deepen our connections with them.

We were proud to attend the 28th Biennial Convention of the Registered Nurses' Union Newfoundland and Labrador (RNUNL) to present to over 200 nurses on our performance and other key activities happening within the organization. This was a great opportunity to connect directly with members and potential members, in partnership with a strong ally in RNUNL and we look forward to collaborating on future events and finding similar opportunities with other participating union partners

We also prioritized employer participation in events we hosted throughout the year. Our employer Asked and Answered series continued to be a success, with a total of six sessions hosted for employers to come together and discuss aspects of their role in pension plan administration. Our overall employer participation rate for the year was 84%, translating into more than 98% of the total active plan membership being represented at these sessions.

And in 2022, the Stakeholder Relations and Member Services teams partnered to improve the year-end email sent to our participating employers. The priority was to enhance the employers' experience and ease of use, with a new layout and design.. The email was reimagined as an easy-to-read checklist that gave employers clear direction on their next steps, and we were able to reduce the number of attachments by more than 50% by transitioning resources into our website. The end result was easier to use, easier to share and easier to execute.

## Building new tools

We're nearing the launch of our new Case Management System (CMS), an online portal designed to support our pension administration team in tracking member cases, as well as our employers. The project reached multiple milestones throughout the year and is expected to launch in 2023. This new tool will allow employers to access, complete and return the important transactional documents that support their members and pensioners, resulting in increased consistency and member satisfaction.

# Growing Provident10

Provident10 supports more than 55,000 members across Newfoundland and Labrador, and everyone in our organization plays an important role in delivering that support. From every corner of our business, the skills, expertise, and passion that we bring to work every day are essential to our success.

Together, we make an impact for our members. So, it's important that we continue to evolve as an organization to meet our strategic goal of developing talent and fostering a purpose-driven culture.

## Supporting our people

We could not support our members without the efforts of our talented and dedicated team. To ensure that they are fairly compensated (and that we can continue to compete for and retain top talent), we completed a salary market review in early 2022 for roles throughout the organization.

In 2022 we negotiated our third Collective Agreement. The negotiated terms of the agreement display a commitment to maintaining programs which enhance retention and recruitment to secure top talent, while enhancing others to ensure alignment with the needs of current and future employees.

The salary market review also informed adjustments to non-union, non-management and management salary scales. As a result, we are now positioned to combat recruitment and retention risks, improve our employee experience and support our aspirations of being an employer of choice.

We also recognized that we – as an organization – have grown since we set out in 2017. With the launch of our new Five-Year Strategic Plan, we took stock of our resourcing requirements to understand what human resources we need to achieve our aspirations and deliver on our key initiatives. The first stages of our workforce planning project took into consideration strategic and operational risks and succession planning, and will continue into 2023, with the goal of building the right team to serve our members.



# Growing Provident10

## Promoting connections and conversations

In the second quarter of 2022, after nearly two years apart during the pandemic, we returned to the office. But we also know that our employees appreciate flexibility, which is why our Return to Office plan included the implementation of a new Hybrid Work Policy.

Once we were back together, we were also able to celebrate the fifth anniversary of Provident10. With this milestone, we launched All In, our internal employee campaign to showcase the deeper sense of purpose that our employees bring to their work. And we introduced a series of employee engagement sessions to reflect on our journey and discuss the opportunities for the next five years.

## A culture of recognition

We could not meet our promise to members without the continued efforts of our team. And those efforts deserve recognition.

That's why we launched an internal recognition program. It's a simple way to celebrate the people who make us great every single day with a meaningful thank you for a job well done. Across the organization, our employees are shining spotlights on the people who go above and beyond for their teammates and our members.



Renee, Member

# Growing Provident10

## Growing and investing in our people

We want to invest in our people, and ensure that everyone feels comfortable, safe and supported in their workplace.

As we continue to build our Diversity, Equity and Inclusion (DE&I) initiatives, we completed a DE&I focused review of Provident10's group insurance program and health and wellness programs and policies in late 2022. This review is the foundation of a multi-year plan to better align these programs to how we approach DE&I, including group health insurance renewals for 2023 and beyond.

We also increased our focus on, and investment in promoting our Learning and Development Program for employees. Our goal was to make these resources more accessible to employees, and increased uptake in 2022 shows that these efforts were successful. We are proud to support our employees as they take on additional training in essential areas like:

- Diversity, equity and inclusion
- Mental Health First Aid, and
- Professional development in key areas like human resources, pension law, data analysis, auditing and certified employee benefits specialist (CEBS) training.

## Top Employer recognition

We were proud to be recognized one of Atlantic Canada's Top Employers, an annual competition organized by the editors of Canada's Top 100 Employers. The award recognizes employers that lead their industries in offering exceptional places to work.

This is our second consecutive year being named to the list, in recognition of the employee-focused policies and initiatives we've introduced like our new hybrid work policy, enhanced mental health support and the relaunch of our Social Committee.

As we pursue our strategic goal of developing talent and fostering a purpose driven culture, we'll continue to invest in initiatives to elevate the experience of our people and make Provident10 an employer of choice for top talent.

## Investing in our community

With 55,000 plan members, Provident10 touches the lives of one in nine Newfoundlanders and Labradorians. Because of that reach, we strive to be a good corporate citizen and are committed to supporting our community. In 2022, we contributed to six community organizations that are focused on delivering support services to the people of Newfoundland and Labrador.

These six organizations received our support:

- The **Community Food Sharing Association**, who manage the collection and distribution of food through 54 food banks to more than 10,700 residents throughout Newfoundland and Labrador.
- **SeniorsNL**, an organization dedicated to promoting the independence and well-being of older adults in Newfoundland and Labrador through the provision of information as well as various programs and services.
- **Bridges to Hope**, and their focus on neighbours feeding neighbours and offering support to anyone facing food insecurity. They strive to ensure that the diverse members of our community have fair and unbiased

access to their services, while also acting as advocates for increased food security.

- **The Autism Society Newfoundland and Labrador**, who provide support and advocacy services for people with autism in Newfoundland and Labrador.
- **Special Olympics Newfoundland and Labrador**, which is dedicated to enriching the lives of Newfoundlanders and Labradorians with an intellectual disability through sport.
- On International Women's Day 2022, Provident10 donated to the **St. John's Status of Women Council**, an organization that works to achieve equality and justice for all woman and non-binary individuals in the St. John's area.

These organizations were supported through financial donations from employees and Provident10, or through employee volunteer hours during work hours. Employee donations were collected through payroll deductions as advised by the employee and matched by Provident10 to double the impact of monies raised.

# Strong Governance

## How we're governed

Provident10 operates in a joint trustee governance structure, between government and the five participating unions. Our governance structure includes three groups as prescribed in the Joint Sponsorship Agreement (JSA): the Sponsor Body, Board of Directors and management team.

The Sponsor Body is responsible for setting the Plan's benefit levels, making Plan amendments, amending the Funding Policy, and determining the level of risk associated with the Plan's asset mix.

Our Board is responsible for pension administration, corporation management, actuarial reporting, and investment management. They act independently of the Sponsor Body and our management team and, as fiduciaries, are legally bound to act in the best interests of all Plan members.

There are also three sub-committees that play an advisory role to the Board: the Audit and Finance Committee, the Investment Committee and the Governance and Human Resources Committee.

Learn more about How We're Governed on our website.

## Internal governance

Our team is committed to integrity, support and results in the service of our members. To ensure that our operations are accountable, compliant with policy and continuously improving, we made significant investments in internal governance in 2022.

In 2022, the Internal Audit function set out to complete its first approved risk-based audit plan. The main objective of this plan was to ensure internal audit priorities were aligned with all business areas to address areas posing the greatest risk to the organization. The team successfully completed eight of nine (88%) risk ranked audit projects planned in 2022.

Internal Audit also continued to evolve its Quality Assurance and Improvement Program (QAIP), completing its first internal-self assessment since the function's inception in 2020. The QAIP is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing, the International Standards for the Professional Practice of Internal Auditing, and an evaluation of whether internal auditors apply the Code of Ethics.



# Strong Governance

During the development of our Five-Year Strategic Plan, ProvidentIO placed a significant emphasis on enterprise risk management (ERM) and the strategic and operational risk registers. This led to more focused discussions and mapping of the organization's strategic risks onto the five-year strategic priorities and initiatives in 2022.

Operational and strategic risk sessions were conducted to review and discuss risk mitigation plans and delivered assessments to support the development of a Strategic Risk Profile. Management also established a formal internal management Risk Committee and reviewed the assessments, to ensure that strategic initiatives identified in our five-year strategic plan were appropriately mapped and documented in risk mitigation plans.

To enhance quarterly and annual reporting of our internal budgets and financial performance, we acquired and configured a new reporting software, which will be rolled out to all users in 2023.

And we continue to invest in a robust information technology ecosystem that supports our operational needs and protects the data and privacy of our members.

To support these needs, we are establishing first an IT Strategy, which will in turn allow us to create a modern and effective IT Governance structure to ensure the information technology and data assets are deployed in alignment with our Five-Year Strategic Plan.



Stacey, Member

## Board of Directors

Our Board of Directors Remuneration Policy details the payment received by each Director, including an annual honorarium and a per-meeting attendance allowance. Directors are also reimbursed for reasonable travel expenses.

We report on the attendance of Directors at duly constituted and ad hoc meeting, as well as their annual compensation. Please note that Government and Union employees are not eligible for the per-meeting attendance allowance.

The Board Chair and Vice Chair are ex-officio, non-voting members of all committees.

	Board	Audit	IC	GHRC	2022 Total:
Bert Blundon	12/12	3/4	1/4	5/6	\$14,250.00
Randell Earle	12/12			6/6	\$8,500.00
Mary Galway	10/12		4/4	5/6	\$6,500.00
Sharon Sparkes	10/12	3/4		5/6	\$6,750.00
Kevin Dumaresque	10/12		4/4	6/6	\$7,250.00
Doug Laing	12/12	4/4	4/4		\$7,250.00
Dawn Learning	7/12		2/4		\$2,500.00
Debbie Forward	5/6			2/2	\$2,875.00
Loyola Sullivan	12/12	4/4	3/4	6/6	\$12,500.00
Jennifer Dove	12/12	3/4		6/6	\$7,500.00
Donna Brewer	12/12	4/4			\$8,000.00
Robert Cashin	10/12	4/4	1/1		\$1,250.00
Theresa Heffernan	9/11	3/4	1/1		\$1,250.00
John Vivian	5/6		2/2	2/4	\$625.00
Al Hawkins	1/1				\$250.00
Lori Anne Companion	1/1				\$250.00



## Executive Compensation Reporting

The organization is committed to transparency with respect to the compensation of members of our Executive Team. Our Board of Directors approves the compensation principles and philosophy for the organization, as well as the salary and variable compensation of our Chief Executive Officer.

Compensation decisions are made to align with our objectives under our strategic plan, specifically around retention and recruitment of top talent, which are key to ensuring the organization has the right people for operational excellence and delivery on strategic initiatives. To support this goal, the organization maintains a total compensation and benefit program for all full-time employees that includes market-competitive compensation, pension contributions and other retirement benefits, life and disability insurance, and health and dental benefits.

In 2022, a Supplementary Retirement Arrangement (SRA) for Designated Officers of Provident10 was established. The SRA provides retirement benefits to Designated Officers for earnings in excess of those used to calculate

benefits under the PSPP due to the limits on pensionable earnings imposed by the Income Tax Act. Designated Officers and the organization both make required contributions to the SRA in equal amounts. In alignment with our overarching compensation principles and philosophy, this program is designed as a strategic tool to recruit and retain individuals in key executive leadership roles.

In 2022, the SRA permitted Designated Officers to purchase past periods of service with us. The purchase of past service required a contribution be made by a Designated Officer equal to the amount the Designated Officer would have had been required to contribute to the PSPP for the applicable period of service without the application of the limits imposed by the Income Tax Act and the amounts actually contributed by the Designated Officer to the PSPP during such period.

In 2022, the terms of the SRA required the organization to contribute an amount to the SRA equal to the contribution made by a Designated Officer to purchase past service (for more, please see Note 6 of the Financial Statements). The CEO was the only Designated Officer to purchase a period of past service under the SRA in 2022.

# Disclosures

In addition to base salary, our employees – including the Executive Team – receive variable compensation through the Short-Term Incentive (STI) Program. The STI Program is designed to ensure alignment of priorities between the organization and Board of Directors and provides the Board with the opportunity to assess corporate performance metrics.

STI Program sets annual corporate and individual targets assessed for 0%–150% attainment with minimum, target, and excellence performance metrics. The maximum total reward is capped. The chart below reports both base salary and STIP, to provide an overview of total cash compensation.

Position	Year	Base Salary (Blended)	STIP	Total Cash Compensation
Chief Executive Officer	2022	\$410,896	\$164,358	\$575,254
Chief Investment Officer <sup>1</sup>	2022	\$35,654	\$0	\$35,654
VP, Finance	2022	\$190,633	\$48,125	\$238,758
VP, Systems and Quality	2022	\$182,637	\$45,989	\$228,626

1. Reported up to February 11, 2022.

# 2022 Financial Statements





Financial Statements of

**PROVIDENT10**

And Auditors' Report thereon

For the year ended 31 December 2022



KPMG LLP  
TD Place  
140 Water St., Suite 1001  
St. John's NL A1C 6H6  
Canada  
Tel 709-733-5000  
Fax 709-733-5050

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Provident<sup>10</sup>

### **Opinion**

We have audited the financial statements of Provident<sup>10</sup> (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its results of operations, and changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **Basis for Opinion**

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

We are independent of the 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 auditor's report thereon, included in the Annual Report.

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





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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

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

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

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

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

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



Page 3

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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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' with a horizontal line underneath.

Chartered Professional Accountants  
St. John's, Canada  
June 27, 2023

**Provident10****Statement of Financial Position****31 December 2022****with comparative information for 31 December 2021**

	<b>2022</b>	<b>2021</b>
	<b>(000s)</b>	<b>(000s)</b>
<b>Assets</b>		
Current assets		
Cash	\$ 2,368	\$ 1,382
Receivable from Province of Newfoundland and Labrador	67	45
Harmonized Sales Tax receivable	168	103
Prepaid expenses	748	615
Current portion of promissory note receivable (note 2)	53,331	50,312
	56,682	52,457
Capital assets (note 3)	778	891
Intangible asset (note 3)	334	-
Promissory note receivable (note 2)	2,260,804	2,314,135
<b>Total assets</b>	<b>\$ 2,318,598</b>	<b>\$ 2,367,483</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 2,055	\$ 1,911
Payable to Public Service Pension Plan (note 4)	1,522	92
Payable to Province of Newfoundland and Labrador (note 5)	48	184
Deferred tenant inducement	263	325
Straight-line rent	86	96
Current portion of promissory note payable (note 2)	53,331	50,312
	57,305	52,920
Employee future benefits (note 6)	489	428
Promissory note payable (note 2)	2,260,804	2,314,135
<b>Total liabilities</b>	<b>2,318,598</b>	<b>2,367,483</b>
Commitments (note 12)		
<b>Net assets</b>	<b>-</b>	<b>-</b>
<b>Net assets and total liabilities</b>	<b>\$ 2,318,598</b>	<b>\$ 2,367,483</b>

The accompanying notes to financial statements are an integral part of this financial statement.

On behalf of the Board:

Director \_\_\_\_\_

Director \_\_\_\_\_

**Provident10****Statement of Operations and Changes in Net Assets****For the year ended 31 December****with comparative information for the year ended 31 December 2021**

	<b>2022</b>	<b>2021</b>
	<b>(000s)</b>	<b>(000s)</b>
<b>Revenue</b>		
Management fees (note 9)	\$ 12,018	\$ 11,427
Interest	137,688	140,536
	149,706	151,963
<b>Expenses</b>		
Salaries and benefits	7,256	6,771
Professional services	999	1,108
Information systems	814	621
Premises	615	612
Directors and committees	114	126
Postage and service charges	116	241
Interest	137,688	140,536
Amortization	189	250
Other operating expenses	1,827	1,698
<b>Total expenses</b>	149,618	151,963
<b>Excess of revenue over expenses</b>	\$ 88	\$ -
<b>Unrestricted net assets, beginning of year</b>	-	-
Remeasurement of employee future benefits liability	(88)	-
<b>Unrestricted net assets, end of year</b>	\$ -	\$ -

The accompanying notes to financial statements are an integral part of this financial statement.

**Provident10****Statement of Cash Flows****For the year ended 31 December 2022****with comparative information for the year ended 31 December 2021**

	<b>2022</b>	<b>2021</b>
	<b>(000s)</b>	<b>(000s)</b>
<b>Cash provided by (used in):</b>		
Operating activities		
Excess of revenue over expenses	\$ 88	\$ -
Items not involving cash:		
Amortization of capital assets	251	313
Amortization of tenant inducement	(62)	(63)
Decrease in straight-line rent	(10)	(9)
Employee future benefits expense	71	(57)
Employee future benefits contributions	(98)	(2)
	240	182
Change in non-cash operating working capital:		
Increase in receivable from Province of Newfoundland and	(22)	-
Increase in Harmonized Sales Tax receivable	(65)	(11)
Increase in prepaid expenses	(133)	(309)
Increase in accounts payable and accrued liabilities	144	215
Increase (decrease) in payable to Public Service Pension Plan	1,430	(398)
Decrease in payable to Province of Newfoundland and Labrador	(136)	(174)
	1,458	(495)
Investing activities:		
Capital assets additions	(138)	(88)
Intangible asset addition	(334)	-
Proceeds on promissory note receivable	50,312	47,464
	49,840	47,376
Financing activities:		
Repayment of promissory note payable	(50,312)	(47,464)
	(50,312)	(47,464)
<b>Increase (decrease) in cash</b>	<b>986</b>	<b>(583)</b>
<b>Cash, beginning of year</b>	<b>1,382</b>	<b>1,965</b>
<b>Cash, end of year</b>	<b>\$ 2,368</b>	<b>\$ 1,382</b>

The accompanying notes to financial statements are an integral part of this financial statement.



## **Provident10**

### **Notes to Financial Statements**

### **For the year ended 31 December 2022**

Provident10, (the "Corporation"), is a not-for-profit organization incorporated on 31 March 2015 under the authority of Section 36.1 of the *Public Service Pensions Act 1991* (the "Act"). The Corporation changed its name to Provident<sup>10</sup> from Public Service Pension Plan Corporation, effective 27 August 2017.

The purpose of the Corporation is to act as Trustee of the Public Service Pension Plan (the "Plan") and to serve as administrator of the Plan. The Corporation is bound, with the Board of Directors, to act in accordance with the Joint Sponsorship Agreement between Her Majesty in Right of Newfoundland and Labrador and the Association of Allied Health Professionals, the Canadian Union of Public Employees, the International Brotherhood of Electrical Workers, the Newfoundland and Labrador Association of Public and Private Employees, and the Registered Nurses' Union Newfoundland and Labrador (collectively the "Unions"). A service level agreement (the "Service Level Agreement") was signed between the Corporation and the Province of Newfoundland and Labrador (the "Province") to allow the Province to continue to administer the Plan for an interim period of 12 months. The agreement expired on 31 March 2017. The Province continues to provide limited administration services covered by this agreement for the disbursement of pension payments on an interim basis (note 9).

The Corporation operates under a cost recovery basis, as provided for in the Service Level Agreement. The Corporation is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

#### **1. Significant accounting policies**

##### **(a) Basis of presentation:**

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants (CPA) Canada Handbook.

##### **(b) Revenue recognition:**

Fee revenue is recognized as services are provided and collection is probable.

##### **(c) Financial instruments:**

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

**Provident10**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**1. Significant accounting policies (continued)**

**(d) Use of estimates:**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include accrued liabilities and other employee future benefits. Actual results could differ from these estimates.

**(e) Capital assets:**

Capital assets are recorded at cost less accumulated depreciation and include amounts that are directly related to the acquisition, design, construction, development, improvement, or betterment of the assets directly attributable to construction and development.

The cost, less residual value, of capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	Over the term of lease
Furniture, fixtures and equipment	5 years
Computer hardware	3 years
Computer software	3 years
Telephone system	3 years

Capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value.

**(f) Intangible assets**

Intangible assets consist of third-party costs for implementation of software services related to corporate or pension administration activities. External expenditures on implementation activities that are directly attributable to preparing the software service for its intended use are recognized as an intangible asset when the capitalization criteria have been met. This includes: the ability to demonstrate technical feasibility, the Corporation's intention to complete the implementation; the availability of adequate technical and financial resources to complete the development; the use of the system once implemented; and the ability to demonstrate that the asset will generate future economic benefits. Intangible assets are measured at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful life of five years.

The amortization of intangible asset costs related to corporate, pension and investment systems implementation commences upon completion of the systems.

Expenditures that do not meet the capitalization criteria are expensed as incurred. Similarly, expenditures on internally generated intangible assets are expensed as incurred.

**Provident10**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**1. Significant accounting policies (continued)**

**(g) Employee future benefits**

**i. Post-employment benefits other than pensions:**

Under the collective agreement between the Newfoundland and Labrador Association of Public and Private Employees and the Corporation, employees identified on Schedule A of the Joint Sponsorship Agreement are eligible to participate in the Province's other post-employment benefits plan (the "OPEB Plan"). The OPEB Plan provides group life insurance and health care benefits on a cost shared basis to retired employees, should they continue to meet the eligibility requirements. The associated employer portion of the costs for the Corporation's employees will be borne by the Corporation.

The OPEB obligation is measured using an actuarial valuation report prepared for accounting purposes. The measurement date of the obligation coincides with the Corporation's year end. The date of the most recent actuarial valuation of obligation prepared for accounting purposes is 31 December 2022.

**ii. Supplemental retirement arrangement**

In 2022, the Corporation established a supplementary retirement arrangement for designated officers of the Corporation ("SRA"). The SRA does not constitute a registered pension plan within the meaning of the *Income Tax Act*. The primary purpose of the SRA is to provide retirement benefits to designated employees of the Corporation in respect of their earnings in excess of those on which benefits can be provided under the (registered) Plan.

The SRA obligation is measured using an actuarial valuation report prepared for accounting purposes. The measurement date of the obligation coincides with the Corporation's year end. The date of the most recent actuarial valuation of obligation prepared for accounting purposes is 31 December 2022.

**(h) Deferred tenant inducements:**

In 2016, the Corporation entered a ten-year lease for its corporate office. Under that agreement, the landlord funded renovations to the space as tenant inducements. These tenant inducements are deferred and amortized on a straight-line basis over the term of the related lease.

**(i) Straight-line rent:**

Under the Corporation lease for its corporate office, there are increases in base rent over the term of the lease. The base rent cost over the full lease term, including free rent periods, have been determined and are amortized on a straight-line basis over the term of the related lease.

**2. Promissory note**

The Province issued a \$2.685 billion promissory note to the Corporation on 31 March 2015 as part of pension reform. The Plan has a right to receive the proceeds of the promissory note from the Province held by the Corporation. The note is receivable over 30 years in quarterly blended installments of principal and interest of \$47 million. The promissory note bears interest of 6%. The payments will be made regardless of the funded status of the Plan. The promissory note is non-marketable.

**Provident10**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**2. Promissory note (continued)**

As at 31 December 2022, the balance receivable is \$2.314 billion (2021 - \$2.364 billion).

Principal repayments of the promissory note receivable by the Province to the Corporation and by the promissory note payable by the Corporation to the Plan over the next five years (in thousands) are as follows:

2023	\$53,331
2024	\$56,530
2025	\$59,922
2026	\$63,518
2027	\$67,329

**3. Capital and Intangible assets**

	2022	2021		
	Cost (000s)	Accumulated Amortization (000s)	Net Book Value (000s)	Net Book Value (000s)
Leasehold improvements	\$1,436	\$824	\$612	\$751
Furniture, fixtures, and equipment	601	539	62	50
Computer hardware	387	283	104	90
Computer software	113	113	-	-
Telephone system	58	58	-	-
Total capital assets	\$2,595	\$1,817	\$778	\$891
Intangible asset	\$334	-	\$334	

**4. Payable to Public Service Pension Plan**

Payable to the Plan represents total charges to the Plan plus HST less operating funding received.

Amounts payable to the Plan are non-interest bearing and due when an invoice is rendered.

**5. Payable to Province of Newfoundland and Labrador**

Amounts payable to the Province are non-interest bearing and payable on receipt of invoice.

**6. Employee future benefits liability**

The obligation was calculated as at 31 December 2022 under Sections 3462 and 3463 of the CPA Canada Handbook – Accounting by the Corporation's actuary. In determining the liabilities under Section 3463 of the CPA Handbook, projected unit credit method prorated on service was used for the accounting valuation.

**Provident10**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**6. Employee future benefits liability (continued)**

The significant assumptions used in measuring the OPEB obligation were as follows:

	<b>31 December 2021 accrued benefit liability and 2022 expense</b>	<b>31 December 2022 accrued benefit liability</b>
Discount rate	3.40%	5.20%
General inflation	2.00%	2.00%
Health premium inflation/trend	12.96% in 2021, 5.56% in 2022, decreasing linearly each year to an ultimate rate of 3.60% in 2040	3.30% in 2021, 9.15% in 2022, decreasing linearly each year to an ultimate rate of 3.60% in 2040
Mortality	CPM – 2014 Public Sector with generational projection using scale CPM-B	CPM – 2014 Public Sector with generational projection using scale CPM-B
Termination	2014 Public Sector Experience Study, with annual sample rates: <ul style="list-style-type: none"> <li>• Age 20: 16.48%</li> <li>• Age 25: 16.48%</li> <li>• Age 30: 9.49%</li> <li>• Age 35: 7.13%</li> <li>• Age 40: 5.56%</li> <li>• Age 45: 4.61%</li> <li>• Age 50: 3.60%</li> <li>• Age 55: 0.00%</li> </ul>	2014 Public Sector Experience Study, with annual sample rates: <ul style="list-style-type: none"> <li>• Age 20: 2.00%</li> <li>• Age 25: 2.00%</li> <li>• Age 30: 2.00%</li> <li>• Age 35: 2.00%</li> <li>• Age 40: 2.00%</li> <li>• Age 45: 1.50%</li> <li>• Age 50: 1.00%</li> <li>• Age 55: 0.00%</li> </ul>
Disability	None	None
Retirement	<b>If eligible to retire before 1 January 2020:</b> 50% at the earlier of age 55 with 30 years' service or age 60 with 5 years' service. Remainder at the earlier of the 35 years' service or age 65. <b>If not, then:</b> 57.5% at the earlier age of 58 with 30 years' service or age 60 with 10 years' service. Remainder at the earlier of 35 years' service or age 65.	<b>If eligible to retire before 1 January 2020:</b> 50% at the earlier of age 55 with 30 years' service or age 60 with 5 years' service. Remainder at the earlier of the 35 years' service or age 65. <b>If not, then:</b> 57.5% at the earlier age of 58 with 30 years' service or age 60 with 10 years' service. Remainder at the earlier of 35 years' service or age 65.
Members electing coverage benefits at retirement ("Participation Rate")	95%	95%
Coverage elected at retirement	65% Family	65% Family
Spouse age difference	Females three years younger	Females three years younger



**Provident10**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**6. Employee future benefits liability (continued)**

The significant assumptions used in measuring the SRA obligation were as follows:

	<b>31 December 2021 accrued benefit liability and 2022 expense</b>	<b>31 December 2022 accrued benefit liability</b>
Discount rate	3.40%	5.20%
General inflation	2.00%	2.00%
Salary increase	3.50%	3.50%
YMPE and ITA DB Limit increase	2.75%	2.75%
Mortality	CPM – RPP 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 0.75 for males and 0.95 for females	CPM – RPP 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 0.75 for males and 0.95 for females
Termination/Disability/Pre-retirement mortality	None	None
Retirement	Age 62	Age 62
Spouse age difference	Females three years younger	Females three years younger
Married %	100% at retirement	100% at retirement

The employee future benefits liability as at 31 December 2022 is calculated as follows:

	2022 SRA (000s)	2022 OPEB (000s)	2022 Total (000s)	2021 Total (000s)
Defined benefit obligation	\$350	\$332	\$682	\$428
Fair value of plan assets	193	-	193	-
Employee future benefits liability	\$157	\$332	\$489	\$428

**7. Pension Plan**

Qualifying employees of the Corporation participate in the Plan, a multi-employer defined benefit pension plan, which provides pension benefits based on length of service and earnings.

Contributions to the Plan are required by both the employees and the employer. The Corporation's contributions range from 8.95% to 11.85% of pensionable earnings. Total employer contributions for 2022 were \$507 thousand (2021 - \$467 thousand) and are recognized in salaries and benefits expense in the statement of operations.

The Corporation is not responsible for any underfunded liability, nor does the Corporation have access to any surplus that may arise in the Plan.

**Provident10**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**8. Sick leave**

Under the collective agreement, employees identified on Schedule A of the Joint Sponsorship Agreement and covered by the collective agreement were entitled to carry over accumulated sick leave balances. The estimated gross value of the sick leave balances is \$267 thousand (2021 - \$257 thousand). Sick leave balances are non-vesting and further accumulations are prohibited. No amount has been accrued in the financial statements for the potential liability.

**9. Related party transactions**

**(a) The Province:**

The Province is related to the Corporation by its ability to appoint 6 of 14 members of the Corporation's Board of Directors.

The Corporation entered into the Service Level Agreement with the Province for management services to be provided on a cost recovery basis for an interim period. The Service Level Agreement with the Province expired on 31 March 2017. The Province continues to provide limited administration services for the disbursement of pension payments on an interim basis until December 2021. The cost of the services in 2022 was \$60 thousand (2021 - \$80 thousand) and is based on an allocation of salaries and administrative costs.

Management fees earned of nil in 2022 (2021 - \$591) from the Province of Newfoundland and Labrador.

**(b) The Plan:**

The Corporation is related to the Plan as the Board of Directors oversees the Plan and the Corporation. Management fees earned of \$12.0 million (2021 - \$11.4 million) are from the Plan based on a cost recovery basis.

**10. Economic dependence and financial risks**

The Corporation is economically dependent on the Plan by virtue of the cost recovery basis under which it operates.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to a concentration of credit risk with respect to the receivable from the Plan. The Corporation has assessed the amount as fully collectible.

The Corporation continuously monitors the impact that the COVID-19 pandemic and geopolitical risks have on the Corporation and the Plan.

The Corporation is not exposed to any other significant financial risks.

**Provident10**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**11. Comparative information**

The financial statements have been reclassified, where applicable to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

**12. Commitments**

The Corporation is committed under the terms of its lease for office space and under the terms of contract for licensing of software services to make the following minimum annual payments (in thousands):

2023	\$668
2024	668
2025	668
2026	668
Thereafter	136
Total	\$2,808



Financial Statements of

**PUBLIC SERVICE PENSION PLAN**

And Auditors' Report thereon

For the year ended 31 December 2022



KPMG LLP  
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St. John's NL A1C 6H6  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Public Service Pension Plan

### ***Opinion***

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

- the statement of financial position as at December 31, 2022
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued benefit obligation for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2022, and its changes in net assets available for benefits and its changes in accrued benefit 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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 auditor's report thereon, included in the Annual Report.





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

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

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

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

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

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

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

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

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



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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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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' with a horizontal line underneath.

Chartered Professional Accountants  
St. John's, Canada  
June 28, 2023

**Public Service Pension Plan**  
**Statement of Financial Position**  
**31 December 2022**  
**with comparative information for 31 December 2021**

	<b>2022</b>	<b>2021</b>
	<b>(000's)</b>	<b>(000's)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 165,306	\$ 202,742
Accrued investment income	11,577	10,138
Contributions receivable:		
Employee	9,116	5,772
Employer	9,116	5,772
Harmonized Sales Tax receivable	544	559
Receivable from Provident10 (note 13d)	1,525	-
Receivable from pending trades	1,179	1,212
Investments (note 4)	8,409,441	9,122,080
Promissory note receivable (note 12)	2,314,135	2,364,447
<b>Total assets</b>	<b>10,921,939</b>	<b>11,712,722</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	4,945	5,503
Payable for pending trades	711	595
Refunds payable	13,595	15,960
Due to Provident10 (note 13d)	-	337
Due to Province of Newfoundland and Labrador	1,783	1,716
<b>Total liabilities</b>	<b>21,034</b>	<b>24,111</b>
<b>Net assets available for benefits</b>	<b>10,900,905</b>	<b>11,688,611</b>
Accrued benefit obligation (note 9)	10,245,021	10,708,746
Commitments (note 14)		
<b>Surplus</b>	<b>\$ 655,884</b>	<b>\$ 979,865</b>

The accompanying notes to the financial statements are an integral part of this financial statement

On behalf of the Board of Trustees:

Director \_\_\_\_\_

Director \_\_\_\_\_

## Public Service Pension Plan

### Statement of Changes in Net Assets Available for Benefits

For the year ended 31 December 2022

with comparative information for the year ended 31 December 2021

	2022	2021
	(000's)	(000's)
<b>Increase in net assets:</b>		
Investment income (note 5a)	\$ 176,185	\$ 180,587
Gain on sale of investments (note 5a)	92,695	380,763
Current period change in market value of investments (note 5a)	(816,736)	439,461
Interest on promissory note (note 12)	137,688	140,536
	(410,168)	1,141,347
Contributions: (note 10)		
Employee	190,530	194,439
Employer	170,979	170,043
	361,509	364,482
	(48,659)	1,505,829
<b>Decrease in net assets:</b>		
Pension payments (note 11)	(512,226)	(494,881)
Refund of contributions (note 11)	(193,956)	(171,567)
Administrative expenses (note 8)	(30,071)	(31,174)
Harmonized Sales Tax	(2,794)	(3,075)
	(739,047)	(700,697)
<b>(Decrease) increase in net assets available for benefits</b>	<b>(787,706)</b>	<b>805,132</b>
<b>Net assets available for benefits, beginning of year</b>	<b>11,688,611</b>	<b>10,883,479</b>
<b>Net assets available for benefits, end of year</b>	<b>\$ 10,900,905</b>	<b>\$ 11,688,611</b>

The accompanying notes to the financial statements are an integral part of this financial statement

## Public Service Pension Plan

### Statement of Changes in Accrued Benefit Obligation

For the year ended 31 December 2022

with comparative information for the year ended 31 December 2021

	2022	2021
	(000's)	(000's)
<b>Actuarial present value of accrued benefit obligation, beginning of year</b>	\$ 10,708,746	\$ 10,772,666
Change in actuarial assumptions (note 9)	(681,744)	(310,423)
Interest accrued on benefits	630,335	619,948
Experience gain	-	(17,865)
Benefits accrued	293,866	310,868
Benefits paid	(706,182)	(666,448)
<b>Actuarial present value of accrued benefit obligation, end of year</b>	\$ 10,245,021	\$ 10,708,746

The accompanying notes to the financial statements are an integral part of this financial statement



## Public Service Pension Plan

### Notes to Financial Statements

### For the year ended 31 December 2022

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The Public Service Pension Plan (the “Plan”) was established on 1 April 1967 by the *Public Service Pensions Act*. Amendments to the legislation have been made over the years, including the introduction of the latest replacement Act, the *Public Service Pensions Act, 2019* (the “Act”). In 2014, an agreement was reached between the Province of Newfoundland and Labrador (the “Province”) and the five largest participating unions to reform the Plan. This included benefit and contribution changes, the issuance of a \$2.685 billion Promissory Note by the Province to the Plan, and introduced a jointly trustee governance structure, which was formally recognized under the Joint Sponsorship Agreement.

In accordance with the Joint Sponsorship Agreement, the Act established the Public Service Pension Plan Corporation (the “Corporation” or “Provident10”) as the Administrator of the Registered Plan and Trustee of the Public Service Pension Plan Fund (the “Fund”). The Fund was created 31 March 2015 under the authority of the Act when the assets of the Plan were separated from the Newfoundland and Labrador Pooled Pension Fund. The Corporation officially changed its name to Provident10 as of August 2017.

Under the Joint Sponsorship Agreement, which contains a detailed Funding Policy, any future actuarial surpluses or deficits in the Plan funding will be shared equally between the Province and members of the Plan. In accordance with the Act, the participating Employers’ current funding requirement is to match employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract.

On 14 February 2020, Bill 56, which repealed and replaced the *Public Service Pensions Act, 1991*, was proclaimed and received royal assent. Specifically, the Bill, an Act respecting a pension plan for employees of the Province and others, allowed for the following:

- “...Continue Provident10, the Public Service Pension Plan, the Public Service Pension Plan Fund and the Public Service Supplementary Plan Account (Supplementary Plan);
- prescribe government's obligations to the pension plan and supplementary account;
- prescribe the obligations of employers to the pension plan; and
- provide for Provident10 as the Administrator of the Public Service Pension Plan and the Trustee of the Public Service Pension Plan Fund”.

#### 1. Description of the Plan

##### (a) General:

The Plan is a contributory defined benefit pension plan covering full-time employees of the, the Legislature, various Crown corporations, agencies and commissions created by or under a statute of the Province, and Provident10.

The Plan is comprised of two components, a Registered Plan (registration number 0525360), which provides registered pension benefits allowable under the *Income Tax Act* (Canada) (“Income Tax Act”), and a Supplementary Plan, which provides benefits in excess of the Income Tax Act maximum benefit limits. Provident10 oversees the Registered Plan, and these financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund of the Province.

The Plan is not subject to income tax, but is subject to indirect taxes including the Harmonized Sales Tax.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

---

**1. Description of the Plan (continued)**

**(b) Contributions:**

As of 1 January 2015, employee contributions are equal to 10.75% of the Canada Pension Plan (the "CPP") basic exemption, plus 8.95% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (the "YMPE") under the CPP, plus 11.85% of the employee's salary in excess of the YMPE, up to the maximum allowed under the Income Tax Act. Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Employers make matching contributions for current service.

**(c) Pension amounts:**

A pension is available from the Registered Plan based on the number of years of pensionable service times 2% of the member's highest average earnings. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's highest average earnings up to the three-year average YMPE times years of pensionable service after 1 April 1967. The offset at age 65 is limited to a maximum of 35 years of service.

For the period from 1 April 1993 to 31 March 1996, certain participating employers were temporarily allowed to reduce their contributions to the Plan. In those cases, the accrual rate used to determine a member's pension is reduced proportionately from the standard 2% per year of service.

The highest average earnings in respect of service for years earned up to 31 December 2014 is the greater of:

- i. the average of the member's pensionable earnings during any of the five calendar years, prior to 31 December 2014, which yield the highest average; and
- ii. the average of the member's pensionable earnings during any of the six 12-month periods, prior to the date the member's participation ceases, which yield the highest average.

For service earned after 31 December 2014, the highest average earnings is the average of a member's pensionable earnings during any of the six 12-month periods, prior to the date the member's participation ceases, which yield the highest average.

For seasonal employees, the averaging periods used in the determination of the highest average earnings are limited to either the five-year period prior to 31 December 2014 or the six-year period immediately prior to the date the member's participation ceases.

The pension payable from the Registered Plan shall not exceed the maximum allowable benefit as determined under the *Income Tax Act*. Where the calculated amount exceeds the maximum allowable benefit as determined under the *Income Tax Act*, a member will receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on the number of years of pensionable service times 2% of the member's highest average earnings, subject to the previously noted reduction at age 65 and any reductions in the accrual rate applicable during the period from 1 April 1993 to 31 March 1996.

**(d) Retirement dates:**

Employees who met the early unreduced retirement provisions that existed prior to 1 January 2015 by 31 December 2019 or who had at least 30 years of service by 31 December 2019 were grandparented under the early retirement rules that existed prior to 1 January 2015. In this case, employees can retire with an unreduced pension at age 55 if they have at least 30 years of service, or at age 60 if they have at least five years of service.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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**1. Description of the Plan (continued)**

**(d) Retirement dates (continued):**

Following 31 December 2019, employees are eligible to retire with an unreduced pension at age 58 if they have at least 30 years of service, age 60 if they have at least 10 years of service, or at age 65 if they have at least five years of service.

Employees can also retire with a reduced pension in certain circumstances. During the period to 31 December 2019, employees who were age 50 with at least 30 years of service or who were age 55 and whose age plus service total at least 85 could have retired with a reduction of 0.5% for each month prior to age 55 or 60, respectively. After 31 December 2019, employees who are age 53 with at least 30 years of service or who are age 58 and whose age plus service total at least 88 may retire with a reduction of 0.5% for each month prior to age 58 or 60, respectively. In any case, an employee who has reached age 55 with at least five years of service may retire with an actuarially reduced pension.

**(e) Disability Pensions:**

A disability pension equal to the accrued pension is available on permanent incapacity at any age, provided the member has a minimum of five years pensionable service.

**(f) Survivor pensions:**

A survivor pension of 60% of the member's accrued pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

**(g) Pre-retirement death benefits:**

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary, the commuted value of the employee's pension entitlement is paid to the employee's estate.

**(h) Termination benefits:**

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest if they have less than five years of pensionable service. If an employee has at least five years pensionable service, the employee may elect to receive either a deferred pension or commuted value transfer.

**(i) Indexing:**

For persons in receipt of a pension or a survivor benefit as at 31 December 2014, each 1 October, the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year (as published by Statistics Canada), to a maximum of 1.2% of the annual pension or survivor benefit. For all others, pensions in respect of service that was earned up to 31 December 2014 will continue to be indexed in the same manner, but no guaranteed post-retirement indexing will be provided in respect of service credited in the Plan after 31 December 2014.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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**2. Basis of preparation**

**(a) Basis of presentation:**

The financial statements are prepared in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Canada Handbook.

In selecting or changing accounting policies that do not relate to its investment portfolio or accrued benefit obligation, Canadian accounting standards for pension plans require the Plan to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") in Part I of the CPA Canada Handbook, or Accounting Standards for Private Enterprises ("ASPE") in Part II of the Handbook. The Plan has chosen to comply on a consistent basis with IFRS.

**(b) Functional and presentation currency:**

The financial statements are presented in thousands of Canadian dollars unless otherwise noted. Canadian dollars is the Plan's functional currency.

**(c) Use of estimates and judgments:**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation and classification of investments, as well as assumptions used in the calculation of accrued benefit obligation. Actual results could differ from these estimates and the impact of any such differences will be recorded in future periods.

**3. Significant accounting policies**

**(a) Financial assets and liabilities:**

**i. Recognition and initial measurement**

Financial assets and financial liabilities at fair value through profit and loss ("FVTPL") are recognized in the statement of financial position on the trade date, which is the date on which the Plan becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities at FVTPL are initially measured at fair value, with transaction costs recognized in profit or loss.

**ii. Classification**

Financial assets are required to be classified as measured at amortized cost, fair value through other comprehensive income or FVTPL according to the business model used for managing them and their contractual cash flow characteristics. Financial liabilities are classified as measured through amortized cost unless they are measured at FVTPL.

The Plan makes an assessment of the objective of a business model because this best reflects the way the business is managed and information is provided. Investments are managed, and their performance is evaluated on a fair value basis. As such, the Plan classifies all investments and derivative assets as FVTPL with changes in fair value being recognized in net investment income in the statement of changes in net assets available for benefits.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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**3. Significant accounting policies (continued)**

Financial assets at amortized cost include cash and cash equivalents, accrued investment income, contributions receivable, receivable from pending trades, Harmonized Sales Tax receivable, receivable from Provident10, receivable from pending trades and Promissory note receivable. Financial liabilities at amortized cost include accounts payable and accrued liabilities, payable for pending trades, refunds payable, due to Provident10 and due to the Province of Newfoundland and Labrador

iii. De-recognition

The Plan de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain (loss) on sale of investments.

The Plan de-recognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Plan considers all liabilities, except for derivative contracts payable, to be non-derivative financial liabilities

iv. Derivative financial instruments:

Derivative financial instruments are recognized initially at fair value and attributable 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.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits 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.

(b) Fair value measurement:

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.

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

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

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.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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**3. Significant accounting policies (continued)**

**b. Fair value measurement (continued):**

Fair values of investments are determined as follows:

Short-term notes, treasury bills and term deposits maturing within a year, and cash held by investment managers are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Bonds and debentures are valued at the closing mid-price at the valuation date.

Publicly traded equities are valued at year-end quoted closing prices where available. Where quoted prices are not available on the valuation date, estimated fair values are calculated using the last trade date.

The Plan investments in real estate are held by its wholly-owned subsidiary, Newvest Realty Corporation ("Newvest"). All real properties have been subject to valuations by qualified independent property appraisers using market-based assumptions in accordance with recognized valuation techniques. The valuation techniques used include the direct capitalized net operation income method and the discounted cash flow method unless the property was acquired in the year and only then would the cost be applied as the fair value. Recent real estate transactions with similar characteristics and location to the assets are also considered. The direct capitalization income method applies a capitalization rate of property's stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the property.

Private equity, private infrastructure, private debt and hedge fund investments are held through ownership in limited partnership arrangements. Fair value is determined by the general partner, using the most recent financial information obtained from the underlying investments and/or forecasts of future financial performance and then applying appropriate valuation techniques such as market comparables and/or discounted cash flows.

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.

Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Unrealized gains and losses on derivative financial instruments, net of premiums paid or received on options contracts, are included in derivative contracts investments.

The Plan holds private investments, such as non-traded pooled or closed funds, limited partnership interests, private placement bonds or equity investments. Private investment fund valuations are initially provided by the external fund managers, usually on a three-month lagging basis. Such valuations are then adjusted to reflect cash contributions and cash distributions between the valuation date and the reporting date, including marking to market any publicly-traded securities held by the underlying private investment.

**(c) Investment Income**

Investment income is recorded on an accrual basis and includes interest income, dividends and other income.

Dividend income is recognized as of the date of record.



**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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**3. Significant accounting policies (continued)**

**(c) Investment Income (continued)**

The net realized gain (loss) on sale of investments is the difference between proceeds received and the average cost of investments sold.

**(d) 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 retranslation are recognized in the statement of changes in net assets available for benefits as a change in the market value of the investments.

**(e) Contributions:**

Contributions from employers and members due to the Plan at the end of the year are recorded on an accrual basis. Service purchases that include, but are not limited to leaves of absence, periods of reduced accrual and transfer from other pension plans are recorded and service is credited when the signed contract to purchase is received.

**(f) Benefits:**

Benefit payments to retired members are recorded as they are due and paid, twice monthly. Commuted value payments and transfers to other pension plans are recorded when paid. Other refunds are recorded when authorized. Accrued benefits for members are recorded as part of the accrued pension obligation.

**(g) Receivable/payable for pending trades:**

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

**(h) Administrative expenses:**

Administrative expenses are incurred for direct pension administration and external investment management and are recorded on an accrual basis. Direct pension administration expenses represent expenses to provide direct services to Plan members and employers and include actuarial consulting, disability pension adjudication and professional fees. External investment management expenses represent payments to the investment managers. The administrative expenses include charges from the Corporation as well as charges from the Province under a service level agreement between the Corporation and the Province. Under the service level agreement, charges from the Province are allocated to the pension plans it administers on a pro-rata basis. An allocation of salaries, overhead and administrative expenses is charged on a cost recovery basis.

**(i) Cash and cash equivalents:**

Cash and cash equivalents includes cash on hand, balances with banks and investment managers, and highly liquid financial assets with maturities of three months or less that are subject to an insignificant risk of changes in their fair value and are used by the Plan in the management of short-term commitments.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**4. Investments**

**(a) Investment portfolio:**

The fair value of investments relative to the cost is summarized in the following table:

	31 December 2022			31 December 2021		
	Assets	%	Cost	Assets	%	Cost
	(000's)		(000's)	(000's)		(000's)
Fixed income	2,691,082	32.0	2,925,673	2,970,477	32.6	2,880,179
Equities						
Canadian	888,121	10.6	787,117	1,039,451	11.4	832,068
Global	2,467,910	29.3	2,196,092	2,896,491	31.8	2,134,477
Private	591,844	7.0	260,691	577,818	6.3	266,878
Real assets						
Private infrastructure	668,666	7.9	419,644	646,505	7.1	453,429
Listed infrastructure	248,545	3.0	256,726	310,781	3.4	314,187
Real estate	445,018	5.3	298,089	430,006	4.7	282,286
Absolute return						
Hedge funds	408,254	4.9	376,200	250,551	2.7	251,600
Forwards	1	-	-	-	-	-
Total	\$8,409,441	100.0	\$7,520,232	\$9,122,080	100.0	\$7,415,104

**(b) Fair value measurement:**

Financial instruments are classified according to the following fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**4. Investments (continued)**

**(b) Fair value measurement (continued):**

Investments based on the valuation level within the fair value hierarchy are as follows:

As at 31 December 2022	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Fixed income	-	2,486,115	204,967	2,691,082
Equities				
Canadian	856,818	31,303	-	888,121
Global	2,466,950	960	-	2,467,910
Private	-	-	591,844	591,844
Real assets				
Private infrastructure	-	-	668,666	668,666
Listed infrastructure	-	248,545	-	248,545
Real estate	-	-	445,018	445,018
Absolute return				
Hedge funds	-	-	408,254	408,254
Forwards	1	-	-	1
	\$ 3,323,769	\$ 2,766,923	\$ 2,318,749	\$ 8,409,441
As at 31 December 2021	Level 1 (000's)	Level 2 (000's)	Level 3 (000's)	Total (000's)
Fixed income	-	2,934,084	36,393	2,970,477
Equities				
Canadian	1,002,578	36,873	-	1,039,451
Global	2,894,750	1,741	-	2,896,491
Private	-	-	577,818	577,818
Real Assets				
Private infrastructure	-	-	646,505	646,505
Listed infrastructure	-	310,781	-	310,781
Real estate	-	-	430,006	430,006
Absolute return				
Hedge funds	-	-	250,551	250,551
	\$ 3,897,328	\$ 3,283,479	\$ 1,941,273	\$ 9,122,080

There have been no transfers between levels in any of the periods presented.

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**4. Investments (continued)**

**(b) Fair value measurement (continued):**

The following table reconciles the Plan's level 3 fair value measurements from period to period:

	(000's)
Fair value, 31 December 2020	\$ 1,286,469
Acquisitions	388,130
Dispositions	(103,817)
Realized gain	37,634
Change in unrealized loss on assets sold	(22,597)
Change in unrealized gain on assets held	355,454
Fair value, 31 December 2021	\$ 1,941,273
Fair value, 31 December 2021	\$ 1,941,273
Acquisitions	331,919
Dispositions	(118,142)
Realized gain	48,304
Change in unrealized loss on assets sold	(41,074)
Change in unrealized gain on assets held	156,469
Fair value, 31 December 2022	\$ 2,318,749

Level 3 financial instruments are valued using various methods. The fair value of private equity, private infrastructure, private debt and hedge fund holdings is determined by the general partners using the most recent financial information obtained from the underlying investments and/or forecasts of future financial performance and then applying appropriate valuation techniques such as recent arms's length market transactions, earnings multiples of comparable publicly traded companies and/or discounted cash flows. Given the limited availability to other unobservable inputs, no other reasonably possible alternative assumptions could be applied to determine the fair value.

Real estate holdings are valued based on discounted cash flow analysis and direct capitalization income. The following analysis illustrates the sensitivity of the Level 3 valuations to reasonably possible capitalization rate assumptions for real estate properties where reasonable possible alternative assumptions would change the fair value significantly.

	2022 (000s)	2021 (000s)
Real estate		
Minimum capitalization rate	3.96%	3.73%
Maximum capitalization rate	11.81%	10.32%
Increase of 25 basis points	\$(24,755)	\$(25,748)
Decrease of 25 basis points	\$ 27,320	\$ 28,664

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

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**4. Investments (continued)**

**(c) Derivatives:**

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

Notional amounts of derivative contracts are the contract amounts used to calculate the cash flow to be exchanged. They represent the contractual amounts to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis on which the returns from and fair value of the contracts are determined. They are not recorded as financial assets or liabilities on the statement of financial position and change in net assets available for benefits. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure. The aggregate notional amounts and fair value of derivative contracts can fluctuate significantly.

Derivative contracts transacted on either regulated exchange market or in the over the counter market directly between two counterparts include the following:

**(i) 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.

The following table sets out the notional values of the Plan's derivatives and their related assets and liabilities at 31 December:

	Notional amount (000's)	Fair value asset (000's)	Fair value liability (000's)	Fair value net (000's)
31 December 2022				
Currency forwards	\$ (1,143)	\$ (2)	\$ 1	\$(1)
31 December 2021				
Currency forwards	\$ (239)	\$ (2)	\$ 2	\$ -

**(ii) Futures:**

Futures are transacted in standard amounts on regulated exchanges and are subject to daily cash management.

Futures contracts are specifically used for reducing the cash exposure in the operating accounts. This is accomplished by converting cash exposure to capital markets exposure in accordance with the Plan's long-term asset mix.

**Public Service Pension Plan**  
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**For the year ended 31 December 2022**

**4. Investments (continued)**

(d) Securities lending:

The Plan participates in a securities lending program whereby it lends securities to enhance portfolio returns. The securities lending program requires collateral in cash, high-quality debt instruments, or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending programs. In the absence of an event of default, the same securities or equivalent securities must be returned to the counterparty at the end of the contract.

The fair values of the allocated securities and collateral associated with the securities lending program as at 31 December are as follows:

	2022 (000's)	2021 (000's)
Securities lent	\$ 508,813	\$ 639,241
Securities contractually receivable	543,445	675,545

**5. Investment income**

(a) Investment income is as follows:

	2022 (000's)	2021 (000's)
Dividend income	\$ 94,685	\$ 94,306
Interest income	80,409	85,069
Security lending income	991	1,035
Commission recapture income	100	177
	176,185	180,587
Gain on sale of investments	92,695	380,763
Current period change in market value of investments	(816,736)	439,461
	\$ (547,856)	\$ 1,000,811



**Public Service Pension Plan**  
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**5. Investment income (continued)**

(b) Investment income (loss) by asset mix for the period ended 31 December is as follows:

	Investment Income	Gain (loss) on sale of investments	Current period change in market value of investments	2022 Total	2021 Total
	(000s)	(000s)	(000s)	(000s)	(000s)
Cash and cash equivalents	\$ 1,647	\$ 317	\$ 1,031	<b>\$ 2,995</b>	\$ 5,098
Fixed income	76,309	(37,110)	(324,889)	<b>(285,690)</b>	(27,253)
Equities	76,663	103,631	(576,362)	<b>(396,068)</b>	794,820
Real assets	21,566	25,857	50,380	<b>97,803</b>	229,193
Absolute return	-	-	33,103	<b>33,103</b>	(1,049)
Forwards	-	-	1	<b>1</b>	2
<b>Total</b>	<b>\$ 176,185</b>	<b>\$ 92,695</b>	<b>\$ (816,736)</b>	<b>\$(547,856)</b>	<b>\$ 1,000,811</b>

Net loss from derivatives, including realized and unrealized gains or losses is \$nil (2021 - \$nil), while income from other assets, excluding dividend and interest income is \$3.0 million (2021 - \$5.1 million income).

**6. 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. The use of financial instruments exposes the Plan to interest rate risk, market price risk, credit risk, foreign currency risk and liquidity risk. The Plan's Statement of Investment Policies and Procedures outlines policies and operating procedures that establish a diversified asset mix consisting of investments in equity, fixed income, real estate, infrastructure and private equity. The asset mix policy requires diversification of investments within these categories and sets limits on the size of exposure to individual investment and counterparties. Board of Trustee oversight, procedures, and compliance functions are incorporated into Plan processes to achieve consistent controls and mitigate operational risk.

(a) **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.

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

**Public Service Pension Plan**  
**Notes to Financial Statements**  
**For the year ended 31 December 2022**

**6. Investment risk management (continued)**

The term to maturity classifications of public market interest-bearing investments, based upon the contractual maturity of these securities, are as follows:

	2022 (%)	2021 (%)
Within 1 year	6.7	6.5
Short (1 - 5 years)	29.7	27.1
Medium (5 - 10 years)	31.3	32.0
Long (10 + years)	32.3	34.4
	100.0	100.0

Assuming a parallel change in the long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the fair value of the Plan's fixed income investments by approximately \$140.2 million or 6.88% (2021 - \$201.5 million or 8.08%). A 1% decrease in interest rates would have resulted in an equal but opposite effect to the amounts shown.

**(b) 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 as a whole. The Plan is exposed to changes in equity prices in Canadian and global markets. Equities comprise 42.9% of the market value of the Plan's total investments. Equity investments are diversified by geography, industry type and corporate entity. If equity market indices (S&P/TSX and MSCI ACWI) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately \$360.5 million, or 4.29% of total investment assets (2021 - \$424.6 million or 4.70%).

**(c) Credit risk:**

Credit risk is the risk that the issuer of a debt security or counterparty to a contract is unable to fulfill its financial obligation and causes the other party to incur a loss.

Fixed Income portfolio:

Credit risk in the fixed income portfolio is monitored by evaluating the Plan's exposure in two ways: by sector (government versus corporate) and by credit quality.

The Plan is exposed to credit risk from the following interest earning investments, classified by sector as follows:

	2022 (%)	2021 (%)
Federal government	25.8	21.3
Provincial government	22.3	24.8
Municipal government	1.2	1.2
Corporate	47.7	49.8
Other	3.0	2.9
	100.0	100.0

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**6. Investment risk management (continued)**

The Plan's concentration risk by credit rating as at 31 December is as follows:

	2022 (%)	2021 (%)
AAA to A-	57.3	56.3
BBB to BBB-	25.0	24.8
BB+ and below	10.5	11.7
Not rated	7.2	7.2
Total	100.0	100.0

Real estate:

Real estate investment managers manage risk through monthly monitoring of tenant performance and arrears. Tenant exposure is managed by limiting concentration to a specific economic sector and geographic area. Transactions that involve assuming a new tenant exposure are vetted by an appropriate due diligence and approval process.

Securities lending:

The Plan lends securities for a fee to approved borrowers. High quality collateral is provided by borrowers to alleviate the credit risk. Regular reporting of the securities lending program ensure that its various components are continuously being monitored.

**(d) Foreign currency risk:**

Foreign currency exposure arises through holdings of securities and other investments in non-Canadian assets. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. The Plan's exposure to foreign currencies provides diversification benefits that should be assessed by asset class. Foreign currency positions arising from investments in fixed income, real estate or infrastructure are generally hedged, while investments in global public and private equity generally are not hedged. In addition, the investment managers of the Plan are given flexibility through their mandate to periodically hedge currency for opportunistic or defensive purposes.

The Plan's currency exposure from public market investment assets is summarized in the following table:

	2022 (%)	2021 (%)
Canadian Dollar	45.5	42.6
US Dollar	35.2	39.7
Euro	5.3	5.0
Other Asia / Pacific currencies	4.4	4.4
British Pound	1.9	2.2
Other European currencies	2.8	2.0
Other currencies *	1.8	1.8
Japanese Yen	3.1	2.3
Total	100.0	100.0

\* Other currencies include those from regions within Africa, the Middle East and Latin America

**Public Service Pension Plan**  
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**6. Investment risk management (continued)**

A 10% increase in the value of the Canadian dollar in relation to all other foreign currencies, with all other variables held constant, would result in an unrealized investment loss of \$340.5 million, or 5.45% of public market investment assets (2021 - \$392.2 million or 5.74%). A reduction in the value of the Canadian dollar of the same amount in relation to all other foreign currencies would result in an equal but opposite effect to the amounts shown.

**(e) Liquidity risk:**

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they come due. 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. In general, the Plan's investments in cash and cash equivalents, debt and public equities are expected to be highly liquid and are invested in securities that are actively traded. Investments in private equity, infrastructure and real estate are considered highly illiquid due to their private nature and longer term to maturity.

**7. Capital management**

The capital of the Plan is defined as the net assets available for benefits. The Plan was established as a vehicle to invest employee and employer pension plan contributions with a long-term goal to achieve investment returns. The primary investment objective of the Plan is to meet its long-term funding requirements and pension payment obligations, and the secondary objective is to manage the volatility of the Plan's funded ratio.

The Plan is jointly sponsored by the Province and the five unions representing plan members. The Corporation's Board of Trustees, as Trustee of the Plan, is responsible to review, monitor, administer and supervise all investment activities of the Plan.

Portfolio management:

The Plan utilizes external investment management firms to invest the assets of the Plan. Each investment manager is selected through a disciplined process to ensure alignment with the investment structure and objectives of the Plan. In addition, external custodial and investment counseling advisory firms are engaged to support Plan management.

**Public Service Pension Plan**  
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**7. Capital management (continued)**

Asset mix policy:

The long-term asset mix policy of the Plan, approved in January 2019, is as follows:

Equities:

Canadian Equity	10%
Global Equities	10%
Global Low Volatility	10%
Global Small Cap	5%
Emerging Markets	5%
Private Equity	5%

Fixed Income:

Canadian Core-Plus Bonds	15%
Commercial Mortgages	5%
Emerging Market Debt	5%
Multi Asset Credit	5%
Private Debt	5%

Real Assets:

Real Estate	7.5%
Global Infrastructure	7.5%

Absolute Return:

Hedge Funds	5%
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The asset mix policy was adopted after evaluating the potential impact of alternative policies on the ability to achieve sufficient asset growth on a risk-controlled basis. Factors evaluated before adopting the asset mix policy included the Plan's going-concern funded ratio, demographics, cash-flow requirements, actuarial assumptions, prospective benefit improvements and liquidity requirements.

**8. Administrative expenses**

Administrative expenses include direct expenses incurred by the Plan, and administrative costs incurred by the Corporation and billed to the Plan. Administrative expenses were as follows:

	2022 (000's)	2021 (000's)
Direct expenses:		
Investment management fees	\$ 16,652	\$ 18,264
Custodian and transaction fees	823	836
Actuarial consulting fees	341	355
Investment consulting fees	154	153
Other direct expenses	83	139
	18,053	19,747
Charges from Plan Administrator, Provident10 (note 13d)	12,018	11,427
	\$ 30,071	\$ 31,174

**Public Service Pension Plan**  
**Notes to Financial Statements**  
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**9. Accrued benefit obligation**

The actuarial present value of the accrued benefit obligation is an estimate of the value of Plan 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 measured value of these benefits may change materially.

Actuarial valuations of the Plan are completed every three years, and used as the basis for measuring the accrued benefit obligation. The valuations use various economic and demographic assumptions and are based on membership data as at the valuation date. Extrapolations of the valuation are conducted annually to estimate the accrued benefit obligation, with updates to the assumptions as appropriate. The most recent valuation was conducted as at 31 December 2021.

For financial statement reporting purposes, the accrued benefit obligation is determined using an accounting valuation. The accounting valuation provides the best estimate of the Plan accrued benefit obligation at the reporting date based on management's best estimate of assumptions. While Plan funding valuations are also prepared on a triennial basis, these are intended to, amongst other things, provide the plan sponsor with a funding schedule to enable accumulation of sufficient funds over the members working careers to ensure that pensions can be paid as they come due. The assumptions for a funding valuation may vary, particularly with respect to the discount rate, as its purpose differs from that of the accounting valuation.

The Corporation works with the Plan's actuary, TELUS Health, in deriving the best estimate of assumptions to be used in the accounting valuation. Expected returns on the Plan's assets, based on the Plan's asset mix, are used in estimating the discount rate with no margin for adverse deviation in the accounting valuation assumptions.

The actuarial valuation calculates liabilities for each member on the basis of service earned to date and the employee's projected highest average salary at the expected date of retirement, or on the pension in pay, for retired members and survivors.

Salaries are assumed to increase over the long-term based on an assumed real rate increase (i.e. to increase in excess of the assumed inflation rate).

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 review of the experience of the Plan and on the expectations of future trends.

The demographic assumptions used in the 2022 accounting extrapolation have not changed from those used in the 2021 accounting valuation. The only 2022 economic assumption change includes an increase in the discount rate to 6.55% from 6.00% in the accounting valuation. The remaining economic assumptions are unchanged from the 2021 accounting valuation.



**Public Service Pension Plan**  
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**9. Accrued benefit obligation (continued)**

	As of 31 December 2022	As of 31 December 2021																																				
Inflation	2.00% per annum	2.00% per annum																																				
Post-retirement indexing (payable from age 65)	1.00% per annum	1.00% per annum																																				
Salary escalation	3.50% per annum	3.50% per annum																																				
Total rate of return on assets (i.e. Discount Rate)	6.55% per annum	6.00% per annum																																				
YMPE escalation (as defined under the Canada Pension Plan)	2.75% per annum	2.75% per annum																																				
Retirement rates	<p>For members who are grandparented or who qualify for early unreduced retirement by 31 December 2019:</p> <ul style="list-style-type: none"><li>• 50% at earliest age they are entitled to unreduced pension.</li><li>• The remainder at their normal retirement age (the earlier of 65 or 55 with 35 years of service).</li></ul> <p>For all other members:</p> <ul style="list-style-type: none"><li>• 57.5% at the earliest age they are entitled to unreduced pension.</li><li>• The remainder at normal retirement age (the earlier of 65 or age 58 with 35 years of service).</li></ul> <p>Members who have already reached early unreduced retirement age are assumed to retire at their normal retirement age.</p>	<p>For members who are grandparented or who qualify for early unreduced retirement by 31 December 2019:</p> <ul style="list-style-type: none"><li>• 50% at earliest age they are entitled to unreduced pension.</li><li>• The remainder at their normal retirement age (the earlier of 65 or 55 with 35 years of service).</li></ul> <p>For all other members:</p> <ul style="list-style-type: none"><li>• 57.5% at the earliest age they are entitled to unreduced pension.</li><li>• The remainder at normal retirement age (the earlier of 65 or age 58 with 35 years of service).</li></ul> <p>Members who have already reached early unreduced retirement age are assumed to retire at their normal retirement age.</p>																																				
Termination rates	<table><tr><th>Age</th><th>Percentage</th></tr><tr><td>25</td><td>6.03%</td></tr><tr><td>30</td><td>4.12%</td></tr><tr><td>35</td><td>2.81%</td></tr><tr><td>40</td><td>1.92%</td></tr><tr><td>45</td><td>1.31%</td></tr><tr><td>50</td><td>2.12%</td></tr><tr><td>55</td><td>3.11%</td></tr><tr><td>60</td><td>Nil</td></tr></table>	Age	Percentage	25	6.03%	30	4.12%	35	2.81%	40	1.92%	45	1.31%	50	2.12%	55	3.11%	60	Nil	<table><tr><th>Age</th><th>Percentage</th></tr><tr><td>25</td><td>6.03%</td></tr><tr><td>30</td><td>4.12%</td></tr><tr><td>35</td><td>2.81%</td></tr><tr><td>40</td><td>1.92%</td></tr><tr><td>45</td><td>1.31%</td></tr><tr><td>50</td><td>2.12%</td></tr><tr><td>55</td><td>3.11%</td></tr><tr><td>60</td><td>Nil</td></tr></table>	Age	Percentage	25	6.03%	30	4.12%	35	2.81%	40	1.92%	45	1.31%	50	2.12%	55	3.11%	60	Nil
Age	Percentage																																					
25	6.03%																																					
30	4.12%																																					
35	2.81%																																					
40	1.92%																																					
45	1.31%																																					
50	2.12%																																					
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40	1.92%																																					
45	1.31%																																					
50	2.12%																																					
55	3.11%																																					
60	Nil																																					
Termination form of payment	<p>To age 49: 35% lump-sum; 65% deferred pension</p> <p>Age 50-59: 80% lump-sum; 20% deferred pension</p>	<p>To age 49: 35% lump-sum; 65% deferred pension</p> <p>Age 50-59: 80% lump-sum; 20% deferred pension</p>																																				
Mortality rates	CPM RPP 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 1.21 for males and 1.06 for females	CPM RPP 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 1.08 for males and 1.01 for females																																				

**Public Service Pension Plan**  
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**10. Contributions**

	2022 (000's)	2021 (000's)
Employee:		
Current service	\$ 169,637	\$ 168,610
Past service	4,957	5,387
Reciprocal transfers	15,936	20,442
	<b>\$ 190,530</b>	<b>\$ 194,439</b>
Employer:		
Current service	\$ 169,656	\$ 168,509
Past service	1,323	1,534
	<b>\$ 170,979</b>	<b>\$ 170,043</b>

**11. Pension payments**

	2022 (000's)	2021 (000's)
Retirement benefit payments	\$ 480,050	\$ 464,364
Disability benefit payments	32,176	30,517
	<b>\$ 512,226</b>	<b>\$ 494,881</b>

**Refund of contributions**

	2022 (000's)	2021 (000's)
Termination benefit payments	\$ 169,022	\$ 155,530
Transfers to other pension funds	14,235	8,764
Death benefit payments	10,699	7,273
	<b>\$ 193,956</b>	<b>\$ 171,567</b>

**12. Promissory note**

The Province issued a \$2.685 billion promissory note to the Corporation on 31 March 2015 as part of pension reform. The Plan has a right to receive the proceeds of the promissory note from the Province held by the corporate trustee. The note is receivable over 30 years in quarterly blended installments of principal and interest of \$47 million. The promissory note bears interest of 6%. The payments will be made, regardless of the funded status of the Plan. The promissory note is non-marketable. As at 31 December 2022, the balance receivable is \$2.314 billion (2021 - \$2.364 billion).

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**12. Promissory note (continued)**

Principal repayments of the promissory note by the Province to the Corporation and by the Corporation to the Plan over the next five years (in thousands) are as follows:

2023	\$53,331
2024	\$56,530
2025	\$59,922
2026	\$63,518
2027	\$67,329

**13. Related party transactions**

**(a) Fixed income investments:**

The following related party investments were held by the Plan as at 31 December:

Description	2022		2021	
	Cost (000's)	Market Value (000's)	Cost (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures - Series maturing 2 June 2028	\$ 2,644	\$ 2,644	\$ 2,882	\$ 2,882
Province of Newfoundland and Labrador Debentures - Series 6X maturing 17 October 2046	1,755	1,527	1,779	2,041
Province of Newfoundland and Labrador Debentures - Series 6Z maturing 2 June 2026	918	918	977	977
Newfoundland and Labrador Hydro Debentures - Series AF maturing 1 December 2045	415	415	526	520
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2029	35	35	40	40
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2030	7	7	7	7
	\$ 5,774	\$ 5,546	\$ 6,211	\$ 6,467

**(b) Real estate investments:**

The Plan manages its real estate through Newvest Realty Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. All of the shares of Newvest Realty Corporation are held by the Plan.

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**13. Related party transactions (continued)**

**(c) Private equity and private infrastructure investments:**

The Plan manages its private equity (and private infrastructure) investments through PSPP Neptune Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. All of the shares of PSPP Neptune Corporation are held by the Plan.

**(d) Plan administration:**

The Corporation manages the Plan on a cost recovery basis. The cost of the services in 2022 totalled \$12.0 million (2021 - \$11.4 million) and included certain direct expenses as well as costs charged to the Corporation by the Province including services for disbursement of pension payments.

**e) Hedge funds and private debt**

The Plan manages its hedge funds and private debt investments through PSPP Jupiter Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Corporations Act*. All of the shares of PSPP Jupiter Corporation are held by the Plan.

**14. Commitments**

The Plan has committed to invest in certain private equity and infrastructure funds which will be funded in accordance with agreed upon conditions over the next several years. As at 31 December 2022, the unfunded portion of these commitments totalled \$254.3 million (2021 - \$284.1 million). This investment is made through PSPP Neptune Corporation, a wholly-owned subsidiary of the Plan.

During 2021, the Plan has committed to invest in private debt and hedge funds. As at 31 December 2022, the unfunded portion of these commitments totalled \$423.5 million (2021 - \$513.3 million). These investments are made through PSPP Jupiter Corporation, a wholly-owned subsidiary of the Plan.

**15. Subsequent Event**

On 10 March, 2023, subsequent to the year end, the United States government commenced actions to assume control of certain banking institutions to protect depositors, due to liquidity concerns. The Schedule of Investments discloses the Plan's investment holdings, as well as concentration of investments by relevant category, as at 31 December 2022. The extent of the situation remains uncertain and as such the Manager continues to assess valuations across the broader financial sector and will take potential actions, as deemed necessary, in accordance with the Plan's valuation policies.



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