Municipal Pension Plan

2024 Annual Report

The Municipal Pension Plan: A Journey to Retirement

Contents

A message from the board chair

In a tumultuous global environment, I am pleased to be able to share that BC's Municipal Pension Plan continues to navigate a well-charted path—guided by a clear long-term strategy and expert stewardship. **The plan is in a strong and secure position, with assets growing from $77 billion in 2023 to over $86 billion in 2024,** supported by a one-year investment return of 12.4 per cent. As we continue on our journey, our assets showcase our strength and resilience.

My fellow trustees and I map the plan's journey, guided by experts. One of the experts we have worked closely with this year is the independent actuary that conducts the valuation. Plan valuations are like trail checkpoints. They are conducted by professional experts to ensure the plan remains secure and help us navigate the terrain safely to reach our goals—now and for the future. Completed every three years, valuations are a vital part of our journey, helping us assess our footing and adjust course if needed.

As at December 31, 2024, the plan is fully funded, with a funded ratio of 102.8 per cent, meaning there is enough money to pay pensions for all current and future retired members. The full 2024 valuation results are available on the plan website.

We take a long-term view that looks past the twists and turns of the financial markets. This approach gives us the stability and confidence to face any challenges on the horizon as we navigate toward our goals. Looking ahead, we will continue to strengthen our governance, refine our strategy and ensure we continue fulfilling our fiduciary duty to the members we serve.

As you read through this *Annual Report*, you will meet plan members on their journey to retirement and see how the plan's long-term view has benefited them. Thank you for taking the time to read it. I hope this *Annual Report* will help you understand why I'm proud of the plan and honoured to provide hundreds of thousands of British Columbians with the secure retirement they've earned, both now and in the future.

Gary Yee
Chair 2025, vice-chair 2024

> *We take a long-term view that looks past the twists and turns of the financial markets.*
>
> Gary Yee,
> chair

A message from the executive director

As executive director, **I am incredibly proud to work for a plan that has been providing British Columbians with a reliable way to save for retirement for over 85 years.** As the daughter of a retired BC teacher, I personally know what having a defined benefit pension means to a family during the retirement years. This pride carries through every aspect of my role from strategic oversight to risk management and operations.

My leadership and guidance are driven by a deep commitment to ensuring the plan's success and security for all members. In my first two years in this role, I have had the opportunity to meet plan members and hear first hand what the plan means to them. I will reiterate what I have told them: Plan members can be confident the plan will be there when they need it.

One of the ways we ensure the plan's security and success is by creating and adhering to a strategic plan. Strategic planning plays an important role in helping us make critical decisions and implement actions that will shape the plan. This essential planning process is undertaken by the board every three years and reviewed regulary, ensuring that the actions we take align with our commitment to fulfil the pension promise for current and future retirees.

We are two years into our current three-year strategic plan and are on track with our initiatives. One of them is actively expanding membership to eligible BC employers. I believe this will be a key moment in the plan's evolution by offering a defined benefit pension to more British Columbians and helping ensure the sustainability of the plan for all members. We welcome new eligible employers and members. Employers can see what makes the plan a valuable part of a total benefits package by visiting Join the plan. Members can now find resources on why joining the plan is a smart investment in their future selves at Joining MPP.

Seeing the plan's strong financial performance year after year is an immense source of pride. The strength and durability of the plan are what make me confident in its continued security and excited about its future.

Chelsea Kittleson
Executive director

My leadership and guidance are driven by a deep commitment to ensuring the plan's success.

Chelsea Kittleson,
executive director

“I love Burnaby Mountain, the rose garden and the view of the water from the top.”

Beena Paul, member

Beena Paul is a registered nurse. She joined the plan 10 years ago and will be retiring in 23 years. She is not worried about her retirement life, knowing she can trust in the plan to prepare her for her retirement goal: to travel around the world.

FIVE-YEAR FINANCIAL SUMMARY ($ MILLIONS)

year ended December 31

	2024	2023	2022	2021	2020
Increase in assets					
Investment income (loss)	**$ 9,824**	$ 5,577	$ (2,312)	$ 7,789	$ 7,091
Contributions					
Members	**1,589**	1,413	1,204	1,169	1,131
Employers	**1,748**	1,551	1,325	1,342	1,293
Transfers from other plans	**35**	29	71	21	23
Total increase in assets	**13,196**	8,570	288	10,321	9,538
Decrease in assets					
Benefit payments	**2,866**	2,694	2,565	2,342	2,232
Transfers to other plans	**29**	18	24	19	29
Retired member group benefits	**118**	136	102	143	26
Investment and administration costs[1,2]	**274**	256	211	132	211
Total decrease in assets	**3,287**	3,104	2,902	2,636	2,498
Increase (decrease) in net assets	**9,909**	5,466	(2,614)	7,685	7,040
Net assets available for benefits at beginning of year	**77,017**	71,551	74,165	66,480	59,440
Net assets available for benefits at end of year	**$86,926**	$77,017	$71,551	$74,165	$66,480
Investment and administration costs as a percentage of net assets[1,2]					
Investment management[1,2]	**0.40%**	0.43%	0.43%	0.32%	0.39%
Benefits administration	**0.08%**	0.08%	0.08%	0.08%	0.08%

1 Investment and administration costs as a percentage of net assets include external investment management costs netted against investment income of $119.3 million (2023: $122.5 million; 2022: $148.3 million; 2021: $102.5 million; 2020: $73.5 million); they are not included in investment and administration costs in the financial statements.

2 Investment and administration costs as a percentage of net assets exclude external indirect investment management costs netted against investment income. This is consistent with current industry practice; including these costs using the budgeted amount would have increased investment management costs as a percentage of net assets by an estimated 47 basis points in 2024. External indirect investment management costs include limited partnership costs incurred within investments held in the private equity, infrastructure and real estate asset classes.

The fund grew by **$9.9 billion** from investment income in 2024, resulting in $86.9 billion in net assets available for benefits.

Plan investments: The path to financial growth

Learn how the plan investments performed in the last year and how returns on these investments provide a pathway to grow the funds that pay members' pensions, ensuring there is enough to support them now and in years to come.

Revelstoke


Atlin Lake, Atlin

Plan portfolio overview

Total fund performance

The Municipal Pension Board of Trustees is responsible for overseeing an investment portfolio of $86.9 billion on behalf of Municipal Pension Plan beneficiaries. The board's primary objective is to ensure the pension plan is secure and stable over the long term so member pensions can be paid now and into the future. To meet that objective, the board approves the Statement of Investment Policies and Procedures that provides a framework for managing the plan's assets. It delegates investment management duties to the plan's investment agent, BCI, and oversees BCI's performance in achieving those goals.

Our approach to investing

The board takes a long-term approach to investing—setting an investment strategy to meet or exceed the plan's investment return objectives. Achieving these objectives ensures the plan can fulfil pension payments.

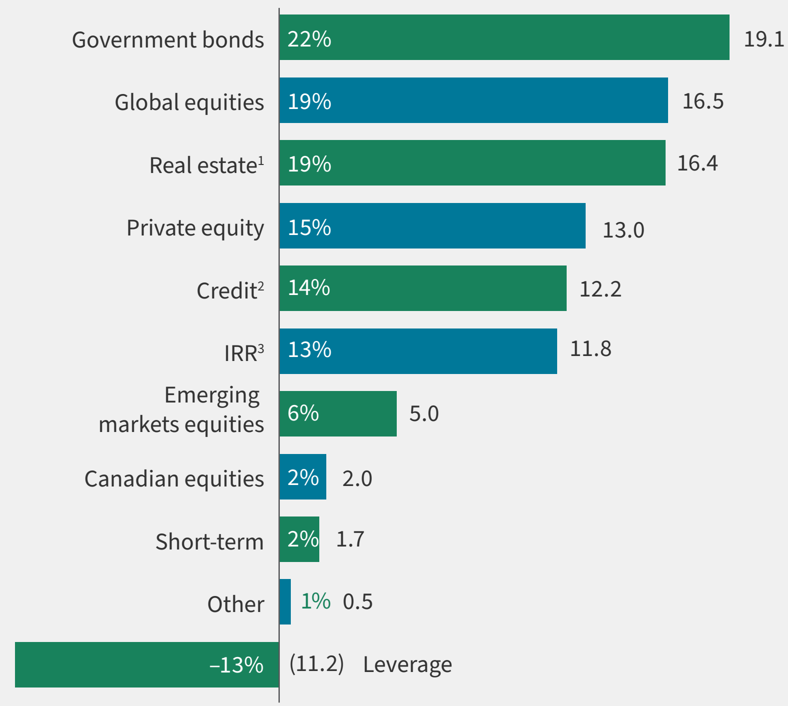
Risk management is a primary responsibility of both the board and BCI. It involves analyzing risk over various time horizons and taking appropriate steps to limit exposure. There are different types of risk, including market volatility, geopolitical issues and climate change.

As part of its risk management activities, the plan has a diversified portfolio. This means it is invested in multiple asset types, industries and geographies. Holding diverse investments provides better protection if one type of asset generates lower returns in a given period. For example, when inflation is high, bonds tend to perform poorly, while infrastructure generally performs well. Depending on changing market conditions, BCI will adjust the plan's investment holdings.

In recent years, the plan's long-term asset mix policy has increased focus on private markets and real assets (physical investments, such as land and buildings). Since real assets are less correlated with traditional investments like stocks and bonds, they help safeguard the portfolio against market volatility.

INVESTMENT HOLDINGS (MARKET VALUE) (%) ($BILLIONS)

as at December 31, 2024



1 Real estate assets and real estate debt (mortgages)
2 Corporate bonds and principal credit
3 Infrastructure and renewable resources

Performance and overall fund return

For the year ended December 31, 2024, the plan returned 12.4 per cent. As a result of these positive returns, the plan's assets increased to $86.9 billion from $77.0 billion last year. This outcome demonstrates the benefits of diversification and sound investment strategies.

To measure the plan's investment performance, returns are compared with both the actuarial return objective and a benchmark return. The total fund benchmark represents the return that would be generated if a fund held its policy asset mix and each asset class earned the return of its respective benchmark.

Over the one-year period, the portfolio returned 12.4 per cent. While this return is less than the benchmark return of 15.5 per cent, it exceeds the actuarial return objective of 6.25 per cent. The portfolio was impacted by weakness in the real estate asset class, while the total fund benchmark benefited from exceptionally strong public equity returns driven by a few large technology stocks known as the Magnificent Seven (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla). The plan's five-year annualized return was 7.8 per cent, slightly underperforming the benchmark of 7.9 per cent. Like in 2023, one- and five-year returns both significantly exceeded the actuarial return objectives.

Looking over a longer time horizon, the plan continues to outperform over 10 years. The plan returned 7.9 per cent on a 10-year basis, exceeding both the 7.6 per cent benchmark and the 6.45 per cent actuarial return objective.

Performance results (%)

OVERALL

1-year return

12.4	**15.5**
2024	benchmark

5-year return

7.8	**7.9**
2019–2024	benchmark

10-year return

7.9	**7.6**
2014–2024	benchmark

Public markets (fixed income and public equity)

Within public markets, the plan is invested in fixed income (e.g., government and corporate bonds) and public equity (e.g., publicly traded stocks).

Over the year, fixed income achieved a 5.5[1] per cent return, outperforming the 4.8 per cent benchmark. All fixed income allocations, most notably including private debt, produced positive returns that contributed to the plan's overall performance. Fixed income's five-year annualized return was 2.4 per cent, above the 1.7 per cent benchmark.

On a one-year basis, public equity delivered a robust 25.7 per cent return, outperforming its 25.3 per cent benchmark and emerging as the strongest contributor to the total fund's absolute performance. Global equities were the primary driver of the strong performance of public equity, boosted by supportive U.S. government policies and strong economic fundamentals. The Magnificent Seven technology companies continued their surge, buoyed by continued enthusiasm in artificial intelligence and forecasts of strong earnings. Canadian equities also delivered solid returns over the past year. In contrast, Emerging Markets equities declined toward year-end, pressured by a strengthening U.S. dollar, fading optimism over Chinese stimulus, and rising trade war concerns following the U.S. election.

Over five years, public equity achieved an annualized return of 11.5 per cent, exceeding its 10.6 per cent benchmark. This long-term outperformance reflects the portfolio's strategic diversification across Canadian, developed, and emerging markets, as well as its ability to capture growth while navigating volatility.

1 Except as otherwise indicated, returns are time-weighted rates of return as at December 31, 2024. All returns are net of all costs and fees. An internal rate of return methodology is used to calculate returns for infrastructure and renewable resources, private equity, and real estate equity. The assets and benchmarks are as at December 31, 2024. Benchmarks are presented on a time-weighted-rate-of-return basis.

Performance results (%)

FIXED INCOME

1-year return

5.5	**4.8**
2024	benchmark

5-year return

2.4	**1.7**
2019–2024	benchmark

PUBLIC EQUITY

1-year return

25.7	**25.3**
2024	benchmark

5-year return

11.5	**10.6**
2019–2024	benchmark

Private equity

The same Magnificent Seven technology stocks that performed well in public equity also drove up the private equity benchmark. This contributed to private equity's underperformance relative to its benchmark.

On a one-year basis, private equity delivered a 13.3 per cent return, underperforming the 30.1 per cent benchmark. On an annualized basis over a five-year period, private equity returned 14.9 per cent, above the 14.4 per cent benchmark. Private equity deal and exit activity showed modest signs of improvement in late 2024, and this trend is expected to continue in 2025.

Real estate

Most major real estate markets are beginning to see modest improvements. This is welcome news after several tough years of negative returns. On a one-year basis, real estate equity returned −1.8 per cent, an improvement from last year's −4.9 per cent return, but still below the 6.8 per cent benchmark. As global real estate investment volumes continue their gradual recovery, the real estate equity program remains well diversified across regions and sectors. Looking forward, the program remains focused on high-growth and resilient sectors, such as data centres, multi-family residential buildings, student housing, manufactured housing, and self-storage. Over five years, real estate equity delivered a 2.6 per cent annualized return, below the 6.8 per cent benchmark.

Performance results (%)

PRIVATE EQUITY

1-year return

13.3 2024 **30.1** benchmark

5-year return

14.9 2019–2024 **14.4** benchmark

REAL ESTATE

1-year return

–1.8 2024 **6.8** benchmark

5-year return

2.6 2019–2024 **6.8** benchmark

Real estate debt

Real estate debt market activity remained subdued in the first half of 2024 and began to recover in the second half. Real estate debt returned 6.2 per cent over the year, outperforming the 5.9 per cent benchmark. Strategic rebalancing of the portfolio has enabled the investment manager to navigate market challenges and benefit from growth opportunities in high-conviction sectors like industrial, residential, and alternative assets. Over five years, real estate debt also performed well, returning 4.7 per cent on an annualized basis against the 3.4 per cent benchmark.

Infrastructure and renewable resources

The infrastructure and renewable resources (I&RR) portfolio continued to outperform the benchmark on both a short- and long-term basis. It had a one-year return of 8.3 per cent, above the 6.3 per cent benchmark. Throughout 2024, I&RR generated strong cash flows, due mainly to the utilities sector, which makes up 40.4 per cent of the portfolio's exposure. As the program grows, BCI's I&RR team continues to seek opportunities that deliver risk-adjusted, above-benchmark results. This includes exploring digital infrastructure and renewable power assets and developing key relationships in new regions. Long-term results were positive, as the portfolio delivered an 8.9 per cent annualized return over five years and outperformed the 6.6 per cent benchmark.

Performance results (%)

REAL ESTATE DEBT

1-year return

6.2	**5.9**
2024	benchmark

5-year return

4.7	**3.4**
2019—2024	benchmark

INFRASTRUCTURE AND RENEWABLE RESOURCES

1-year return

8.3	**6.3**
2024	benchmark

5-year return

8.9	**6.6**
2019—2024	benchmark

INVESTMENT PORTFOLIO[1]

as at December 31, 2024

	Market value ($ millions)	**Asset mix market value** (%)
Short-term	$ 1,659	1.9
Leverage	(11,238)	(12.9)
Bonds	19,068	22.0
Credit	12,154	14.0
Canadian equities	2,026	2.3
Global equities	16,457	19.0
Emerging markets equities	4,972	5.7
Private equity	13,016	15.0
Real estate	16,448	18.9
Infrastructure and renewable resources	11,760	13.5
Currency hedging	526	0.6
Cash and unsettled trades	16	0.0
Total investments	**$86,864**	**100.0**
2023 comparison	**$76,931**	

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

The plan has a diversified portfolio. Holding diverse investments provides better protection if one type of asset generates lower returns in a given period.

MARKET VALUE ASSET MIX (%)

as at December 31, 2024

	Approved ranges	Target asset mix	Actual asset mix	Rate of return	Performance benchmark
Short-term	0–7	2	1.9	**9.9**	9.8
Bonds	11–30	22	22.0	**3.3**	3.3
Credit[1]	4–21	15	14.0	**7.8**	6.0
Total fixed income	**25–47**	**39**	**37.9**	**5.5**	**4.8**
Public equities	7–37	22	27.0	**25.7**	25.3
Private equity	10–20	16	15.0	**13.3**	30.1
Total equity	**28–51**	**38**	**42.0**	**21.3**	**27.1**
Real estate[2]	15–29	23	18.9	**(0.4)**	6.6
Infrastructure and renewable resources	7–18	15	13.5	**8.3**	6.3
Total real assets	**25–45**	**38**	**32.4**	**3.0**	**6.5**
Other	0–5	0	0.6	—	—
Leverage	0–(20)	(15)	(12.9)	**4.8**	4.8
Total basic asset mix		**100**	**100.0**	**12.4**	**15.5**

Fixed income investments, public equities, and infrastructure and renewable resources produced positive returns this year.

RATES OF RETURN (%)

as at December 31, 2024

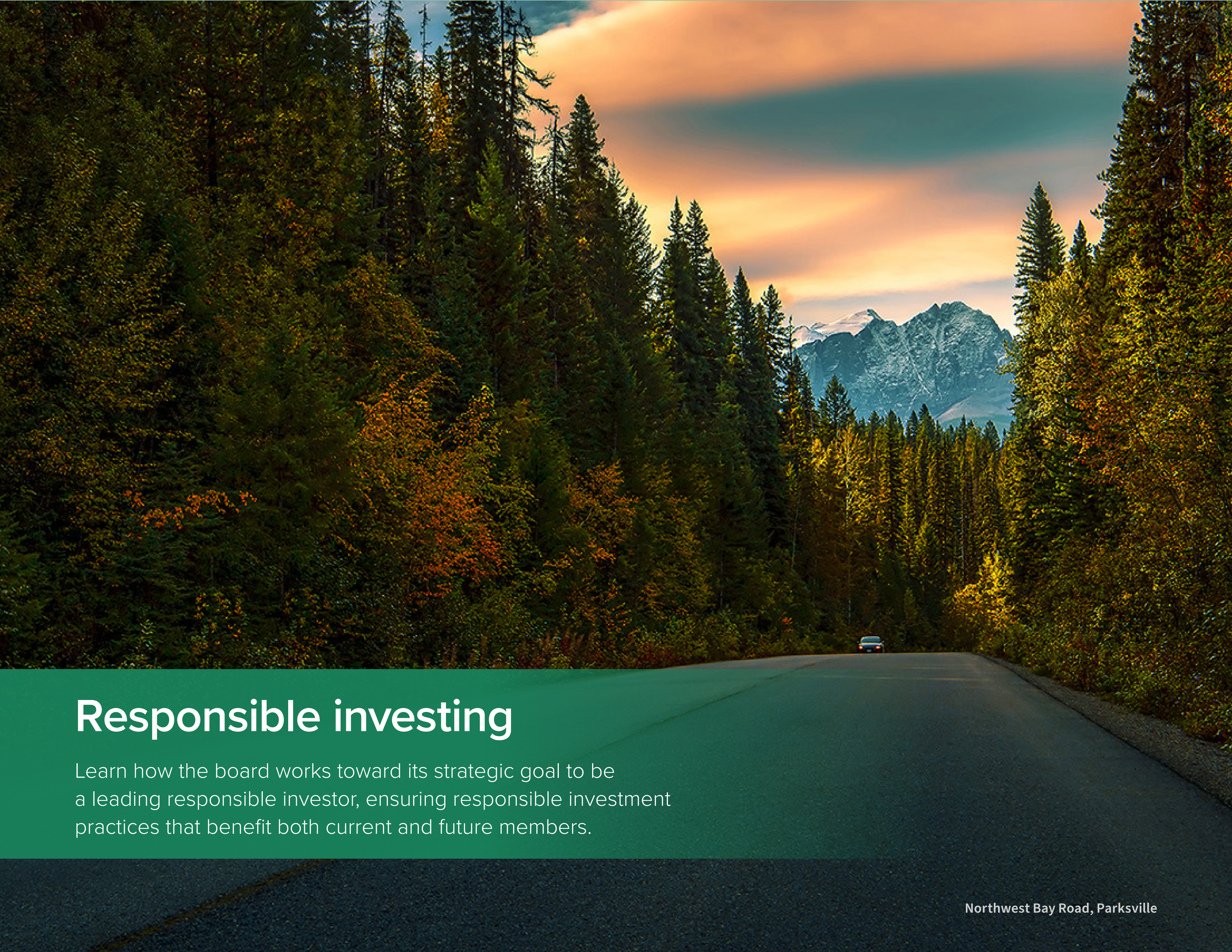
	Rate of return	Performance benchmark
Annual rates		
2024	**12.4**	**15.5**
2023	7.7	11.7
2022	(3.4)	(5.9)
2021	11.5	7.8
2020	11.6	11.8
5-year annualized rates		
2024	**7.8**	**7.9**
2023	7.8	7.5
10-year annualized rates		
2024	**7.9**	**7.6**
2023	7.8	7.0

The plan continues to outperform over 10 years.

“My favourite nature spot is wherever my journey takes me. I’ve driven a motorhome coast to coast for 16 weeks. I’ve camped across the province, riding my motorcycle. In March, I travelled about 5,100 km by rail in Europe, taking 18 trains in 19 cities.”

Bill Travis, member

Bill Travis has been on his retirement journey since 2024, after working as a school custodian and grounds operator for nearly 30 years. When he started working for the school board in 1979, he thought, “I’ve got to look after my retirement.” Because he found a job that offered the pension plan, he hasn’t worried about finances since retirement.



Responsible investing

Learn how the board works toward its strategic goal to be a leading responsible investor, ensuring responsible investment practices that benefit both current and future members.

Northwest Bay Road, Parksville

Responsible investing is a key part of the plan's investment approach. It involves integrating environmental, social, and governance (ESG) factors into investment decisions. The board and BCI both believe that ESG integration is fundamental to growing and protecting the value of the plan and that companies with strong ESG practices are better positioned to generate long-term, sustainable investment returns. ESG factors range from being company-specific, such as board composition, or employee safety, to being widespread and systemic, like climate change.

The board believes engagement can positively influence corporate behaviour and supports BCI's approach to engagement as a way for the plan to address risks of climate change and achieve a net-zero portfolio.

How BCI integrates ESG

As the plan's investment agent, BCI integrates ESG in the following ways:

- Evaluates and continually monitors investments using both ESG and traditional financial analysis.
- Encourages companies and policy-makers to uphold robust ESG practices and policies.
- Invests in ESG-related opportunities that meet our required rate of return.
- Uses ESG-related insights to adapt and improve investment strategies to better support the plan's investment goals.

Engagement and stewardship

As a large, long-term investor, BCI uses its influence on behalf of the plan to encourage companies and partners to adopt best ESG practices. Examples include:

- Exercising shareholder voting rights
- Engaging with companies directly
- Making policy submissions
- Sitting on the boards of private companies that it owns

BCI's Stewardship Report demonstrates BCI's continued leadership in driving positive ESG performance.

Addressing climate risk

Climate change is an investment opportunity and a long-term material systemic risk to the plan. Although the timing and extent of the effects of climate change are uncertain, the board has taken actions to address climate-related risks and opportunities through collaborating with BCI on investor stewardship, portfolio monitoring, and advocating for appropriate public policies directly and indirectly.

In 2022, the plan announced its goal to reach a net-zero portfolio by 2050. A net zero portfolio means that the greenhouse gas emissions attributable to our investments (known as financed emissions) are reduced to net zero by 2050 or sooner, in line with the goals of the Paris Agreement.

We have set an ambitious, interim target to reduce the carbon intensity of our portfolio by 55% by 2030 (relative to 2020 levels). This target is informed by science-based decarbonization pathways. Our net-zero goal has been established to support the continued progress being made to limit global temperatures to 1.5C above pre-industrial levels and transition the economy to align with achieving net zero greenhouse gas emissions by 2050. This ambition is predicated on the need for policy to also align with this goal and establish clarity for all market participants that will drive economic transition in alignment with this goal.

The plan's goal aligns with BCI's commitment to implement its Climate Action Plan, most recently updated in 2022. This plan provides a roadmap for creating and preserving financial value for the plan and managing climate change risk across all asset classes and pursuing suitable opportunities. For example, BCI actively seeks investment opportunities related to the global energy transition across its portfolio. One such investment is sustainable bonds, which provide low-risk returns and help finance projects with positive environmental and social outcomes.

To learn more about BCI's ESG and Climate Action Plan activities, visit bci.ca/esg.

For information on the board's responsible investing approach, go to mpp.pensionsbc.ca/responsible-investing.

Climate-related disclosures

2024 highlights

In 2024, the board continued to prioritize climate-related risks and opportunities through our strategic partnership with BCI. In the board's strategic plan for 2023–2026, we set a priority to be a leading responsible investor. We are acting on that priority by working collaboratively toward our goal of a net-zero portfolio by 2050, driving informed responsible investing strategies to promote plan sustainability, participating in responsible investing standard setting, implementing ongoing training for trustees, and ensuring transparency of our climate action initiatives.

We coordinate with BCI to ensure the actions to support our climate strategy align with our fiduciary duty to invest the fund in the best financial interest of beneficiaries. As we track climate change responses and impacts on markets, we see an opportunity within the portfolio to support our long-term pension security goals and reduce the emissions financed by our investment activity.

Since 2020, the plan's total portfolio carbon footprint has decreased by 50[1] per cent as we progress toward our interim goal of a 55% decrease by 2030. The plan's total exposure to climate-related investment opportunities reached $4.4 billion in 2024, and the board received updates on the progress BCI is making toward encouraging the adoption of mature transition plans by the most carbon-intensive investments in the portfolio. For more details, please refer to our complete climate-related disclosure in the Appendix.

1 The percent reduction is calculated based on unrounded values. For methodology details, see Metrics and targets.

PORTFOLIO CARBON FOOTPRINT
(TONNES CO_2E/$ MILLION)[1,2]

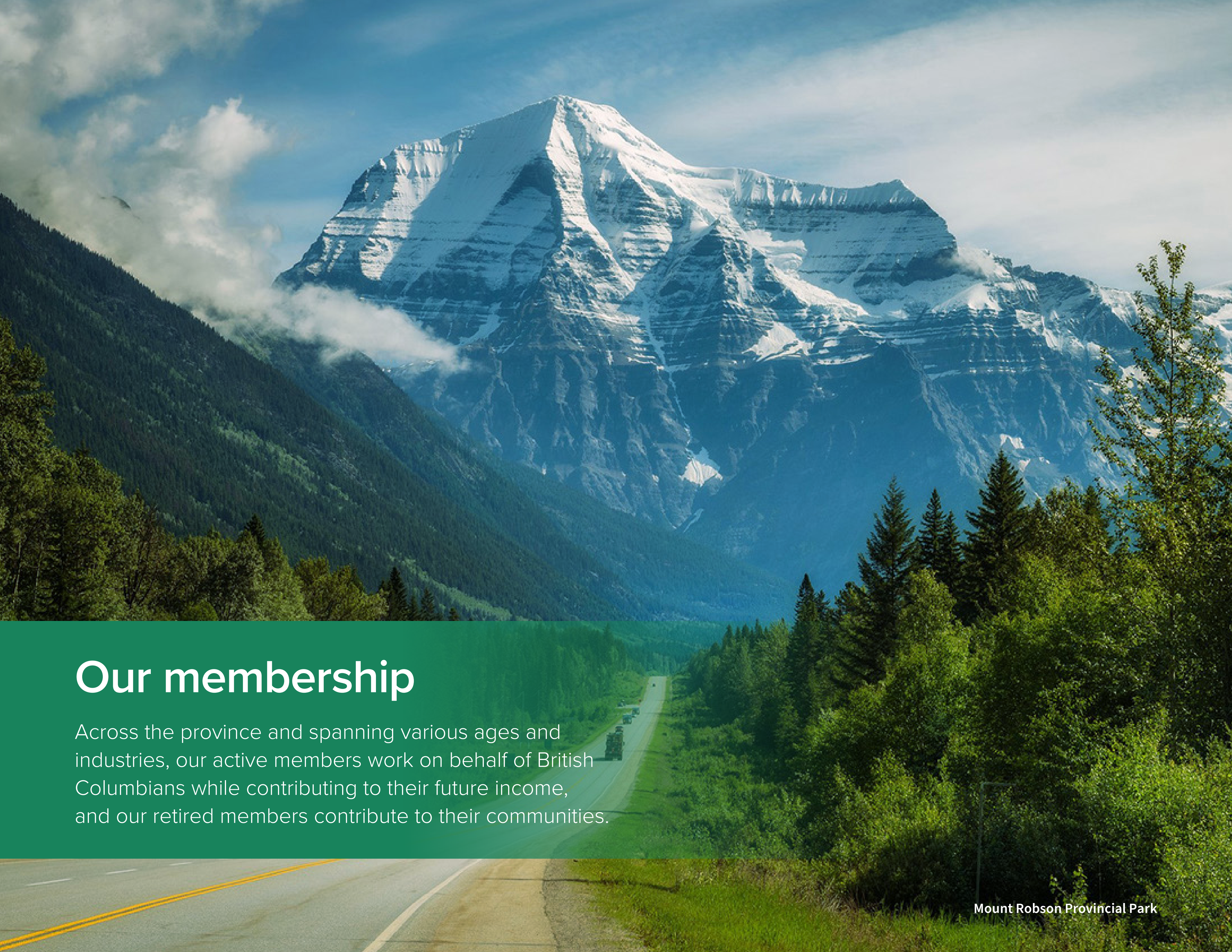
	MPP total portfolio carbon footprint (tC02e/$M EVIC)[2]
F2024	**43**
F2023	66
F2022	66
F2021	67
F2020	85

1 Applies to the covered market value of in-scope investments in the portfolio as at December 31 each year. The trend in carbon intensity reductions will not be linear year over year and could be influenced by factors such as changing asset values and improving data quality and completeness.
2 Total carbon emissions for a portfolio normalized by the market value of covered in-scope investments in the portfolio, expressed in Metric tonnes CO2e/$M CAD invested as of December 31, 2024.

"One of our favourite spots to visit and take visitors is Margaret Falls. We have a short 20-minute walk to the falls, and it never gets boring. This is often a favourite spot for couples to get married."

Linda McHale, retired member

Linda McHale retired in 2016 after working as the district career programs assistant in a secondary school. In 2021, she became a BC marriage commissioner, an uplifting position with just enough office work to keep her mind active.



Our membership

Across the province and spanning various ages and industries, our active members work on behalf of British Columbians while contributing to their future income, and our retired members contribute to their communities.

Mount Robson Provincial Park

The plan serves more than 470,000 active, inactive and retired members and their employers. Members work across the province in health care settings; cities, towns, villages and regions; school districts and colleges; and a variety of social service organizations. They range in age from 18 to 107 and are at different points in their pension journey. Members generally retire in BC, spending their pension income where they live, volunteering and contributing to local and provincial economies.

Types of members

Active members

Active members are those currently contributing to the plan, on an approved leave of absence or receiving benefits from an approved long-term disability group plan.

Inactive members

Members in this group have ended their employment with a plan employer but have chosen to leave their contributions in the plan and are therefore entitled to receive a benefit from the plan in the future. They may return to work for a plan employer, make contributions and accrue additional service.

Retired members

Retired members are those receiving a pension, including a survivor pension. Members receiving disability benefits from the plan are also counted in this group.

Limited members

Former spouses of plan members fall into this category. Limited members are entitled to a portion of the plan member’s pension. A person must apply to become a limited member, unlike other membership types, which have automatic enrolment. Limited members are included in the retired members total if they are receiving a pension.

Across the province, our members are at work for you.

1 in 10

British Columbians of working age

are active members of the Municipal Pension Plan.

105,000+

members are under the age 40.

They may be young, but they know having a pension makes a difference.

72%

are women.

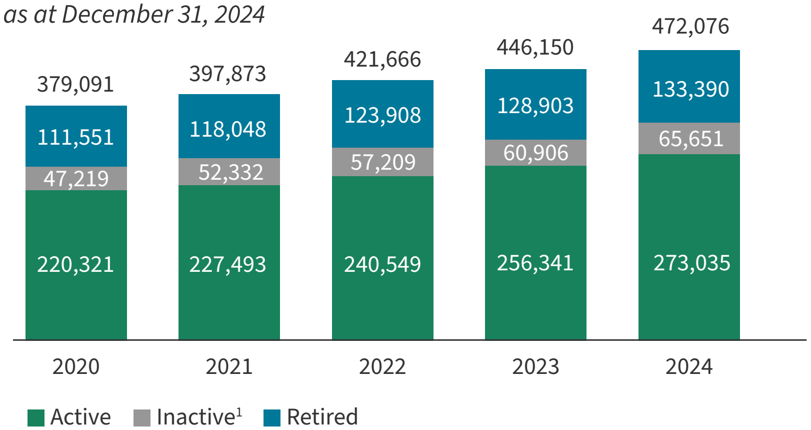
Women work hard to shape their communities and comprise nearly three-quarters of our active membership.

Keeping you and your community safe and healthy

From the lifeguard at your local pool to police officers and firefighters, from nurses and health care workers to the landscaper that keeps your parks beautiful—our members work a variety of jobs across a variety of sectors.

NUMBER OF MEMBERS

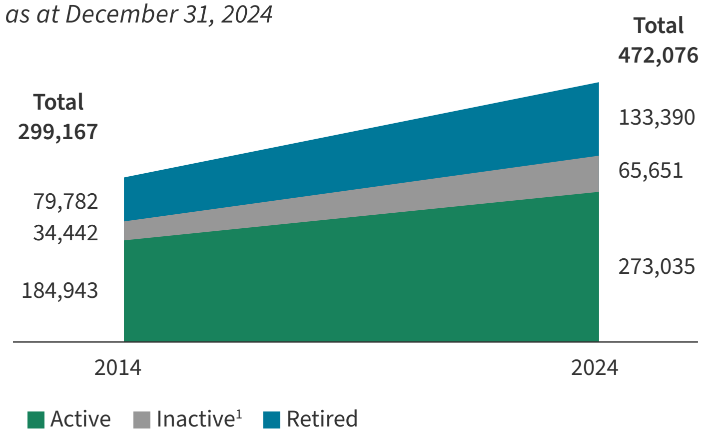
as at December 31, 2024



1 Vested members are included within the inactive member category.

MEMBERSHIP GROWTH

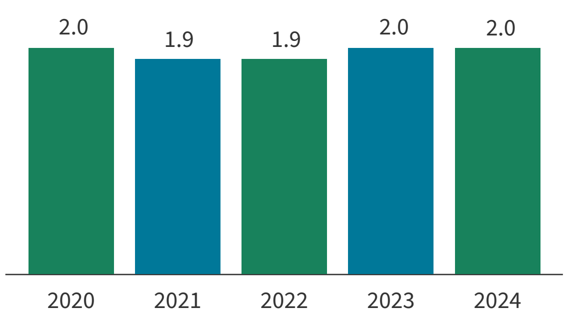
as at December 31, 2024



1 Vested members are included within the inactive member category.

RATIO OF ACTIVE TO RETIRED MEMBERS

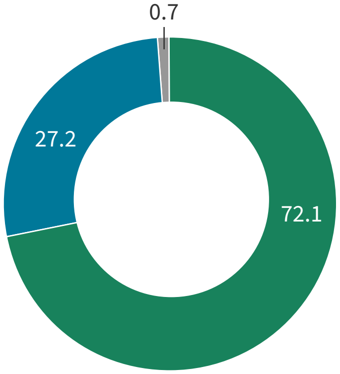
as at December 31, 2024



Membership has increased by more than 25,000 in 2024 and grown 58 per cent over the last 10 years.

ACTIVE MEMBERS BY GENDER

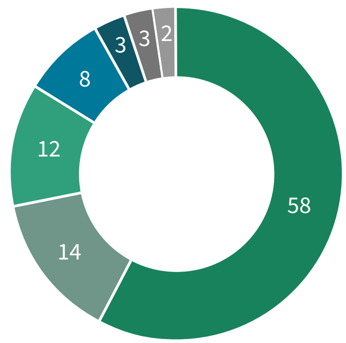
as at December 31, 2024



Female	196,890
Male	74,138
Gender X	2,007
Total	**273,035**

ACTIVE MEMBERS BY SECTOR (%)

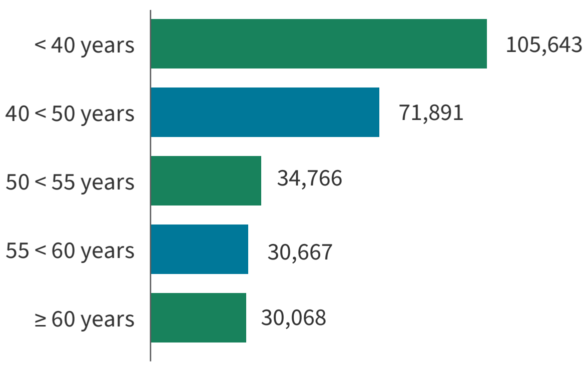
as at December 31, 2024



Health care	158,053
Cities, districts, towns, villages and regional districts	38,719
School districts	32,023
Community social services	21,657
Group 5 (police officers and firefighters)	8,327
Other	7,169
Colleges	7,087

ACTIVE MEMBERS BY AGE

as at December 31, 2024



Retired members—enjoying their journeys

1 month to 50 years

Some members of the Municipal Pension Plan have recently retired. Others have been receiving their pension for as long as 50 years. Some members have even received a pension for longer than they earned a salary.

130,000+

Our retired members have worked hard to earn their pensions and they can rely on receiving their monthly payment for life.

Cost-of-living adjustments grow the pension payment

When cost-of-living adjustments are provided, these amounts are added to members' pension payments for life.

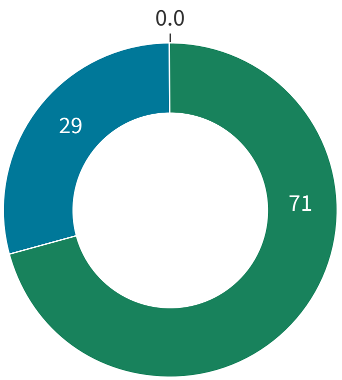
Every dollar of pensions paid contributes to the BC and Canadian economies

This means that pension income not only supports retirees but also fuels local businesses, sustains jobs and strengthens the overall economy—benefiting everyone in the community.

Yoho National Park

RETIRED MEMBERS BY GENDER (%)

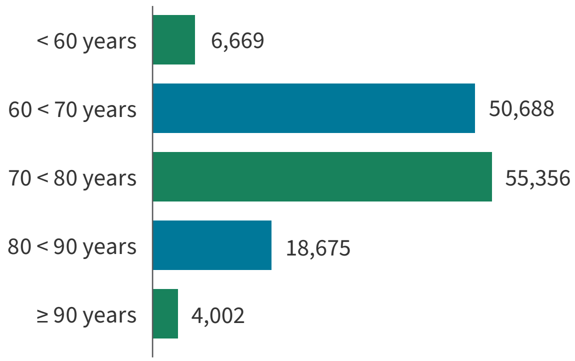
as at December 31, 2024



Female	94,955
Male	38,428
Gender X	7
Total	**133,390**

RETIRED MEMBERS BY AGE

as at December 31, 2024



Benefits paid (basic pensions plus cost-of-living adjustments)

PENSIONS IN PAY

year ended December 31, 2024

	Total new pensions	Terminations	Pensions in pay	Basic pension payments ($ millions)	Cost-of-living adjustment payments ($ millions)	Total pension payments ($ millions)
2024	**6,701**	**2,214**	**133,390**	**$2,156**	**$532**	**$2,688**
2023	7,034	2,039	128,903	2,070	455	2,525
2022	7,915	2,055	123,908	1,969	314	2,283
2021	8,277	1,780	118,048	1,827	283	2,110
2020	7,136	1,643	111,551	1,714	285	1,999

Each time a member is paid their salary, both the member and the employer contribute to the plan. These contributions are pooled and invested so that members receive a lifetime monthly pension when they retire.

NEW PENSIONS

year ended December 31, 2024

	Regular	Post-retirement limited member	Pre-retirement limited member	Disability	Survivor	Deferred	Long-term disability to pension	Total
2024	**4,474**	**23**	**76**	**4**	**144**	1,412	**568**	**6,701**
2023	4,478	18	88	1	166	1,729	554	7,034
2022	5,991	27	88	2	157	1,094	556	7,915
2021	6,461	30	89	1	111	990	595	8,277
2020	5,371	29	68	1	85	1,074	508	7,136

NEW PENSION PROFILE

year ended December 31, 2024

	All new pensions									
	Age range (years)									
Service range	< 55	55 < 60	60 < 65	≥ 65	Total	Average salary	Average annual pension	Median annual pension	Average present value of pension	Total present value of all new pensions ($ millions)
< 10 years	**37**	**477**	**686**	**927**	**2,127**	$ 66,900	$ 6,600	$ 5,100	$ 84,000	$ 178.7
10 < 15	**13**	**272**	**441**	**558**	**1,284**	66,900	14,600	12,900	204,000	261.9
15 < 20	**11**	**206**	**407**	**524**	**1,148**	72,600	21,600	19,100	311,000	357.0
20 < 25	**16**	**201**	**267**	**295**	**779**	81,100	32,300	29,600	473,000	368.5
25 < 30	**60**	**171**	**244**	**200**	**675**	93,900	47,300	41,900	712,000	480.6
30 < 35	**10**	**185**	**185**	**158**	**538**	90,000	52,000	45,200	782,000	420.7
≥ 35	**–**	**16**	**55**	**79**	**150**	93,600	54,200	49,100	792,000	118.8
Total	**147**	**1,528**	**2,285**	**2,741**	**6,701**					
Average/median						**$74,800**	**$22,500**	**$15,400**	**$329,000**	**$2,186.2**
Average service NRA[1] 60	25	24	25	23	24					
Average service NRA[1] 65	10	16	16	15	15					
Average service all	20	16	16	15	16					
Average age NRA[1] 60					56					
Average age NRA[1] 65					63					
Average age all					62					

1 Normal retirement age.

For members who retired in 2024, the average age of retirement is **62** with 16 years of service.

RETIRED PENSION PROFILE[1]

as at December 31, 2024

	Number of retired members									
	Age at retirement									
Member years of service	< 50[2]	50< 55[3]	55 < 60	60 < 65	≥ 65	Total	Average annual pension[4,5]	Median annual pension[4,6]	Average lifetime annual pension[4,7]	Median lifetime annual pension[6,7]
< 10	318	321	10,164	12,079	9,737	32,619	$ 5,600	$ 4,400	$ 4,800	$ 3,900
10 < 15	144	180	7,923	9,086	6,355	23,688	11,900	9,500	10,600	8,700
15 < 20	116	197	6,680	8,458	4,919	20,370	17,900	14,600	16,100	13,000
20 < 25	102	294	5,849	7,431	3,724	17,400	25,200	21,300	23,000	18,600
25 < 30	90	1,594	5,807	6,082	2,493	16,066	37,700	31,900	34,200	28,500
30 < 35	34	839	6,691	3,267	1,478	12,309	46,700	40,800	42,400	36,400
≥ 35	15	31	1,628	1,302	856	3,832	47,900	41,100	45,300	38,200
Total/average	**819**	**3,456**	**44,742**	**47,705**	**29,562**	**126,284**	**$20,900**	**$14,100**	**$18,800**	**$12,700**
	Average years of service[8]									
Male	13	27	23	19	16	20				
Female	16	20	17	16	15	16				
Average	**15**	**25**	**19**	**17**	**15**	**17**				
Average age at retirement						**61**				

1 Does not include pensions issued to continuing beneficiaries and post-retirement limited members.
2 Relates to limited member, disablity and survivor pensions.
3 Relates to limited member, survivor, group 2 and group 5 pensions
4 Includes bridge benefits and temporary annuities.
5 Total pensions divided by total pension recipients.
6 Half of the pensions are less than this amount and half of the pensions are greater than this amount.
7 The lifetime pension does not include bridge benefits or temporary annuities that end at age 65.
8 Gender X has been redacted to prevent member reidentification.

For all retired members, the average age at retirement is **61** with **17 years** of contributions to the plan.

“My husband and I both love the lake here in the Okanagan. We always say it’s the nicest thing we do for ourselves—being out boating or swimming.”

Susan Kirwin, member

Susan Kirwin joined the pension plan partway into her nursing journey when a rule change allowed her to start contributing. She plans to retire in about four years, after 46 years as a nurse. Knowing she has this pension has given her such a good feeling about the next steps after retirement.

Employers

Employers play a vital role in the plan and benefit in return. Retirement income is a powerful incentive for job seekers, and employers who offer pensions enjoy higher retention rates.

Howe Sound

The Municipal Pension Plan is the largest pension plan in Western Canada and among the largest in the country. Although it began as a "municipal" plan, over time, many other sectors, including health care, non-teaching school and college workers, and community social services providers, have joined, along with dozens of small organizations.

Retirement income security is a powerful incentive for job seekers, guiding them toward a stable and promising future. Employers that offer pensions, like those participating in the plan, enjoy higher retention rates, ensuring a committed and loyal workforce. The plan provides stable employer costs, comprehensive administrative support and resources, and professional investment services by BCI. Member contribution rates are closely aligned with employer contribution rates, reflecting the plan's shared risk model, ensuring that both employers and employees journey together toward a secure retirement.

More information on the benefits for employers can be found at mpp-employer.pensionsbc.ca/join-the-plan.

Types of employers

The plan is a multi-employer pension plan, with more than **995 employers** in British Columbia. These include health authorities and organizations, social services, municipalities, school districts, unions and associations.

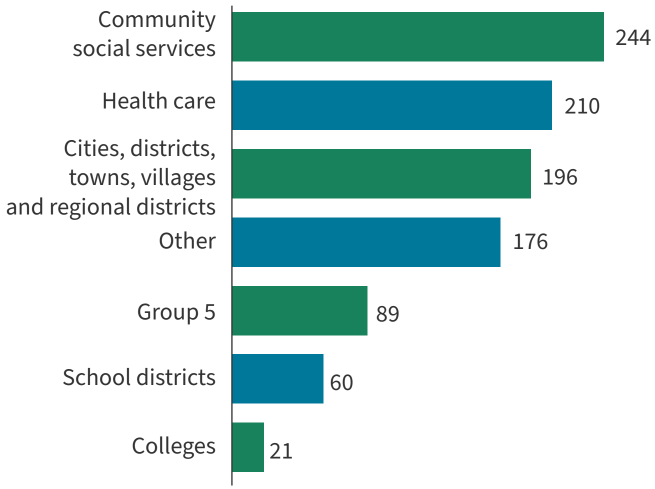
"The value of the Municipal Pension Plan is just unmatched in the private sector."

Renee Reid, payroll manager, Delta School District

Working in the Delta School District, Renee Reid knows that offering the pension plan gives the school district a leg up on other employers.

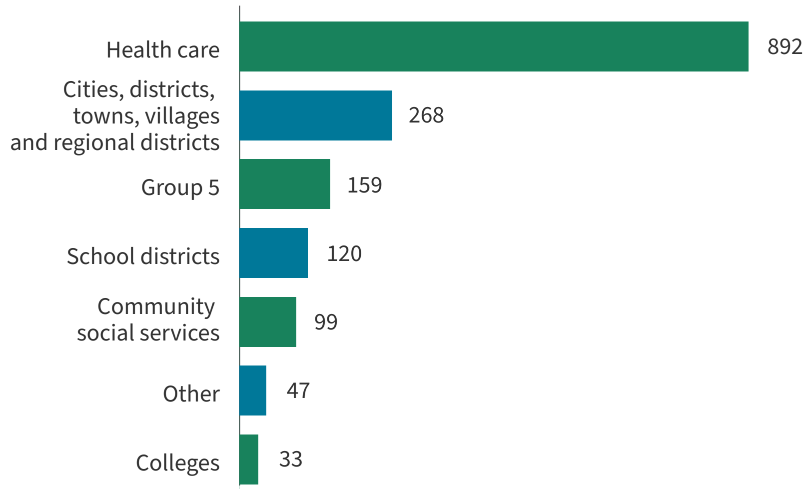
EMPLOYERS BY SECTOR

as at December 31, 2024



REGULAR CONTRIBUTIONS BY SECTOR ($ MILLIONS)

year ended December 31, 2024



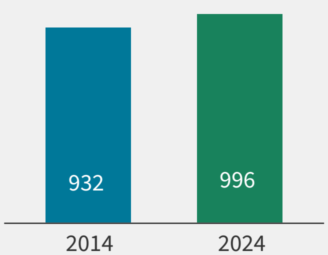
EMPLOYER CONTRIBUTION RATES BY GROUP

effective January 1, 2022

	Contribution rate (%)
Group 1	9.31
Group 2	12.42
Group 5	14.67

EMPLOYER GROWTH

as at December 31, 2024



Costs, valuations, and plan rule changes

Learn how the plan manages costs, monitors the fund and updates plan rules, helping maintain effectiveness for the long term.

Fraser River, Williams Lake

Costs

Board costs

Board costs are tracked and managed in accordance with an approved budget, ensuring fiscal responsibility. To further promote efficiency, the board adheres to an established expense policy designed to encourage economy in the expenditure of plan funds. The board oversees the costs associated with its agents' day-to-day investment activities and administration of the plan.

Administrative costs

Benefit administration is made up of costs paid to Pension Corporation for day-to-day administration of the plan. Examples of services include calculating pensions and paying benefits, supporting member enquiries, presenting webinars and workshops, collecting contributions from employers, supporting employers with administration and distributing statements and communications to members. Services also include policy, financial, research and communications support to the board and board office.

CEM Benchmarking compares Pension Corporation with its peers on cost, service and complexity. Pension Corporation has consistently been the lowest-cost service provider among its peers.

Investment costs

BCI operates on a cost-recovery, not-for-profit basis, which means the plan pays fees only to cover the cost of managing its investments. Managing investment costs is important to the board. BCI's fees continue to be competitive with its peers and are much lower than those charged by investment managers in the private sector. The goal is to earn enough investment income to fulfil the plan's pension commitments at a reasonable cost.

Investment management fees are affected by the type of assets in the portfolio and BCI's investment strategy. Some asset classes that are expected to produce higher returns are complex and more expensive to manage, which affects fees. However, since BCI manages a large amount of assets, it has access to significant economies of scale when investing on behalf of the plan. BCI's transition to active, in-house management of funds, moving away from more expensive external managers, has helped reduce fees.

Additionally, CEM Benchmarking compares BCI with its Canadian pension peers. The results for the five-year period ended December 31, 2023, (the CEM investment benchmarking survey is produced on a one-year lag) show that BCI delivered higher returns at a lower cost than the peer median benchmark.

Actuarial valuation

Valuations are completed every three years and are a vital part of our journey, helping us assess our position and adjust course if needed.

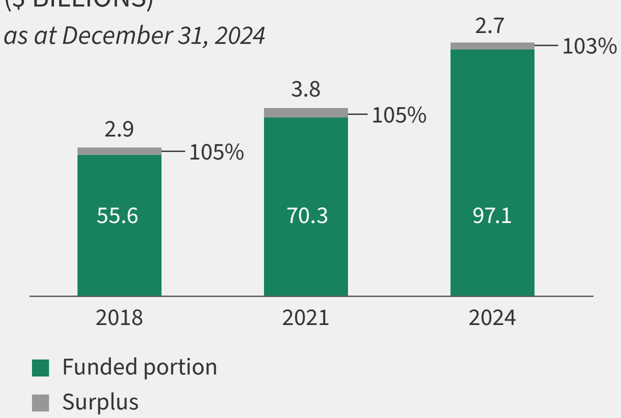
The valuation is an important tool for the board to meet its goal to secure a pension for all members. It provides the board with a full picture of the plan's funded status and the factors that positively or negatively affect the plan's finances. With this information, the board is better able to make decisions and take actions to keep the plan sustainable.

The board appoints an independent actuary to perform a valuation of the plan's funded position every three years. The actuary compares current assets, future contributions and investment returns against the money to be paid out in the future for pension benefits.

The 2024 valuation determined the plan is fully funded, with a funded ratio of 102.8 per cent.

The valuation report is available on the plan website.

FUNDING OF TOTAL BASIC BENEFIT LIABILITY[1]
($ BILLIONS)
as at December 31, 2024



1 Assuming contribution rates in effect at the valuation date.

Plan rule and policy changes

Changes to plan rules and policies help the plan adapt and evolve, ensuring that it remains robust and responsive to the needs of its members.

Medical exam requirements updated

Effective June 26, 2024, medical exam requirements to qualify for a disability benefit were updated to require only one medical professional (instead of two) to certify the disability, and to include nurse practitioners as a type of professional that can provide this certification. The plan rules were also amended to clarify when a member receiving a disability benefit is deemed to have become a retired member.

Group 2 closed to new employers

Effective January 1, 2025, group 2 is closed to new employers. New employers with firefighter and police officer employees will be enrolled in group 5. Current employers in group 2 will remain in group 2 unless they elect to move to group 5.

"I love cross-country skiing at the Caledonia Nordic Ski Club in Prince George. I'm always sure to encounter friends out on the trails, and the club has a real sense of community."

Anne Scott, retired member

Anne Scott joined the plan in 2009 when she was a communications manager at Northern Health and started her retirement journey in 2021. She enjoys planning and managing her family budget, so she appreciates the certainty, predictability and peace of mind that the Municipal Pension Plan gives her.

Board of Trustees

The Municipal Pension Board of Trustees maps the plan's journey, guided and supported by experts like agents and service providers.

Kettle Valley Rail Trail, Kelowna

Trustees

The board administers the plan for the benefit of plan members and other beneficiaries. Legislation requires that trustees act in the best financial interests of current and future retired members. The board sets the vision and long-term goals for the plan and provides direction to the plan's investment agent, BCI, and administrative agent, Pension Corporation.

Our vision

Secure and sustainable pensions for current and future beneficiaries of the plan.

Our mission

To provide prudent management of the plan in a framework where plan members and employers share the responsibility of plan governance and share the risks and rewards of plan sponsorship.

Vancouver Island

2024 trustees and alternates

The following are trustees who served on the board and their roles in 2024. Committee appointments listed are those active as at December 31, 2024. A current list of trustees is available on the plan website.

Donna Lommer | 2024 chair | Primary

Appointed by Health Employers Association of British Columbia
Committees Appeals panel (chair), governance, valuation, interplan executive forum, BCI board of directors
Board term March 8, 2017 to present

Donisa Bernardo | Primary

Appointed by Municipal Employees' Pension Committee
Committees Benefits, communications and advocacy (chair), governance, interplan trustee education
Board term May 1, 2001 to present

Hilary Brown | Primary

Appointed by British Columbia Public School Employers' Association
Committees Governance, valuation, interplan trustee education
Board term January 1, 2012 to present

Gary Yee | 2024 vice-chair | Alternate

Appointed by Municipal Employees' Pension Committee
Committees Appeals panel, governance, valuation, interplan executive forum, Pension Corporation board of directors
Board term January 1, 2014 to present

Glen Brown | Primary

Appointed by Employer partner—excluded member
Committees Governance, valuation (chair)
Board term January 1, 2020 to present

Lorne Burkart | Alternate

Appointed by British Columbia Nurses' Union
Committees Appeals panel, valuation
Board term April 28, 2018 to January 25, 2019, and April 16, 2019 to present

Fernando Coelho | Alternate

Appointed by Plan employer partner—excluded member
Board term January 1, 2023 to October 24, 2024

Carol Delveris | Primary

Appointed by Hospital Employees' Union
Committees Interplan audit
Board term March 28, 2022 to present

Meghan Friesen | Primary

Appointed by British Columbia Nurses' Union
Board term August 19, 2024 to present

Lyn Kocher | Alternate

Appointed by Health Employers Association of British Columbia
Committees Benefits, communications and advocacy; governance
Board term April 5, 2001 to present

Talitha Dekker | Alternate

Appointed by Hospital Employees' Union
Committees Benefits, communications and advocacy
Board term December 20, 2018 to present

Brian Frenkel | Primary

Appointed by Union of British Columbia Municipalities
Committees Benefits, communications and advocacy; governance
Board term January 1, 2020 to present

Terri Griffin | Alternate

Appointed by Member partner—retired member
Committees Benefits, communications and advocacy
Board term January 1, 2021 to present

Dean Levangie | Primary

Appointed by Health Employers Association of British Columbia
Committees Appeals panel, governance
Board term January 1, 2019 to present

Michael Lord | Alternate

Appointed by Health Employers Association of British Columbia
Committees Interplan audit
Board term November 29, 2022 to present

Gary MacIsaac | Alternate

Appointed by Union of British Columbia Municipalities
Committees Investment
Board term January 1, 2014 to present

Sara Manchester | Alternate

Appointed by Canadian Union of Public Employees BC
Committees Investment
Board term July 13, 2022 to present

Amy Miller | Alternate

Appointed by Government of British Columbia
Board term October 6, 2023 to present

Claire Moglove | Primary

Appointed by Union of British Columbia Municipalities
Committees Benefits, communications and advocacy; investment
Board term January 1, 2022 to December 31, 2024

Adam Molineux | Primary

Appointed by Government of British Columbia
Committees Valuation
Board term April 6, 2023 to present

Janice Morrison | Alternate

Appointed by Health Sciences Association of British Columbia
Committees Appeals panel, valuation
Board term January 1, 2022 to present

Sam Myers | Alternate

Appointed by Government of British Columbia
Committees Valuation
Board term February 25, 2022 to present

Brian Northam | Alternate

Appointed by Council of Joint Organizations and Unions
Board term April 5, 2001 to June 26, 2024

Chris Rathbone | Primary

Appointed by Government of British Columbia
Committees Investment, Pension Corporation board of directors
Board term January 1, 2019 to present

Josef Rieder | Primary

Appointed by Health Sciences Association of British Columbia
Committees Investment, valuation
Board term October 4, 2016 to present

Laurey-Anne Roodenburg | Primary

Appointed by Union of British Columbia Municipalities
Committees Appeals panel; benefits, communications and advocacy
Board term January 1, 2023 to present

Harpinder Sandhu | Primary

Appointed by Canadian Union of Public Employees BC
Committees Investment (chair), governance
Board term July 19, 2019 to present

Todd Schierling | Alternate

Appointed by British Columbia Police Association and British Columbia Professional Fire Fighters' Association
Committees Valuation
Board term October 26, 2023 to present

Michelle Sordal | Primary

Appointed by British Columbia Nurses' Union
Board term September 10, 2020 to August 19, 2024

Tom Stamatakis | Primary

Appointed by British Columbia Police Association and British Columbia Professional Fire Fighters' Association
Committees Benefits, communications and advocacy; governance (chair)
Board term March 27, 2018 to present

Kelvin Stretch | Alternate

Appointed by British Columbia Public School Employers' Association
Committees Investment
Board term January 1, 2023 to present

Don Sutton | Primary

Appointed by Member partner—retired member
Committees Benefits, communications and advocacy
Board term January 1, 2018 to present

Thom Yachnin | Primary

Appointed by Council of Joint Organizations and Unions
Committees Investment
Board term May 26, 2021 to present

TRUSTEE REMUNERATION

year ended December 31, 2024

Trustee	Meetings attended/ scheduled[1]	Additional meetings attended	Total remuneration paid ($)[2]	Remuneration by payee ($)	Payee
Lommer, Donna (Chair)[3]	11/13	6	30,420.79	30,420.79	Board member
Yee, Gary (Vice-chair)[3]	13/13	7	40,227.40	40,227.40	CUPE BC
Bernardo, Donisa	12/14	–	9,051.00	9,051.00	Board member
Brown, Glen	9/9	1	6,141.75	6,141.75	Union of BC Municipalities
Brown, Hilary	12/12	1	15,778.91	15,778.91	Board member
Burkart, Lorne	6/6	–	10,029.78	1,581.77 8,448.01	Board member BC Nurses’ Union
Coelho, Fernando	4/6	–	2,801.50	2,801.50	posAbilities Association of BC
Dekker, Talitha	7/8	–	10,328.00	10,328.00	Hospital Employees' Union
Delveris, Carol	7/7	–	6,357.25	6,357.25	Hospital Employees' Union
Frenkel, Brian	10/11	–	10,645.70	10,645.70	Board member
Friesen, Meghan	2/2	–	–	–	
Griffin, Terri	8/8	–	9,905.00	9,905.00	Board member
Kocher, Lyn	8/11	–	6,987.75	6,987.75	Board member
Levangie, Dean	9/9	1	5,271.75	5,271.75	Health Employers' Association of BC
Lord, Michael	6/7	–	1,508.50	1,508.50	Provincial Health Services Authority
MacIsaac, Gary	6/8	2	6,034.00	6,034.00	Union of BC Municipalities

1 Comparison of the number of meetings attended vs. the number of meetings scheduled. The number of meetings scheduled varies by trustee due to committee membership.
2 Total remuneration paid includes attendance at board and committee meetings, educational events, conferences, and preparation and travel time for these meetings/events.
3 Includes board chair annual stipend of $8,620 and vice-chair annual stipend of $6,465.

Trustee	Meetings attended/ scheduled[1]	Additional meetings attended	Total remuneration paid ($)[2]	Remuneration by payee ($)	Payee
Manchester, Sara	7/8	1	10,746.76	10,746.76	Board member
Miller, Amy	4/4	–	–	–	
Moglove, Claire	12/12	–	17,349.95	17,349.95	Board member
Molineux, Adam	5/6	–	3,978.75	3,978.75	Minister of Finance
Morrison, Janice	7/8	–	10,746.13	10,746.13	Board member
Myers, Sam	6/7	–	3,426.45	3,426.45	Minister of Finance
Northam, Brian	3/3	–	5,279.75	5,279.75	Board member
Rathbone, Chris	8/8	–	3,224.50	3,224.50	Ministry of Jobs, Economic Recovery & Innovation
Rieder, Josef	10/10	2	16,844.75	16,844.75	Health Sciences Association of BC
Roodenburg, Laurey-Anne	9/10	–	11,058.25	11,058.25	Board member
Sandhu, Harpinder	11/11	1	22,106.02	6,861.52 15,244.50	Board member CUPE BC
Schierling, Todd	4/4	1	5,242.82	5,242.82	BC Professional Fire Fighters' Association
Sordal, Michelle	0/3	–	–	–	
Stamatakis, Tom	10/11	–	8,189.00	8,189.00	Canadian Police Association
Stretch, Kelvin	7/8	1	18,230.43	18,230.43	Board member
Sutton, Donald	8/8	–	10,767.00	10,767.00	Board member
Yachnin, Thom	6/8	–	4,417.75	1,293.00 3,124.75	Board member BCGEU
Total				**323,097.39**	

1 Comparison of the number of meetings attended vs. the number of meetings scheduled. The number of meetings scheduled varies by trustee due to committee membership.
2 Total remuneration paid includes attendance at board and committee meetings, educational events, conferences, and preparation and travel time for these meetings/events.

“Our backyard is a paradise, with an acre of forest trails and abundant wildlife. A fabulous view, a small swimming pool and amazing sunsets—we feel truly blessed.”

Larry McHale, member

Larry McHale started his retirement journey in 2010, after a career as a supervisor of trails, forestry and wildfire control, a job where he also managed bears non-lethally in an urban setting. He appreciates that he has a decent monthly pension income to supplement the Canada Pension Plan and old age security, allowing him to carry on his very active lifestyle during retirement.

Agents and service providers

Blackcomb Peak, Whistler

BCI

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 $295 billion of gross assets under management as of March 31, 2025.

With its global outlook, BCI seeks investment opportunities that convert savings into capital that will meet clients' risk and return requirements over time. BCI offers investment options across a range of asset classes, including fixed income, mortgages, public and private equity, real estate, and infrastructure and renewable resources.

Pension Corporation

Pension Corporation is one of the largest professional pension services providers in Canada. It serves over 750,000 active and retired public sector plan members and more than 1,000 employers. Each month, Pension Corporation pays out more than $510 million in benefits (over $6.2 billion per year) to over 240,000 retired members.

As the administrative agent working on behalf of the board, Pension Corporation provides pension administration services to the plan. These services include providing plan information to members and employers; managing contributions and member records; paying pension benefits; and providing policy, financial and communication services.

Eckler Ltd.

Eckler Ltd. is a Canada-based actuarial and consulting firm specializing in financial services, pensions, benefits and global consulting solutions. As the plan's independent actuary, Eckler conducts an actuarial valuation of the plan's funding every three years and supports the board in its decision making, as appropriate.

Hatch & Galinski LLP

Hatch & Galinski LLP is a Vancouver-based law firm that specializes in pensions and benefits advice. It serves as legal counsel for the plan.

KPMG LLP

KPMG LLP provides external audit services for the plan.

Appendix

Annual climate-related disclosures

The board's approach to climate-related disclosure

Managing climate-related risks and opportunities is a strategic priority for the board. Through our partnership with BCI, the board continues to support climate-related disclosures as it believes that better access to climate-related data improves how climate-related risks are assessed, priced and managed.

The board's Statement of Investment Policies and Procedures (SIPP) outlines our investment beliefs, goals and strategic asset allocation, as well as our general approach to responsible investment and to climate change and its related risks.

Our disclosure is one way the board reports on climate-related risks and opportunities. Other information about the plan's responsible investing approach, investment oversight and advocacy activities is available online at mpp.pensionsbc.ca/responsible-investing. Additional information on BCI's approach can be found online at bci.ca/approach/esg.

Annual climate disclosure update for 2024

The following is an update to the climate disclosures shared in our *2023 Annual Report*. In 2022, the board published its plan for achieving a net-zero portfolio. Below you will find recent progress on the initiatives. This progress has been organized using the four thematic areas of the IFRS S2 standards.

Governance

The plan's governance around climate-related risks and opportunities

Board structure

Under the authority of the Joint Trust Agreement, the plan is governed by a board of trustees that includes member and employer appointees. The board has a duty to manage the plan fund in the best financial interests of its members and beneficiaries. It is responsible for administering the pension plan and managing the pension fund, including the investment of assets. The board delegates investment management and stewardship to BCI, which then invests in a manner consistent with the board's policies.

Several committees make recommendations to the board on issues that affect the plan. Through the regular reporting and dialogue with BCI, the investment committee monitors the plan's investments and BCI's investment management and stewardship activities on behalf of the plan. This includes oversight of climate-related risks and opportunities.

Climate-related investment beliefs

A set of investment beliefs defines how the board seeks to create investment value and helps the board make practical decisions about diversification, asset allocation, performance objectives and investment activities. ESG matters are part of the board's investment beliefs and are articulated within the SIPP. This includes the board's belief that climate change is a long-term material systemic risk to the plan as well as an investment opportunity.

Board strategic plan
The board's 2023–2026 strategic plan outlines our strategic work to be a leading responsible investor. The board actions its leadership through its outreach to peers, consultation with responsible investing experts, extensive ESG education for trustees, and transparent climate-related disclosure. The board's collaboration with peers culminated in a best practice review to support future strategic plans. The board also sought out an independent review of ESG activities to assess progress.

Agent oversight and BCI's Climate Action Plan
In addition to monitoring the fund's performance, the board engages with BCI on its progress in implementing BCI's Climate Action Plan.

In 2024, the investment committee and the board completed an annual review of BCI's climate-related activities , comparing them to leading responsible investing practices. They reviewed climate scenario analysis; received details on BCI's engagement, voting and advocacy activities; and assessed progress toward a net-zero portfolio.

Collaborative initiatives
The board encourages peer interaction for learning and collaboration on climate change governance and strategy. This includes participating in events organized by the Principles for Responsible Investment (PRI), the Council for Institutional Investors (CII), and the International Centre for Pension Management (ICPM). Through these interactions, we help shape best practices that benefit the broader investment community.

Trustee education
The board has a duty to understand ESG issues. Trustees continue to participate in educational sessions on climate change concepts and associated investment risks and opportunities.

The 2024 climate-related education highlights include:

- **Climate Change Orientation Package:** The board continues to utilize its climate change orientation package for new trustees in collaboration with ESG subject matter experts, including its investment agent, BCI. The package is available to all trustees and is included in onboarding guide for the new investment committee members.
- **Ongoing Education:** Education was made available to trustees through online courses at PRI Academy, in-person training with SHARE, and guest presenters to board and committee meetings. These programs provide practical, applied training in responsible investment and key ESG concepts.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the plan's operations, strategy and financial planning

Risks and opportunities

The board considers climate-related systemic risks and opportunities across short-, medium- and long-term horizons, including those associated with physical and transition risks. An understanding of key systemic risks and opportunities across all time frames helps inform the board's asset allocation decisions, guide the board's policy advocacy efforts, and support the board in overseeing BCI's performance, including implementation of its Climate Action Plan. The convergence of economic uncertainty, geopolitical tensions, and surpassing the 1.5°C temperature threshold breach in 2024 presents significant challenges to achieving global net zero by 2050. However, BCI's active management approach and Climate Action Plan execution continue to demonstrate progress in managing portfolio climate risks and advancing real-economy decarbonization.

Strategy and decision making

The board has implemented several actions that contribute to the pathway toward the interim target and net-zero portfolio by 2050.

Key actions include:

- Continued engagement with BCI on implementing its Climate Action Plan
- Considering climate change as part of asset-liability reviews
- Reviewing climate scenario analyses
- Monitoring total portfolio climate-related metrics, including climate stress test results, climate opportunity exposure and portfolio carbon footprint
- Supporting BCI's commitment to ensure that the highest-emitting companies in the plan's portfolio are setting mature, net-zero-aligned commitments and monitor BCI's success in this regard

See detailed climate-related risks and opportunities on the following page.

CLIMATE-RELATED SYSTEMIC RISKS AND OPPORTUNITIES

	Transition risks and opportunities	Physical risks
Short term **5 years**	Overall regulatory and economic uncertainty combined with a changing geopolitical environment cast a significant shadow over the global goal of achieving net-zero emissions by 2050. Over the past year, we have seen support for climate policy rollbacks and increasing support for fossil fuels in key political environments. This creates uncertainty for investors and corporates who are now rethinking the market dynamics and pricing surrounding the energy transition. While investments in climate solutions reached more than $2 trillion in 2024, this is only a quarter of what estimates say are required. The policy and regulatory uncertainty could result in further investment delays. Thanks to technological advances and large-scale deployment, costs for low-carbon technologies are decreasing, but deployment is too slow to achieve the required emission cuts. Finally, emissions from fossil fuels, especially coal, are still expanding globally leading to rising temperatures. BCI's policy advocacy in the short term will continue to promote regulatory and policy ambition and certainty to increase the pace of action toward the global goal of net zero by 2050. This is an investment opportunity that will require many kinds of capital. BCI is actively evaluating where different forms of capital will be needed by the market and where this leads to investment opportunities across the portfolio.	In the short term, physical risks to the plan's investments are expected to materialize in isolated incidents across the portfolio. These short-term manifestations of the long-term warming we are experiencing are actively evaluated and considered across investments. Due diligence is conducted where material physical risks are identified. Data that allows BCI to fully analyze these risks is improving. Mitigation measures are included where appropriate, such as purchasing adequate insurance and creating climate change adaptation plans or the disposition of assets.
Medium term **10–15 years**	Transition opportunities and risks are expected to increase in importance for pricing assets across all markets but will vary by region. The transition opportunities will solidify for some industries and sectors. BCI sees capital-intensive sectors needing the most policy support to create the right market conditions to scale clean technologies. Enablers of low-carbon electricity grids, alternative green energy sources and the decarbonization of industrials will present transition opportunities for investors.	Physical risks from climate change increase in likelihood and severity under all climate change scenarios and have the potential to impact real assets and supply chains. To manage this risk, BCI uses specialized physical risk tools and data to evaluate such damages across all time frames.
Long term **15+ years**	An orderly transition to a low-carbon economy that is aligned with a net-zero (1.5 C°) scenario will ultimately benefit the plan's portfolio. However, current global government commitments are not sufficient to meet that goal. The board's policy advocacy will continue to focus on supporting public policies and regulations that enable an orderly and predictable transition. In addition, the board will continue to support BCI's use of influence as a large institutional investor to help avoid the negative long-term economic outcomes that may result from climate change, which is important in meeting long-term return objectives.	We understand there will be long-term physical impacts from climate change and that extreme weather events will be greater in frequency at higher degrees of warming. A high warming scenario is expected to negatively impact the portfolio performance over the long term, illuminating the need for investing in adaptation and adjusting the portfolio accordingly.

Risk management

Process for identifying, assessing and managing climate-related risks

Oversight of climate-related risk
As part of the board's oversight of BCI's investment risk activities, it receives regular reporting on climate risk from BCI and is briefed on climate risk exposures, calculated using BCI's ESG Risk and Opportunity Framework, which provides total portfolio climate change stress test results.

BCI climate-related risk management
Engagement activity: Based on their assessment of material ESG risks in the portfolio, climate change has been a top engagement priority for BCI for more than a decade. On behalf of the plan and all of BCI's other clients, BCI engages with company management, boards, regulators and standard-setting bodies through proxy voting, direct engagement, collaborative engagement and policy advocacy.

Scenario analysis and risk measurement
Climate change poses significant financial risks and opportunities for financial institutions, making scenario analysis a critical tool for risk management and strategic planning.

The board receives and reviews climate change scenario analyses provided by BCI. These models show the potential impacts on the portfolio under multiple climate change scenarios and allow for stress testing to help the board understand the plan's resilience to climate risks over time. The insights from this process are integrated into the board's asset-liability modelling and strategic asset allocation decisions.

Board actions to mitigate climate-related risks
Investor stewardship is central to the board's management of climate-related risks. In 2024, The board practiced this stewardship in many ways, including through its participation as a Climate Action 100+ supporter signatory . The board sees the value in collaborating with like-minded peers to advocate for positive policy developments. In 2024, the board participated in four such collaborations:

- An Investor Statement calling for effective methane regulations for the oil and gas industry
- The 2024 Global Investor Statement to Governments on the Climate Crisis
- An investor statement in support of Climate Action 100+
- An investor statement calling for the adoption of ISSB sustainability reporting standards

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Portfolio carbon footprint
The plan's carbon footprint is provided in the chart on the following page and calculated using BCI's internally developed methodology that follows industry best practices. This methodology[1] is informed by a standard created by the Partnership for Carbon Accounting Financials (PCAF), an industry-led partnership that provides detailed methodological guidance to measure and disclose greenhouse gas emissions for the financial industry.

The portfolio carbon footprint includes Scope 1 and Scope 2 greenhouse gas emissions for our public equities, corporate fixed income, real estate and private market portfolios[2].

Scope 1: Direct emissions from the activities of an organization or under its control

Scope 2: Indirect emissions from energy purchased and used by an organization

The plan's portfolio carbon footprint has decreased by 50 per cent[3] compared to fiscal 2020. This decrease is a result of the plan's continued strategic focus on managing climate-related risks and opportunities. Private markets experienced the most pronounced carbon reduction among all asset classes compared to 2023. As the main contributor to the overall carbon footprint, private markets accounted for the majority of the reduction, followed by public equities. The plan continues to work alongside BCI to ensure actions are being taken to engage with portfolio companies and drive progress toward the plan's net-zero goal.

1 The methodology continues to be refined, and additional coverage will be added in future years.
2 The methodology currently excludes money market, derivatives, cross holdings, alternative products, international real estate and mortgages.
3 The percent reduction is calculated based on unrounded values.

PORTFOLIO CARBON FOOTPRINT METRICS

year ended December 31, 2024

Financed emissions (tCO_2e)[1]

Asset class	2024
Public equities	505,084
Corporate fixed income	50,585
Real estate	48,049
Private markets	1,310,715
MPP total portfolio	**1,914,432**

Portfolio carbon footprint (tCO_2e/\$million)[2]

Asset class	2020	2021	2022	2023	2024
Public equities	64	57	59	60	42
Benchmark[3]	68	63	79	71	50
Corporate fixed income[4]	43	24	30	35	22
Benchmark[3]	156	95	60	54	50
Real estate	9	8	7	6	9
Private markets[5]	155	109	91	82	52
MPP total portfolio	**85**	**67**	**66**	**66**	**43**

1 The absolute greenhouse gas emissions associated with the measured portfolio, expressed in Metric tonnes CO2 equivalent (tCO2e).
2 The total carbon emissions for a portfolio normalized by the market value of covered in-scope investments in the portfolio, expressed in Metric tonnes CO2e/$M invested.
3 The benchmark is a weighted combination of multiple indices selected to measure performance that is appropriate for the portfolio.
4 For a detailed methodology, please see BCI's climate-related disclosures in its most recent corporate annual report.
5 Infrastructure and private equity are shown together as private markets.

Net-zero goal and interim target

In 2022, the plan set a goal to have a net-zero portfolio by 2050. A net-zero portfolio means that the greenhouse gas emissions attributable to our investments (known as financed emissions) are reduced to net zero by 2050 or sooner, in line with the goals of the Paris Agreement. To track our progress, we have set an interim target to reduce the carbon intensity of our portfolio by 55% (relative to 2020 levels). While we believe this can be achieved through our existing investment strategies and the implementation of BCI's Climate Action Plan, a net zero portfolio is predicated on and requires all participants including governments, consumers and investors to take necessary actions to drive an economic transition towards net zero by 2050.

SOVEREIGN BOND CARBON FOOTPRINT[1,2]

year ended December 31, 2024

	carbon footprint (tCO_2e/$million)				
Asset class	**F2020**	**F2021**	**F2022**	**F2023**	**F2024**
Sovereign bonds	359	352	319	304	261

1 The sovereign bond carbon footprint is reported separately from the overall portfolio carbon footprint, as recommended by PCAF, and provides a directional understanding of the emissions trends in the regions issuing the debt.
2 The sovereign bond carbon footprint is calculated using a methodology informed by the PCAF sovereign debt approach.

Public equities portfolio carbon exposure: WACI

BCI achieved a 34% reduction in carbon intensity for public equities from 2019 levels by 2025, exceeding the 30% reduction expectation disclosed in 2020 and consistently outperforming comparable benchmarks. Having surpassed this milestone, BCI will continue to implement our total portfolio climate strategy and work to progress actions that lead to continued decarbonization in the real economy.

PUBLIC EQUITIES WACI[1,2]

year ended December 31, 2024

	carbon footprint (tCO_2e/$million)			
Asset class	**F2021**	**F2022**	**F2023**	**F2024**
Public equities	192	124	161	126
Benchmark	–	170	178	135

1 Portfolio's exposure to carbon-intensive companies expressed in Metric tonnes C02e/$M revenue for the year ended December 31.
2 Results F2022, F2023 and F2024 results use Trucost data, while prior years used Institutional Shareholder Services outputs.

Climate-related investment opportunities

BCI calculates the plan's climate-related opportunity exposure using:

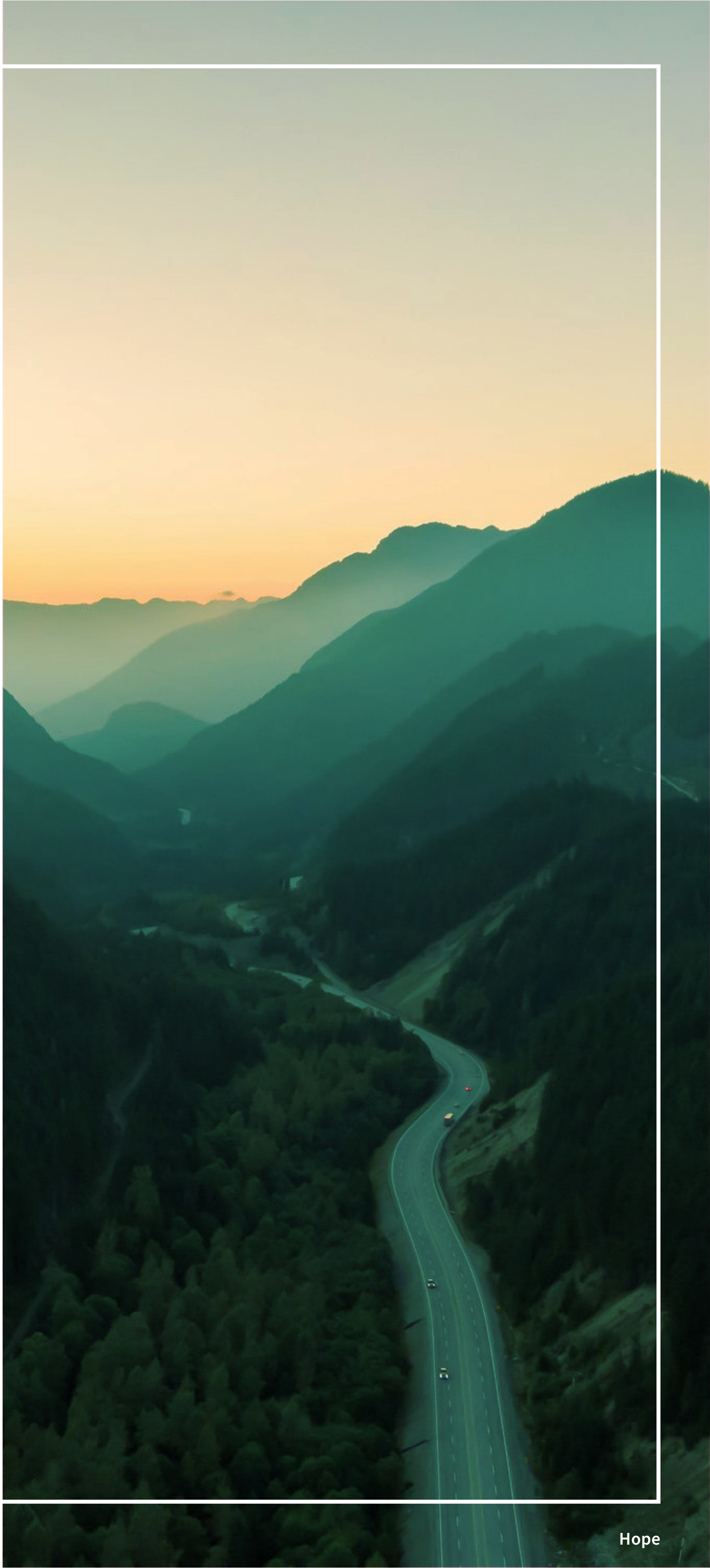
- Data gathered by the SDI Asset Owner Platform (AOP)[1]
- Green building classifications such as LEED and BOMA
- The Green Bond taxonomy and investments in climate-themed opportunities pertaining to Sustainable Development Goals (SDG).

As of December 31, 2024, the plan's exposure was $4.4 billion.

1 In July 2020, BCI partnered with APG (Netherlands), Aussie Super (Australia) and PGGM (Netherlands) to establish the SDI AOP to set a global standard for the classification of sustainable development investments that enables investors to assess companies on their contributions to the SDGs. Further information can be found at SDI-AOP.org.

Financial statements

Municipal Pension Plan 2024



BC PENSION
CORPORATION

June 25, 2025

Re: Municipal Pension Plan

administrative agent's responsibility for financial reporting

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

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

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

Trevor Fedyna, CPA, CGA, C. Dir.

Vice-president, Strategy, Insights
and Chief Financial Officer
British Columbia Pension Corporation

Allan Chen, CPA, CA

Controller
British Columbia Pension Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Municipal Pension Plan

Opinion

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

- the statement of financial position as at December 31, 2024
- 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 December 31, 2024, 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

Municipal Pension Plan
Page 2

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.

Municipal Pension Plan
Page 3

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
June 25, 2025

MUNICIPAL PENSION PLAN

Statement of financial position

($ millions)

As at December 31	Note	2024	2023
Assets			
Investments	3a	$ **86,926**	$ 76,906
Directly held derivatives	3b	**623**	292
Contributions receivable		**122**	119
Interest and dividends receivable		**5**	11
Tax rebate receivable		**2**	1
Total assets		**87,678**	**77,329**
Liabilities			
Directly held derivatives	3b	**689**	246
Accounts payable and accrued expenses		**39**	36
Taxes payable		**24**	-
Payable for purchase of investments		**-**	30
Total liabilities		**752**	312
Net assets available for benefits		**$ 86,926**	**$ 77,017**
Accrued pension obligations			
Accrued basic pension obligations	4a	$ **58,941**	$ 54,418
Non-guaranteed pension obligations	4b	**13,667**	12,740
Retirement annuity account	4c	**343**	357
Accrued pension obligations		**72,951**	67,515
Surplus			
Accessible actuarial excess	5a	**2,515**	2,472
Measurement differences between funding and accounting positions	5a	**11,460**	7,030
Surplus		**13,975**	9,502
Accrued pension obligations and surplus		**$ 86,926**	**$ 77,017**

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

Commitments (note 14)

Approved by the Municipal Pension Board of Trustees:

Carol Delveris, CPA, CA, Trustee
Municipal Pension Board of Trustees

Michael Lord, CPA, Trustee
Municipal Pension Board of Trustees

MUNICIPAL PENSION PLAN

Statement of changes in net assets available for benefits

($ millions)

For the year ended December 31	Note	Basic Account	Inflation Adjustment Account	Retirement Annuity Account	Supplemental Benefits Account	Totals 2024	Totals 2023
Increase in assets							
Investment income	8	$ 8,289	$ 1,509	$ 26	$ -	**$ 9,824**	$ 5,577
Contributions							
Members	9	1,342	238	2	7	**1,589**	1,413
Employers	9	1,376	237	2	133	**1,748**	1,551
		2,718	475	4	140	**3,337**	2,964
Transfers from other plans		30	5	-	-	**35**	29
Total increase in assets		11,037	1,989	30	140	**13,196**	8,570
Decrease in assets							
Benefits	10	2,772	56	17	21	**2,866**	2,694
Transfers to other plans		24	5	-	-	**29**	18
Retired member group benefits	11	-	-	-	118	**118**	136
Investment and administration costs	12	241	32	-	1	**274**	256
Total decrease in assets		3,037	93	17	140	**3,287**	3,104
Increase in net assets before transfers		8,000	1,896	13	-	**9,909**	5,466
Account transfers	13	996	(969)	(27)	-	**-**	-
Increase (decrease) in net assets		**8,996**	**927**	**(14)**	**-**	**9,909**	**5,466**
Net assets available for benefits at beginning of year		63,920	12,740	357	-	**77,017**	**71,551**
Net assets available for benefits at end of year		**$ 72,916**	**$ 13,667**	**$ 343**	**$ -**	**$ 86,926**	**$ 77,017**

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

MUNICIPAL PENSION PLAN

Statement of changes in accrued pension obligations

($ millions)

For the year ended December 31	Note	2024	2023
Increase in accrued pension obligations			
Interest on accrued pension obligations		$ 3,330	$ 3,078
Benefits accrued		3,079	2,732
Account transfers		996	1,620
Total increase in accrued pension obligations		7,405	7,430
Decrease in accrued pension obligations			
Benefits paid		2,882	2,694
Total decrease in accrued pension obligations		2,882	2,694
Net increase in accrued pension obligations		4,523	4,736
Accrued basic pension obligations at beginning of year		54,418	49,682
Accrued basic pension obligations at end of year	4a	58,941	54,418
Non-guaranteed pension obligations			
Increase (decrease) in non-guaranteed pension obligations	4b	927	(386)
Non-guaranteed pension obligations at beginning of year		12,740	13,126
Non-guaranteed pension obligations at end of year	4b	13,667	12,740
Retirement annuity account			
Decrease in retirement annuity account	4c	(14)	(12)
Retirement annuity account at beginning of year		357	369
Retirement annuity account at end of year	4c	343	357
Total accrued pension obligations		**$ 72,951**	**$ 67,515**

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN

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

a) General

The Plan is a jointly trusteed pension plan continued under a joint trust agreement authorized by the *Public Sector Pension Plans Act*, SBC 1999, c. 44 (Act). The Act enabled the establishment of the Agreement. Joint trusteeship was established on April 2, 2001. The partners to the Agreement are the Municipal Employees' Pension Committee, as the member partner, and the Provincial Government of British Columbia and the Union of British Columbia Municipalities, as the employer partners (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Municipal Pension Board of Trustees (Board) and provides the authority for the Board to make the plan rules.

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

Membership in the Plan is open to all eligible employees of a municipality, school district, college, health service organization; police and firefighters; and employees of many other eligible employers as designated by the Board.

b) Roles and responsibilities

Partners

The Partners and appointing authorities representing the Plan members and employers are responsible for appointing 16 trustees and 16 alternate trustees. The Partners have responsibility for resolving trustee disputes and, if certain conditions are met, may direct amendments to the plan rules.

Board

The Board is responsible for management of the Plan, including the investment of assets and administration of the Plan. The Chair and Vice-Chair are appointed by the trustees. The Board may amend the plan rules as long as changes can be funded by the Plan's surpluses or are cost neutral to the Plan (subject to funding provisions in note 5a). Unless required to ensure compliance with regulatory enactments applicable to the Plan, only the Partners can initiate plan rule changes that result in contribution rate increases.

British Columbia Pension Corporation (Pension Corporation)

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

b) Roles and responsibilities (continued)

British Columbia Investment Management Corporation (BCI)

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

Municipal Retiree Benefit Trust (MRBT)

MRBT manages group benefit services for retired members.

c) Funding

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

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

d) Contributions

Membership in the Plan is divided into three groups, each with different contribution rates:

- Group 1—General membership, 97% of all members, comprises all members who are not police or firefighters
- Group 2—Police and firefighters. Effective January 1, 2025, Group 2 is closed to employers that were not participating in this group prior to this date.
- Group 5—Police and firefighters who pay higher contributions than those in group 2 and receive a higher pension benefit

Basic Account

Group 1 members contribute 7.34% of salaries (7.14% for group 2, 9.08% for group 5). For group 1 members, employers contribute 7.34% of salaries (10.84% for group 2, 12.79% for group 5), less amounts allocated to the Supplemental Benefits Account (SBA).

Inflation Adjustment Account and Supplemental Benefits Account

Group 1 members contribute 1.27% of salaries (1.78% for group 2, 2.04% for group 5). For group 1 members, employers contribute 1.37% of salaries (0.98% for group 2, 1.28% for group 5). Employers for all groups contribute 0.60% of salaries to the Municipal Retiree Benefit Trust.

Retirement Annuity Account

Some employers have special agreements with members by which additional contributions are made to increase members' pension benefits. These contributions are credited to the Retirement Annuity Account (RAA). Depending on benefit eligibility, the accumulated monies at retirement are used to fund the purchase of additional pension benefits (pre-2007 special agreements only) or are paid out to a locked-in retirement vehicle.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

e) Pension benefits

All members are eligible for a pension benefit. In this section, "pensionable earnings" means the member's highest five-year average annual salary (HAS), except for members in group 2 or group 5 that terminate employment on or after January 1, 2022, in which case it means the member's highest four-year average annual salary.

For service on or after January 1, 2022, members are eligible for unreduced pension benefits

- at age 65 (age 60 for groups 2 and 5);
- at age 60, with at least two years contributory service (age 55 for groups 2 and 5); or
- for groups 2 and 5 only, at age 50 or older with age plus service totalling 80 or more.

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

Also for service on or after January 1, 2022, the Plan provides a defined basic plan benefit:

- for group 1, 1.90% of pensionable earnings for each year of pensionable service,
- for group 2, 1.3% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 2.0% of pensionable earnings over the YMPE, for each year of pensionable service, and
- for group 5, 2.12% of pensionable earnings for each year of pensionable service, to a maximum of 35 years.

For service up to December 31, 2021, members are eligible for unreduced pension benefits

- at age 65 (age 60 for groups 2 and 5);
- at age 60, with at least two years contributory service (age 55 for groups 2 and 5); or
- at age 55 or older, with age plus years of service totalling 90 or more (age 50 or older with age plus service totalling 80 or more for groups 2 and 5).

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

Also for service up to December 31, 2021, the defined basic plan benefit is integrated with the Canada Pension Plan. The Plan provides an unreduced benefit for groups 1 and 2 of 1.3% of pensionable earnings up to the YMPE and 2.0% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). For group 5, the Plan provides an unreduced benefit of 1.63% of pensionable earnings up to the YMPE and 2.33% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years).

The Plan also provides a bridge benefit for service up to December 31, 2021, payable to age 65 (or the date of death, if earlier). The bridge benefit for all groups is 0.7% of the lesser of the YMPE or the HAS for each year of pensionable service (to a maximum of 35 years).

For group 2 and 5 members, the Plan also provides a bridge benefit for service on or after January 1, 2022, to age 65 (or the date of death, if earlier). The bridge benefit is 0.21% for group 5 and 0.70% for group 2, of the lesser of the YMPE or the HAS for each year of pensionable service (to a maximum of 35 years).

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

e) Pension benefits

All members are eligible for a pension benefit. In this section, "pensionable earnings" means the member's highest five-year average annual salary (HAS), except for members in group 2 or group 5 that terminate employment on or after January 1, 2022, in which case it means the member's highest four-year average annual salary.

For service on or after January 1, 2022, members are eligible for unreduced pension benefits

- at age 65 (age 60 for groups 2 and 5);
- at age 60, with at least two years contributory service (age 55 for groups 2 and 5); or
- for groups 2 and 5 only, at age 50 or older with age plus service totalling 80 or more.

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

Also for service on or after January 1, 2022, the Plan provides a defined basic plan benefit:

- for group 1, 1.90% of pensionable earnings for each year of pensionable service,
- for group 2, 1.3% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 2.0% of pensionable earnings over the YMPE, for each year of pensionable service, and
- for group 5, 2.12% of pensionable earnings for each year of pensionable service, to a maximum of 35 years.

For service up to December 31, 2021, members are eligible for unreduced pension benefits

- at age 65 (age 60 for groups 2 and 5);
- at age 60, with at least two years contributory service (age 55 for groups 2 and 5); or
- at age 55 or older, with age plus years of service totalling 90 or more (age 50 or older with age plus service totalling 80 or more for groups 2 and 5).

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

Also for service up to December 31, 2021, the defined basic plan benefit is integrated with the Canada Pension Plan. The Plan provides an unreduced benefit for groups 1 and 2 of 1.3% of pensionable earnings up to the YMPE and 2.0% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). For group 5, the Plan provides an unreduced benefit of 1.63% of pensionable earnings up to the YMPE and 2.33% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years).

The Plan also provides a bridge benefit for service up to December 31, 2021, payable to age 65 (or the date of death, if earlier). The bridge benefit for all groups is 0.7% of the lesser of the YMPE or the HAS for each year of pensionable service (to a maximum of 35 years).

For group 2 and 5 members, the Plan also provides a bridge benefit for service on or after January 1, 2022, to age 65 (or the date of death, if earlier). The bridge benefit is 0.21% for group 5 and 0.70% for group 2, of the lesser of the YMPE or the HAS for each year of pensionable service (to a maximum of 35 years).

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

e) Pension benefits (continued)

For greater certainty, members, including members who have pensionable service in more than one group, cannot accrue more than 35 years of pensionable service in the Plan.

Future cost-of-living adjustments are not guaranteed. These adjustments are granted at the discretion of the Board and may not exceed the annual increase in the Canada consumer price index as at the previous September 30, subject to the availability of funds in the Inflation Adjustment Account (IAA). Any cost-of-living adjustment the Board grants is applied in January. The Board annually considers relevant factors to determine if an adjustment will be granted.

f) Termination and portability benefits

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

- to leave their benefit on deposit – either for a deferred pension or in anticipation of future re-employment with a plan employer, 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.

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

g) Other benefits

Disability and survivor benefits are also available under the Plan. A disability benefit is available to a member under age 60 (age 55 for certain groups) who has terminated employment, becomes totally and permanently disabled as defined by the Plan, has at least two years of contributory service, is not eligible to receive benefits from an approved long-term group disability plan and meets other eligibility requirements.

The disability benefit is calculated using a member's years of pensionable service to the date of termination of employment, HAS and other factors. Disability benefits continue for the member's lifetime unless the member is no longer totally and permanently disabled before age 60 (age 55 for certain groups) or returns to work.

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

Supplemental benefits are funded from the SBA.

h) Tax registration

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada) (registration number 0359158), except for any supplemental benefits, which are funded in addition to the RPP. The Plan is not subject to income tax but is subject to indirect taxes, including British Columbia provincial sales tax (PST) and Canadian federal goods and services tax (GST). The Plan receives a 33% rebate of GST paid.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

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

b) Investments

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

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

c) Accrued pension obligations

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

d) Investment income

Income from investments is recorded on an accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder and income from directly held investments. The 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.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Use of estimates

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

3. INVESTMENTS

a) Investments

Fair value of investment holdings	2024	2023
Short-term	$ **1,674**	$ 2,145
Bonds	**24,500**	19,319
Repurchase agreements	**(11,238)**	(8,238)
	13,262	11,081
Canadian equities	**2,026**	2,228
Global equities	**16,457**	12,977
Emerging markets equities	**4,972**	5,697
Mortgages	**3,045**	2,637
Real estate	**13,755**	12,618
Private debt	**6,724**	5,976
Private equity	**13,016**	11,530
Infrastructure and renewable resources	**11,995**	10,017
	$ **86,926**	$ 76,906

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 debt; private equity; and infrastructure and renewable resources. While the purpose of each fund is to invest in a particular type of investment, given the timing of trading activities, the fund may at any time 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.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

a) Investments (continued)

Bonds consist of government bonds, investment grade and non-investment grade corporate bonds, repurchase agreements, unsecured debt and debentures. Bonds are valued based on current market yields and, in some cases, quoted market prices. Bonds include the use of repurchase agreements to borrow money to create leverage to purchase other bonds and enhance yields through a leverage bond fund strategy. Funds are also borrowed from the issuance of bonds to create leverage. These funds are unsecured debt. Unsecured debt of $1,734 million (2023: $540 million) are included in repurchase agreements category.

Canadian, global and emerging markets equities consist primarily of publicly traded shares and are valued based on quoted market prices on the primary exchanges on which they are traded.

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

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

Private debt consists of private debt instruments and private debt investee funds and are valued using discounted cash flows on current market yields and comparable securities, as applicable.

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 formally valued annually using a market-based approach or net asset value method.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

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	2024		2023	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Directly held				
Foreign currency forwards	$ 623	$ (689)	$ 292	$ (246)
Indirectly held in pooled investment portfolios				
Foreign currency forwards	$ 16	$ (624)	$ 254	$ (8)
Total return swaps	226	(229)	342	(43)
Interest rate swaps	97	(57)	66	(38)
Cross currency swaps	-	(4)	-	-
Options	8	(11)	63	(54)
	$ 970	$ (1,614)	$ 1,017	$ (389)
Derivatives by investment asset classification				
Short-term	$ 8	$ -	$ -	$ (1)
Bonds	97	(224)	142	(1)
Canadian equities	-	-	25	(4)
Global equities	214	(416)	421	(109)
Emerging markets equities	22	(31)	34	(18)
Mortgages	60	(89)	38	(25)
Real estate	273	(308)	134	(119)
Private debt	6	(249)	103	(10)
Infrastructure and renewable resources	290	(297)	120	(102)
	$ 970	$ (1,614)	$ 1,017	$ (389)

Derivative contracts consist of foreign currency forward contracts, cross currency swaps, options, 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.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

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.

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.

Cross currency swaps are agreements that involve the exchange of principal and interest payments in one currency for equivalent amounts in another currency. Cross currency swaps are used to hedge against fluctuations in exchange rates in relation to future amounts that are receivable in foreign currencies. Cross currency swaps are held 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. Options 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.

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 is provided by counterparties, and collateral approximately equal to the negative fair value of each derivative contract is 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 either the total value of a position, how much value a position controls, or an agreed-upon amount in a contract.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Absolute notional value of the Canadian denominated portion of derivatives is disclosed in the table below.

Notional value of derivatives				2024	2023
Terms to maturity	Within 1 year	1 to 5 years	Over 5 years	Total	Total
Derivatives by type of contract					
Directly held					
Foreign currency forwards	$ 31,452	$ -	$ -	$ 31,452	$ 30,114
Cross currency swaps	51	-	-	51	-
	31,503	-	-	31,503	30,114
Indirectly held in pooled investment portfolios					
Foreign currency forwards	$ 15,434	$ 163	$ 85	$ 15,682	$ 12,447
Total return swaps	21,896	994	-	22,890	15,552
Interest rate swaps	1,824	2,453	1,737	6,014	6,027
Cross currency swaps	22	51	-	73	-
Options	2,928	-	-	2,928	1,915
	$ 73,607	$ 3,661	$ 1,822	$ 79,090	$ 66,055
Derivatives by investment asset classification					
Short-term	$ 227	$ -	$ -	$ 227	$ 67
Bonds	5,439	-	1,737	7,176	5,203
Canadian equities	14	-	-	14	1,011
Global equities	27,943	3,151	-	31,094	21,054
Emerging markets equities	1,965	347	-	2,312	3,222
Mortgages	3,275	-	-	3,275	3,298
Real estate	14,117	-	-	14,117	13,944
Private debt	6,362	-	-	6,362	5,349
Private equity	14	-	-	14	26
Infrastructure and renewable resources	14,251	163	85	14,499	12,881
	$ 73,607	$ 3,661	$ 1,822	$ 79,090	$ 66,055

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

c) Repurchase agreements

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

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

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

a) Basic Account

In accordance with the Agreement and PBSA, an actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in note 5a. As part of the valuation, the Plan actuary also calculates values of the Basic Account assets and liabilities for accounting purposes. For accounting purposes, pension liabilities are based on those accrued to the financial statement date, and assets include the full impact of investment fair value changes reflected in the financial statements as at the financial statement date. The liability for accrued basic pension obligations at the valuation date is determined using the projected benefit method pro-rated on service.

The latest full actuarial valuation for accounting purposes was prepared as at December 31, 2021, by Eckler Ltd. This valuation calculated the liability for accrued basic pension obligations for financial statement purposes to be $46,503 million (2018: $38,642 million).

Between valuations, an estimate of the actuarial position is required. This estimate, an extrapolation, has been made to December 31, 2024, using the following long-term actuarial assumptions:

- Annual investment return 6.00%
- Annual salary escalation rate 3.25%

The extrapolation calculated the liability for accrued basic pension obligations to be $58,941 million (2023: $54,418 million).

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

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

a) Basic Account (continued)

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

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

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 6.00% to 5.75% would have increased the December 31, 2024, liability for accrued basic obligations of $58,941 million by $1,824 million or 3.1% 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 plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential inflation adjustments (note 5b). The non-guaranteed pension obligations are therefore equal to the net assets available for benefits in the IAA of $13,667 million (2023: $12,740 million). The net increase of $927 million (2023: $386 million decrease) in the IAA balance consists of employee and employer contributions, investment income and net transfers reduced by payments out of the account (see note 13 for details on amounts transferred).

c) Retirement Annuity Account

The RAA is comprised of additional contributions by employers and members under special agreements. If a member is entitled to, and chooses to, purchase additional pension benefits at retirement, monies are transferred from the RAA to the Basic Account and the IAA to fund the additional benefits. No unfunded liability exists as the obligation to purchase a pension is limited to the amount of the available assets in the account. The pension benefit for the RAA is therefore equal to the net assets available in the RAA, $343 million (2023: $357 million).

The net assets available in the RAA decreased $14 million (2023: $12 million decrease) as employee and employer contributions and earnings on investments were reduced by payments out of the account.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

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

This method produces the long-term rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

Funding provisions

The Agreement specifies that actuarial deficits will be amortized over 15 years, and actuarial gains must be used to achieve the following objectives, in order of priority:

1. Eliminating any unfunded liability.
2. Ensuring the plan is funded at the entry-age normal cost (EANC) if possible.

   If the current contribution rate is less than the EANC, then use actuarial excess to support the lowest possible contribution rate below the EANC that is not less than the current contribution rate.

   If the required contribution rate is higher than the current contribution rate, then draw down funds from the Rate Stabilization Account (RSA) as needed to support the lowest possible contribution rate that is not less than the current contribution rate.
3. Transferring any remaining surplus on an equal (50/50) basis to the IAA and RSA until such time as the Board considers the IAA to be sufficient to provide full sustainable indexing and the RSA to have reached a target funding level. If either account is at its target funding level, the surplus will be transferred to the other account until that account is also at its target funding level. The RSA will be drawn down if required to keep the Basic Account contribution rate unchanged.

The Agreement describes that if, at any time, an actuarial valuation indicates that increased Basic Account contribution rates are required to fully fund the Plan on a going-concern basis, the increase must be shared equally by members and employers.

Contribution rate determinations exclude consideration of the assets in both the Rate Stabilization Account (RSA) and in the Group Contribution Rate Rebalancing Account (GCRRA), which are held notionally within the Basic Account.

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

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

a) Basic Account (continued)

At each valuation, the actuary calculates adjustments required to contribution rates to ensure that each group is paying a contribution rate that correctly reflects the cost of the benefits for each group. The GCRRA will be used to mitigate the impact of contribution rate increases to group 2 and group 5 arising from the need to rebalance contributions rates between the groups in the plan. Following the December 31, 2021 valuation, the GCRRA is being drawn down to mitigate contribution increases that would have otherwise applied to group 2 and group 5.

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 in 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 of the amount necessary to fund the cost-of-living adjustments granted, and the adjustments are paid from the Basic Account. Therefore, accrued basic pension obligations for valuation purposes include the liability for all cost-of-living adjustments granted to the date of the valuation, but not for as-yet-unknown future cost-of-living adjustments.

Actuarial valuation

The latest full actuarial valuation for funding purposes was prepared as at December 31, 2021, by the independent actuary based on the entry-age method; the valuation indicated an actuarial surplus of $3,761 million.

An estimate of the actuarial position of the Plan for funding purposes has been made to December 31, 2024, using the following long-term actuarial assumptions:

- Annual investment return 6.00%
- Annual salary escalation rate 3.25%

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

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

a) Basic Account (continued)

This estimate, an extrapolation, produced an estimated accessible actuarial excess of $2,515 million as at December 31, 2024 and an estimated funding surplus of $5,589 million (2023: $5,326 million), as follows:

Funding extrapolation	2024	2023
Net assets available for basic pension benefits	$ 72,916	$ 63,920
Actuarial asset value adjustment	(1,035)	3,086
Smoothed assets for basic pension benefits	71,881	67,006
RSA	(4,598)	(4,347)
GCRRA	(45)	(45)
Smoothed assets excluding rate stabilization account and GCRRA	67,238	62,614
Present value of future contributions (entry-age method)	29,164	25,916
Present value of future amortization for group 2 and 5	77	73
Present value of temporary rate reduction below entry-age rate	(237)	(278)
Net actuarial assets for basic pension benefits	96,242	88,325
Actuarial liability for accrued and future basic pension benefits	(90,653)	(82,999)
Entry-age method actuarial surplus	**$ 5,589**	**$ 5,326**
PBSA 5% of net liabilities	(3,074)	(2,854)
Accessible actuarial excess	**$ 2,515**	**$ 2,472**

The extrapolation reflects 5% of net liabilities (total liabilities less the present value of future contributions at entry-age rate) that needs to be held in the Basic Account as the current contribution rate is below the entry age normal cost.

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 differences between funding and accounting positions

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

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Notes to the financial statements for the year ended December 31, 2024

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

a) Basic Account (continued)

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

Measurement difference between funding and accounting positions	2024	2023
Entry-age method funding surplus	$ 5,589	$ 5,326
PBSA 5% of net liabilities	(3,074)	(2,854)
Accessible actuarial excess	2,515	2,472
Actuarial asset value adjustment	1,035	(3,086)
RSA adjustment	4,598	4,347
GCRRA	45	45
PBSA 5% of net liabilities	3,074	2,854
Difference in actuarial methods – present value of future contributions	(29,164)	(25,916)
Difference in actuarial methods – present value of future amortization for group 2	(77)	(73)
Present value of temporary rate reduction below entry-age	237	278
Difference in actuarial methods – present value of future liabilities	31,712	28,581
Measurement differences between funding and accounting positions	11,460	7,030
Surplus for financial statement purposes	**$ 13,975**	**$ 9,502**

Actuarial asset value adjustment

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

The funding policy requires that the value of the assets be smoothed within a certain corridor. The corridor requires that the smoothed value be no more than 108% and no less than 92% of the market value of the assets. The smoothed value of the assets at December 31, 2024, was 98.6% of the market value of the assets (2023: 104.8%).

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

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

a) Basic Account (continued)

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

Actuarial asset value adjustment	2024	2023
2024	-	(441)
2025	(262)	(1,177)
2026	(631)	(1,541)
2027	1,001	73
2028	927	-
Total adjustment	**$ 1,035**	**$ (3,086)**

Rate Stabilization Account

The RSA is held notionally within the Basic Account. Interest of $251 million (2023: $276 million) was transferred from the Basic Account to the RSA based on the opening balance and a smoothed rate of return of 5.77% (2023: 6.78%).

Rate stabilization account	2024	2023
Opening balance	$ 4,347	$ 4,071
Interest	251	276
Ending balance	**$ 4,598**	**$ 4,347**

Group Contribution Rate Rebalancing Account

The GCRRA is held notionally within the Basic Account. Interest on the GCRRA is determined by applying the same smoothed rate of return as used for interest on the RSA. The rebalancing adjustments for group 2 (0.10% of salaries) and group 5 (0.23% of salaries) are paid annually from the GCRRA, so that each group is paying a contribution rate that correctly reflects the cost of the benefits for each group. This adjustment was $3 million for 2024 (2023: $2 million).

Group contribution rate rebalancing account	2024	2023
Opening balance	$ 45	$ 44
Contribution to the basic account	(3)	(2)
Interest	3	3
Ending balance	**$ 45**	**$ 45**

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Notes to the financial statements for the year ended December 31, 2024

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

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. There is no minimum level of cost-of-living adjustment required to be paid under the plan rules, nor is there any plan provision to fund the IAA to any minimum level of future potential cost-of-living adjustments.

The Board annually considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions in pay and the amount of the cost-of-living adjustment, if any.

As a result of the 2021 actuarial valuation, effective January 1, 2023 to January 1, 2025, the Board has chosen to remove the cap for cost-of-living adjustments for retired members which had been established on January 1, 2014. The cap for sustainable cost-of-living adjustments will be reviewed following each triennial actuarial valuation.

c) Retirement Annuity Account

No unfunded liability exists for the RAA, since the obligation to purchase a pension is limited to the amount of the available assets in the account. The pension benefit for the RAA is therefore equal to the net assets available in the RAA.

6. FINANCIAL RISK MANAGEMENT

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

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

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

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Notes to the financial statements for the year ended December 31, 2024

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 sources of liquidity are income generated from the Plan's investments, and employer and employee contributions. Investments are primarily held in pooled funds. Many securities are held in pools, are traded in active markets and can readily be sold; the pooled fund units can thereby be redeemed to fund cash requirements. Accounts payable of $39 million (2023: $36 million) and payable for purchase of investments of $nil million (2023: $30 million) are generally due within one month. Derivatives payable of $689 million (2023: $246 million) are due within the next fiscal year.

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

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

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

Currency risk

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

Foreign denominated investments held by the plan, in Canadian dollars, are $675 million United States (U.S.), 0.8% of total investments (2023: $1,065 million US, 1.4% of total investments).

As at December 31, 2024, 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 $68 million (2023: $106 million).

Interest rate risk

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Other price risk

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

As at December 31, 2024, 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 $8,692 million (2023: $7,690 million).

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 contributions receivable directly held by the Plan totalling $122 million (2023: $119 million), interest and dividends receivable $5 million (2023: $11 million), and for the derivatives $623 million (2023: $292 million).

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

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

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

Currency risk

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

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions 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 December 31 are as follows:

Foreign denominated investment holdings (Canadian dollar equivalent)	Total exposure	Economic hedging	Net exposure	% of total
		2024		
United States	$ 46,323	$ 14,216	$ 32,107	59%
Asia-Pacific, excluding Japan	6,163	269	5,894	11%
United Kingdom	5,753	311	5,442	10%
Euro countries	6,495	1,584	4,911	9%
Other	3,966	1	3,965	7%
Other Europe	1,630	288	1,342	2%
Japan	1,092	240	852	2%
	$ 71,422	$ 16,909	$ 54,513	100%
		2023		
United States	$ 36,834	$ 12,290	$ 24,544	53%
Asia-Pacific, excluding Japan	6,065	240	5,825	13%
Euro countries	5,808	1,038	4,770	11%
United Kingdom	4,434	275	4,159	9%
Other	4,034	1	4,033	9%
Other Europe	1,417	254	1,163	3%
Japan	909	-	909	2%
	$ 59,501	$ 14,098	$ 45,403	100%

The net foreign currency exposure of the Plan's underlying investment represents 63% (2023: 59%) of it's total investments.

Interest rate risk

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

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Notes to the financial statements for the year ended December 31, 2024

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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 December 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
			2024			
Short-term	$ 1,619	$ -	$ 55	$ -	$ 1,674	3.74%
Bonds	264	8,574	8,629	7,033	24,500	4.12%
Repurchase agreements	(9,504)	-	(1,734)	-	(11,238)	-3.40%
Mortgages	513	2,510	22	-	3,045	7.07%
Debt*	-	6	1	-	7	4.80%
Private debt**	349	1,498	1,043	42	2,932	9.90%
	$ (6,759)	$ 12,588	$ 8,016	$ 7,075	$ 20,920	
			2023			
Short-term	$ 2,142	$ -	$ 3	$ -	$ 2,145	5.25%
Bonds	623	5,620	7,448	5,628	19,319	4.09%
Repurchase agreements	(7,699)	-	(539)	-	(8,238)	-4.94%
Mortgages	522	1,894	197	24	2,637	7.48%
Debt*	-	3	5	-	8	4.80%
Private debt**	302	1,738	671	38	2,749	10.64%
	$ (4,110)	$ 9,255	$ 7,785	$ 5,690	$ 18,620	

* Grouped with real estate investment category.

** An additional $3,792 (2023: $3,227) of private debt are held in unlisted private debt investee funds which are generally illiquid.

As at December 31, 2024, 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 $1,907 million (2023: $1,409 million).

Other price risk

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

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Notes to the financial statements for the year ended December 31, 2024

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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, debt and private debt) held directly and through pooled investment portfolios are as follows:

Credit rating of financial instruments

	AAA/AA	A	BBB	Non-investment grade	Unrated	Total
			2024			
Short-term	$ 907	$ 709	$ 43	$ -	$ 15	$ 1,674
Bonds	20,004	1,120	1,298	2,021	57	24,500
Mortgages	-	-	-	-	3,045	3,045
Debt*	-	-	-	-	8	8
Private debt	61	10	-	268	6,385	6,724
	$ 20,972	$ 1,839	$ 1,341	$ 2,289	$ 9,510	$ 35,951
	58%	5%	4%	6%	27%	100%
			2023			
Short-term	$ 1,700	$ 445	$ -	$ -	$ -	$ 2,145
Bonds	12,739	3,107	1,022	1,763	688	19,319
Mortgages	-	-	-	-	2,637	2,637
Debt*	-	-	-	-	8	8
Private debt	94	-	16	425	5,441	5,976
	$ 14,533	$ 3,552	$ 1,038	$ 2,188	$ 8,774	$ 30,085
	48%	12%	4%	7%	29%	100%

* Grouped with real estate investment category.

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. A BBB rating denotes an obligation with adequate protection parameters. A non-investment grade rating denotes 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.

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

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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 December 31:

Fair value hierarchy	Level 1	Level 2	Level 3	Total
		2024		
Pooled investments	$ 1,673	$ 39,684	$ 37,346	$ 78,703
Other investment entities	-	-	8,215	8,215
Direct debt*	-	-	8	8
Investments	**$ 1,673**	**$ 39,684**	**$ 45,569**	**$ 86,926**
Derivatives	**$ -**	**$ (66)**	**$ -**	**$ (66)**
		2023		
Pooled investments	$ 1,960	$ 35,766	$ 32,539	$ 70,265
Other investment entities	-	-	6,633	6,633
Direct debt*	-	-	8	8
Investments	**$ 1,960**	**$ 35,766**	**$ 39,180**	**$ 76,906**
Derivatives	**$ -**	**$ 46**	**$ -**	**$ 46**

* Grouped with real estate investment category.

During 2024 and 2023, there were no significant transfers of investments between levels.

Other investment entities are comprised of corporations, limited partnerships and trusts.

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Notes to the financial statements for the year ended December 31, 2024

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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 investments	Other investment entities	Direct debt	Total
		2024		
Balance, beginning of year	$ 32,539	$ 6,633	$ 8	$ 39,180
Net gain included in investment income	4,063	235	-	4,298
Purchases	5,342	2,670	-	8,012
Sales	(4,598)	(1,323)	-	(5,921)
Balance, end of year	$ 37,346	$ 8,215	$ 8	$ 45,569
Total unrealized gain in investment income	$ 1,630	$ 551	$ -	$ 2,181
		2023		
Balance, beginning of year	$ 28,216	$ 4,982	$ 6	$ 33,204
Net loss included in investment income	1,072	33	-	1,105
Purchases	7,168	2,117	2	9,287
Sales	(3,917)	(499)	-	(4,416)
Balance, end of year	$ 32,539	$ 6,633	$ 8	$ 39,180
Total unrealized gain in investment income	$ 31	$ -	$ -	$ 31

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 on 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.

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Notes to the financial statements for the year ended December 31, 2024

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Valuation models (continued)

For more complex financial instruments, BCI, either directly or through external independent valuators, 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.

BCI reviews the fair value estimates of external independent valuators and ultimately decides on the fair value estimate to be used. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that BCI and the external valuator believe 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 account for the credit risk of the Plan and the counterparties where appropriate.

c) Valuation framework

BCI has an established framework with respect to the measurement of fair values of financial instruments. Where possible, for direct private debt 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

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Notes to the financial statements for the year ended December 31, 2024

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7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Valuation framework (continued)

- Understanding how the fair value has been determined when a number of quotes for similar financial instruments have been obtained
- Understanding how prices for similar financial instruments used to measure fair value have been adjusted to reflect the characteristics of the financial instrument subject to measurement

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
			2024		
Pooled investments	$ 37,346	Net asset value	Net asset value	$ 37,346	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Other investment entities	$ 8,215	Net asset value	Net asset value	$ 8,215	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Direct debt	$ 8	Discounted cash flow	Discount rate	4.8%	The estimated fair value would increase (decrease) if the discount rate was lower (higher)
			2023		
Pooled investments	$ 32,539	Net asset value	Net asset value	$ 32,539	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Other investment entities	$ 6,633	Net asset value	Net asset value	$ 6,633	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Direct debt	$ 8	Discounted cash flow	Discount rate	4.8%	The estimated fair value would increase (decrease) if the discount rate was lower (higher)

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Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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. Accordingly, BCI is unable to dispose of the pooled fund investment until the maturity or wind-up and liquidation of the respective pooled fund. In such cases, it is the Plan's policy to categorize the pooled fund investment as level 3 within the fair value hierarchy.

Discount rate

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

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.

Effects of unobservable input on level 3 fair value measurement

	2024		2023	
	Favourable	Unfavourable	Favourable	Unfavourable
Pooled investments	$ 3,735	$ (3,735)	$ 3,254	$ (3,254)
Other investment entities	821	(821)	663	(663)
Direct debt	1	(1)	1	(1)
	$ 4,557	$ (4,557)	$ 3,918	$ (3,918)

The pooled investments, other investment entities 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 investments, other investment entities, and direct debt investments have been calculated by adjusting the respective underlying net asset value by 10%.

f) Financial instruments not measured at fair value

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

8. INVESTMENT INCOME

	2024			2023		
	Income allocation	Change in fair value	Total	Income allocation	Change in fair value	Total
Short-term	$ 79	$ 105	$ 184	$ 88	$ (19)	$ 69
Bonds	568	(759)	(191)	449	453	902
Canadian equities	64	290	354	71	195	266
Global equities	462	3,428	3,890	408	2,061	2,469
Emerging markets equities	203	756	959	256	391	647
Mortgages	137	188	325	121	7	128
Real estate	348	(66)	282	135	(863)	(728)
Private debt	418	778	1,196	270	397	667
Private equity	687	945	1,632	537	82	619
IRR*	810	515	1,325	897	(413)	484
	3,776	6,180	9,956	3,232	2,291	5,523
Directly held derivatives	-	(132)	(132)	-	54	54
	$ 3,776	$ 6,048	$ 9,824	$ 3,232	$ 2,345	$ 5,577

* 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, as well as 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. The RAA was allocated a share of Basic Account investment income based on the five-year annualized rate of return of the Basic Account under the plan rules.

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

9. CONTRIBUTIONS

	Basic account	Inflation adjustment account	Retirement annuity account	Supplemental benefits account	Total
			2024		
Members' contributions					
Regular	$ 1,333	$ 236	$ -	$ 7	$ 1,576
Special agreements	-	-	2	-	2
Past service purchases	9	2	-	-	11
	1,342	238	2	7	1,589
Employers' contributions					
Regular	1,367	235	-	15	1,617
Special agreements	-	-	2	-	2
Past service purchases	9	2	-	-	11
Retired member group benefits	-	-	-	118	118
	1,376	237	2	133	1,748
	$ 2,718	$ 475	$ 4	$ 140	$ 3,337
			2023		
Members' contributions					
Regular	$ 1,186	$ 210	$ -	$ 6	$ 1,402
Special agreements	-	-	2	-	2
Past service purchases	7	2	-	-	9
	1,193	212	2	6	1,413
Employers' contributions					
Regular	1,215	177	-	13	1,405
Special agreements	-	-	2	-	2
Past service purchases	6	2	-	-	8
Retired member group benefits	-	-	-	136	136
	1,221	179	2	149	1,551
	$ 2,414	$ 391	$ 4	$ 155	$ 2,964

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

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

10. BENEFITS

	Basic account	Inflation adjustment account	Retirement annuity account	Supplemental benefits account	Total
			2024		
Regular pension benefits	$ 2,139	$ -	$ -	$ 17	$ 2,156
Indexing – regular pension benefits	528	-	-	4	532
Termination and refund benefits	73	42	16	-	131
Death benefit payments	31	14	1	-	46
Disability benefit	1	-	-	-	1
	$ 2,772	$ 56	$ 17	$ 21	$ 2,866
			2023		
Regular pension benefits	$ 2,054	$ -	$ -	$ 16	$ 2,070
Indexing – regular pension benefits	451	-	-	3	454
Termination and refund benefits	67	44	16	-	127
Death benefit payments	28	14	-	-	42
Disability benefit	1	-	-	-	1
	$ 2,601	$ 58	$ 16	$ 19	$ 2,694

11. SUPPLEMENTAL BENEFITS ACCOUNT

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

Retirement health coverage is provided through MRBT. MRBT is an independent benefits trust managed by a board of eight trustees appointed by the Partners. It is funded from contributions that would otherwise be employer inflation contributions and is equal to 0.6% of pensionable salaries (2024: $108 million based on 0.6% plus $10 million equals $118 million). (2023: $96 million based on 0.6% plus $40 million equals $136 million) The availability, type and level of retired member group benefit coverage are contingent on the availability of funding for such benefits.

In fiscal 2024, as per the Agreement, $10 million (2023: $40 million) of employer contributions that would otherwise have been IAA contributions was transferred to MRBT for future health benefit payments and is included in retirement benefit costs.

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

12. INVESTMENT AND ADMINISTRATION COSTS

	2024	2023
Investment management	$ **208.6**	$ 195.0
Benefit administration	**61.7**	57.2
Other professional services	**1.8**	1.5
Board office costs	**1.4**	1.4
Board remuneration and expenses	**0.6**	0.7
Actuarial	**0.1**	0.1
Audit	**0.1**	0.1
	$ **274.3**	$ **256.0**

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

Investment management costs represent amounts charged to recover internal and external management costs incurred by BCI, except those external management fees related to investments managed by an underlying external manager, where management fees are embedded in the net assets of the respective investment. Underlying external investment management fees of $119.3 million (2023: $122.5 million) were netted against investment income.

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

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

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

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions except as otherwise noted)

13. ACCOUNT TRANSFERS

	2024			2023		
	Basic account	Inflation adjustment account	Retirement annuity account	Basic account	Inflation adjustment account	Retirement annuity account
Cost-of-living adjustment	$ 955	$ (955)	$ -	$ 1,572	$ (1,572)	$ -
Indexing of deferred pensions	22	(22)	-	21	(21)	-
Pensions purchased from retirement annuity account	19	8	(27)	27	11	(38)
	$ 996	$ (969)	$ (27)	$ 1,620	$ (1,582)	$ (38)

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

Cost-of-living adjusted pension payments are made from the Basic Account. Each year, if members' pension payments are adjusted for the current cost-of-living adjustment, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current cost-of-living adjustment. The Board annually considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions in pay and the amount of the cost-of-living adjustment, if any. As at January 2024, retired members received a cost-of-living adjustment of 3.8% (2023: 6.9%) and indexing supplements were transferred.

When a deferred pension commences, the present value of the cost-of-living adjustments during the deferral period is transferred from the IAA to the Basic Account. Approximately $372 million (2023: $296 million) of the current IAA balance is for cost-of-living adjustments already granted for deferred pensions but not yet transferred to the Basic Account.

A separate RAA is maintained to record additional contributions by employers and members under special agreements. If a member is entitled to, and chooses to, purchase additional pension benefits at retirement, monies are transferred from the RAA to the Basic Account and the IAA to fund the additional benefits.

14. COMMITMENTS

The Plan participates in private equity, international real estate, mortgage and infrastructure and renewable resource pools. As at December 31, 2024, the Plan's share of commitments for future investment contracts in these pools over the next several years is approximately $16,090 million (2023: $13,964 million).

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MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2024

($ millions 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 Board has a funding policy that outlines the principles that provide guidance in managing this process. The investment performance of the Plan's assets is reviewed by the Board on a regular basis and compared to relevant industry benchmarks. Benefit entitlement is based on the provisions of the Agreement and the plan rules. Funding deficits must be funded over a period not to exceed 15 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 three components: the Basic Account non-indexed benefits and, by considering the valuation of the entire Plan, the non-guaranteed IAA benefits and the RAA (note 1d). The next full actuarial valuation will be carried out as at December 31, 2024, with the results included in the December 31, 2025, financial statements.

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

16. PRIOR YEAR COMPARATIVES

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

Important notices for readers

This Annual Report, and the disclosures contained herein, are published by the Municipal Pension Board of Trustees (MPBT) solely for informational purposes. Readers are cautioned not to use or rely upon the information contained herein without first contacting the MPBT (contact details below) to verify the currency, accuracy, reliability or completeness of the information contained herein.

Forward-looking statements:

In addition to reporting on this past year this report also contains forward-looking information and statements. Forward-looking information and statements include all information and statements regarding MPBT intentions, plans, expectations, beliefs, objectives, future performance, and strategy, including performance-related principles, beliefs, objectives and strategy (“Performance Objectives”), as well as any other information or statements reflect MPBT current expectations regarding future results or events.

By their nature, forward-looking information and statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including available investment income, intended acquisitions, regulatory and other approvals, general investment conditions and technological, political, economic, regulatory, environmental and climatic factors. Although MPBT believes that the assumptions inherent in the forward-looking information and statements are reasonable, such statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein.

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MPBT also cautions readers regarding the statements and other disclosures in this report related to the Performance Objectives (collectively, “Performance Disclosures”). In making Performance Disclosures and in establishing and implementing its Performance Objectives, MPBT relies on advice and data obtained from, or methodologies established by, third parties including the MPBT service providers described in this Annual Report.

Although MPBT believes these sources are reliable, MPBT has not verified all third-party data, or assessed the assumptions underlying such data, and cannot guarantee their accuracy. The data or methodologies underlying Performance Disclosures may be limited in quality, unavailable or inconsistent across sectors or assets. These factors could have a material effect on MPBT Performance Objectives or its ability to effectuate them.

For example, Performance Disclosures relating to the plan’s goal of a net-zero portfolio by 2050 rely upon advice and analysis received from the plan’s investment manager, BCI and in this regard MPBT seeks assurances that:

- there is a clear understanding of what needs to be done to achieve the goal;
- there is a concrete, realistic and verifiable plan to accomplish the goal with interim targets;
- meaningful steps are underway to meet the goal; and
- internationally recognized methodologies are employed to monitor and report progress.

BCI methodologies and metrics are subject to certain limitations which can be reviewed in the BCI *Corporate Annual Report* and Climate Action Plan available at bci.ca.

Municipal Pension Plan

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