



BANK OF CANADA
BANQUE DU CANADA

BANK OF CANADA **PENSION PLAN** ANNUAL REPORT

2023

June 2024
bankofcanada.ca

About the Plan

The Bank of Canada Pension Plan (the Plan) is registered with the Office of the Superintendent of Financial Institutions for the purposes of the *Pension Benefits Standards Act*, which regulates the Plan's design, funding, investment policy and operations. The Plan is also registered with the Canada Revenue Agency for the purposes of the *Income Tax Act*, which regulates the maximum contributions payable to, and the maximum permissible defined benefits payable from, a tax-sheltered pension arrangement. Assets are held in trust in the Pension Trust Fund (the Fund) and invested according to our investment strategy.

Under the *Pension Benefits Standards Act* and the terms of the Plan (by-law 15), the Bank is the Plan administrator.

The *Pension Plan Annual Report* and the Plan's financial statements are available on the Bank of Canada's website at [bankofcanada.ca](https://www.bankofcanada.ca).

For further information, contact:

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ISSN 1914-5691 (Print)
ISSN 1487-2466 (Online)
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YOUR PLAN AT A GLANCE

FINANCIAL OVERVIEW 2023



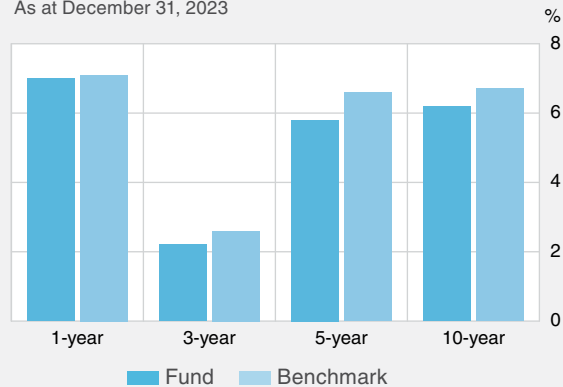
Pension payments from the Fund: \$65 million



The value of the Fund's assets: \$2,152 million

Chart 1: Total Fund rate of return (net of fees)

As at December 31, 2023



136%

Funding ratio on a going-concern basis

115%

Funding ratio on a solvency basis

\$597
MILLION

Surplus on a going-concern basis

\$285
MILLION

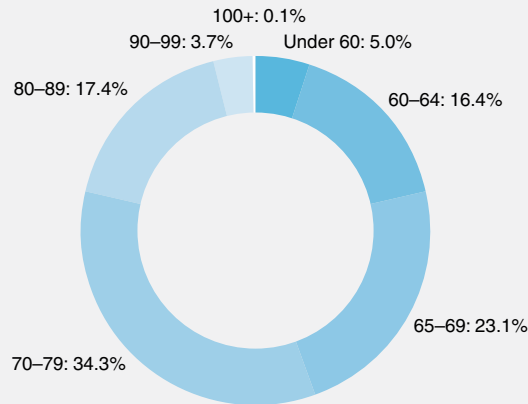
Surplus on a solvency basis



YOUR PLAN AT A GLANCE

MEMBERSHIP OVERVIEW 2023

Chart 2: Age of those receiving a pension benefit



104

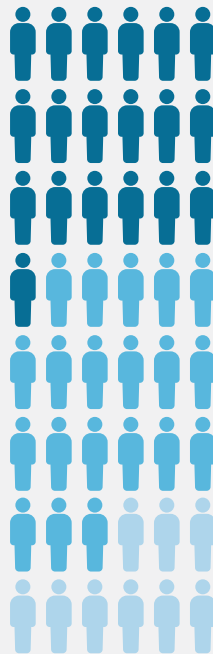
Age of oldest member

23

Age of youngest member

1.04 to 1.0

Pensioner to employee ratio



4,386

Total membership

1,909

active members (44%)

1,985

retired members (45%)

492

deferred members (11%)



Message from the Chair

I'm pleased to share the Bank of Canada's *Pension Plan Annual Report*. As at the end of 2023, the Plan continues to be in a solid financial position.

Strong returns

The Fund's performance was significantly stronger in 2023, with a net investment return of 7.0%, in line with our benchmark of 7.1%. This is an important improvement over the returns we experienced in 2022.

Investment returns for pension plans, including ours, varied significantly over the year. This variation, combined with changes in the interest rates used to calculate solvency valuations, caused the financial position of the Plan to fluctuate. However, our strong equity and fixed-income returns helped to improve our overall returns and stabilize the Plan's solvency position.

A well-funded Plan

We are well positioned to meet our financial obligations to you, as a member, so you can enjoy a secure retirement. The Plan remains in a strong funding position on both a [going-concern](#) and a [solvency basis](#). In 2023, the Bank stopped making contributions, as required by regulations under the *Income Tax Act*. The resumption of employer contributions to the Plan will depend on the results of future actuarial valuations. Employee contributions are not changing.

Improved access and reporting

Pensioners can now access their annual pension, tax and monthly pay statements online. Providing digital access makes it easier for you to get the information you need when you need it. This service also aligns with the Bank's commitment to reduce its environmental footprint.

This past year, we also enhanced the reporting of our investment management fees to include Fund expenses and incentive fees.

A word of thanks

I would like to thank our Pension Plan staff and committee members for their hard work in support of our Plan.

I invite you to read the report that follows to learn more about our Plan's activities, investments, financial position and pension contributions.



Carolyn Rogers
Senior Deputy Governor
Chair, Pension Committee

Pension Plan governance

The Plan has strong governance structures in place that promote effective decision-making, prudent resource management and regular communications. Our oversight, management and administration frameworks ensure that we adequately fund Plan benefits and properly manage risks.

[See the Plan's governance documents](#)

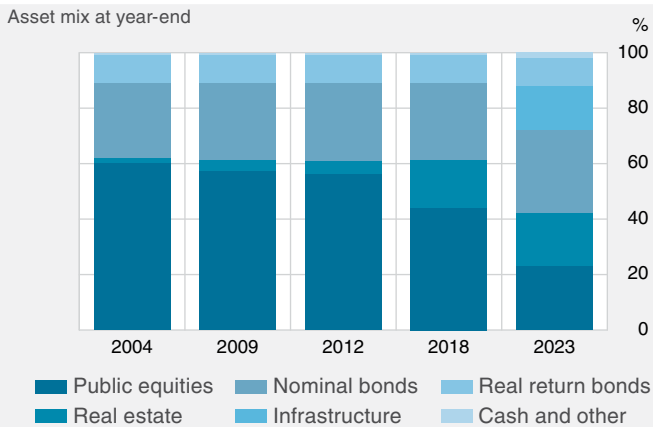
Committees

The Pension Committee, the Pension Administration Committee and the Pension Fund Investment Committee oversee the Plan. As a result of staffing changes and committee member rotation last year, we welcomed six new members to these committees. The Bank ensures committee members are equipped to fulfill their role by educating them about the Plan and the statutory and regulatory framework in which it is administered.

[See the committees' terms of reference, roles and current members](#)

Pension Fund assets, investments and performance

Chart 3: A history of the Fund's asset mix



Assets

To achieve our long-term investment goals, the Fund has a diversified portfolio of investments (**Chart 3**).

We carefully select asset classes to protect against various risks. For example, our assets provide some protection against rising inflation, since Plan benefits are indexed each year to maintain the value and purchasing power of our retired and deferred members' pensions. The following assets help protect the Fund against inflation:

- **Real return bonds** are directly linked to the consumer price index over their term.
- **Private infrastructure funds** can benefit from pricing formulas that provide for regular increases in revenues for some of their assets.
- **Private commercial real estate holdings** contain contractual rental rate increases in some of their tenant contracts.
- **Public equities** benefit from adjustments in prices over long periods.

To reduce the impact of market volatility on the Plan, we have evolved our portfolio over time. Diversification across asset classes and investment strategies helps preserve the Plan's financial strength.

We also consider environmental, social and governance issues when selecting our investment strategies for the long-term health of the Plan. The [Bank of Canada Disclosure of Climate-Related Risks 2023 report](#) describes how we are integrating climate change considerations into our investment decisions. External managers invest most of the Fund's assets on our behalf. We select these managers for their expertise in specific asset classes and their investment strategies. We closely monitor their performance and recommend changes as required.

Asset allocation

We conduct an [asset-liability modelling \(ALM\) study](#) every four years to assess and adjust our allocation strategy as needed. The results of the most recent study, in 2022, recommended we maintain our current balance between assets that enhance the Fund's returns (61%) and assets that match liabilities (39%). The Fund's positive performance demonstrates the benefits of diversification (**Table 1**).

Table 1: Asset mix and returns (before fees) by asset class

Assets	Year-end 2023	Return (%)	
	Target asset mix (%)	1-year	10-year
Return seeking			
Canadian equity	10	11.5	8.3
Global equity	16	17.4	9.4
Private infrastructure equity	15	8.2	n/a*
Real estate	20	-6.7	5.2
Liability matching			
Nominal bonds	28	11.2	3.9
Real return bonds	10	1.6	3.0
Cash	1	4.6	1.4
Total	100	7.4	6.5

*Private infrastructure equity was added to our portfolio of assets in 2022.

Also in response to the results of the 2022 ALM study, we began incorporating emerging markets into our global equity portfolio last year. We now manage these assets under two managers rather than three.

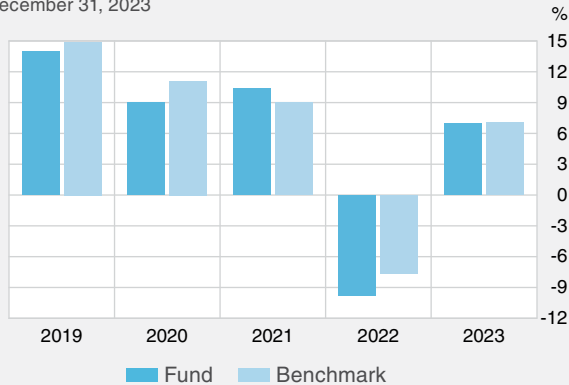
Apart from these updates, our asset allocation remains stable with no significant changes.

Performance of the Fund

The Fund's overall benchmark, against which we compare our rate of return, is based on a mix of indexes such as the [S&P/TSX Composite Index](#) and the [MSCI World Index](#) (**Chart 4**). These indexes are weighted to align with our Fund's asset-mix target.

Chart 4: Total Fund rate of return, net of fees (%)

As at December 31, 2023



Note: The *Benchmark* composition has changed over time to reflect changes to our Internal Investment Guidelines or our Statement of Investment Policies and Procedures.

The net return of 7% this year was slightly below the benchmark but exceeded the 2023 investment objective of 5.5%. The target was set to equal the Bank's 2% inflation target plus a real return of 3.5% after investment expenses.

The Fund's gains this year came from the strong performance of our public equity and fixed-income assets. Real estate returns continue to be negatively impacted by several factors, such as lower demand for commercial office space and higher interest rates.

Real estate provides stable cash

flows and a good match for the Plan's liabilities, making it an important part of our long-term investment strategy.

Actuarial valuation

The [actuarial valuation](#) estimates the total value of benefits expected to be paid to Plan members at a given time compared with the assets available to meet this obligation. The valuation's purpose is to measure the funding status of the Plan and set the level of Bank contributions. This is done in two ways:

- The [going-concern](#) valuation indicates the long-term financial strength of the Plan, assuming it will continue to operate indefinitely.
- The [solvency](#) valuation is based on the hypothetical event of Plan termination.

The Bank conducts annual actuarial valuations. The results of the valuation as at December 31, 2023, showed that the going-concern and solvency positions of the Plan have remained strong (**Chart 5** and **Chart 6**).

Chart 5: Going-concern position

As at December 31, 2023

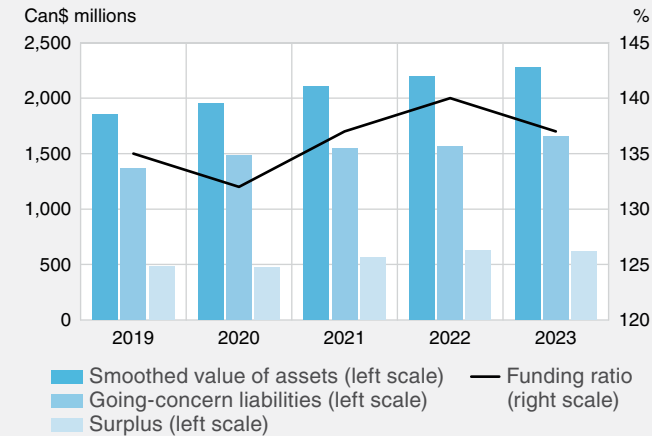
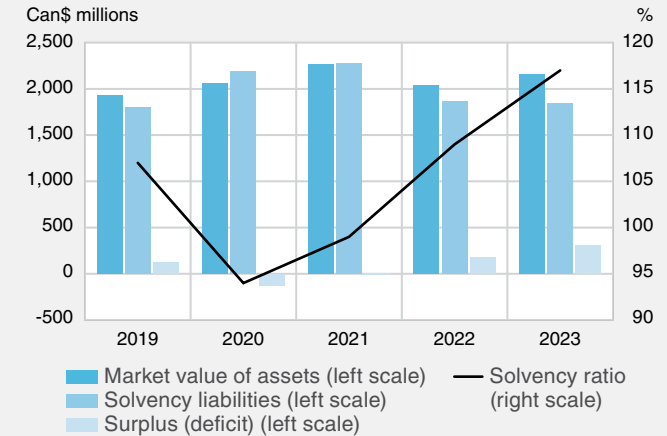


Chart 6: Solvency position

As at December 31, 2023



The Bank stopped contributing to the Plan in the spring of 2023. Regulations under the *Income Tax Act* prohibit employer contributions when the going-concern ratio is greater than 125%, except where they are required by the *Pension Benefits Standards Act*.

Bank contributions to the Plan will resume depending on the results of future actuarial valuations. Employee contributions are not changing.

Supplementary Pension Arrangement valuation

The Supplementary Pension Arrangement (SPA) supplements the pensions of employees whose salary level results in pension benefits that are above the maximum prescribed by the *Income Tax Act*.

The provisions of the SPA mirror the Plan, and a separate trust fund, the Supplementary Trust Fund (STF), has been established to support it. The Pension Committee and the Pension Fund Investment Committee direct STF investments. At the end of 2022, the SPA had a funding deficit of \$44 million and a funding ratio of 81%. The Bank made \$7.8 million in contributions to the SPA in 2023.

Pension Plan administration: Information for members

Member services

TELUS Health provides pension administration services for Plan members. These services include preparing individual annual pension statements and options packages. TELUS Health also performs calculations for employees who leave the Bank, want to buy back prior Bank service or wish to transfer their pension from a previous employer.

We welcome member feedback on these and other services. When you contact TELUS Health by phone, you are prompted to answer a short satisfaction survey. Your feedback helps to improve the quality of the services you receive.

Selection Centrale

As an active employee or pensioner, you can review information about your pension and benefits on the secure self-service website, selectioncentrale.ca.

- *Active employees:* View your annual pension statement and use the enhanced pension projection tool to estimate the pension you will receive when retiring from the Bank.
- *Pensioners:* Access your annual pension statement, monthly pay statements and tax documents. If you are eligible for retiree benefits, you can also review coverage levels (including life insurance), update your beneficiary designation and refer to information booklets.¹

Did you know?

Annual pension statements are available online by mid-June every year and are mailed to each member's home address, as required by legislation. Check your statement to ensure it is accurate.

Improved features and navigation

We have added new features to Selection Centrale to make it easier to navigate. Our new responsive design means you can access your information by mobile device as easily as by computer.

Digital access for pensioners

Retired members can now download electronic versions of annual pension statements, monthly pay statements and tax documents.

¹ Members who retire with an immediate pension are eligible to purchase health and dental coverage under the Bank's Plan, while those who defer their pensions are not.

Member services by the numbers

6,790 Log-ins to the pension projection tool for pension estimates

2,114 Log-ins to personal annual statements

1,536 Pension-related transactions completed for members

161 Buy-back calculations

Keeping our records up to date

Maintaining up-to-date records is an essential part of administering our Plan and helps ensure that we are making pension payments to the right person at the right time. Every year we will contact about one-third of pensioners who retired more than 10 years ago to confirm their information. The most recent round of letters was sent in March 2024. If you received a letter and haven't responded yet, please do so as soon as possible.

Administrative expenses

We carefully review expenses charged to the Fund to ensure they are reasonable and meet the terms of the Plan and the Pension Trust Fund Expense Policy (**Table 2**). We also look for opportunities to control these costs by regularly reviewing our processes and practices.

Table 2: The Fund's administrative expenses (\$ thousands)

	2021	2022	2023
Investment management fees	7,430	14,850*	12,220
Pension administration fees	666	851	941
Audit and actuarial fees	175	271	225
Other administrative fees	1,683	1,683	1,680
Tax expense (recoveries)	440	(1,126)	298
<i>Net expenses</i>	10,394	16,529	15,364
<i>Net assets as at December 31</i>	2,270,888	2,047,242	2,152,497
Total expenses (as a percentage of net assets)	0.46%	0.81%	0.71%

*The 2022 investment management fees were adjusted by \$4.2 million to include Fund expenses and incentive fees. This was offset by an adjustment of \$4.2 million to the investment income.

Investment management fees now include **Fund expenses** and **incentive fees**. This is reflected in 2023 figures and restated 2022 results. These expenses were previously deducted from investment returns. This change in approach will help provide a more comprehensive breakdown of costs going forward given the increased proportion of private assets in our portfolio. It has no financial impact on the Plan.

Additional information

Communications

In addition to this *Annual Report*, we communicate with Plan members in various ways:

- **bankofcanada.ca** (*all members*): Find the Plan’s governance documents, annual reports and audited financial statements.
- **Banque Centrale** (*active employees*): Learn about the Plan and find links to other important documents.
- **Pension News** (*all members*): Get annual updates on the Plan.
- **Electronic newsletter** (*pensioners and deferred members*): Get non-confidential Plan information in a subscription-based email newsletter. A personalized, unique ID is required to subscribe. More than 770 pensioners and deferred members have signed up. Details on how to sign up were shared in the December 2023 edition of *Pension News*.

Helping employees plan for retirement

We offer employees a variety of courses throughout the year to help them plan for retirement.

Course	Delivered by	2023	
		# of participants	Satisfaction (%)
Bank of Canada Pension Plan	Bank of Canada	254	n/a
Ready to retire seminar	External provider	15	92
Retirement planning seminar	External provider	42	94
Maximizing your retirement income	External provider	281	96
One-on-one support when you are ready to retire from the Bank	Meeting with one of the Bank’s HR Centre representatives	31	96
Benefits and Pension info session for new employees	Bank of Canada	211	99

Contact information

Active members

Questions about pension or benefits, contact **TELUS Health**:

- www.selectioncentrale.ca
- 1-888-588-6111; Monday to Friday; 8:00 to 18:00 (ET)
- bank-banque-canada@telushealth.com

Questions about payroll or client service issues:

- access **ServiceNow** from the desktop icon on your work computer.

To change your address:

- access **PASSePORT** from the desktop icon on your work computer.

Pensioners and members with deferred pensions

Questions about pension or benefits, contact **TELUS Health**:

- www.selectioncentrale.ca
- 1-888-588-6111; Monday to Friday; 8:00 to 18:00 (ET)
- bank-banque-canada@telushealth.com

If you want to be able to send non-confidential questions by email, TELUS Health will validate your personal email address every 12 months.

Questions about payroll, client service issues or to change your address, have your personnel number ready and contact the **Bank's HR Centre**:

- 613-782-7766 or 1-866-404-7766; Monday to Friday; 10:00 to 16:00 (ET)
- hrcentre@bankofcanada.ca

Glossary

For definitions of key terms used throughout this report, visit www.bankofcanada.ca/pension-plan.