



Treasury Board of Canada  
Secrétariat

Secrétariat du Conseil du Trésor  
du Canada

Canada

# Report on the Public Service Pension Plan

for the Fiscal Year  
Ended March 31, 2023



ANNUAL REPORT

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as represented by the President of the Treasury Board, 2024

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l'exercice terminé le 31 mars 2023

# Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2023

From: Treasury Board of Canada Secretariat

Her Excellency the Right Honourable Mary Simon, C.C., C.M.M., C.O.M., O.Q., C.D.,  
Governor General and Commander-in-Chief of Canada

Excellency:

I have the honour of submitting to Your Excellency the *Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2023*.

Respectfully,

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The Honourable Anita Anand, P.C., M.P.  
President of the Treasury Board

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# Message from the President of the Treasury Board

As the employer of the federal public service, we understand the importance of a strong pension plan. It helps us to attract and to retain talented employees who work hard for Canadians while contributing to one of the best public services in the world.

— The Honourable Anita Anand, P.C., M.P.



The President of the Treasury Board is responsible for providing Public Service Pension Plan members, parliamentarians, and Canadians with a report on the status of the plan and its management for the fiscal year. As such, I am presenting the annual Report on the Public Service Pension Plan for the Fiscal Year 2022-23.

The management of the plan is supported by the Treasury Board of Canada Secretariat through strategic advice, governance, and administrative oversight to help ensure its integrity.

As the employer of the federal public service, I recognize that a strong pension plan is key to the government's ability to attract and retain innovative and high-performing employees. These are the employees whose efforts on behalf of Canadians contribute to our reputation for having one of the best public services in the world.

Of note this year, the report indicates the plan's strong financial results. As of March 31, 2023, the plan was in a surplus position and the long-term return on assets exceeded performance objectives, which is great news for all plan members. You will find more details on this and other results in the full report.

I thank federal public service employees for their commitment, dedication, and ongoing contribution to meeting our country's evolving needs.



The Honourable Anita Anand, P.C., M.P.

President of the Treasury Board

## Message from the Chief Human Resources Officer

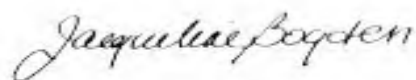
As Chief Human Resources Officer, I am committed to ensuring appropriate administrative oversight, funding and good governance of the Public Service Pension Plan.

Part of my office's role is to provide the President of the Treasury Board with strategic advice, governance and oversight related to the management of the Public Service Pension Plan, which is in a strong financial position and remains sustainable over the long term.

During this past year, my office continued efforts to ensure that our systems, tools and practices met the needs and expectations of plan members. For example, as part of our work to improve access to pension information for members and stakeholders, we launched a guided search tool to help users find public service pension and benefits information on the Canada.ca website.

Retired members receive service from the Government of Canada Pension Centre administered by Public Services and Procurement Canada, which regularly meets or exceeds service standards. The commitment and dedication of the Pension Centre's employees and all those involved in the effective delivery of the Public Service Pension Plan is reflected in this high level of service.

As we strive for excellence in all aspects of the Public Service Pension Plan, we look forward to ongoing collaboration among all our partners to ensure a healthy plan now and into the future.



Jacqueline Bogden

Chief Human Resources Officer

## About this report

This report provides information on the public service pension plan for the fiscal year ended March 31, 2023.<sup>1</sup> It is prepared and tabled in Parliament in accordance with section 46 of the Public Service Superannuation Act.

As required under section 45 of the *Public Service Superannuation Regulations*, the report includes the plan's annual financial statements. The financial statements are prepared in accordance with the stated accounting policies set out in Note 2 to the statements, which are based on Canadian accounting standards for pension plans.

## About the plan

The public service pension plan provides members with a lifetime income after they retire. In the event of a member's death, the plan also provides benefits to the eligible survivor and children. The benefits are directly related to the employee's salary and period of pensionable service.

The plan is a contributory defined benefit pension plan. This means that the employers and employees make contributions; and the benefits payable on death, disability, termination of service, and retirement are specified in the plan document, in this case, the *Public Service Superannuation Act* and its regulations.

## Members

Plan members include full-time, part-time and retired employees of the federal public service, of certain public service corporations <sup>2</sup> and of the public service of the territorial governments.

## Benefits

A plan member's benefits are based on their years of pensionable service. A member can accumulate up to 35 years of pensionable service in total.

Benefits are calculated using a formula set out in section 11 of the *Public Service Superannuation Act*.

Members may receive their benefits in one of the following ways:

- an immediate annuity.
- a deferred annuity.
- an annual allowance
- a disability retirement annuity

To receive benefits, members must have at least 2 years of pensionable service.

Eligible survivors and children may receive survivor benefits and child allowances, respectively.

These benefits are indexed annually to cover increases in the cost of living, as determined by the Consumer Price Index. The indexation rate for calendar year 2023 was 6.3% and 2.4% for calendar year 2022.

The Supplementary Death Benefit is payable in a lump sum to the designated beneficiary or to the estate.

Benefits for service before April 1, 2000, are paid from the Public Service Superannuation Account.

Benefits for service starting April 1, 2000, are paid from the Public Service Pension Fund. The Public Sector Pension Investment Board (PSPIB) was established on September 14, 1999, to manage this fund.

## Contributions

Plan contributions are shared between the employers and plan members. Since 2017, the employer member cost-sharing ratio for current service contributions has been 50:50.

Members' contributions are a percentage of their salary. They are compulsory and are collected through payroll deductions.

## Plan financial status

The pension plan is financed from employee and employer contributions, as well as from investment earnings.

Funded pension benefits relate to service since April 1, 2000, that falls within the *Income Tax Act* limits. An amount equal to contributions less benefit payments and other charges is invested by the PSPIB. Funded pension benefits also include pre-2000 service purchased since April 1, 2000.

Unfunded pension benefits related to pre-April 2000 service are tracked in the Public Service

Superannuation Account since there are no invested funds maintained for this account. <sup>3</sup>

Employee and employer contributions for unfunded pension benefits are part of the government's Consolidated Revenue Fund.

Funded pension obligation  
**\$136.2 billion**

Unfunded pension obligation  
**\$94.8 billion**

Total pension obligations  
**\$231.0 billion**

Net assets available for benefits  
**\$178.6 billion**

As at March 31, 2023, the total pension obligations amounted to \$231.0 billion, which comprised the funded pension obligation in the amount of \$136.2 billion and the unfunded pension obligation in the amount of \$94.8 billion.

The public service pension plan was in a surplus position for service since April 1, 2000, where the net assets available for benefits of \$178.6 billion exceeded the funded pension obligation of \$136.2 billion. Net assets available for benefits consist mainly of net investments managed by the PSPIB on behalf of the plan.

The amounts related to pension obligations are based on actuarial advice provided by the Office of the Chief Actuary (OCA). The OCA performs valuations that use economic assumptions, such as rate of return on investments, and demographic assumptions, such as life expectancy and retirement age, to measure the pension obligations in today's dollars of the benefits that will be paid to members in the future.

## Investment returns

Since April 1, 2000, the plan has made regular contribution transfers to the PSPIB for investment. Returns on these investments are key to funding plan benefits. The contribution transfers are over and above benefit payments and administrative costs.

Since 2018, the cumulative net investment returns have exceeded the cumulative net contribution transfers sent to the PSPIB.

## Administrative expenses

Under legislation, authorized government organizations and the PSPIB charge eligible administrative expenses to the plan. These are expenses that departments incur for plan administration and for the operating expenses of the PSPIB.

For the year ended March 31, 2023, plan administrative expenses totalled \$675 million. The following table shows the breakdown.

### Breakdown of administrative expenses, fiscal year ended March 31, 2023

<b>Paid by</b>	<b>Amount</b>
Government organizations	\$131 million
Public Sector Pension Investment Board	\$544 million
<b>Total</b>	<b>\$675 million</b>



# Fiscal year highlights



As at March 31, 2023, the public service pension plan was in a surplus position for service since April 1, 2000, as the net assets available for benefits exceeded the funded pension obligation for that period.



The long-term return on assets for the Public Service Pension Fund account, which contains funds accumulated for service since April 1, 2000, exceeded performance expectations, as shown in the “Analysis of total fund results” section of the [PSPIB 2023 Annual Report](#).



Member and employer contributions totalled \$6.2 billion for the fiscal year ended March 31, 2023.



Benefits paid to members, eligible survivors and children totalled \$9.2 billion for fiscal year ended March 31, 2023.



Cumulative net investment returns totalled \$111.7 billion, compared to the \$66.3 billion in cumulative net contribution transfers sent to the PSPIB.



The PSPIB reported a 1-year net portfolio return of 4.4%,<sup>4</sup> despite a slowdown in economic growth as a result of tightened monetary conditions in response to surging inflation.



The Government of Canada Pension Centre, administered by Public Services and Procurement Canada, achieved the following:

- processed over 25,000 new pension payments, over 98% of which were completed on time according to existing service standards
- ensured that new pensioners received their pension payments on time, with only 2% having experienced delays
- regularly met or exceeded service standards



A guided search tool was launched on March 28, 2022, to make it easier to find public service pension and benefits information on the Canada.ca website. As of March 31, 2023, 32,313 unique visitors had used this tool and 44,021 pages had been viewed.

### Plan members this fiscal year, by type

Type of member	Number
Active	396,541
Retired	240,494
Deferred annuitants	51,065
Survivors receiving benefits	51,529
<b>Total</b>	<b>739,629</b>

### Average annual pension benefits <sup>\*</sup> paid <sup>5</sup> to retired members, average age and average pensionable service of those members

Average	Male	Female	Overall
Annual pension	\$41,921	\$32,144	\$37,026
Age	72.7	69.9	71.3
Years of pensionable service	25.6	23.5	24.5

<sup>\*</sup> Includes immediate annuities, disability retirement annuities and annual allowances.

### New pensions this fiscal year, by benefit type

Type of benefit	Number
Immediate annuity	7,346
Annual allowance	1,418
Deferred annuity	667
Disability retirement annuity	567
<b>Total</b>	<b>9,998</b>

## Account transaction statements

▼ In this section

- Public Service Superannuation Account
- Public Service Pension Fund account
- Retirement Compensation Arrangements accounts
- Supplementary Death Benefit account

## Public Service Superannuation Account

All pension transactions for pensionable service before April 1, 2000, are recorded in the Public Service Superannuation Account within the accounts of Canada.

The Public Service Superannuation Account contains contributions for service before April 1, 2000, and interest on those contributions. It does not contain any investments such as cash or marketable securities.

The interest is credited quarterly at rates calculated as though the net cash flows were invested quarterly in 20-year Government of Canada bonds issued at prescribed rates and held to maturity.

The Public Service Superannuation Act requires that any actuarial shortfall resulting from a lower balance in the Public Service Superannuation Account than the actuarial liability be addressed by the Government of Canada, through crediting the Public Service Superannuation Account in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes performed by the OCA, starting in the fiscal year in which the actuarial report is tabled in Parliament.

### Public Service Superannuation Account transaction statement (unaudited)

**Fiscal year ended March 31**

**(in dollars)**

	2023	2022
<b>Opening balance</b>	<b>\$94,112,622,979</b>	\$89,010,828,958
<b>Receipts and other credits</b>		
Member contributions		
Government employees	299,353	566,844
Retired employees	1,939,369	2,117,869
Public service corporation employees	35,621	50,786
Employer contributions		
Government	1,872,161	2,155,567
Public service corporations	35,071	23,039

	2023	2022
Special contribution	-	7,805,000,000
Transfers from other pension funds	(138,196)	162,820
Interest	2,914,448,351	2,895,436,635
<b>Total receipts and other credits</b>	<b>\$2,918,491,730</b>	<b>\$10,705,513,560</b>
<b>Payments and other charges</b>		
Annuities	5,595,899,247	5,512,809,453
Minimum benefits	28,879,352	19,624,270
Pension division payments	7,294,462	10,025,072
Pension transfer value payments	2,949,589	6,284,208
Return of contributions		
Government employees	503,739	46,264
Public service corporation employees	-	54,992
Transfers to other pension funds	836,161	1,964,739
Administrative expenses	51,086,105	52,910,541
<b>Total payments and other charges</b>	<b>\$5,687,448,655</b>	<b>\$5,603,719,539</b>
<b>Closing balance</b>	<b>\$91,343,666,054</b>	<b>\$94,112,622,979</b>

## Public Service Pension Fund account

Pursuant to the *Public Service Superannuation Act*, as amended by the *Public Sector Pension Investment Board Act*, transactions relating to service since April 1, 2000, are recorded in the Public Service Pension Fund. An amount equal to contributions in excess of benefit payments and administrative costs is transferred regularly to the PSPIB for investment. The balance in the Public Service Pension Fund at year-end represents net contributions transferable to the PSPIB.

The treatment of any actuarial surplus or deficit in the fund is outlined in the financial statements of the public service pension plan, which are included in this report.

The *Public Service Superannuation Act* requires that any actuarial deficit be dealt with by the Government of Canada, through transferring equal instalments to the pension fund over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes performed by the OCA, starting in the fiscal year in which the actuarial report is tabled in Parliament.

## Public Service Pension Fund account transaction statement (unaudited)

### Fiscal year ended March 31

(in dollars)

	2023	2022
<b>Opening balance</b>	<b>\$23,128,960</b>	\$234,405,099
<b>Receipts and other credits</b>		
Member contributions		
Government employees	<b>2,891,111,879</b>	2,861,654,535
Retired employees	<b>54,626,066</b>	53,967,780
Public service corporation employees	<b>221,930,600</b>	218,360,857
Employer contributions		
Government	<b>2,889,533,037</b>	2,843,128,369
Public service corporations	<b>200,246,626</b>	203,364,391
Transfers from other pension funds	<b>106,085,491</b>	81,011,976
<b>Total receipts and other credits</b>	<b>\$6,363,533,699</b>	\$6,261,487,908
<b>Payments and other charges</b>		
Annuities	<b>3,484,339,990</b>	3,091,256,692
Minimum benefits	<b>41,775,933</b>	27,666,967
Pension division payments	<b>41,026,726</b>	49,647,574
Pension transfer value payments	<b>236,407,055</b>	374,226,040
Return of contributions		
Government employees	<b>30,992,567</b>	18,500,045
Public service corporation employees	<b>6,896,627</b>	4,585,090
Transfers to other pension funds	<b>25,451,301</b>	40,533,872
Administrative expenses	<b>79,937,505</b>	75,802,927
<b>Total payments and other charges</b>	<b>\$3,946,827,704</b>	\$3,682,219,207
<b>Receipts and other credits, less payments and other charges</b>	<b>2,416,705,995</b>	2,579,268,701
<b>Transfers to PSPIB</b>	<b>2,428,175,722</b>	2,790,544,840
<b>Closing balance</b>	<b>\$11,659,233</b>	\$23,128,960

## Retirement Compensation Arrangements accounts

Supplementary benefits for certain federal public service employees are provided under the Retirement Compensation Arrangements Regulations, No. 1, Parts I and II (public service portion), and the Retirement Compensation Arrangements Regulations, No. 2 (Early Retirement Incentive

Program). These regulations were established under the Special Retirement Arrangements Act for the purpose of paying benefits and established the Retirement Compensation Arrangements for the payment of benefits.

Pursuant to the legislation, transactions pertaining to both Retirement Compensation Arrangements No. 1 and Retirement Compensation Arrangements No. 2, such as contributions, benefits and interest credits, are recorded in the Retirement Compensation Arrangements accounts, which are maintained within the accounts of Canada. The legislation also requires that the Retirement Compensation Arrangements accounts be credited with interest quarterly at the same rates as those credited to the Public Service Superannuation Account.

The Retirement Compensation Arrangements accounts are registered with the Canada Revenue Agency, and a transfer is made annually between the Retirement Compensation Arrangements accounts and the Canada Revenue Agency either to remit a 50% refundable tax in respect of the net increase in the accounts (contributions and interest credits, less payments and other charges) or to receive a 50% tax reimbursement in respect of the net decrease in the accounts (payments and other charges, less contributions and interest credits).

Actuarial shortfalls resulting from a lower balance in the Retirement Compensation Arrangements accounts than the actuarial liabilities are addressed by the Government of Canada, through crediting the Retirement Compensation Arrangements accounts in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes performed by the OCA, starting in the fiscal year in which the actuarial report is tabled in Parliament.

## Retirement Compensation Arrangements No. 1 account

### Retirement Compensation Arrangements No. 1 account transaction statement (unaudited)

Fiscal year ended March 31

(in dollars)

	2023	2022
<b>Opening balance</b>	<b>\$1,349,219,396</b>	\$1,331,554,712
<b>Receipts and other credits</b>		
Member contributions		
Government employees	<b>15,987,965</b>	10,986,103
Retired employees	<b>555,684</b>	487,902
Public service corporation employees	<b>2,220,308</b>	2,153,245
Employer contributions		

	2023	2022
Government	92,585,584	40,056,159
Public service corporations	12,581,099	8,098,371
Interest	43,055,196	44,233,230
<b>Total receipts and other credits</b>	<b>\$166,985,836</b>	<b>\$106,015,010</b>
<b>Payments and other charges</b>		
Annuities	72,433,738	66,805,739
Minimum benefits	110,302	25,273
Pension division payments	268,788	481,737
Pension transfer value payments	597,323	924,605
Return of contributions		
Government employees	23,056	17,504
Public service corporation employees	14,484	788
Transfers to other pension funds	9,589	486,672
Refundable tax	38,670,222	19,608,008
<b>Total payments and other charges</b>	<b>\$112,127,502</b>	<b>\$88,350,326</b>
<b>Closing balance</b>	<b>\$1,404,077,730</b>	<b>\$1,349,219,396</b>

## Retirement Compensation Arrangements No. 2 account

### Retirement Compensation Arrangements No. 2 account transaction statement (unaudited)

Fiscal year ended March 31

(in dollars)

	2023	2022
<b>Opening balance</b>	<b>\$562,871,488</b>	<b>\$595,698,929</b>
<b>Receipts and other credits</b>		
Refundable tax	33,383,033	32,385,245
Government interest	16,830,187	18,803,171
<b>Total receipts and other credits</b>	<b>\$50,213,220</b>	<b>\$51,188,416</b>
<b>Payments and other charges</b>		
Annuities	84,789,306	84,015,857
<b>Total payments and other charges</b>	<b>\$84,789,306</b>	<b>\$84,015,857</b>
<b>Closing balance</b>	<b>\$528,295,402</b>	<b>\$562,871,488</b>



## Supplementary Death Benefit account

### Supplementary Death Benefit account transaction statement (unaudited)

Fiscal year ended March 31

(in dollars)

	2023	2022
<b>Opening balance</b>	<b>\$4,063,495,118</b>	\$3,976,887,276
<b>Receipts and other credits</b>		
Contributions		
Members (government employees, retired employees and public service corporation employees)	<b>139,555,453</b>	132,117,151
Government		
Public service corporations	<b>1,770,449</b>	1,804,060
General	<b>13,793,616</b>	12,802,795
Single premium for \$10,000 benefit	<b>3,394,865</b>	3,253,062
Interest	<b>128,068,360</b>	131,914,313
<b>Total receipts and other credits</b>	<b>\$286,582,743</b>	\$281,891,381
<b>Payments and other charges</b>		
Benefit payments		
General <sup>*</sup>	<b>165,462,217</b>	153,601,695
\$10,000 benefit <sup>‡</sup>	<b>53,418,607</b>	41,650,000
Other death benefit payments	<b>61,176</b>	31,844
<b>Total payments and other charges</b>	<b>\$218,942,000</b>	\$195,283,539
<b>Closing balance</b>	<b>\$4,131,135,861</b>	\$4,063,495,118
<sup>*</sup> Benefits paid in respect of participants who, at the time of death, were employed in the public service or in receipt of an immediate annuity.		
<sup>‡</sup> Benefits paid in respect of participants who, at the time of death, were employed in the public service or were in receipt of an immediate annuity and on whose behalf a single premium for \$10,000 of death benefit coverage has been made by the employers.		

## Glossary

### actuarial valuation

An actuarial analysis that provides information on the financial condition of a pension plan.

**annual allowance**

An annual benefit available to public service pension plan members who have more than 2 years of pensionable service, who retire before age 60 (Group 1) or before age 65 (Group 2), and who are not entitled to an immediate annuity. This benefit is a reduced pension that considers the early payment of a retirement pension. The earliest it becomes payable is at age 50 (Group 1) or at age 55 (Group 2).<sup>6</sup>

**child allowance**

A pension benefit, equal to one fifth of the survivor benefit (two fifths if there is no eligible survivor), payable to a member's child or children until age 18 (age 25, if the child is a student). The maximum allowance for all children combined is the equivalent of four children's benefits.

**Consumer Price Index**

A measure of price changes published monthly by Statistics Canada. The Consumer Price Index measures the retail prices of about 300 goods and services, including food, housing, transportation, clothing and recreation. Increases in the Consumer Price Index are also referred to as "cost-of-living increases."

**deferred annuity**

A pension option that allows a member with at least 2 years of pensionable service to postpone their pension payments if they leave the public service before the retirement age applicable to them (60 or 65 years).

**disability**

A physical or mental impairment that prevents an individual from engaging in any employment for which the individual is reasonably suited by virtue of their education, training or experience and that can reasonably be expected to last for the rest of the individual's life.

**immediate annuity**

An annual benefit payable to public service plan members who retire at any time after reaching age 60 (Group 1) or age 65 (Group 2) and have at least 2 years of pensionable service, or after reaching age 55 (Group 1) or age 60 (Group 2) and have at least 30 years of pensionable service. In addition, an immediate annuity, also known as an immediate pension, is payable at any age to plan members who have at least 2 years of pensionable service and are retiring because of disability.

**indexation**

The adjustment of pensions to reflect changes in the cost of living, as determined by the Consumer Price Index.

**pensionable service**

Periods of service credited to a member of the public service pension plan. This service includes any complete or partial periods of purchased service (for example, service buyback).

**Public Sector Pension Investment Board**

A Crown corporation established on September 14, 1999, under the *Public Sector Pension Investment Board Act*. It manages the amounts transferred to it by the Government of Canada for the funding of benefits earned by members of the federal public sector pension plans. The board operates under the commercial name of PSP Investments.

### **Supplementary Death Benefit**

A lump-sum benefit equal to twice the member's annual salary, rounded-up to the nearest \$1,000, payable to the designated beneficiary or to the estate. Coverage decreases by 10% each year starting at age 66 to a minimum of \$10,000 by age 75. If the member is still employed in the public service after age 65, minimum coverage is the greater of \$10,000 or one third of their annual salary.

### **survivor**

The person who, at the time of a plan member's death, was married to the plan member before their retirement, or was cohabiting with the plan member in a conjugal relationship before retirement and for at least one year before the date of death.

### **survivor benefit**

A pension benefit, in the form of a monthly allowance, paid to the survivor of a plan member who has died. It is equal to half of the pension the member would have received before age 65 (calculated before any applicable reduction) and is payable immediately.

**Note:** Additional pension terminology is available at [Glossary – Pension](#).

## **Financial statements of the public service pension plan for the fiscal year ended March 31, 2023**

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## Statement of responsibility

Public Services and Procurement Canada (PSPC) and the Treasury Board of Canada Secretariat (the Secretariat) are responsible for preparing these financial statements in accordance with the stated accounting policies set out in Note 2 to the financial statements, which are based on Canadian accounting standards for pension plans, and on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with PSPC and the Secretariat. The Secretariat carries out responsibilities in respect of the overall management of the public service pension plan (the pension plan), while PSPC is responsible for the day-to-day administration of the pension plan and for maintaining the books of accounts. The information included in these financial statements is based on the management's best estimates and judgment, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, PSPC maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance as to the reliability of the financial information and to ensure that transactions are in accordance with the *Public Service Superannuation Act* (PSSA) and regulations, as well as the *Financial Administration Act* (FAA) and regulations.

Additional information is obtained as required, from the Public Sector Pension Investment Board (PSPIB) to meet accounting and reporting requirements. PSPIB maintains its own systems of financial management and internal control to account for the funds managed on behalf of the pension plan in accordance with the *Public Sector Pension Investment Board Act*, regulations and by-laws.

These financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Approved by:

Arianne Reza  
Deputy Minister  
Public Services and Procurement Canada

Graham Flack  
Secretary of the Treasury Board  
Treasury Board of Canada Secretariat

Original signed  
January 19, 2024

Original signed  
January 19, 2024

## **Independent Auditor's Report**

To the President of the Treasury Board and the Minister of Public Services and Procurement

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of the public service pension plan (the pension plan), which comprise the statement of financial position as at 31 March 2023, and the statement of changes in net assets available for benefits and statement of changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the pension plan as at 31 March 2023, and the changes in its net assets available for benefits and changes in its pension obligations 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 report. We are independent of the

pension plan 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. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 the stated accounting policies set out in Note 2 of the financial statements, which are based on 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 pension plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the pension plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the pension plan'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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the pension plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the pension plan'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 pension plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the pension plan to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

## **Report on Compliance with Specified Authorities**

### **Opinion**

In conjunction with the audit of the financial statements, we have audited transactions of the public service pension plan coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Public Service Superannuation Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board.

In our opinion, the transactions of the public service pension plan that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

### **Responsibilities of Management for Compliance with Specified Authorities**

Management is responsible for the public service pension plan's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the public service pension plan to comply with the specified authorities.

### **Auditor's Responsibilities for the Audit of Compliance with Specified Authorities**

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Mimma Venema, CPA, CA, CGA

Principal

for the Auditor General of Canada

Ottawa, Canada

19 January 2024

## **Financial statements**

Statement of financial position

(Canadian \$ millions)



	As at March 31, 2023	As at March 31, 2022
<b>Assets</b>		
Public Service Pension Fund ( <a href="#">Note 4</a> )	\$12	\$23
Investments ( <a href="#">Note 5</a> )	207,287	192,589
Contributions receivable		
From plan members ( <a href="#">Note 8</a> )	340	374
From employers ( <a href="#">Note 8</a> )	287	315
Other assets	135	153
<b>Total assets</b>	<b>\$208,061</b>	<b>\$193,454</b>
<b>Liabilities</b>		
Investment-related liabilities ( <a href="#">Note 5</a> )	\$11,494	\$7,762
Accounts payable and other liabilities	382	313
Borrowings ( <a href="#">Note 5</a> and <a href="#">Note 9</a> )	17,584	16,577
<b>Total liabilities</b>	<b>\$29,460</b>	<b>\$24,652</b>
<b>Net assets available for benefits</b>	<b>\$178,601</b>	<b>\$168,802</b>
<b>Pension obligations</b>		
Funded ( <a href="#">Note 12</a> )	\$136,232	\$127,968
Unfunded ( <a href="#">Note 12</a> and <a href="#">Note 20</a> )	94,816	101,026
<b>Total pension obligations</b>	<b>\$231,048</b>	<b>\$228,994</b>
<b>Deficit to be financed by the Government of Canada (<a href="#">Note 13</a>)</b>	<b>\$(52,447)</b>	<b>\$(60,192)</b>
Commitments ( <a href="#">Note 23</a> )		
The accompanying notes are an integral part of these financial statements.		

## Statement of changes in net assets available for benefits

Year ended March 31 (Canadian \$ millions)

	2023	2022
<b>Net assets available for benefits, beginning of year</b>	<b>\$168,802</b>	<b>\$150,088</b>
<b>Increase in net assets available for benefits</b>		
Investment income, excluding changes in fair values of investment assets and investment liabilities ( <a href="#">Note 14</a> )	4,780	4,186
Changes in fair values of investment assets and investment liabilities, realized and unrealized gains and losses ( <a href="#">Note 14</a> )	4,100	13,083
The accompanying notes are an integral part of these financial statements.		

	2023	2022
Contributions		
From plan members ( <u>Note 15</u> )	3,134	3,003
From employers ( <u>Note 15</u> )	3,062	2,927
Transfers from other pension plans	106	81
<b>Total increase in net assets available for benefits</b>	<b>\$15,182</b>	<b>\$23,280</b>
Decrease in net assets available for benefits		
Benefits paid with respect to service after March 31, 2000 ( <u>Note 17</u> )	3,526	3,119
Refunds and transfers ( <u>Note 17</u> )	341	487
Investment-related expenses ( <u>Note 18</u> )	892	456
Administrative expenses ( <u>Note 19</u> )	624	504
<b>Total decrease in net assets available for benefits</b>	<b>\$5,383</b>	<b>\$4,566</b>
<b>Net increase in net assets available for benefits</b>	<b>\$9,799</b>	<b>\$18,714</b>
<b>Net assets available for benefits, end of year</b>	<b>\$178,601</b>	<b>\$168,802</b>
The accompanying notes are an integral part of these financial statements.		

## Statement of changes in pension obligations

Year ended March 31 (Canadian \$ millions)

	2023 Funded	2023 Unfunded	2023 Total	2022 Funded	2022 Unfunded	2022 Total
<b>Pension obligations, beginning of year</b>	<b>\$127,968</b>	<b>\$101,026</b>	<b>\$228,994</b>	\$118,493	\$109,875	\$228,368
<b>Increase in pension obligations</b>						
Interest on pension obligations	7,097	2,356	9,453	6,218	1,927	8,145
Benefits earned	5,975	0	5,975	5,767	0	5,767
Experience losses ( <u>Note 12</u> )	3,448	2,353	5,801	0	0	0
Changes in actuarial assumptions: losses ( <u>Note 12</u> )	0	0	0	2,237	0	2,237
Transfers from other pension plans	106	0	106	81	0	81
<b>Total increase in pension obligations</b>	<b>\$16,626</b>	<b>\$4,709</b>	<b>\$21,335</b>	\$14,303	\$1,927	\$16,230
<b>Decrease in pension obligations</b>						
Benefits paid ( <u>Note 17</u> )	\$3,526	\$5,625	\$9,151	\$3,119	\$5,533	\$8,652
Experience gains ( <u>Note 12</u> )	0	0	0	1,147	770	1,917
Changes in actuarial assumptions: gains ( <u>Note 12</u> )	4,415	5,231	9,646	0	4,402	4,402
The accompanying notes are an integral part of these financial statements.						

	2023 Funded	2023 Unfunded	2023 Total	2022 Funded	2022 Unfunded	2022 Total
Refunds and transfers ( <u>Note 17</u> )	341	12	353	487	18	505
Administrative expenses included in the service cost ( <u>Note 19</u> and <u>Note 20</u> )	80	51	131	75	53	128
<b>Total decrease in pension obligations</b>	<b>\$8,362</b>	<b>\$10,919</b>	<b>\$19,281</b>	\$4,828	\$10,776	\$15,604
<b>Net increase (decrease) in pension obligations</b>	<b>\$8,264</b>	<b>\$(6,210)</b>	<b>2,054</b>	\$9,475	\$(8,849)	\$626
<b>Pension obligations, end of year</b>	<b>\$136,232</b>	<b>\$94,816</b>	<b>\$231,048</b>	\$127,968	\$101,026	\$228,994
The accompanying notes are an integral part of these financial statements.						

## Notes to the financial statements

### For the fiscal year ended March 31, 2023 (Canadian \$)

#### 1. Description of the public service pension plan

The public service pension plan (the pension plan), governed by the *Public Service Superannuation Act* (PSSA), provides pension benefits for federal public service employees. While the PSSA has been in effect since January 1, 1954, federal legislation has been providing pensions for public servants since 1870.

The main provisions of the pension plan are summarized below.

##### (A) General

The pension plan is a contributory defined benefit plan covering substantially all of the full-time and part-time employees of the federal public service, as well as certain public service corporations as defined in the PSSA, and territorial governments. Membership in the pension plan is compulsory for all eligible employees.

The Government of Canada (the government) is the sole sponsor of the pension plan. The President of the Treasury Board is the Minister responsible for the PSSA. The Treasury Board of Canada Secretariat (the Secretariat) is responsible for the management of the pension plan, while Public Services and Procurement Canada (PSPC) provides the day-to-day administration of the pension plan and maintains the books of accounts. The Office of the Chief Actuary (OCA), an independent unit within the Office of the Superintendent of Financial Institutions (OSFI), performs periodic actuarial valuations of the pension plan.

Until April 1, 2000, separate invested funds were not set aside to provide for payment of pension benefits. Instead, transactions relating to the pension plan were recorded in the Public Service Superannuation Account (superannuation account) created by legislation in the accounts of Canada. Pursuant to the PSSA, as amended by the *Public Sector Pension Investment*

*Board Act*, transactions relating to service since April 1, 2000, are now recorded in the Public Service Pension Fund (pension fund). An amount equal to contributions in excess of benefit payments and administrative costs is transferred regularly to the Public Sector Pension Investment Board (PSPIB) for investment. PSPIB is a Crown corporation whose statutory objectives are to manage the funds transferred to it for investment and to maximize investment returns without undue risk of loss, having regard to the funding, policies and requirements of the three main public sector pension plans (public service, Royal Canadian Mounted Police (RCMP) and Canadian Forces).

## **(B) Funding policy**

The pension plan is funded from plan member and employer contributions, and from investment earnings. For the fiscal year, public service employees who were members of the pension plan on or before December 31, 2012 (Group 1) contributed 9.36% (9.83% in 2022) for the first 9 months and 9.35% (9.36% in 2022) for the last 3 months of pensionable earnings, up to the maximum covered by the Canada Pension Plan (CPP) or Québec Pension Plan (QPP), and 12.48% (12.26% in 2022) for the first 9 months and 12.37% (12.48% in 2022) for the last 3 months of pensionable earnings above that maximum.

The contribution rates for public service employees joining the pension plan on or after January 1, 2013 (Group 2) were set at 7.95% (8.89% in 2022) for the first 9 months and 7.93% (7.95% in 2022) for the last 3 months of pensionable earnings, up to the maximum covered by the CPP and QPP, and 11.82% (10.59% in 2022) for the first 9 months and 11.72% (11.82% in 2022) for the last 3 months of pensionable earnings above that maximum. The government's contribution is made monthly to provide for the cost (net of plan member contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The contribution rates are determined based on actuarial valuations for funding purposes, which are normally performed triennially.

The PSSA provides that all pension obligations arising from the pension plan be met by the government. The PSSA requires that any actuarial deficit in the pension fund be dealt with by the government, through transferring equal instalments to the pension fund over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament. The PSSA also allows any surplus to be lowered by reducing employer and pension plan member contributions. In addition, if there is an amount considered to be a non-permitted surplus (refer to PSSA section 44.4(5) for the definition of non-permitted surplus) related to the pension fund, no further government pension contributions are

permitted, while pension plan member contributions under the pension fund may be reduced and amounts managed by PSPIB may be transferred to the government's Consolidated Revenue Fund (CRF).

### **(C) Benefits**

The pension plan provides pension benefits based on the number of years of pensionable service up to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the pension plan. The basic benefit formula is 2% per year of pensionable service multiplied by the average salary of the 5 consecutive years of highest-paid service. To reflect the *Income Tax Act* restrictions on registered pension plan benefits, separate retirement compensation arrangements (RCAs) have been implemented to provide benefits that exceed the limits established in the *Income Tax Act*. Since the RCAs are covered by separate legislation, their account balances in the accounts of Canada are not consolidated in these financial statements; however, condensed information is presented in Note 21.

Pension benefits are coordinated with the CPP and QPP and are reduced when the plan member reaches age 65 or earlier if the member receives a disability benefit from the CPP or QPP. The pension reduction factor is 0.7% for members born before 1943, declining gradually for members born from 1943 to 1946 until it reaches 0.625% for members born after 1946. Also, benefits are fully indexed to the increase in the Consumer Price Index.

Other benefits include survivor pensions, minimum benefits in the event of death, unreduced early retirement pensions, and disability pensions.

## **2. Significant accounting policies**

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

### **(A) Basis of presentation**

These financial statements present information on the pension plan on a going-concern basis. They are prepared to assist plan members and others in reviewing the activities of the pension plan for the year, not to portray the funding requirements of the pension plan.

These financial statements are prepared in Canadian dollars, the pension plan's functional currency, in accordance with the accounting policies stated below, which are based on Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Canada Handbook (Section 4600). Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to

either investments or pension obligations, the pension plan complies with International Financial Reporting Standards (IFRS) in Part I of the CPA Canada Handbook. To the extent that IFRS in Part I are inconsistent with Section 4600, Section 4600 takes precedence. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian accounting standards for pension plans.

PSPIB is a Crown corporation whose statutory objectives are to manage the funds transferred to it for investment and to maximize investment returns without undue risk of loss. PSPIB qualifies as an investment entity as defined under IFRS 10 *Consolidated Financial Statements* and forms part of the pension plan reporting entity. Pursuant to Section 4600, PSPIB's subsidiaries that are formed to hold investments or those that provide PSPIB with services that relate to its investment activities are consolidated since these entities are not considered investment assets. PSPIB's investment in subsidiaries, associates, and joint ventures that are considered investment assets are measured at fair value in accordance with Section 4600. Financial liabilities are also measured at fair value in accordance with Section 4600.

The financial statements for the year ended March 31, 2023, were authorized for issue by the signatories on January 19, 2024.

## **(B) Interests in other entities**

Management, through the activities of PSPIB, assesses control, joint control and significant influence with respect to the investees disclosed in Note 6 as follows:

### **(I) Control and significant influence**

It is determined that PSPIB has control over an investee when it is exposed, or has rights, to variable returns from its investment in an entity and has the ability to affect those returns through its power over the investee.

In certain cases, PSPIB does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSPIB determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSPIB's ownership interest, other contractual arrangements, or a combination thereof.

### **(II) Joint control**

It is determined that PSPIB is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties

sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision-making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

## **(C) Financial instruments**

### **(I) Classification**

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at fair value through profit or loss (FVTPL). They are described in detail in Note 5(A).

Borrowings, as described under Note 9, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

### **(II) Recognition**

Financial assets and financial liabilities are recorded at the date upon which PSPIB becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

### **(III) Initial and subsequent measurement**

All financial assets and financial liabilities are recorded in the statement of financial position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in the statement of changes in net assets available for benefits.

### **(IV) Derecognition**

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- PSPIB has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,  
and
- PSPIB has transferred substantially all the risks and rewards of the asset, or
- In cases where PSPIB has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

#### **(D) Determination of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, PSPIB evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 5.

#### **(E) Foreign currency translation**

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.

Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

#### **(F) Securities lending and securities borrowing and related collateral**

PSPIB participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the



securities to the counterparty. Consequently, PSPIB does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash amounts received are recognized as described in Note 5(A)(IX).

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSPIB and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

**(G) Securities sold under repurchase agreements and purchased under reverse repurchase agreements and related collateral**

PSPIB is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSPIB is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income, and obligations to repurchase the securities sold are accounted for as investment-related liabilities.

The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSPIB is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized, and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes in the fair value of the existing collateral pledged, as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

**(H) Offsetting of financial instruments**

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if PSPIB has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### **(I) Pension obligations**

The present value of accrued pension benefits is calculated by the OCA on behalf of the plan sponsor, the government, using the projected benefit method prorated on service, based on management's best estimate of streamed expected rates of return on invested funds for funded pension benefits, and the government's cost of borrowing derived from the yields on the actual zero-coupon yield curve for Government of Canada bonds, which reflect the timing of the expected future cash flows for unfunded pension benefits.

#### **(J) Investment income**

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities, as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

#### **(K) Contributions**

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service that are receivable over a period in excess of 1 year are recorded at the estimated net present value of the contributions to be received.

#### **(L) Benefits earned, benefits paid, and refunds and transfers**

Benefits earned are accrued as employees render pensionable services.

The funded and unfunded benefits paid are recognized as a reduction of pension obligations when the payments are made. The funded benefits paid are recognized as a reduction of net assets available for benefits when the payments are made.

Benefit payments, refunds to former members and transfer payments to other plans are recorded in the period in which they are paid.

#### **(M) Investment-related expenses**

Investment-related expenses are made up of interest expense, transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

External investment management fees are directly attributable to the external management of assets on behalf of PSPIB. These fees are paid directly by PSPIB and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSPIB for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 18.

#### **(N) Significant accounting judgments, estimates and assumptions**

In preparing the financial statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status of PSPIB as described in Note 2(A).

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets, certain fixed income securities and the pension obligations.

The main assumptions made by management regarding measurement of financial instruments are outlined in Note 5(C)(III), and those regarding the assessment of risk are outlined in Note 7.

The pension obligations are actuarially determined, and the actual experience may differ significantly from the assumptions used in the calculation of the pension obligations. The significant actuarial assumptions used in measuring the pension obligations are found in Note 12.

Measurement uncertainties exist at March 31, 2023, as a result of higher-than-expected inflation rates, increasing interest rates, and the Russia-Ukraine conflict. The economic environment continues to be subject to sustained volatility and unpredictability, which could continue to impact the actuarial assumptions used to measure the present value of the pension obligations and the market value of PSPIB's portfolio. The pension obligations and the investments held by PSPIB, as at March 31, 2023, as well as the return on investments for the year, reflect the impacts resulting from these events to the extent known and estimable at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

### **3. Current and future changes in accounting standards**

Management has determined that there is no anticipated impact on the financial statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

#### 4. Public Service Pension Fund

The government has a statutory obligation to pay benefits relating to the pension plan. This pension obligation is to plan members and their beneficiaries.

In 1999, the pension legislation was amended to allow the government to invest funds in order to provide for the pension obligation. This legislation created the PSPIB to manage and invest amounts that are transferred regularly to it from the CRF related to service since April 1, 2000. The transactions are recorded in the Public Service Pension Fund. The Public Service Pension Fund is merely a flow-through account. At year-end, the balance in the Public Service Pension Fund represents net contributions transferable to PSPIB. PSPIB investment assets and investment-related liabilities are reflected directly in the pension plan's financial statements.

In order for the government to track the transactions related to contributions, benefit payments, interest and transfers for service prior to April 1, 2000, the government established the superannuation account in the accounts of Canada. The superannuation account has no capacity to pay pensions and is not considered an asset of the pension plan. All cash receipts and disbursements go to or come from the CRF. The details of the transactions of the superannuation account are provided in [Note 20](#).

#### 5. Financial assets and financial liabilities

##### (A) Classes of financial assets and financial liabilities

Financial assets and financial liabilities are aggregated in the following table in classes that reflect their respective exposure, as well as in investment sectors. Their fair values were as follows as at March 31 (\$ millions):

	2023	2022
<b>Investments</b>		
<b>Public markets</b>		
Canadian equity	\$3,279	\$3,596
Foreign equity	25,812	30,682
<b>Private markets</b>		
Real estate	30,092	28,783
Private equity	26,262	24,338
Infrastructure	26,295	21,520

	2023	2022
Natural resources	13,649	11,457
<b>Fixed income</b>		
Cash and money market securities	11,216	9,757
Government and corporate bonds	16,981	14,168
Inflation-linked bonds	8,365	9,509
Private debt securities	22,207	18,699
<b>Alternative investments</b>	18,208	15,768
<b>Total investments</b>	<b>\$202,366</b>	<b>\$188,277</b>
<b>Investment-related assets</b>		
Amounts receivable from pending trades	\$1,859	\$355
Interest receivable	367	231
Dividends receivable	152	132
Securities purchased under reverse repurchase agreements	935	2,095
Derivative-related assets	1,608	1,499
<b>Total investment-related assets</b>	<b>\$4,921</b>	<b>\$4,312</b>
<b>Investments representing financial assets at FVTPL</b>	<b>\$207,287</b>	<b>\$192,589</b>
<b>Investment-related liabilities</b>		
Amounts payable from pending trades	\$(789)	\$(779)
Interest payable	(85)	(59)
Securities sold short	(1,825)	(1,714)
Collateral payable	(700)	(490)
Securities sold under repurchase agreements	(6,899)	(2,867)
Derivative-related liabilities	(1,196)	(1,853)
<b>Investment-related liabilities representing financial liabilities at FVTPL</b>	<b>\$(11,494)</b>	<b>\$(7,762)</b>
<b>Borrowings</b>		
Capital market debt financing	\$(17,584)	\$(16,577)
<b>Borrowings representing financial liabilities designated at FVTPL</b>	<b>\$(17,584)</b>	<b>\$(16,577)</b>
<b>Net investments</b>	<b>\$178,209</b>	<b>\$168,250</b>

## (I) Public markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange-traded funds units, pooled funds units, and

securities convertible into common shares of publicly listed issuers.

## **Valuation techniques**

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. PSPIB reviews the fair value received, and where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

### **(II) Private markets**

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments comprise direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments comprise fund investments with similar objectives, co-investments in private entities, as well as direct equity positions.

Infrastructure investments comprise direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments comprise direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

## **Valuation techniques**

The process for fair value measurement of private markets investments is described in Note 5(C)(II); and the valuation techniques, together with the significant inputs used, are described in Note 5(C)(III).

### **(III) Fixed income**

Fixed income consists of cash and money market securities, government and corporate bonds, inflation-linked bonds and private debt securities.

Cash and money market securities include instruments having a maximum term to maturity of 1 year, such as treasury bills, certificates of deposit and bankers' acceptances. A portion of such instruments has maturities of 90 days or less and is held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

### **Valuation techniques**

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 5(C)(III).

The fair value measurement of fund investments included as part of private debt securities is described in Note 5(C)(II).

### **(IV) Alternative investments**

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments, as well as hedge funds.

### **Valuation techniques**

The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. PSPIB reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

#### **(V) Amounts receivable and payable from pending trades**

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

### **Valuation techniques**

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

#### **(VI) Interest and dividends receivable**

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

#### **(VII) Interest payable**

With respect to the borrowings described in Note 5(A)(XI), interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

#### **(VIII) Securities sold short**

Securities sold short reflect PSPIB's obligation to purchase securities pursuant to short selling transactions. In such transactions, PSPIB sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

### **Valuation techniques**

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.



#### **(IX) Collateral payable**

As part of securities lending and certain OTC derivative transactions, when cash is received, it is recognized as collateral payable. The payable balance reflects the obligation of the transferee to return the amount to the transferor at the end of the transaction in the absence of an event of default by the transferor.

#### **(X) Securities sold under repurchase agreements and purchased under reverse repurchase agreements**

As described in Note 2(G), PSPIB is party to repurchase and reverse repurchase agreements.

#### **Valuation techniques**

Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

#### **(XI) Borrowings under the capital market debt program**

PSPIB's capital market debt program is described in Note 9(B).

#### **Valuation techniques**

Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSPIB's medium-term notes is based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSPIB's credit quality.

#### **(B) Derivative-related assets and liabilities**

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSPIB uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSPIB uses the following types of derivative financial instruments:

##### **(I) Swaps**

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

## **(II) Futures**

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

## **(III) Forwards**

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

## **(IV) Options**

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

## **(V) Warrants and rights**

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

## **Valuation techniques**

### **(i) Determination of fair value of derivative financial instruments**

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

(ii) Notional values and fair values of derivative-related assets and liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.

The following table summarizes the derivatives portfolio as at March 31 (\$ millions):

	2023			2022		
	Notional value	Fair value		Notional value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Equity and commodity derivatives						
Listed: Futures	\$2,699	\$0	\$0	\$3,840	\$0	\$0
Listed: Warrants and rights	1	2	0	9	6	0
Listed: Options: Purchased	666	21	0	295	5	0
Written	873	0	(9)	480	0	(5)
OTC						
Swaps	15,130	481	(167)	15,341	353	(169)
Options: Purchased	62	0	0	43	0	0
Currency derivatives						
Listed: Futures	168	0	0	236	0	0
OTC						
Forwards	78,594	514	(613)	45,437	282	(944)
Swaps	2,607	65	(24)	542	0	(28)
Options: Purchased	1,507	7	0	1,110	10	0
Written	1,948	0	(6)	1,285	0	(7)
Interest rate derivatives						
Listed: Futures	1,609	0	0	5,701	0	0
Listed: Options: Purchased	35,488	5	0	35,714	31	0
Written	32,505	0	(5)	30,813	0	(26)

1 PSPIB, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.

	2023			2022		
	Notional value	Fair value		Notional value	Fair value	
		Assets	Liabilities		Assets	Liabilities
OTC						
Forwards	1,036	9	(3)	0	0	0
Swaps	2,546	24	(10)	1,566	88	(9)
Options: Purchased	48,000	469	0	40,428	723	0
Written	56,029	0	(351)	43,286	0	(660)
OTC-cleared						
Swaps	59,162	0	0	44,229	0	0
Credit derivatives						
OTC						
Credit default swaps:						
Purchased	411	0	(8)	191	0	(5)
Written <sup>1</sup>	882	11	0	36	1	0
OTC-cleared						
Credit default swaps:						
Purchased	1,478	0	0	1,348	0	0
Written <sup>1</sup>	0	0	0	137	0	0
Total		\$1,608	\$(1,196)		\$1,499	\$(1,853)
1	PSPIB, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.					

Total derivative related assets and liabilities as at March 31 comprise (\$ millions):

	2023			2022		
	Notional value	Fair value		Notional value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Listed derivatives	\$74,009	\$28	\$(14)	\$77,088	\$42	\$(31)
OTC derivatives	208,752	1,580	(1,182)	149,265	1,457	(1,822)
OTC-cleared derivatives	60,640	0	0	45,714	0	0
<b>Total</b>		<b>\$1,608</b>	<b>\$(1,196)</b>		<b>\$1,499</b>	<b>\$(1,853)</b>

The terms to maturity based on the notional value for the derivatives were as follows as at March 31 (\$ millions):

	2023	2022
Less than 3 months	\$167,989	\$107,420
3 to 12 months	108,963	93,967
Over 1 year	66,449	70,680

## (C) Fair value hierarchy

### (I) Classification

Financial assets and financial liabilities described under Note 5(A), are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSPIB can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
  - i. quoted prices for similar assets or liabilities in active markets
  - ii. quoted prices for identical or similar assets or liabilities in markets that are not active
  - iii. inputs other than quoted prices that are observable for the asset or liability
  - iv. market-corroborated inputs
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect PSPIB's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. PSPIB determines whether a transfer between levels has occurred and recognizes such transfers at the beginning of the reporting period.

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2023, classified within the fair value hierarchy (\$ millions):

	Level 1	Level 2	Level 3	Total fair value
<b>Investments</b>				
<b>Public markets</b>				
Canadian equity	\$2,014	\$1,265	\$0	\$3,279
Foreign equity	24,339	755	718	25,812
<b>Private markets</b>				
Real estate	0	0	30,092	30,092
Private equity	0	0	26,262	26,262
Infrastructure	0	0	26,295	26,295
Natural resources	0	0	13,649	13,649
<b>Fixed income</b>				
Cash and money market securities	7,960	3,256	0	11,216
Government and corporate bonds	5,944	11,035	2	16,981
Inflation-linked bonds	8,365	0	0	8,365
Private debt securities	0	0	22,207	22,207
<b>Alternative investments</b>	<b>0</b>	<b>11,265</b>	<b>6,943</b>	<b>18,208</b>
<b>Total investments</b>	<b>\$48,622</b>	<b>\$27,576</b>	<b>\$126,168</b>	<b>\$202,366</b>
<b>Investment-related assets</b>				
Amounts receivable from pending trades	\$0	\$1,859	\$0	\$1,859
Interest receivable	0	367	0	367
Dividends receivable	0	152	0	152
Securities purchased under reverse repurchase agreements	0	935	0	935
Derivative-related assets	28	1,580	0	1,608
<b>Total investment-related assets</b>	<b>\$28</b>	<b>\$4,893</b>	<b>\$0</b>	<b>\$4,921</b>
<b>Investments representing financial assets at FVTPL</b>	<b>\$48,650</b>	<b>\$32,469</b>	<b>\$126,168</b>	<b>\$207,287</b>
<b>Investment-related liabilities</b>				
Amounts payable from pending trades	\$0	\$(789)	\$0	\$(789)
Interest payable	0	(85)	0	(85)
Securities sold short	(1,706)	(119)	0	(1,825)
Collateral payable	0	(700)	0	(700)
Securities sold under repurchase agreements	0	(6,899)	0	(6,899)
Derivative-related liabilities	(14)	(1,182)	0	(1,196)

	Level 1	Level 2	Level 3	Total fair value
<b>Investment-related liabilities representing financial liabilities at FVTPL</b>	<b>\$(1,720)</b>	<b>\$(9,774)</b>	<b>\$0</b>	<b>\$(11,494)</b>
<b>Borrowings</b>				
Capital market debt financing	\$0	\$(17,584)	\$0	\$(17,584)
<b>Borrowings representing financial liabilities designated at FVTPL</b>	<b>\$0</b>	<b>\$(17,584)</b>	<b>\$0</b>	<b>\$(17,584)</b>
<b>Net investments</b>	<b>\$46,930</b>	<b>\$5,111</b>	<b>\$126,168</b>	<b>\$178,209</b>

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2022, classified within the fair value hierarchy (\$ millions):

	Level 1	Level 2	Level 3	Total fair value
<b>Investments</b>				
<b>Public markets</b>				
Canadian equity	\$2,292	\$1,304	\$0	\$3,596
Foreign equity	29,053	644	985	30,682
<b>Private markets</b>				
Real estate	0	0	28,783	28,783
Private equity	0	0	24,338	24,338
Infrastructure	0	0	21,520	21,520
Natural resources	0	0	11,457	11,457
<b>Fixed income</b>				
Cash and money market securities	2,414	7,343	0	9,757
Government and corporate bonds	3,386	10,780	2	14,168
Inflation-linked bonds	9,508	1	0	9,509
Private debt securities	0	0	18,699	18,699
<b>Alternative investments</b>	<b>0</b>	<b>9,596</b>	<b>6,172</b>	<b>15,768</b>
<b>Total investments</b>	<b>\$46,653</b>	<b>\$29,668</b>	<b>\$111,956</b>	<b>\$188,277</b>
<b>Investment-related assets</b>				
Amounts receivable from pending trades	\$0	\$355	\$0	\$355
Interest receivable	0	231	0	231
Dividends receivable	0	132	0	132
Securities purchased under reverse repurchase agreements	0	2,095	0	2,095

	Level 1	Level 2	Level 3	Total fair value
Derivative-related assets	42	1,457	0	1,499
<b>Total investment-related assets</b>	\$42	\$4,270	\$0	\$4,312
<b>Investments representing financial assets at FVTPL</b>	\$46,695	\$33,938	\$111,956	\$192,589
<b>Investment-related liabilities</b>				
Amounts payable from pending trades	\$0	\$(779)	\$0	\$(779)
Interest payable	0	(59)	0	(59)
Securities sold short	(1,714)	0	0	(1,714)
Collateral payable	0	(490)	0	(490)
Securities sold under repurchase agreements	0	(2,867)	0	(2,867)
Derivative-related liabilities	(31)	(1,822)	0	(1,853)
<b>Investment-related liabilities representing financial liabilities at FVTPL</b>	\$(1,745)	\$(6,017)	\$0	\$(7,762)
<b>Borrowings</b>				
Capital market debt financing	\$0	\$(16,577)	\$0	\$(16,577)
<b>Borrowings representing financial liabilities designated at FVTPL</b>	\$0	\$(16,577)	\$0	\$(16,577)
<b>Net investments</b>	\$44,950	\$11,344	\$111,956	\$168,250

There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2023.

As at March 31, 2021, listed foreign equity securities with a fair value of \$112 million were indirectly held and classified as Level 2. During the year ended March 31, 2022, these securities were transferred to Level 1 as they become directly held by PSPIB.

## (II) Process for Level 3 fair value determination

The valuation process is monitored and governed by an internal valuation committee (VC). This committee is responsible for overseeing all aspects of fair value determination. This includes valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.



The fair value of investments classified as Level 3 in private markets is determined at least semi-annually. For other interim reporting periods, the fair value is reviewed and adjusted, as appropriate, to reflect the impact of any significant market or investment-specific events or circumstances. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, PSPIB ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, PSPIB ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on the most recent audited financial statements received from the fund's general partner. In certain cases, fair value is obtained from information provided by the fund's administrators and is reviewed by PSPIB to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact, where applicable, of significant market movements or other events occurring up to the end of the reporting period, adjustments to private markets and fund investments are made, as appropriate. Such adjustments are based on a number of factors, including public market trading comparables, investment-specific characteristics, as well as market conditions and uncertainties at that time.

### (III) Level 3 significant inputs

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2023:

Financial assets	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
<b>Public markets</b>					
Foreign equity	Direct investments	<b>\$718</b>	NAV <sup>1</sup>	n/a	n/a
<b>Private markets</b>					

Financial assets	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
Real estate	Direct and co-investments	<b>\$27,555</b>	Discounted cash flow (DCF)	Discount rate <sup>2</sup> <sup>3</sup>	3.30% to 19.00% (7.40%)
				Terminal capitalization rate <sup>2</sup> <sup>3</sup>	3.56% to 12.00% (5.60%)
			Direct capitalization	Capitalization rate <sup>2</sup> <sup>4</sup>	2.35% to 10.00% (4.62%)
				Stabilized occupancy rate <sup>4</sup> <sup>5</sup>	98.00% to 100.00% (99.55%)
			Sales comparison approach	Price per square foot <sup>4</sup> <sup>5</sup>	\$3.42 to \$1,750.44 (\$256.48)
			NAV <sup>1</sup>	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	<b>\$2,537</b>	NAV <sup>1</sup>	n/a	n/a
Other private markets	Direct and co-investments	<b>\$47,635</b>	DCF	Discount rate <sup>2</sup>	5.50% to 20.00% (9.68%)
			Market comparables	n/a	n/a
			NAV <sup>1</sup>	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	<b>\$18,571</b>	NAV <sup>1</sup>	n/a	n/a
<b>Fixed income</b>					
Corporate bonds	Asset-backed term notes	<b>\$2</b>	Third-party pricing <sup>1</sup>	n/a	n/a
Private debt securities	Direct and co-investments	<b>\$16,791</b>	DCF	Discount rate <sup>2</sup>	4.25% to 23.48% (12.56%)
			NAV <sup>1</sup>	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	<b>\$5,416</b>	NAV <sup>1</sup>	n/a	n/a

Financial assets	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
Alternative investments	Fund investments	\$6,943	NAV <sup>1</sup>	n/a	n/a
<b>Total</b>		<b>\$126,168</b>			
<p><u>1</u> In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSPIB.</p> <p><u>2</u> An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.</p> <p><u>3</u> An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.</p> <p><u>4</u> There is no predictable direct relationship between this input and any other significant unobservable input.</p> <p><u>5</u> An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.</p>					

The following table outlines key information with respect to significant inputs related to financial assets categorized within Level 3 as at March 31, 2022:

Financial assets	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
<b>Public markets</b>					
Foreign equity	Direct investments	\$985	NAV <sup>1</sup>	n/a	n/a
<b>Private markets</b>					

Financial assets	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
Real estate	Direct and co-investments	\$26,572	Discounted cash flow (DCF)	Discount rate <sup>2</sup> <sup>3</sup>	4.50% to 19.00% (7.03%)
				Terminal capitalization rate <sup>2</sup> <sup>3</sup>	2.90% to 13.33% (5.38%)
			Direct capitalization	Capitalization rate <sup>2</sup> <sup>4</sup>	2.50% to 9.60% (4.36%)
				Stabilized occupancy rate <sup>4</sup> <sup>5</sup>	94.00% to 100.00% (97.87%)
			Sales comparison approach	Price per square foot <sup>4</sup> <sup>5</sup>	\$4.30 to \$2,077.86 (\$325.66)
			NAV <sup>1</sup>	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	\$2,211	NAV <sup>1</sup>	n/a	n/a
Other private markets	Direct and co-investments	\$40,161	DCF	Discount rate <sup>2</sup>	5.64% to 17.30% (8.96%)
			Market comparables	n/a	n/a
			NAV <sup>1</sup>	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	\$17,154	NAV <sup>1</sup>	n/a	n/a
<b>Fixed income</b>					
Corporate bonds	Asset-backed term notes	\$2	Third-party pricing <sup>1</sup>	n/a	n/a
Private debt securities	Direct and co-investments	\$14,241	DCF	Discount rate <sup>2</sup>	4.25% to 23.53% (10.33%)
			NAV <sup>1</sup>	n/a	n/a
			Transaction price	n/a	n/a
	Fund investments	\$4,458	NAV <sup>1</sup>	n/a	n/a

Financial assets	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)
Alternative investments	Fund investments	\$6,172	NAV <sup>1</sup>	n/a	n/a
<b>Total</b>		\$111,956			
<p><sup>1</sup> In certain cases, when investments are held through funds, partnerships or similar structures, fair value is determined by third parties where valuation information is not available to PSPIB.</p> <p><sup>2</sup> An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.</p> <p><sup>3</sup> An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.</p> <p><sup>4</sup> There is no predictable direct relationship between this input and any other significant unobservable input.</p> <p><sup>5</sup> An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.</p>					

#### (IV) Level 3 reconciliation

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2023 (\$ millions):

	Opening balance	Purchases	Sales	Settlements	Realized gains	Unrealized gains (losses) <sup>1</sup>	Transfer out of Level 3	Closing balance
Public markets	\$985	\$27	\$(92)	\$0	\$20	\$(188)	\$(34)	\$718
Private markets	86,098	13,311	(7,383)	0	2,519	1,910	(157)	96,298
Fixed income	18,701	5,786	(3,170)	0	263	629	0	22,209
Alternative investments	6,172	504	(424)	0	78	613	0	6,943
<b>Total</b>	<b>\$111,956</b>	<b>\$19,628</b>	<b>\$(11,069)</b>	<b>\$0</b>	<b>\$2,880</b>	<b>\$2,964</b>	<b>\$(191)</b>	<b>\$126,168</b>
<p><sup>1</sup> Includes pension plan allocation adjustments.</p>								

As at March 31, 2022, a public market investment of \$34 million in a non-listed fund that held securities was classified under Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2023, the listed securities held by the fund were transferred to PSPIB and were classified as Level 1. Additionally, as at March 31, 2022, a private market investment of \$157 million was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended March 31, 2023, this investment was transferred to Level 2 as the related securities became publicly traded. These securities held by PSPIB are unregistered and can only be sold upon their registration.

The following table shows a reconciliation of all movements related to financial assets categorized within Level 3 for the year ended March 31, 2022 (\$ millions):

	<b>Opening balance</b>	<b>Purchases</b>	<b>Sales</b>	<b>Settlements</b>	<b>Realized gains</b>	<b>Unrealized gains (losses) <sup>1</sup></b>	<b>Transfer in (out) of Level 3</b>	<b>Closing balance</b>
Public markets	\$902	\$313	\$(198)	\$0	\$34	\$(328)	\$262	\$985
Private markets	71,345	14,661	(11,178)	0	3,757	8,747	(1,234)	86,098
Fixed income	13,212	9,549	(4,211)	(5)	72	84	0	18,701
Alternative investments	6,346	1,043	(1,586)	0	662	(293)	0	6,172
<b>Total</b>	<b>\$91,805</b>	<b>\$25,566</b>	<b>\$(17,173)</b>	<b>\$(5)</b>	<b>\$4,525</b>	<b>\$8,210</b>	<b>\$(972)</b>	<b>\$111,956</b>
<sup>1</sup> Includes pension plan allocation adjustments.								

As at March 31, 2021, private market investments totalling \$1,234 million that were classified under Level 3, as their fair values were determined based on significant unobservable inputs, were transferred during the year ended March 31, 2022. One investment of \$128 million was transferred to Level 1 as it became publicly traded, while the other investments of \$1,106 million were transferred to Level 2 as the underlying instruments are indirectly held by PSPIB and valued using publicly available quoted prices. In addition, public market investments of \$262 million were transferred from Level 1 to Level 3 as their fair values were no longer based on observable inputs due to sanctions placed on international investing with respect to Russian securities.

#### (V) Level 3 sensitivity analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 5(C)(III). Although such assumptions reflect PSPIB's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 4% increase and 4% decrease as at March 31, 2023 (3% increase and 3% decrease as at March 31, 2022) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSPIB. In the case of fund investments, the fair value is determined as indicated in Note 5(C)(II).

#### **(D) Collateral pledged and received**

PSPIB is party to agreements that involve pledging and holding collateral, as outlined in Notes 2(E), 2(G), and 7(B)(I). The following table illustrates the fair values of the pension plan's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements, as at March 31 (\$ millions):

	2023	2022
<b>Securities lending and borrowing</b>		
Securities lent	<b>\$3,202</b>	\$2,709
Collateral held <sup>1</sup>	<b>3,352</b>	2,949
Securities borrowed	<b>1,411</b>	1,340
Collateral pledged <sup>2</sup>	<b>1,499</b>	1,412
<b>Securities repurchase and reverse repurchase agreements</b>		
Securities sold under repurchase agreements	<b>6,982</b>	2,826
Collateral pledged	<b>6,938</b>	2,852
Securities purchased under reverse repurchase agreements	<b>948</b>	2,089
Collateral held <sup>3</sup>	<b>945</b>	2,089
<b>Derivative contracts</b>		
Collateral pledged	<b>1,585</b>	1,793
Collateral held <sup>4</sup>	<b>1,363</b>	1,058

		2023	2022
1	The minimum fair value of securities collateral denominated in the same currency required is equal to 102% and in the case of securities denominated in different currencies, 105%. In exchange for securities lent, cash and securities received as at March 31, 2023, were \$619 million and \$2,733 million, respectively (nil and \$2,949 million, respectively, as at March 31, 2022). All cash amounts are reinvested.		
2	The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.		
3	The collateral received is in the form of securities, of which \$414 million has been used in connection with short selling transactions as at March 31, 2023 (\$373 million as at March 31, 2022) and \$224 million has been used in connection with securities sold under repurchase agreements (\$55 million as at March 31, 2022).		
4	As part of collateral held, cash amounted to \$83 million as at March 31, 2023 (\$104 million as at March 31, 2022) and securities amounted to \$1,280 million as at March 31, 2023 (\$954 million as at March 31, 2022). All cash collateral is reinvested.		

## 6. Interest in other entities

### (A) Subsidiaries, joint ventures and associates

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSPIB. As at March 31, 2023, 128 investment entity subsidiaries were incorporated in North America, 28 in Europe, 19 in Oceania, 8 in Central and South America, 2 in Asia and 1 in Africa (126 in North America, 26 in Europe, 18 in Oceania, 9 in Central and South America, 1 in Africa and 1 in Asia as at March 31, 2022).

In addition, PSPIB controlled 84 investees directly or through its investment entity subsidiaries as at March 31, 2023 (85 investees as at March 31, 2022).

The following tables present, in descending order, the most significant investees held directly or indirectly by PSPIB where it has control, joint control or significant influence.

As at March 31, 2023:

Entity's name	Principal place of business	Ownership interest held by PSPIB (%)	Relationship to PSPIB
AviAlliance GmbH	Europe	100	Controlled investee
American Wholesale Insurance Holding Company, LLC	North America	22	Associate
SEGRO European Logistics Partnership S.a.r.l.	Europe	50	Jointly controlled investee
Kaingaroa Timberlands Limited	Oceania	56	Jointly controlled investee



<b>Entity's name</b>	<b>Principal place of business</b>	<b>Ownership interest held by PSPIB (%)</b>	<b>Relationship to PSPIB</b>
<b>Roadis Transportation Holding, S.L.U.</b>	<b>Global</b>	<b>100</b>	<b>Controlled investee</b>
<b>Willow Topco Limited</b>	<b>Europe</b>	<b>74</b>	<b>Jointly controlled investee</b>
<b>TDF S.A.S.</b>	<b>Europe</b>	<b>22</b>	<b>Associate</b>
<b>Revera Inc.</b>	<b>North America</b>	<b>100</b>	<b>Controlled investee</b>
<b>Forth Ports Limited</b>	<b>Europe</b>	<b>51</b>	<b>Jointly controlled investee</b>
<b>Alliant</b>	<b>North America</b>	<b>12</b>	<b>Associate</b>

As at March 31, 2022:

<b>Entity's name</b>	<b>Principal place of business</b>	<b>Ownership interest held by PSPIB (%)</b>	<b>Relationship to PSPIB</b>
AviAlliance GmbH	Europe	100	Controlled investee
Kaingaroa Timberlands Limited	Oceania	56	Jointly controlled investee
SEGRO European Logistics Partnership S.a.r.l.	Europe	50	Jointly controlled investee
Revera Inc.	North America	100	Controlled investee
Willow Topco Limited	Europe	74	Jointly controlled investee
American Wholesale Insurance Holding Company, LLC	North America	22	Associate
Roadis Transportation Holding, S.L.U.	Global	100	Controlled investee
Forth Ports Limited	Europe	51	Jointly controlled investee
Seaport Square Associates LP / Seaport Square Parallel LP	North America	50	Jointly controlled investee
TDF S.A.S.	Europe	22	Associate

In addition to the above, PSPIB consolidates wholly owned subsidiaries that solely provide it with services that relate to its investment activities. Such services consist of investment management and financing of private market investments within the context of PSPIB's capital market debt program described in Note 9(B).

#### **(B) Structured entities**

PSPIB holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity as defined by IFRS. These entities are held as investments and do not expose PSPIB to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 22 and commitments under Note 23.

## **7. Investment risk management**

PSPIB is required to act in the best interests of the contributors and beneficiaries under the pension plan and for maximizing returns without undue risk of loss. In pursuit of this objective, PSPIB established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSPIB is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision-making process. The IRM Policy outlines a framework detailing how investment activities should comply with PSPIB's risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSPIB's various investment strategies. Investment risks include market, credit and liquidity risks.

### **(A) Market risk**

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive the value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

#### **(I) Measurement of market risk**

The absolute annualized Value at Risk (VaR) is used as a key measure of total portfolio market risk. The VaR quantifies the loss in value of an investment or an investment portfolio that one can expect, with a given confidence level, not to be exceeded over a given period, due to fluctuations in market prices.

PSPIB uses a historical VaR incorporating 10 years' worth of market returns scaled to a 12-month holding period at a 95% confidence level. That is, statistically PSPIB would expect to see losses exceed the VaR only 5% of the time over a one-year period. For investments that are not actively traded, the calculation of the VaR uses securities with similar risk attributes as a proxy.

The VaR is statistically valid under normal market conditions. Although it includes potential losses derived from observed historical returns, it also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the VaR of the total portfolio expressed as a percentage of net investments as at March 31:

	<b>2023 (%)</b>	<b>2022 (%)</b>
<b>VaR</b>	<b>19.6</b>	<b>17.4</b>

## **Stress testing**

Although the VaR is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSPIB uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

## **(II) Interest rate risk**

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the pension plan's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 5(A), with the most significant exposure to interest rate risk were as follows as at March 31, 2023 (\$ millions):

	Less than 1 year	1 to 5 years	5 to 10 years	Over 10 years	Other	Total
Cash and money market securities	\$0	\$0	\$0	\$0	\$11,216 <sup>1</sup>	\$11,216
Government and corporate bonds	497	7,462	4,867	3,912	243 <sup>2</sup>	16,981
Inflation-linked bonds	0	3,563	2,901	1,901	0	8,365
Private debt securities	759	4,898	8,328	3,034	5,188 <sup>3</sup>	22,207
<b>Total fixed income</b>	<b>\$1,256</b>	<b>\$15,923</b>	<b>\$16,096</b>	<b>\$8,847</b>	<b>\$16,647</b>	<b>\$58,769</b>

<sup>1</sup> Due to their short time maturity, these investments are not significantly exposed to interest rate risk.

<sup>2</sup> Certain fixed income securities are not significantly exposed to interest rate risk as their prescribed rates are variable.

<sup>3</sup> Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.

The terms to maturity of the classes of financial instruments, outlined in Note 5(A), with the most significant exposure to interest rate risk were as follows as at March 31, 2022 (\$ millions):

	Less than 1 year	1 to 5 years	5 to 10 years	Over 10 years	Other	Total
Cash and money market securities	\$0	\$0	\$0	\$0	\$9,757 <sup>1</sup>	\$9,757
Government and corporate bonds	265	5,239	4,235	3,584	845 <sup>2</sup>	14,168
Inflation-linked bonds	397	3,420	3,313	2,379	0	9,509
Private debt securities	145	3,769	7,565	2,519	4,701 <sup>3</sup>	18,699
<b>Total fixed income</b>	<b>\$807</b>	<b>\$12,428</b>	<b>\$15,113</b>	<b>\$8,482</b>	<b>\$15,303</b>	<b>\$52,133</b>

<sup>1</sup> Due to their short-time maturity, these investments are not significantly exposed to interest rate risk.

<sup>2</sup> Certain fixed income securities are not significantly exposed to interest rate risk as their prescribed rates are variable.

<sup>3</sup> Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to \$125,389 million as at March 31, 2023 (\$120,376 million as at March 31, 2022) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 5(A)(IV), which amounted to \$18,208 million as at March 31, 2023 (\$15,768 million as at March 31, 2022), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 5(A)(X) and 5(B), respectively, are subject to interest rate risk exposures. These exposures are reflected in the VaR calculation described in Note 7(A)(I).

The terms to maturity of PSPIB's capital market debt financing are disclosed in Note 9(B).

### **Interest rate benchmark reform**

PSPIB holds a number of financial instruments that will mature after the date the Interbank Offered Rate (IBOR) to which they refer is anticipated to be discontinued as a result of the reform. A steering committee oversees the transition from IBORs to alternative reference rates (ARRs) to mitigate the risks related to the discontinuation or unavailability of such rates, which are primarily operational. With respect to non-derivative financial instruments, PSPIB has been identifying agreements referring to IBORs and engaging in a timely contract remediation process with the related counterparties. For derivative contracts, PSPIB has adhered to the International Swaps and Derivatives Association (ISDA) Fallbacks Protocol that took effect on January 25, 2021, which provides an efficient mechanism to switch to ARRs as IBORs become unavailable.

The following table shows the fair value of non-derivative financial instruments and the notional value of derivative financial instruments that have yet to transition to ARRs. As at March 31, 2023, only instruments referencing US dollar London Interbank Offered Rate (USD LIBOR) and expected to mature after June 30, 2023, or Canadian Dollar Offered Rate (CDOR) and expected to mature after June 28, 2024, remain (\$ millions).

	<b>USD LIBOR</b>	<b>CDOR</b>
Non-derivative financial assets fair value	\$5,548	\$318
Derivatives notional	\$5,529	\$6,637

### **(III) Foreign currency risk**

PSPIB is exposed to currency risk through holding of investments that is, direct and indirect holdings of securities, units in pooled funds and units in limited partnerships or, investment-related liabilities in various currencies. 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. To mitigate this risk, PSPIB may take, through foreign forward contracts or cross currency swaps, positions in foreign currencies.

The underlying foreign currency exposures of net investments for the pension plan were as follows as at March 31 (\$ millions):

Currency	2023	
	Fair value	% of total
US dollar	\$112,895	66.0
Euro	20,638	12.1
Hong Kong dollar	7,714	4.5
British pound	6,312	3.7
Japanese yen	4,147	2.4
Indian rupee	2,755	1.6
Mexican peso	2,691	1.6
New Taiwan dollar	1,528	0.9
Singapore dollar	1,481	0.9
Swiss franc	1,374	0.8
South African rand	1,238	0.7
Others	8,192	4.8
<b>Total</b>	<b>\$170,965</b>	<b>100.0</b>

As at March 31, 2023, PSPIB and its investment entity subsidiaries also had commitments, denominated in foreign currencies, of \$23,890 million for the pension plan (US\$15,018 million, €1,865 million, £304 million, 16 million South African rand, 1,322 million Mexican pesos, 172 million Australian dollars, 1,611 million Indian rupees and 3,111 million Japanese yen), which were not included in the foreign currency exposure table above.

Currency	2022	
	Fair value	% of total
US dollar	\$94,274	64.0
Euro	15,410	10.5
Japanese yen	6,850	4.7
British pound	6,563	4.5
Hong Kong dollar	4,217	2.9
Australian dollar	3,533	2.4

Currency	2022	
	Fair value	% of total
Indian rupee	2,726	1.9
Mexican peso	2,256	1.5
Swiss franc	1,501	1.0
New Taiwan dollar	1,126	0.8
Chinese yuan	1,105	0.8
South Korean won	847	0.6
Others	6,839	4.4
<b>Total</b>	<b>\$147,247</b>	<b>100.0</b>

As at March 31, 2022, PSPIB and its investment entity subsidiaries also had commitments, denominated in foreign currencies, of \$20,562 million for the pension plan (US\$13,658 million, €1,719 million, £468 million, 16 million South African rand, 1,409 million Mexican pesos, 180 million Australian dollars, 1,935 million Indian rupees, 3,115 million Japanese yen and 24 million New Zealand dollars), which were not included in the foreign currency exposure table above.

## (B) Credit risk

PSPIB is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSPIB relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSPIB. To perform this evaluation for public issuers and counterparties, PSPIB relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSPIB uses the lowest of the available ratings. For private issuers, PSPIB assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSPIB uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2023, the pension plan's maximum exposure to credit risk amounted to \$61 billion (\$55 billion as at March 31, 2022). This amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit

exposure excludes guarantees disclosed in [Note 22](#), as well as investments in funds classified as alternative investments in [Note 5\(A\)](#). Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSPIB periodically produces a concentration report by credit rating of credit-sensitive securities. The concentration of credit risk by credit rating was as follows.

As at March 31, 2023 (\$ millions):

	<b>Government and corporate bonds <sup>1</sup></b>	<b>Inflation- linked bonds <sup>1</sup></b>	<b>Money market securities <sup>1</sup></b>	<b>Reverse repurchase agreements</b>	<b>OTC derivatives <sup>2</sup></b>	<b>Private debt securities <sup>1</sup></b>	<b>Total <sup>1</sup></b>
AAA-AA	<b>\$11,074</b>	<b>\$8,384</b>	<b>\$9,393</b>	<b>\$117</b>	<b>\$55</b>	<b>\$0</b>	<b>\$29,023</b>
A	<b>4,929</b>	<b>0</b>	<b>1,040</b>	<b>776</b>	<b>1,525</b>	<b>0</b>	<b>8,270</b>
BBB	<b>485</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>0</b>	<b>255</b>	<b>782</b>
BB or below	<b>551</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,959</b>	<b>22,510</b>
No rating <sup>3</sup>	<b>76</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>202</b>	<b>278</b>
<b>Total</b>	<b>\$17,115</b>	<b>\$8,384</b>	<b>\$10,433</b>	<b>\$935</b>	<b>\$1,580</b>	<b>\$22,416</b>	<b>\$60,863</b>

<sup>1</sup> Includes interest receivable.

<sup>2</sup> As disclosed in [Note 5\(B\)](#).

<sup>3</sup> Includes securities for public issuers and counterparties that are either not rated by credit rating agencies or rated by a single credit rating agency.

As at March 31, 2022 (\$ millions):



	<b>Government and corporate bonds <sup>1</sup></b>	<b>Inflation- linked bonds <sup>1</sup></b>	<b>Money market securities <sup>1</sup></b>	<b>Reverse repurchase agreements</b>	<b>OTC derivatives <sup>2</sup></b>	<b>Private debt securities <sup>1</sup></b>	<b>Total <sup>1</sup></b>
AAA- AA	\$9,129	\$9,525	\$7,326	\$322	\$56	\$0	\$26,358
A	4,334	0	1,838	1,271	1,401	0	8,844
BBB	289	0	0	502	0	296	1,087
BB or below	400	0	0	0	0	18,382	18,782
No rating <sup>3</sup>	102	0	0	0	0	149	251
<b>Total</b>	<b>\$14,254</b>	<b>\$9,525</b>	<b>\$9,164</b>	<b>\$2,095</b>	<b>\$1,457</b>	<b>\$18,827</b>	<b>\$55,322</b>

<sup>1</sup> Includes interest receivable.

<sup>2</sup> As disclosed in [Note 5\(B\)](#).

<sup>3</sup> Includes securities for public issuers and counterparties that are either not rated by credit rating agencies or rated by a single credit rating agency.

## (I) Counterparty risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing, as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSPIB requires that counterparties provide adequate collateral and meet its credit rating requirements. PSPIB frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, PSPIB has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSPIB's policy also requires the use of the ISDA Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSPIB to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSPIB to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high-quality debt instruments or securities and can be sold, repledged or otherwise used. PSPIB does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements, as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2(F) and 2(G) describe collateral requirements in securities lending and borrowing programs, as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSPIB and its counterparties is disclosed in Note 5(D).

In the case of the securities lending program, PSPIB's exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

PSPIB is responsible for counterparty risk monitoring and mitigation, as well as for maintaining a comprehensive, disciplined and enterprise-wide process for tracking and managing counterparty risk. As such, PSPIB measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.

## **(II) Offsetting**

PSPIB is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the statement of financial position. Securities repurchase and reverse repurchase agreements, described in Notes 2(G) and 5(D), are subject to similar arrangements; however, they are not offset as the conditions for offsetting are not met.

The following tables present the financial assets and liabilities described above (\$ millions):

### Financial assets

	Gross amount of recognized financial assets	Less: gross amount of recognized financial liabilities set off	Net amount of financial assets presented in the statement of financial position	Less: related amounts not set off in the statement of financial position		Net
				Recognized financial liabilities	Collateral held and not recognized	
As at March 31, 2023						
Reverse repurchase agreements	\$935	\$0	\$935 <sup>1</sup>	\$893	\$42	\$0
OTC-derivatives	1,580	0	1,580 <sup>2</sup>	1,127	336	117
Total	\$2,515	\$0	\$2,515	\$2,020	\$378	\$117
As at March 31, 2022						
Reverse repurchase agreements	\$2,095	\$0	\$2,095 <sup>1</sup>	\$1,010	\$1,082	\$3
OTC-derivatives	1,600	143	1,457 <sup>2</sup>	1,227	215	15
Total	\$3,695	\$143	\$3,552	\$2,237	\$1,297	\$18
<sup>1</sup>	As described in <a href="#">Note 5(A)(X)</a> .					
<sup>2</sup>	As described in <a href="#">Note 5(B)</a> .					

### Financial liabilities

	Gross amount of recognized financial liabilities	Less: gross amount of recognized financial assets set off	Net amount of financial liabilities presented in the statement of financial position	Less: related amounts not set off in the statement of financial position		Net
				Recognized financial assets	Collateral pledged and not derecognized	

	Gross amount of recognized financial liabilities	Less: gross amount of recognized financial assets set off	Net amount of financial liabilities presented in the statement of financial position	Less: related amounts not set off in the statement of financial position		Net
				Recognized financial assets	Collateral pledged and not derecognized	
As at March 31, 2023						
Repurchase agreements	\$6,899	\$0	\$6,899 <sup>1</sup>	\$893	\$6,006	\$0
OTC-derivatives	1,182	0	1,182 <sup>2</sup>	1,051	127	4
Collateral payable	83	0	83 <sup>3</sup>	76	0	7
Total	\$8,164	\$0	\$8,164	\$2,020	\$6,133	\$11
As at March 31, 2022						
Repurchase agreements	\$2,867	\$0	\$2,867 <sup>1</sup>	\$1,010	\$1,849	\$8
OTC-derivatives	1,965	143	1,822 <sup>2</sup>	1,123	663	36
Collateral payable	104	0	104 <sup>3</sup>	104	0	0
Total	\$4,936	\$143	\$4,793	\$2,237	\$2,512	\$44
1	As described in <a href="#">Note 5(A)(X)</a> .					
2	As described in <a href="#">Note 5(B)</a> .					
3	As described in <a href="#">Note 5(A)(IX)</a> . The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in <a href="#">Note 5(A)</a> as part of collateral payable.					

### (C) Liquidity risk

Liquidity risk corresponds to the risk that PSPIB will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSPIB's cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. PSPIB utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is

prepared and presented to PSPIB's senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, sufficient sources of liquidity are maintained for deployment in case of market disruption.

PSPIB has the ability to raise additional capital through the use of its capital market debt program. This program allows PSPIB to issue short-term promissory notes and medium-term notes. Note 9(B), provides additional information on the usage of the capital market debt program. Furthermore, PSPIB maintains credit facilities for general corporate purposes. Note 9(A), provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 5(B).

### Financial liabilities

The following tables present the fair value of non-derivative-related financial liabilities, as well as of derivative-related financial instruments, aggregated according to their maturities as at March 31, 2023 (\$ millions) and excluding the impact of guarantees and indemnities disclosed in Note 22:

	Less than 3 months	3 to 12 months	Over 1 year	Total
<b>Non-derivative-related financial liabilities <sup>1</sup></b>				
Amounts payable from pending trades	<b>\$(789)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$(789)</b>
Interest payable	<b>(76)</b>	<b>(9)</b>	<b>0</b>	<b>(85)</b>
Securities sold short	<b>(1,825)</b>	<b>0</b>	<b>0</b>	<b>(1,825)</b>
Collateral payable	<b>(700)</b>	<b>0</b>	<b>0</b>	<b>(700)</b>
Securities sold under repurchase agreements	<b>(6,416)</b>	<b>(483)</b>	<b>0</b>	<b>(6,899)</b>
Capital market debt financing	<b>(2,735)</b>	<b>(3,549)</b>	<b>(11,300)</b>	<b>(17,584)</b>
Trade payable and other liabilities	<b>(272)</b>	<b>(3)</b>	<b>(107)</b>	<b>(382)</b>
<b>Total</b>	<b>\$(12,813)</b>	<b>\$(4,044)</b>	<b>\$(11,407)</b>	<b>\$(28,264)</b>

<sup>1</sup> Liabilities are presented in the earliest period in which the counterparty can request payment.

	Less than 3 months	3 to 12 months	Over 1 year	Total
<b>Derivative-related financial instruments</b>				
Derivative-related assets	\$883	\$455	\$270	\$1,608
Derivative-related liabilities <sup>1</sup>	(674)	(374)	(148)	(1,196)
<b>Total</b>	<b>\$209</b>	<b>\$81</b>	<b>\$122</b>	<b>\$412</b>
<sup>1</sup> Liabilities are presented in the earliest period in which the counterparty can request payment.				

The following tables present the fair value of non-derivative-related financial liabilities, as well as of derivative-related financial instruments, aggregated according to their maturities as at March 31, 2022 (\$ millions) and excluding the impact of guarantees and indemnities disclosed in [Note 22](#):

	Less than 3 months	3 to 12 months	Over 1 year	Total
<b>Non-derivative-related financial liabilities <sup>1</sup></b>				
Amounts payable from pending trades	\$(779)	\$0	\$0	\$(779)
Interest payable	(53)	(6)	0	(59)
Securities sold short	(1,714)	0	0	(1,714)
Collateral payable	(107)	0	(383)	(490)
Securities sold under repurchase agreements	(1,606)	(1,261)	0	(2,867)
Capital market debt financing	(5,754)	(1,423)	(9,400)	(16,577)
Trade payable and other liabilities	(194)	(2)	(117)	(313)
<b>Total</b>	<b>\$(10,207)</b>	<b>\$(2,692)</b>	<b>\$(9,900)</b>	<b>\$(22,799)</b>
<sup>1</sup> Liabilities are presented in the earliest period in which the counterparty can request payment.				

	Less than 3 months	3 to 12 months	Over 1 year	Total
<b>Derivative-related financial instruments</b>				
Derivative-related assets	\$617	\$529	\$353	\$1,499
<sup>1</sup> Liabilities are presented in the earliest period in which the counterparty can request payment.				

	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative-related liabilities <sup>1</sup>	(978)	(639)	(236)	(1,853)
<b>Total</b>	<b>\$(361)</b>	<b>\$(110)</b>	<b>\$117</b>	<b>\$(354)</b>
<sup>1</sup> Liabilities are presented in the earliest period in which the counterparty can request payment.				

## 8. Contributions receivable

The contributions receivable as at March 31 are as follows (\$ millions):

	2023	2022
Contributions receivable from plan members for past service	<b>\$257</b>	\$303
Other contributions receivable from plan members	<b>83</b>	71
<b>Total contributions receivable from plan members</b>	<b>\$340</b>	\$374
Contributions receivable from employers for past service	<b>\$204</b>	\$243
Other contributions receivable from employers	<b>83</b>	72
<b>Total contributions receivable from employers</b>	<b>\$287</b>	\$315
<b>Total contributions receivable</b>	<b>\$627</b>	\$689

## 9. Borrowings

### (A) Credit facilities

PSPIB maintains a revolving credit facility in the amount of \$2 billion and a demand line of credit in the amount of \$1 billion (together “the credit facilities”).

The credit facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these credit facilities are available at variable interest rates such as the prime rate and the US base rate.

These credit facilities were not drawn upon as at March 31, 2023, and March 31, 2022.

### (B) Capital market debt financing

PSPIB’s capital market debt program consists of the private placement of short-term promissory notes, as well as medium-term notes issued by PSP Capital Inc., a wholly owned subsidiary of PSPIB. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSPIB in accordance with its corporate leverage policy.

The maximum amount authorized by PSPIB's Board of Directors for the capital market debt program is limited to \$12 billion for short-term promissory notes for issuances in Canada and the United States combined, and \$20 billion for medium-term notes issued globally.

PSPIB's capital market debt financing was in compliance with the limits authorized by PSPIB's Board of Directors during the years ended March 31, 2023, and March 31, 2022.

The following outlines the terms, as well as the fair value, of the notes issued under the capital market debt program allocated to the pension plan as at March 31 (\$ millions):

	2023		2022	
	Capital amounts payable at maturity	Fair value	Capital amounts payable at maturity	Fair value
Short-term Canadian dollar promissory notes, bearing interest between 4.41% and 4.44% and maturing within 120 and 180 days of issuance (between 0.25% and 1.00%, maturing within 30 and 360 days as at March 31, 2022)	\$29	\$29	\$172	\$171
Short-term US dollar promissory notes, bearing interest between 2.40% and 5.56% and maturing within 32 and 365 days of issuance (between 0.15% and 1.15%, maturing within 25 and 365 days as at March 31, 2022)	5,293	5,235	5,750	5,748
Medium-term Canadian dollar notes Series 7, bearing interest of 3.29% per annum and maturing on April 4, 2024	961	951	960	975
Medium-term Canadian dollar notes Series 9, bearing interest of 2.09% per annum and maturing on November 22, 2023	1,036	1,020	1,034	1,030
Medium-term Canadian dollar notes Series 10, bearing interest of 1.73% per annum and maturing on June 21, 2022	0	0	1,256	1,258
Medium-term Canadian dollar notes Series 11, bearing interest of 3.00% per annum and maturing on November 5, 2025	914	896	912	921
Medium-term Canadian dollar notes Series 12, bearing interest of 2.05% per annum and maturing on January 15, 2030	904	824	844	790
Medium-term Canadian dollar notes Series 13, bearing interest of 0.90% per annum and maturing on June 15, 2026	1,057	971	1,095	1,014



	2023		2022	
	Capital amounts payable at maturity	Fair value	Capital amounts payable at maturity	Fair value
Medium-term Canadian dollar notes Series 14, bearing interest of 1.50% per annum and maturing on March 15, 2028	731	666	686	635
Medium-term US dollar notes Series G1, bearing interest of 1.00% per annum and maturing on June 29, 2026	990	896	912	846
Medium-term US dollar notes Series G2, bearing interest of 0.50% per annum and maturing on September 15, 2024	1,237	1,171	1,140	1,086
Medium-term US dollar notes Series G3, bearing interest of 1.63% per annum and maturing on October 26, 2028	990	872	912	855
Medium-term Canadian dollar notes Series G4 (Green bonds), bearing interest of 2.60% per annum and maturing on March 1, 2032	731	673	730	702
Medium-term US dollar notes Series G5, bearing interest at a rate per annum equal to compounded SOFR plus 24 basis points and maturing on March 3, 2025	990	986	547	546
Medium-term US dollar notes Series G6, bearing interest of 3.50% per annum and maturing on June 29, 2027	990	967	0	0
Medium-term Australian dollar notes Series G7, bearing interest of 4.57% per annum and maturing on August 5, 2032	152	152	0	0
Medium-term Canadian dollar notes Series G8, bearing interest of 3.75% per annum and maturing on June 15, 2029	1,017	1,031	0	0
Medium-term Australian dollar notes Series G9, bearing interest of 4.82% per annum and maturing on January 31, 2033	133	134	0	0
Medium-term Euro notes Series G10, bearing interest of 3.68% per annum and maturing on March 1, 2038	108	110	0	0
<b>Total</b>	<b>\$18,263</b>	<b>\$17,584</b>	\$16,950	\$16,577

Unrealized losses in connection with borrowings amounted to \$184 million for the year ended March 31, 2023 (unrealized gains of \$503 million for the year ended March 31, 2022).

Interest expense, for the years ended March 31, was as follows (\$ millions):

	2023	2022
Short term promissory notes	\$162	\$11
Medium term notes	241	166
<b>Total</b>	<b>\$403</b>	<b>\$177</b>

### (C) Reconciliation of liabilities arising from financing activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2023 (\$ millions):

	Opening balance	Proceeds from borrowings	Repayment of borrowings	Non-cash changes		Closing balance
				Foreign exchange losses	Fair value <sup>1</sup> gains	
<b>Capital market debt financing</b>	<b>\$16,577</b>	<b>\$20,566</b>	<b>\$(19,802)</b>	<b>\$439</b>	<b>\$(196)</b>	<b>\$17,584</b>
<b>Borrowings</b>	<b>\$16,577</b>	<b>\$20,566</b>	<b>\$(19,802)</b>	<b>\$439</b>	<b>\$(196)</b>	<b>\$17,584</b>
<sup>1</sup> Includes interest on short-term promissory notes, which added to cost approximates their fair value.						

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2022 (\$ millions):

	Opening balance	Proceeds from borrowings	Repayment of borrowings	Non-cash changes		Closing balance
				Foreign exchange losses	Fair value <sup>1</sup> gains	
<b>Capital market debt financing</b>	<b>\$12,196</b>	<b>\$23,627</b>	<b>\$(18,744)</b>	<b>\$38</b>	<b>\$(540)</b>	<b>\$16,577</b>
<b>Borrowings</b>	<b>\$12,196</b>	<b>\$23,627</b>	<b>\$(18,744)</b>	<b>\$38</b>	<b>\$(540)</b>	<b>\$16,577</b>
<sup>1</sup> Includes interest on short-term promissory notes, which added to cost approximates their fair value.						

## 10. Related party transactions

### (A) Certain investees

Transactions between PSPIB and its unconsolidated subsidiaries, jointly controlled investees and associates or subsidiaries of such entities are related party transactions. PSPIB enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 5(A), as well as guarantees, indemnities and commitments described under Notes 22 and 23, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets available for benefits as those with unrelated parties.

Transactions between PSPIB and its consolidated subsidiaries, as well as related balances, are eliminated upon consolidation and, therefore, are not disclosed in this note.

### **(B) Government-related entities**

Since PSPIB is a Crown corporation, it is considered to be a government-related entity. Other entities that are controlled, jointly controlled or significantly influenced by the government are also considered government-related entities.

PSPIB may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 5(A). Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on the net assets available for benefits as those with unrelated parties. Consequently, management is availing itself of the exemption under IAS 24 *Related Parties* from making specific disclosures on transactions and balances with such government-related entities.

## **11. Capital management**

PSPIB manages the pension plan's investments. PSPIB's investment objectives are:

- To invest fund transfers in the best interests of the beneficiaries and contributors under the PSSA. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the pension plan established under the PSSA and the ability of the pension plan to meet its financial obligations. The funds are also invested in accordance with PSPIB's Investment Risk Management policy, which is outlined in Note 7.
- To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSPIB has the ability to raise capital by issuing short-term promissory notes and medium-term notes.

Note 9(B), provides information on the capital market debt financing, and Note 7(C), provides information on PSPIB's liquidity.

The pension plan's capital consists of the actuarial funding surplus or deficit determined regularly by the actuarial funding valuation prepared by the OCA. The purpose of this actuarial valuation is to determine the financial position of the pension plan by testing its ability to meet obligations to current plan members and their survivors. Using various assumptions, the OCA projects the future pension benefits to estimate the current value of the pension obligations on a funding basis, which is compared with the sum of: the investment assets held by PSPIB (net of investment-related liabilities and borrowings), including their projected earnings; and the discounted value of future plan member and government contributions, including future earnings on contributions. The result of this comparison is either an actuarial surplus or an actuarial deficit.

It is government policy that the obligations pertaining to service before April 1, 2000, are unfunded and are paid as they become due. For the obligations pertaining to service since April 1, 2000, the objective of managing the capital position of the pension plan is to ensure that the investments held by PSPIB are sufficient to meet the related future pension obligations.

## **12. Pension obligations**

The OCA performs an actuarial valuation for accounting purposes as at March 31 of each fiscal year to measure and report the pension obligations, and to attribute the costs of the benefits to the period using the projected benefit method prorated on service. The assumptions used in the actuarial valuation are based on management's best estimates of expected long-term experience and short-term forecasts, as well as the majority of the demographic assumptions underlying the triennial actuarial valuation for funding purposes of the pension plan, as at March 31, 2020. The assumptions include estimates of discount rates, future inflation, returns on investments, general wage increases, workforce composition, retirement rates and mortality rates.

The discount rates used to measure the present value of the pension obligations are as follows:

- for funded pension benefits, the streamed expected rates of return on invested funds; and
- for unfunded pension benefits, the government's cost of borrowing derived from the yields on the actual zero-coupon yield curve for Government of Canada bonds which reflect the timing of the expected future cash flows.

The principal actuarial assumptions used in measuring the pension obligations were as follows as at March 31:

	2023 (%)	2022 (%)
Discount rates		
Funded pension benefits <sup>1</sup>	6.0	5.8
Unfunded pension benefits <sup>2</sup>	3.0	2.4
Long-term rate of inflation	2.0	2.0
Long-term general wage increase	2.6	2.6
<p><sup>1</sup> In regard to funded pension benefits, the streamed discount rates used to measure the pension obligations are equivalent to the flat discount rates presented in the table. The ultimate discount rate is expected to reach 6.0% by 2033 (5.9% by 2034 in 2022).</p> <p><sup>2</sup> In regard to unfunded pension benefits, the discount rates disclosed in the table reflect the equivalent flat discount rate.</p>		

For the year ended March 31, 2023, the pension plan recorded total net gains of \$3.85 billion (total net gains of \$4.08 billion in 2022) consisting of net gains due to changes in actuarial assumptions of \$9.65 billion (net gains of \$2.16 billion in 2022) and net experience losses of \$5.80 billion (net gains of \$1.92 billion in 2022).

### 13. Deficit to be financed by the Government of Canada

The financial statement deficit does not impact the benefit payments to plan members because the government has a statutory obligation to pay the pension benefits it sponsors. Pursuant to pension legislation, the transactions for funded and unfunded pension benefits are tracked in the pension accounts within the accounts of Canada.

#### (A) Funded pension benefits

The pension plan is financed from employee and employer contributions, as well as from investment earnings. Funded pension benefits relate to post-March 2000 service that falls within the *Income Tax Act* limits, as an amount equal to contributions less benefit payments and other charges is invested by PSPIB. Funded pension benefits also include pre-2000 service purchased since April 1, 2000.

#### (B) Unfunded pension benefits

Unfunded pension benefits related to pre-April 2000 service are tracked in the pension plan superannuation account since there are no invested funds maintained for this account (see [Note 20](#)). Employee and employer contributions for unfunded pension benefits are part of the CRF.

## 14. Investment income

The investment income of the pension plan is presented for each major class of financial assets and liabilities and has two categories: interest and dividends, and net unrealized and realized gains (losses). This presentation reflects the substance of the investment income generated by the underlying investments, whether directly held by PSPIB or by its investment entity subsidiaries.

The investment income of the pension plan consists of the following for the years ended March 31 (\$ millions):

	2023			2022		
	Interest and dividends	Change in fair value <sup>1</sup>	Total investment income	Interest and dividends	Change in fair value <sup>1</sup>	Total investment income
<b>Public markets</b>	<b>\$843</b>	<b>\$(1,221) <sup>2</sup></b>	<b>\$(378)</b>	<b>\$866</b>	<b>\$825 <sup>2</sup></b>	<b>\$1,691</b>
<b>Private markets</b>						
Real estate	376	(211) <sup>2</sup>	165	566	3,974 <sup>2</sup>	4,540
Private equity	115	835 <sup>2</sup>	950	437	5,493 <sup>2</sup>	5,930
Infrastructure	607	2,901 <sup>2</sup>	3,508	505	1,322 <sup>2</sup>	1,827
Natural resources	313	669 <sup>2</sup>	982	222	852 <sup>2</sup>	1,074
<b>Fixed income</b>	<b>2,477</b>	<b>399 <sup>2</sup></b>	<b>2,876</b>	<b>1,585</b>	<b>(863) <sup>2</sup></b>	<b>722</b>
<b>Alternative investments</b>	<b>11</b>	<b>1,448</b>	<b>1,459</b>	<b>4</b>	<b>154</b>	<b>158</b>
<b>Total before giving effect to investment-related assets and liabilities</b>	<b>\$4,742</b>	<b>\$4,820</b>	<b>\$9,562</b>	<b>\$4,185</b>	<b>\$11,757</b>	<b>\$15,942</b>
<b>Investment-related assets and liabilities</b>	<b>38</b>	<b>(162)</b>	<b>(124)</b>	<b>1</b>	<b>741</b>	<b>742</b>
<b>Capital market debt financing</b>	<b>0</b>	<b>(558)</b>	<b>(558)</b>	<b>0</b>	<b>585</b>	<b>585</b>
<b>Investment income</b>	<b>\$4,780</b>	<b>\$4,100</b>	<b>\$8,880</b>	<b>\$4,186</b>	<b>\$13,083</b>	<b>\$17,269</b>

<sup>1</sup> Change in fair value includes realized and unrealized gains (losses) as described in [Note 2\(j\)](#).

<sup>2</sup> As described in [Note 18](#), investment-related expenses of \$46 million were incurred by PSPIB's investment entity subsidiaries for the year ended March 31, 2023 (\$90 million were incurred for the year ended March 31, 2022). They are presented as part of investment-related expenses in accordance with Section 4600, while they are presented as part of investment income in PSPIB's financial statements prepared under IFRS.

## 15. Contributions

The contributions related to funded benefits for the years ended March 31 are as follows (\$ millions):

	2023	2022
From plan members		
Current service contributions	\$2,931	\$2,873
Past service contributions	203	130
<b>Total plan member contributions</b>	<b>\$3,134</b>	<b>\$3,003</b>
From employers		
Current service contributions	\$2,947	\$2,883
Past service contributions	115	44
<b>Total employer contributions</b>	<b>\$3,062</b>	<b>\$2,927</b>
<b>Total plan member and employer contributions</b>	<b>\$6,196</b>	<b>\$5,930</b>

## 16. Special employer contribution for actuarial deficit

The PSSA requires that any actuarial deficit be dealt with by the government, through transferring equal instalments to the pension fund over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament.

No special employer contribution was made to the pension fund in the fiscal year ended March 31, 2023 (no special employer contribution in 2022) since no actuarial deficit was identified in the triennial actuarial valuation of the pension plan as at March 31, 2020, that was tabled in Parliament on February 4, 2022. The next triennial actuarial valuation of the pension plan as at March 31, 2023, is expected to be tabled in Parliament in calendar year 2024.

## 17. Benefit payments and refunds and transfers

### (A) Benefit payments

The value of benefit payments for funded benefits, for the years ended March 31, is as follows (\$ millions):

	2023	2022
Retirement benefit payments	\$3,228	\$2,859
Disability benefit pension payments	256	232

<sup>1</sup> Consist of minimum benefit payments and return of contribution payments at death.

	2023	2022
Death benefit payments <sup>1</sup>	42	28
<b>Total benefit payments</b>	<b>\$3,526</b>	<b>\$3,119</b>
<hr/> <sup>1</sup> Consist of minimum benefit payments and return of contribution payments at death.		

## (B) Refunds and transfers

The value of refunds and transfers for funded benefits, for the years ended March 31, is as follows (\$ millions):

	2023	2022
Payments with respect to division of pension benefits	\$41	\$49
Returns of contributions and transfer value payments	274	397
Transfers to other pension plans	26	41
<b>Total refunds and transfers</b>	<b>\$341</b>	<b>\$487</b>

## 18. Investment-related expenses

Investment-related expenses allocated to the pension plan consist of the following for the years ended March 31 (\$ millions):

	2023	2022
Interest expense	\$587	\$183
Transaction costs	101	113
External investment management fees <sup>1</sup>	48	28
Other (net) <sup>2</sup>	156	132
<b>Total</b>	<b>\$892</b>	<b>\$456</b>



	2023	2022
1	<p>Consists of amounts incurred for investments in public markets that are paid directly by PSPIB. Other fees are paid by certain pooled fund investments classified under alternative investments, which amounted to \$142 million for the year ended March 31, 2023 (\$289 million for the year ended March 31, 2022). Such fees are embedded in the fair value of the funds.</p> <p>Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSPIB. Such fees, which generally vary between 0.1% and 2.5% of the total invested and/or committed amount, totalled \$431 million for the year ended March 31, 2023 (\$357 million for the year ended March 31, 2022). Such fees are embedded in the fair value of investments.</p>	
2	<p>Investment-related expenses of \$46 million were incurred by PSPIB's investment entity subsidiaries for the year ended March 31, 2023 (\$90 million were incurred for the year ended March 31, 2022). They are presented as part of investment-related expenses in accordance with Section 4600, while they are presented as part of investment income in PSPIB's financial statements prepared under IFRS.</p>	

## 19. Administrative expenses

The legislation provides for administrative expenses to be charged to the pension plan. The Treasury Board approves the administrative expenses chargeable to the pension plan.

PSPC, as the day-to-day administrator, recovers from the pension plan administrative expenses for the activities directly attributable to its administration. These costs include salaries and benefits, systems maintenance and development, accommodation, and other operating costs of administering the pension plan within the department.

The Secretariat, as the program manager of the pension plan, provides policy interpretation support, information to plan members, financing and funding services and support to the Pension Advisory Committee, and charges its administrative costs to the pension plan.

Health Canada is reimbursed for the costs related to medical examinations required for members that elect to purchase prior service and for members who retire on medical grounds under the pension plan. These costs are included in the Secretariat's operations and maintenance costs charged to the pension plan.

The OCA provides actuarial valuation services. The costs related to these services are charged to the pension plan.

PSPIB's costs of operation are charged to the four plans for which PSPIB provides investment services, namely, the public service pension plan, the Canadian Forces pension plan, the Reserve Force pension plan and the Royal Canadian Mounted Police pension plan. PSPIB allocates the direct costs of investment activities, such as external investment management fees and custodial fees that are included in each pension plan's administrative expenses, based upon the net investments of each pension plan at the time the expense was incurred.

In 2023, 73.0% of PSPIB's costs of operation were allocated to the public service pension plan (72.9% in 2022) as plan-related administrative expenses, such as salaries and employee benefits, operations and maintenance, professional and consulting fees, and other operating fees.

Administrative expenses, for the years ended March 31, consist of the following (\$ millions):

	2023	2022
<b>PSPC</b>		
Salaries and employee benefits	\$79	\$79
Professional and consulting fees	19	18
Operations and maintenance	13	11
Other	11	11
<b>Total</b>	<b>\$122</b>	<b>\$119</b>
<b>The Secretariat</b>		
Salaries and employee benefits	\$5	\$5
Operations and maintenance	3	3
<b>Total</b>	<b>\$8</b>	<b>\$8</b>
<b>OCA</b>		
Actuarial fees	\$1	\$1
<b>Total for government departments (included in the service cost)</b>	<b>\$131</b>	<b>\$128</b>
<b>PSPIB</b>		
Salaries and employee benefits	\$334	\$265
Operations and maintenance	81	74
Professional and consulting fees	100	72
Other	29	18
<b>Total</b>	<b>\$544</b>	<b>\$429</b>
<b>Total administrative expenses <sup>1</sup></b>	<b>\$675</b>	<b>\$557</b>
<sup>1</sup> Administrative expenses related to the funded service for 2023 totalled \$624 million (\$504 million in 2022).		

## 20. Superannuation account

A separate superannuation account has been established within the accounts of Canada in accordance with the PSSA and is not consolidated in the pension plan financial statements. In order for the government to track transactions made through the CRF, the superannuation account records contributions, benefit payments, interest and transfers that pertain to service before April 1, 2000. The superannuation account does not contain separate invested funds; rather, it is credited with notional interest as though net cash flows were invested quarterly in 20-year Government of Canada bonds issued at prescribed rates and held to maturity.

The following summarizes the financial position of the superannuation account and contributions receivable for service before April 1, 2000, as at March 31 (\$ millions):

	2023	2022
<b>Balance of account</b>		
Superannuation account	<b>\$91,343</b>	\$94,113
Contributions receivable from plan members for past service	<b>6</b>	7
Contributions receivable from employers for past service	<b>5</b>	6
<b>Subtotal</b>	<b>\$91,354</b>	\$94,126
Pension obligation <sup>1</sup>	<b>\$94,816</b>	\$101,026
<b>Shortfall of the balance of the account over the pension obligation</b>	<b>\$(3,462)</b>	\$(6,900)
<p><sup>1</sup> The pension obligation is consolidated in the pension plan's financial statements. The actuarial assumptions used to measure the pension obligation related to the superannuation account are included in <a href="#">Note 12</a>.</p>		

The PSSA requires that any actuarial shortfall resulting from a lower balance in the superannuation account than the actuarial liability be addressed by the government, through crediting the superannuation account in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament.

For the year ended March 31, 2023, no special employer contribution was credited to the superannuation account (a special employer contribution of \$7,805 million in 2022) to cover the actuarial shortfall, based on the triennial actuarial valuation of the pension plan as at March 31, 2020.

The PSSA also allows the excess, based on the actuarial valuation for funding purposes, to be reduced by decreasing the superannuation account over a period of up to 15 years; however, if the balance of the superannuation account exceeds 110% of the amount required to meet the

cost of the benefits payable, the excess amount must be reduced by decreasing the superannuation account annually over a period of up to 15 years.

The following summarizes the transactions in the superannuation account for unfunded pension benefits for the years ended March 31 (\$ millions):

	2023	2022
<b>Opening balance</b>	<b>\$94,113</b>	\$89,011
<b>Increase</b>		
Contributions by plan members	<b>\$2</b>	\$3
Contributions by employers		
Regular contributions	<b>2</b>	2
Special contributions	<b>0</b>	7,805
Interest income	<b>2,914</b>	2,896
<b>Total increase</b>	<b>\$2,918</b>	\$10,706
<b>Decrease</b>		
Benefits paid	<b>\$5,625</b>	\$5,533
Refunds and transfers	<b>12</b>	18
Administrative expenses	<b>51</b>	53
<b>Total decrease</b>	<b>\$5,688</b>	\$5,604
<b>Closing balance</b>	<b>\$91,343</b>	\$94,113

## 21. Retirement compensation arrangements

Retirement compensation arrangements (RCAs) have been established under the authority of the *Special Retirement Arrangements Act* to provide supplementary pension benefits to certain plan members. Since these arrangements are covered by separate legislation, the balance of the RCAs and the related pension obligations are not consolidated in the financial statements of the pension plan.

RCA No. 1 provides for benefits in excess of those permitted under the *Income Tax Act* restrictions for registered pension plans.

RCA No. 2 provides pension benefits to federal public service employees who were declared surplus as a result of a 3-year Early Retirement Incentive program that ended on March 31, 1998. The cost of RCA No. 2 is assumed entirely by the government.

Pursuant to the legislation, transactions pertaining to both RCA No. 1 and RCA No. 2, such as contributions, benefits, and interest credits, are recorded in the RCA accounts, which are maintained within the accounts of Canada. The legislation also requires that the RCA accounts

be credited with interest quarterly at the same rates as those credited to the superannuation account.

The RCAs are registered with the Canada Revenue Agency (CRA), and a transfer is made annually between the RCA accounts and the CRA either to remit a 50% refundable tax in respect of the net increase in the accounts (contributions and interest credits less payments and other charges) or to receive a 50% tax reimbursement in respect of the net decrease in the accounts (payments and other charges less contributions and interest credits).

The following summarizes the financial position of RCA No. 1 and RCA No. 2 as at March 31 (\$ millions):

	2023	2022
<b>Balance of the accounts</b>		
RCA accounts	<b>\$1,932</b>	\$1,912
Refundable tax receivable	<b>1,937</b>	1,931
Contributions receivable from plan members for past service	<b>1</b>	1
Contributions receivable from employers for past service	<b>1</b>	1
<b>Subtotal</b>	<b>\$3,871</b>	\$3,845
Pension obligations	<b>\$3,404</b>	\$3,434
<b>Excess of the balance of the accounts over the pension obligations</b>	<b>\$467</b>	\$411

The actuarial assumptions used to value the pension obligations pertaining to the RCA accounts are consistent in all respects with those used for the superannuation account.

The following summarizes the transactions in RCA No. 1 and RCA No. 2 for the years ended March 31 (\$ millions):

	2023	2022
<b>Opening balance</b>	<b>\$3,845</b>	\$3,872
<b>Increase</b>		
Contributions by plan members	<b>\$19</b>	\$14
Contributions by employers	<b>105</b>	48
Interest income	<b>60</b>	63
Increase in refundable tax receivable	<b>6</b>	(13)
<b>Total increase</b>	<b>\$190</b>	\$112
<b>Decrease</b>		
Benefits paid	<b>\$157</b>	\$150

	2023	2022
Refunds and transfers	1	2
Refundable tax remittance	6	(13)
<b>Total decrease</b>	<b>\$164</b>	<b>\$139</b>
<b>Closing balance</b>	<b>\$3,871</b>	<b>\$3,845</b>

Actuarial shortfalls resulting from a lower balance in the RCA accounts than the actuarial liabilities are addressed by the government, through crediting the RCA accounts in equal instalments over a period of up to 15 years by means of special employer contributions based on triennial actuarial valuations for funding purposes, starting in the fiscal year in which the actuarial report is tabled in Parliament.

For the year ended March 31, 2023, no special employer contribution was credited to RCA No. 1 (no special employer contribution in 2022), and no special employer contribution was credited to RCA No. 2 (no special employer contribution in 2022) since no actuarial shortfalls were identified in the triennial actuarial valuation of the pension plan as at March 31, 2020.

## 22. Guarantees and indemnities

PSPIB provides indemnification to its directors, its officers, its employees and to certain PSPIB representatives asked to serve as directors or officers of entities in which PSPIB or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the *Public Sector Pension Investment Board Act*, PSPIB may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSPIB has not received any claims or made any payment for such indemnities.

In certain cases, PSPIB also provides indemnification to third parties in the normal course of business. As a result, PSPIB may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSPIB has not received any claims nor made any payments for such indemnities.

PSPIB unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in [Note 9](#).

In certain investment transactions, PSPIB and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- As at March 31, 2023, and March 31, 2022, PSPIB and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSPIB or its investment entity subsidiaries could assume obligations of up to \$2,643 million as at March 31, 2023 (\$2,051 million as at March 31, 2022), of which \$1,933 million has been allocated to the pension plan (\$1,497 million as at March 31, 2022) plus applicable interest and other related costs. The arrangements mature between June 2023 and June 2042 as of March 31, 2023 (between May 2022 and November 2029 as of March 31, 2022).
- Additionally, PSPIB and its investment entity subsidiaries issued letters of credit totalling \$1 million as at March 31, 2023 (\$1 million as at March 31, 2022), of which nil has been allocated to the pension plan (nil as at March 31, 2022) in relation to investment transactions.

## 23. Commitments

PSPIB and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSPIB's commitments that would be assumed by the pension plan is as follows as at March 31 (\$ millions):

	2023	2022
Foreign equity	\$2	\$2
Real estate	3,352	3,157
Private equity	9,619	9,314
Infrastructure	4,318	2,713
Natural resources	492	377
Private debt securities	5,092	4,050
Alternative investments	1,497	1,434
<b>Total</b>	<b>\$24,372</b>	<b>\$21,047</b>

Funding in connection with the above commitments can be called upon at various dates extending until 2041 as at March 31, 2023 (until 2040 as at March 31, 2022).

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## Footnotes

- 1 For information on plan eligibility and benefits, visit [Public service pension at a glance](#).
- 2 Public service corporation means any board, commission or corporation specified in [Part I of Schedule I](#) of the act.
- 3 See [Note 20](#) in the financial statements for more details.
- 4 More information on the rate of return on assets held by the PSPIB is available in the [PSPIB 2023 annual report](#).
- 5 Amounts include indexation.
- 6 **Group 1:** Members of the public service pension plan who were participating in the plan on or before December 31, 2012. **Group 2:** Members of the public service pension plan who began participating in the plan on or after January 1, 2013.

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