College Pension Plan™

Annual Report 2022

college.pensionsbc.ca

Contents

The College Pension Plan is fully funded

Trustees' message

The results of the College Pension Plan's latest actuarial valuation show the plan is fully funded. This means there are enough funds available to fulfil the plan's current and future pension commitments to all plan members.

The valuation, measured as at August 31, 2021, shows the plan's basic account has actuarial assets of about $6.4 billion and actuarial liabilities of about $6.2 billion. This means the basic account has a surplus of about $200 million. The basic account is the account from which member pensions are paid.

The valuation also shows that the plan's inflation adjustment account (IAA) is sustainable, despite the high inflation we have experienced since the first half of 2021. The IAA is the account from which non-guaranteed cost-of-living adjustments for retired members are paid.

This is the third consecutive valuation in which the plan has had a surplus.

As part of the normal valuation process, we will reassess the financial positions of both the basic account and the IAA on August 31, 2024.

The valuation of August 31, 2021, shows the plan's basic account has a surplus of about $200 million.

What is the plan doing with the surplus?

We use the plan's Joint Trust Agreement (JTA), the plan's governance framework, to guide our decision on using the surplus. The JTA was established by the plan partners: BC General Employees' Union, Federation of Post-Secondary Educators of BC, Post-Secondary Employers' Association and the Province of BC.

Following guidance from the JTA, we are moving half the surplus to the plan's rate stabilization account. Funds in that account can be used to offset future contribution rate increases in the event of unfavourable economic conditions.

The other half of the surplus will be moved to the IAA to further strengthen its financial position.

What is a valuation?

A valuation is the most important measurement of plan health. Using a series of economic and demographic assumptions, the valuation determines how much money the plan needs to pay current and future pensions.

An independent actuary—a professional with specialized training in financial modelling, probability theory and risk management—performs a valuation at least every three years.

For more information, please read the valuation report, available in the News section of the plan website, under About us.

Plan Financials

Investment results

The first half of the plan's fiscal year told a different story than the second half. Initially, returns were exceptional across most asset classes as markets recovered from the effects of the COVID-19 pandemic, and asset prices reached record highs. However, 2022 has since been defined by the highest rate of inflation in 40 years. In response, central banks have raised their key interest rates to their highest levels in more than a decade in an attempt to curb that inflation. The speed at which markets have contracted in response, along with high inflation, geopolitical tension and slowing economic growth, weighed down the plan's year-end returns.

The board's long-term investment focus is a significant advantage in times like these. With ample liquidity on hand, BC Investment Management Corporation (BCI, the plan's investment agent) can be patient and focus on acquiring high-quality assets when prices drop, while under no pressure to sell unless it is profitable and prudent for the plan. The key to the plan's stability and ability to manage through this market downturn is the plan's diversified investment portfolio and continued careful asset management.

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Overall plan performance

The plan's year-end results reflect the volatile market conditions. However, diversification between the plan's public and private investments helped cushion the impact. For the fiscal year ending August 31, 2022, the plan returned -2.0 per cent, which is above the benchmark target of -7.3 per cent. The plan ended the fiscal year with $6.6 billion in assets, down slightly from $6.7 billion the year before.

The plan's performance is best assessed over a five-year period, as the board and BCI have a long-term approach to investing. The longer-term results are positive, with a five-year return of 7.6 per cent, above the benchmark of 5.9 per cent. The five-year return is also above the plan's long-term objective of 6.0 per cent, the amount the plan actuary predicts is needed for the plan to pay for its pension commitments.

Public markets

Within public markets, the plan is invested in public equities (e.g., publicly traded stocks) and fixed income (e.g., government and corporate bonds). Both were heavily impacted by rising inflation and slow economic growth in the second half of the year.

The plan's public equity returns started the fiscal year in positive territory but ended much lower as challenging market conditions affected expectations for corporate earnings. As of August 31, 2022, the plan's public equity portfolio returned -13.5 per cent over one year, against a benchmark return of -12.7 per cent. The plan underperformed against its benchmark index because the plan held less stock than the index in more speculative but better-performing sectors such as biotechnology. Five-year returns were stronger at 6.9 per cent, compared to a 7.0 per cent benchmark.

Generally, fixed income assets provide stability and liquidity for the portfolio. However, these assets were directly impacted by rising yields as central banks raised policy interest rates—as rates rose, the value of existing fixed income assets fell. As a result, the plan saw a one-year fixed income return of -8.6 per cent, which is above the benchmark return of -9.4 per cent. Outperformance in private debt and mortgages helped cushion the overall returns. The five-year returns were also impacted by the lower one-year return: the plan's five-year fixed income return was 1.2 per cent, versus a benchmark return of 0.8 per cent.

BCI's strategy of managing more assets in-house enables it to be both responsive and defensive in the face of market uncertainty. While markets may be challenging, the plan is under no pressure to sell, and BCI is well positioned to look for opportunities to add in the long term. As this downturn continues, BCI and the board continue to work together to meet the plan's long-term objectives and safeguard the financial futures of plan beneficiaries.

Private equity

The plan had exceptionally strong performance in private equity, returning 23.2 per cent for the year versus a benchmark return of -10.8 per cent. Early on in the fiscal year, BCI's private equity team took advantage of high prices and sold several assets when markets were at their peak, locking in high returns for the plan's portfolio. This timing was crucial, as global private equity deals slowed considerably in the latter part of the fiscal year. Five-year returns were also strong at 21.5 per cent, compared to the 10.0 per cent benchmark return, demonstrating the quality and positioning of the plan's private equity portfolio.

Real estate

The plan's real estate investments also outperformed over the one- and five-year periods, returning 14.3 per cent compared to a 6.8 per cent benchmark return over one year, and 8.0 per cent versus a 6.0 per cent benchmark return over five years. This performance was driven by strong returns in residential and industrial real estate (e.g., warehouses and e-commerce distribution centres). The industrial sector specifically benefited from the trend toward a more digital world, and QuadReal, the plan's real estate manager, was well positioned to take advantage of this growth.

Portfolio highlights:

Five-year returns
as at August 31, 2022

Public equity	6.9%
Private equity	21.5%
IRR[1]	10.7%
Real estate	8.0%

1 Infrastructure and renewable resources

Infrastructure and renewable resources

As inflation rose over the year, so did demand for real assets with long-term inflation protection. This is one of the benefits of portfolio diversification, as real assets tend to hold their value better in a market downturn and can help buffer the plan against short-term volatility in public markets.

The plan was able to take advantage of this market opportunity and sell assets for good prices because of BCI's focus on high-quality, regulated investments within the infrastructure portfolio. This resulted in outperformance in both time periods: the plan returned 13.3 per cent versus a 6.3 per cent benchmark return over one year, and 10.7 per cent versus a 6.8 per cent benchmark over five years. Looking forward, BCI will continue to seek out sustainability-focused and renewable energy investments for the plan's portfolio, as the global demand for those sectors increases.

Risk management

The board and BCI take a long-term approach to investing to ensure the plan is secure, sustainable and able to provide for members now and into the future. This is an important responsibility, since for every pension dollar a member receives, about 75 cents comes from investment income.

The goal is to meet or exceed the plan's investment return objective—the minimum returns needed to pay for the plan's obligations—while taking on only an appropriate amount of risk. To achieve this, the board and BCI have built a diversified portfolio that is invested in multiple asset types, industry sectors and global markets. Diversification is a key part of risk management as it limits the impact on the whole portfolio when there are lower returns in one category, such as during a market downturn. The plan's investments are adjusted based on anticipated risk and market outlook, either to protect the plan or take advantage of opportunities to add value.

The plan's overall framework for managing assets is governed by the plan's Statement of Investment Policies and Procedures (SIPP), which is established and updated by the board. BCI is responsible for implementing the investment strategy and working toward the financial goals as outlined in the SIPP. The board oversees and monitors the performance of BCI in carrying out this responsibility.

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Responsible investing

Responsible investing is a key part of the plan's investment approach. Responsible investing generally refers to integrating environmental, social and governance (ESG) matters into investment decisions. Both the board and BCI share the belief that integrating long-term ESG matters is one of the fundamental principles that underlie the duty to grow and protect the value of the plan's fund.

ESG factors can affect the long-term performance of an investment, fund or portfolio. These factors can be company specific, like board compensation or employee safety; they can also be widespread and systemic, like climate change, water management and data security. BCI and the board believe that companies with strong ESG practices are in a better position to generate long-term value for investors compared to companies with less favourable practices.

BCI takes material ESG factors into account in every investment decision made for the plan and monitors these factors throughout the life of an investment. Taking a multi-pronged approach, BCI:

- Integrates ESG factors together with traditional financial analysis into assessments of new investments or monitoring the portfolio
- Influences companies and policy makers to promote good ESG practices and policies
- Invests in ESG-related opportunities that have positive risk or return characteristics for the plan
- Uses ESG-related insight to adapt and improve its investment strategies to better support the plan's investment goals

Climate change is one of the most significant social and economic risks the world faces today. It remains a concern for the board, plan members and global investors. BCI's Climate Action Plan outlines activities to appropriately manage climate change risk across all asset classes, integrate climate change–related information into investment decision making and capitalize on investment opportunities from the long-term transition to a lower carbon economy.

As a large, long-term investor, BCI uses its influence on behalf of the plan to encourage companies and partners to be transparent about their ESG risks and to adopt best practices for corporate governance, disclosure and operations. This influence is applied by exercising shareholder voting rights, talking to companies directly, making policy submissions or sitting on the boards of private portfolio companies. The goal of these activities is to positively impact investment values and outcomes for plan members.

For example, by participating in the investor-led initiative Climate Action 100+, BCI engages with some of the world's largest greenhouse gas emitters to take necessary action on climate change.

As a founding member of the Principles for Responsible Investing, BCI participates in an annual assessment of its responsible investing activities and progress. BCI is also a member of the steering committee for the 30% Club, which promotes greater diversity and inclusion at the company level, and the SASB (Sustainability Accounting Standards Board) Alliance, which advocates for better standards in ESG reporting. BCI's own reporting on climate change aligns with the recommendations of the Task Force on Climate-related Financial Disclosures.

Where it makes financial sense, BCI also seeks investment opportunities created from the global energy transition. BCI is increasing its investments in sustainable bonds, which are bonds that offer returns for the plan as well as exposure to positive environmental and social outcomes. As of December 31, 2021, BCI had cumulative historical participation of $2.5 billion in sustainable bonds and anticipates reaching $5 billion by 2025. To learn more about BCI's ESG and Climate Action Plan activities, visit bci.ca.

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Managing investment costs

BCI operates on a cost-recovery, not-for-profit basis, meaning the plan pays fees only to cover the cost of managing the investments. Since BCI manages a large amount of assets, it has access to significant economies of scale when investing on behalf of the plan. Managing investment costs is important to the board, and BCI's fees continue to be competitive with its peers and much lower than those charged by investment managers in the private sector.

Investment management fees are affected by the types of assets, the plan's asset mix (what is in the portfolio), and BCI's investment strategy. Some asset classes that produce higher returns are complex and more expensive to manage, which in turn affects fees. The objective is to earn enough investment income to fulfil the plan's pension commitments at a reasonable cost.

How the plan is governed

Joint trusteeship structure

The College Pension Plan has a joint trusteeship governance structure. This means plan members and employers share the responsibility of plan governance and the risks and rewards of plan sponsorship.

The Joint Trust Agreement is the plan's guiding document. It is signed by the plan partners and authorizes the College Pension Board of Trustees to administer the plan, subject to limitations set out in the agreement and applicable laws. The agreement outlines the responsibilities and duties of the board and provides the framework for managing the plan and the pension fund.

The plan partners are:

- BC General Employees' Union (BCGEU)
- Federation of Post-Secondary Educators of BC (FPSE)
- Post-Secondary Employers' Association (PSEA)
- The provincial government


Sarah Kay,
plan member

College Pension Board of Trustees as at August 31, 2022

The mission of the College Pension Board of Trustees is to provide a reliable source of retirement income by keeping the pension promise established by the partners.

The board also appoints directors to the boards of British Columbia Pension Corporation (which provides benefit administration services) and BCI.

Weldon Cowan, Chair

Appointed by: Federation of Post-Secondary Educators of BC (FPSE)
Committees: Benefits (chair), communications, executive forum, governance, interplan coordination, interplan trustee education (chair)
Board term: 2005–current

Weldon Cowan was appointed to the board in September 2005 by FPSE. He has completed the Advanced Trust Management Standards program and also holds the ICD.D designation from the Institute of Corporate Directors. In addition to his role with the board, Weldon also sits on the Pension Corporation Board of Directors.

Weldon holds a bachelor of science degree with a specialization in chemistry from Concordia University and a diploma in education from McGill. He taught French immersion science for over 15 years at the secondary level before joining FPSE.

Geraldine Hutchings, Vice-chair

Appointed by: Province of British Columbia
Committees: Benefits (chair), executive forum, governance, interplan coordination
Board term: 2012–current

Geraldine Hutchings was appointed to the board in March 2012 by the provincial government.

Geraldine has practised law since 1988. Before her appointment to the board, she was an executive of the Law Society of Yukon, and a member and chair of both the Yukon Human Rights Commission and the Yukon Mental Health Review Board. She also worked as an adjudicator under the *Canada Labour Code*.

Geraldine has completed the Advanced Trust Management Standards program. In addition to her role with the board, she also sits on the Pension Corporation Board of Directors.

Kerry Clarke

Appointed by: Province of British Columbia and Post-Secondary Employers' Association (PSEA)
Committees: Benefits, governance, interplan audit
Board term: 2017–current

Kerry Clarke was appointed to the board in December 2017 by the provincial government and PSEA.

Kerry is Selkirk College's vice-president of College Services and its chief financial officer. Before his current role at Selkirk, Kerry was director of Facilities and Ancillary Services at Northwest Community College. He has a master of business administration from Heriot-Watt University and has worked as a police officer, business owner and coroner over the course of his career.

Candace Fertile

Appointed by: Federation of Post-Secondary Educators of BC (FPSE)
Committees: Benefits, communications, governance, interplan trustee education
Board term: 2014–current

Candace Fertile was appointed to the board in September 2014 by FPSE.

Before her appointment to the board, Candace served on the FPSE Pension Advisory Committee and as chair of the FPSE Status of Women Committee. She has also completed the Shareholder Association for Research and Education Pension Boot Camp, and the Foundations of Trust Management Standards and Advanced Trust Management Standards programs.

Candace has been an English instructor at Camosun College for more than 20 years. She has a bachelor's degree, master's degree and PhD in English from the University of Alberta.

Carl Fischer

Appointed by: Province of British Columbia
Committees: Benefits, governance, interplan audit, interplan investment
Board term: 2007–current

Carl Fischer was appointed to the board in October 2007 by the provincial government.

A chartered professional accountant, Carl is the comptroller general for the Province of British Columbia.

Michael Lancaster

Appointed by: Province of British Columbia
Committees: Benefits, communications, governance
Board term: 2007–current

Michael Lancaster was appointed to the board in August 2007 by the provincial government.

Michael is a certified employee benefits specialist and a director, labour relations, with the BC Public Service Agency. He holds a master's degree in political science from the University of Victoria.

Cameron McRobb

Appointed by: British Columbia General Employees' Union (BCGEU)
Committees: Benefits, governance (chair), interplan investment
Board term: 2012–current

Cameron McRobb was appointed to the board in January 2012 by BCGEU. He has almost 15 years' experience as an Okanagan College bargaining unit chair and nine years as chair of the BCGEU Provincial Instructors Bargaining Council.

Cameron is an instructor in the Motor Vehicle Trades Program at Okanagan College in Kelowna and an ASE-certified master automotive technician. He has completed the Foundations of Trust Management Standards and Advanced Trust Management Standards programs, and he holds the ICD.D designation from the Institute of Corporate Directors.

Paul Ramsey

Appointed by: Federation of Post-Secondary Educators of BC (FPSE) and British Columbia General Employees' Union (BCGEU)
Committees: Benefits, communications (chair), governance
Board term: 2016–current

Paul Ramsey was appointed to the board in September 2016 by FPSE and BCGEU. Previously, he served on the FPSE Pension Advisory Committee and as a liaison to the Association of British Columbia College Pension Plan Retirees.

Elected a member of the Legislative Assembly of British Columbia in 1991, Paul represented the Prince George North riding until 2001. During this time, he served as Minister of Health and Minister Responsible for Seniors, Minister of Education, and Minister of Finance and Corporate Relations.

Paul has a master's degree in English from Western Illinois University and did PhD work at the University of British Columbia. He taught for over 30 years at universities and colleges in the United States and Canada. Paul retired in 2005 from the political science program at the University of Northern British Columbia, where he was a visiting professor and scholar in residence.

Alison Woods

Appointed by: Federation of Post-Secondary Educators of BC (FPSE)
Committees: Benefits, governance, interplan investment
Board term: 2021–current

Alison was appointed to the board in September 2021 by FPSE.

She has worked as a math instructor at Vancouver Community College since 2004.

Alison served on the FPSE Pension Advisory Committee from 2011 to 2020. While in this role she attended the Canadian Labour Congress Labour School Pensions course, SHARE pension boot camp and annual SHARE conferences.

Marnie Wright

Appointed by: Post-Secondary Employers' Association (PSEA)
Committees: Benefits, communications, governance
Board term: 2021–current

Marnie was appointed to the board in September 2021 by the PSEA.

She has been working in the field of human resources for more than 25 years in both the post-secondary and K–12 sectors, and is currently the University of the Fraser Valley's associate vice-president of human resources. In addition, Marnie has been a faculty member, teaching both online and in person.

Marnie has been a member of the International Foundation of Employee Benefit Plans and has taken their Foundation of Trust Management training.

Trustee remuneration

The plan compensates trustees or their employers for time trustees spend on board business.

Trustees receive remuneration directly if they are not paid by any other organization for their time spent on board duties.

Guidelines and rates are set out in the board's remuneration policy, available on the plan's website. Under the policy, remuneration may be adjusted annually by an amount equal to the cost-of-living adjustment made to pension payments.

Trustee remuneration
year ended August 31, 2022

Trustee	Retainer	Per diem	Total remuneration	Paid to
Weldon Cowan (Chair)	$ 8,722.67	$11,332.00	$ 20,054.67	Federation of Post-Secondary Educators of BC
Geraldine Hutchings (Vice-Chair)	6,542.00	11,778.00	18,320.00	Geraldine Hutchings
Kerry Clarke	4,361.33	7,230.00	11,591.33	Selkirk College
Candace Fertile	4,361.33	9,798.00	14,159.33	Federation of Post-Secondary Educators of BC
Carl Fischer	4,361.33	7,848.00	12,209.33	Province of BC
Michael Lancaster	4,361.34	3,044.00	7,405.34	BC Public Service Agency
Cameron McRobb	—	7,848.00	7,848.00	BC General Employees' Union
	4,361.33	—	4,361.33	Cameron McRobb
Paul Ramsey	4,361.33	9,156.00	13,517.33	Paul Ramsey
Alison Woods	4,361.33	9,602.00	13,963.33	Federation of Post-Secondary Educators of BC
Marnie Wright	4,361.34	8,966.00	13,327.34	University of the Fraser Valley
Total	**$50,155.33**	**$86,602.00**	**$136,757.33**	

Remuneration rates
Calendar year

	2021		2022	
	Per diem	Quarterly retainer	Per diem	Quarterly retainer
Chair	$428.00	$2,142.00	$440.00	$1,833.33
Vice-chair	428.00	1,606.50	440.00	1,283.33
Board member	428.00	1,071.00	440.00	1,100.00

Trustee activities

For the year ending August 31, 2022, the board met for four regularly scheduled two-day meetings. In addition, trustees conducted board business at both regularly scheduled and ad hoc meetings on 35 other days. Trustees attended a number of virtual events, webcasts and educational sessions.

Board committees

There are a number of standing committees of the board that meet regularly to deal with specific areas of pension plan administration. The board also strikes ad hoc committees as required.

Benefits

Members: Geraldine Hutchings (chair); all trustees (committee of the whole)

The benefits committee reviews and makes recommendations to the board on amendments to the pension plan rules that affect benefit entitlements and administration. The committee also reports to the board on post-retirement group extended health and dental benefit plan design, coverage levels and cost.

Communications

Members: Paul Ramsey (chair), Weldon Cowan, Candace Fertile, Michael Lancaster, Marnie Wright

The communications committee supports the board in its commitment to provide excellent communications to plan members, employers and stakeholders. The committee provides input on strategic messaging, reviews plan communications materials and (with delegated authority from the board) approves some communication materials. Finally, the committee monitors communication material for the principles of plain language, plan identity and best practices

Governance

Members: Cameron McRobb (chair); all trustees (committee of the whole)

The governance committee helps the board fulfil its governance responsibilities by formalizing regular consideration of issues such as board policy development and review, the risk management process and development of the board's self-assessment tools.

Interplan committees and forums

Interplan committees and forums address issues common to the four BC public sector pension plans: College Pension Plan, Municipal Pension Plan, Public Service Pension Plan and Teachers' Pension Plan. Members are made up of trustees from three or four of these pension plans (some committees do not include the Municipal Pension Plan).

Executive forum

Members: Weldon Cowan, Geraldine Hutchings

The executive forum discusses areas of common interest to the College, Municipal, Public Service and Teachers' pension plans, and provides an opportunity for board chairs, vice-chairs and senior administrators from their secretariats to keep up with the activities of the boards.

Interplan audit

Members: Kerry Clarke, Carl Fischer

This committee meets to help provide the following:

- A timely and cost-effective system of accounting and reporting
- Financial statements consistent with Canadian accounting standards for pension plans
- An independent audit of the financial statements
- An annual report with audited financial statements

Interplan coordination

Members: Weldon Cowan, Geraldine Hutchings

This committee facilitates communication to ensure that the College, Public Service and Teachers' pension boards of trustees meet their common governance and operational requirements. Additionally, it oversees the operation of the Pension Board Secretariat.

Interplan investment

Members: Carl Fischer, Cameron McRobb, Alison Woods

This committee examines investment issues common to the College, Public Service and Teachers' pension boards of trustees. It makes recommendations to each board on generic investment policy and procedure statements, and on investment issues identified by a board, BCI or the committee itself. It considers the following:

- Investment industry trends
- Regulatory and legal developments
- Responsible investing issues
- Asset class reviews
- Updates on capital markets
- New investment products

Interplan trustee education
Members: Weldon Cowan (chair), Candace Fertile

This committee allows the College, Municipal, Public Service and Teachers' pension boards of trustees to develop trustee knowledge and skills, work together on common educational issues and provide information on trends in a variety of jurisdictions (e.g., benefits, pensions, investments). This group organizes the annual BC Public Sector Pension Conference.


Shannon Tait,
retired plan member

Membership

Who's in the plan?

Membership in the plan is open to employees and senior administrators providing educational services to students at any of the plan's 24 employers.

Members

For the year ending August 31, 2022, the number of active plan members decreased 0.7 per cent, while the number of retired members increased 6.6 per cent.

- Active members are those currently contributing to the plan, on an approved leave of absence or receiving benefits from an approved long-term disability plan. There are 16,610 active plan members—48.0 per cent of the membership.
- Inactive members have ended their employment and kept their benefit in the plan. They are entitled to a pension from the plan but are not currently receiving one. There are 7,895 inactive plan members—22.8 per cent of the membership.
- Retired members are those who receive a pension, including a survivor pension. For the purposes of this report, members receiving a disability benefit from the plan are also counted in this group. There are 10,083 retired plan members—29.2 per cent of the membership.
- Limited members are members' former spouses who applied to the plan following a separation or divorce and are entitled to a portion of a pension.

Contributions

Plan members and employers pay contributions to fund future pensions; plan members contribute through automatic deductions from their employment earnings. When members retire, their pension is funded by these contributions and investment returns. Approximately 25 cents of every dollar retired members receive comes from their contributions and their employers' contributions; the remaining 75 cents comes from investment returns.

As a retirement savings vehicle for more than 34,000 plan members, the plan holds over $6 billion in net assets available for benefits.

CONTRIBUTION RATES AS A PERCENTAGE OF SALARIES (%)[1]

Effective since April 1, 2019

Member	Employer
10.24	10.34

1 Simon Fraser University (SFU) members contribute 11.08 per cent of salary. SFU, as the employer, contributes 11.18 per cent of salary. SFU contribution rates have been in effect since July 1, 2021.

Jasmine Nicholsfigueiredo, plan member

Employers

Employers are either subject to BC's *College and Institute Act* or have been allowed to join the plan by the College Pension Board of Trustees.

Participating employers
as at August 31, 2022

Employer	Location	Effective date	Website
British Columbia Institute of Technology	Burnaby	January 12, 1978	bcit.ca
Camosun College	Victoria	June 1, 1971	camosun.ca
Capilano University	North Vancouver	September 1, 1968	capilanou.ca
Coast Mountain College	Terrace	September 1, 1975	coastmountaincollege.ca
College of New Caledonia	Prince George	September 1, 1968	cnc.bc.ca
College of the Rockies	Cranbrook	May 8, 1975	cotr.bc.ca
Douglas College	New Westminster	April 1, 1970	douglascollege.ca
Emily Carr University of Art and Design	Vancouver	January 19, 1978	ecuad.ca
Justice Institute of British Columbia	New Westminster	April 27, 1978	jibc.ca
Knowledge Network Corporation	Burnaby	June 1, 1976	knowledge.ca
Kwantlen Polytechnic University	Surrey	July 1, 1981	kpu.ca
Langara College	Vancouver	April 1, 1994	langara.ca
Lester B. Pearson College of the Pacific	Victoria	January 31, 1974	pearsoncollege.ca
Nicola Valley Institute of Technology	Merritt	September 1, 1995	nvit.ca
North Island College	Courtenay	August 1, 1975	nic.bc.ca
Northern Lights College	Dawson Creek	September 1, 1975	nlc.bc.ca
Okanagan College	Kelowna	September 1, 1968	okanagan.bc.ca
Royal Roads University	Victoria	January 1, 1998	royalroads.ca
Selkirk College	Castlegar	September 1, 1968	selkirk.ca
Simon Fraser University	Burnaby	July 1, 2021	sfu.ca
Thompson Rivers University	Kamloops	November 1, 1974	tru.ca
University of the Fraser Valley	Abbotsford	November 1, 1974	ufv.ca
Vancouver Community College	Vancouver	September 1, 1968	vcc.ca
Vancouver Island University	Nanaimo	September 1, 1968	viu.ca

Benefits

Basic lifetime pension benefit

The plan's basic lifetime pension benefit is based on an accrual rate, the member's years of pensionable service in the plan and the average of the member's highest five years of salary (not necessarily the last five years).

Plan members are immediately vested, meaning they are entitled to a pension benefit as soon as they make their first contribution to the plan. The plan also provides survivor and disability benefits.

Bridge benefit (only for service earned before January 1, 2016)

If a member retires before age 65, their pension may include a temporary payment called the bridge benefit. The bridge benefit is based only on service earned before January 1, 2016, and is paid from the member's retirement date until the member turns age 65 (or their death, whichever is earlier).

Access to post-retirement group benefits

Retired plan members have access to voluntary unsubsidized extended health care and dental coverage.

Temporary annuities

Members can buy an optional temporary annuity (additional monthly payment) to increase their monthly income until age 65 or death, whichever comes first. If a member does buy a temporary annuity, their basic lifetime pension income after age 65 will be lower than it would be if they did not buy the annuity. Members who retire at an earlier age will pay a higher amount for the temporary annuity.

Termination and refund benefits

Depending on their age, members who leave the plan may choose one of the following:

- Defer their pension and apply for it at a later date
- Transfer the commuted value of their pension to a locked-in retirement vehicle
- Apply for a monthly pension (if they have reached earliest retirement age)
- Transfer their service to another pension plan (if they move to an employer with a different pension plan and there is a transfer agreement in place between the College Pension Plan and the other plan)

James Hull,
retired plan member

Service purchases

Members may be able to increase their future pension by buying service—paying for periods of employment not already counted as service with the plan. Examples include:

- Leaves of absence (such as family responsibility, compassionate care and general leaves)
- Arrears contributions (occurring if a member was not enrolled properly or if their contributions were not deducted and remitted)
- Buying service for periods of reduced pay

Depending on the type of service they choose to buy, members may be responsible for paying both the employee and employer portions, or just the employee portion.

Cost-of-living adjustments (not guaranteed)

Retired members' monthly pension payments may increase as a result of annual cost-of-living adjustments (COLAs). These adjustments help pensions keep pace with increases in the cost of living.

If a COLA is granted, it becomes part of a retired member's lifetime pension. If a retired member is receiving a bridge benefit or temporary annuity, the COLA is applied to those benefits, but only for as long as the retired member receives them.

COLAs are not guaranteed and are based in part on available funds in the plan's inflation adjustment account. In some years, trustees may apply a COLA cap. This means the COLA is capped at a maximum amount, even if that amount is less than the annual increase in cost of living.

Jim Placzek,
retired plan member

Services and communications

My Account

The most important part of a member's online experience is My Account, a secure online portal where members can review and update their personal pension information.

Through My Account, members can also opt in to receive digital communications for when important pension statements are ready to view, and share documents with the plan through Message Centre.

Online tools for members in My Account include personalized pension and purchase cost estimators to help with retirement planning, service and salary summaries, the ability to update beneficiary information, and the ability to apply for a pension online once the member is ready to retire. New features include the ability for a member to upload a Termination Selection Statement and the ability for a retired member to request an income verification letter.

Plan website

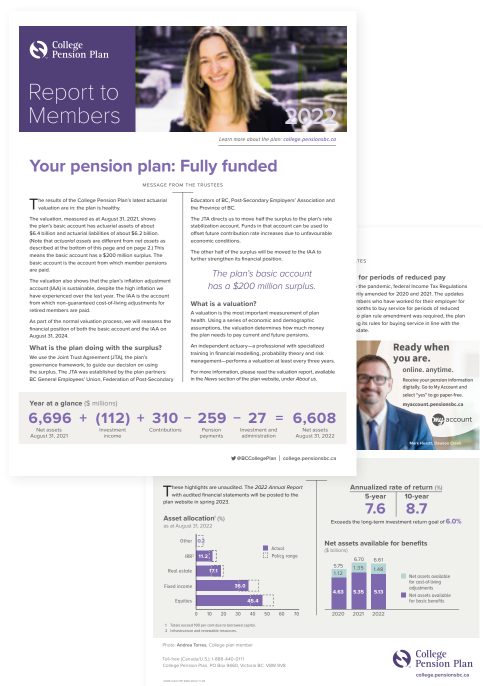
The plan website provides the resources and tools that members need to better understand their plan and make informed decisions regarding their pension. The plan website also supports access to member learning resources and online services for members and non-members to report a death of a loved one, submit an entitlement claim and apply for limited member status.

Pension communications

In addition to communications through My Account and the website, both active and retired members have the option of receiving annual newsletters and statements updating them on important plan information. Special ad hoc bulletins are distributed to active members through their employer.

Member services

In cases where members need more personalized support, the plan has skilled staff available by phone and email to assist with issues like marital breakdowns, the death of a spouse, retirement planning and employment transfers and more.


College Pension Plan

Report to Members 2022

Learn more about the plan: college.pensionsbc.ca

Your pension plan: Fully funded

MESSAGE FROM THE TRUSTEES

The results of the College Pension Plan's latest actuarial valuation are in: the plan is healthy.

The valuation, measured as at August 31, 2021, shows the plan's basic account has actuarial assets of about $6.4 billion and actuarial liabilities of about $6.2 billion. (Note that *actuarial assets* are different from *net assets* as described at the bottom of this page and on page 2.) This means the basic account has a $200 million surplus. The basic account is the account from which member pensions are paid.

The valuation also shows that the plan's inflation adjustment account (IAA) is sustainable, despite the high inflation we have experienced over the last year. The IAA is the account from which non-guaranteed cost-of-living adjustments for retired members are paid.

As part of the normal valuation process, we will reassess the financial position of both the basic account and the IAA on August 31, 2024.

What is the plan doing with the surplus?

We use the Joint Trust Agreement (JTA), the plan's governance framework, to guide our decision on using the surplus. The JTA was established by the plan partners: BC General Employees' Union, Federation of Post-Secondary Educators of BC, Post-Secondary Employers' Association and the Province of BC.

The JTA directs us to move half the surplus to the plan's rate stabilization account. Funds in that account can be used to offset future contribution rate increases due to unfavourable economic conditions.

The other half of the surplus will be moved to the IAA to further strengthen its financial position.

The plan's basic account has a $200 million surplus.

What is a valuation?

A valuation is the most important measurement of plan health. Using a series of economic and demographic assumptions, the valuation determines how much money the plan needs to pay current and future pensions.

An independent actuary—a professional with specialized training in financial modelling, probability theory and risk management—performs a valuation at least every three years.

For more information, please read the valuation report, available in the *News* section of the plan website, under *About us*.

Year at a glance ($ millions)

6,696	+	(112)	+	310	−	259	−	27	=	6,608
Net assets August 31, 2021		Investment income		Contributions		Pension payments		Investment and administration		Net assets August 31, 2022

@BCCollegePlan | college.pensionsbc.ca

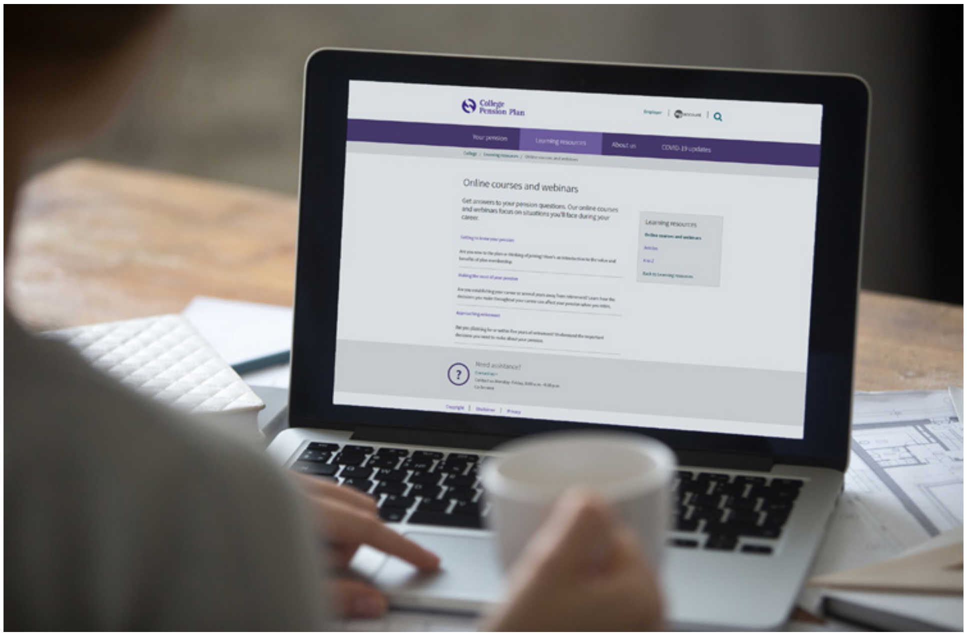
These highlights are unaudited. The *2022 Annual Report* with audited financial statements will be posted to the plan website in spring 2023.

Member learning resources

Learning resources for plan members include *Getting to Know Your Pension* (an online introduction to pensions) and two instructor-led webinars that can also be taken as online courses: *Making the Most of Your Pension* and *Approaching Retirement*. Designed to help educate members at all career stages, these resources make important information available to members at their convenience.

Personal pension planning appointments

Plan members within one year of retirement and who have a current pension estimate can make an appointment to receive a personalized experience to ensure they are able to make informed decisions on retiring.



Learning resources make important information available to members at their convenience.

Plan rule updates

The following recent plan rule and legislative updates affect the plan rules and, in some cases, plan members or plan employers.

Employment Standards Act changes

Effective January 1, 2022, illness or injury leave under BC's *Employment Standards Act* (ESA) was expanded to provide employees covered by the ESA with up to five days of paid leave per year for personal injury or illness. This is in addition to the current three days of unpaid leave allowed per year.

In 2021, the ESA was amended to allow leaves for COVID-19 vaccinations (for you or to assist a dependant) and COVID-19-related leaves (which includes leaves for COVID-19 sickness).

The plan rules did not require updating due to these ESA changes.

Simon Fraser University joins the plan

On July 1, 2021, the plan welcomed Simon Fraser University (SFU) as its newest employer (see more in last year's *Report to Members*, on the plan website). The plan rules, including cross-references and definitions, were amended to accommodate SFU's joining the plan.

New rules for periods of reduced pay

In response to the pandemic, federal Income Tax Regulations were temporarily amended for 2020 and 2021. The updates allow plan members who have worked for their employer for less than 36 months to buy service for periods of reduced pay. Though no plan rule amendment was required, the plan is administering its rules for buying service in line with the regulations update.

Graphs, tables and charts

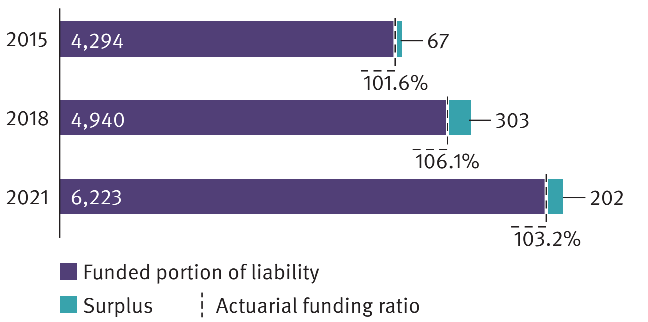
Five-year financial summary

Five-year financial summary (2018–2022)
($ millions) year ended August 31

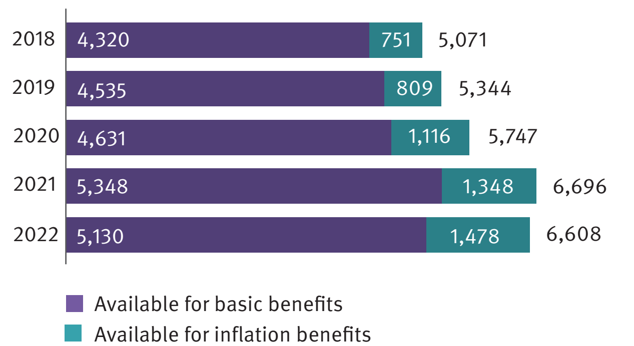
	2022	2021	2020	2019	2018
Increase in assets					
Investment income	**$ (120.2)**	$ 974.5	$ 438.0	$ 303.9	$ 486.8
Contributions					
Employers	**121.8**	108.9	96.0	90.0	84.6
Members	**173.3**	103.0	95.3	89.3	83.8
Transfers from other plans	**15.2**	8.0	9.4	4.3	4.9
Total increase in assets	**190.1**	1,194.4	638.7	487.5	660.1
Decrease in assets					
Pension benefits	**254.2**	228.7	217.5	200.1	190.2
Transfers to other plans	**4.3**	1.7	2.4	1.3	1.1
Investment and administration costs[1]	**19.5**	15.3	15.3	13.5	15.5
Total decrease in assets	**278.0**	245.7	235.2	214.9	206.8
Increase in net assets	**(87.9)**	948.7	403.5	272.6	453.3
Net assets available for benefits at beginning of year	**6,695.8**	5,747.1	5,343.6	5,071.0	4,617.7
Net assets available for benefits at end of year	**$ 6,607.9**	$6,695.8	$5,747.1	$5,343.6	$5,071.0
Investment and administration costs[1] as a percentage of net assets					
Investment management	**0.42%**	0.32%	0.38%	0.32%	0.33%
Benefits administration	**0.08%**	0.08%	0.08%	0.09%	0.09%

1 Unallocated and external investment management costs of $14.7 million (2021–$8.4 million; 2020–$10.1 million; 2019–$7.7 million; 2018–$4.7 million) reduce investment income and are not included in investment and administration costs. They are included in investment management costs as a percentage of net assets.

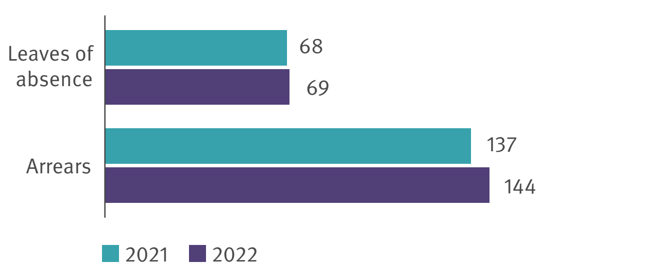
Funding for total basic actuarial liability ($ millions)
as at August 31



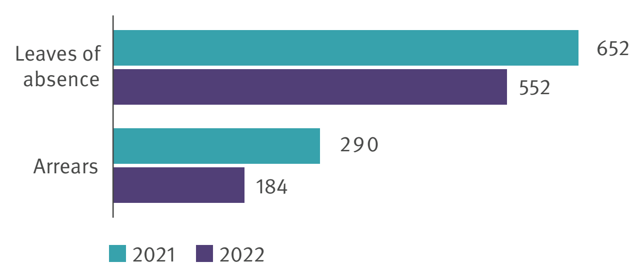
Net assets available for benefits ($ millions)
as at August 31



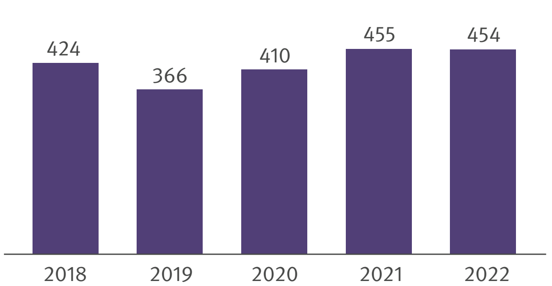
Number of purchases
year ended August 31



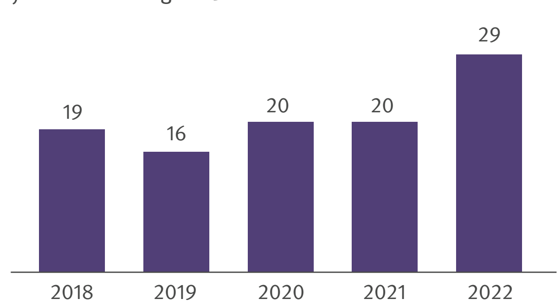
Value of past service purchases ($ thousands)
year ended August 31



Number of termination and refund benefits paid
year ended August 31



Value of termination and refund benefits paid ($ millions)
year ended August 31



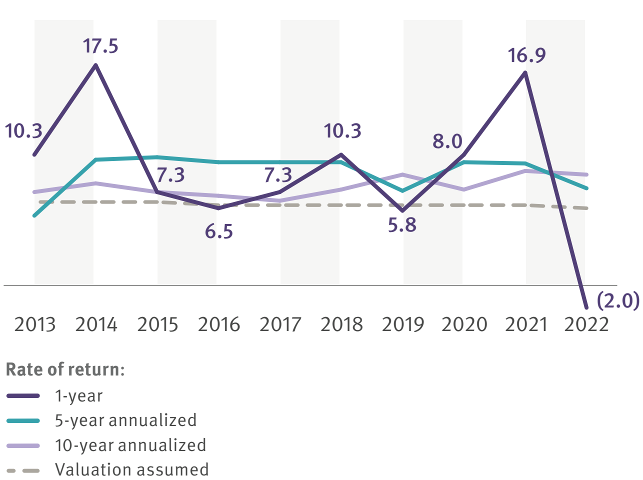
Investment summary

Asset mix and performance (%)
as at August 31, 2022

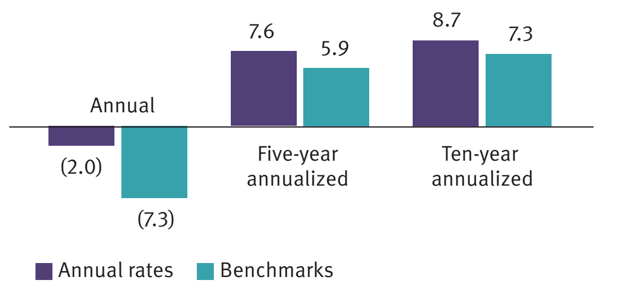
Asset	Approved ranges	Target asset mix weight	Actual asset mix weight	One-year rate of return	Performance benchmark
Short-term	0–7	2	2.2	1.5	2.4
Mortgages	6–12	3	3.5	4.0	(0.6)
Government bonds	15–27	19	19.0	(11.5)	(11.8)
Corporate bonds	6–12	9	8.8	(10.4)	(12.6)
Private debt	0–6	3	2.5	4.7	(0.5)
Fixed income	**30–44**	**36**	**36.0**	**(8.6)**	**(9.4)**
Canadian equities	0–5	3	2.7	(2.7)	(3.4)
Global equities	14–26	21	20.9	(13.9)	(12.3)
Emerging markets	5–10	8	8.0	(17.6)	(19.0)
Private equity	10–18	14	13.8	23.2	(10.8)
Equity	**38–54**	**46**	**45.4**	**(4.8)**	**(12.2)**
Real estate	**11–19**	**16**	**17.1**	**14.3**	**6.8**
IRR[1]	**9–14**	**12**	**11.2**	**13.3**	**6.3**
Other	**0–5**	**0**	**0.2**	**n/a**	**n/a**
Leverage[2]	**n/a**	**n/a**	**-9.9**	**0.8**	**0.8**
Total portfolio		**110**	**100.0**	**(2.0)**	**(7.3)**

1 Infrastructure and renewable resources
2 Return is from January 2021

Investment returns (%)
Ten-year history



Rates of return vs. benchmarks (%)
for the year ended August 31, 2022



Investment portfolio

Top 25 company holdings[1]
as at August 31, 2022

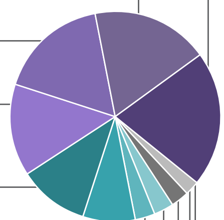
Total public equity exposure—worldwide

Company	% of portfolio	% of public equity	Total exposure (millions)
Microsoft Corp	0.9	2.9	$ 61.5
Apple Inc	0.8	2.5	51.7
Taiwan Semiconductor Manufacturing Co Ltd	0.5	1.5	32.1
Alphabet Inc	0.5	1.5	31.1
Amazon.com Inc	0.4	1.3	26.2
UnitedHealth Group Inc	0.3	1.1	22.5
Samsung Electronics Co Ltd	0.3	0.9	19.0
Tencent Holdings Ltd	0.3	0.9	18.0
Mastercard Inc	0.2	0.8	16.3
Tesla Inc	0.2	0.7	14.8
Alibaba Group Holding Ltd	0.2	0.6	12.4
CVS Health Corp	0.2	0.6	12.0
Fidelity National Information Services Inc	0.2	0.5	11.2
Hitachi Ltd	0.2	0.5	10.7
LVMH Moët Hennessy Louis Vuitton SE	0.2	0.5	10.5
Thermo Fisher Scientific Inc	0.2	0.5	10.5
Iberdrola SA	0.2	0.5	10.3
Visa Inc	0.2	0.5	10.1
The Home Depot Inc	0.1	0.5	9.8
NVIDIA Corp	0.1	0.5	9.4
Royal Bank of Canada	0.1	0.5	9.4
Booking Holdings Inc	0.1	0.4	9.2
Siemens AG	0.1	0.4	9.1
Petróleo Brasileiro SA	0.1	0.4	9.0
Procter & Gamble Co	0.1	0.4	9.0

1 For a full list of BCI's investment inventory as at March 31, 2022, see uberflip.bci.ca/i/1480760-bci-investment-inventory-2022/0?.
Note this includes inventory for all of BCI's clients, not just the College Pension Plan.

Investment holdings[1] ($ millions) (market value)
as at August 31, 2022

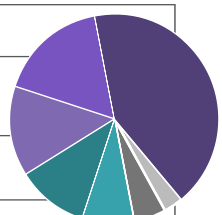
Global equities	$1,380	21%
Bonds	$1,187	18%
Real estate	$1,132	17%
Private equity	$911	14%
Infrastructure and renewable resources	$739	11%
Emerging markets equities	$527	8%
Mortgages	$227	3%
Canadian equities	$180	3%
Private debt	$165	3%
Short term	$148	2%
Other	$10	0%



1 Asset classifications vary from the financial statements for performance reporting.

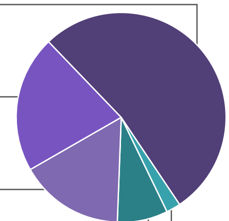
Infrastructure and renewable resources regional diversification (%)
as at August 31, 2022

United States	42
South America	17
Europe	14
Canada	11
Oceania	8
Global	5
Asia-Pacific	3



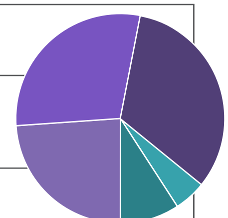
Real estate, by location (%)
as at August 31, 2022

International	53
Ontario	21
British Columbia	16
Alberta	8
Rest of Canada	2

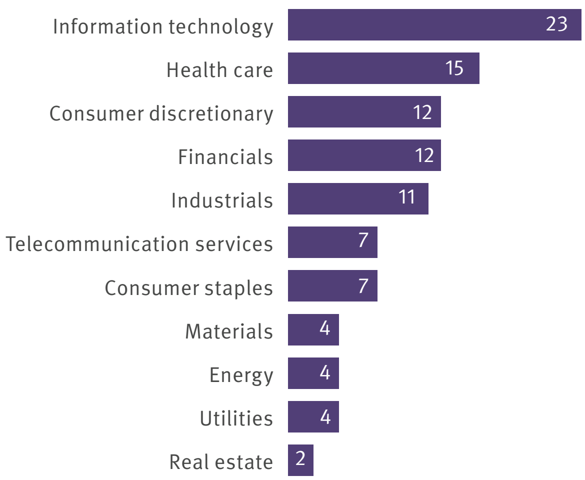


Domestic real estate, by type (%)
as at August 31, 2022

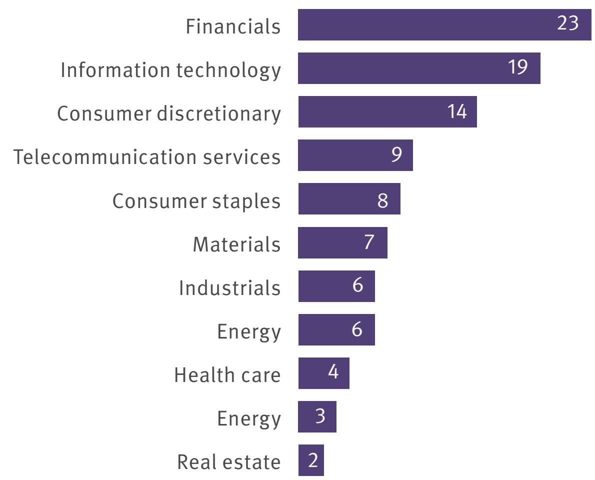
Residential	33
Industrial	29
Office	24
Alternatives	9
Retail	5



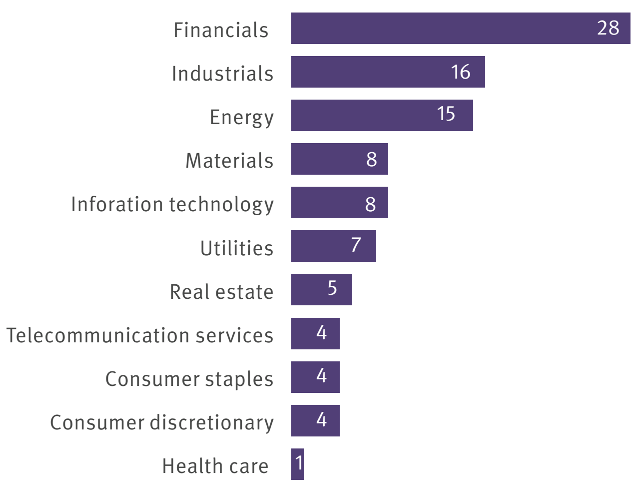
Global equities, by sector (%)
as at August 31, 2022



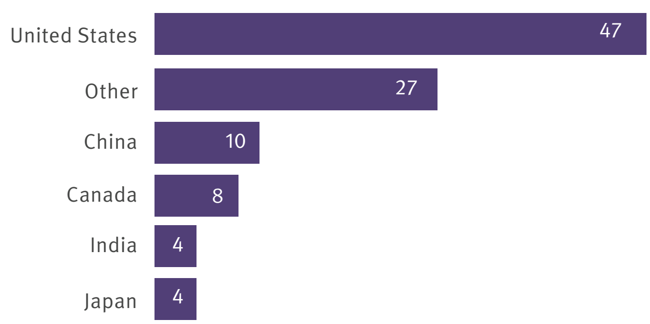
Emerging markets equities, by sector (%)
as at August 31, 2022



Canadian equities, by sector (%)
as at August 31, 2022

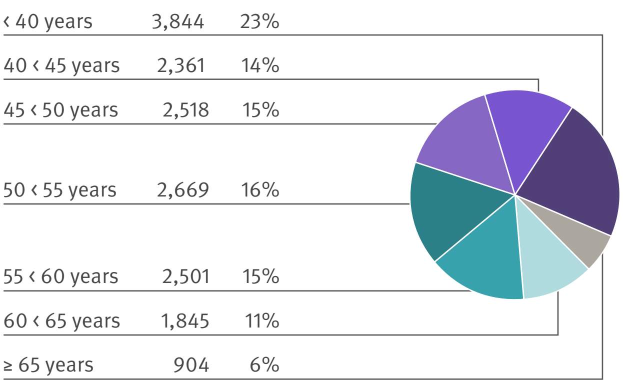


Public equities, by country (%)
as at August 31, 2022

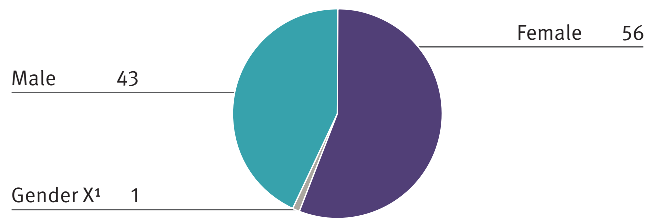


Membership summary

Active members, by age
as at August 31, 2022



Active members, by gender (%)
as at August 31, 2022



1 People who do not identify as female or male

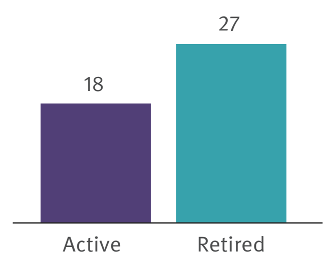
Members who would like to identify as gender X should tell their employer who will pass this information on to the plan.

Contribution rates as a percentage of salaries (%)[1]

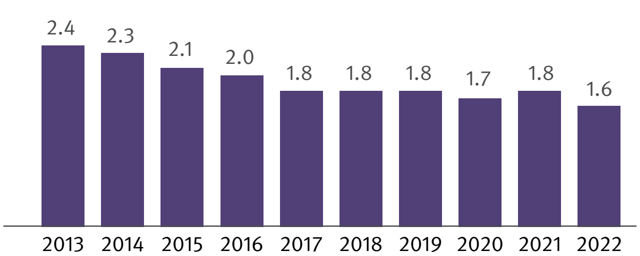
Effective since	Member	Employer
April 1, 2019	10.24	10.34

1 Simon Fraser University (SFU) members contribute 11.08 per cent of salary. SFU, as the employer, contributes 11.18 per cent of salary. SFU contribution rates have been in effect since July 1, 2021.

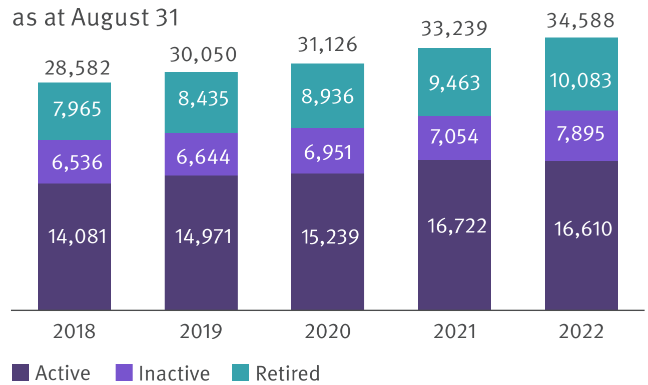
Change in membership (%)
2018–2022



Ratio of active to retired members
as at August 31



Number of members
as at August 31



Profile of pensions
year ended August 31

Year	New pensions	Pensions ended during year	Pensions in pay	$ millions Pensions paid	Inflation adjustments paid	Total pensions paid
2022	**750**	**130**	**10,083**	**$193.3**	**$32.3**	**$225.6**
2021	620	93	9,463	180.4	28.6	209.0
2020	606	105	8,936	171.0	26.7	197.7
2019	556	86	8,435	150.5	21.0	171.5
2018	560	92	7,965	140.2	19.3	159.5

New pensions, by type
year ended August 31

Year	Regular	Limited member	Survivor	LTD[1] to pension and disability	Deferred	Total
2022	**483**	**12**	**8**	**19**	**228**	**750**
2021	378	9	7	16	210	620
2020	366	9	5	28	198	606
2019	384	7	10	23	132	560
2018	381	7	11	19	142	575

1 Long-term disability

New pension profile
year ended August 31, 2022

Years of service	Number of new pensions: Age at retirement < 55[1]	55 < 60	60 < 65	≥ 65	Total	Average annual salary base	Average annual pension[2,3]	Median annual pension[2,4]	Average lifetime annual pension[3,5]	Median lifetime annual pension[4,5]
< 10	4	77	116	173	**370**	$ 90,185	$ 5,993	$ 3,202	$ 5,033	$ 2,681
10 < 15	-	24	29	35	**88**	98,558	22,440	21,781	20,669	20,323
15 < 20	1	21	41	48	**111**	100,499	31,440	29,855	28,939	27,496
20 < 25	-	11	24	44	**79**	100,457	39,866	38,455	37,559	36,291
25 < 30	-	10	21	18	**49**	99,354	47,249	46,243	44,258	43,615
30 < 35	-	8	11	23	**42**	108,914	60,665	57,153	57,631	52,478
≥ 35	-	-	4	7	**11**	105,879	65,768	58,018	61,514	57,192
Total	**5**	**151**	**246**	**348**	**750**					
Average						**$95,708**	**$21,896**	**$18,436**	**$20,174**	**$17,337**

	Average years of service				
Male	10	12	13	13	13
Female	7	11	12	11	11
Average	**8**	**12**	**13**	**12**	**12**
Average age at retirement					**63**

1 Relates to limited member and survivor pensions
2 Includes bridge benefits and temporary annuities
3 Total new pensions divided by total new pension recipients
4 Half of the new pensions are less than this amount and half of the new pensions are greater than this amount
5 The lifetime pension does not include bridge benefits or temporary annuities that end at age 65

Financial statements

February 17, 2023

Re: College Pension Plan

Administrative agent's responsibility for financial reporting

The financial statements of the College Pension Plan were prepared by British Columbia Pension Corporation, the administrative agent for the College Pension Board of Trustees in accordance with Canadian accounting standards for pension plans. The board is responsible for approving the plan's financial statements. The board is assisted by the Interplan Audit Committee, which is made up of representatives from the Public Service, Municipal, Teachers' and College pension boards of trustees. As part of its responsibility, the committee reviews the financial statements, and performs steps and procedures as necessary, prior to recommending them to the board for approval.

Pension Corporation prepares the financial statements and is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with Canadian accounting standards for pension plans. In discharging its responsibility, Pension Corporation maintains a system of internal controls designed to provide reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately safeguarded, ensuring the fair presentation of the financial statements. Pension Corporation has assessed that the plan will continue as a going concern and ensured that other financial information contained in the *College Pension Plan Annual Report* is consistent with these financial statements.

The board appointed KPMG LLP as the independent auditor to the plan. The role of the auditor is to perform an independent audit of the financial statements of the plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the independent auditor's report attached to these financial statements.

Trevor Fedyna, CPA, CGA, C. Dir.
Vice-president, Strategy, Insights
and chief financial officer
British Columbia Pension Corporation

Allan Chen, CPA, CA
Controller, Financial Services
British Columbia Pension Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Members of the College Pension Plan

Opinion

We have audited the financial statements of the College Pension Plan (the "Plan"), which comprise:

- the statement of financial position as at August 31, 2022
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued pension obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at August 31, 2022, and its changes in net assets available for benefits and its changes in accrued 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 auditor's report.

We are independent of the 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. Other information comprises: the information, other than the financial statements and the auditor's report thereon, included in the annual report.

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

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

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

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for 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 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 Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 the financial statements.

College Pension Plan
Page 3

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 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 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 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
February 17, 2023

COLLEGE PENSION PLAN

Statement of financial position

($ millions)

College Pension Plan

As at August 31	Note		2022		2021
Assets					
Investments	3a	$	**6,607.7**	$	6,686.9
Directly held derivatives	3b		**43.6**		19.4
Receivable for sale of investments			**37.5**		-
Contributions receivable			**9.9**		9.0
Prepaid expenses			**0.5**		0.4
Interest and dividends receivable			**0.4**		0.6
Total assets			**6,699.6**		**6,716.3**
Liabilities					
Directly held derivatives	3b		**45.5**		17.0
Payable for purchase of investments			**37.5**		-
Accounts payable and accrued expenses			**6.3**		1.3
Taxes payable			**2.4**		2.2
Total liabilities			**91.7**		**20.5**
Net assets available for benefits		$	**6,607.9**	$	**6,695.8**
Accrued pension obligations					
Accrued basic pension obligations	4a	$	**4,763.4**	$	4,342.7
Non-guaranteed pension obligations	4b		**1,477.7**		1,347.5
Accrued pension obligations			**6,241.1**		**5,690.2**
Surplus					
Funding surplus	5a		**168.0**		318.1
Measurement differences between funding and accounting positions	5a		**198.8**		687.5
Surplus			**366.8**		**1,005.6**
Accrued pension obligations and surplus		$	**6,607.9**	$	**6,695.8**

All accompanying notes are an integral part of the financial statements including:

Commitments (note 14)

Approved by the College Pension Board of Trustees:

Geraldine Hutchings, Chair
College Pension Board of Trustees

Kerry Clarke, Trustee
College Pension Board of Trustees

COLLEGE PENSION PLAN

Statement of changes in net assets available for benefits

($ millions)

College Pension Plan

For the year ended August 31	Note	Basic account	Inflation adjustment account	Supplemental benefits account	2022	2021
Increase in assets						
Investment (loss) income	8	$ (113.2)	$ (7.0)	$ -	**$ (120.2)**	$ 974.5
Contributions						
Member	9	139.4	33.7	0.2	**173.3**	103.0
Employer	9	99.1	21.8	0.9	**121.8**	108.9
		238.5	55.5	1.1	**295.1**	**211.9**
Transfers from other plans		12.4	2.8	-	**15.2**	8.0
Total increase in assets		137.7	51.3	1.1	**190.1**	**1,194.4**
Decrease in assets						
Benefits	10	248.2	4.9	1.1	**254.2**	228.7
Transfers to other plans		3.4	0.9	-	**4.3**	1.7
Investment and administration costs	12	17.3	2.2	-	**19.5**	15.3
Total decrease in assets		268.9	8.0	1.1	**278.0**	**245.7**
Increase (decrease) in net assets before transfer		(131.2)	43.3	-	**(87.9)**	948.7
Account transfers	13	(86.9)	86.9	-	-	-
Increase in net assets		**(218.1)**	**130.2**	**-**	**(87.9)**	**948.7**
Net assets available for benefits at beginning of year		5,348.3	1,347.5	-	**6,695.8**	5,747.1
Net assets available for benefits at end of year		**$ 5,130.2**	**$ 1,477.7**	**$ -**	**$ 6,607.9**	**$ 6,695.8**

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

COLLEGE PENSION PLAN

Statement of changes in accrued pension obligations

($ millions)

For the year ended August 31	Note	2022	2021
Increase in accrued pension obligations			
Interest on accrued pension obligations		$ **268.5**	$ 256.7
Benefits accrued		**257.9**	175.1
Change in actuarial assumptions	4a	**91.2**	-
Experience gains	4a	**2.0**	-
Account transfers		**59.4**	22.5
Increase in accrued pension obligations		**679.0**	454.3
Decrease in accrued pension obligations			
Benefits paid		**258.3**	232.6
Decrease in accrued pension obligations		**258.3**	232.6
Net increase in accrued pension obligations		**420.7**	221.7
Accrued basic pension obligations at beginning of year		**4,342.7**	4,121.0
Accrued basic pension obligations at end of year	4a	**4,763.4**	4,342.7
Non-guaranteed pension obligations			
Increase in non-guaranteed pension obligations	4b	**130.2**	231.6
Non-guaranteed pension obligations at beginning of year		**1,347.5**	1,115.9
Non-guaranteed pension obligations at end of year	4b	**1,477.7**	1,347.5
Total accrued pension obligations		$ **6,241.1**	$ **5,690.2**

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

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The following description of the College Pension Plan (Plan) is a summary provided for general information only. For more information, please refer to the Joint Trust Agreement (Agreement) and the College Pension Plan Rules (pension plan rules).

a) General

The Plan is a jointly trusteed pension plan continued under a joint trust agreement authorized by the *Public Sector Pension Plans Act*, SBC 1999, c. 44 (Act). The Act enabled the establishment of the Agreement. Joint trusteeship was established effective April 1, 2000. The partners to the Agreement are the Province of British Columbia, the Post-Secondary Employers' Association, the Federation of Post-Secondary Educators of BC and the British Columbia General Employees' Union (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the College Pension Board of Trustees (Board) and provides the authority for the Board to make the pension plan rules.

The Plan is registered with the Superintendent of Pensions, who administers and enforces the *Pension Benefits Standards Act* (PBSA). The PBSA governs employment pension plans registered in British Columbia that have active, inactive and retired members.

The Plan is for senior administrative employees and employees who provide educational services to students of specified British Columbia colleges, universities and institutes. Most full-time and some part-time senior administrative employees and employees who provide educational services to students are required to participate; certain part-time staff may do so voluntarily.

b) Roles and responsibilities

Partners

The Partners representing the Plan members and employers are responsible for appointing 10 trustees to the Board. The Partners have responsibility for resolving trustee disputes and, if certain conditions are met, may direct amendments to the pension plan rules.

Board

The Board is responsible for the management of the Plan, including the investment of assets and administration of the Plan. The Board may amend the pension plan rules as long as changes can be funded by the Plan's surpluses or are cost neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, only the Partners can initiate pension plan rule changes that result in contribution rate increases. The Agreement allows the Board to either appoint a chair from among the 10 trustees or appoint a person not appointed by the Partners. The vice-chair is appointed by the other trustees, from among the 10 trustees.

British Columbia Pension Corporation (Pension Corporation)

Pension Corporation provides benefit administration services as an agent of the Board. The Board appoints two members to the eight-member board of directors of Pension Corporation.

British Columbia Investment Management Corporation (BCI)

BCI provides investment management services, including the valuation of investments, as an agent of the Board. The Board appoints one member to the seven-member board of directors of BCI.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (CONTINUED)

c) Funding

Contributions and investment earnings fund plan benefits. Contributions are made by active members and employers of the Plan. The determination of the value of the benefits and required contributions is based on a triennial actuarial valuation for funding purposes.

The Board's funding policy is intended to secure the pension benefit obligation and achieve long-term stability in contribution rates for both employers and members.

d) Contributions

The following member and employer contribution rates apply to the majority of members, excluding Simon Fraser University (SFU), which joined the Plan effective July 2021. As per its entry agreement, SFU paid a one-time lump sum of $5 million and is required to pay higher contribution rates for the next 20 years to fully fund their benefits.

Basic Account

Members contributed 8.39% (SFU: 9.03%) of salaries, and employers contributed 8.49% (SFU: 9.13%) of salaries, less amounts allocated to the Supplemental Benefits Account (SBA).

Inflation Adjustment Account

Members and employers each contributed 1.85% (SFU: 2.05%) of salaries to the Inflation Adjustment Account (IAA), less amounts allocated to the SBA.

e) Pension benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits

- at age 65;
- at age 55 or older, with at least 35 years of contributory service.

Other retiring members have a reduction formula applied to their pensions.

For service after December 31, 2015, the Plan provides a defined basic plan benefit of 2% of pensionable earnings for each year of pensionable service. Pensionable earnings are based on the member's five-year highest average salary (HAS). The early retirement reduction applicable for service accrued after this date will be 3% for each year a member is below age 65; this applies to all members except those who have reached age 55 and completed at least 35 years of contributory service.

For service up to December 31, 2015, the defined basic plan benefit is integrated with the Canada Pension Plan. The Plan provides a benefit of 1.7% of pensionable earnings up to the year's maximum pensionable earnings (YMPE) and 2% of pensionable earnings over the YMPE for each year of pensionable service. The early retirement reduction applied, for members who are under age 60 with two or more years of contributory service, is either 3% or 5% for each year a member is below age 60, depending on certain criteria. For members with less than two years of contributory service, the reduction is 5% for each year a member is below age 65.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (CONTINUED)

e) Pension benefits (continued)

Also for service up to December 31, 2015, the Plan provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.3% of the lesser of YMPE or HAS for each year of pensionable service.

Increases to pension payments related to cost-of-living adjustments are not guaranteed but may be provided each January 1 in accordance with the cost-of-living adjustment provisions of the Plan.

Generally, these cost-of-living adjustments cannot exceed the lesser of the maximum sustainable indexing rate, as recommended by the actuary, and the increase in the average in the Canada consumer price index (CPI) for the 12 months ending the previous October 31 over the highest average CPI for any previous 12-month period ending October 31. However, the Board maintains discretion to grant costs-of-living adjustments over the maximum sustainable indexing rate but not exceeding the CPI as described above. They are subject to availability of funds in the IAA.

The Board annually considers all relevant factors and its IAA funding policy to determine the amount of the cost-of-living adjustment, if any.

f) Termination and portability benefit

Terminating members who have not yet reached the earliest retirement age may choose

- a deferred pension, or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in retirement vehicle or similar tax-sheltered plan.

Terminating members may also choose to leave their benefit on deposit in anticipation of future re-employment with a plan employer.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer service to another pension plan.

g) Other benefits

Disability and survivor benefits are also available under the Plan. A disability benefit is available to a member under age 65 who has terminated employment, becomes totally and permanently disabled as defined by the Plan, has at least two years of contributory service, is not eligible to receive benefits from an approved long-term group disability plan and meets other eligibility requirements.

The disability benefit is calculated using a member's years of pensionable service to the date of termination of employment and HAS. Disability benefits continue for the member's lifetime unless the member is no longer totally and permanently disabled before age 65 or returns to work.

A death benefit may be available to a surviving spouse or designated beneficiary upon the death of an active member. Depending on eligibility requirements, the benefit may be paid in the form of a survivor pension or lump-sum payment.

Supplemental benefits are funded from the SBA.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

1. DESCRIPTION OF THE COLLEGE PENSION PLAN (CONTINUED)

h) Tax registration

The Plan is a registered pension plan (RPP) as defined in the *Income Tax Act* (Canada) (registration number 0361899), except for any supplemental benefits, which are funded in addition to the RPP. The Plan is not subject to income tax but is subject to indirect taxes, including British Columbia provincial sales tax (PST) and Canadian federal goods and services tax (GST). The Plan receives a 33% rebate of the GST paid.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements are prepared on the going-concern basis in accordance with Canadian accounting standards for pension plans, Part IV of the *Chartered Professional Accountants of Canada Handbook* (CPA Canada Handbook), and present the Plan as a separate financial reporting entity, independent of the Plan’s contributing employers and members, and independent of any associated retired member group benefit plans.

Accounting standards for private enterprises in Part II of the CPA Canada Handbook have been chosen for accounting policies that do not relate to the Plan’s investment portfolio or accrued pension obligations.

b) Investments

Investments are stated at 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.

Investment purchases and sales are recorded on the trade date (the date on which the substantial risks and rewards of ownership have been transferred).

c) Accrued pension obligations

Accrued pension obligations are determined based on an actuarial valuation prepared by an independent actuarial consulting firm. The Plan actuary is Eckler Ltd. The valuation of accrued pension obligations is based on data extrapolated to the financial statement date. The valuation uses the projected benefit method pro-rated on service that incorporates the independent actuary’s estimate of various economic and demographic assumptions. These assumptions are the same as those used in the determination of the actuarial position of the Plan for funding purposes.

d) Investment income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder and income from directly held investments. The current period change in fair value includes realized and unrealized gains and losses that are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date, and interest is recognized on an accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing exchange rates on the year-end date. Income and expenses are translated into Canadian dollars at the prevailing exchange rates on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included within the current period change in fair value in investment income.

f) Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for pension plans, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in assets and liabilities during the period. Significant areas requiring the use of management estimates relate to the valuation of investments based on unobservable inputs, as further described in note 7, and the calculation of the accrued pension obligations of the Basic Account for accounting and funding purposes, as further described in notes 4 and 5. Actual results could differ materially from these estimates.

3. INVESTMENTS

a) Investments

Fair value of investment holdings			2022			2021
	Basic account	Inflation adjustment account	Total	Basic account	Inflation adjustment account	Total
Short-term	$ 129.9	$ 22.4	$ 152.3	$ 187.6	$ 31.9	$ 219.5
Bonds	1,707.9	294.2	2,002.1	1,554.1	264.3	1,818.4
Repurchase agreements	(555.6)	(95.7)	(651.3)	(565.5)	(96.2)	(661.7)
	1,152.3	198.5	1,350.8	988.6	168.1	1,156.7
Canadian equities	154.2	26.6	180.8	357.8	60.8	418.6
Global equities	1,177.0	202.8	1,379.8	1,393.4	237.0	1,630.4
Emerging markets equities	449.5	77.4	526.9	517.7	88.0	605.7
Mortgages	197.6	34.1	231.7	158.6	27.0	185.6
Real estate	966.9	166.6	1,133.5	810.4	137.8	948.2
Private equity	775.5	133.6	909.1	708.1	120.4	828.5
IRR*	633.6	109.2	742.8	592.9	100.8	693.7
	$ 5,636.5	$ 971.2	$ 6,607.7	$ 5,715.1	$ 971.8	$ 6,686.9

Plan investments consist primarily of direct ownership in units of pooled investment portfolios. Each unit gives its holder a proportionate share in the value of the net assets of the pooled investment fund. The Basic Account and IAA are combined for investment management purposes.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

a) Investments (continued)

One or more pooled investment portfolios exist for different types of investments, such as short-term investments; bonds; Canadian, global and emerging markets equities; mortgages; real estate; private equity; and infrastructure and renewable resources. While the purpose of each fund is to invest in a particular type of investment, at any time, given the timing of trading activities, the fund may hold a certain amount of cash, short-term investments, accrued interest income and net accounts receivable or payable from outstanding sales and purchases of investments.

Short-term investments consist of Canadian and U.S. money market securities such as treasury bills, with maturities of 15 months or less, and short-term bonds with one- to five-year terms. Short-term investments are valued using current market yields.

Bonds consist of government bonds, investment grade and non-investment grade corporate bonds, repurchase agreements, and debentures. Bonds are valued based on current market yields and, in some cases, quoted market prices. Bonds include the use of repurchase agreements to borrow money to create leverage to purchase other bonds and enhance yields through a leverage bond fund strategy.

Equities consist primarily of publicly traded shares and are valued based on quoted market prices on the primary exchanges on which they are traded.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. The mortgages are secured by real estate and valued using current market yields.

Real estate investments consist mainly of diversified Canadian and U.S. income-producing properties. Real estate investments are valued quarterly by external investment managers and, at least once every 10 to 18 months, by accredited independent appraisers to establish current market values.

Private equity consists mainly of equity investments made outside the structure of public markets. Private equity investments are valued either quarterly or annually based on audited financial statements from external investment managers using a market-based approach.

Infrastructure and renewable resources consist of privately owned and managed infrastructure assets, as well as timber, agriculture and other renewable assets. Infrastructure and renewable resources investments are valued annually using a market-based approach or net asset value method.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives

Derivative contracts are directly and indirectly held by the Plan. The details of these contracts are as follows:

Fair value of derivative contracts	2022		2021	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Directly held				
Foreign currency forwards	$ 43.6	$ (45.5)	$ 19.4	$ (17.0)
	43.6	(45.5)	19.4	(17.0)
Indirectly held in pooled investment portfolios				
Foreign currency forwards	2.9	(20.4)	3.6	(5.2)
Options	-	-	0.8	(0.7)
Interest rate swaps	8.1	(1.1)	1.2	(2.4)
Total return swaps	24.4	(24.9)	52.3	(10.5)
	35.4	(46.4)	57.9	(18.8)
Total derivatives	$ 79.0	$ (91.9)	$ 77.3	$ (35.8)
Derivatives by investment asset classification				
Short-term	$ 0.2	$ -	$ -	$ -
Bonds	5.7	(21.5)	3.6	(5.2)
Canadian equities	1.2	(1.1)	2.4	(1.2)
Global equities	26.8	(24.3)	46.2	(10.1)
Emerging markets equities	4.2	(1.1)	6.3	(2.5)
Mortgages	-	(3.7)	1.3	(1.3)
Real estate	11.8	(13.4)	4.3	(5.0)
IRR*	29.1	(26.8)	13.2	(10.5)
	$ 79.0	$ (91.9)	$ 77.3	$ (35.8)

*Infrastructure and renewable resources

Derivative contracts consist of foreign currency forward contracts, options, futures, interest rate swaps and total return swaps held directly by the Plan or indirectly through various pooled investment portfolios. Directly held and indirectly held derivative contracts are reflected at fair value based on expected settlement amounts at the date of the Statement of Financial Position. Directly held derivatives are disclosed on the face of the Statement of Financial Position while indirectly held derivatives are included in investments.

A foreign currency forward contract is a privately negotiated contractual obligation to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Foreign currency forward contracts are directly held by the plan to manage exposure to foreign currency risk.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Options are contracts that give the buyer the right, but not the obligation, to buy or sell a certain security or index at an agreed-upon price on or before a specified date. Futures contracts are exchange-traded contractual obligations to take or make delivery of an asset at a predefined price and date in the future. Gains and losses on futures contracts are settled daily. Options and futures are held for synthetic indexing, a modern technique used to replicate the performance of a security or index without directly purchasing or selling the underlying assets and for risk control.

An interest rate swap is an agreement between two counterparties in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating interest rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally better interest rate than would have been possible without the swap.

A total return swap is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, including both the income it generates and any capital gains. In total return swaps, the underlying asset (referred to as the reference asset) is usually an equity index or basket of equity securities. Interest rate swaps and total return swaps are held indirectly through various pooled investment portfolios for synthetic indexing purposes.

Derivative transactions are supported with collateral to mitigate counterparty credit risk. A single net fair value amount is used to determine the value of collateral with each counterparty. Collateral approximately equal to the positive fair value of each derivative contract has been provided by counterparties, and collateral approximately equal to the negative fair value of each derivative contract has been delivered to counterparties. Acceptable forms of collateral are Canadian federal or provincial bonds, and U.S. federal government treasury bills and bonds.

The notional value of derivatives is the total value of a position, how much value a position controls, or an agreed-upon amount in a contract.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Notional value of derivatives			2022	2021
Term to maturity	Within 1 year	1 to 5 years	Total	Total
Derivatives by type of contract				
Directly held				
Foreign currency forwards	$ 2,537.5	$ -	$ 2,537.5	$ 1,980.1
	2,537.5	-	2,537.5	1,980.1
Indirectly held in pooled investment portfolios				
Foreign currency forwards	765.6	1.2	766.8	364.4
Options	16.6	-	16.6	26.2
Futures	-	-	-	72.4
Interest rate swaps	576.4	228.9	805.3	518.7
Total return swaps	1,491.5	5.6	1,497.1	2,165.6
	2,850.1	235.7	3,085.8	3,147.3
Total derivatives	$ 5,387.6	$ 235.7	$ 5,623.3	$ 5,127.4
Derivatives by investment asset classification				
Short-term	$ 6.7	$ -	$ 6.7	$ -
Bonds	977.2	1.2	978.4	470.3
Canadian equities	92.0	8.0	100.0	323.6
Global equities	1,633.1	174.1	1,807.2	1,912.9
Emerging markets equities	259.8	52.4	312.2	488.5
Mortgages	126.3	-	126.3	111.0
Real estate	672.9	-	672.9	484.3
IRR*	1,619.6	-	1,619.6	1,336.8
	$ 5,387.6	$ 235.7	$ 5,623.3	$ 5,127.4

* Infrastructure and renewable resources

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

c) Repurchase agreements

The Plan has indirect exposure to repurchase agreements, underwritten on bond securities, through its investment in the pooled investment portfolio. Repurchase agreements are short-term agreements to sell securities in order to buy them back at a slightly higher price. The party selling the repurchase agreement is effectively borrowing, and the other party is lending, since the lender is credited the implicit interest in the difference in prices. Securities sold under repurchase agreements are accounted for as collateralized borrowing because they represent the sale of securities with a simultaneous agreement to buy them back at a specified future date. The securities sold under these agreements continue to be recognized on the statements of financial position with any changes in fair value recorded as net gain (loss) on investments and included in investment income. Interest incurred on repurchase agreements is included in borrowing costs within investment-related expenses.

Repurchase agreements are carried at the amount at which the securities were initially acquired or sold, which, together with accrued interest income or expense, approximates fair value due to the short-term nature of these agreements.

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

a) Basic Account

In accordance with the Agreement and PBSA, an actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in note 5a. As part of the actuarial valuation, the Plan actuary also calculates values, for accounting purposes, of the Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in note 5a. Also, for accounting purposes, the full impact of investment fair value changes is reflected in the financial statements as at the financial statement date compared with the deferral and amortization of fair value gains or losses in the valuation for funding purposes. The liability for accrued basic pension obligations at the valuation date is determined using the projected benefit method pro-rated on service.

The latest full actuarial valuation for accounting purposes was prepared as at August 31, 2021, by Eckler Ltd. This valuation calculated the liability for accrued basic pension obligations for financial statement purposes to be $4,435.9 million (2018: $3,681.2 million).

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (CONTINUED)

a) Basic Account (continued)

Between valuations, an estimate of the actuarial position is required. This estimate, an extrapolation, has been made to August 31, 2022, using the following long-term actuarial assumptions:

- Annual investment return 6.00% (2018: 6.25%)
- Annual salary escalation rate 3.25% (2018: 3.50%)

The extrapolation calculated the liability for accrued basic pension obligations to be $4,763.4 million (2021: $4,342.7 million).

In 2022, the extrapolation reflected assumption changes made during the 2021 valuation that resulted in an increase in the 2021 accrued basic pension obligations of $91.2 million. The most significant change in the assumptions was a decrease in the annual investment return, which increased the accrued basic pension obligations, although this was offset by a reduction in the salary escalation rate. Further, the 2021 valuation accrued basic pension obligations were $2.0 million higher than anticipated by the 2021 extrapolation, representing the net result of experience gains and losses (e.g., lower than expected salary increase, fewer terminations than assumed, net of rehires).

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings, and the incidence of retirements, withdrawals and changes in other factors may vary significantly from the long-term assumptions used in the extrapolation. In the event of a major change to the Plan, a new valuation or review of assumptions may be required.

The next full actuarial valuation will be carried out as at August 31, 2024, with the results included in the August 31, 2025, financial statements.

Actuarial liabilities are also affected by changes in the assumed investment return. Based on the actuarial valuation completed as at August 31, 2021, a reduction in the investment return assumption from 6.00% to 5.75% would have increased the August 31, 2022, liability for accrued basic pension obligations of $4,763.4 million by $140.4 million or 2.9% and the impact of a 1% change would be approximately four times the amount. Changes to assumptions included in the actuarial valuation are interrelated, and the cumulative impact of changed assumptions may be offsetting.

b) Inflation Adjustment Account (IAA), non-guaranteed pension obligations

No unfunded liability exists for the IAA since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. There is no minimum level of inflation adjustment required to be paid under the pension plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential inflation adjustments (note 5b). The non-guaranteed pension obligations are therefore equal to the net assets available for benefits in the IAA, 2022: $1,477.7 million (2021: $1,347.5 million). The net increase of $130.2 million (2021: $231.6 million) in the IAA balance consists of employee and employer contributions, investment income and net transfers reduced by payments out of the account. As per the Agreement, $100.8 million of the August 31, 2021, valuation surplus was transferred to the IAA (Note 13). Also, $7.6 million of the SFU actuarial surplus at August 31, 2021, was transferred from the Basic Account to the IAA (Note 13).

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

The Basic Account is the account from which the defined basic benefits of the Plan are paid. In accordance with the Agreement and PBSA, an actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and accrued pension obligations to the financial statement date, and contributions and benefits for future service. The contribution requirements are calculated by the actuary using the entry-age normal cost method (entry-age method).

This method produces the long-term rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan. This rate may be adjusted for the amortization of any actuarial funding surplus, and it will be adjusted for the amortization of any unfunded actuarial liability. Future contribution rate determinations will exclude consideration of the assets in the Rate Stabilization Account (RSA) that is held notionally within the Basic Account; if contribution rate increases are considered, funds will be transferred from the RSA to keep the rate at its current level or to minimize the increase.

The Basic Account is also the account from which any cost-of-living adjustments granted to retired members are paid. Future cost-of-living adjustments are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits (note 5b). As cost-of-living adjustments are granted, the Basic Account receives from the IAA the present value funding necessary for the cost-of-living adjustment granted. Therefore, accrued basic pension obligations for valuation purposes include the liability for all cost-of-living adjustments granted to the date of the valuation, but not for as-yet-unknown future cost-of-living adjustments.

Actuarial valuation

The latest full actuarial valuation for funding purposes was prepared as at August 31, 2021, by the independent actuary based on the entry-age method; the valuation indicated an actuarial surplus of $201.7 million (2018: 303.2 million).

The Agreement specifies that if an actuarial valuation indicates increased basic contribution rates are required, the increase must be shared equally by members and employers. The Agreement also describes the manner in which the Board can elect to apply surplus assets.

SFU members joined the Plan on July 2021 and additional funds were required to ensure the August 31, 2018, actuarial surplus was not diluted. The SFU surplus as at the August 31, 2021, valuation was $11.9 million, and following the same allocation that was applied to the 2018 valuation surplus, 64% of the SFU surplus ($7.6 million plus interest) (initial transfer amount of $7.6 million reduced by $0.1 million for negative return in 2022 – see Note 13) was transferred to IAA and the remaining 36% ($4.3 million plus interest) to the RSA. These transfers were reflected in the August 31, 2021 actuarial valuation results.

As per the Agreement, of the $201.7 million August 31, 2021 valuation surplus, $100.8 million was transferred to IAA and $100.9 million transferred to RSA.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

An estimate of the actuarial position of the Plan for funding purposes has been made to August 31, 2022, using the following long-term actuarial assumptions:

- Annual investment return 6.00% (2018: 6.25%)
- Annual salary escalation rate 3.25% (2018: 3.50%)

This estimate, an extrapolation, produced an estimated funding surplus of $168.0 million as at August 31, 2022 (2021: $318.1 million), as follows:

Funding extrapolation		2022		2021
Net assets available for basic pension benefits	$	**5,130.2**	$	5,348.3
Actuarial asset value adjustment		**198.9**		(427.9)
Smoothed assets for basic pension benefits		**5,329.1**		4,920.4
Rate stabilization account		**(272.7)**		(141.4)
Smoothed assets excluding rate stabilization account		**5,056.4**		4,779.0
Present value of future contributions (entry-age method)		**1,620.2**		1,546.6
Present value of future amortization for SFU members		**31.8**		31.3
Net actuarial assets for basic pension benefits		**6,708.4**		6,356.9
Actuarial liability for accrued and future basic pension benefits		**(6,540.4)**		(6,038.8)
Entry-age method actuarial surplus	$	**168.0**	$	**318.1**

Changes in the extrapolated entry-age method funded status		2022		2021
Extrapolated entry-age method actuarial surplus, beginning of year	$	**318.1**	$	23.6
Surplus transferred to IAA		**(100.8)**		-
Surplus transferred to rate stabilization account		**(100.9)**		-
Adjustment to reflect the 2021 valuation		**(116.4)**		-
Extrapolated change in actuarial assets for basic pension benefits		**485.1**		808.6
Extrapolated change in actuarial liability for accrued and future basic pension benefits		**(317.1)**		(514.1)
Entry-age method actuarial surplus, end of year	$	**168.0**	$	**318.1**

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, various factors, including actual wage increases, investment earnings, and the incidence of retirements and withdrawals, may vary significantly from the long-term assumptions used in the extrapolation.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

Measurement difference between funding and accounting positions

The primary components of the measurement differences between the extrapolated entry-age method funding surplus and the financial statement accounting surplus are as follows:

Measurement difference between funding and accounting positions		2022		2021
Entry-age method actuarial surplus	$	168.0	$	318.1
Actuarial asset value adjustment		(198.9)		427.9
Rate stabilization account		272.7		141.4
Difference in actuarial methods – present value of future contributions		(1,652.0)		(1,577.9)
Difference in actuarial methods – present value of future liabilities		1,777.0		1,696.1
Measurement differences between funding and accounting positions		198.8		687.5
Surplus for financial statement purposes	$	**366.8**	$	**1,005.6**

Actuarial asset value adjustment

To determine the entry-age method surplus for funding purposes, the actuarial value of net assets available for benefits is determined on an adjusted value basis that smooths the difference between the actual investment return and the expected return based on a long-term real return rate over a five-year period.

The funding policy requires that the value of the assets be smoothed within a certain corridor. In the 2021 valuation, the corridor required that the smoothed value be no more than 108% and no less than 92% of the market value of the assets. The unconstrained smoothed value of the assets at August 31, 2022, was 103.9% and therefore, no adjustment was required. The unconstrained smoothed value of the assets at August 31, 2021, was 90.9%; accordingly, the smoothed value was adjusted to be 92.0% of the market value of the assets.

The following schedule indicates the year the components of the actuarial asset value adjustment will be recognized in the entry-age method actuarial surplus. The amounts are based on that proportion of the total fund related to the Basic Account assets.

Actuarial asset value adjustment		2022		2021
2022	$	-	$	155.0
2023		(8.4)		125.4
2024		(11.8)		122.0
2025		(48.3)		84.4
2026		(130.4)		-
Adjustment to 92% of market value in 2021		-		(58.9)
Total adjustment	$	**(198.9)**	$	**427.9**

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

Rate Stabilization Account

The Agreement allows a contribution rate stabilization account to be established. If an actuarial funding valuation identifies a surplus, any amount up to the total surplus can be transferred to the RSA.

As per the Agreement, $100.9 million of the August 31, 2021, valuation surplus was transferred to the RSA that is held notionally within the Basic Account.

Also, $4.3 million of the August 31, 2021, SFU valuation surplus was transferred to the RSA.

Interest on the RSA is determined by applying the smoothed rate of return to the fiscal year-end balance. For 2022, $26.1 million (2021: $16.6 million) of interest was transferred from the Basic Account to the RSA based on the 2022 smoothed rate of return of 10.6% (2021: 13.3%).

Rate stabilization account	2022	2021
Opening balance	$ 141.4	$ 124.8
2021 valuation surplus transfer	100.9	-
SFU actuarial surplus transfer	4.3	-
Interest applied to balance	26.1	16.6
Ending balance	**$ 272.7**	**$ 141.4**

Difference in actuarial methods

While the accrued pension benefit liability for financial statement purposes uses the projected benefit method pro-rated on service, the pension liability for funding purposes uses an entry-age funding method, where the present value of future normal cost contributions, basic pension benefits for future service and future amortization amounts are included in the determination of the funded status of the Plan.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA, since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. As cost-of-living adjustments are granted to retired members, full funding for the granted cost-of-living adjustment, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of cost-of-living adjustment required to be paid under the pension plan rules, nor is there any Plan provision to fund the IAA to any minimum level for future potential cost-of-living adjustments.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT

The Board approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures (SIPP) and oversees the management of these assets through the Board's investment management agent, BCI. The SIPP requires diversification of investments among asset classes, sets guidelines on investment categories, and limits the exposure to individual investments and counterparties.

Significant risks are regularly monitored and managed by BCI, and actions are taken when appropriate, according to the Plan's SIPP. In addition, these risks are reviewed periodically with the Board. Such risks include liquidity risk, as well as other financial risks, which comprise currency risk, interest rate risk, other price risk and credit risk.

Financial risks are disclosed on a unit-of-account basis (note 6b), which represents the legal ownership of securities held, and at the underlying securities level (note 6c), which provides additional insight to other risks that may impact the financial instruments of the Plan. Both forms of disclosure provide valuable perspectives into the financial risks that may directly or indirectly impact the financial statements and the funded status of the Plan. These two forms of risk disclosure are not additive to each other.

a) Liquidity risk

Liquidity risk is the risk of not being able to meet the Plan's cash requirements in a timely and cost-effective manner. Expenditures relate primarily to pensions, termination and refund benefits, and investment and administration costs. The Plan's approach to mitigating liquidity risk is to forecast its cash requirements over the near and long term to determine whether sufficient funds are available.

The Plan's primary source of liquidity is income generated from the Plan's investments, and employer and employee contributions. Investments are primarily held in pooled funds, and the securities held are traded in active markets and can be readily sold, and where the pooled fund units can thereby be redeemed to fund cash requirements. Accounts payable of $6.3 million (2021: $1.3 million) and payable for purchase of investments of $37.5 million (2021: nil) are generally due within one month. Derivatives payable of $45.5 million (2021: $17.0 million) are due within the next fiscal year.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Financial risks on a unit-of-account basis

Plan investments consist primarily of direct ownership in units of pooled investment portfolios. Each unit gives its holder a proportionate interest in the value of the net assets of the respective pooled investment fund. The unit-of-account for the majority of the Plan's investments is the units of the pooled investment funds.

Market risk is the risk that the fair value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Market risk consists of currency, interest rate and other price risks.

Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the fund will fluctuate due to changes in foreign exchange rates. The Plan holds primarily Canadian dollar denominated investment pooled fund units and is exposed to currency risk through holdings of small amounts of foreign currency denominated debt investments (2021: debt investments). See note 6c for currency exposure related to underlying securities.

Foreign denominated investments held as a percentage of the fund

		2022	%		2021	%
United States	$	**67.5**	**1.0**	$	105.1	1.6
Australia		**0.4**	**0.0**		11.3	0.2
	$	**67.9**	**1.0**	$	**116.4**	**1.8**

As at August 31, 2022, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets available for benefits would have decreased or increased by approximately $6.8 million (2021: $11.6 million).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of Plan investments will change as a result of future fluctuations in market interest rates. The majority of the Plan's investment assets are non-interest bearing and not subject to interest rate risk. See note 6c for interest rate risk related to underlying securities.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Financial risks on a unit-of-account basis (continued)

Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Plan's investments are subject to other price risk through its public equity investments and private market investments, including equity in real estate companies, held directly and through pooled investment portfolios. This risk is managed by diversifying investments across asset classes based on criteria established in the SIPP.

As at August 31, 2022, if the pooled investment fund unit prices increased or decreased by 10%, with all other factors remaining constant, net assets available for benefits would have increased or decreased by approximately $660.8 million (2021: $668.6 million).

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation continues and remains dynamic with various cities and countries around the world responding in different ways to address the outbreak. As a result of the pandemic, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the ultimate impact or duration of the volatility on the Plan.

In February 2022, events concerning Russia and Ukraine have resulted in sanctions being levied against Russian interests by numerous countries. As a result of this ongoing situation, the price and liquidity of securities connected to Russia have declined significantly and were written down to zero. The duration and extent of the impact of this situation on the Plan's other investments remain unclear.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into, resulting in a financial loss to the Plan. The majority of the Plan's investments are held in securities that are not subject to credit risk. See note 6c for credit risk related to underlying securities.

Credit exposure exists for members' and employers' contributions receivable directly held by the Plan totalling $9.9 million (2021: $9.0 million), interest and dividends receivable $0.4 million (2021: $0. 6 million), and for the derivatives $43.6 million (2021: $19.4 million).

c) Financial risks of underlying securities held through pooled investment funds

Pooled investment funds exist for different types of investments, such as short-term investments; bonds; Canadian, global and emerging markets equities; mortgages; real estate; private equity; and infrastructure and renewable resources. Examining the risks of the underlying securities contained in pooled investment funds provides additional disclosure to assess the overall financial risks of the Plan's investments. Viewing the financial risks of underlying securities is an alternative way of disclosing financial risks from the unit-of-account basis in note 6b. These risks are not considered additive to the financial risks already disclosed in note 6b.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Market risks are reduced through asset class diversification, diversification within each asset class and credit quality requirements on investments.

Currency risk

Currency exposure also arises from foreign currency denominated investments held directly and from underlying investments held indirectly in pooled investment funds. BCI has currency exposure management programs under which it enters into economic hedges of foreign currency exposure through the use of forward foreign currency contracts.

The Plan's total currency exposure, the impact of economic hedging activities and its net notional exposure as at August 31 are as follows:

Foreign denominated investment holdings

(Cdn dollar equivalent)	Total exposure	Economic hedging	Net exposure	% of total
		2022		
United States	$ 2,894.3	$ 797.3	$ 2,097.0	67%
Asia-Pacific, excluding Japan	323.8	-	323.8	10%
Euro countries	425.4	37.3	388.1	12%
United Kingdom	147.4	5.6	141.8	5%
Other	128.2	-	128.2	4%
Other Europe	38.8	-	38.8	1%
Japan	20.7	-	20.7	1%
	$ 3,978.6	$ 840.2	$ 3,138.4	100%
		2021		
United States	$ 2,579.8	$ 535.2	$ 2,044.6	62%
Asia-Pacific, excluding Japan	435.9	-	435.9	14%
Euro countries	437.2	17.0	420.2	13%
United Kingdom	150.5	4.0	146.5	4%
Other	142.0	-	142.0	4%
Other Europe	65.0	-	65.0	2%
Japan	19.2	0.1	19.1	1%
	$ 3,829.6	$ 556.3	$ 3,273.3	100%

The net foreign currency exposure of its underlying investment represents 47% (2021: 49%) of the Plan's total investments.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Interest rate risk

The Plan's pooled investment funds hold interest-bearing financial instruments in short-term investments, bonds and mortgages. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and interest rate swaps, and general diversification by security type and geographic region. The Plan participates in a leveraged bond strategy using repurchase agreements that is included in the terms to maturity table below.

The terms to contractual maturity of interest-bearing financial instruments held directly and through pooled investment portfolios as at August 31, are as follows:

Terms to maturity of interest-bearing financial instruments	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Effective yield to maturity
			2022			
Short-term	$ 152.3	$ -	$ -	$ -	$ 152.3	2.99%
Bonds	175.1	515.5	705.7	605.8	2,002.1	3.73%
Repurchase agreements	(651.3)	-	-	-	(651.3)	-2.52%
Mortgages*	36.8	188.7	6.2	-	231.7	7.21%
Debt**	-	0.3	0.4	-	0.7	4.80%
	$ (287.1)	$ 704.5	$ 712.3	$ 605.8	$ 1,735.5	
			2021			
Short-term	$ 216.9	$ 0.1	$ 2.5	$ -	$ 219.5	0.22%
Bonds	109.3	562.9	552.3	593.9	1,818.4	1.81%
Repurchase agreements	(661.7)	-	-	-	(661.7)	-0.27%
Mortgages*	46.2	109.8	29.6	-	185.6	4.57%
Debt**	-	-	0.7	-	0.7	4.80%
	$ (289.3)	$ 672.8	$ 585.1	$ 593.9	$ 1,562.5	

*Yield based on mortgages in the fixed term mortgage fund. Other mortgage funds contain variable rate mortgages.

**Grouped with real estate investment category.

As at August 31, 2022, if the prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables remaining constant, the fair value of interest-bearing financial instruments and net assets available for benefits would have decreased or increased by approximately $129.4 million (2021: $147.8 million).

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Other price risk

Other price risk associated with the underlying investments held in pooled investment funds is consistent with that described earlier in note 6b, which describes financial risks on a unit-of-account basis.

Credit risk

The Plan's underlying investment assets held in pooled investment funds attract credit risk. This is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. It's also the risk of losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. Credit risk is managed by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentration limits with given counterparties.

Credit risk ratings on financial instruments (short-term investments, bonds, mortgages and debt) held directly and through pooled investment portfolios are as follows:

Credit rating of financial instruments		2022			2021	
AAA/AA	$	**666.8**	**39%**	$	431.0	28%
A		**316.5**	**18%**		583.8	37%
BBB		**143.0**	**8%**		79.0	5%
Non-investment grade		**232.8**	**14%**		198.5	13%
		1,359.1	**79%**		1,292.3	83%
Unrated		**376.4**	**21%**		270.2	17%
	$	**1,735.5**	**100%**	$	**1,562.5**	**100%**

The ratings used are defined by Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned. The lender's capacity to meet its financial commitment on the obligation is very strong. Bonds rated A, BBB or non-investment grade are weaker, with the BBB rating denoting an obligation with adequate protection parameters and a non-investment grade rating denoting major ongoing uncertainties or exposure to adverse business, financial or economic conditions that could lead to the debtor's inadequate capacity to meet its financial commitment on the obligation. Unrated financial instruments consist mainly of mortgages secured by real estate, debt and corporate bonds.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

Fair value measurements of the investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. The three levels of the fair value hierarchy are as follows:

Level 1

Inputs that are unadjusted quoted prices in active markets for identical assets or liabilities

Level 2

Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly

Level 3

Inputs that are not based on observable market data

Plan investments are carried at fair value in the financial statements. The following table details the classification of the Plan's investments based on the fair value hierarchy as at August 31:

Fair value hierarchy	Level 1	Level 2	Level 3	Total
		2022		
Pooled fund units	$ 152.4	$ 4,082.2	$ 2,372.4	$ 6,607.0
Direct debt*	-	-	0.7	0.7
Investments	**$ 152.4**	**$ 4,082.2**	**$ 2,373.1**	**$ 6,607.7**
Derivatives	**$ -**	**$ (1.9)**	**$ -**	**$ (1.9)**
		2021		
Pooled fund units	$ 219.5	$ 4,417.8	$ 2,048.9	$ 6,686.2
Direct debt*	-	-	0.7	0.7
Investments	**$ 219.5**	**$ 4,417.8**	**$ 2,049.6**	**$ 6,686.9**
Derivatives	**$ -**	**$ 2.4**	**$ -**	**$ 2.4**

*Grouped with real estate investment category.

During 2022 and 2021, there were no significant transfers of investments between levels.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value hierarchy (continued)

The following table reconciles the Plan's Level 3 fair value measurements.

Level 3 fair value hierarchy	Pooled fund units	Direct equity	Direct debt	Total
		2022		
Balance, beginning of year	$ 2,048.9	$ -	$ 0.7	$ 2,049.6
Gains (losses) included in investment income	51.8	-	-	51.8
Purchases	1,128.9	-	-	1,128.9
Sales	(857.2)	-	-	(857.2)
Balance, end of year	**$ 2,372.4**	**$ -**	**$ 0.7**	**$ 2,373.1**
Unrealized loss in investment income	$ (106.0)	$ -	$ -	$ (106.0)
		2021		
Balance, beginning of year	$ 1,601.3	$ 62.0	$ 25.4	$ 1,688.7
Gains (losses) included in investment income	284.4	(1.1)	(0.3)	283.0
Purchases	2,036.8	31.3	0.4	2,068.5
Sales	(1,873.6)	(92.2)	(24.8)	(1,990.6)
Balance, end of year	**$ 2,048.9**	**$ -**	**$ 0.7**	**$ 2,049.6**
Unrealized gain (loss) in investment income	$ 239.7	$ (23.5)	$ (0.5)	$ 215.7

b) Valuation models

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

BCI uses widely recognized valuation methods for determining the fair value of common and less complex financial instruments such as investments in pooled funds, where fair value is based on the underlying net asset value of the respective pooled fund as determined by the underlying fund manager. Observable prices and model inputs are usually available in the market for listed equity and debt securities, simple derivatives such as forward or future currency contracts and pooled funds.

The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the financial instrument and is subject to change based on specific events and general conditions in the financial markets.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Valuation models (continued)

For more complex financial instruments, such as direct private debt investments held by the Plan, BCI uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates, or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of judgment and estimation in the determination of fair value. BCI's judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows of the financial instrument being valued, determination of the probability of counterparty default and prepayments, and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that BCI believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Plan and the counterparties where appropriate.

c) Valuation framework

BCI has an established framework with respect to the measurement of fair values of financial instruments. Where possible, for direct private equity investments held by the Plan, external independent valuation specialists are engaged annually to assist in the determination of fair value. In those circumstances where BCI relies on the third-party manager for the determination of fair value, BCI reviews the appropriateness of such valuations using audited financial statements of the underlying investments, where available, and other information from the underlying third-party manager or other sources.

In addition, BCI applies the following specific controls in relation to the determination of fair values:

- Verification of observable pricing inputs
- Appraisal of domestic real estate properties once every 10 to 18 months by accredited independent appraisers
- Analysis and investigation of significant valuation movements
- Review of unobservable inputs and valuation adjustments

When third-party information, such as broker quotes or pricing services, is used to measure fair value, BCI assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations are appropriate. This includes:

- Verifying that the broker or pricing service is approved by BCI for use in pricing the relevant type of financial instrument
- Understanding how the fair value has been arrived at, and the extent to which it represents actual market transactions
- Understanding how the fair value has been determined when a number of quotes for similar financial instruments have been obtained
- Understanding how prices for similar financial instruments used to measure fair value have been adjusted to reflect the characteristics of the financial instrument subject to measurement

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Significant unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Significant unobservable inputs used in measuring fair value

Description	Fair value	Valuation technique	Unobservable input	Amount/ range	Sensitivity to change in significant unobservable input
			2022		
					The estimated fair value would increase if:
Pooled fund units	**$ 2,372.4**	**Net asset value**	**Net asset value**	**$ 2,372.4**	**The net asset value increased**
Direct debt	**$ 0.7**	**Discounted cash flow**	**Discount rate**	**4.8%**	**The discount rate decreased**
			2021		
					The estimated fair value would increase if:
Pooled fund units	$ 2,048.9	Net asset value	Net asset value	$ 2,048.9	The net asset value increased
Direct debt	$ 0.7	Discounted cash flow	Discount rate	4.8%	The discount rate decreased

Net asset value

Net asset value is determined by BCI based on the fair value of assets less liabilities. Such investments are closed funds with significant restrictions on redemptions, and, accordingly, BCI is unable to dispose of the pooled fund investment until the maturity or wind-up and liquidation of the respective pooled fund. In such cases, it is the Plan’s policy to categorize the pooled fund investment as Level 3 within the fair value hierarchy.

Discount rate

This represents the discount rate applied to the expected future cash flows of the direct debt investments. For the discount rates used, the underlying investment manager assesses both the risk premium and the appropriate risk-free rate based on the economic environment in which the investee entity operates. The discount rate is adjusted for such matters as liquidity differences, credit and market factors. The estimated future cash flows are then discounted using the discount rate determined. Cash flows used in the discounted cash flow model are based on projected cash flows or earnings of the respective investee entity.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

e) Effects of unobservable input on fair value measurement

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used for a reasonable alternative assumption could have the following effects on net assets attributable to holders of redeemable units.

The pooled fund units and direct debt investments were valued based on information received from BCI, the manager of the respective investments. The fair value of these investments fluctuates in response to changes to specific assumptions for these particular investments, as determined by BCI. The favourable and unfavourable effects of reasonable alternative assumptions for the valuation of pooled fund units and direct debt investments have been calculated by adjusting the respective underlying net asset value by 10%.

Effects of unobservable input on Level 3 fair value measurement

	2022		2021	
	Favourable	Unfavourable	Favourable	Unfavourable
Pooled fund units	$ 237.2	$ (237.2)	$ 204.9	$ (204.9)
Direct debt	0.1	(0.1)	0.1	(0.1)
	$ 237.3	$ (237.3)	$ 205.0	$ (205.0)

f) Financial instruments not measured at fair value

The carrying value of contributions receivable, receivable from sale of investments, interest and dividends receivable, accounts payable and accrued expenses, and payable for purchase of investments approximate their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because, while prices are available, there is no active market for these instruments.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

8. INVESTMENT INCOME (LOSS)

			2022			2021
	Income allocation	Change in fair value	Total	Income allocation	Change in fair value	Total
Short-term	$ 0.8	$ 0.9	$ 1.7	$ 0.7	$ 1.4	$ 2.1
Bonds	50.4	(287.0)	(236.6)	25.5	(33.8)	(8.3)
Canadian equities	6.4	(2.1)	4.3	12.5	108.0	120.5
Global equities	24.9	(242.2)	(217.3)	21.6	335.1	356.7
Emerging markets equities	15.1	(117.4)	(102.3)	11.2	97.1	108.3
Mortgages	6.7	7.0	13.7	5.7	3.3	9.0
Real estate	124.7	15.8	140.5	13.7	63.7	77.4
Private equity	145.1	42.9	188.0	24.6	201.6	226.2
IRR*	107.9	(18.9)	89.0	27.0	41.2	68.2
	482.0	(601.0)	(119.0)	142.5	817.6	960.1
Directly held derivatives	-	(1.2)	(1.2)	-	14.4	14.4
	$ 482.0	$ (602.2)	$ (120.2)	$ 142.5	$ 832.0	$ 974.5

* Infrastructure and renewable resources

Investment income represents realized and unrealized pooled investment portfolio income attributable to the Plan, as a unit holder, and income from directly held investments. Income allocation is composed of interest, dividends and other investment payments. Change in fair value is composed of realized gains and losses on the disposal of investments and derivatives, and unrealized gains and losses on investments and derivatives held at year-end. All income earned within a pooled investment portfolio is reinvested within the portfolio.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

9. CONTRIBUTIONS

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
		2022		
Members' contributions				
Regular	$ 98.4	$ 21.8	$ 0.2	$ 120.4
Past service purchases	41.0	11.9	-	52.9
	139.4	33.7	0.2	173.3
Employers' contributions				
Regular	98.9	21.8	0.9	121.6
Past service purchases	0.2	-	-	0.2
	99.1	21.8	0.9	121.8
	$ 238.5	$ 55.5	$ 1.1	$ 295.1
		2021		
Members' contributions				
Regular	$ 83.8	$ 18.5	$ 0.1	$ 102.4
Past service purchases	0.5	0.1	-	0.6
	84.3	18.6	0.1	103.0
Employers' contributions				
Regular	84.1	18.5	0.9	103.5
Lump sum payment from SFU	4.0	1.0	-	5.0
Past service purchases	0.3	0.1	-	0.4
	88.4	19.6	0.9	108.9
	$ 172.7	$ 38.2	$ 1.0	$ 211.9

Member and employer contributions are as defined under the pension plan rules. Members’ past service purchases are voluntary contributions.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

10. BENEFITS

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
		2022		
Regular pension benefits	$ 192.3	$ -	$ 1.0	$ 193.3
Indexing – regular pension benefits	32.3	-	0.1	32.4
Termination and refund benefits	18.4	4.3	-	22.7
Death benefit payments	5.2	0.6	-	5.8
	$ 248.2	$ 4.9	$ 1.1	$ 254.2
		2021		
Regular pension benefits	$ 179.6	$ -	$ 0.8	$ 180.4
Indexing – regular pension benefits	28.5	-	0.1	28.6
Termination and refund benefits	14.7	2.5	0.1	17.3
Death benefit payments	2.3	0.1	-	2.4
	$ 225.1	$ 2.6	$ 1.0	$ 228.7

11. SUPPLEMENTAL BENEFITS ACCOUNT

The SBA funds certain supplemental benefits; for example, pension benefits that exceed *Income Tax Act* limits for registered pension plans are paid through this account.

12. INVESTMENT AND ADMINISTRATION COSTS

	2022	2021
Investment management	$ 13.8	$ 10.1
Benefit administration	4.7	4.4
Board secretariat costs	0.3	0.3
Other professional services	0.4	0.3
Board remuneration and expenses	0.2	0.1
Audit and actuary expenses	0.1	0.1
	$ 19.5	$ 15.3

Investment and administration costs include audit fees of $47 thousand (2021: $56 thousand) and actuary fees of $38 thousand (2021: $17 thousand).

BCI and Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards. Investment management and benefit administration costs are approved by the Board.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

12. INVESTMENT AND ADMINISTRATION COSTS (CONTINUED)

Investment management costs represent amounts charged to recover internal and external management costs incurred by BCI, except those external management fees related to investments managed by an underlying external manager, where management fees are embedded in the net assets of the respective investment. Underlying external investment management fees of $14.8 million (2021: $8.4 million) were netted against investment income.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by Pension Corporation. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts directly incurred by the Board for costs associated with supporting the Board.

Other professional services costs include insurance and legal fees incurred directly by the Plan.

Board remuneration and expenses represent amounts for trustee compensation and direct expenses.

13. ACCOUNT TRANSFERS

	2022		2021	
	Basic account	Inflation adjustment account	Basic account	Inflation adjustment account
Indexing supplements	$ 57.9	$ (57.9)	$ 20.4	$ (20.4)
Indexing of deferred pensions	1.5	(1.5)	2.1	(2.1)
Excess investment return	(40.0)	40.0	(76.5)	76.5
2021 valuation surplus	(98.8)	98.8	-	-
SFU actuarial surplus	(7.5)	7.5	-	-
	$ (86.9)	$ 86.9	$ (54.0)	$ 54.0

The IAA is a separate account maintained for funding current and future cost-of-living adjustments. The IAA is funded through a portion of ongoing contributions from employers and members, investment income earned and excess investment return earned in the Basic Account.

Cost-of-living adjusted pension payments are made from the Basic Account. Each year, if members' pension payments are adjusted for the current cost-of-living adjustment, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current cost-of-living adjustment. The Board considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions in pay and the amount of the cost-of-living adjustment, if any. As at January 2022, retired members received a cost-of-living adjustment of 2.7% (2021: 1.0%) and indexing supplements were transferred.

When a deferred pension commences, the present value of the cost-of-living adjustments during the deferral period is transferred from the IAA to the Basic Account. Approximately $21.8 million (2021: $18.2 million) of the current IAA balance is for cost-of-living adjustments already granted for deferred pensions but not yet transferred to the Basic Account.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

13. ACCOUNT TRANSFERS (CONTINUED)

When investment earnings in the Basic Account are in excess of the actuarial assumption regarding investment rates of return, the excess investment returns are transferred from the Basic Account to the IAA. Excess investment return is based on investment income earned on those assets in the Basic Account required for pensions currently being paid: approximately $2.5 billion of assets for 2022 (2021: $2.3 billion). The excess investment return rate is determined by taking the difference between the actual five-year annualized market rate of return (7.60%) and the rate of return used by the Plan actuary (6.00%) in valuing the Plan's liabilities. The calculated excess investment return rate for 2022 was 1.60% (2021: 3.35%), resulting in an excess investment return amount of $40.0 million transferred to the IAA (2021: $76.5 million).

Should the excess investment return calculation ever result in a negative amount, it will be carried forward cumulatively with interest and offset against future excess interest. The cumulative negative excess investment interest is an amount determined by applying the five-year annualized market rate of return to the fiscal year opening balance. This component of the calculation is the opportunity cost related to the opening cumulative return deficit.

As a result of the August 31, 2021, actuarial valuation surplus, and as permitted by the Agreement, $100.8 million less interest of ($2.0) million was transferred from the Basic Account to IAA. Also, $7.6 million less interest of ($0.1) million of the SFU actuarial surplus was transferred from the Basic Account to the IAA. An annual investment return rate of -2.0% was used to calculate interest.

14. COMMITMENTS

The Plan participates in private equity, international real estate, mortgages, and infrastructure and renewable resource pools. As at August 31, 2022, the Plan's share of commitments for future investment contracts in these pools over the next several years is approximately $1,050.1 million (2021: $887.9 million).

15. CAPITAL DISCLOSURES

Capital is defined as the funded status (surplus or deficit) of the Plan as determined by the actuary. The Plan's objective for managing capital is to ensure that the assets of the Plan are invested prudently and effectively, and with contributions adequate to meet the obligations of the Plan. Management of the Plan's funded status is achieved by adjusting member and employer contribution rates; through implementation of the SIPP, which affects the earnings of the Plan; and, in the case of the IAA, by changing the benefits paid. The Board has a funding policy that outlines the principles that provide guidance in managing this process. The investment performance of the Plan's assets is reviewed by the Board on a regular basis and compared to relevant industry benchmarks. Benefit entitlement is based on the provisions of the Agreement and the pension plan rules. Funding deficits must be funded over a period not to exceed 15 years.

COLLEGE PENSION PLAN

Notes to the financial statements for the year ended August 31, 2022

($ millions except as otherwise noted)

15. CAPITAL DISCLOSURES (CONTINUED)

An actuarial valuation must be prepared at least once every three years. The latest actuarial valuation for funding purposes was prepared as at August 31, 2021, and has two components: the Basic Account non-indexed benefits and, by considering the valuation of the entire Plan, the non-guaranteed IAA benefits. The next full actuarial valuation will be carried out as at August 31, 2024, with the results included in the August 31, 2025 financial statements.

The Act and the Board's funding policy require that contribution rates comply with the going-concern requirements of the PBSA.

16. PRIOR YEAR COMPARATIVES

The prior year comparatives have been reclassified to conform to the current year presentation.

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