2023
# Annual Report

ATRF
Alberta Teachers' Retirement Fund

## Dedicated to the Pensions Teachers Count On

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**Established in 1939, the Alberta Teachers' Retirement Fund (ATRF) is a corporation governed by Alberta's *Teachers' Pension Plans Act*. From our office in Edmonton, Alberta, we are the trustee, administrator, and custodian of the pension assets of the Teachers' Pension Plan and the Private School Teachers' Pension Plan. This encompasses Alberta teachers employed in school jurisdictions and charter schools, as well as teachers employed by participating private schools.**

**Registered under the *Income Tax Act*, the plans are sponsored by the Government of Alberta (GoA) and the Alberta Teachers' Association (ATA), who are jointly responsible for changes to plan design, benefits, and funding arrangements.**

## Mission

Working in partnership to secure your pension income.

## Mandate

www.atrf.com/A23Mandate

ATRF's mandate is to:

1. Deliver the benefits established by the plan sponsors, and
2. Prudently invest the assets of the plans and set contribution rates with the objective of maintaining full funding over the long term at a cost and risk level acceptable to the sponsors.

# LAND ACKNOWLEDGEMENT

www.atrf.com/A23LA

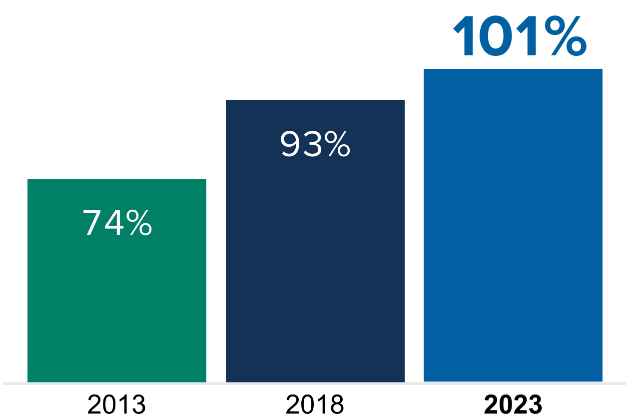
Alberta Teachers' Retirement Fund is now walking on a path of understanding, truth, and reconciliation alongside Indigenous peoples. As trustees and administrators of teachers' pensions in Alberta, we acknowledge the history between the colonial education system and Indigenous peoples, and we respect the significant role our members hold as teachers working with youth and Indigenous learners on the path to reconciliation. At ATRF, we also have unique opportunities and roles to contribute to meaningful change, with and for Indigenous peoples.

We respectfully acknowledge the traditional lands and ancestral territories in which our work is headquartered, as, Treaty Six Territory, amiskwacîwâskahikan, Edmonton. We would like to respectfully recognize the living presence of the nêhiyaw (Nay-hee-yow), Dené (Deh-neyh), Anishinaabe (Ah-nish-in-ah-bay), Nakota Isga (Na-koh-tah ee-ska), Niitsitapi (Nit-si-tahp-ee), and all Indigenous peoples who call these lands home. We also acknowledge this as the rich homeland of Métis Regional Council Zone IV (May-tea) and appreciate that these lands are also home to one of the great communities of Inuit south of the border of the Northwest Territories.

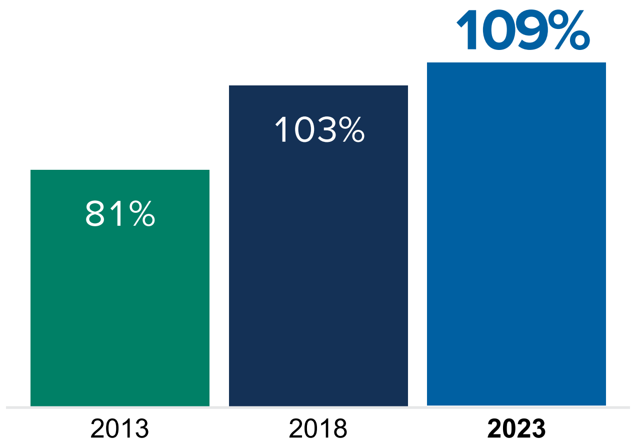
# 2022-23 HIGHLIGHTS

www.atrf.com/A23MemberReport

## Teachers’ Pension Plan Funded Ratio

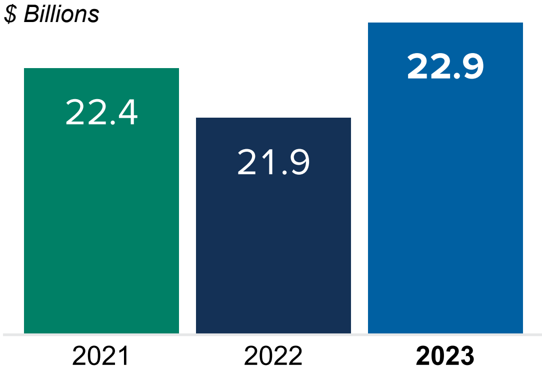



## Private School Teachers’ Pension Plan Funded Ratio




## Net Assets

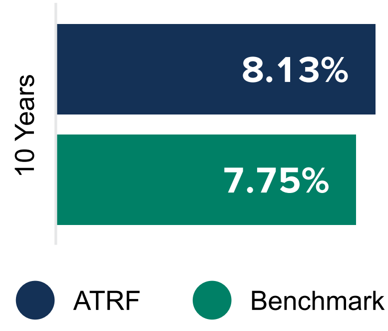
*$ Billions*




## Long-Term Rates of Return

*As at August 31, 2023*

ATRF takes a carefully informed, strategic view of investments that focuses on the long term. Full results, including short term and analysis, can be found on page 13.

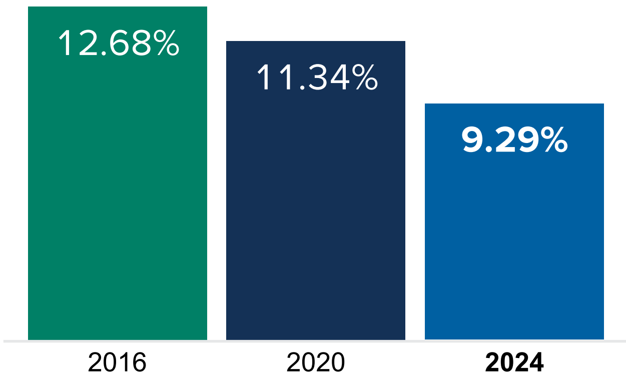


## Contribution Rates

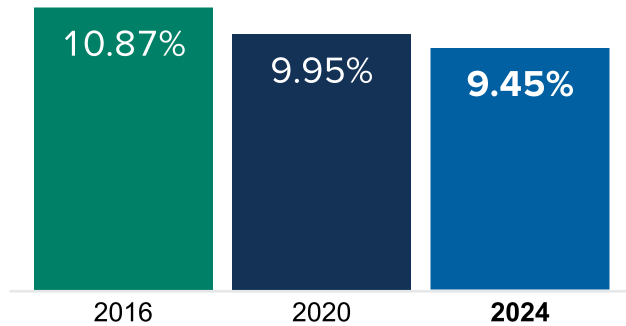
www.atrf.com/A23Contributions

**We are pleased to announce that contribution rates are being reduced again, effective September 2024. More information on contribution rates can be found on page 11.**

### Teachers' Pension Plan




### Private School Teachers' Pension Plan




## Total Benefits Paid

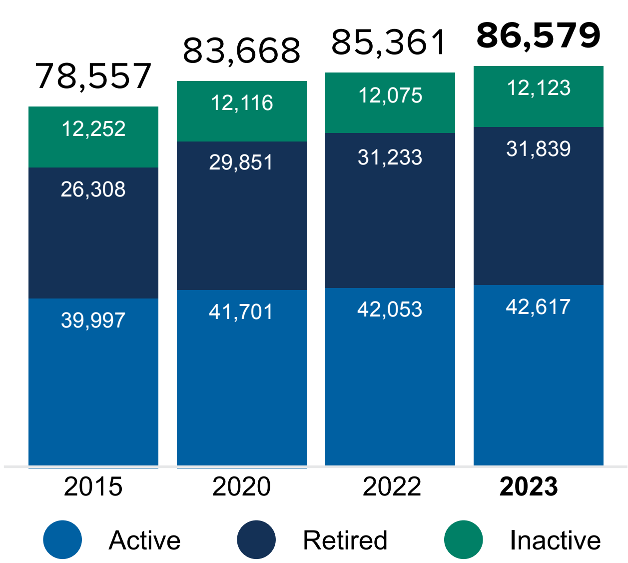
# $1.255 Billion*

*Of which $497 Million was received from the Government of Alberta for benefits paid by ATRF relating to the pre-1992 period.

## Total Contributions Received

# $744 Million

## Membership over the Years




## Interesting Member Facts

255 pensioners who are **aged 95 to 99**

56 pensioners over the **age of 100**

Oldest plan member is **105**

**Average retirement age of 60** with 25 years of pensionable service

# BOARD CHAIR MESSAGE

Sandra Johnston

Alberta's teachers make a tremendous contribution to our province through careers that can last 40 years or more. I am proud to be part of an organization that ensures the pensions teachers earn during those long careers will be there for them when they expect it.

ATRF has been dedicated to Alberta teachers' pensions since its inception in 1939. We are proud of our unique experience and expertise that enables us to provide exceptional pension oversight and member service that results in tremendous value for sponsors, stakeholders, employers, and members.

Teachers see that value when they look to the future and rest comfortably, knowing their pension will be there for them throughout their entire retirement. That value is enhanced by pension payments that include annual cost-of-living adjustments (COLA) to help make retirement more affordable.

We also understand pension plans are vital in attracting, retaining, and compensating Alberta teachers, and so our plans are equally important to our sponsors, the Government of Alberta and the Alberta Teachers' Association. Plan sponsors share the ATRF Board's attention to long-term viability, so I am particularly pleased to announce that through prudent management and governance, the teachers' pension plans are now fully funded.

For teachers actively working and serving our communities, contribution rates remain stable and affordable. The elimination of the deficit and the strong plan-funded status, along with the robust risk management levers in place, allowed the board to reduce contribution rates (effective September 1, 2024) by a total of 2% of pay for the Teachers' Pension Plan, shared between the members and government/employers, and a total of 1% of pay for the Private School Teachers' Pension Plan, shared between the members and employers.

ATRF's unique pension management expertise and specific experience with the teachers' plans allow us to provide high-quality services on behalf of plan sponsors. In addition, as trustees of the plans, we focus exclusively on our fiduciary duty and put the needs of our plans first in all decisions.

I want to conclude by offering my sincere thanks to the members of ATRF's board, who serve with diligence and professionalism. I would also like to thank ATRF's staff, who work tirelessly to serve our members and strengthen our plans.

And finally, I would like to again offer my heartfelt thanks to our amazing members. Our organization is honoured to serve Alberta teachers who have given so much to help our students learn and thrive over the years. Your support means the world to all of us.

# CEO MESSAGE

I am proud to present this annual report that provides an overview of the excellent work done at ATRF in 2022-2023.

Our plan funded status is of particular note, as the Teachers' Pension Plan is now fully funded for the first time in its history. Many years of work in carefully managing our plans and achieving strong investment returns led to this accomplishment, which is an excellent indication of the long-term health of our plans.

Our investment returns improved last year from the previous year, with an overall return of 4.4%. That result did not meet our benchmark targets, which is explained in the Investment section of the report, but ATRF's focus remains on the long term – and our longer-term results continue to be excellent. Over a 10-year period, ATRF's total fund has generated an annualized return of 8.1%, surpassing benchmark by 0.4%, net of all costs.

I am also pleased to report that ATRF staff continue to provide excellent service to our members. The member survey conducted last year showed that 89% of members are satisfied or very satisfied with ATRF's service.

ATRF staff are not content to rest on those strong results but continue working to improve how we deliver services and support. Last year we completed numerous important projects that improved the functionality of our My*Pension* online portal and made our information easier for members to access. This is in line with our member service philosophy of connecting with members where, when, and how it is most convenient for them.

We also made significant progress on our enterprise Project Lantern, which is taking a comprehensive look at how we serve members and modernizing our systems to ensure we have a sound foundation we can build on to continue improving for many years to come. This large and complex work continues on track and budget, and we look forward to employers and members beginning to see the benefits of this work in the future as it progresses.

I would like to take a moment to thank the staff at ATRF for their work over the past year. Their dedication to serving our plans and our members is truly remarkable – and appreciated. I would also like to thank the ATRF Board for their guidance, expertise, and collaborative spirit that serves our organization and our plans so well.

**Rod Matheson**

## ATRF Board Members

As at August 31, 2023 www.atrf.com/A23Board

**Sandra Johnston**
**Board Chair**
Investment Committee (Vice-Chair), Human Resources and Compensation Committee

**Greg Francis**
Investment Committee, Governance Committee (Vice-Chair), Human Resources and Compensation Committee (Chair)

**Paul Haggis**
Investment Committee, Audit and Finance Committee (Vice-Chair), Governance Committee (Chair)

**Maria Holowinsky**
**Vice-Chair**
Investment Committee (Chair), Audit and Finance Committee, Governance Committee

**Brad Langdale**
Investment Committee, Human Resources and Compensation Committee (Vice-Chair)

**Alexandria Matos**
Investment Committee, Governance Committee

**Chioma Ufodike**
Investment Committee, Audit and Finance Committee

**Tim Wiles**
Investment Committee, Audit and Finance Committee (Chair), Human Resources and Compensation Committee

## ATRF Executive

As at August 31, 2023

**Rod Matheson**
Chief Executive Officer

**Marcie Chisholm**
Vice President, People & Culture

**Alwyn Christian**
Vice President, Information and Technology Services

**Julie Joyal**
Vice President, Pension Services

**Myles Norton**
Vice President, Finance

**Gary Smith**
Vice President, Funding & Investments

# GOVERNANCE AND STRATEGY

*"Thank you, ATRF, for your diligence in caring for our pensions as retired teachers. We hear, at times, about pension plans failing to meet goals, or taking risks which end badly, etc. In all the years I have been receiving my pension, it has been steady and reliable. I am most grateful!"*

**Quote from the 2023 ATRF member survey**

## ATRF Board and Plan Funding

ATRF's board carefully monitors the funding of the plan relative to future liabilities and prudently assesses and balances the assumptions that affect contribution requirements for both current and future generations. The board continues to take strategic measures to reinforce the plans' long-term sustainability – essential to achieve ATRF's funding objectives of benefit security, contribution rate affordability and stability, and intergenerational equity.

Again, last year this included ensuring that the margin for adverse deviation was sufficient to address the current higher-risk environment. Funding assumptions and margin levels are stress tested to ensure they are adequate for the plans to sustain shock scenarios with a high degree of confidence.

The result of this work is that teachers' pension plans are in good financial health and on solid footing with adequate risk management levers in place.

## Responsible Investing

www.atrf.com/A23RI

Central to all decisions made by ATRF's board is the fiduciary duty to protect the interests of ATRF plans, which includes ensuring investment returns are adequate to fund the needs of the plans over the long term. In this fiduciary role, the ATRF Board believes the organization has a responsibility to consider Environmental, Social, and Governance (ESG) issues, including taking climate change risks into account in our investment and funding policies. ATRF has an obligation to invest responsibly. We also consider ESG factors an important part of our focus on long-term investment value and sustainability.

With a growing focus on the risks and opportunities related to climate change, the ATRF Board has committed to developing an enhanced Responsible Investment (RI) policy that addresses climate change risk. We will report on our progress in next year's annual report.

## Information Security

ATRF is committed to protecting our information assets, including plan member information, so the board has set data security as one of ATRF's top priorities. We have implemented an information security framework and multiple layers of technologies that can predict, prevent, detect, and respond to information security events.

Last year's work in this area included numerous projects, improvements, continual reviews, and testing. This included the definition and architecture of a solution for mobile device management to secure our hybrid workplace, enhanced internal password security, and enhanced password security for the My*Pension* online member portal.

## Whistleblower Disclosures

In compliance with Whistleblower legislation, ATRF has an established policy and program which provides all employees with the ability to confidentially report any failure to comply with our Code of Conduct. In 2022-23, there were no disclosures received.

# PLAN FUNDING

The ATRF Board has established a funding policy that provides a framework for the sound financial management of the plans. The overall objective is the sustainability of the plans – to ensure the plans will be able to pay the pensions earned by members today and over the long term at a cost and risk acceptable to the plan sponsors.

*"Thank you so much for making me feel secure about my future and for always being there for me. I'm proud to have one of the best pensions in the country because of all that you do."*

**Quote from the 2023 ATRF member survey**

## Plan Funding Status

*The Teachers' Pension Plan is fully funded this year for the first time in its history: 101% funded ratio as at Aug. 31, 2023. The Private School Teachers' Pension Plan remains fully funded with a funded ratio of 109%.*

### PLAN STRUCTURE AND FUNDING

www.atrf.com/A23Funding

The Teachers' Pension Plan and the Private School Teachers' Pension Plan have three unique funding arrangements and liability structures:

| | |
|---|---|
| **Teachers' Pension Plan Pre-1992** | In 2007, the Government of Alberta (GoA) and the ATA agreed that government would be responsible for liabilities associated with pensions for the period of service before September 1992. |
| **Teachers' Pension Plan Post-1992** | The cost of pension benefits earned for service after August 1992 is shared between active plan members and the GoA. Funding deficiencies under the plan are amortized by additional contributions from active members and the GoA over a maximum 15-year period. |
| **Private School Teachers' Pension Plan** | In 1995, legislation established a separate plan for private school teachers. The funding of this plan mirrors the post-1992 portion of the Teachers' Pension Plan, except the cost is shared between teachers and employers (private schools) instead of the GoA. |

ATRF regularly conducts actuarial funding studies to assess the value of the plans' liabilities compared to their assets and to ensure adequate funding. An actuarial valuation is a report on the health of the plans.

The plans' funding is calculated using actuarial assumptions and methods. The funding assumptions include margins (or cushions) to buffer against unfavourable results in the rate of returns or other factors affecting the plans. The margin is one of the important risk management tools to help achieve our funding objectives of contribution stability and benefits being fully funded. Both plans have healthy margins built in at this time.

The funding valuation uses another tool to achieve our funding objectives. It's an actuarially accepted practice of smoothing fund returns over a five-year period to even out the impact of the volatility of market returns on the plan's funded status and contribution rates, acting as a powerful risk management lever. This practice produces a funding value of assets that can be higher or lower than the market value in any given year. The difference between the market value of assets and the funding value of assets is referred to as the fluctuation reserve.

The funded status of the plans, based on the most recent actuarial valuation as at August 31, 2023, is:

### Teachers' Pension Plan Post-1992 Period
*$ Millions*

| | |
|---|---|
| Market Value of Assets | 22,755 |
| Fluctuation Reserve | 743 |
| Funding Value of Assets | 23,498 |
| Funding Liabilities | 23,237 |
| Funding Surplus (Deficit) | 261 |
| Funded Ratio | 101% |

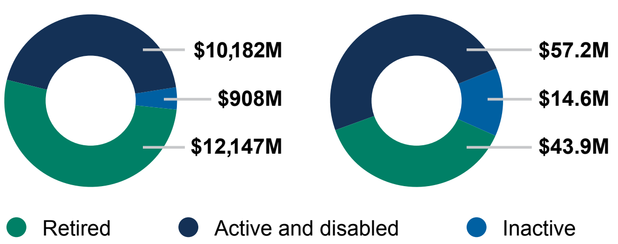
### Private School Teachers' Pension Plan
*$ Millions*

| | |
|---|---|
| Market Value of Assets | 122.4 |
| Fluctuation Reserve | 4.0 |
| Funding Value of Assets | 126.4 |
| Funding Liabilities | 115.7 |
| Funding Surplus (Deficit) | 10.7 |
| Funded Ratio | 109% |

### Actuarial Liabilities

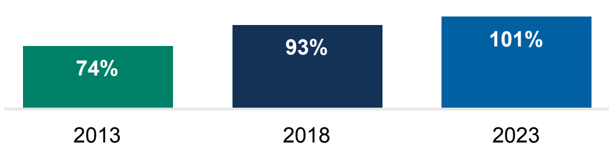
**Teachers' Pension Plan**

**Private School Teachers' Pension Plan**




## Funded Ratio

### Teachers' Pension Plan




### Private School Teachers' Pension Plan


# Contribution Rates

www.atrf.com/A23Contributions

With the elimination of the deficit for the Teachers' Pension Plan and strong plans' funded status, along with robust risk management levers in place such as healthy margins, we are pleased to announce that contribution rates will be reduced, effective September 1, 2024.

**Total Contribution Rate**
*% of pensionable salary*

### Teachers' Pension Plan Contribution Rates

| | Current Rates | Sept 1, 2024 |
|---|---|---|
| Total Teachers' Contribution | 10.32 | 9.29 |
| Total Government Contribution | 9.89 | 8.92 |

### Private School Teachers' Pension Plan Contribution Rates

| | Current Rates | Sept 1, 2024 |
|---|---|---|
| Total Teachers' Contribution | 9.95 | 9.45 |
| Total Employer Contribution | 9.51 | 9.01 |

Total teachers' contribution rates are calculated using one rate for pensionable salary below the Year's Maximum Pensionable Earnings (YMPE), and a different rate for salary above YMPE, similar to the pension formula. YMPE is a threshold used in the Canada Pension Plan and is $68,500 in 2024.

### Contribution Rates
*% of pensionable salary (effective September 1, 2024)*

| | Teachers' Pension Plan | Private School Teachers' Pension Plan |
|---|---|---|
| Teacher Contribution Rates up to YMPE | 8.24 | 8.25 |
| Teacher Contribution Rates Above YMPE | 11.76 | 11.79 |


# INVESTMENTS

*"As a senior I will be forever grateful for my pension and the intelligence and integrity of those who continue to preserve and strengthen the pension plan. Thank you."*

**Quote from the 2023 ATRF member survey**

# VP, Funding & Investments Message

**Gary Smith**
VP, Funding & Investments

## THE FISCAL YEAR IN BRIEF

Through the year, ATRF's total portfolio generated a modest positive return of 4.4%. All of ATRF's asset categories, apart from Real Estate, generated positive returns for the year. While that total return is modest, it represents an improvement from the prior year's -1.8%.

The portfolio return followed general market results for the fiscal year. Markets were much improved from the prior grim year. Public equity markets generated positive returns. Fixed income markets were not in freefall as in the prior year but were weak. The table below provides key market indices' total returns for the fiscal year.

### Total Returns for Select Public Equity and Fixed Income Markets

*31-Aug-2022 to 31-Aug-2023*

| Public Equities | |
|---|---|
| S&P/TSX Canada Composite | 8.5% |
| MSCI World in Canadian Dollars | 19.4% |

| Canadian Fixed Income | |
|---|---|
| FTSE TMX Canada Universe Overall | 0.8% |
| FTSE TMX Canada All-Govt Long Bonds | -1.7% |

While market results were better, the year was unusual. First, the strength in global equity markets was decidedly narrow: a handful of stocks were responsible for the bulk of the increase. Second, private market activity was notably subdued. Finally, with stubborn inflation rates keeping global central banks hiking rates, the war in Ukraine dragging into its second year, and the ever-increasing tension between the US and China, real economic activity remained surprisingly firm, particularly in the US. A year ago, one would have expected to see a notable recession by now, but that has not yet happened. Indeed, at the end of the fiscal year, as with a year ago, the debate was about when the US economy would finally gag on the elixir of higher interest rates.

While the ATRF portfolio earned a positive total return for the year, the fund's relative return for the year was, on its face, disappointing. The fund underperformed its benchmark by 4.1%. One must be careful in reacting to short-term relative performance numbers, whether good or bad. Much of the underperformance of the benchmark is due to Private Equity. While that asset class produced modest positive returns for the year, its benchmark is based on a public equity index, which rocketed higher over the year. Indeed, a similar dynamic, but running in the opposite direction, was responsible for the strong total fund outperformance discussed in last year's annual report.

While we are compelled to report one-year numbers, for a long-term investor like ATRF, there is much more noise than information in such brief time periods. Meaningful insights can only be gained from looking over a longer horizon. Over a 10-year period, ATRF's total fund has generated an annualized return of 8.1%. Over the same horizon, ATRF's total fund has outperformed its benchmark by 0.4%, net of all costs. These solid figures are key drivers behind the remarkable improvement in plan funded status seen in recent years. Indeed, at year-end, the Plans enjoy robust good health.

The year was also notable because it was the first full fiscal year of ATRF's new normal. Alberta Investment Management Corporation (AIMCo) has been responsible for all day-to-day decisions regarding ATRF's assets for the full year. ATRF remains responsible for setting the investment policy and monitoring the portfolio to ensure it is consistent with the policy. AIMCo and ATRF communicate regarding investment matters very frequently and this communication remains respectful and productive. Regarding investment policy development, ATRF began a thorough review of its investment policy and strategic asset allocation over the fiscal year. While the work was ongoing at fiscal year-end, in the upcoming fiscal year we expect to approve and begin to implement, with AIMCo's assistance, a new investment policy with a revised strategic asset allocation selected to set the conditions for ATRF's continued success in the years to come.

## Policy Drives Results

**Investment Risk Management**

Active Risk
**0-15% Impact**

Policy Risk
**70-90% Impact**

Allocation Risk
**5-15% Impact**

**Investment Strategy & Management**

Active Security Selection, Short-Term Allocation & Unknown
**9% Impact**

Long-term Target Asset Allocation
**91% Impact**

## Policy Asset Mix

www.atrf.com/A23Assets

*Policy as at Aug 31, 2023*

| TOTAL | 100% |
|---|---|
| **Return Enhancing** | **45%** |
| Global Equity | 35% |
| Private Equity | 10% |
| **Fixed Income** | **20%** |
| Universe Bonds | 9% |
| Long-term Bonds | 9% |
| Short Term | 2% |
| **Inflation Sensitive** | **25%** |
| Real Estate | 15% |
| Infrastructure | 10% |
| **Absolute Return** | **10%** |

## Rates of Return

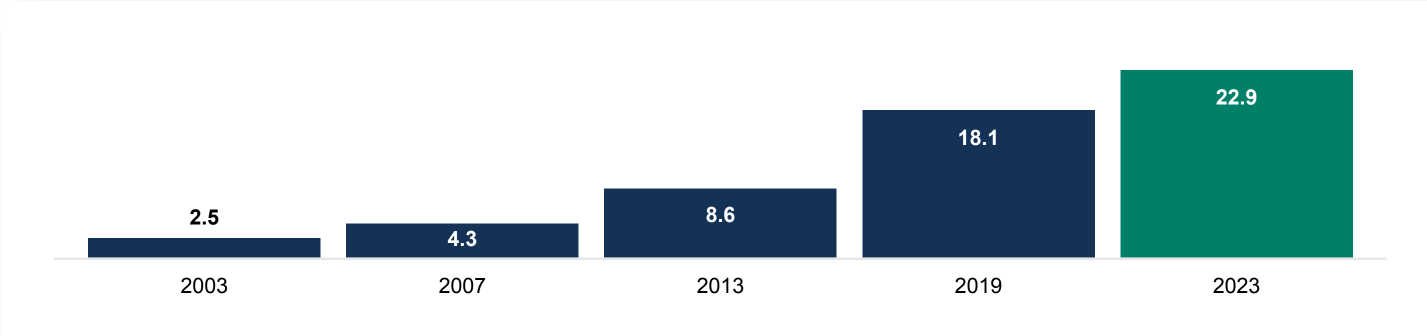
*Net of fees, as at August 31, 2023*

To evaluate the success of our investment strategies, we use a set of board-approved benchmarks as a comparison tool. The total fund benchmark return (4.39% for 2023) is calculated by aggregating the benchmark returns of each individual asset class and weighting them according to the fund's policy benchmark.

| | 1 Year (%) | | 4 Years (%) | | 10 Years (%) | |
|---|---|---|---|---|---|---|
| **Asset Class** | **ATRF** | **Benchmark** | **ATRF** | **Benchmark** | **ATRF** | **Benchmark** |
| **Fixed Income** | **0.06** | **-0.10** | **-2.77** | **-3.06** | **1.93** | **1.95** |
| Universe Bonds | 1.00 | 0.76 | -1.59 | -1.78 | 2.13 | 1.97 |
| Long-Term Bonds | -1.59 | -1.72 | -5.42 | -5.43 | 2.06 | 2.23 |
| Money Market | 4.44 | 4.22 | 1.65 | 1.51 | 1.09 | 1.13 |
| **Return Enhancing** | **10.95** | **16.99** | **10.23** | **10.20** | **11.10** | **10.97** |
| Global Equity | 13.03 | 13.40 | 7.79 | 8.90 | 8.92 | 9.87 |
| Private Equity | 7.12 | 24.51 | 17.09 | 12.35 | 19.25 | 14.00 |
| **Inflation Sensitive** | **-4.05** | **0.59** | **5.89** | **7.39** | **9.77** | **6.78** |
| Real Estate | -12.94 | -5.52 | 3.30 | 6.51 | 7.65 | 6.30 |
| Infrastructure | 8.61 | 8.65 | 9.44 | 8.39 | 13.54 | 7.45 |
| **Absolute Return** | **4.01** | **6.81** | **4.73** | **4.48** | **NA** | **NA** |
| **TOTAL PLAN** | **4.39** | **8.45** | **5.73** | **6.15** | **8.13** | **7.75** |

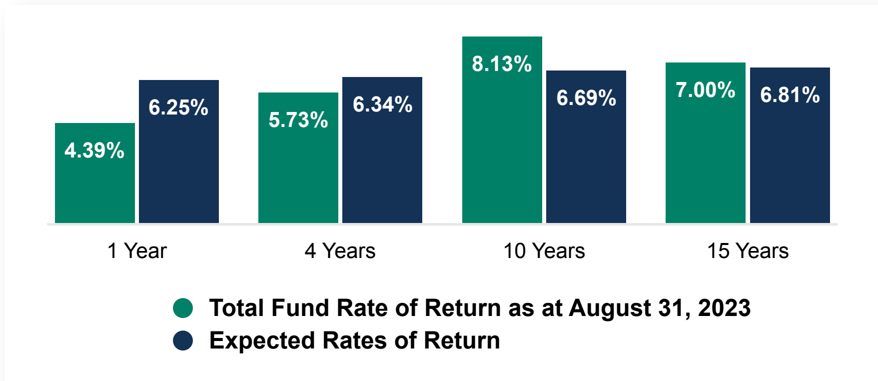
# Net Assets

*$ Billions*



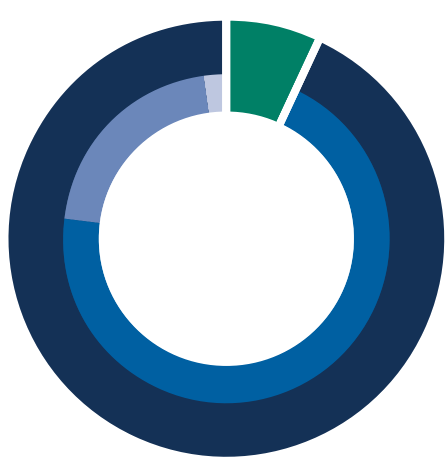

# Total Fund Rate of Return and Long-Term Funding Objectives

To remain well-funded and keep contribution rates affordable over the long term, our investment returns must at least equal the funding discount rate used in the funding valuation of the plans. We focus primarily on 15-year time periods, in part so we can minimize changes to contribution rates based on shorter-term investment results. We also monitor shorter-term results to ensure unexpected results do not negatively impact the plans.




# Investment Management Costs

***The net returns on ATRF's portfolio after costs drive the plans' continued health and stability, not costs alone. Costs are the only controllable portion of net returns, so we focus on achieving excellent value for the costs we incur.***



## Total ATRF Costs 2022/23

| | |
|---|---|
| **Investment Costs** | **$182.3M (or 79.8bps)** |
| AIMCo Investment Management | $136.2M |
| AIMCo Performance Fees | $41.3M |
| ATRF Expenses | $4.8M |
| **Member Services Costs** | **$12.6M (or 6bps)** |

*ATRF's total costs each year support the organization's operations in the areas of investment management and member service/governance.*

Total investment costs for 2022-23 were $182.3 million. However, it is important to consider costs in relation to the size of the investment portfolio. When the costs are measured as a percent of the average asset value for the year, it works out to 0.798% – or 79.8 basis points (bps). Deducting the investment management costs expressed in basis points from the total investment return gives the net return for the year and emphasizes the important relationship between investment management costs and results.

| | | AIMCo Costs | | | |
|---|---|---|---|---|---|
| | **Gross Fund Return** | **Investment Management** | **Performance Fees** | **ATRF Expenses** | **Net Fund Return** |
| Total Portfolio | 5.17% | 59.7 bps | 18.0 bps | 2.1 bps | 4.37% |

| **Investment Expenses** | **$Millions** | **Bps** |
|---|---|---|
| AIMCo Investment Management | 136.24 | 59.7 |
| AIMCo Performance Fees | 41.25 | 18.0 |
| **Subtotal** | **177.49** | **77.7** |
| ATRF Expenses | 4.77 | 2.1 |
| **Total** | **182.26** | **79.8** |

## EXTERNAL INVESTMENT EXPENSES

Alberta Investment Management Corporation (AIMCo) is now ATRF's sole investment manager, and the transition to this framework was completed in 2021/22. ATRF's external investment costs are derived from its sole investment manager (AIMCo).

Investment expenses can be classified as management expenses or performance fees. Management expenses are incurred through the day-to-day provision of investment management and related support services. Performance fees are expenses incurred where returns delivered by the manager exceed the specified targets.

### AIMCo Investment Expenses

AIMCo investment management costs have remained consistent with cost levels before the transition was completed – to date, there has been no material change in investment management costs since the transition. The decrease in performance fees is a result of weak performance of investments through to the end of December 2022.

ATRF will continue to evaluate external investment costs to determine if ATRF is receiving appropriate value for the costs incurred.

## ATRF INTERNAL INVESTMENT EXPENSES

ATRF's internal investment functions of strategy-setting, risk management, and investment oversight enable us, as trustees of the plans, to ensure the plans' assets are invested and managed in the best interests of our plans. ATRF strives to ensure these vital functions are sufficiently resourced in a cost-effective manner.

# MEMBER SERVICE

*"The people at the ATRF that I have interacted with have always been knowledgeable, professional, supportive, and understanding. Great group!"*

**Quote from the 2023 ATRF member survey**

# VP, Pension Services Message

As a pension manager, our *raison d'être* is to deliver our members a pension they can count on.

At ATRF, we take member service seriously. Our service purpose is to make a positive difference, to provide pension expertise and support focused on the unique needs of teachers. And in turn, by providing peace of mind with their pensions, we help teachers focus on what's most important: building and shaping strong future generations.

It is truly a pleasure to support teachers throughout their careers, from their first years as young professionals, to seasoned teachers planning for retirement, and of course during the retirement process itself. Even afterwards, during their post-retirement years, ATRF is here to provide the pension support teachers need.

We approach member service from the perspective of continual growth and relationship development, which means we consistently review our performance and the feedback we receive from members and employers to find areas where we can grow, whether that be the way we provide services or the services we offer.

This exchange of information and application of insights further strengthens our relationship with our stakeholders and contributes to consistently positive experiences for our members, employers, and staff.

This past year we received very helpful feedback through our comprehensive member survey. I would like to personally thank our members for taking the time to share their input with us. Not only did members provide us with incredible insights, but their honesty and integrity showed up in the multitude of comments we received. Thank you for freely sharing your feedback, stories, and support. You can read more about the member survey results on our website.

I am very pleased to report that 89% of our members were satisfied or very satisfied with the services provided by our team at ATRF. That is a great indication of the strong connection we have with members, and we will continue to check in with them regularly and use that feedback to make informed decisions about our services.

Enhancements we've made this past year are examples of this, such as simplifying the pension application, introducing a new secure document upload feature on My*Pension*, and now paying individual cash lump sums by electronic transfers instead of cheques. Information about these enhancements can be found on page 20.

Once again, thank you for providing your feedback this year and counting on ATRF to deliver your well-deserved pension. I am grateful for another great year and looking forward to the next!

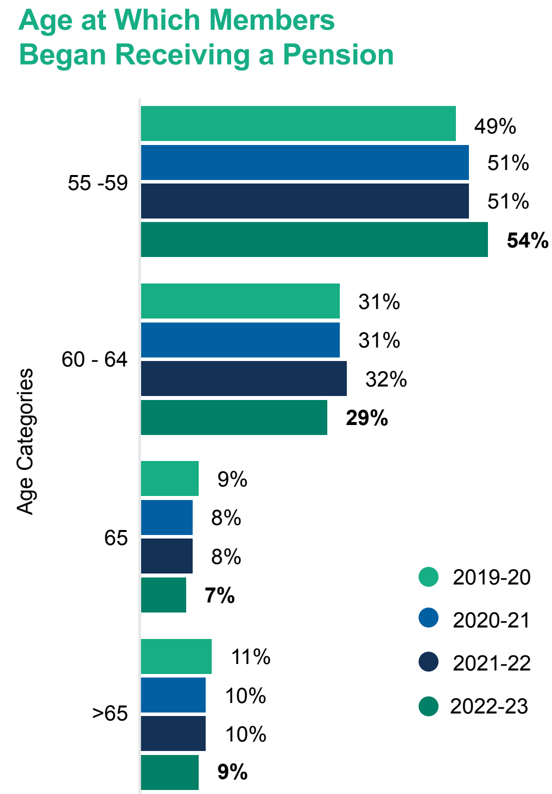
**Julie Joyal**
VP, Pension Services

# Dedicated to Serving our Plan Members

**86,579** **Plan Members* in 2023**

- **Active Members** 42,617 (49%)
- **Retired Members** 31,839 (37%)
- **Inactive Members** 12,123 (14%)

**Of which 914 are members of the PSTPP.*




## MEETING MEMBERS' NEEDS WITH QUALITY SERVICE

There are many facets to providing excellent service to plan members, including continually seeking to exceed our service benchmarks (which we do regularly), but also ensuring that you feel welcome in your plan. We strive to be knowledgeable and approachable while continuing to evolve our service offerings.

This past year we implemented several exciting improvements, some in My*Pension*, ATRF's secure member portal, including the addition of a new document upload feature. This means members can directly send us documents and images securely while they are in My*Pension*, instead of needing to use traditional mail.

In terms of the retirement process, we streamlined the pension application form, combining it with the Pension Partner Status Declaration form. We also no longer require members to have this type of form signed by a Commissioner for Oaths or Notary Public.

This year, ATRF also implemented a change to how we process lump sum payments for termination benefits paid to members. Previously, lump sum payments could only be paid through cheque, but we understand this option is not convenient and as timely for most members, so we are now pleased to offer electronic fund transfer (EFT) payments.

The return of in-person Teachers' Conventions provided an opportunity to evolve our member outreach; instead of meeting with a limited number of teachers for a pre-booked interview, you can now find us at an information booth. This new approach allowed us to engage with almost 1,500 members, more than twice the number we would have reached using individual interviews. We also delivered webinars and presentations throughout the year for plan members, ranging from broader topics like Your Pension Essentials, to more specific topics geared toward targeted audiences such as new teachers and substitute teachers. Overall, we delivered 39 presentations to over 2,050 members. The evolution of our member offerings is an important part of our member education and outreach program.

## ONLINE SERVICES

| | 2022-23 | Overall increase from 2021-22 |
|---|---|---|
| Pension Estimates | 99,632 | +13% |
| Total Estimates | 109,697 | +12% |
| Pension Applications | 749 | +3% |
| Total Online Applications | 1,438 | +0.5% |

*More than 62% of members are now registered for MyPension, and more than 68% (compared to 64% last year) of the 1,096 members who started receiving their pension in 2022-2023 applied for it online.*

## PROJECT LANTERN

www.atrf.com/A23Lantern

ATRF is engaged in a multi-year modernization initiative called Project Lantern. This initiative is about assessing and modernizing how we deliver services to our members and employers for years to come.

The work of Project Lantern will enable ATRF to connect with members using a variety of modern channels, and to proactively meet their unique needs. An enhanced experience for members, employers, and ATRF staff is at the heart of this work.

While there are four main tools that will be included in Project Lantern modernization, ATRF is currently working on two: A new web-based employer portal, and a new pension administration system to replace the current one.

## MEMBER FEEDBACK

www.atrf.com/A23Feedback

In May 2023, ATRF sent an in-depth survey to over 67,000 members asking for feedback about their experience with ATRF. We want to understand what our members need at each stage of their careers so that we can provide them with information and service tailored to their personal situations.

As mentioned in other parts of this report, we are pleased to report that 89% of members indicated that they were satisfied or very satisfied with the services provided by ATRF. More information on the survey results and how this invaluable feedback is used to guide our action planning is posted on our website.

Member feedback is crucial to ATRF continuing to enhance and evolve the services we offer members, how we communicate, and even how we innovate.

Thank you again to the over 10,000 members who participated in the survey. We appreciate your time, feedback, and your excellent ideas.

***We are very pleased to report positive results, including 9-in-10 members who rate the service they receive when they contact ATRF as good or excellent.***

*"Again, thanks so much for the incredible work that you do, particularly given the turbulence of the past few years. You are superheroes, and we appreciate you!"*

Quote from the 2023 ATRF member survey

# Working with Employers

**100** Employers

- **63** Schools Jurisdictions
- **19** Charter Schools
- **13** Private Schools
- **5** ATA Locals

The teachers' pension plans have reached an important milestone: there are now 100 participating employers! These employers are composed of a mix of ATA locals and school boards, including private, charter, and public schools. We are happy to welcome two new charter schools effective September 1, 2023. This makes a total of 19 charter schools for the 2023-24 school year and 100 employers participating in the plans.

## EMPLOYER PORTAL

As part of Project Lantern, ATRF is developing a new web-based employer portal, which will significantly improve the functionality, accessibility, and stability of the tool. More information about the employer portal will be shared as the project progresses.

# Member Service Costs

**Total ATRF Costs**

- **Member Service**
  **$12.6M or 6bps**
- **Investment Management**
  **$182.3M or 79.8bps**

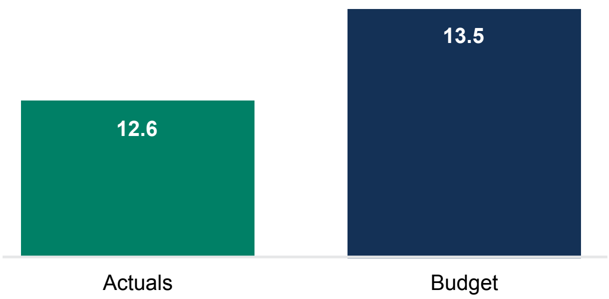
Delivering on our mandate and service commitments requires expending resources on oversight and governance activities as trustees of the plans, asset and benefit administration, and foundational strategic initiatives that will support the continued evolution of ATRF's services and governance activities. Governance of the pension-related aspects of the plans includes compliance and regulatory management and management of funding and contributions, often in concert with actuarial consultants, to ensure the long-term health of the plans.

Governance also includes extensive financial planning and pension market research that best guides corporate strategy to serve the plans' members and stakeholders. Effective plan governance is a critical prerequisite to plan sustainability – the ultimate objective of ATRF and all stakeholders. All of these costs are included in the member service costs.

In addition to governance responsibilities, ATRF oversees all operational aspects of the teachers' pension plans, including services provided to active and inactive members, retired members, and employers. These services include communications, information management, benefit calculations and disbursements, member education, and support.

ATRF continuously adapts and streamlines plan administration to ensure we provide exceptional value for the dollars spent while securing and supporting robust operations to manage risks, such as protecting member information.

**ATRF Member Services**
**2022-23 Actual Expenses vs Budget**
*$ Millions*




*Each year, the ATRF Board approves a corporate budget to support operations and business plan initiatives. In 2022-23, ATRF successfully achieved its objectives while spending 6.9% less than the approved budget.*

> *"I think you do a great job of communicating with members. Keep up the good work!"*

**Quote from the 2023 ATRF member survey**

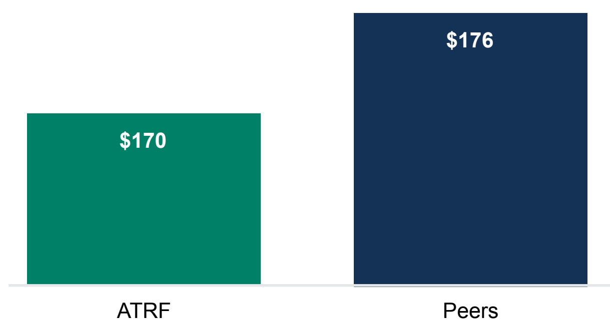
## COST PER MEMBER

ATRF has effective cost controls and cost management in place. However, our absolute costs did rise last year as the organization continued to evolve and make required investments in our operations and service delivery, and continued to make progress on our modernization initiative, Project Lantern.

ATRF's 2022-23 Member Service costs were $170 per active and retired member and remain below our peers' average of $176.

As Project Lantern continues, we expect to further invest in our operations to ensure we continue to provide secure, dependable delivery of benefits and the level of service our stakeholders expect. While we anticipate some further increases in costs due to our modernization efforts, we are projecting most costs to be applicable for a defined period only. Over the long term, we expect ATRF to continue to have a value-driven cost profile.

**Cost Per Member**




*Historically, ATRF has provided services at a lower cost in comparison to similar organizations, and that trend continued in the 2023 fiscal year*

# BOARD REMUNERATION

ATRF provides board members with an honorarium to compensate them for the experience, expertise, and time they commit to the board role on behalf of our members and sponsors.

Board members are also compensated for the extra work involved in chairing committees, and for their attendance at these important committee meetings.

*"I am SO pleased to be part of an organization which takes care of its members, provides clear information, stays current with innovative practices and includes us in its development!"*

**Quote from the 2023 ATRF member survey**

The *Teachers' Pension Plans Act* states that remuneration cannot be paid to board members who work for an employer covered by the plans, the GoA, or the ATA. If this applies to a board member, their employer is reimbursed for any time spent away from their work fulfilling their ATRF Board duties.

To ensure fair and appropriate compensation, ATRF periodically asks an external consultant to review remuneration for board members and assist in establishing levels of remuneration. This review is based on a compensation survey that includes similar Canadian public-sector pension organizations.

The table to the right includes the compensation amounts for 2022-23 for various board activities and roles.

| | 2022-23 ($) |
|---|---|
| Board Chair Retainer | 25,000 |
| Board Member Retainer | 15,000 |
| Committee Chair Retainer | 4,000 |
| Fee per Board or Committee Meeting (in excess of 4 hours) | 1,200 |
| Fee per Board or Committee Meeting (less than 4 hours) | 800 |

Board members are also reimbursed for reasonable expenses for travel, meals, and accommodation, as required to perform their duties.

# ATRF Board Meeting Attendance and Remuneration

The specific honorarium payments to each board member are in the table below.

| Board Member | Board Meetings | Committee Meetings | Other (orientation, education, other meetings) | 2022-23 Total Remuneration ($)[4] |
|---|---|---|---|---|
| Sandra Johnston<br>• Board Chair | 7 | 21 | 2 | **57,800**[5] |
| Greg Francis<br>• Human Resources & Compensation Committee Chair | 6 | 16 | 2 | **41,429** |
| Paul Haggis<br>• Governance Committee Chair | 7 | 14 | 2 | **38,564**[6] |
| Maria Holowinsky<br>• Investment Committee Chair | 7 | 12 | 2 | **43,000**[7] |
| Brad Langdale[1] | 7 | 12 | 2 | - |
| Alexandria Matos[1] | 7 | 8 | 2 | - |
| Rafi G. Tahmazian[2] | 1 | - | - | **7,400** |
| Chioma Ufodike[3] | 2 | 3 | 4 | **14,576** |
| Tim Wiles<br>• Audit and Finance Committee Chair | 7 | 16 | 2 | **47,000**[7] |
| **Total** | **7** | **21** | **6** | **249,769** |

[1] In accordance with legislation, no cash remuneration is paid to these members as they work for an employer or employer contributor. Employers are reimbursed for time spent by these board members. In 2022-23, the amount reimbursed was $54,306.68 in total.

[2] Appointment ended December 31, 2022.

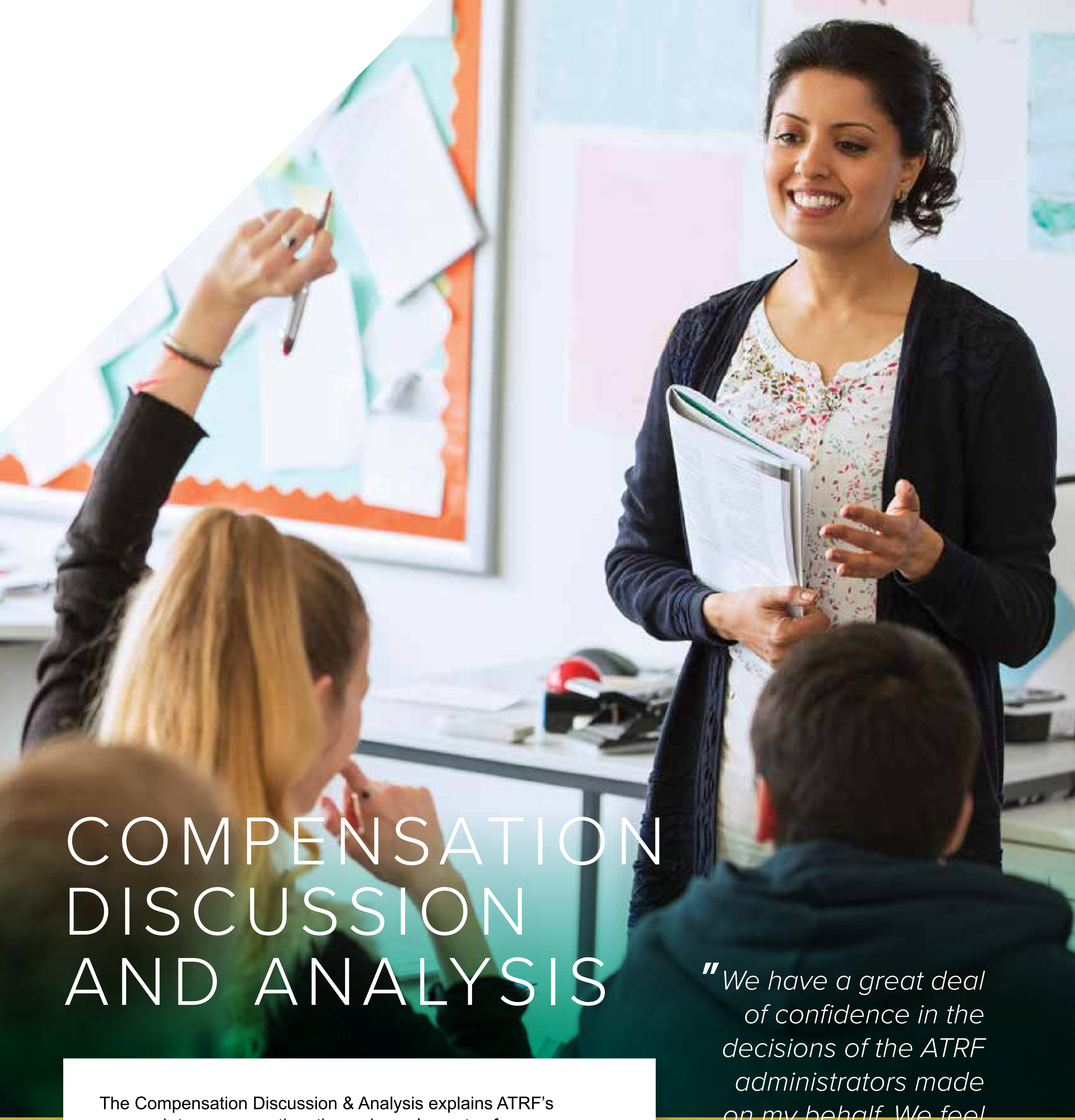
[3] Appointment effective March 14, 2023.

[4] Totals exclude *ex officio* and guest attendance.

[5] Pursuant to the ATRF Board remuneration policy, $5,600 was paid for time spent as a member of the special committee that conducted a board evaluation.

[6] Pursuant to the ATRF Board remuneration policy, $4,800 was paid for time spent as a member of the special committee that conducted a board evaluation and $3,600 was paid for time spent as a Board Advisor.

[7] Pursuant to the ATRF Board remuneration policy, each board member was paid $1,600 for time spent as a member of the special committee involved in an asset liability management (ALM) study.



# COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Discussion & Analysis explains ATRF's approach to compensation, the various elements of our pay programs, and the remuneration paid to our executives.

*"We have a great deal of confidence in the decisions of the ATRF administrators made on my behalf. We feel that our pensions are in good hands. Thank you."*

**Quote from the 2023 ATRF member survey**

# Human Resources and Compensation Committee

The Human Resources and Compensation Committee ("HRCC") assists the board in fulfilling its oversight responsibilities in relation to human resources and compensation matters. With this regular oversight and good governance, the HRCC ensures continued alignment with our peer group and competitive market practices, integration with the business strategy and the plans' best interests, and compliance with applicable compensation regulations.

The HRCC is made up of four board members and the Committee met eight times during the 2022-23 fiscal year. In-camera sessions are held at the beginning and end of each meeting, without management present.

In 2022-23 the HRCC's key responsibilities included:

- Recommending performance results of the Chief Executive Officer and executives to the board for approval;
- Reviewing human resource and compensation aspects of the business plan;
- Ensuring that the enterprise risk management framework appropriately considers human resource and compensation risks;
- Ensuring emergency succession plans are in place for the Chief Executive Officer and key executive positions;
- Completing the wind-up of ATRF's previous incentive programs due to compensation regulations and other legislated changes to the organization;
- Overseeing ATRF's response to emerging changes to compensation regulations; and
- Steering ATRF's development of a new annual incentive plan as permitted under the Ministerial Order issued in November 2022.

# Future Focus

ATRF will need to focus on the following HR and compensation-related items during 2023-2024:

- Continuing consultation with the Provincial Bargaining and Compensation Office to understand how and when new compensation legislation will apply to ATRF; and
- Succession planning and talent management of critical staff, including those required to lead the organization.

# ATRF's Total Rewards Philosophy

ATRF's reward programs are designed and delivered to:

- Foster a culture of performance, engagement, and continuous growth
- Support our diverse workforce and thrive in our changing environment
- Align with the market within defined parameters
- Support employee wellbeing
- Enable transparency and communication

Within the parameters of applicable compensation regulations and directives, our approach to executive compensation has remained consistent with our long-established program objectives, to:

- Reward executives in a competitive market context to attract and retain high-quality professionals, while ensuring affordability and reasonableness.
- Focus the Executive Leadership Team on achieving critical goals in the strategic plan that include both quantitative and qualitative measures of success.
- Align interests of the Executive Leadership Team with the best interests of the plans by encouraging and rewarding performance that preserves and protect beneficiaries' benefits.
- Ensure total compensation reflects the shared efforts of the Executive Leadership Team by rewarding for a culture of teamwork and collegiality throughout the organization.

## Managing Risk

We consider the implications of risks associated with our compensation policies and practices to ensure they do not incent behaviours that are misaligned with ATRF's risk appetite. Compensation risk is managed by:

- Ensuring HRCC's independence from management, and retaining an external compensation advisor;
- Working within an enterprise-wide risk management framework and a robust code of conduct;
- Establishing appropriate performance measures that are challenging, but achievable;
- Setting individual and team accountabilities for achieving objectives;
- Setting threshold levels of performance for the annual incentive plan and paying incentive only when threshold performance is achieved; and
- Capping incentive pay.

## Comparator Groups Used to Set Competitive Pay

For the roles where compensation is disclosed, compensation is benchmarked against other Canadian pension funds with assets under management below $60B and a focus on external management where possible, and a blend of public and private sector organizations.

## Compensation Elements

Below is a summary of the type, nature, and purpose of each element of our compensation program.

### BASE SALARY

Base salaries are intended to be competitive with the market and are typically reviewed by the HRCC annually at the end of each fiscal year. Salaries are set based on an individual's primary duties and responsibilities, with consideration given to ATRF's market comparators.

### SHORT TERM INCENTIVE PLAN (STIP)

*New Program effective September 1, 2022 and will be renamed to Annual Incentive Plan (AIP) effective September 1, 2023.*

The STIP is an annual incentive plan designed to attract, retain, and motivate high-quality people, and to provide competitive, performance-based opportunities based on market practices and ATRF's business strategy. Corporate performance measures, targets, and weightings are approved annually by the HRCC. Corporate, team, and individual objectives are established at the beginning of the year, and actual performance is evaluated at the end of the year.

Each participant's incentive payment is calculated based on a percentage of eligible salary. Based on actual performance against pre-approved objectives, payouts could range from zero to 1.5 times the target incentive amount.

### PENSION AND BENEFITS

ATRF provides a competitive benefits program that includes pension benefits, health and dental benefits, life insurance, illness and long-term disability coverage, and professional development support and memberships. All ATRF staff participate in the Local Authorities Pension Plan and, where earnings are in excess of the pensionable salary maximum permitted under the federal *Income Tax Act*, an unregistered, unfunded Supplementary Employee Pension Plan (SEPP) provides for a pension equal to the pension formula under the LAPP, with no cap applied to pensionable salary, less the initial pension provided under the LAPP. Participation in the SEPP is limited to the CEO and Vice Presidents.

# 2022-23 Performance and its Impact on Compensation Levels

For the 2022-23 year, incentive was paid based on performance achieved relative to critical corporate strategic and team operational objectives.

The overall ATRF Scorecard results were above target, reflecting a year of solid performance in executing on our mandate and delivering exceptional value to our members, employers, sponsors, and stakeholders.

ATRF's Scorecard included corporate objectives for 2022-23 and reflected strategic directions for the organization. The objectives included:

- **Developing and maintaining effective funding and strategic investment management through appropriate investment and funding policy development and investment management oversight.**

  The average funded ratio over the past four years, relative to expectations while remaining within the contribution rate limits defined in our funding policy is 98.25%, an increase from last year's result of 97.59%. Contributing to that outcome, our total portfolio generated a modest positive return of 4.4% over the year, which was an improvement from the prior year's -1.8% return. The most important time horizon for a pension fund, however, is the long term. Over a 10-year period, ATRF's total fund has generated an annualized return of 8.1%.

  This year ATRF began developing revised policies that establish ATRF's funding and investment framework and strategy that best supports the sustained health of the plans. Alongside this strategic policy work, ATRF focused on enhancing our pension risk expertise, and engaging in ongoing constructive dialogue with AIMCo to ensure that ATRF's needs are appropriately met.

- **Embracing innovation to evolve and further optimize how we provide information and services to our members.**

  ATRF met or exceeded nearly all targets for member satisfaction, cost-per-member, and service levels, while making important progress on Project Lantern, which is a critical review and modernization of benefit administration and delivery systems and processes. This included commencing work on a new employer portal, and going to market to source a pension administration system vendor that will work with ATRF to replace its legacy system.

- **Positioning ATRF to inform the decision-making processes of our many stakeholders through proactive analysis, research, and information sharing.**

  ATRF provided comprehensive analysis and recommendations to the plan sponsors regarding surplus management, and the sponsors agreed to a resolution that will further enhance ATRF's ability to manage funding risks and ensure the long-term sustainability of our plans. ATRF continued to collaborate strategically with industry peers on mutual priorities and shared interests.

- **As ATRF continues to respond to significant changes in the strategic environment, we need to evolve and adapt how we operate, manage, and govern.**

  This year ATRF focused on advancing our enterprise risk management and business continuity programs, executing on our talent strategy priorities, managing technology risk, and enhancing our systems, including cybersecurity practices and protections.

*"Their annual Member Report is so very well done and is full of facts and useful information. It keeps me up to date on where our plan is and issues relevant to the ongoing running of the plan. Thank you."*

**Quote from the 2023 ATRF member survey**

# Compensation of the Chief Executive Officer

ATRF's HRCC worked with the CEO to create a set of goals and key deliverables for the CEO during the 2022-23 fiscal year. The ATRF Board measured the CEO's performance against those goals and deliverables, and assessed his performance as above target.

Ministerial Order No. 32/2022 sets a limit on total compensation for ATRF's CEO that is inclusive of salary, actual incentive payouts, employer contributions to retirement savings and benefits, and the cash value of any perquisites. The ATRF Board has the discretion to determine the appropriate short-term incentive payment for the CEO based on performance outcomes within the limit set by the Ministerial Order. The CEO received the following incentive payment related to his performance:

*$ dollars, audited*

| | 2022-23 | | 2021-22* | |
|---|---|---|---|---|
| **Performance Measure** | **Weight** | **Payout** | **Weight** | **Payout** |
| ATRF Scorecard Objectives | 50% | $14,476 | 30% | $134,085 |
| Individual Objectives | 50% | 14,784 | 35% | 168,000 |
| **TOTAL PAYOUT** | | **$29,260** | | **$302,085** |

# Compensation

*$ dollars, audited*

| Compensation Element | 2022-23 Compensation | 2021-22 Compensation* |
|---|---|---|
| Base Salary | $350,000 | $350,000 |
| Short-term Incentive | 29,260 | 302,085 |
| Long-term Incentive | n/a | 462,875 |
| **TOTAL DIRECT COMPENSATION** | **$379,260** | **$1,114,960** |

*ATRF's previous Short-Term and Long-Term Incentive plans were ended as of August 31, 2022 in order to comply with provincial government compensation regulations.

# Total Compensation Summary

The table below represents disclosure of salary, incentive payments, and all other compensation earned for the years ended August 31, 2023 and 2022 by ATRF's Executive Leadership Team members.

*$ dollars, audited*

| Name and Position | Salary[1] | Short-Term Incentive Plan (STIP) | All Other Compensation[2] | Total Compensation 2023[5] | Total Compensation 2022* |
|---|---|---|---|---|---|
| **Rod Matheson**<br>Chief Executive Officer | $350,000 | $29,260 | $99,252 | $478,512 | $1,901,743 |
| **Tina Antony**[3]<br>Vice President, General Counsel & Corporate Secretary | 111,859 | 25,000 | 261,629 | 398,488 | 655,507 |
| **Marcie Chisholm**<br>Vice President, People & Culture | 204,750 | 50,266 | 42,302 | 297,318 | 507,479 |
| **Alwyn Christian**[4]<br>Vice President, Information & Technology Services | 188,731 | 46,333 | 48,678 | 283,742 | – |
| **Julie Joyal**<br>Vice President, Pension Services | 240,000 | 73,050 | 43,737 | 356,787 | 496,204 |
| **Myles Norton**<br>Vice President, Finance | 235,000 | 55,343 | 66,872 | 357,215 | 602,924 |
| **Gary Smith**<br>Vice President, Funding & Investments | 270,000 | 79,481 | 61,299 | 410,780 | 1,074,635 |

1 Salary paid during the fiscal year.

2 All other compensation consists of ATRF's share of all employee benefits, contributions or payments made on behalf of employees, supplemental pension plan current service accrual, health plan coverage, statutory contributions, vacation payouts including vacation payouts upon termination, and pay in lieu of notice for terminated employees.

3 Position was abolished due to the legislated transfer of asset management to AIMCo.

4 Employment commenced February 2013. Mr. Christian was promoted to the VP role September 2022. The position was vacant in 2021-2022.

5 Total compensation for the ATRF CEO is calculated differently for financial disclosure than Ministerial Order No. 32/2022.

* ATRF's previous Short-Term and Long-Term Incentive plans were ended as of August 31, 2022 in order to comply with provincial government compensation regulations.

# External Consultants

The HRCC is supported by independent, external human resources and compensation consultants that are retained by, and report directly to, the HRCC. During the 2022-23 fiscal year, Hugessen Consulting was the HRCC's independent advisor.

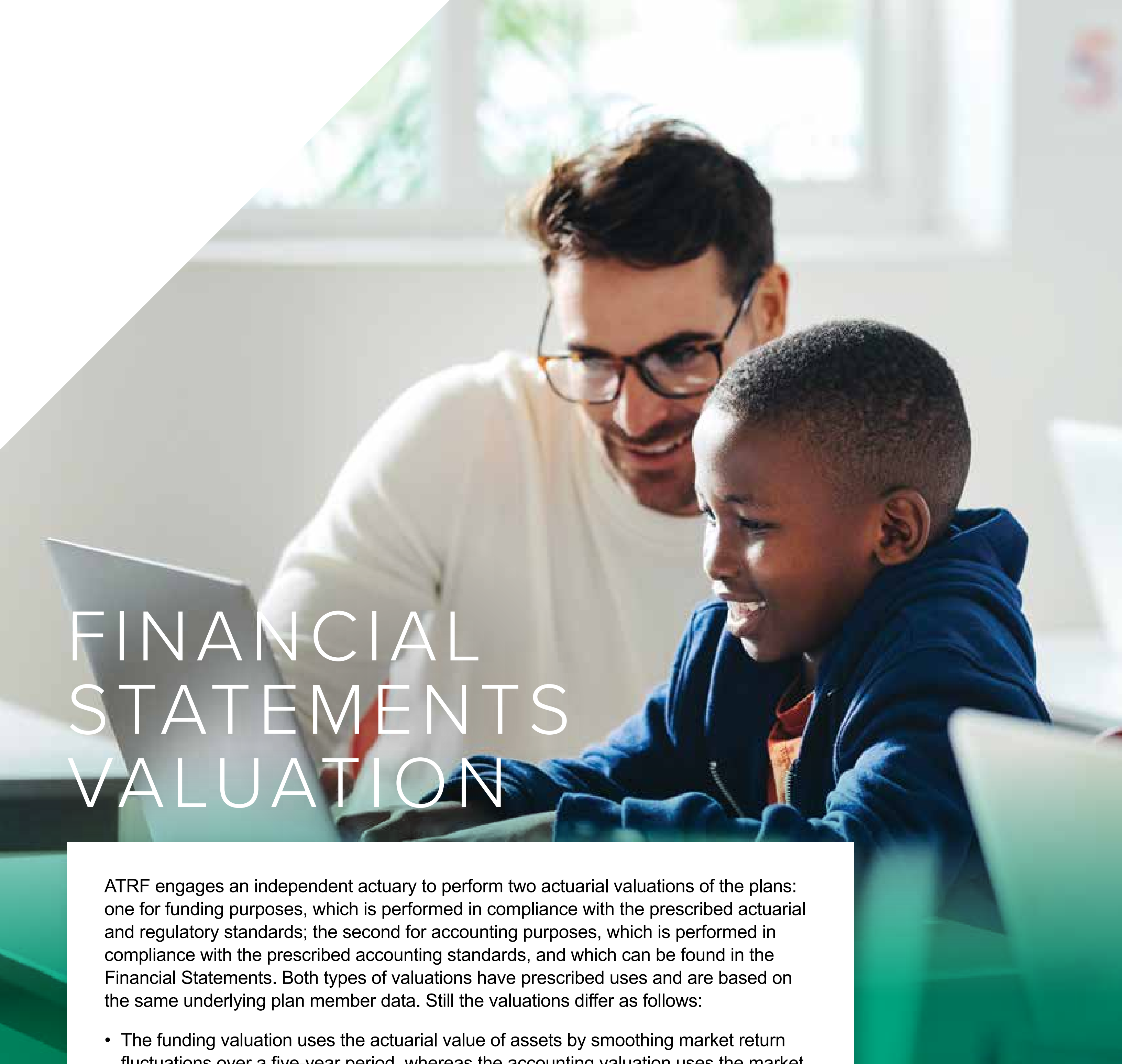
The HRCC reviews all fees, and the terms of consulting services provided by Hugessen; and, when making decisions, takes an independent view of all factors taking into consideration more than the information and recommendations provided by its compensation consultant or management.

The following table outlines the fees paid to Hugessen for the periods noted:

### Executive Compensation-Related Fees

*$ dollars, audited*

| Advisor | 2022-23 | 2021-22 |
|---|---|---|
| Hugessen Consulting | $37,981 | $37,229 |



# FINANCIAL STATEMENTS VALUATION

ATRF engages an independent actuary to perform two actuarial valuations of the plans: one for funding purposes, which is performed in compliance with the prescribed actuarial and regulatory standards; the second for accounting purposes, which is performed in compliance with the prescribed accounting standards, and which can be found in the Financial Statements. Both types of valuations have prescribed uses and are based on the same underlying plan member data. Still the valuations differ as follows:

- The funding valuation uses the actuarial value of assets by smoothing market return fluctuations over a five-year period, whereas the accounting valuation uses the market value of assets.
- The funding valuation uses a margin for adverse deviation in the pension obligations and current service cost for increased security and stability, whereas the accounting valuation doesn't include a margin.

**Accordingly, the asset and liability amounts in the Financial Statements, and related financial status (deficit or surplus) differ from those in the funding valuation.**

# Audited Financial Statements

# Management's Responsibility for Financial Reporting

The financial statements of the Alberta Teachers' Retirement Fund Board and all information in the Annual Report are the responsibility of management and have been approved by the Board. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration to materiality. Financial and operating data presented in the Annual Report, where applicable, is consistent with the financial statements.

For the integrity of financial information included in this Annual Report, management relies on the organization's system of internal controls and supporting procedures. This system has been established to ensure within reasonable limits that assets are safeguarded, transactions are executed in accordance with management's authorization, and accounting records are properly maintained. Controls include high-quality standards for hiring and training employees, an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines throughout the organization.

Ultimate responsibility for the financial statements rests with the Board, which is assisted in its responsibilities by the staff and the Audit and Finance Committee. The Alberta Teachers' Retirement Fund Board's external auditor, the Auditor General, has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as he considers necessary to express the opinion in his report. The Auditor General has full, unrestricted access to discuss the audit and related findings regarding the integrity of financial reporting, and the adequacy of internal control systems.

[Original Signed by Rod Matheson]

**Rod Matheson,** CPA, CMA, CFA, ICD.D
Chief Executive Officer

[Original Signed by Myles Norton]

**Myles Norton,** CPA, CMA, CFA
Vice President, Finance

# Internal Controls Over Financial Reporting

ATRF business plans include action plans to enhance governance and management of internal control processes and systems. This is aimed to provide an appropriate level of due diligence and assurance in our internal controls, financial operations, reporting and information systems.

ATRF is not required by law or regulation to perform this annual evaluation. We have chosen to perform this evaluation and meet these standards as a part of our commitment to strong corporate governance and accountability.

The Chief Executive Officer and the Vice President, Finance are responsible for the design and maintenance of Internal Controls over Financial Reporting, to provide reasonable assurance that it is reliable and that the preparation of the financial statements conforms with Canadian Accounting Standards for pension plans. They are also responsible for the design and maintenance of disclosure controls and procedures to provide reasonable assurance that all material information is gathered and reported to management on a timely basis.

We have completed the 2022-23 fiscal year evaluation of the effectiveness of our internal control over financial reporting and disclosure controls and procedures. Based upon the results of the evaluation, the Chief Executive Officer and Vice President, Finance have concluded that internal control over financial reporting and disclosure controls and procedures are properly designed and operated effectively throughout the year.

There were no significant changes made in internal controls over financial reporting during the year ended August 31, 2023, that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

[Original Signed by Rod Matheson]

**Rod Matheson,** CPA, CMA, CFA, ICD.D
Chief Executive Officer

[Original Signed by Myles Norton]

**Myles Norton,** CPA, CMA, CFA
Vice President, Finance

November 2, 2023

# Independent Auditor's Report

To the Alberta Teachers' Retirement Fund Board

### Report on the Financial Statements

#### Opinion

I have audited the financial statements of Alberta Teachers' Retirement Fund Board, which comprise the statement of financial position as at August 31, 2023, and the statements of changes in net assets available for benefits, and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Teachers' Retirement Fund Board as at August 31, 2023, and the changes in net assets available for benefits, and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

#### Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Alberta Teachers' Retirement Fund Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

# Independent Auditor's Report (cont'd)

**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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Alberta Teachers' Retirement Fund Board'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Alberta Teachers' Retirement Fund Board's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Alberta Teachers' Retirement Fund Board'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 Alberta Teachers' Retirement Fund Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Alberta Teachers' Retirement Fund Board to cease to continue as a going concern.

# Independent Auditor's Report (cont'd)

- 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.

I 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 I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

November 16, 2023
Edmonton, Alberta

# Actuaries' Opinion

Aon has been engaged by the Alberta Teachers' Retirement Fund Board ("ATRF") to prepare actuarial valuations for the Teachers' Pension Plan and the Private School Teachers' Pension Plan (the "Plans") as at August 31, 2023. The purpose of these valuations is to determine the necessary actuarial information for financial statement reporting for the Plans in accordance with Section 4600 of the CPA Canada Handbook ("Section 4600").

Our valuations have been prepared based on:

- membership data provided by ATRF as at the most recent reported date by the respective employers, projected to August 31, 2023 and adjusted to reflect anticipated new hires as at September 1, 2023;
- asset data provided by ATRF as at August 31, 2023;
- assumptions that we understand have been adopted as ATRF management's best estimates; and
- actuarial cost methods and asset valuation methods that are in accordance Section 4600.

Based on the work we have performed, including conducting reasonability tests on the membership and asset data, we have concluded that, in our opinion:

- the data is sufficient and reliable for the purpose of the valuations;
- the assumptions adopted as best estimate by ATRF's management are appropriate for the purpose of the valuations;
- the actuarial cost methods and the asset valuation methods employed are appropriate for the purpose of the valuations; and
- the valuations conform with the requirements of Section 4600.

While the actuarial assumptions used to estimate the Plans' liabilities represent ATRF management's best estimate of future events and market conditions at August 31, 2023, the Plans' future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations and will affect the financial position of the Plans.

Our opinions have been given, and our valuations have been performed, in accordance with accepted actuarial practice in Canada.

[Original Signed by Brenda Prysko]

**Brenda Prysko**
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

[Original Signed by Steve Windsor]

**Steve Windsor**
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

January 17, 2024

# Statement of Financial Position

| *As at August 31 ($ Thousands)* | **2023** | 2022 |
|---|---|---|
| **ASSETS** | | |
| Investments *(Note 3)* | $ 22,975,304 | $ 22,082,138 |
| Corporate cash | 31,818 | 43,639 |
| Contributions receivable | 18,042 | 17,932 |
| Other assets | 8,089 | 8,358 |
| | 23,033,253 | 22,152,067 |
| **LIABILITIES** | | |
| Investment related liabilities *(Note 3)* | 131,947 | 181,204 |
| Accounts payable and accrued liabilities *(Note 4)* | 22,258 | 25,728 |
| Other liabilities | 1,628 | 2,071 |
| | 155,833 | 209,003 |
| **NET ASSETS AVAILABLE FOR BENEFITS** *(Note 5)* | 22,877,420 | 21,943,064 |
| **ACCRUED PENSION OBLIGATIONS** *(Note 5)* | 18,243,557 | 17,907,738 |
| **ACCOUNTING SURPLUS** *(Note 5)* | **$ 4,633,863** | **$ 4,035,326** |

The accompanying notes are part of these financial statements.

Approved by the ATRF Board

[Original Signed by Sandra Johnston]

**Sandra Johnston, ICD.D**
Chair

[Original Signed by Tim Wiles]

**Tim Wiles, FCPA, FCA**
Chair, Audit & Finance Committee

# Statement of Changes in Net Assets Available for Benefits

| *For the Year Ended August 31 ($ Thousands)* | **2023** | 2022 |
|---|---|---|
| **Net assets available for benefits, beginning of year** | **$ 21,943,064** | **$ 22,341,660** |
| **Investments** | | |
| Investment income *(Note 6)* | 632,977 | 477,980 |
| Investment expenses *(Note 7)* | (182,264) | (234,728) |
| Change in fair value of investments *(Note 6)* | 509,492 | (662,747) |
| **Net investment operations** | 960,205 | (419,495) |
| **Member services** | | |
| Contributions *(Note 8)* | | |
| Teachers | 376,208 | 396,970 |
| The Province | 357,285 | 383,160 |
| Transfers from other plans | 7,928 | 16,274 |
| Private School Boards | 3,042 | 2,813 |
| | 744,463 | 799,217 |
| Member service expenses *(Note 7)* | (12,622) | (9,376) |
| Benefits paid *(Note 9)* | (757,690) | (768,942) |
| **Net member service operations** | (25,849) | 20,899 |
| **Increase (decrease) in net assets available for benefits** | 934,356 | (398,596) |
| **Net assets available for benefits, end of year** | **$ 22,877,420** | **$ 21,943,064** |

The accompanying notes are part of these financial statements.

# Statement of Changes in Pension Obligations

| *For the Year Ended August 31 ($ Thousands)* | **2023** | 2022 |
|---|---|---|
| **Accrued pension obligations, beginning of year** | **$ 17,907,738** | **$ 17,022,325** |
| **Increase (decrease) in accrued pension obligations** | | |
| Interest on accrued benefits *(Note 5)* | 1,113,013 | 1,057,594 |
| Benefits accrued *(Note 5)* | 558,621 | 567,296 |
| Changes in actuarial assumptions *(Note 5)* | (689,477) | 163,721 |
| Experience losses (gains) *(Note 5)* | 111,352 | (134,256) |
| Benefits paid *(Notes 5 and 9)* | (757,690) | (768,942) |
| | 335,819 | 885,413 |
| **Accrued pension obligations, end of year** *(Note 5)* | **$ 18,243,557** | **$ 17,907,738** |

The accompanying notes are part of these financial statements.

# Notes to the Financial Statements

*August 31, 2023*

## NOTE 1 DESCRIPTION OF ATRF AND THE PLANS

**a) ATRF – nature of operations**

The Alberta Teachers' Retirement Fund Board ("ATRF"), established in 1939, a corporation under the authority of the *Teachers' Pension Plans Act,* Chapter T-1, RSA 2000, is the trustee and administrator of the Teachers' Pension Plan and the Private School Teachers' Pension Plan (the "Plans").

ATRF is responsible for establishing the Plans' funding policy and setting contribution rates, establishing the Statement of Investment Policies & Goals ("SIP&G") for the Plans' assets, providing pension benefit administration services to the Plan members and other stakeholders. The SIP&G describes policies that govern how ATRF's assets are to be invested. It defines the strategic asset allocation including well-defined asset categories, their performance benchmarks and risk profiles, and the long-term target proportion of total assets to be invested in each. The SIP&G also defines ATRF's guidance for both total investment risk and for AIMCo's latitude in implementing these policies.

ATRF is governed by a Board. One-half of the board members are nominated by the Finance Minister of the Government of Alberta and one-half by the Alberta Teachers' Association. All board members are appointed by Order in Council.

An amendment to the *Teacher's Pension Plans Act* came into force on November 22, 2019, requiring ATRF to engage Alberta Investment Management Corporation ("AIMCo") as the exclusive provider of investment management services to ATRF in respect of the Plans' assets. The transition of management of the Plan's assets to AIMCo, along with the transition of other operational resources and responsibilities began during the year ended August 31, 2021. Effective October 1, 2021, ATRF transitioned the responsibility for investment management of the Plans' remaining assets to AIMCo.

**b) The Plans – general description**

The Plans are contributory defined benefit pension plans for all Alberta teachers employed in school jurisdictions and charter schools, as well as teachers employed by participating private schools. The Plans are sponsored by the Government of Alberta and the Alberta Teachers' Association, as representatives of the plan members. These plan sponsors are responsible for plan design, benefits and funding arrangements, and share in plan gains and losses. Design of the Plans' benefits are established by *The Teachers' and Private School Teachers' Pension Plan Regulation 203/1995, as amended* (the "Regulation").

The following descriptions of the Plans and their key attributes is a summary only. Refer to the Regulation and the Plans' text documents for a complete description of the Plans' benefits and obligations. Unless otherwise stated, all terms not defined below have the meaning ascribed to them in the Plans' documents.

## NOTE 1 DESCRIPTION OF ATRF AND THE PLANS (CONTINUED)

### c) Obligations relating to the period before September 1992

The Teachers' Pension Plan's assets and obligations related to pensionable service after August 31, 1992 (the "post-1992 period") have been accounted for separately from the assets and obligations related to pensionable service prior to September 1, 1992 (the "pre-1992 period") and, accordingly, these financial statements and notes include only post-1992 period transactions of the Teachers' Pension Plan and transactions of the Private School Teachers' Pension Plan.

Effective September 1, 2009, the Province of Alberta (the "Province") assumed full responsibility for obligations related to the Teachers' Pension Plan pre-1992 period pensionable service and provides the required amounts to ATRF to pay the obligations on a monthly basis (Note 9).

### d) Contributions

The determination of the value of the benefits and the required contributions for the Plans is made on the basis of periodic actuarial valuations.

All teachers under contract with school jurisdictions and charter schools in Alberta are required to contribute to the Teachers' Pension Plan. Current service costs and related deficiencies are funded by equal contributions from the Province and the teachers. A component of the post-1992 contributions includes a cost-of-living adjustment ("COLA"), equating to 70% of the increase to the Alberta Consumer Price Index ("ACPI"). Teachers and the Province equally contribute to fund the COLA of 60% of the ACPI, with the additional COLA of 10% of the ACPI fully funded by the teachers.

Certain other designated organizations in Alberta also participate in the Teachers' Pension Plan under the same funding arrangements, except these organizations make the employer contributions rather than the Province.

Certain private schools participate in the Private School Teachers' Pension Plan. The structure for plan costs and related deficiencies are funded in equal contributions from the employers and the teachers. Similar to the Teachers' Pension Plan above, the teachers and the Province equally contribute to fund the COLA of 60% of the ACPI, with the additional COLA of 10% of the ACPI fully funded by the teachers.

## NOTE 1 DESCRIPTION OF ATRF AND THE PLANS (CONTINUED)

The contribution rates for fiscal years ended August 31 are as follows:

| | Teachers' Pension Plan | | Private School Teachers' Pension Plan | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Up to YMPE[1] | 9.00% | 9.76% | 8.50% | 8.50% |
| Above YMPE | 12.86% | 13.94% | 12.15% | 12.15% |
| Total Teachers' Contribution | 10.32% | 11.34% | 9.95% | 9.95% |
| Total Government/Employer Contribution | 9.89% | 10.87% | 9.51% | 9.51% |

[1] YMPE: Year's Maximum Pensionable Earnings used by the Canada Pension Plan (2023: $66,600, 2022: $64,900)

**e) Retirement pensions**

Retirement pensions are based on the number of years of pensionable service and the average salary of the highest five consecutive years. Pensions are payable to teachers who retire after completion of at least five years of pensionable service, with certain restrictions, and who have attained age 65. Unreduced pensions are also payable to teachers who have reached at least age 55 and the sum of their age and service equals at least 85. With certain restrictions, reduced pensions are payable to teachers who retire at or after age 55 with a minimum of five years of pensionable service.

**f) Disability benefits**

Teachers who are disabled after August 31, 1992 are credited with pensionable service while disabled. Teachers do not contribute to the Plans while disabled.

**g) Termination benefits**

Refunds or commuted value transfers are available when a teacher ceases employment, subject to certain restrictions. Inactive members with a minimum of five years of pensionable service, subject to certain restrictions, have the option to defer their entitlement in the Plans and receive a pension when they retire.

**h) Death benefits**

Death benefits are available upon the death of a teacher and may be available upon the death of a retired member, depending on the pension option selected by the retired member at the time of retirement. The benefit may take the form of a lump sum payment or a survivor pension.

**i) Service purchases and transfers**

Purchase of past service, such as substitute teaching service, employer-approved leaves, and reinstatement of refunded service is allowed on a basis that is cost neutral to the Plans.

## NOTE 1 DESCRIPTION OF ATRF AND THE PLANS (CONTINUED)

The plans have Reciprocal Transfer Agreements with all other provincial teachers' pension plans, the Alberta public sector pension plans, and the Government of Canada Public Service Pension Plan. These agreements authorize the transfer of pensionable service and related obligations and assets in accordance with the terms of the reciprocal transfer agreement between the participating organizations.

**j) COLA**

Deferred pensions and pensions payable for the portion of pension earned after 1992 are increased each year by a COLA equal to 70% of the increase in the ACPI.

**k) Income taxes**

The Plans are registered pension plans as defined in the *Income Tax Act* (registration number 0359125) and are not subject to income taxes in Canada. The Plans may be subject to taxes in other jurisdictions where full tax exemptions are not available.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a) Basis of presentation**

The statements present the aggregate financial position of the Plans. These financial statements are prepared in accordance with Canadian accounting standards for pension plans. Section 4600 – Pension Plans, of the CPA Canada Handbook, prescribes accounting policies specific to investments and pension obligations. For accounting policies which do not relate to either investments or pension obligations, International Financial Reporting Standards ("IFRS") are applied. To the extent that IFRS are inconsistent with Section 4600, Section 4600 takes precedence.

All of the entities that ATRF has an ownership interest in, regardless of whether ATRF can control or exercise significant influence, are considered to be investment assets and are presented on a non-consolidated basis.

**b) Valuation of investments**

Investments, investment-related receivables and investment-related liabilities are recognized on a trade date basis and are stated at fair value.

Fair value is the price at which an investment asset would be sold or investment liability transferred through an orderly transaction between market participants at the measurement date under current market conditions.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following methods are used by AIMCo to determine the fair values of investment, as presented in Note 3.

| CATEGORY | BASIS OF VALUATION |
|---|---|
| Money-market securities | Cost plus accrued interest approximates fair value due to the short-term nature of these securities. |
| Bonds and debentures | Closing quoted market price. Where quoted prices are not available, estimated values are calculated using discounted cash flows based on current market yields for comparable securities. |
| Public equity and REITS | Closing quoted market price. Where a market price is not available, market value is determined using appropriate valuation methods. |
| Private equity/ Infrastructure | Managers or general partners estimate the fair value of private equity funds, pools and limited partnerships. Valuation techniques include a combination of the market approach using prices or earnings multiples of comparable investments or companies, the income approach considering discounted or capitalized future cash flows, and the cost approach. |
| Absolute return | Absolute return funds are recorded at fair value, as determined by AIMCo. |
| Real estate | The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised at least annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine a fair value, including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. |
| Bond repurchase agreement | Bonds sold under repurchase agreement are recorded at cost plus accrued interest, which approximates fair value. |
| Derivatives | The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 10). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and crosscurrency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on the difference between contractual foreign exchange rates and foreign exchange forward rates. Future contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters, which measure changes in the underlying swap. Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. |

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As disclosed in Note 3, the Plans' investments consist of direct ownership in both segregated and pooled investment funds ("the pools"). Participants in the pools are not a party to the contracts and have no control over the management of the pool and the selection of securities in the pool. The Plans' investment manager controls the creation of the pools and the management and administration of the pools, including security selection. The Plans hold units in the pooled investment fund. Accordingly, the Plans do not report the financial instruments of the pools on its statement of financial position, but rather the value of the units.

The fair value of units held by the Plans is derived from the fair value of the underlying financial instruments held by the pools as determined by the investment manager. Investments in units are recorded in the Plans' accounts. The underlying financial instruments are recorded in the accounts of the pools on a trade-date basis. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables, and payables.

The Plans become exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when the Plans purchase units issued and lose exposure to those financial risks and rewards when it sells its units. The Plans report its share of the investment risks in Note 10.

All purchases and sales of the pool units are in Canadian dollars.

### FAIR VALUE HIERARCHY

All financial instruments measured at fair value are categorized into one of the following three hierarchy levels. Each level reflects the availability of observable inputs which are used to determine fair values, based on financial information significant to the valuation measurement.

- Level 1: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities. For multi-client pools, securities held in pools with quoted price in active markets are classified as level 2 as the pool units themselves are not listed in an active market, and therefore, cannot be classified as level 1.
- Level 2: Fair value is based on market data other than quoted prices included in Level 1 that are observable either directly or indirectly. This level includes units of multi-client pools holding public equity, debt securities, and derivative contracts that would otherwise be classified as Level 1.
- Level 3: Fair value is based on inputs other than observable market data. This level includes units of multi-client pools holding investments that would not be classified as Level 1 and Level 2.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c) Investment income

Income is recognized as follows:

| CATEGORY | BASIS OF RECOGNITION |
|---|---|
| Interest income | Accrual basis |
| Dividend income | Accrual basis on the ex-dividend date |
| Income from real estate, private equity, and infrastructure | Income includes distributions recognized as interest income, dividend income or other income, as appropriate |
| Realized gains and losses on investments | Difference between proceeds on disposal and the average cost |
| Unrealized gains and losses on investments | Change in the difference between estimated fair value and the average cost |

Income distributions from pooled funds are based on the Plans' pro-rata share of total units issued by the pools. Changes in fair value of units, including realized gains and losses on disposal of units and unrealized gains and losses on units are determined on an average cost basis.

### d) Investment expenses

Investment expenses, including those relating to portfolio transaction costs (incremental costs attributable to the acquisition and disposition of investment assets or liabilities), investment personnel and operations, oversight, and governance, are accrued and expensed in the fiscal period as incurred.

In addition, investment expenses are charged by AIMCo on a cost-recovery basis. Amounts charged to the Plan by AIMCo for investment costs include external management fees, external administration costs, employee salaries, and incentive benefits, and overhead costs. Please refer to the AIMCo financial statements for a more detailed breakdown of the types of expenses.

External investment performance fees are earned by AIMCo and other external investment managers for earning returns in excess of pre-determined thresholds. Fees earned by AIMCo and external managers in the fiscal period are expensed.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**e) Foreign currency translation**

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

**f) Contributions**

Contributions from the teachers, the Province and the employers are recorded on an accrual basis. Cash received from teachers for credited service and cash transfers from other pension plans are recorded when received.

**g) Benefits**

Pension benefits, termination benefits and transfers to other plans are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in accrued pension benefits.

**h) Accrued pension obligations**

The value of accrued pension obligations and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries annually as at August 31. The valuation uses the projected benefit method, pro-rated on service, and includes management's best estimate of various future events, as at the valuation date (Note 5).

**i) Corporate cash**

Corporate cash comprises of cash on hand and demand deposits. Cash is held for the purpose of meeting short-term commitments rather than for investment purposes.

**j) Capital assets**

Capital assets are recorded at cost and amortized over their estimated useful lives. Costs net of accumulated amortization are included with 'Other assets' on the Statement of Financial Position.

**k) Use of estimates**

The preparation of financial statements, in conformity with Canadian accounting standards for pension plans, requires management to make estimates and assumptions in circumstances where the actual values are unknown. Uncertainty in determination of the amount that is reported in the financial statements is known as measurement uncertainty.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement uncertainty exists in the calculation of the Plans' actuarial value of accrued benefits. Uncertainty arises because the Plans' actual experience may differ significantly from assumptions used in the calculation of the Plans' accrued benefits.

The value of financial instruments can be impacted by global events, therefore measurement uncertainty exists in the values of the Plans' assets.

Significant estimates and assumptions are made in measuring the Plans' private investments. The values may differ significantly from the values that would have been used had a ready market existed for these investments.

**l) Salaries and benefits**

Details of executives' compensation are presented in the Compensation Discussion and Analysis section of the Annual Report.

ATRF participates in the Local Authorities Pension Plan, a defined benefit public sector pension plan, which meets the accounting requirements for treatment as a defined contribution plan. The employer contributions are recorded as an expense.

ATRF provides a Supplementary Employee Pension Plan (SEPP) to executives and certain eligible managers whose earnings exceed the pension benefit limit under the *Income Tax Act* regulations. Benefits are paid to these members as the benefits come due. No assets are earmarked, set aside or placed into trust by ATRF for SEPP benefit payments. The pension benefit is recorded as an expense and as a liability.

**m) Accounting surplus**

For financial statement reporting purposes, the Plans' surplus or deficiency is based on the difference between the fair value of the Plans' net assets available for benefits and the accrued pension obligation.

## NOTE 3 INVESTMENTS

Pursuant to Bill 22, ATRF completed transition of the responsibility for investment management of the plans' assets to AIMCo during the 2021- 22 fiscal year. The assets transitioned to AIMCo's management are administered by AIMCo in separate accounts for administrative and custodial purposes. These accounts include segregated and multi-client investment pool structures that other AIMCo-managed assets are invested in.

The following schedule summarizes the fair value of the Plans' investments before allocating the market exposure related to derivative financial instruments. Investments assets and liabilities are presented within the fair value hierarchy as defined in Note 2 b).

### NOTE 3 INVESTMENTS (CONTINUED)

| *($ Thousands)* | **Fair Value** | | | **2023** | 2022 |
|---|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** | Total |
| **Fixed Income** | | | | | |
| Investment cash | $ - | $ 596,301 | $ - | $ 596,301 | $ 632,835 |
| Money-market securities | - | 35,443 | - | 35,443 | 46,353 |
| Bonds and debentures | - | 4,200,782 | - | 4,200,782 | 3,865,840 |
| | - | 4,832,526 | - | 4,832,526 | 4,545,028 |
| **Equity** | | | | | |
| Public & REITs | 4,713,590 | 1,893,252 | - | 6,606,842 | 6,572,616 |
| Private | - | - | 3,792,531 | 3,792,531 | 3,456,241 |
| | 4,713,590 | 1,893,252 | 3,792,531 | 10,399,373 | 10,028,857 |
| **Absolute return** | - | - | 2,376,639 | 2,376,639 | 2,245,736 |
| **Real estate** | - | - | 2,846,045 | 2,846,045 | 3,027,955 |
| **Infrastructure** | - | - | 2,440,948 | 2,440,948 | 2,108,229 |
| | - | - | 5,286,993 | 5,286,993 | 5,136,184 |
| **Investment related assets** | | | | | |
| Due from brokers | - | 18,949 | - | 18,949 | 33,413 |
| Accrued income | - | 1,261 | - | 1,261 | 168 |
| Reverse Repurchase agreements | - | 27,628 | - | 27,628 | - |
| Unrealized gains and amounts receivable on derivative contracts | - | 31,935 | - | 31,935 | 92,752 |
| | - | 79,773 | - | 79,773 | 126,333 |
| **INVESTMENT ASSETS** | 4,713,590 | 6,805,551 | 11,456,163 | 22,975,304 | 22,082,138 |
| **Investment related liabilities** | | | | | |
| Due to brokers | - | 20,290 | - | 20,290 | 49,240 |
| Repurchase agreements | - | 77,230 | - | 77,230 | - |
| Unrealized losses and amounts payable on derivative contracts | - | 34,427 | - | 34,427 | 131,964 |
| **INVESTMENT LIABILITIES** | - | 131,947 | - | 131,947 | 181,204 |
| **NET INVESTMENTS** | $ 4,713,590 | $ 6,673,604 | $ 11,456,163 | $ 22,843,357 | $ 21,900,934 |

## NOTE 3 INVESTMENTS (CONTINUED)

| *($ Thousands)* | Fair Value | | | 2022 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Fixed Income** | | | | |
| Investment Cash | $ - | $ 632,835 | $ - | $ 632,835 |
| Money-market securities | - | 46,353 | - | 46,353 |
| Bonds and debentures | - | 3,865,840 | - | 3,865,840 |
| | - | 4,545,028 | - | 4,545,028 |
| **Equity** | | | | |
| Public | 6,572,616 | - | - | 6,572,616 |
| Private | - | - | 3,456,241 | 3,456,241 |
| | 6,572,616 | - | 3,456,241 | 10,028,857 |
| **Absolute return** | - | - | 2,245,736 | 2,245,736 |
| **Real estate** | - | - | 3,027,955 | 3,027,955 |
| **Infrastructure** | - | - | 2,108,229 | 2,108,229 |
| | - | - | 5,136,184 | 5,136,184 |
| **Investment related assets** | | | | |
| Due from brokers | - | 33,413 | - | 33,413 |
| Accrued income | - | 168 | - | 168 |
| Unrealized gains and amounts receivable on derivative contracts | - | 92,752 | - | 92,752 |
| | - | 126,333 | - | 126,333 |
| **INVESTMENT ASSETS** | 6,572,616 | 4,671,361 | 10,838,161 | 22,082,138 |
| **Investment related liabilities** | | | | |
| Due to brokers | - | 49,240 | - | 49,240 |
| Bond repurchase agreements | - | - | - | - |
| Unrealized losses and amounts payable on derivative contracts | - | 131,964 | - | 131,964 |
| **INVESTMENT LIABILITIES** | - | 181,204 | - | 181,204 |
| **NET INVESTMENTS** | $ 6,572,616 | $ 4,490,157 | $ 10,838,161 | $ 21,900,934 |

## NOTE 3 INVESTMENTS (CONTINUED)

The following table represents a reconciliation of financial instruments included in Level 3 of the fair value hierarchy for the year ended August 31, 2023:

| *($ Thousands)* | Fair Value, August 31, 2022 | Purchases | Sales | Realized Gain | Unrealized Gain (loss) | **Fair Value, August 31, 2023** |
|---|---|---|---|---|---|---|
| Private equity | $ 3,456,241 | $ 261,532 | $ (213,419) | $ 269,197 | $ 18,980 | $ 3,792,531 |
| Absolute return | 2,245,736 | 2,400,779 | (2,418,854) | 1,423,232 | (1,274,254) | 2,376,639 |
| Real estate | 3,027,955 | 259,224 | (47,553) | 15,934 | (409,515) | 2,846,045 |
| Infrastructure | 2,108,229 | 313,256 | (87,329) | 102,578 | 4,214 | 2,440,948 |
| | $ 10,838,161 | $ 3,234,791 | $ (2,767,155) | $ 1,810,941 | $ (1,660,575) | $ 11,456,163 |

## NOTE 4 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| *($ Thousands)* | **2023** | 2022 |
|---|---|---|
| Tax withholdings | $ 15,074 | $ 14,839 |
| Supplementary Employee Pension Plan | 4,209 | 4,179 |
| Incentive plans payable | 1,007 | 4,311 |
| Accounts payable | 1,090 | 2,399 |
| Contributions due to the Province | 878 | - |
| | $ 22,258 | $ 25,728 |

## NOTE 5 ACCRUED PENSION OBLIGATIONS

Pension obligations represent the value of accrued pension benefits payable in the future to members and are based on an actuarial valuation by an independent firm of actuaries. Separate valuations are performed for accounting purposes and for funding purposes. The accrued pension obligation for funding purposes was determined using the valuation methodology described in Note 5 d).

For accounting purposes, actuarial valuations of the Plans were performed as at August 31, 2023 (and as at August 31, 2022). The accrued pension obligation reflected in the Statement of Financial Position represents the present value of the accrued pension obligations of $18,244 million (2022: $17,908 million), which was determined using the projected accrued benefit actuarial cost method prorated on service.

## NOTE 5 ACCRUED PENSION OBLIGATIONS (CONTINUED)

### a) Best-estimate valuations and assumptions

The assumptions used in the valuations are based on past experience, as analyzed by the Plans' actuary, and management's best estimate of future events and involve rates of demographic change, such as rates of mortality, termination of membership and retirement, as well as economic parameters, such as rates of inflation, discount rates and salary escalation rates.

The discount rate is equivalent to the long-term expected rate of return on invested assets.

The major long-term economic assumptions used in the best-estimate valuations are:

| | **2023** | 2022 |
|---|---|---|
| Rate of return on invested assets (discount rate) | 6.50% | 6.25% |
| Rate of inflation | 2.00% | 2.00% |
| Real wage increases | 0.75% | 0.75% |

### b) Sensitivity of changes in major assumptions on best-estimate valuations

For illustrative purposes, the table below shows the impact of changes in major assumptions, holding all other assumptions constant:

| | **Teachers' Pension Plan** | | **Private School Teachers' Pension Plan** | |
|---|---|---|---|---|
| | 0.5% decrease in rate of return on invested assets | 0.5% increase in rate of inflation | 0.5% decrease in rate of return on invested assets | 0.5% increase in rate of inflation |
| Increase in current service costs (% of total teacher salaries) | 1.7% | 1.3% | 1.8% | 1.4% |
| Increase in accrued pension obligations | $1,384 million | $1,060 million | $7 million | $5 million |

For accounting purposes, and using best-estimate financial statement valuation assumptions, as at August 31, 2023, the current service cost (excluding 0.25% for administrative expenses) as a percent of total teacher salaries for the Teachers' Pension Plan is 14.3% and for the Private School Teachers' Pension Plan is 14.8%. The financial statement valuation's current service cost may differ from the current service cost calculated using the funding valuation assumptions for funding purposes.

## NOTE 5 ACCRUED PENSION OBLIGATIONS (CONTINUED)

**c) Results based on valuations**

For accounting purposes, the excess of net assets available for benefits against pension obligations results in the Plans having an accounting surplus of $4,601 million for the post-1992 period of the Teachers' Pension Plan and an accounting surplus of $32 million for the Private School Teachers' Pension Plan as at August 31, 2023.

| *($ Thousands)* | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Teachers' Pension Plan** | **Private Teachers' Plan** | **Total** | Teachers' Pension Plan | Private Teachers' Plan | Total |
| Net assets at beginning of year | $ 21,828,657 | $ 114,407 | $ 21,943,064 | $ 22,227,145 | $ 114,515 | $ 22,341,660 |
| Contributions | 738,318 | 6,145 | 744,463 | 793,637 | 5,580 | 799,217 |
| Benefits | (754,555) | (3,135) | (757,690) | (765,452) | (3,490) | (768,942) |
| Investment earnings | 1,136,511 | 5,958 | 1,142,469 | (183,819) | (948) | (184,767) |
| Investment and member service expenses | (193,870) | (1,016) | (194,886) | (242,854) | (1,250) | (244,104) |
| Net assets at end of year | 22,755,061 | 122,359 | 22,877,420 | 21,828,657 | 114,407 | 21,943,064 |
| Accrued pension obligations at beginning of year | 17,821,219 | 86,519 | 17,907,738 | 16,942,376 | 79,949 | 17,022,325 |
| Interest on accrued benefits | 1,107,551 | 5,462 | 1,113,013 | 1,052,562 | 5,032 | 1,057,594 |
| Benefits accrued | 553,755 | 4,866 | 558,621 | 562,696 | 4,600 | 567,296 |
| Changes in actuarial assumptions | (685,852) | (3,625) | (689,477) | 162,862 | 859 | 163,721 |
| Experience losses (gains) | 111,456 | (104) | 111,352 | (133,825) | (431) | (134,256) |
| Benefits paid | (754,555) | (3,135) | (757,690) | (765,452) | (3,490) | (768,942) |
| Actuarial value of accrued pension obligations | 18,153,574 | 89,983 | 18,243,557 | 17,821,219 | 86,519 | 17,907,738 |
| Accounting surplus | $ 4,601,487 | $ 32,376 | $ 4,633,863 | $ 4,007,438 | $ 27,888 | $ 4,035,326 |

The change in pension obligations is comprised of five components:

i) INTEREST ON ACCRUED BENEFITS

Pension obligations increase with interest as the present value of the valuation is evaluated one year later. The interest on accrued benefits is calculated using the rate of return on invested assets.

ii) BENEFITS ACCRUED

Pension obligations increase with new service credited and additional benefits accumulated by plan members during the fiscal year.

## NOTE 5 ACCRUED PENSION OBLIGATIONS (CONTINUED)

iii) EXPERIENCE LOSSES (GAINS)

Experience losses of $111 million (2022: Experience gains of $134 million) on accrued benefits are the result of actual experience from one valuation to the next being different than implied by the assumptions from the previous valuation. As the experience is less favorable than anticipated in the assumptions, this results in an experience loss. Experience losses increase the pension obligations.

The following table provides details on the net losses on accrued benefits.

| *($ Thousands)* | TPP | PSTPP | Total |
|---|---|---|---|
| COLA | $ 82,606 | $ 366 | $ 82,972 |
| Demographic | 36,345 | (1,287) | 35,058 |
| Other plan experience | 19,985 | 446 | 20,431 |
| Salary | (27,480) | 371 | (27,109) |
| Experience losses | $ 111,456 | $ (104) | $ 111,352 |

iv) CHANGES IN ACTUARIAL ASSUMPTIONS

Pension obligations can increase or decrease if there are changes in actuarial assumptions used to evaluate the present value of benefits.

The assumption changes from August 31, 2022, to August 31, 2023, include changes to economic assumptions. The impact of the assumption changes on the accrued benefits is shown in the following table.

| *($ Thousands)* | TPP | PSTPP | Total |
|---|---|---|---|
| Lump sum CV interest & inflation rate | $ (15,406) | $ (94) | $ (15,500) |
| Discount rate | (670,446) | (3,531) | (673,977) |
| Total assumption changes | $(685,852) | $ (3,625) | $ (689,477) |

v) BENEFITS PAID

The pension obligations decrease with benefits paid from the Plans during the fiscal year, as the funds are no longer required to be set aside to pay for those benefits.

**d) Valuation methodologies**

ATRF engages an independent actuary to perform two different actuarial valuations of the Plans, one for accounting purposes which is performed in compliance with the prescribed accounting standards, and the second for funding purposes, which is performed in compliance with the prescribed professional and regulatory standards, as discussed in the funding section of the Annual Report.

## NOTE 5 ACCRUED PENSION OBLIGATIONS (CONTINUED)

The Plans' accounting surplus or deficiency includes the determination of assets on a fair value basis. However, for actuarial funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plans' funded status. The funding valuation is calculated in accordance with actuarial standards on a going concern basis and is used to determine changes to contribution rates for future service in order to manage the Plans' funding status. Both types of valuations have prescribed uses and are based on the same underlying plan member data, but the funding valuation differs by smoothing market returns over a five-year period and incorporating a margin for adverse deviation in the pension obiligations and current service costs.

In accordance with the *Teachers' Pension Plans Act*, an actuarial funding valuation is required to be performed, at a minimum, every three years. The objective is to ensure that the Plans are fully funded over the long term through the management of investments and contribution rates. Investments are based on an asset mix that is designed to enable the Plans to meet their long-term funding requirement within an acceptable level of risk, consistent with the Plans' investment and funding policies, which are approved by the Board. The actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by August 31, 2027. For further information, refer to the funding section of the Annual Report.

## NOTE 6 INVESTMENT EARNINGS

The following is a summary of investment earnings by asset class:

| *($ Thousands)* | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Investment Income** | **Change in Fair Value[1]** | **Total** | Investment Income | Change in Fair Value[2] | Total |
| Fixed income | | | | | | |
| Investment Cash & money-market securities | $ 15,454 | $ (52) | $ 15,402 | $ 2,719 | $ (4,220) | $ (1,501) |
| Bonds and debentures | 119,940 | (114,355) | 5,585 | 112,351 | (737,307) | (624,956) |
| Equity | | | | | | |
| Public & REITs | 171,314 | 700,416 | 871,730 | 126,379 | (833,511) | (707,132) |
| Private | 8,788 | 288,177 | 296,965 | 31,011 | 509,544 | 540,555 |
| Absolute return | 29,562 | 148,977 | 178,539 | 21,374 | 121,546 | 142,920 |
| Real estate | 111,762 | (393,581) | (281,819) | 111,546 | 363,733 | 475,279 |
| Infrastructure | 176,157 | 106,792 | 282,949 | 72,600 | 69,271 | 141,871 |
| Derivatives | - | (226,882) | (226,882) | - | (151,803) | (151,803) |
| | $ 632,977 | $ 509,492 | $ 1,142,469 | $ 477,980 | $ (662,747) | $ (184,767) |

[1] 2023 change in fair value includes a realized net gain of $2,579,142 and an unrealized net loss of $(2,069,650).

[2] 2022 change in fair value includes a realized net gain of $1,208,908 and an unrealized net loss of $(1,871,655).

## NOTE 7 INVESTMENT AND MEMBER SERVICE EXPENSES

### a) Investment expenses

| *($ Thousands)* | **2023** | 2022 |
| --- | --- | --- |
| ATRF | | |
| Investment management and oversight | $ 4,771 | $ 9,929 |
| AIMCo[1] | | |
| Investment management | 30,564 | 22,692 |
| Investment performance | 12,364 | 6,667 |
| | 42,928 | 29,359 |
| Third-party external managers[2] | | |
| ATRF managed accounts | | |
| Investment management fees | - | 2,646 |
| AIMCo managed accounts cost recoveries | | |
| Investment management fees | 105,679 | 97,482 |
| Investment performance fees | 28,886 | 95,312 |
| | 134,565 | 192,794 |
| Total third-party costs | 134,565 | 195,440 |
| Total investment expenses | $ 182,264 | $ 234,728 |

[1] AIMCo charges investment expenses to ATRF on a cost-recovery basis. Amounts recovered include external administration costs, employee salaries, incentive and performance-related benefits, and overhead costs.

[2] ATRF engaged external managers for several public and private asset mandates. When investment management was transitioned to AIMCo, the associated external manager arrangements also transitioned to AIMCo.

### b) Member service expenses

| *($ Thousands)* | **2023** | **2022** |
| --- | --- | --- |
| ATRF internal benefit administration and oversight | $ 12,622 | $ 9,376 |

Member service expenses include ATRF's direct costs for pension services such as salaries and benefits of pension team members, plan administration, actuarial services, and shared services such as technology, governance, and oversight costs. It also includes indirect costs for operations such as premises and other corporate operations.

## NOTE 8 CONTRIBUTIONS

| *($ Thousands)* | **2023** | 2022 |
|---|---|---|
| Teachers | | |
| Current service | $ 335,206 | $ 321,891 |
| Current service additional 10% of COLA | 14,115 | 12,852 |
| Past service | 3,234 | 4,100 |
| Deficiency | 23,653 | 58,127 |
| | 376,208 | 396,970 |
| The Province | | |
| Current service | 333,466 | 325,444 |
| Past service | 1,516 | 1,956 |
| Deficiency | 22,303 | 55,760 |
| | 357,285 | 383,160 |
| Private School Boards | | |
| Current service | 3,037 | 2,803 |
| Deficiency | 5 | 10 |
| | 3,042 | 2,813 |
| Transfers from other plans | 7,928 | 16,274 |
| | $ 744,463 | $ 799,217 |

## NOTE 9 BENEFITS PAID

| *($ Thousands)* | **2023** | 2022 |
|---|---|---|
| Pension benefits | $ 663,988 | $ 605,081 |
| Termination benefits | 77,852 | 142,844 |
| Transfers to other plans | 15,850 | 21,017 |
| | $ 757,690 | $ 768,942 |

During the year $497 million (2022: $490 million) was received from the Province and was distributed as benefits paid relating to the pre-1992 period.

## NOTE 10 INVESTMENT RISK MANAGEMENT

The Plans' actuarial liabilities are primarily affected by the long-term real rate of return expected to be earned on investments. To earn the best possible return at an acceptable level of risk, the SIP&G contains an asset mix with policy ranges designed to deliver the expected long-term rate of return. The Board reviews and approves the SIP&G at least once every fiscal year.

The Plans are exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity risk. Credit risk is a probable risk of loss resulting from the borrower failing to repay a loan or meet contractual obligations. Market risk comprises currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due. Another type of liquidity risk affecting the Plans' fund is the risk that, for a certain period of time, a given financial asset cannot be traded quickly enough without impacting its market price.

### a) Market risk

Market risk is the risk that the fair value or future cash flows of an investment asset or investment liability will fluctuate because of changes in market factors such as foreign exchange rates, interest rates, equity and commodity prices. Market risk is mitigated through diversification of investments across asset types, geography and time horizons. Market risk is comprised of the following:

#### i) CURRENCY RISK

Currency risk is the risk that the value of foreign investments will be affected by changes in foreign currency exchange rates for Canadian dollars. The Plans are exposed to currency risk through holdings of investment assets or liabilities in foreign currencies. The relative Canadian value or future cash flows of investments denominated in foreign currencies will change with a change in the price of the Canadian dollar against other currencies.

Foreign investments in absolute return, real estate and infrastructure are hedged with the aim of minimizing foreign currency exposure. ATRF permits AIMCo to hedge foreign currency holdings to limit the Plans' foreign currency exposure.

The Plans' foreign currency exposure is as follows:

| *($ Thousands)* | **2023** | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| Currency | **Foreign Currency Exposure** | **Currency Derivatives** | **Net Foreign Currency Exposure** | **% of Total** | Foreign Currency Exposure | Currency Derivatives | Net Foreign Currency Exposure | % of Total |
| United States Dollar | $ 9,685,102 | $ (4,754,082) | $ 4,931,020 | 60 % | $ 9,344,472 | $ (4,692,514) | $4,651,958 | 60 % |
| Euro | 2,086,100 | (834,604) | 1,251,496 | 15 | 1,751,446 | (656,253) | 1,095,193 | 14 |
| Hong Kong Dollar | 337,476 | (115) | 337,361 | 4 | 402,036 | 4,477 | 406,513 | 5 |
| British Pound Sterling | 570,013 | (206,810) | 363,203 | 4 | 511,439 | (196,132) | 315,307 | 4 |
| Indian Rupee | 208,663 | (3,674) | 204,989 | 2 | 186,463 | (3,917) | 182,546 | 2 |
| Japanese Yen | 168,760 | 43,086 | 211,846 | 3 | 138,812 | 26,296 | 165,107 | 2 |
| Other | 1,098,182 | (151,386) | 946,796 | 12 | 1,065,031 | (108,791) | 956,240 | 13 |
| | $ 14,154,296 | $ (5,907,585) | $ 8,246,711 | 100 % | $ 13,399,698 | $ (5,626,833) | $7,772,865 | 100 % |

## NOTE 10 INVESTMENT RISK MANAGEMENT (CONTINUED)

The net foreign currency exposure of its underlying investments represents 36% (2022: 35%) of the Plans' net investments.

After considering the effect of currency hedges, a 5% increase/decrease in the value of the Canadian dollar against all currencies, with all other variables held constant, would result in an approximate decrease/increase in the value of net foreign investments of $412 million as at August 31, 2023 (2022: $389 million).

ii) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate as a result of changes in market interest rates. The Plans are exposed to interest rate risk through fixed-rate and floating-rate securities. There are also certain alternative investments which may have interest rate components exposing them to interest rate risk. Changes in interest rates affect fair values of fixed-rate securities and the cash flows of floating-rate securities. Increases in interest rates will generally decrease the fair value of fixed-rate securities and increase cash flow from floating-rate notes.

Interest rate risk sensitivity
The interest rate sensitive assets represent 21% (2022: 19%) of the Plans' net investments.

The following table presents the approximate increase/decrease in market value for the Plans' interest rate sensitive investments, assuming a parallel 1% decrease/increase in interest rates, with all other variables held constant:

| *($ Thousands)* | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| Term to Maturity | **Market Value** | **Change in Market Value** | **Market Value %** | Market Value | Change in Market Value | Market Value % |
| Less than 1 year | $ 150,445 | $ 595 | 3 % | $ 93,755 | $ 386 | 2 % |
| 1-3 years | 776,736 | 12,888 | 16 | 487,971 | 7,757 | 12 |
| 3-5 years | 467,041 | 16,051 | 10 | 444,508 | 15,379 | 11 |
| 5-10 years | 709,863 | 39,784 | 15 | 619,673 | 34,436 | 15 |
| Greater than 10 years | 2,667,579 | 360,305 | 56 | 2,516,395 | 341,959 | 60 |
| | $ 4,771,664 | $ 429,623 | 100 % | $ 4,162,302 | $ 399,917 | 100 % |

## NOTE 10 INVESTMENT RISK MANAGEMENT (CONTINUED)

iii) EQUITY PRICE RISK

Equity price risk is the risk that the fair value of an investment will fluctuate as a result of changes in equity market prices (other than those arising from interest-rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

Equity price risk is mitigated through the use of geographic, sector and entity specific analyses, and strategies such as diversification and derivative instruments to mitigate the overall impact of price risk.

A 10% increase/decrease in the value of the overall public equity market, with all other variables held constant, would result in an approximate increase/decrease in the value of public-market exposure of $639 million (2022: $661 million).

**b) Credit risk**

Credit risk is the potential of loss should a counterparty fail to meet its contractual obligations, or a reduction in the value of assets due to deteriorated credit quality of the counterparty, guarantor or the collateral supporting the credit exposure. The Plans are exposed to credit risk through investment in fixed income investments, securities lending, and balances receivable from sponsors and counterparties.

To mitigate this risk, AIMCo has set investment restrictions to limit the credit exposure to security issuers. Short-term investments require a rating of “R-1” or equivalent. Credit exposure to any single counterparty is limited to maximum amounts and minimum ratings as specified in the relevant product descriptions.

As at August 31, 2023, fixed-income investments exposed to credit risk, by credit rating, are as follows:

| *($ Thousands)* | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Market Value** | **% of Total** | Market Value | % of Total |
| Investment grade (AAA to BBB-) | $ 4,676,357 | 98 % | $ 4,145,091 | 100 % |
| Speculative grade (BB+ or lower) | 25,002 | 1 | 13,270 | - |
| Unrated[1] | 70,305 | 1 | 3,941 | - |
| | $ 4,771,664 | 100 % | $ 4,162,302 | 100 % |

[1]Includes private debt investments and holdings for which credit rating is not assigned.

## NOTE 10 INVESTMENT RISK MANAGEMENT (CONTINUED)

As at August 31, 2023, the Plans have significant concentration of credit risk within fixed-income investments with the following issuers:

| *($ Thousands)* | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Market Value** | **% of Total** | Market Value | % of Total |
| Province of Ontario | $ 842,301 | 18 % | $ 789,312 | 19 % |
| Government of Canada | 807,018 | 17 | 573,105 | 14 |
| Province of Quebec | 628,314 | 13 | 542,212 | 13 |

The Plans are also exposed to risk through over-the-counter ("OTC") derivative transactions, arising from a default or insolvency of a counterparty.

The Plans have exposure to OTC derivatives as follows:

| *($ Thousands)* | **2023** | 2022 |
|---|---|---|
| Forwards | $ 30,774 | $ 89,325 |
| Options | 1,161 | 3,427 |
| | $ 31,935 | $ 92,752 |

### c) Liquidity risk

Liquidity risk is the risk of the Plans being unable to generate sufficient cash in a timely and cost-effective manner to meet commitments and expenses as they become due. Consideration is given to the Plans' financial liabilities, which include investment-related liabilities (Note 3), accrued pension obligations (Note 5), and contracts that give rise to commitments for future payments (Note 11).

Liquidity requirements of the Plans are met through income generated from investments, employee and employer contributions, and by holding publicly traded liquid assets in active markets that are easily sold and converted to cash. ATRF also maintains cash holdings with major Canadian Financial Institutions to manage short-term corporate liquidity needs.

## NOTE 10 INVESTMENT RISK MANAGEMENT (CONTINUED)

The investment-related liabilities are due within one year as follows:

| *($ Thousands)* | **2023** | 2022 |
|---|---|---|
| Due to brokers | $ 20,290 | $ 49,240 |
| Derivative instruments | 34,427 | 131,964 |
| Bonds repurchase agreements | 77,230 | - |
| | $ 131,947 | $ 181,204 |

The following table presents the liquid investment assets at the year ended August 31:

| *($ Thousands)* | **2023** | 2022 |
|---|---|---|
| Investment cash | $ 596,301 | $ 632,835 |
| Money-market securities | 35,443 | 46,353 |
| Investment related assets | 79,773 | 126,333 |
| Bonds and debentures | 4,200,782 | 3,865,840 |
| Public equity & REITs | 6,606,842 | 6,572,616 |
| | $11,519,141 | $ 11,243,977 |

ATRF aims to ensure sufficient liquidity to meet the Plans' obligations while maintaining the agility for suitable investment opportunities and/or rebalancing the investment portfolios to target levels.

## NOTE 11 COMMITMENTS

The Plans have committed to fund certain private investments over the next several years. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each commitment. As at August 31, 2023, the sum of these commitments equalled $1,090 million (2022: $1,307 million).

## NOTE 12 NET INVESTMENT RETURNS AND RELATED BENCHMARK RETURNS

Net investment returns and related benchmark returns for the Plans for the years ended August 31 are as follows:

| | **2023** | 2022 |
|---|---|---|
| Net Investment Return | 4.4% | -1.8% |
| Benchmark Return | 8.5% | -4.1% |

Investment return has been calculated using a time-weighted rate of return methodology in accordance with industry standard methods. Net investment return is net of investment costs and excludes plan member service costs of $12.6 million or 0.06% (2022: $9.4 million or 0.04%).

The Plans' benchmark return is a composite benchmark produced by aggregating returns from each policy asset class benchmark, using the Plans' asset mix policy weights.

## NOTE 13 RECLASSIFICATION

Certain prior year figures have been reclassified for current year's presentation.

## NOTE 14 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the ATRF Board on Thursday, November 16, 2023.

# 10-Year Financial and Statistical Review

*Unaudited*

| **Financial Position as at August 31** | **2023** | **2022** | **2021** | **2020** | **2019** | **2018** | **2017** | **2016** | **2015** | **2014** |
|---|---|---|---|---|---|---|---|---|---|---|
| *($ millions)* | | | | | | | | | | |
| Investments | | | | | | | | | | |
| Fixed Income | 4,832 | 4,545 | 4,409 | 4,790 | 4,701 | 4,277 | 3,640 | 3,040 | 3,249 | 2,981 |
| Public equity | 6,607 | 6,573 | 8,463 | 6,805 | 6,358 | 6,140 | 5,609 | 5,350 | 4,873 | 4,860 |
| Private equity | 3,792 | 3,456 | 2,733 | 2,100 | 1,883 | 1,538 | 1,398 | 1,196 | 1,146 | 855 |
| Absolute Return | 2,377 | 2,246 | 2,150 | 1,873 | 1,672 | 1,511 | 1,340 | 1,280 | 1,298 | 865 |
| Real Estate | 2,846 | 3,028 | 2,709 | 2,665 | 2,737 | 2,389 | 1,940 | 1,518 | 1,090 | 726 |
| Infrastructure | 2,441 | 2,108 | 1,872 | 1,545 | 1,260 | 1,076 | 952 | 947 | 544 | 405 |
| Other Investment Assets/(Liabilities) | (52) | (55) | 25 | (467) | (467) | (368) | (114) | 30 | (119) | 30 |
| **Net Investments** | **22,843** | **21,901** | **22,361** | **19,311** | **18,144** | **16,563** | **14,765** | **13,361** | **12,081** | **10,722** |
| Contributions Receivable | 18 | 18 | 16 | 17 | 26 | 20 | 26 | 26 | 19 | 21 |
| Other Assets and Liabilities | 16 | 24 | (35) | (30) | (34) | (32) | (23) | (30) | (31) | (26) |
| **Net Assets Available for Benefits** | **22,877** | **21,943** | **22,342** | **19,298** | **18,136** | **16,551** | **14,768** | **13,357** | **12,069** | **10,717** |
| Actuarial Value of Accrued | | | | | | | | | | |
| Pension Obligations | 18,243 | 17,908 | 17,022 | 16,216 | 14,688 | 13,854 | 12,863 | 12,118 | 11,281 | 10,191 |
| **Surplus / (Deficiency)** | **4,634** | **4,035** | **5,320** | **3,082** | **3,448** | **2,697** | **1,905** | **1,239** | **788** | **526** |
| | | | | | | | | | | |
| Activity during year ended August 31 | | | | | | | | | | |
| *($ millions)* | | | | | | | | | | |
| Benefit and Investment Operations | | | | | | | | | | |
| Investment earnings | 1,143 | (185) | 3,208 | 1,146 | 1,471 | 1,569 | 1,154 | 920 | 969 | 1,717 |
| Net contributions | 744 | 799 | 799 | 829 | 844 | 871 | 849 | 882 | 843 | 824 |
| Benefits paid | (758) | (769) | (747) | (658) | (558) | (509) | (459) | (421) | (378) | (337) |
| Investment & member service expense | (195) | (244) | (217) | (155) | (172) | (147) | (134) | (94) | (81) | (68) |
| **Increase in Net Assets** | **934** | **(399)** | **3,043** | **1,162** | **1,585** | **1,784** | **1,410** | **1,287** | **1,353** | **2,136** |
| Increase in Accrued Pension Obligations | 336 | 885 | 806 | 1,528 | 834 | 992 | 744 | 837 | 1,091 | 784 |
| **Increase (Decrease) in Surplus** | **598** | **(1,284)** | **2,237** | **(366)** | **751** | **792** | **666** | **450** | **262** | **1,352** |
| | | | | | | | | | | |
| Funding: | | | | | | | | | | |
| Discount Rate | | | | | | | | | | |
| Post-1992 TPP* | 4.90% | 4.80% | 4.90% | 5.15% | 5.15% | 5.20% | 5.40% | 6.00% | 6.00% | 6.25% |
| Private School TPP* | 4.95% | 4.90% | 4.90% | 5.00% | 5.10% | 5.30% | 5.40% | 6.00% | 6.00% | 6.25% |
| Funding Shortfall/(Surplus) ($ millions) | | | | | | | | | | |
| Post-1992 TPP* | (216) | 215 | 322 | 711 | 863 | 1,186 | 1,516 | 1,950 | 2,364 | 2,289 |
| Private School TPP* | (11) | (8) | (7) | (2) | (2) | (2) | 1 | 4 | 6 | 6 |
| | (227) | 207 | 315 | 709 | 861 | 1,184 | 1,517 | 1,954 | 2,370 | 2,295 |
| Plan Members | | | | | | | | | | |
| Active | 42,617 | 42,053 | 42,186 | 41,701 | 42,278 | 41,746 | 40,716 | 41,015 | 39,997 | 39,185 |
| Inactive | 12,123 | 12,075 | 11,833 | 12,116 | 11,847 | 11,758 | 11,997 | 12,102 | 12,252 | 12,411 |
| Retired Members | 31,839 | 31,233 | 30,582 | 29,851 | 29,108 | 28,241 | 27,625 | 27,015 | 26,308 | 25,545 |
| | | | | | | | | | | |
| Number of New Pensions | 1,096 | 1,129 | 1,105 | 1,147 | 1,180 | 1,089 | 1,171 | 1,074 | 1,080 | 1,214 |
| | | | | | | | | | | |
| **Member Service Costs (per member)** | **$170** | **$128** | **$114** | **$118** | **$120** | **$111** | **$97** | **$90** | **$87** | **$87** |
| **Benchmark** | **$176** | **$181** | **$167** | **$174** | **$156** | **$150** | **$150** | **$149** | **$149** | **$153** |
| | | | | | | | | | | |
| Post 1992 TPP* - year ended August 31 | | | | | | | | | | |
| Net Investment Returns | 4.4% | -1.8% | 15.6% | 5.5% | 7.8% | 9.6% | 7.7% | 6.7% | 8.3% | 18.9% |
| Benchmark | 8.5% | -4.1% | 13.8% | 7.3% | 6.4% | 8.5% | 7.0% | 6.6% | 6.5% | 18.4% |

Note : Amounts relate to transactions of post-1992 Teachers' Pension Plan and of the Private School Teachers' Pension Plan.

* Teachers' Pension Plan (TPP)

Alberta Teachers' Retirement Fund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