



WORK SAFE BC

Annual Report 2023

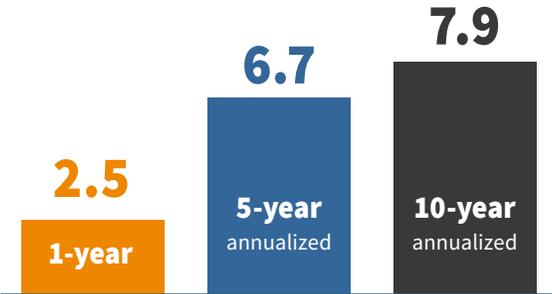
There for every step

worksafe.pensionsbc.ca

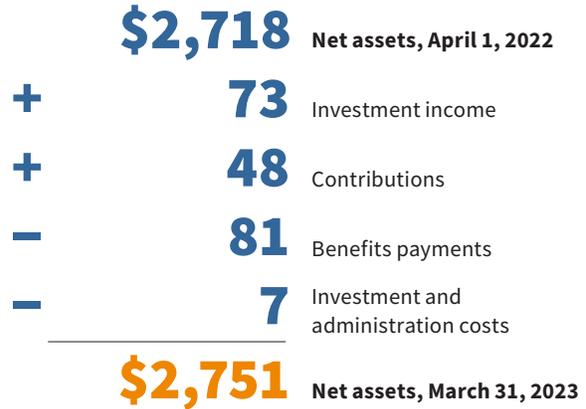
Plan highlights

RATES OF RETURN (%)

► Healthy performance, page 15

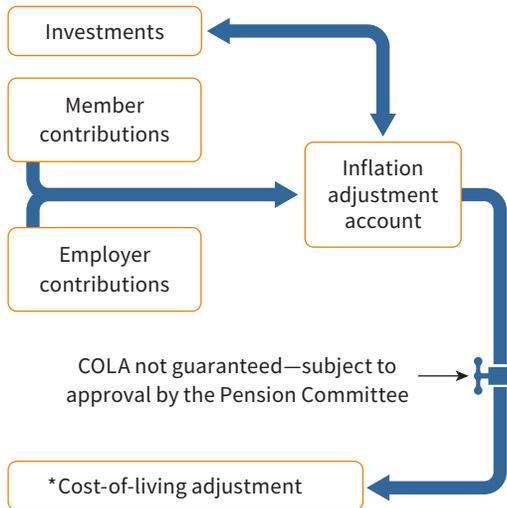


CHANGE IN NET ASSETS (\$ MILLIONS)



COLA* IN ACTION

► How contributions work, page 6



INVESTMENT HOLDINGS

► Investment portfolio table, page 19

\$2.75 billion

- 19%** Developed market equities
- 17%** Real estate
- 15%** Credit
- 15%** Government bonds
- 12%** Infrastructure and renewable resources
- 11%** Private equity
- 4%** Mortgages
- 4%** Emerging market equities
- 3%** Short-term

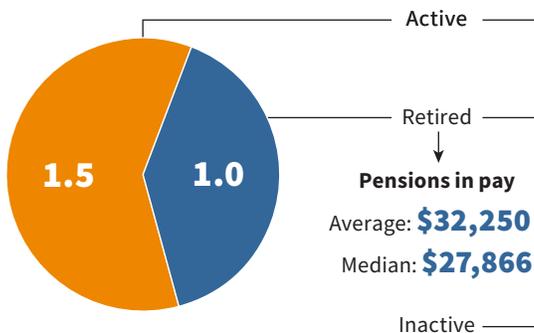


Membership

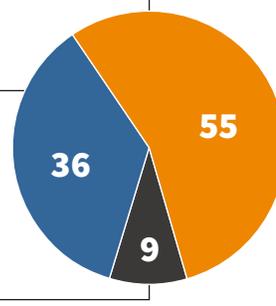
► Who's in the plan, page 3

► By the numbers, page 7

MEMBER RATIO

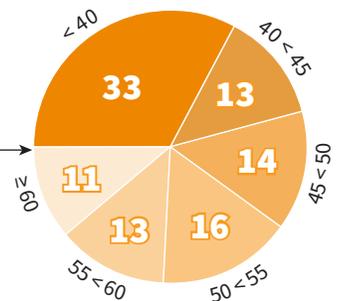


MEMBERS BY TYPE (%)



Pensions in pay
Average: **\$32,250**
Median: **\$27,866**

ACTIVE MEMBERS BY AGE (%)



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There for every step

A message from your Pension Committee

Members of the WorkSafeBC Pension Plan lead busy lives. Many are caring for families and doing their part to keep BC's workplaces safe and healthy. Others are starting new adventures in retirement and giving back to their communities. Our focus as the Pension Committee is to ensure the plan remains strong well into the future.

A durable foundation

Members have depended on the WorkSafeBC Pension Plan since 1941. Plan members remain our focus as we navigate today's challenging economic conditions.

Our actuarial valuation published last November showed the plan remains stable and secure. As at December 31, 2021, the plan was fully funded. This means it has the money required to pay for the current and future pensions of all members.

Help when it's needed

A strong pension is more than a reliable plan for retirement. The WorkSafeBC Pension Plan supports members at every stage of their careers. That way, they can focus on the things that matter without worrying about their pension.

WorkSafeBC Pension Plan members can start planning for retirement whenever they are ready. Personalized pension estimates are always available through My Account. Members can also see how retiring at different ages will affect the monthly pension they receive.

Help is only a click away. The WorkSafeBC Pension Plan website has information to help members get to know their pension. This includes learning modules, articles and pension tips on a variety of topics. Members can learn about the pension's investments and stay up to date with the latest news.

Have a question or comment? Scroll to the bottom of the plan website (worksafe.pensionsbc.ca) to find contact information for the plan.

Stay informed

Please read along for important details about the pension plan. Our *2023 Annual Report* includes information on investments, plan highlights and the latest financial statements.

High inflation and volatility have produced difficult economic circumstances at home and abroad. Rising interest rates produced challenging performance in debt and equity markets last year. The plan's performance exceeded our one-year benchmark despite producing a decreased return last year. The Pension Committee will continue to guide the plan with a careful, long-term view in the best interest of its members.

Territorial acknowledgment

The Pension Committee respectfully acknowledges that the WorkSafeBC head office operates on the traditional, ancestral, and unceded or treaty territory of the Coast Salish Peoples, including the Musqueam, Tsleil-Waututh and Tsawwassen Nations

Membership

Who's in the plan?

Membership in the WorkSafeBC Pension Plan is categorized into four groups:

Active Currently contributing to the plan, on an approved leave of absence or receiving benefits from an approved long-term disability plan—there are 3,839 active members in the plan.

Inactive Not currently contributing; those who have ended their employment but left their contributions in the plan—there are 622 inactive members in the plan.

Retired Currently receiving a pension; this includes those receiving a survivor's pension—there are 2,517 retired members in the plan.

Limited A plan member's former spouse who has the right to a portion of the plan member's pension and applies to become a limited member after a separation or divorce—these members are included in the retired member total if they are receiving a pension.

NUMBER OF MEMBERS

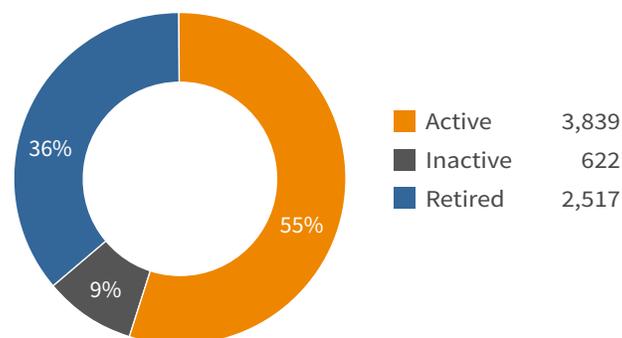
as at March 31



¹ Members no longer employed by WorkSafeBC but with money in the plan.

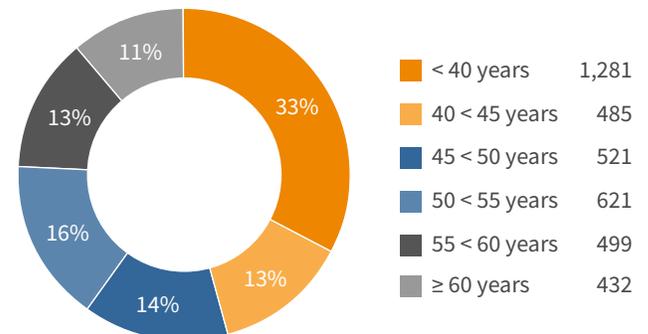
MEMBERSHIP PROFILE

as at March 31, 2023



ACTIVE MEMBERS BY AGE

as at March 31, 2023



Membership: Who's in the plan?

Knowing how many plan members are approaching retirement helps the Pension Committee understand how retired membership numbers might change in coming years. The ratio of active to retired members has declined over the past five years. This trend is expected to continue due to various external factors, such as more members reaching retirement age.

RATIO OF ACTIVE TO RETIRED MEMBERS

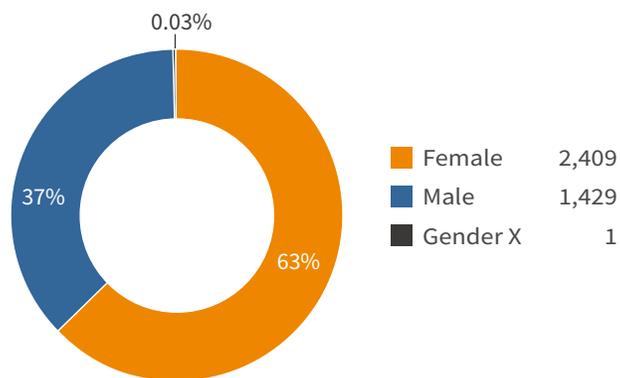
as at March 31



The gender makeup of active members is also important as the average female has a longer life expectancy than the average male so will likely draw their pension for longer.

ACTIVE MEMBERS BY GENDER

as at March 31, 2023



Plan details

How plan benefits work

Basic lifetime pension

The basic lifetime pension is based on a formula using a member's years of pensionable service in the plan, the average of their highest five years of pensionable salary and their age at retirement. The basic lifetime pension is paid from the plan's basic account. The plan is pre-funded, which means enough money is set aside through contributions and investments to pay the lifetime pension now and into the future. Once a member makes their first contribution, they are entitled to a pension at the earliest retirement age. The plan provides the option of a survivor's benefit. It also provides pensionable and contributory service for members receiving long-term disability benefits; these members will continue to accumulate service as if they were still working and are not required to pay their monthly pension contributions to the plan.

Cost-of-living adjustments

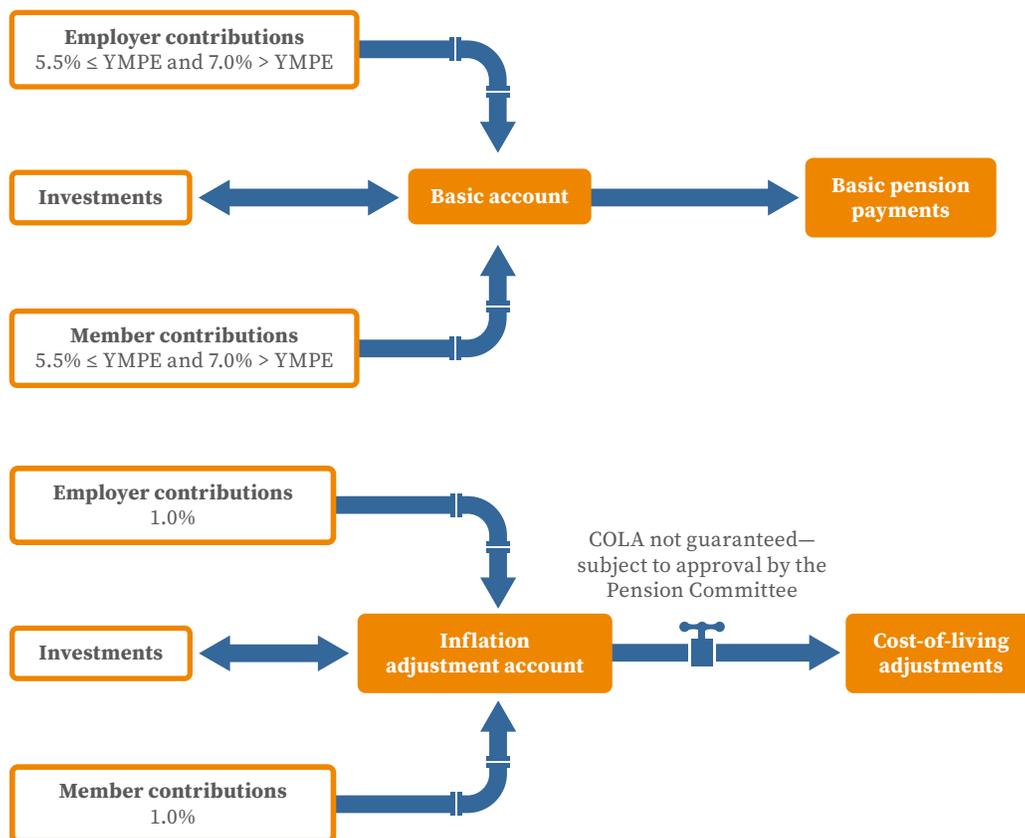
Cost-of-living adjustments (COLAs) are designed to help maintain the value of retired members' pensions against the rising cost of living. COLAs are granted only if sufficient money is available in the inflation adjustment account (which is funded by member and employer contributions). If sufficient money is available, a COLA is applied to retired members' pensions on a yearly basis. The amount of the adjustment is based on changes in the Canadian consumer price index. In 2023, retired members received a COLA of 6.9 per cent.

We regularly monitor the plan's ability to continue providing COLAs. While future increases are not guaranteed, once provided, they become part of retired members' basic lifetime pension.



How contributions work

Both members and WorkSafeBC pay contributions to fund future pensions. Members contribute through automatic salary deductions. When members end employment, retire or reach 35 years of pensionable service, they no longer contribute. Both members and WorkSafeBC each contribute 6.5 per cent of salary up to and including the year's maximum pensionable earnings (YMPE), which is \$66,600 in 2023, and 8.0 per cent of salary above that amount. The YMPE is set annually by the federal government and determines the maximum salary for which Canada Pension Plan contributions must be made. These rates include contributions to the basic account (which pays pension benefits) and the inflation adjustment account (which pays non-guaranteed COLAs).



Benefits and contributions

By the numbers

PENSIONS OVERVIEW

year ended March 31, 2023

	New pension	Pension terminations	Pensions at end of year	(\$ millions)		
				Basic pensions paid	Inflation supplements paid	Total
2023	164	36	2,517	\$63.5	\$12.2	\$75.7
2022	153	44	2,389	58.8	9.1	67.9
2021	116	30	2,280	56.2	8.5	64.7
2020	122	47	2,194	53.7	8.0	61.7
2019	150	28	2,119	50.0	7.1	57.1

NEW PENSIONS BY AGE AND YEARS OF SERVICE

year ended March 31, 2023

Years of service	Age at retirement					Average annual		Median annual pension	Present value of pensions	
	< 55	55 < 60	60 < 65	≥ 65	Total	Salary base	Pension		Average	Total (\$ millions)
< 10	—	5	6	7	18	\$108,700	\$10,000	\$ 7,000	\$165,000	\$ 3.0
10 < 15	1	4	10	10	25	86,800	18,900	18,600	283,000	7.1
15 < 20	—	5	3	8	16	93,800	28,700	27,300	446,000	7.1
20 < 25	—	6	11	8	25	98,600	38,400	37,700	624,000	15.6
25 < 30	—	6	9	13	28	92,500	42,800	41,900	712,000	19.9
30 < 35	—	24	13	10	47	93,100	54,200	49,500	918,000	43.1
≥ 35	—	—	1	4	5	77,000	40,800	26,700	709,000	3.5
Total	1	50	53	60	164					\$99.3
Average of all pensions						\$94,100	\$36,700	\$34,700	\$611,000	
Average years of service	11	25	22	22	22					
Average age	43	57	62	67	62					

NEW PENSIONS BY TYPE

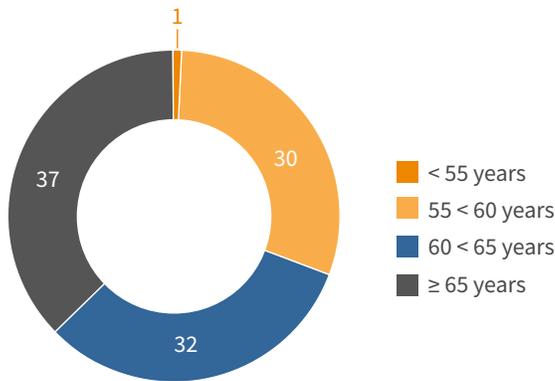
year ended March 31, 2023

	Regular	Pre-retirement limited member	Post-retirement limited member	Long-term disability	Deferred	Survivor	Total
2023	124	6	0	14	19	1	164
2022	121	2	0	9	20	1	153
2021	88	3	2	11	10	2	116
2020	96	0	0	14	11	1	122
2019	114	3	0	16	15	2	150

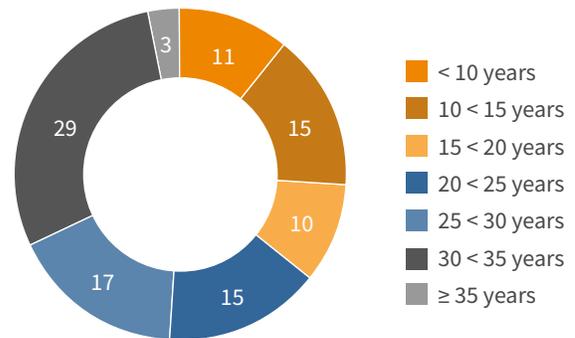
AVERAGE AND MEDIAN PENSIONS IN PAY
as at March 31, 2023

Average	\$32,250
Median	\$27,866

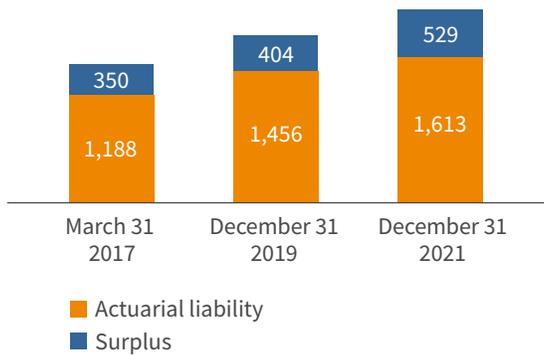
PERCENTAGE OF NEW PENSIONS BY AGE AT RETIREMENT (%)
year ended March 31, 2023



PERCENTAGE OF NEW PENSIONS BY YEARS OF SERVICE (%)
year ended March 31, 2023

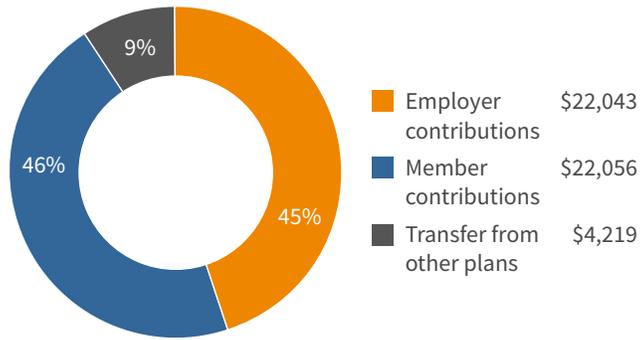


PLAN SURPLUS (\$ MILLIONS)

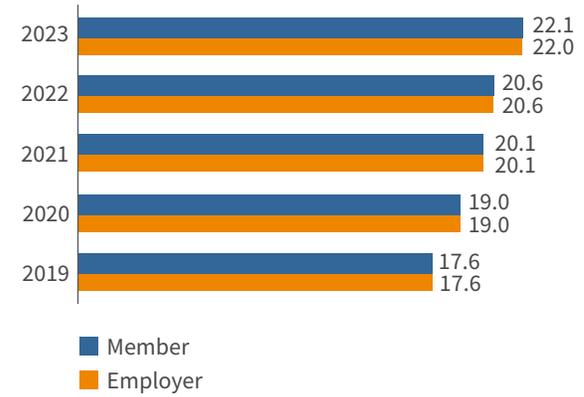


Benefits and contributions: By the numbers

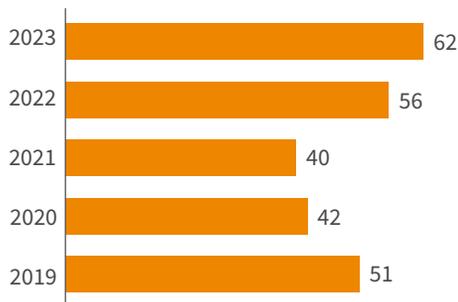
CONTRIBUTION REVENUE (\$ THOUSANDS)
year ended March 31, 2023



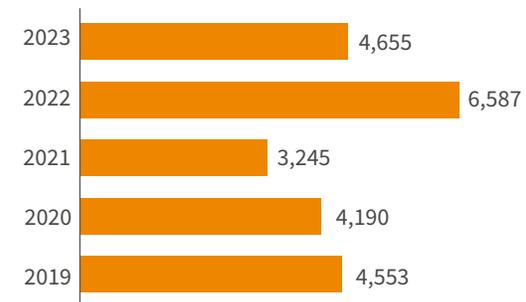
CONTRIBUTIONS (\$ MILLIONS)
year ended March 31, 2023



NUMBER OF TERMINATION AND REFUND BENEFITS PAID¹
year ended March 31, 2023

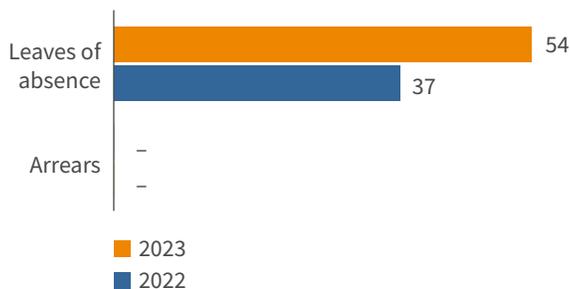


VALUE OF TERMINATION AND REFUND BENEFITS PAID (\$ THOUSANDS)
year ended March 31, 2023

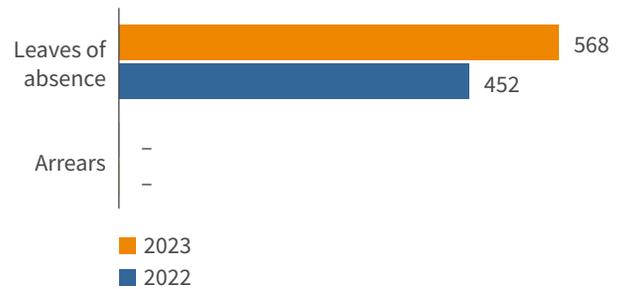


¹ Termination and refund benefits paid include refunds of contributions and commuted value payments; deferred pensions are included in pension statistics.

PURCHASES COUNT
year ended March 31, 2023



PURCHASES VALUE (\$ THOUSANDS)
year ended March 31, 2023



Investment results

The highest rate of inflation in 40 years defined 2022. In an attempt to bring down inflation, central banks raised their key policy interest rates at the fastest pace in four decades. While inflation did start to decline in early 2023, high interest rates combined with volatile markets, geopolitical tension and slowing economic growth weighed on the plan's annual returns. The portfolio's resilience to a variety of economic scenarios is regularly monitored. The plan is well positioned to weather uncertainty in the capital markets—like it did during the 2008 global financial crisis—because of its diversified investment portfolio and careful asset management by BCI, the plan's investment manager.

For the fiscal year ending March 31, 2023, the plan's one-year return was 2.5 per cent, which is above the benchmark target of 1.7 per cent. However, as a long-term investor, we know it is important to look at both short- and long-term performance as a measure of plan health. The five-year return was 6.7 per cent, which is above both the five-year benchmark of 5.7 per cent and the plan's return objective of 5.60 per cent, the amount the plan needs to earn on investments to be able to pay for its obligations. Over the year, the plan's assets increased to \$2.75 billion from \$2.72 billion.

Public markets

Within public markets, the plan is invested in fixed income (e.g., government and corporate bonds) and public equities (e.g., publicly traded stocks). Public markets overall were heavily impacted by rising inflation and slow economic growth in the second half of 2022, though most sectors started to recover in early 2023, enabling the plan to end the year in positive territory.

Generally, fixed income assets provide stability and liquidity for the portfolio. This year, however, the value of fixed income assets fell as central banks raised policy interest rates, which brought down the price of existing assets. As a result, the plan delivered a flat one-year fixed income return of 0.0 per cent, compared to a negative benchmark of -1.3 per cent; the five-year performance was 2.2 per cent versus the benchmark return of 1.6 per cent.

Public equity markets were down for most of the year as high inflation negatively impacted expectations for corporate earnings. However, markets began to rebound at the end of 2022 through to the end of the fiscal year. The plan's public equity portfolio ultimately returned 1.3 per cent for the year, outperforming the benchmark return of -0.3 per cent. Five-year returns were stronger at 8.2 per cent, compared to the benchmark return of 7.9 per cent.

Private equity

BCI's private equity team took advantage of high prices and sold several assets when markets were at their peak in early 2022, locking in high returns for the plan's portfolio. This timing was crucial, as global private equity deal activity slowed considerably in the latter part of 2022. Ultimately, the plan returned 5.6 per cent for the year versus a benchmark return of 2.3 per cent. Five-year returns were also very positive at 16.5 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

Global real estate investment activity was slow over the year because of high interest rates, increasing cost to borrow money, and economic and geopolitical volatility. As a result, the plan underperformed for the year, returning 3.6 per cent compared to a benchmark return of 6.8 per cent. Five-year returns were more positive at 6.9 per cent, exceeding the benchmark return of 6.6 per cent.

Infrastructure and renewable resources

As inflation rose, 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 at attractive prices because of BCI's focus on high-quality, regulated investments. This resulted in outperformance over both the one- and five-year periods. The plan returned 10.2 per cent versus the benchmark return of 6.3 per cent over one year, and 9.4 per cent versus a 6.8 per cent benchmark over five years.

Responsible investing

Responsible investing is a key element of the plan's investment approach and beliefs. Responsible investing means taking environmental, social and governance (ESG) factors into account when making investment decisions. These factors can be company specific, like board compensation or employee safety, or widespread and systemic, like climate change, water management and data security.

The plan and BCI believe that ESG matters present both risks and opportunities, and that responsible investing is an integral part of how BCI meets its responsibility to grow and protect the long-term value of the plan's fund.

ESG in the investment process

BCI considers material ESG factors in every investment decision made for the plan, and it 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

A notable example is climate change, as it is one of the most significant social and economic risks the world faces today. It remains a concern for the Pension Committee, plan members and global investors. BCI's Climate Action Plan outlines the steps BCI is taking to manage climate change risk in the portfolio, integrate climate change information into decision making and capitalize on investment opportunities from the long-term transition to a lower-carbon economy. The report also affirms BCI's commitment to taking actions that support the global goal of achieving net-zero greenhouse gas emissions by 2050.

Where it is in the financial best interests of clients, 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 at March 31, 2023, BCI had cumulative historical participation of \$4.2 billion in sustainable bonds, and it anticipates reaching \$5 billion by 2025.

Collaboration on behalf of the plan

It is important to the Pension Committee that BCI leverages its influence as a large, long-term investor and collaborates with like-minded investors and organizations.

- › BCI is a signatory to the Principles for Responsible Investment (PRI), a United Nations–supported, international network of investors that share the goal of incorporating ESG elements into the processes and activities of institutional investors. As part of this commitment, BCI takes part in an annual assessment of its responsible investing activities and progress on behalf of the plan.
- › In addition, the plan supports BCI in responsible investing as a member of the steering committee for the 30% Club, which advocates for companies to enhance gender diversity, and the Sustainability Accounting Standards Board, which has a mandate to promote standards of sustainability reporting.
- › BCI also collaborates with other organizations to advance its objectives in mitigating climate change risks. For example, BCI participates in Climate Action 100+, an investor initiative to engage the world’s largest greenhouse gas emitters in taking necessary action in the transition to a lower-carbon world in line with the goals of the Paris Agreement.
- › In October 2021, BCI joined 35 institutional investors across Canada in signing a joint statement to issuers, government and other stakeholders on the climate crisis, sending a unified message that Canadian institutional investors support the transition to a net-zero economy.

Views on divestment and engagement

Divestment is a practice in which an investor sells its shares in a company that may not be meeting its ESG goals.

Neither the Pension Committee nor BCI believe that broad-based divestment is an effective strategy to address long-term and persistent ESG risks. Instead, by engaging with companies and using ownership rights, investors are able to raise concerns and influence corporate ESG practices.

Divestment eliminates a shareholder's right to engage with management and promote change through proposed amendments to policies and practices. Divestment may also compromise the plan's investment strategy, increase risks and costs, negatively affect investment returns, and fail to result in absolute emissions reductions.

Separate from an ESG-driven view on divestment, BCI will exclude securities from companies that produce products prohibited by Canadian legislation or international agreements

To learn more about BCI's responsible investing activities on behalf of the plan, visit bci.ca/esg.

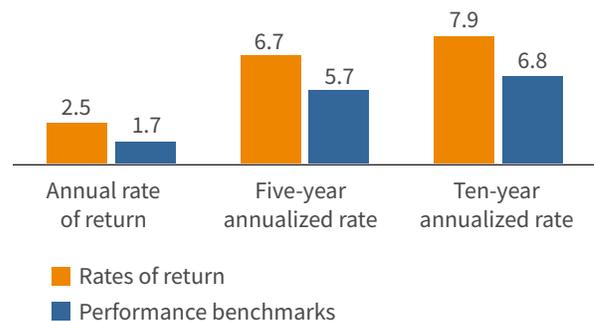
Plan investment details

Graphs, charts and tables

INVESTMENT PERFORMANCE

Year ended March 31	Investment returns	Performance benchmark ¹
Annual rates		
2023	2.5	1.7
2022	7.4	3.9
2021	13.9	16.1
2020	3.6	1.3
2019	6.5	6.0
Five-year annualized rates		
2023	6.7	5.7
2022	7.9	6.7
Ten-year annualized rates		
2023	7.9	6.8
2022	8.5	7.4

ANNUALIZED RATES OF RETURN VS. BENCHMARKS (%) year ended March 31, 2023



¹ Benchmarks are standards to compare against actual investment returns.

INVESTMENT ASSET MIX AND PERFORMANCE (%)

as at March 31, 2023

(All values %)	Approved range	Target asset mix	Actual asset mix	Rate of return	Performance benchmark
Short-term	0-7	2	3.1	6.0	5.7
Mortgages	0-8	5	4.0	4.5	3.3
Government bonds	9-26	14	14.4	(2.0)	(2.4)
Credit	7-23	17	15.1	0.5	(1.8)
Combined fixed income	27-48	38	36.6	0.0	(1.3)
Developed equities	5-30	15	19.2	1.4	(0.2)
Emerging markets	0-8	4	3.9	0.6	(3.2)
Private equity	7-15	11	11.3	5.6	2.3
Combined equities	20-45	30	34.4	2.3	0.5
Real estate	11-20	17	17.0	3.6	6.8
IRR ¹	9-18	15	12.0	10.2	6.3
Combined real assets	20-38	32	29.0	6.3	6.6
Other	0-5	—	—	n/a	n/a
Total portfolio		100	100.0	2.5	1.7

¹ Infrastructure and renewable resources.

INVESTMENT PORTFOLIO¹

as at March 31, 2023

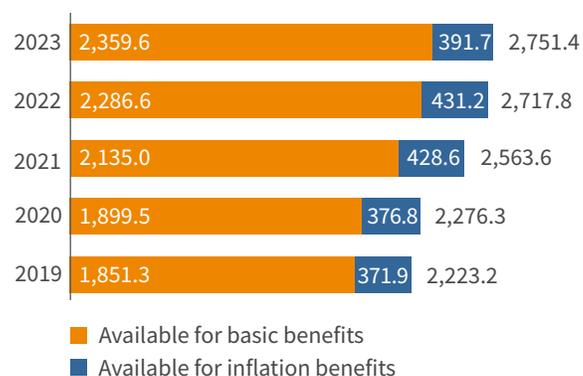
	Market value (\$ thousands)	Asset mix (%)
Short-term	84,190	3.1
Government bonds	396,624	14.4
Mortgages	109,360	4.0
Credit	415,635	15.1
Developed market equities	528,606	19.2
Emerging markets equities	108,431	3.9
Private equity	311,816	11.3
Real estate	468,655	17.0
IRR ²	329,485	12.0
Cash and unsettled trades	(270)	0.0
Currency-hedge overlay	4	0.0
Total investments	\$ 2,752,536	100.0
2022 comparison	\$ 2,716,623	

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

2 Infrastructure and renewable resources.

NET ASSETS AVAILABLE FOR BENEFITS (\$ MILLIONS)

as at March 31



FIVE-YEAR FINANCIAL SUMMARY (\$ THOUSANDS)

year ended March 31

	2023	2022 ¹	2021	2020	2019
Increase in assets					
Investment income	\$ 72,615	\$ 190,103	\$ 321,176	\$ 82,131	\$ 140,147
Contributions					
Members	22,056	20,578	20,109	19,039	17,609
Employers	22,043	20,562	20,118	19,042	17,641
Transfers from other plans	4,219	1,741	2,401	4,854	595
Total increase in assets	120,933	232,984	363,804	125,066	175,992
Decrease in assets					
Pension, termination and refund benefits benefits	80,338	74,522	67,984	65,858	61,620
Transfers to other plans	462	796	1,685	1,038	1,206
Investment and administration costs	6,547	3,485	6,879	5,065	4,752
Total decrease in assets	87,347	78,803	76,548	71,961	67,578
Increase in net assets	33,586	154,181	287,256	53,105	108,414
Net assets available for benefits at beginning of year	2,717,781	2,563,600	2,276,344	2,223,239	2,114,825
Net assets available for benefits at end of year	\$2,751,367	\$2,717,781	\$2,563,600	\$2,276,344	\$2,223,239
Investment and administration costs as a percentage of net assets (%)²					
Investment management ^{2,3}	0.35	0.26	0.35	0.37	0.28
Benefits administration	0.06	0.05	0.06	0.05	0.06

¹ Restated 2022 to reflect a change in accounting policy.

² Investment costs as a percentage of net assets include certain external investment management costs totalling \$4.6 million (2022—\$5.1 million; 2021—\$3.3 million; 2020—\$4.6 million; 2019—\$2.4 million) that are netted against investment income and are not included in investment and administration costs in the financial statements.

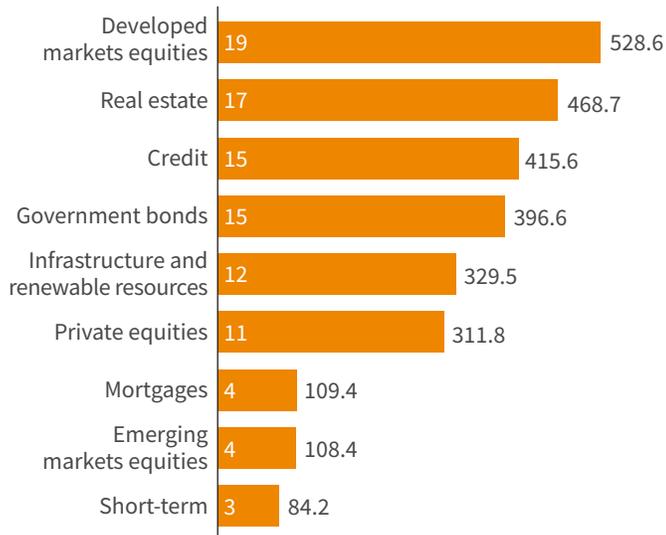
³ Investment costs as a percentage of net assets exclude external indirect investment management costs netted against investment income on the statement of changes in net assets available for benefits. This is consistent with current industry practice; including these costs increases investment management costs as a percentage of net assets by 31.9 basis points in the 2023 fiscal year. External indirect investment management costs include limited partnership costs incurred within investments held in private equity, infrastructure and global real estate asset classes.

TOP 25 SECURITY HOLDINGS

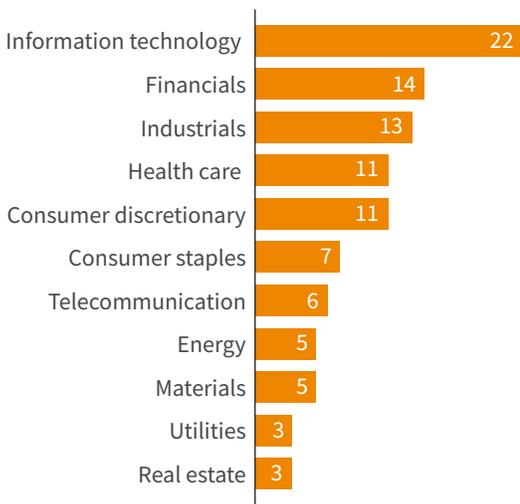
as at March 31, 2023

Total public equity exposure—worldwide		
Security	% of public equity	Total exposure (\$ millions)
Microsoft Corporation	0.7	19.1
Apple Inc.	0.5	15.1
Taiwan Semiconductor	0.3	8.5
Alphabet Inc.	0.2	6.9
UnitedHealth Group Inc.	0.2	6.8
Mastercard Inc.	0.2	5.9
Toronto-Dominion Bank	0.2	5.5
Amazon.com Inc.	0.2	5.4
NVIDIA Corporation	0.2	5.4
Samsung Electronics Co. Ltd	0.2	5.3
Royal Bank of Canada	0.2	5.0
Tencent Holdings Ltd.	0.2	4.8
LVMH Moët Hennessy Louis	0.2	4.3
WSP Global Inc.	0.1	4.1
Hitachi Ltd.	0.1	3.9
SAP SE	0.1	3.6
Booking Holdings Inc.	0.1	3.5
Iberdrola SA	0.1	3.5
Kerry Group PLC	0.1	3.4
Siemens AG	0.1	3.4
CVS Health Corporation	0.1	3.3
Wal-Mart de Mexico SAB de	0.1	3.3
NIKE Inc.	0.1	3.2
Tesla Inc.	0.1	3.2
Bank of Montreal	0.1	3.1

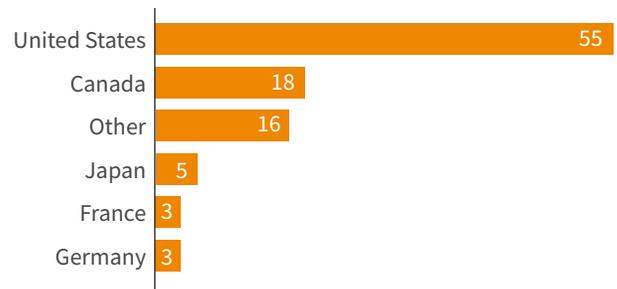
INVESTMENT HOLDINGS—MARKET VALUE (%) (\$ MILLIONS)
as at March 31, 2023



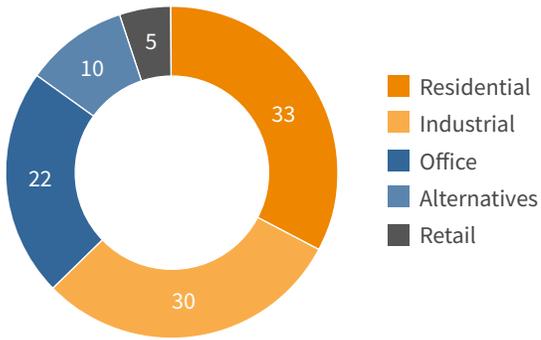
DEVELOPED MARKET EQUITIES BY SECTOR (%)
as at March 31, 2023



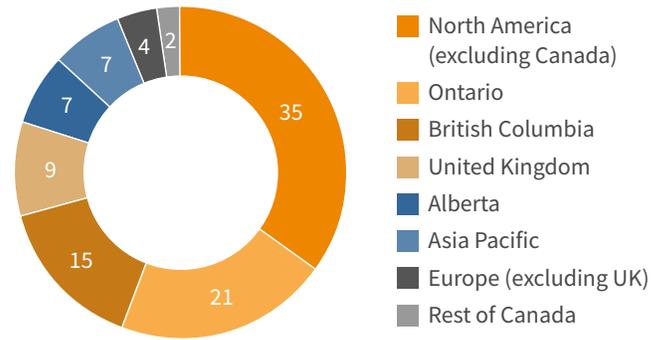
DEVELOPED EQUITIES BY COUNTRY (%)
As at March 31, 2023



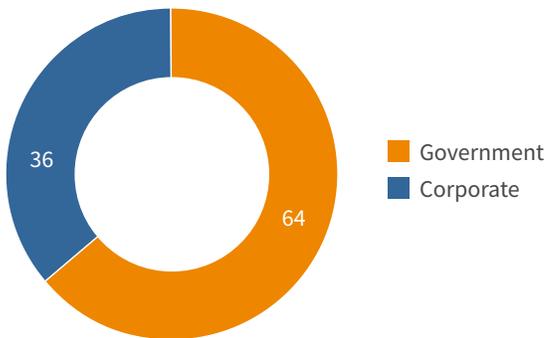
REAL ESTATE BY TYPE (%)
as at March 31, 2023



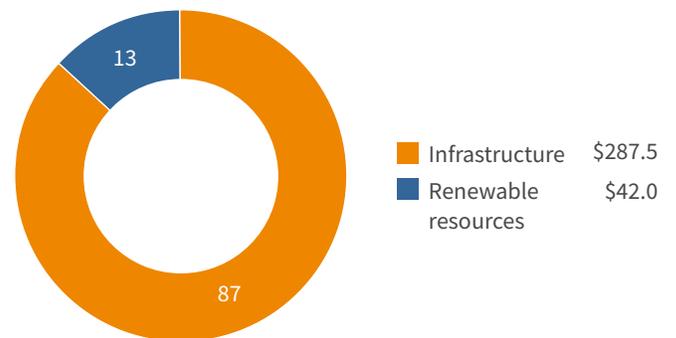
REAL ESTATE BY LOCATION (%)
as at March 31, 2023



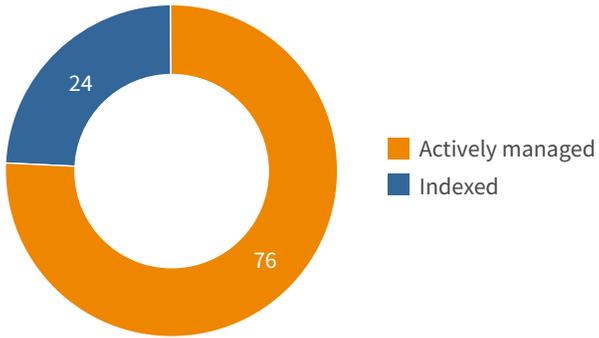
BONDS—MARKET VALUE (%)
as at March 31, 2023



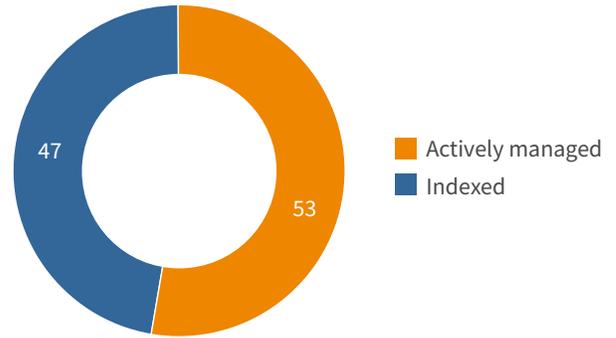
INFRASTRUCTURE AND RENEWABLE RESOURCES (%)
(\$ MILLIONS)
as at March 31, 2023



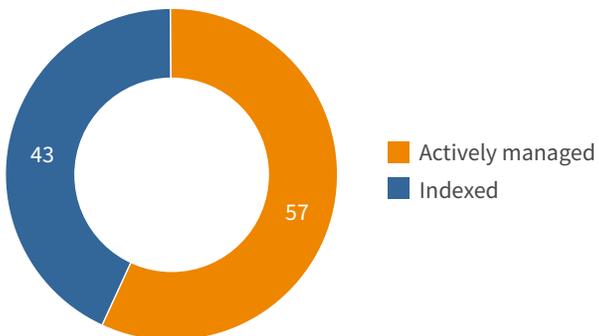
CANADIAN EQUITIES—MARKET VALUE (%)
as at March 31, 2023



GLOBAL EQUITIES—MARKET VALUE (%)
as at March 31, 2023



DEVELOPED MARKET EQUITIES—MARKET VALUE (%)
as at March 31, 2023



Valuation

The plan is in a healthy position

At least once every three years, an independent actuary assesses the financial position of the plan. An actuary is a specialist in financial modelling, the principles of probability and risk management. The actuarial valuation completed as at December 31, 2021, confirmed the plan to be in a strong and healthy position.

For the WorkSafeBC Pension Plan, BC's *Pension Benefits Standards Act* prescribes the valuation of the plan's assets from two perspectives: going concern and solvency.

The going-concern valuation (which assumes the plan will continue at least as long as the lifetime of all current members) showed the plan's funded ratio was 132.8 per cent with an actuarial surplus of \$529 million in the basic account.

The solvency valuation (which measures the plan's ability to pay out pensions in the unlikely event of it shutting down on the valuation date) showed the plan's funded ratio was 116.3 per cent.

The next actuarial valuation will be completed no later than December 31, 2024.



Governance, agents and plan updates

Who we are

Pension Committee

The WorkSafeBC Board of Directors is responsible for appointing members of the Pension Committee. Among other duties, the Pension Committee assists WorkSafeBC in administering the plan, with a particular focus on investment and fund management. The plan has three committee members: Wendy Strugnell (employer representative), Paul Martin (independent representative) and Jason Lin (member representative).



Wendy Strugnell
(employer representative)



Paul Martin
(independent representative)



Jason Lin
(member representative)

Agents

British Columbia Investment Management Corporation

British Columbia Investment Management Corporation (BCI) is a leading provider of investment management services to British Columbia's public sector and one of the largest asset managers in Canada. With its global outlook, BCI seeks investment opportunities that convert savings into productive capital to meet its clients' risk and return requirements over time. BCI offers investment options across a range of asset classes: fixed income, mortgages, public and private equity, real estate, infrastructure and renewable resources.

British Columbia Pension Corporation

BC Pension Corporation is one of the largest pension benefit administrators in Canada, serving public sector pension plans in BC. It provides plan information to members and employers, manages contributions and member records, and pays pension benefits. BC Pension Corporation also provides policy, financial and communication services to the committee.

Eckler Ltd.

Serving as the plan's independent actuary, Eckler Ltd. conducts an actuarial valuation on the plan's funding every three years and supports the Pension Committee and the WorkSafeBC Board of Directors in their decision making, as appropriate.

Plan rule changes

There were no amendments to plan rules between April 1, 2022 and March 31, 2023.

Financial statements



September 15, 2023

Re: **WorkSafeBC Pension Plan**
Administrative Agent's Responsibility for Financial Reporting

The financial statements of the WorkSafeBC Pension Plan were prepared by British Columbia Pension Corporation, the Plan's administrative agent, in accordance with Canadian accounting standards for pension plans. The WorkSafeBC Pension Plan Pension Committee is responsible for approving the financial statements of the Plan.

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 *WorkSafeBC Pension Plan Annual Report* is consistent with these financial statements.

The WorkSafeBC Board of Directors appointed Eckler Ltd. as the independent consulting actuary for the Plan. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice. The results of the valuation are included in the financial statements.

WorkSafeBC pension management, by the authority provided by the Board of Directors, appointed KPMG LLP as the independent auditor to perform an independent audit of the Plan's financial statements 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 and Insights, and Chief Financial Officer British Columbia Pension Corporation	 Allan Chen, CPA, CA Controller, Financial Services British Columbia Pension Corporation
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Executive Offices

Mail: PO Box 9460
Victoria, BC V8W 9V8

Phone: 250 387-8201
Fax: 250 953-0429 bcpensioncorp.ca





KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITOR'S REPORT

To the Members of the WorkSafeBC Pension Plan

Opinion

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

- the statement of financial position as at March 31, 2023
- 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 March 31, 2023, 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



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.



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.

Chartered Professional Accountants

Vancouver, Canada
September 19, 2023

WORKSAFEBC PENSION PLAN
Statement of Financial Position
(\$ thousands)



As at March 31	Note	2023	2022
Assets			
Investments	3a	\$ 2,766,662	\$ 2,711,293
Directly held derivatives	3b	2,086	8,339
Interest and dividends receivable		291	173
Prepaid		79	13
Other		21	18
Cash		16	5
Contributions receivable		11	2,965
Due from sale of investments		-	9
Total assets		2,769,166	2,722,815
Liabilities			
Directly held derivatives	3b	16,476	3,066
Taxes payable		930	807
Accounts payable and accrued expenses		393	1,161
Total liabilities		17,799	5,034
Net assets available for benefits		\$ 2,751,367	\$ 2,717,781
Accrued pension obligations			
Accrued basic pension obligations	4a	\$ 1,810,006	\$ 1,668,691
Non-guaranteed pension obligations	4b	391,731	431,188
Accrued pension obligations		2,201,737	2,099,879
Surplus			
Funding surplus	5a	603,792	593,450
Measurement differences between funding and accounting positions	5a	(54,162)	24,452
Surplus		549,630	617,902
Accrued pension obligations and surplus		\$ 2,751,367	\$ 2,717,781

All accompanying notes are an integral part of the financial statements including:
Commitments (note 14)

Approved by the WorkSafeBC Pension Plan:



Wendy Strugnell
Committee member
WorkSafeBC Pension Plan Pension Committee



Jason Lin
Committee member
WorkSafeBC Pension Plan Pension Committee



Paul Martin
Committee member
WorkSafeBC Pension Plan Pension Committee

Statement of changes in net assets available for benefits



(\$ thousands)

For the year ended March 31	Note	Basic account	Inflation adjustment account	Supplemental benefits account	Totals	
					2023	2022
Increase in assets						
Investment income	8	\$ 61,389	\$ 11,226	\$ -	\$ 72,615	\$ 190,103
Contributions						
Member	9	18,875	3,171	10	22,056	20,578
Employer	9	17,729	3,160	1,154	22,043	20,562
		36,604	6,331	1,164	44,099	41,140
Transfers from other plans		3,306	913	-	4,219	1,741
Total increase in assets		101,299	18,470	1,164	120,933	232,984
Decrease in assets						
Benefits	10	76,982	2,192	1,164	80,338	74,522
Investment and administration	11	5,789	758	-	6,547	3,485
Transfers to other plans		192	270	-	462	796
Total decrease in assets		82,963	3,220	1,164	87,347	78,803
Increase in net assets before transfers		18,336	15,250	-	33,586	154,181
Account transfers	12	54,707	(54,707)	-	-	-
Increase (decrease) in net assets		\$ 73,043	\$ (39,457)	\$ -	\$ 33,586	\$ 154,181
Net assets available for benefits						
at beginning of year		\$ 2,286,593	\$ 431,188	\$ -	\$ 2,717,781	\$ 2,563,600
Net assets available for benefits		\$ 2,359,636	\$ 391,731	\$ -	\$ 2,751,367	\$ 2,717,781

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

Statement of changes in accrued pension obligations

(\$ thousands)



For the year ended March 31	Note	2023	2022
Increase in accrued pension obligations			
Interest on accrued pension obligations		\$ 86,671	\$ 81,732
Benefits accrued		56,408	49,005
Provision for adverse deviations	4a	17,800	7,470
Changes in actuarial assumptions	4a	19,308	-
Account transfers	12	54,707	31,668
Total increase in accrued pension obligations		234,894	169,875
Decrease in accrued pension obligations			
Experience gains	4a	13,584	-
Benefits paid		79,995	72,944
Total decrease in accrued pension obligations		93,579	72,944
Net increase in accrued pension obligations		141,315	96,931
Accrued basic pension obligations at beginning of year		1,668,691	1,571,760
Accrued basic pension obligations at end of year	4a	1,810,006	1,668,691
Non-guaranteed pension obligations			
Increase (decrease) in non-guaranteed pension obligations	4b	(39,457)	2,560
Non-guaranteed pension obligations at beginning of year		431,188	428,628
Non-guaranteed pension obligations at end of year	4b	391,731	431,188
Total accrued pension obligations		\$ 2,201,737	\$ 2,099,879

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

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

1. DESCRIPTION OF THE WORKSAFEBC PENSION PLAN

The following description of the WorkSafeBC Pension Plan (Plan) is a summary provided for general information only. For more information, please refer to the WorkSafeBC Pension Plan Rules.

a) General

The Plan is a contributory defined benefit pension plan, established in 1941 under the authority of the *Workmen's Compensation Act Amendment Act*.

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

Membership in the Plan is open to all eligible employees of WorkSafeBC.

b) Roles and responsibilities

WorkSafeBC is fully responsible for the management of the Plan, including the investment of assets and administration of the Plan. The WorkSafeBC Board of Directors appoints members to the WorkSafeBC Pension Plan Pension Committee (Pension Committee). There are three committee members, one representing WorkSafeBC as the employer, one representing plan members and one to provide an independent perspective.

British Columbia Pension Corporation (Pension Corporation) provides benefit administration services as an agent of WorkSafeBC.

British Columbia Investment Management Corporation (BCI) provides investment management services, including the valuation of investments, as an agent of WorkSafeBC.

c) Funding

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

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

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

1. DESCRIPTION OF THE WORKSAFEBC PENSION PLAN (CONTINUED)

d) Contributions

Basic Account

Members contribute to the Basic Account 5.5% of salaries, up to and including the Canada Pension Plan (CPP) Year's Maximum Pensionable Earnings (YMPE) (2023: \$66,600 dollars; 2022: \$64,900 dollars), and 7.0% of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account.

WorkSafeBC contributes to the Basic Account 5.5% of salaries, up to and including YMPE, and 7.0% of salaries above YMPE, less amounts allocated to the Supplemental Benefits Account.

Inflation Adjustment Account (IAA)

Members and WorkSafeBC each contribute 1.0% of salaries to the IAA.

e) Pension benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits

- at age 65;
- at age 60, with at least two years contributory service; or
- at age 55 or older, with age plus years of contributory service totalling 90 or more.

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

The defined basic plan benefit is integrated with the CPP. As a result, the Plan provides an unreduced benefit of 1.3% of pensionable earnings up to YMPE and 2.0% of pensionable earnings over YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's highest five-year average annual salary (HAS).

The Plan provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of YMPE or HAS for each year of pensionable service.

Future cost-of-living adjustments are not guaranteed but may be provided each January 1 according to the cost-of-living adjustment provisions of the Plan. These cost-of-living adjustments are based on the annual increase in the Canada consumer price index (CPI) as at the previous September 30, subject to the availability of funds in the IAA and reduced for the CPI decrease, if any, in the prior years.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

1. DESCRIPTION OF THE WORKSAFEBC PENSION PLAN (CONTINUED)

f) Termination and portability benefits

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 WorkSafeBC.

Where there is a reciprocal transfer agreement between the Plan and other pension plans, members may be able to transfer service to another pension plan.

g) Other benefits

All WorkSafeBC employees are covered by the WorkSafeBC long-term disability plan; therefore, members are not eligible for a disability benefit under the Plan.

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 Supplemental Benefits Account.

h) Tax registration

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada) (Tax Act) (registration number 0314146), except for any supplemental benefits, which are funded in addition to the RPP. The Plan is not subject to income taxes 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 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 employer and members.

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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-economic 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.

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 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 obligation 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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

3. INVESTMENTS

a) Investments

Fair value of investment holdings	2023			2022		
	Basic	Inflation	Total	Basic	Inflation	Total
	account	adjustment account		account	adjustment account	
Short-term	\$ 71,586	\$ 11,754	\$ 83,340	\$ 57,308	\$ 11,379	\$ 68,687
Bonds	698,332	113,927	812,259	668,899	132,815	801,714
Canadian equities	83,757	13,674	97,431	110,780	21,996	132,776
Global equities	369,685	61,490	431,175	432,204	85,817	518,021
Emerging markets equities	93,173	15,257	108,430	78,744	15,635	94,379
Mortgages	94,967	15,608	110,575	69,175	13,735	82,910
Real estate	405,295	68,625	473,920	359,604	71,402	431,006
Private equity	266,636	45,269	311,905	230,181	45,704	275,885
IRR*	289,143	48,484	337,627	255,236	50,679	305,915
	\$ 2,372,574	\$ 394,088	\$ 2,766,662	\$ 2,262,131	\$ 449,162	\$ 2,711,293

* Infrastructure and renewable resources

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.

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, and debentures. Bonds are valued based on current market yields and, in some cases, quoted market prices.

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 are 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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

3. INVESTMENTS (CONTINUED)

a) Investments (continued)

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.

b) Derivatives

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

Fair value of derivative contracts	2023		2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Directly held				
Foreign currency forwards	\$ 2,086	\$ (16,476)	\$ 8,339	\$ (3,066)
Indirectly held in pooled investment portfolios				
Foreign currency forwards	\$ 782	\$ (11,636)	\$ 3,175	\$ (1,533)
Options	-	(3)	72	(66)
Interest rate swaps	1,634	(250)	711	(183)
Total return swaps	6,225	(1,125)	11,985	(5,019)
	\$ 8,641	\$ (13,014)	\$ 15,943	\$ (6,801)
Total derivatives	\$ 10,727	\$ (29,490)	\$ 24,282	\$ (9,867)
Derivatives by investment asset classification				
Bonds	\$ 596	\$ (9,409)	\$ 4,140	\$ (1,790)
Canadian equities	335	(158)	1,208	(682)
Global equities	6,934	(2,728)	11,394	(2,799)
Emerging markets equities	720	(657)	785	(1,821)
Mortgages	190	(1,406)	339	(252)
Real estate	1,268	(6,536)	3,661	(1,166)
Infrastructure and renewable resources	684	(8,596)	2,755	(1,357)
Total derivatives	\$ 10,727	\$ (29,490)	\$ 24,282	\$ (9,867)

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

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 held by the Plan to manage exposure to foreign currency risk.

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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Notional value of derivatives		2023		2022	
Term to maturity	Within 1 year	1 to 5 years	Total	Total	Total
Directly held					
Foreign currency forwards	\$ 599,366	\$ -	\$ 599,366	\$ 750,434	
Indirectly held in pooled investment portfolios					
Foreign currency forwards	\$ 424,117	\$ -	\$ 424,117	\$ 368,721	
Options	3,101	-	3,101	1,044	
Interest rate swaps	74,486	84,219	158,705	182,716	
Total return swaps	346,587	-	346,587	590,747	
	\$ 1,447,657	\$ 84,219	\$ 1,531,876	\$ 1,893,662	
Derivatives by investment asset classification					
Bonds	\$ 345,847	\$ -	\$ 345,847	\$ 576,899	
Canadian equities	24,094	6,706	30,800	94,924	
Global equities	411,331	60,634	471,965	663,365	
Emerging markets equities	63,829	16,879	80,708	66,556	
Mortgages	68,066	-	68,066	45,983	
Real estate	292,262	-	292,262	249,421	
IRR*	242,228	-	242,228	196,514	
	\$ 1,447,657	\$ 84,219	\$ 1,531,876	\$ 1,893,662	

* Infrastructure and renewable resources

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

a) Basic Account

In accordance with 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.

Canada Revenue Agency (CRA) sets maximum limits on the amount of pension plan income that can be paid to a pension recipient from the registered funds of a pension plan. Any portion of a pension that exceeds the CRA limits is called a supplemental benefit. As part of the actuarial valuation, the actuary calculates values for accounting purposes for Basic Account assets as at the financial statement date and for pension liabilities accrued to the financial statement date. For this purpose, supplemental benefits are recognized, in contrast to their exclusion in the valuation for funding purposes as described in note 5a.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

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

a) Basic Account (continued)

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 obligation at the valuation date is determined using the projected benefit method pro-rated on service.

The latest full actuarial valuation was prepared as at December 31, 2021, by Eckler Ltd. This valuation calculated the liability for accrued basic pension obligations for financial statement purposes to be \$1,633,138 thousands (2019: \$1,474,675 thousands).

Between valuations, an estimate of the actuarial position is required. This estimate, called an extrapolation, has been made to March 31, 2023, using the following long-term actuarial assumptions:

- Annual investment return 5.60% (2019: 5.65%)
- Explicit provision for adverse deviation 8.80% (2019: 8.35%)
- Annual salary escalation rate 3.25% (2019: 2.75%)

The extrapolation calculated the liability for accrued basic obligations to be \$1,810,006 thousand (2022: \$1,668,691 thousand).

The accrued basic obligation shown in the 2022 financial statements of \$1,668,691 thousand was extrapolated from the December 31, 2019 valuation. After reflecting the December 31, 2021 valuation, the accrued basic obligation increases to \$1,681,849 as of March 31, 2022. The increase is a combination of an increase of \$19,308 thousand due to changes in assumptions, primarily the economic assumptions, a decrease of \$13,584 thousand as a result of experience gains and an increase of \$7,434 thousand due to an increase in the provision for adverse deviations (PfAD).

The PfAD included in the extrapolated accrued basic obligation as at March 31, 2023 is \$146,398 thousand (2022: \$128,598 thousand), an increase of \$17,800 thousand which includes the \$7,434 thousand due to the increase in the PfAD as of the December 31, 2021 valuation.

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, changes in the PfAD, 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 at the latest as at December 31, 2024, with the results included in the March 31, 2026, financial statements.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

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

a) Basic Account (continued)

Actuarial liabilities are also affected by changes in the assumed investment return. Based on the actuarial valuation completed as at December 31, 2021, a reduction in the investment return assumption from 5.60% to 5.35% would have increased the March 31, 2023, liability for accrued basic pension obligations of \$1,810,006 thousand by \$54,017 thousand or 2.98%, 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, 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 accrued non-guaranteed pension obligation is therefore equal to the net assets available for benefits in the IAA, \$391,731 thousand (2022: \$431,188 thousand). The net decrease of \$39,457 thousand (2022: \$2,560 thousand increase) in the IAA balance consists of employee and employer contributions, investment income and net transfers reduced by payments out of the account. (See note 12 for details on amounts transferred.)

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 PBSA, an actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan. For this purpose, the Plan's actuary values both accrued assets and accrued pension obligations to the financial statement date. The actuary assesses the adequacy of the current funding using the projected benefit method prorated on service.

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 adjustments 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.

Under PBSA, a solvency valuation is required as part of the full actuarial valuation. As at December 31, 2021, the Plan solvency valuation as calculated by the actuary and based on the market value of assets resulted in a solvency surplus of \$326,396 thousand (2019: \$86,581 thousand).

Actuarial valuation

As at December 31, 2021, the actuarial valuation for funding purposes on a going-concern basis indicated an actuarial surplus of \$529,416 thousand (2019: \$404,422 thousand).

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands 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 March 31, 2023, using the following long-term actuarial assumptions:

- Annual investment return 5.60% (2019: 5.65%)
- Explicit provision for adverse deviation 8.80% (2019: 8.35%)
- Annual salary escalation rate 3.25% (2019: 2.75%)

This estimate, called an extrapolation, produced an estimated funding surplus of \$603,792 thousand at March 31, 2023 (2022: \$593,450 thousand) as follows:

Funding extrapolation	2023	2022
Net assets available for basic pension benefits	\$ 2,359,636	\$ 2,286,593
Actuarial asset value adjustment	33,373	(43,533)
Smoothed assets for basic pension benefits	2,393,009	2,243,060
Actuarial liability for accrued basic pension benefits	(1,789,217)	(1,649,610)
Actuarial surplus	\$ 603,792	\$ 593,450

Changes in the extrapolated actuarial surplus	2023	2022
Actuarial surplus, beginning of year	\$ 593,450	\$ 451,517
Change in liability for accrued basic pension benefits	(139,607)	(96,619)
Change in smoothed assets for basic pension benefits	149,949	238,552
Actuarial surplus, end of year	\$ 603,792	\$ 593,450

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.

Measurement difference between funding and accounting positions

The primary components of the measurement differences between the extrapolated actuarial surplus and the financial statement accounting surplus are as follows:

Measurement difference between funding and accounting positions	2023	2022
Actuarial funding surplus	\$ 603,792	\$ 593,450
Actuarial asset value adjustment	(33,373)	43,533
Difference in CRA maximums	(20,789)	(19,081)
Measurement difference between funding and accounting positions	(54,162)	24,452
Surplus for financial statement purposes	\$ 549,630	\$ 617,902

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

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

a) Basic Account (continued)

Actuarial asset value adjustment

To determine the actuarial funding surplus, 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 such that the smoothed value is no more than 110% and no less than 90% of the market value of the assets. The smoothed value of the assets at March 31, 2023, was 101.4% of the market value of the assets (2022: 98.1%).

The following schedule indicates the year the components of the actuarial asset value adjustment will be recognized in the actuarial position on a funding basis. The amounts are based on that proportion of the total fund related to the Basic Account assets.

Actuarial asset value adjustment	2023	2022
2023	\$ -	\$ 20,067
2024	2,161	16,171
2025	5,415	19,364
2026	(26,626)	(12,069)
2027	(14,323)	-
Total adjustment	\$ (33,373)	\$ 43,533

Difference in Canada Revenue Agency maximums

CRA sets maximum limits on the amount of pension plan income that can be paid to a pension recipient from the registered funds of a pension plan. Any portion of a pension that exceeds the CRA limits is called a supplemental benefit. The calculation of the accrued pension obligation liability for financial statement purposes recognizes supplemental benefits, but they are excluded in the calculation of the pension liability for funding purposes.

b) Inflation Adjustment Account

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.

The Pension Committee monitors the performance of the IAA.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT

The WorkSafeBC Board of Directors 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 BCI, the investment management agent for the WorkSafeBC Board of Directors. 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 WorkSafeBC Board of Directors. 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 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 \$393 thousand (2022: \$1,161 thousand) are generally due within one month. Derivatives payable of \$16,476 thousand (2022: \$3,066 thousand) are due within the next fiscal year.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands 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 values 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 risk.

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 investments. See note 6c for currency exposure related to underlying securities.

Foreign denominated investments held as a percentage of the fund

	2023	%	2022	%
United States	\$ 44,531	1.6	\$ 32,603	1.2
Australia	(50)	0.0	122	0.0
Investments	\$ 44,481	1.6	\$ 32,725	1.2

As at March 31, 2023, 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 \$4,448 thousand (2022: \$3,273 thousand).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of plan investment 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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands 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, 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 March 31, 2023, 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 \$276,600 thousand (2022: \$271,111 thousand).

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 employer contributions receivable \$11 thousand (2022: \$2,965 thousand), interest and dividends receivable \$291 thousand (2022: \$173 thousand), for the derivatives \$2,086 thousand (2022: \$8,339 thousand), other \$21 thousand (2022: \$18 thousand) and for the due from sale of investments of \$nil thousand (2022: \$9 thousand).

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 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 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.

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

Currency risk

Currency exposure 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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Fair value of foreign denominated investment holdings (Cdn dollar equivalent)	Total exposure	Economic hedging	Net exposure	% of total	2023				
United States	\$ 1,343,039	\$ 755,854	\$ 587,185	64%					
Euro countries	223,582	73,910	149,672	16%					
Asia-Pacific, excluding Japan	122,837	41,906	80,931	9%					
Other	41,729	3	41,726	5%					
United Kingdom	91,414	68,571	22,843	2%					
Other Europe	24,495	8,255	16,240	2%					
Japan	20,099	935	19,164	2%					
	\$ 1,867,195	\$ 949,434	\$ 917,761	100%					
					2022				
United States	\$ 1,027,947	\$ 653,042	\$ 374,905	54%					
United Kingdom	206,491	53,815	152,676	22%					
Euro countries	135,984	49,432	86,552	13%					
Asia-Pacific, excluding Japan	78,821	41,006	37,815	5%					
Other	25,404	-	25,404	4%					
Other Europe	15,201	7,436	7,765	1%					
Japan	6,098	2,170	3,928	1%					
	\$ 1,495,946	\$ 806,901	\$ 689,045	100%					

The net foreign currency exposure of the Plan's underlying investments represents 33% (2022: 25%) of its total investments.

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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The terms to contractual maturity of interest-bearing financial instruments held directly and through pooled investment portfolios, as at March 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
2023						
Short-term	\$ 83,340	\$ -	\$ -	\$ -	\$ 83,340	5.53%
Bonds	114,600	238,730	244,843	214,086	812,259	5.71%
Mortgages*	30,899	79,381	295	-	110,575	6.77%
Debt**	-	85	89	-	174	4.80%
	\$ 228,839	\$ 318,196	\$ 245,227	\$ 214,086	\$ 1,006,348	
2022						
Short-term	\$ 68,436	\$ 251	\$ -	\$ -	\$ 68,687	0.52%
Bonds	89,580	211,907	266,457	233,770	801,714	3.73%
Mortgages*	10,603	59,376	12,931	-	82,910	5.49%
Debt**	-	97	101	-	198	4.80%
	\$ 168,619	\$ 271,631	\$ 279,489	\$ 233,770	\$ 953,509	

* 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 March 31, 2023, 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 \$44,258 thousand (2022: \$54,088 thousand).

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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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 is 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	2023		2022	
AAA/AA	\$ 392,164	39%	\$ 390,357	41%
A	159,263	15%	176,251	19%
BBB	56,159	6%	64,006	7%
Non-investment grade	67,139	7%	98,144	10%
	674,725	67%	728,758	77%
Unrated	331,623	33%	224,751	23%
	\$ 1,006,348	100%	\$ 953,509	100%

The ratings used are defined by Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned. The counterparty'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 and corporate bonds.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands 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 March 31.

Fair value hierarchy	Level 1	Level 2	Level 3	Total
2023				
Pooled fund units	\$ 83,401	\$ 1,472,171	\$ 1,210,916	\$ 2,766,488
Directly held debt	-	-	174	174
Investments	\$ 83,401	\$ 1,472,171	\$ 1,211,090	\$ 2,766,662
Derivatives	\$ -	\$ (14,390)	\$ -	\$ (14,390)
2022				
Pooled fund units	\$ 68,687	\$ 1,669,721	\$ 972,687	\$ 2,711,095
Directly held debt	-	-	198	198
Investments	\$ 68,687	\$ 1,669,721	\$ 972,885	\$ 2,711,293
Derivatives	\$ -	\$ 5,273	\$ -	\$ 5,273

During 2023 and 2022, there were no significant transfers of investments between levels.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands 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		Total
	units	Direct debt	
2023			
Balance, beginning of year	\$ 972,687	\$ 198	\$ 972,885
Net gain (loss) included in investment income	53,474	(24)	53,450
Purchases	390,660	-	390,660
Sales	(205,905)	-	(205,905)
Balance, end of year	\$ 1,210,916	\$ 174	\$ 1,211,090
Total unrealized gain (loss) included in investment income	\$ -	\$ -	\$ -
2022			
Balance, beginning of year	\$ 862,287	\$ 202	\$ 862,489
Net gain (loss) included in investment income	48,672	(4)	48,668
Purchases	463,379	-	463,379
Sales	(401,651)	-	(401,651)
Balance, end of year	\$ 972,687	\$ 198	\$ 972,885
Total unrealized gain (loss) included in investment income	\$ (25,901)	\$ (4)	\$ (25,905)

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 fair value has been determined using quotes when a number of quotes for the same 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

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands 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
2023					
<i>The estimated fair value would increase if:</i>					
Pooled fund units	\$ 1,210,916	Net asset value	Net asset value	\$ 1,210,916	The net asset value increased
		Discounted cash flows			
Direct debt	174	flows	Discount rate	4.8%	The discount rate decreased
2022					
<i>The estimated fair value would increase if:</i>					
Pooled fund units	\$ 972,687	Net asset value	Net asset value	\$ 972,687	The net asset value increased
		Discounted cash flows			
Direct debt	198	flows	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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Significant unobservable inputs used in measuring fair value (continued)

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.

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 measurements

	2023		2022	
	Favourable	Unfavourable	Favourable	Unfavourable
Pooled fund units	\$ 121,092	\$ (121,092)	\$ 97,269	\$ (97,269)
Direct debt	17	(17)	20	(20)
	\$ 121,109	\$ (121,109)	\$ 97,289	\$ (97,289)

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

f) Effects of unobservable input on fair value measurement

The carrying value of members' contributions receivable, employer contributions receivable, due from sale of investments, accounts payable, 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.

8. INVESTMENT INCOME

	2023			2022		
	Income allocation	Change in fair value	Total	Income allocation	Change in fair value	Total
Short-term	\$ 1,399	\$ 2,631	\$ 4,030	\$ 225	\$ (935)	\$ (710)
Bonds	27,497	(34,307)	(6,810)	21,319	(43,915)	(22,596)
Canadian equities	3,304	(7,575)	(4,271)	2,226	14,913	17,139
Global equities	9,949	(978)	8,971	7,563	25,416	32,979
Emerging markets equities	3,396	(1,678)	1,718	2,446	(13,656)	(11,210)
Mortgages	8,839	207	9,046	1,975	1,355	3,330
Real estate	12,368	17,515	29,883	43,626	7,819	51,445
Private equity	33,285	(16,681)	16,604	44,633	30,652	75,285
IRR*	21,625	23,473	45,098	47,951	(11,837)	36,114
	121,662	(17,393)	104,269	171,964	9,812	181,776
Directly held derivatives	-	(31,654)	(31,654)	-	8,327	8,327
	\$ 121,662	\$ (49,047)	\$ 72,615	\$ 171,964	\$ 18,139	\$ 190,103

* 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.

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

9. CONTRIBUTIONS

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
2023				
Member contributions				
Regular	\$ 18,625	\$ 3,130	\$ 10	\$ 21,765
Past service purchases	250	41	-	291
	18,875	3,171	10	22,056
Employer contributions				
Regular	17,491	3,120	1,154	21,765
Past service purchases	238	40	-	278
	17,729	3,160	1,154	22,043
	\$ 36,604	\$ 6,331	\$ 1,164	\$ 44,099
2022				
Member contributions				
Regular	\$ 17,415	\$ 2,913	\$ 16	\$ 20,344
Past service purchases	201	33	-	234
	17,616	2,946	16	20,578
Employer contributions				
Regular	16,426	2,907	1,011	20,344
Past service purchases	187	31	-	218
	16,613	2,938	1,011	20,562
	\$ 34,229	\$ 5,884	\$ 1,027	\$ 41,140

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

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

10. BENEFITS

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
2023				
Regular pension benefits	\$ 62,468	\$ -	\$ 984	\$ 63,452
Indexing – regular pension benefits	12,072	-	159	12,231
Termination and refund benefits	1,421	1,182	21	2,624
Death benefit payments	1,021	1,010	-	2,031
	\$ 76,982	\$ 2,192	\$ 1,164	\$ 80,338
2022				
Regular pension benefits	\$ 57,876	\$ -	\$ 911	\$ 58,787
Indexing – regular pension benefits	9,040	-	107	9,147
Termination and refund benefits	1,286	2,174	9	3,469
Death benefit payments	1,983	1,136	-	3,119
	\$ 70,185	\$ 3,310	\$ 1,027	\$ 74,522

11. INVESTMENT AND ADMINISTRATION COSTS

	2023	2022
Investment management	\$ 4,881	\$ 2,068
Benefit administration	1,409	1,263
Actuarial	220	94
Professional services	-	21
Audit	31	29
Board remuneration and expenses	6	6
Pension workshops for members	-	4
	\$ 6,547	\$ 3,485

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 fees of \$4,562 thousand (2022: \$5,054 thousand) were netted against investment income.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by Pension Corporation. These costs are approved by WorkSafeBC.

Separate from the Plan, WorkSafeBC pays directly for extended health care premiums for retired members and their dependants. For the year ended March 31, 2023, this amounted to \$2,835 thousand (2022: \$2,533 thousand).

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

12. ACCOUNT TRANSFERS

	2023		2022	
	Basic account	Inflation adjustment account	Basic account	Inflation adjustment account
Indexing supplements	\$ 54,136	\$ (54,136)	\$ 31,371	\$ (31,371)
Indexing of deferred pensions	571	(571)	297	(297)
	\$ 54,707	\$ (54,707)	\$ 31,668	\$ (31,668)

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 employer and member contributions, and investment income earned.

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. As at January 1, 2023, retired members received a cost-of-living adjustment of 6.9% (2022: 4.4%).

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 \$8,563 thousand (2022: \$7,151 thousand) of the current IAA balance is for cost-of-living adjustments already granted for deferred pensions but not yet transferred to the Basic Account.

13. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account (SBA) funds certain pension benefits that exceed the *Income Tax Act* limits for registered pension plans. The SBA is funded from current contributions that would otherwise be basic employer and employee contributions.

14. COMMITMENTS

The Plan participates in private equity, international real estate, mortgages, and infrastructure and renewable resource pools. As at March 31, 2023, the Plan's share of commitments for future investment contracts in these pools over the next several years is approximately \$507,060 thousand (2022: \$428,413 thousand).

WORKSAFEBC PENSION PLAN

Notes to the financial statements for the year ended March 31, 2023

(\$ thousands except as otherwise noted)

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 investment performance of the plan assets is regularly reviewed by the Pension Committee and compared to relevant industry benchmarks. Benefit entitlement is based on the pension plan rules. Funding deficits must be funded over a period not to exceed 15 years. The Plan is also subject to solvency funding requirements. A solvency deficiency must be funded over a period not to exceed five years.

An actuarial valuation must be prepared at least once every three years. The latest actuarial valuation for funding purposes was prepared as at December 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.

16. PRIOR YEAR COMPARATIVES

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

worksafe.pensionsbc.ca

This publication is produced by BC Pension Corporation on behalf of the WorkSafeBC Pension Plan.

If you have questions about the information contained in this report, please contact:

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