PSPP CORPORATION

A Future You Can Count On

PSPP Corporation
Public Service Pension Plan
Annual Report | 2021

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Message from the 2022 Chair

David Lardner

In 2021, we faced the second year of a global pandemic. However, some of the fear of our first year living with COVID-19 was eased aside by optimism as vaccines rolled out. We could even hope for a return to normal as we started seeing friends and family face to face.

To our members, pensioners and their beneficiaries who lost a loved one during these very trying times, please accept my sincerest condolences.

Last year, our message was one of resilience. We had to bend before the unexpected and spring back stronger than before. This year, our message is one of reliability. We are committed to building a solid foundation for PSPP Corporation's future.

In order to secure this future, the Board has several regular duties, including reviewing and approving both the Corporation's business plan and long-term strategic plan. We also evaluate our legislated service providers, Alberta Pensions Services Corporation (APS) and Alberta Investment Management Corporation (AIMCo), and monitor the health of the Plan through an annual actuarial valuation of the Plan.

This year, we approved an update to the Plan's target asset mix in April 2021: our new asset mix is reflected in our updated Statement of Investment Policies and Procedures.

There were changes to the Board in 2021, including the addition of Ross Prokopy and Jan Goodwin and the departure of Dr. Lauren Montgomery. I would like to sincerely thank former Chair Linda Dalgetty, whose term ended in February 2022, as well as her fellow departing Board Members Elaine Noel-Bentley, Terry Agoto and Elizabeth Johannson. Most of them were on the Board since PSPP Corporation was established.

I offer my sincere thanks to all Board members for their dedicated service. As an incoming Board Member along with Todd Gilchrist, I dedicate myself to continuing this important work.

I am proud of all that we have accomplished in the past three years. We may have had to do it from home and by video call, but we have worked hard – with the support of Chief Executive Officer Lynette Martin and the exceptional PSPP Corporation staff – to manage the Plan, support our employers, and secure our plan member benefits for life.

As we move into 2022, I know the Corporation and Board will continue to work hard to keep the Plan sustainable.

Your pension is in capable hands.

2021 PSPP Corporation Board of Directors

1 Linda Dalgetty, *Chair*
2 Elizabeth Johannson, *Vice-Chair*
3 Terry Agoto
4 Liliana Cordeiro
5 Jan Goodwin *(appointed Dec 8, 2021)*
6 Emilian Groch
7 Elaine Noel-Bentley
8 Ross Prokopy *(appointed Aug 10, 2021)*
9 Lauren Montgomery *(resigned Nov 9, 2021)*

Message from the CEO

Lynette Martin

The Public Service Pension Plan was established in 1947. With nearly 75 years of history, it is easy to forget that our joint governance structure is only three years old, and most of that time has been spent under the evolving challenges and consequences of a global pandemic. At PSPP Corporation, we decided that this year was best spent building the reliable structures that our Plan deserves.

In these efforts, I praise the work of our Board members, Sponsor Board members, our legislated service providers at APS and AIMCo, and my colleagues at the Corporation. I thank everyone for their guidance and support in the past few years. I look forward to working with members and colleagues both old and new as we continue to establish the Plan for your future.

We all pulled together under the threat of COVID-19, and as a result have some great news to share with you about our progress: 2021 was a good year for PSPP.

We started off the year with $15.6 billion in assets and, largely thanks to our allocation to public equities, ended with $18.1 billion. The fund returned 15.8% in 2021, compared with the benchmark return of 10.3%. The actuarial valuation showed PSPP is in a strong financial position, with the Plan fully funded at 103.4%, which led the Sponsor Board to reduce contribution rates starting January 1, 2022.

In addition to these larger fund management efforts, PSPP Corporation worked hard to support individual Plan members and employers. Our Stakeholder Engagement team was busy developing and delivering online education sessions on several topics, such as the Power of Your Pension, Termination and Buybacks, Preparing for Retirement, and more. We hosted round table discussions with employers to gain a deeper understanding of the challenges they face. We hope to be able to hold some of these sessions in person next year as COVID-19 restrictions ease. We also have big plans for website improvements, educational videos, and other ways to make life with PSPP easier.

PSPP Corporation exists to serve members and employers of PSPP. We are a dedicated team focused on serving the Plan and its members and employers. We remain steadfast in our goal to ensure your PSPP pension is the least of your worries.

Your pension is in good hands: we are committed to building a future you can count on.

Aerial view of the University of Calgary.
Photo credit: Riley Brandt

2021 Highlights

The Public Service Pension Plan (PSPP) is a defined benefit pension plan that offers a secure, lifetime pension to its members.

Established: 1947

Governing legislation: Joint Governance of Public Sector Pension Plans Act and (Alberta) Employment Pension Plans Act

pspp.ca

Formula

$$\left[\begin{array}{c}\text{Highest Average Salary Over 5 Consecutive Years up to the YMPE} \times 1.4\% \\ + \\ \text{Highest Average Salary Over 5 Consecutive Years above the YMPE*} \times 2.0\%\end{array}\right] \times \text{Years of Service in PSPP} = \text{Annual PSPP Pension}$$

*YMPE = Year's Maximum Pensionable Earnings (2021 YMPE was $61,600)

Contribution rates
for members and employers

in 2021

10.47%
up to the 2021
YMPE of $61,600

14.95%
over the 2021
YMPE

Reduced contribution rates
for members and employers

effective Jan 1, 2022

9.60%
up to the 2022
YMPE of $64,900

13.70%
over the 2022
YMPE

> Being a member of PSPP makes me feel more secured about my future retirement. It is like I feel protected and I would be able to live the rest of my life with dignity and knowing that I won't have to go to a retirement home.

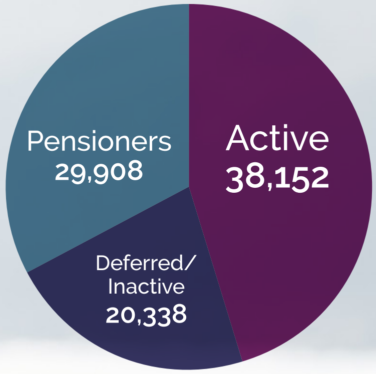
Sandra Monica Villanueva,
Government of Alberta

Nestled in the coulees of southern Alberta, the University of Lethbridge is one of Canada's top universities and leading research institutions.

Plan Demographics

Participating Employers
28

1 GOA
17 Agencies, boards and commissions
9 Post secondary
1 Other



Plan Membership

2021 Numbers

Average age of active members: **45.1**	Average years of service in PSPP among active members: **10.4**	Average age of pensioners: **73.4**	Funded status (as of the 2020 valuation, conducted in 2021): **103.4%**
Average annual PSPP pension (gross): **$18,561**	Average age of those who retired in 2021: **63.6**	Fund size as of December 31, 2021: **$18.1 Billion**	2021 investment performance, net of fees: **15.8%**

Stakeholder Engagement

PSPP Corporation's vision for PSPP is: A well-managed Plan. Well-served members.

Member Engagement

With the pandemic continuing in 2021, all in-person member sessions moved online. What were originally education sessions on how and when to fill out forms became a way for members to learn the value of being part of a defined benefit pension plan.

In 2021, PSPP Corporation offered over 85 sessions on topics ranging from pension partners and buybacks to leaves of absence and preparing for retirement. These sessions reached over 3,400 members.

Following each session, attendees were asked to complete a survey to provide valuable feedback. This feedback helped us build future webinar content and delivery. Sessions on specific moments in time will be developed and offered in 2022.

There were two reports emailed directly to our members. In 2022, we intend to increase the frequency of member communications.

Employer Engagement

Our employers play a huge role in the overall success of PSPP by committing to their roles and responsibilities. To facilitate employers in their roles, PSPP Corporation developed its first series of annual round table discussions.

The first Employer Round Table was held on May 18, 2021, with 60 attendees representing 26 out of 28 employers. Employers really resonate with the importance of a defined benefit pension plan for their employees, but they feel that there needs to be more information provided on the value-added benefit that can be shared with employees.

One of the requests from employers was for PSPP to facilitate a way for employers to discuss opportunities for improvement amongst themselves.

Our second Round Table discussion with PSPP employers was held on September 28, 2021, with 56 participants representing 25 employers. The session was framed around the year-end process, and it was well received.

> **In 2021, our employer satisfaction rated 8.2 out of 10.**

Pension Administration

At PSPP Corporation, our members and employers are at the heart of every decision we make. How can we do a better job informing you about your pension? How can we do a better job supporting our employers? We answer these questions every day in Pension Administration.

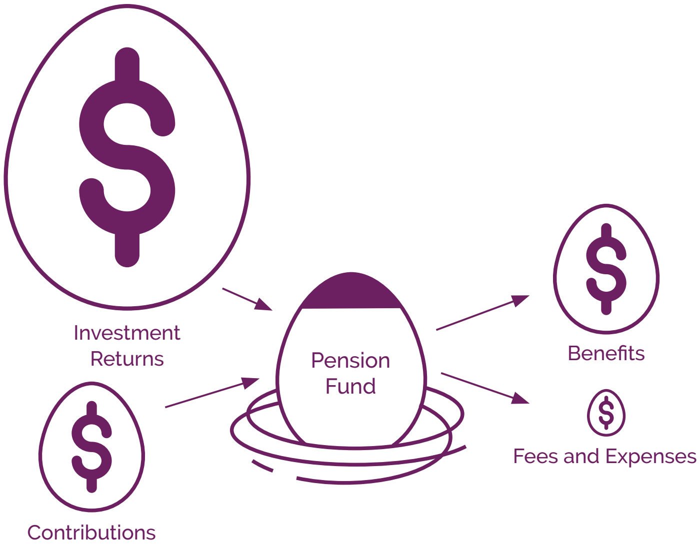
Service Levels

PSPP Corporation is responsible for the administration of PSPP in the best interest of the Plan and Plan members. However, PSPP Corporation is required by legislation to contract day-to-day pension administration services to Alberta Pensions Services Corporation (APS). APS also manages the Member Services Centre on our behalf.

APS is a provincial corporation incorporated in 1995 with the Government of Alberta as its sole Shareholder. APS provides administration services for nine public sector pension plans, including two supplementary retirement plans. APS operates on a non-profit cost recovery basis with all costs being paid for by the pension plans served by APS.

The services provided to PSPP by APS are outlined in a pension services agreement between APS and PSPP Corporation. The agreement also sets out benchmarks for specified services to ensure that APS provides timely and accurate services to PSPP members.

APS processed over 13,000 member transactions and responded to over 47,000 member inquiries in 2021. PSPP Corporation works with APS to determine how to best meet service requirements.



Interior of Centennial Centre for Interdisciplinary Science building at the University of Alberta.

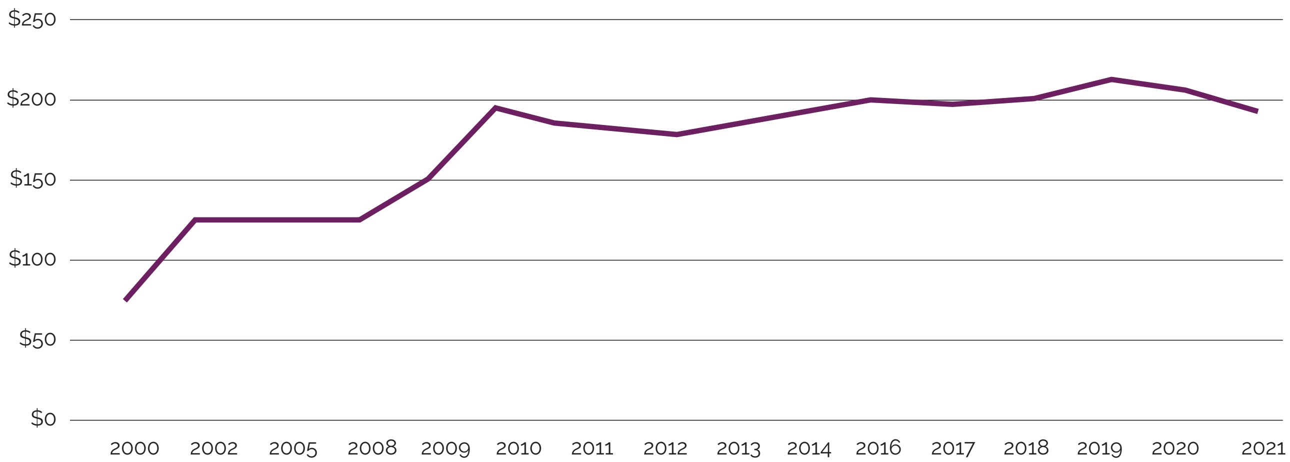
Pension Administration Cost

All of the costs involved in the management and administration of PSPP are paid by Plan members and employers out of the PSPP fund.

Pension administration costs include all expenses incurred by PSPP Corporation as well as fees charged to PSPP by APS for day-to-day administration. APS fees are calculated pursuant to a cost-recovery framework based on PSPP membership, transaction levels and other cost drivers. Administration costs in 2021 were $13,515,000. See Note 12 of the PSPP financial statements for information about administrative expenses.

Our total administrative cost per member in 2021 was $199.

Cost per Member (based on active members and pensioners)



Dee Abson,
Agricultural Financial
Services Corporation

To me, PSPP means the investment I'm making in my career today will continue to pay off into retirement. That gives me peace of mind and a firm foothold on my future.

The Sally Borden Fitness and Recreation Centre at Banff Centre for Arts and Creativity was built in 2016. Photo by Chris Amat.

Management Discussion and Analysis

Investment Performance

2021 Year in Review

Assets Under Management	Investment Income
$18.1 Billion	$2.6 Billion

	1 Year	4 Year
Portfolio Return	15.8%	7.7%
Benchmark Return	10.3%	8.2%
Added Value	5.5%	(0.5%)

As a follow up to the onset in 2020 of the COVID-19 pandemic, 2021 was a year of anticipating the return to normal life and the complete re-opening of the global economy. Equity markets around the world continued the positive recovery related momentum of late 2020 and were driven by evidence of vaccine effectiveness, ongoing supportive fiscal and monetary policy, strong corporate earnings and increasing consumer demand.

Some uncertainty about the investment environment going forward also appeared as supply chain issues and labour shortages led to rising inflation. Price increases hit food and energy specifically. In Fixed Income markets, the question of inflation becoming a longer run phenomenon, and of the potential path of future central bank rate increases, led to a rise in bond yields and related price depreciation.

The recovery story and related strong equity markets contributed to an outstanding year for PSPP's investment portfolio. The total return of 15.8% was well above PSPP's Policy Benchmark return of 10.3%. AIMCo, PSPP's legislated asset manager, realized significant outperformance in Equities and Alternative illiquid asset classes.

> As a single person – and a poor money manager – PSPP means a guaranteed income and a more secure future.

Charlene Magnes,
University of Alberta

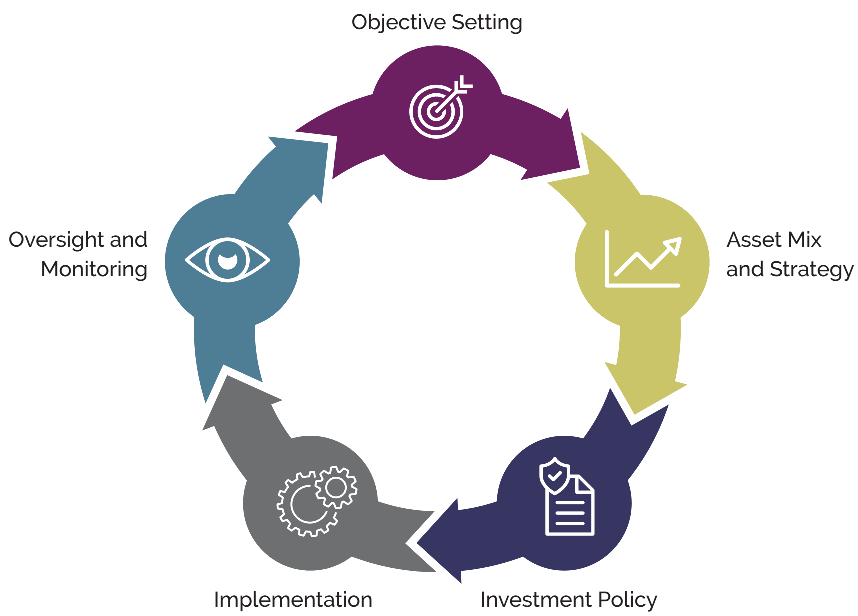
Many of AIMCo's equity strategies contributed significant positive outperformance while very few strategies did poorly. Given the prospect for recovery, the assets hit the hardest by the pandemic in 2020 saw valuations rebound significantly in 2021. PSPP's non-publicly traded illiquid asset classes of Real Estate, Infrastructure and Private Equity experienced a combined valuation mark-up of over $365 Million.

Strong investment performance in 2021 had a positive impact on PSPP's long-term results. 4-year performance was a healthy 7.7%. Despite significant value add in 2021, poor performance relative to PSPP's Benchmark in both 2020 and 2019 has resulted in AIMCo underperforming PSPP's 4-year annualized benchmark return of 8.2% by 0.5%.

> **Solid long-term investment performance has ensured the Plan continues to hold sufficient assets to cover its financial obligations.**

Investment Decision Framework and Process

Investing in capital markets involves decision making under uncertainty. To manage the risks of seeking returns in the financial marketplace, PSPP Corporation has adopted an industry best practice investment decision framework that features a fiduciary cycle of visiting and revisiting key decisions.



Objectives of the investment program are established by determining the appropriate level of risk to assume in capital markets within the context of the pension funding model. Assuming higher risk, increases expected investment returns and reduces expected contribution levels, but increases the expected volatility of contribution rates. The goal is to balance the risk-reward dynamic of capital market participation.

The portfolio construction phase involves building an investment portfolio that is in line with established objectives and risk tolerance. Capital-market risk is managed by targeting a portfolio that is highly diversified across broad asset classes, strategies and geographies and is optimal from a risk-reward perspective.

A formal Statement of Investment Policy and Procedures (SIPP) inclusive of governing principles, a target mix of asset classes and allowable ranges, performance benchmarks and permissible investments has been established to guide the implementation of the investment portfolio.

PSPP Corporation oversees the implementation of the investment portfolio versus SIPP guidelines and monitors investment results relative to expectations. Critical to the process are established reporting channels that deliver timely and accurate information to support the ongoing cycle of investment decision making.

Implementation of the SIPP

Policy Asset Mix

PSPP Corporation's SIPP that was in place as at December 31, 2021 features a policy allocation to the broad asset class categories of Equity, Fixed Income and Alternatives.

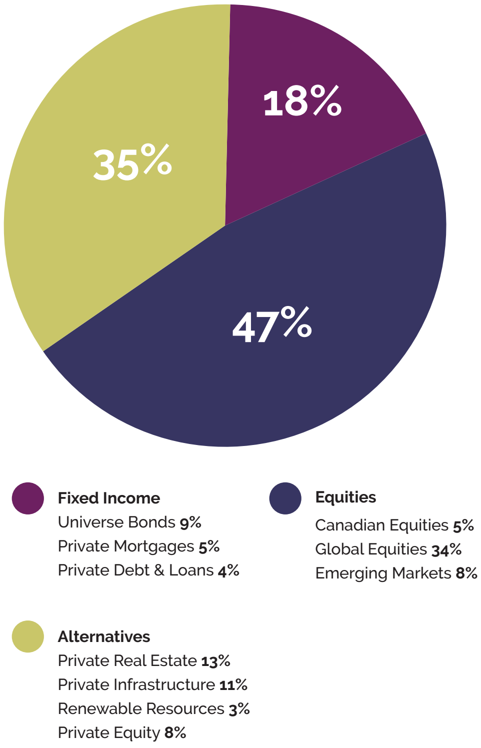
Asset Class	Weight
Fixed Income	18%
Equities	47%
Alternatives	35%

Equity assets are the highest return, and highest risk, category in the portfolio. Also being the largest category of investment, equities are expected to be the return driver within the pension funding model and are critical to meeting long-term objectives.

The Alternatives exposure includes allocations to long-lived Real Estate and Infrastructure assets. Long-lived assets typically provide stable and predictable income while offering the potential for long-run capital appreciation. Along with portfolio diversification, Real Estate and Infrastructure assets are expected to provide the pension funding model with a desired element of long-run inflation protection.

Fixed-Income assets are the least risky assets in the portfolio and relative to equities are expected to deliver lower but more stable returns. Typically having a relatively low correlation to equities, they are expected to provide the portfolio with an important element of downside protection during equity market drawdowns.

PSPP's policy asset mix reflects a target portfolio that is highly diversified across key drivers of investment return.



Investment Management

AIMCo is PSPP Corporation's legislated exclusive provider of investment management services. Established as a crown corporation in 2008, AIMCo provides a large-scale multi-client investment platform with a global reach to Alberta based public entities including Pension Plans, Endowments and Government Funds.

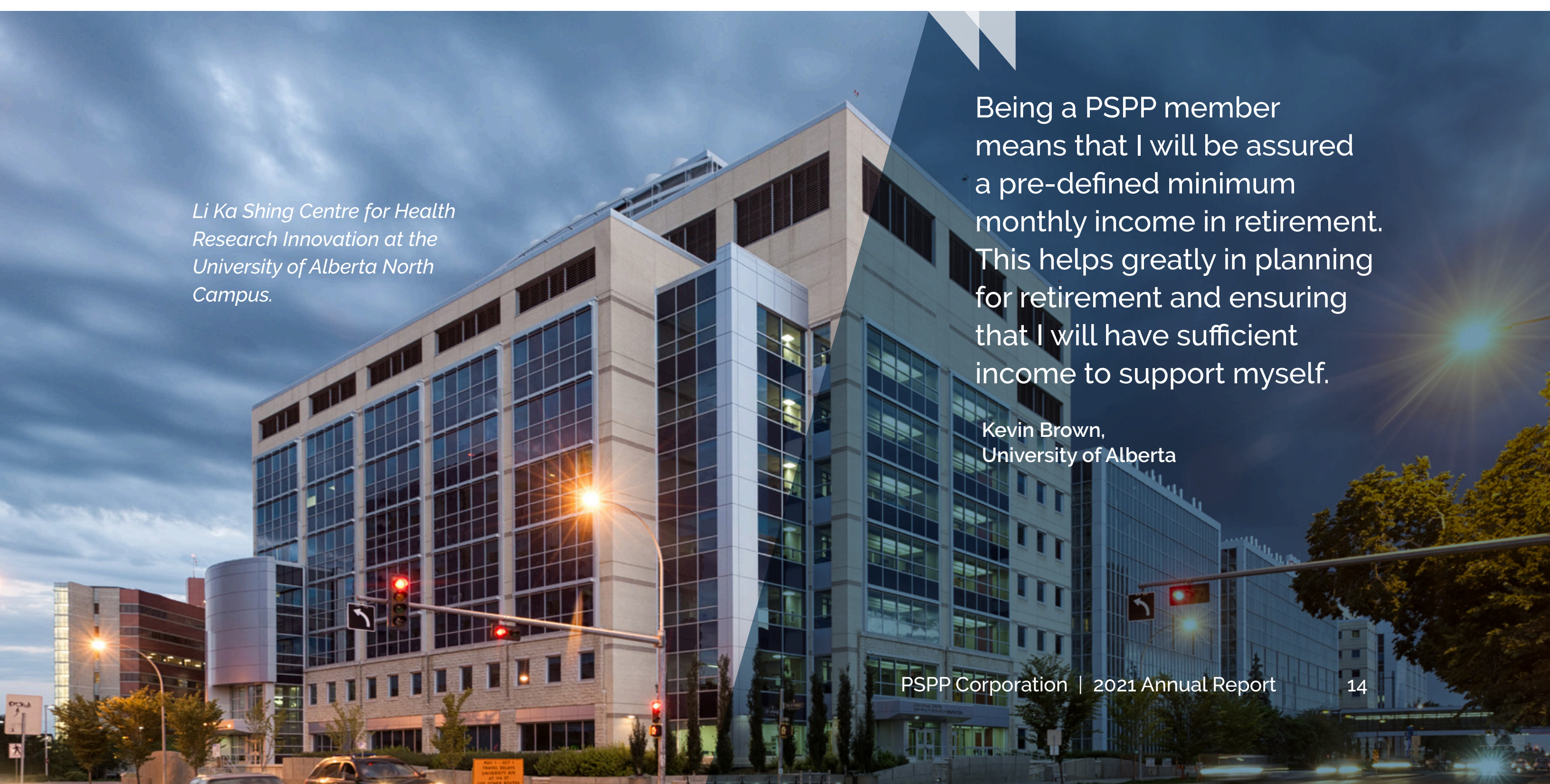
The relationship with AIMCo is governed through an agreement whereby AIMCo implements PSPP Corporation's SIPP in the financial marketplace and supports the carrying out of decision making, oversight and monitoring responsibilities.

Investment Results

To allow a comparison of actual investment performance to a relevant target, each asset class in the Policy Asset Mix is assigned an appropriate investment performance benchmark. As well, a total portfolio performance benchmark is constructed from underlying asset class performance benchmarks and policy weights.

AIMCo has discretion within its implementation of the Policy Asset Mix to seek investment returns beyond underlying Policy Benchmarks. All strategies implemented within each asset class are defined by AIMCo Product Descriptions, inclusive of investment guidelines along with risk and return targets.

Regular review of investment results versus performance benchmarks allows PSPP Corporation to monitor the effectiveness of AIMCo's implementation of the SIPP.



Li Ka Shing Centre for Health Research Innovation at the University of Alberta North Campus.

Being a PSPP member means that I will be assured a pre-defined minimum monthly income in retirement. This helps greatly in planning for retirement and ensuring that I will have sufficient income to support myself.

Kevin Brown,
University of Alberta

2021 was highlighted by strong returns in Equities; 23.0% overall and 5.5% above the underlying performance benchmark. Fixed Income returns were poor; (2.7%) overall but 1.1% above the underlying benchmark. Alternative investment returns were also strong; 16.1% overall and 8.9% above the underlying benchmark.

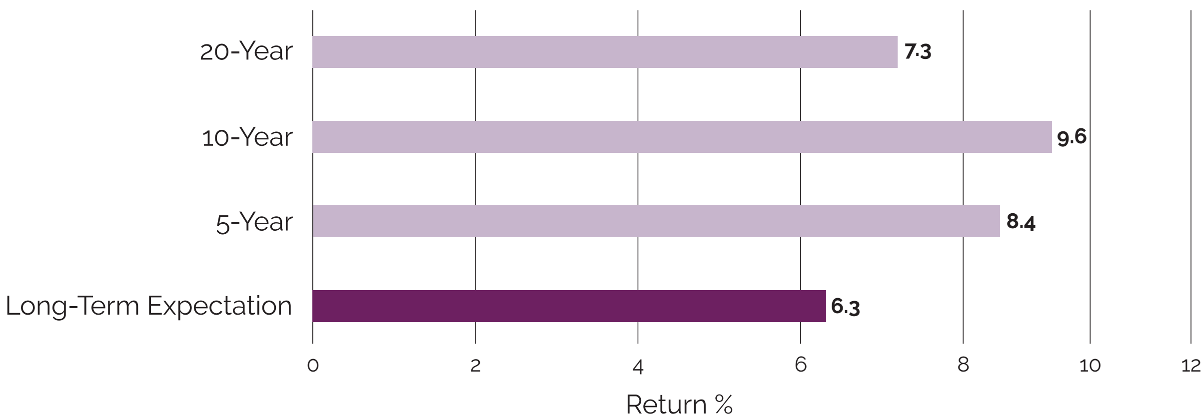
	December 31, 2021		Annual Returns %				Compound
	Fair Value (in millions)	Asset Mix (%)	2021	2020	2019	2018	Annualized Return 4yr
Total Fund Return	**18,046.5**	**100.0**	**15.8**	**1.6**	**12.3**	**1.5**	**7.7**
Policy Benchmark Return (Market Return)			*10.3*	*8.0*	*13.8*	*1.0*	*8.2*
Value Add			*5.5*	*(6.4)*	*(1.5)*	*0.5*	*(0.5)*
Money Market	**41.7**	**0.2**	**0.3**	**0.9**	**1.9**	**1.7**	**1.2**
FIXED INCOME	**3,547**	**19.7**	**(2.7)**	**10.4**	**9.0**	**2.2**	**4.6**
Combined Benchmark			*(3.8)*	*9.9*	*8.7*	*1.2*	*3.8*
Value Add			*1.1*	*0.5*	*0.3*	*1.0*	*0.8*
Universe Bonds	**2,287.3**	**12.7**	**(2.3)**	**9.9**	**7.8**	**1.9**	**4.2**
Private Mortgages	**640.5**	**3.5**	**1.2**	**9.4**	**6.0**	**4.7**	**5.3**
Private Debt & Loan	**618.8**	**3.4**	**8.5**	**5.9**	**4.4**	**4.0**	**5.7**
EQUITIES	**10,184.9**	**56.4**	**23.0**	**2.6**	**16.2**	**(2.9)**	**9.2**
Combined Benchmark			*17.5*	*9.4*	*19.4*	*(1.6)*	*10.8*
Value Add			*5.5*	*(6.8)*	*(3.2)*	*(1.3)*	*(1.6)*
Canadian Equity	**976.2**	**5.4**	**29.5**	**(2.4)**	**20.8**	**(9.8)**	**8.3**
Global Equity	**7,742.8**	**42.9**	**22.3**	**4.3**	**16.5**	**(1.0)**	**10.1**
Emerging Markets	**1,465.9**	**8.1**	**1.3**	**7.7**	**10.6**	**(8.2)**	**2.6**
ALTERNATIVES	**4,247.2**	**23.5**	**16.1**	**(9.7)**	**6.8**	**12.7**	**6.0**
Combined Benchmark			*7.2*	*(0.2)*	*5.8*	*7.6*	*5.1*
Value Add			*8.9*	*(9.5)*	*1.0*	*5.1*	*0.9*
Real Estate	**2,140.4**	**11.9**	**14.3**	**(13.7)**	**4.8**	**11.9**	**3.7**
Canadian Real Estate	**1,647.1**	**9.1**	**14.1**	**(14.0)**	**5.5**	**11.5**	**3.7**
Foreign Real Estate	**493.3**	**2.7**	**15.0**	**(11.2)**	**0.1**	**14.7**	**4.1**
Infrastructure	**1,235.3**	**6.8**	**19.6**	**(2.4)**	**8.5**	**13.1**	**9.4**
Renewable Resources	**179.7**	**1.0**	**20.9**	**(8.3)**	**19.1**	**17.7**	**11.7**
Private Equity	**691.8**	**3.8**	**58.4**	**(10.0)**	**0.7**	**18.9**	**14.3**
PORTFOLIO OVERLAYS							
Strategic Opportunities	**26.1**	**0.1**	(2.7)	(2.0)	20.3	(2.2)	2.9

Annualized over the last four years, Fixed-Income returns were in line with expectations; 4.6% overall and 0.8% above benchmark. Four-year annualized Equity returns were solid overall at 9.2%, however 1.6% below benchmark. Alternatives returns over the same period were 6.0% overall and 0.9% above benchmark.

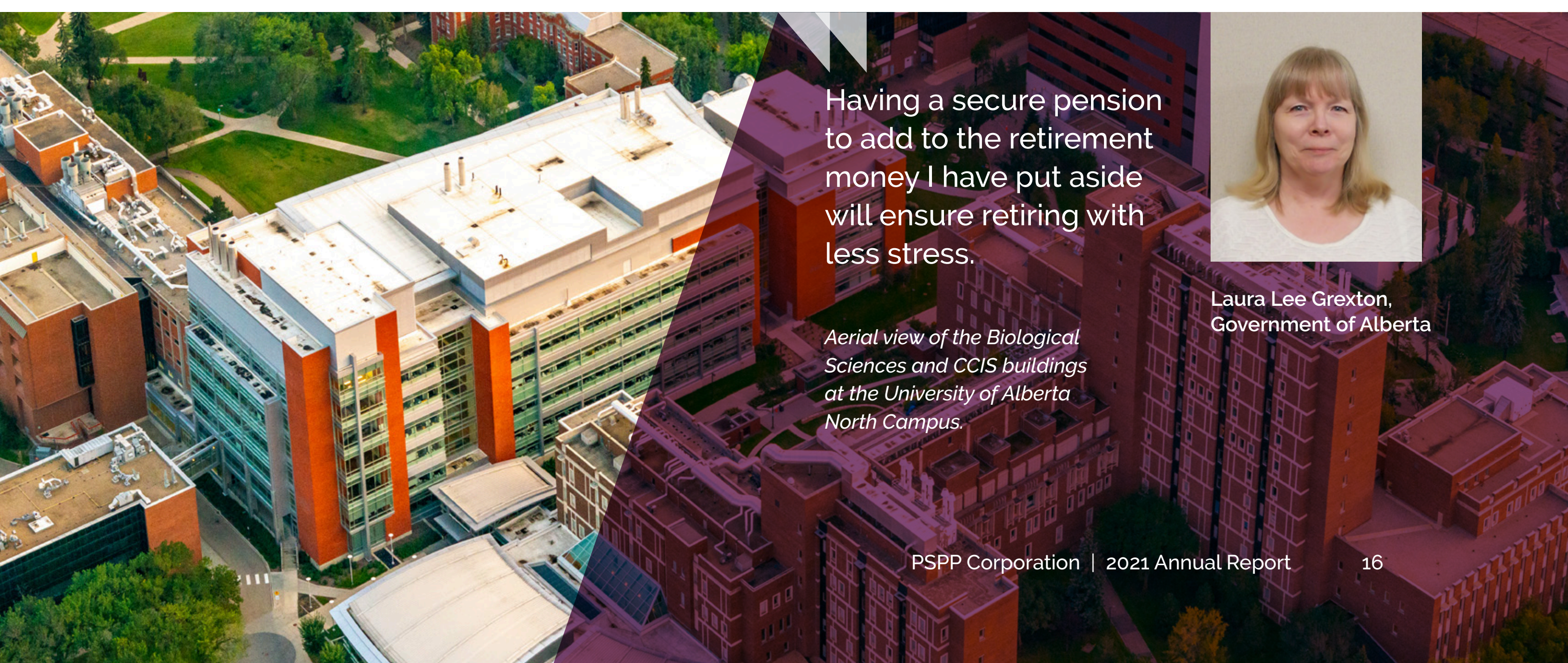
Investment Performance vs. Long Term Objectives

The ongoing sustainability of the pension funding model is monitored through the regular completion of actuarial valuations. Given investment returns are the primary source of benefit funding, a key element of the actuarial valuation process is to establish an assumption related to the long-term expected return from the investment portfolio.

Long-Term Investment Returns vs. Funding Objectives



Over the last 20 years, the actuarial assumptions for expected annual portfolio returns, including a margin for conservatism, have decreased and have averaged 6.3%. As highlighted by the Plan's historical investment performance, underlying capital market factors have contributed to portfolio returns meeting and exceeding the long-term objectives of the pension funding model.



Having a secure pension to add to the retirement money I have put aside will ensure retiring with less stress.

Laura Lee Grexton,
Government of Alberta

Aerial view of the Biological Sciences and CCIS buildings at the University of Alberta North Campus.

Plan Financial Highlights

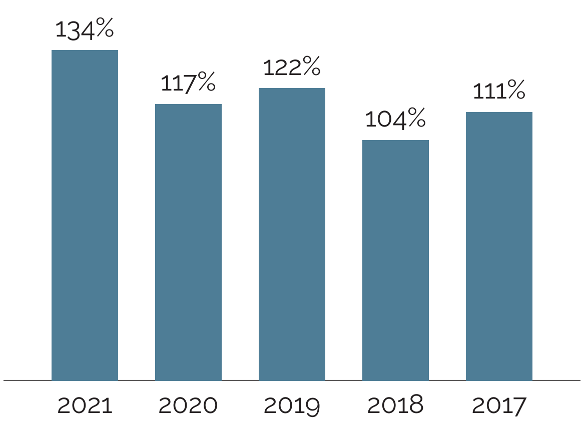
This report highlights the results of the PSPP Financial Statements as at December 31, 2021. The accounting financial position is based on the market value of the assets as of the date of the statements. The financial statements report the Plan's financial position and surplus on an accounting basis; however, it is important to note that the accounting financial position is not the same as the Plan's funded status determined by an actuarial funding valuation.

The total accounting pension obligation is based on the estimated net present value of future pension benefits to be paid to Plan members. Retirement benefits earned by employees provide a lifetime pension for each year of pensionable service based on a specified percentage applied to the average salary for the five highest consecutive years, subject to the maximum benefit limit allowed under the Canadian Income Tax Act. The estimated pension obligation increases annually for each additional year of pensionable service earned by employees. The pension obligation is an estimate, because it is based on various assumptions used by the Plan's actuary. For example, an estimated discount rate is used to determine the present value of future retirement payments. A lower estimated discount rate will increase the total pension obligation. Similarly, a higher estimated life expectancy will also increase the pension obligation.

At December 31, 2021, the fair value of the Plan's net assets totaling $18,058 billion was higher than the estimated pension obligation of $13.470 billion resulting in a surplus of $4.588 billion. The discount rate for accounting purposes increased from 5.6% to 5.9%. Other major assumptions for accounting purposes were unchanged from 2020.

At December 31, 2021, the financial position of the Plan shows that 134 per cent of the total pension obligation was supported by net assets.

Percent of Pension Obligations Supported by Net Assets
(per audited financial statements)



PSPP allows for a feeling of safety. I will have a guaranteed income which along with CPP, Old Age Security and RRSP/TFSA's. This means a comfortable retirement and I will not have to rely on my children or other family to help support me in my old age.

Genevieve Bowman, Government of Alberta

As required by legislation, funding on the Plan has to be based on the actuarial funding valuation.

The actuarial funding valuation differs from the financial statements as the actuarial funding valuation incorporates a margin to buffer against unfavorable Plan experience. The margin is one of the tools to help achieve the funding objectives of contribution stability and benefits being fully funded. When a plan is considered fully funded, it means that the pension plan has enough assets on hand to satisfy all obligations to current and future retirees.

The actuarial funding valuation also uses an actuarially accepted practice of smoothing fund returns over a five-year period to even out the impact from the volatility of market returns on the Plan's funded status and contribution rates. This practice produces a funding value of assets that can be higher or lower than the market value in any given year. Contribution rates are set based on the funded status and funding requirements set out in the actuarial funding valuation.

The audited PSPP Corporation financial statements start on page 44, are separate from the Plan financial statements. PSPP Corporation is the Trustee and administrator of the Plan. The Corporation has a duty to act in the best interest of Plan members and is responsible for managing the Plan fund, including the investment of Plan assets.

The Corporation is responsible for ensuring the Plan is in compliance with all Provincial and Federal laws, providing timely information to members and employers, supporting the PSPP Sponsor Board with timely and accurate information to make better decisions, overseeing the preparation and audit of both the Plan and Corporation financial statements, and other services that help communicate the benefits of the Plan for its members, such as this annual report, and ensuring the Plan is secured for years to come.

Opened in 2019, the Science Commons building at the University of Lethbridge is considered Canada's most advanced science and academic building and recently achieved LEED Gold status for environmental sustainability.

Public Service Pension Plan

Financial Statements

Year Ended December 31, 2021

Auditor General OF ALBERTA

Independent Auditor's Report

To the PSPP Corporation Board of Directors

Report on the Financial Statements

Opinion

I have audited the financial statements of the Public Service Pension Plan, which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits, and changes in pension obligation 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 the Public Service Pension Plan as at December 31, 2021, 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 the Public Service Pension Plan 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.

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 the Public Service Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 Public Service Pension Plan'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 the Public Service Pension Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Public Service Pension Plan'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 the Public Service Pension Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

May 18, 2022
Edmonton, Alberta

Statement of Financial Position

As at December 31, 2021

	(in thousands) 2021	2020
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 18,041,325	$ 15,619,243
Contributions receivable		
Employers	6,139	6,367
Employees	5,922	4,979
Accounts receivable	9,974	9,825
Total Assets	18,063,360	15,640,414
Liabilities		
Accounts payable	4,951	6,230
Total Liabilities	4,951	6,230
Net assets available for benefits	$ 18,058,409	$ 15,634,184
Pension obligation and surplus		
Pension obligation (Note 5)	$ 13,469,930	$ 13,410,602
Surplus (Note 6)	4,588,479	2,223,582
Pension obligation and surplus	$ 18,058,409	$ 15,634,184

The accompanying notes are part of these financial statements.

Approved by the Board:

[Original signed by]

David Lardner
Chair of the Corporate Board

Approved by the Board:

[Original signed by]

Liliana Cordeiro
Chair of Finance Audit Committee

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2021

(in thousands)

	2021	2020
Increase in assets		
Contributions (Note 7)		
Employers	$ 310,371	$ 323,497
Employees	299,408	323,832
Investment income (Note 8)		
Income	1,792,013	734,363
Change in fair value	808,150	(414,433)
Transfers from other plans	3,149	11,093
	3,213,091	978,352
Decrease in assets		
Benefit payments (Note 10)	635,240	658,956
Transfers to other plans	10,911	17,422
Investment expenses (Note 11)	129,200	71,322
Administrative expenses (Note 12)	13,515	14,278
	788,866	761,978
Increase in net assets	2,424,225	216,374
Net assets available for benefits at beginning of year	15,634,184	15,417,810
Net assets available for benefits at end of year	$ 18,058,409	$ 15,634,184

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2021

(in thousands)

	2021	2020
Increase in pension obligation		
Interest accrued on opening pension obligation	$ 744,560	$ 751,716
Benefits earned	416,368	416,602
Net loss due to actuarial assumption changes (Note 5a)	-	643,068
Experience losses (Note 5b)	94,883	-
	1,255,811	1,811,386
Decrease in pension obligation		
Benefits payments and transfers to other plans	646,151	676,378
Experience gains (Note 5b)	-	382,896
Net gain due to actuarial assumption changes (Note 5a)	550,332	-
	1,196,483	1,059,274
Net increase in pension obligation	59,328	752,112
Pension obligation at beginning of year	13,410,602	12,658,490
Pension obligation at end of year (Note 5)	$ 13,469,930	$ 13,410,602

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2021

(All dollar amounts in thousands, unless otherwise noted)

NOTE 1. SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the Public Service Pension Plan text document. Unless otherwise stated, all terms that are not defined below have the meaning prescribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the plan rules and applicable legislation, those plan rules and applicable legislation shall apply.

a. GENERAL

The Plan is a defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies, public bodies and other entities.

The Plan is a registered pension plan (registration number 0208769) as defined in the *Income Tax Act*. The Plan is also registered under the *Employment Pension Plans Act* (Alberta) (EPPA). Other provincial legislation having application to the Plan includes the *Exemption (Public Sector Pension) Regulation AR 3/2020* and the *Employment Pensions Plans Regulation AR 154/2014* (EPPR).

The Plan is governed by the PSPP Sponsor Board and PSPP Corporation. The PSPP Sponsor Board has certain statutory functions with respect to the Plan under the Joint Governance Act, including making and amending plan text, setting contribution rates, and establishing a funding policy. PSPP Corporation is the administrator of the Plan for all purposes of the EPPA, legal trustee of the Plan fund, and management for the purpose of these financial statements.

b. PLAN FUNDING

The Plan is subject to the jointly sponsored plan funding rules of the EPPA and is exempted from the EPPA's solvency funding requirements. Current service costs and any actuarial deficiency (see Note 13) are funded equally by employers and employees at contribution rates, which together with investment earnings, are expected to provide the payment of all benefits payable under the Plan. The contribution rates in effect at December 31, 2021 were 10.47% (2020: 10.47%) of pensionable earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 14.95% (2020: 14.95%) of pensionable earnings over the YMPE, with matching contributions by employers.

Pensionable earnings are subject to an upper limit (the salary cap) to ensure the pension accrual is not greater than the maximum pension benefit limit allowed under the *Income Tax Act*. In 2021, the YMPE was $61,600 (2020: $58,700) and the salary cap was $180,758 (2020: $172,221).

The contribution rates were reviewed in 2021 and are to be reviewed at least once every three years based on recommendations of the Plan's actuary. Contribution rates will be reduced effective January 1, 2022.

c. RETIREMENT BENEFITS

A member is vested for a retirement benefit when they have at least two years of combined pensionable service, or immediately if they are a participant in the Plan on or after attaining age 65.

The Plan provides for a pension based on a formula that considers a vested member's pensionable salary and years of pensionable service. The pensionable salary used is referred to as the member's highest average salary and is calculated by taking the average of the five consecutive years where the member's pensionable salary was the highest. The years of pensionable service used include the total years of pensionable service a member has accumulated in PSPP. A member cannot accumulate more than a maximum of 35 years of combined pensionable service. The member's highest average salary up to the average YMPE over the same period (matching average YMPE) is multiplied by of 1.4% for each year of pensionable service. The member's highest average salary above the matching average YMPE is multiplied by 2.0% for each year of pensionable service. The two amounts are added together to calculate the member's annual unreduced pension. Unreduced pensions are payable to members who have attained age 65 or have attained age 55 and the sum of their age and years of combined

c. RETIREMENT BENEFITS (continued)

pensionable service equals 85. Vested members may retire and collect a pension as early as age 55 with their pensions being reduced if the sum of their age and years of combined pensionable service is less than 85.

d. DISABILITY PENSIONS

Unreduced pensions may be payable to vested members who become totally disabled and retire early. Reduced pensions may be payable to vested members who become partially disabled and retire early.

Individuals who became members after June 30, 2007 and have no combined pensionable service prior to July 1, 2007 are not entitled to disability pensions.

e. DEATH BENEFITS

Death benefits are payable on the death of a member.

If the member is vested, dies prior to commencing to receive a pension, and has a surviving pension partner, the surviving pension partner may choose to receive either a survivor pension or a lump sum payment. For a beneficiary, other than a pension partner or where the member is not vested, a lump sum payment must be chosen.

If the member is vested and dies after commencing to receive a pension, the death benefit will depend on the pension option selected at retirement and can include a lifetime pension payable to a surviving pension partner, or a monthly pension or lump-sum benefit payable to the surviving beneficiary(ies) based on any remaining guaranteed period.

f. TERMINATION BENEFITS AND REFUNDS TO MEMBERS

Vested members who terminate before their 55th birthday may choose to withdraw their funds from the Plan and receive a lump sum payment equal to the commuted value of their pension, with the commuted value being subject to the EPPA's "locking-in provisions". Any service transferred into the Plan on an actuarial reserve basis or purchased by the member on an elective basis that was wholly funded by the member is not included in the commuted value and is instead refunded as contributions with interest.

For benefits calculated with a calculation date of prior to April 1, 2020, if the member's contributions with interest exceeded more than 50% of the commuted value, the excess contributions with interest were refunded as taxable cash. For benefits calculated with a calculation date on or after April 1, 2020, if the member's contributions with interest exceed more than 100% of the commuted value, the excess contributions with interest are refunded as taxable cash. Alternatively, the vested member may elect to receive a deferred pension which is also subject to the applicable excess rule. Members who are not vested when they terminate receive a refund of the employee paid portion of their contributions with interest. These payments are included as benefit payments on the statement of changes in net assets available for benefits.

g. PURCHASED SERVICE AND TRANSFERS

The Plan allows for the purchase of certain eligible periods of service and for the transfer of entitlements into the Plan under various transfer agreements with other pension plans. All elective service purchases are to be cost-neutral to the Plan. The actuarial present value of pension entitlements is paid when service is transferred out of the Plan under a transfer agreement. The cost to recognize service transferred into the Plan under a transfer agreement is the actuarial present value of the benefits that will be created as a result of the transfer.

h. COST OF LIVING ADJUSTMENTS (COLA)

Pensions in pay and deferred pensions are increased each year on January 1 by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31 in the previous year.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a. BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. International Financial Reporting Standards (IFRS) is used for accounting policies that do not relate to the Plan's investment portfolio or pension obligation. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b. VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* of Alberta, Chapter F-12, Section 45, and the *Alberta Investment Management Corporation Act* of Alberta, Chapter A-26 .5, Section 15 and 20. Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. AIMCo controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. 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 and cash.

Investments in pool units are recorded in the Plan's accounts on a trade date basis. All purchases and sales of the pool units are in Canadian dollars.

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

c. INVESTMENT INCOME

Investment income is recorded on an accrual basis.

Investment income is reported in the statement of changes in net assets available for benefits and in Note 8 and includes the following items recorded in the Plan's accounts:

i. Income distributions from the pools, based on the Plan's pro-rata share of total units issued by the pools; and

ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

d. INVESTMENT EXPENSES

Investment expenses include all amounts incurred by the Plan to earn investment income (see Note 11). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e. VALUATION OF PENSION OBLIGATION

The value of the pension obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is made at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and PSPP Corporation's best estimate, as at the measurement date, of various economic and non-economic assumptions.

f. MEASUREMENT UNCERTAINTY

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the Plan's pension obligation, private investments, hedge funds, real estate and renewable pools. Uncertainty arises because:

i. the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and

ii. the estimated fair values of the Plan's private investments, hedge funds, real estate and renewable pools may differ significantly from the values that would have been used had a ready market existed for these investments.

iii. the current economic environment has significant market volatility stemming from the global pandemic COVID-19 virus. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Fund's investments.

While best estimates have been used in the valuation of the Plan's pension obligation, private investments, hedge funds, real estate and renewable investments, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in the Plan's pension obligation are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in pension obligation in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized for investments are included in net investment income in the year when the ultimate realizable values are known.

g. INCOME TAXES

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

NOTE 3. INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against PSPP Corporation approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Procedures (SIPP) established by PSPP Corporation and updated on September 17, 2020 and October 1, 2021. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools have a market-based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4).

(in thousands)

	Fair Value Hierarchy (a)					
			2021			**2020**
Asset Class	**Level 2**	**Level 3**	**Fair Value**	**Level 2**	**Level 3**	**Fair Value**
Fixed income						
Money market	$ 36,482	$ -	$ 36,482	$ 97,983	$ -	$ 97,983
Bonds, mortgages and private debt	2,287,274	1,259,295	3,546,569	2,305,510	907,218	3,212,728
	2,323,756	1,259,295	3,583,051	2,403,493	907,218	3,310,711
Equities						
Canadian	976,173	-	976,173	2,101,382	-	2,101,382
Global developed	7,688,659	54,094	7,742,753	5,611,992	61,037	5,673,029
Emerging market	1,465,923	-	1,465,923	832,701	-	832,701
	10,130,755	54,094	10,184,849	8,546,075	61,037	8,607,112
Alternatives						
Real estate	-	2,140,412	2,140,412	-	1,993,223	1,993,223
Infrastructure	8	1,235,338	1,235,346	-	1,154,716	1,154,716
Renewables	-	179,689	179,689	-	155,615	155,615
Private equity **	-	691,846	691,846	2	358,054	358,056
	8	4,247,285	4,247,293	2	3,661,608	3,661,610
Strategic and currency investments*	-	26,132	26,132	-	39,810	39,810
Total Investments	$12,454,519	$ 5,586,806	$ 18,041,325	$ 10,949,570	$ 4,669,673	$ 15,619,243

** This asset class is not listed separately in the SIPP as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).*

*** Private equity investments and prior year comparatives are presented under Alternatives as part of the SIPP approved on October 1, 2021 (2020: private equity investments presented under Equities). (see Note 4).*

a. FAIR VALUE HIERARCHY:

The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** – fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $12,454,519 (2020: $10,949,570).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities, real estate, infrastructure, and renewable investments totaling $5,586,806 (2020: $4,669,673).

Reconciliation of Level 3 Fair Value Measurement

(in thousands)

	2021	2020
Balance at beginning of year	$ 4,669,673	$ 4,820,646
Investment (loss) income *	783,005	(305,004)
Purchases of Level 3 pooled fund units	1,019,271	561,184
Sale of Level 3 pooled fund units	(880,982)	(407,153)
Transfers out of Level 3	(4,161)	-
Balance at end of year	$ 5,586,806	$ 4,669,673

** Investment income includes unrealized gains and (losses) of $504,499 (2020: ($552,715)).*

b. VALUATION OF FINANCIAL INSTRUMENTS RECORDED BY AIMCo IN THE POOLS

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Fixed income:*** Public interest-bearing securities 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. Private mortgages are valued based on the net present value of future cash flows discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans are valued similar to private mortgages.
- ***Equities:*** Public equities 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. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods for private equities may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows.
- ***Alternatives:*** 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 annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. The fair value of renewable investments is appraised annually by independent third-party evaluators. Infrastructure investments are valued similar to private equity investments. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.
- ***Strategic and currency investments:*** For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency****:* Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts****:* 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 the pools (see Note 4f). 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 cross-currency 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 difference between contractual foreign exchange rates and foreign exchange forward rate. 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 4. INVESTMENT RISK MANAGEMENT

The plan is exposed to financial risks associated with the underlying securities held in the pooled investment funds created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Market risk is comprised of 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.

The investment policies and procedures of the Plan are clearly outlined in the SIPP. The purpose of the SIPP is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The Plan's return-risk trade-off is managed through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. A new asset mix was approved by the Board of Directors of PSPP Corporation on October 1, 2021. A key change being an increased allocation to private investments. Given the illiquid nature of private investments, the move to the new asset mix is not able to be completed through short-term portfolio rebalancing activity. A formal transition plan is in place to fill the private market allocations. The following target policy asset mix is in effect as of December 31, 2021.

		Actual Asset Mix					
Asset Class	**Target Asset Policy Mix (a)**			**2021**			**2020**
			(in thousands)	*%*		*(in thousands)*	*%*
Fixed income	18%	$	3,583,051	19.9	$	3,310,711	21.2
Equities (c)	47%		10,184,849	56.5		8,607,112	55.1
Alternatives (c)	35%		4,247,293	23.5		3,661,610	23.4
Strategic and currency investments	(b)		26,132	0.1		39,810	0.3
		$	18,041,325	100.0	$	15,619,243	100.0

(a) While the portfolio is in transition to the new asset mix, actual investments may be outside the ranges for each Asset Class outlined in the SIPP.
(b) In accordance with the SIPP, AIMCo may invest up to 3% of the fair value of the Plan's investments in strategic investments that are outside of the asset classes listed above. AIMCo may, at its discretion, invest the funds in currency overlays.
(c) Private equity investments and prior year comparatives are presented under Alternatives as part of the SIPP approved on October 1, 2021 (2020: private equity investments presented under Equities).

a. CREDIT RISK

i. Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors.

Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade.

Unrated debt securities consist primarily of mortgages and private debt placements.

The following table summarizes the Plan's investment in debt securities by credit rating at December 31, 2021:

Credit Rating	**2021**	**2020**
Investment Grade (AAA to BBB-)	67.0%	68.3%
Speculative Grade (BB+ or lower)	2.4%	2.8%
Unrated	30.6%	28.9%
	100.0%	100.0%

ii. Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Plan.

AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Plan. Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii. Security lending risk (in thousands)

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2021, the Plan's share of securities loaned under this program is $410,613 (2020: $392,403) and collateral held totals $440,672 (2020: $417,317). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments, bankers' acceptances and bankers' deposit notes. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b. FOREIGN CURRENCY RISK (in thousands)

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 51% (2020: 42%) of the Plan's investments, or $9,205,214 (2020: $6,586,690), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 30% (2020: 24%) and the Euro, 4% (2020: 4%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 5.1% of total investments (2020: 4.2%).

The following table summarized the Plan's exposure to foreign currency investments held in the pools at December 31, 2021:

(in thousands)

	2021		2020	
Currency *	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 5,452,163	$ (545,216)	$ 3,689,808	$ (368,981)
Euro	810,525	(81,052)	664,644	(66,464)
Japanese yen	608,231	(60,823)	479,735	(47,974)
Hong Kong dollar	375,369	(37,537)	219,665	(21,967)
British pound	370,483	(37,048)	351,774	(35,177)
Swiss franc	256,834	(25,683)	162,399	(16,240)
New Taiwan dollar	201,562	(20,156)	-	-
Other foreign currency	1,130,047	(113,005)	1,018,665	(101,867)
Total foreign currency investments	$ 9,205,214	$ (920,520)	$ 6,586,690	$ (658,670)

** Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Plan's net assets.*

c. INTEREST RATE RISK

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the fair value of investments will change in value due to future fluctuations in market interest rates . In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 1.1% of total investments (2020:1.7%).

d. PRICE RISK

Price risk relates to the possibility that pool units will change in fair value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 6.5% of total investments (2020: 5.1%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e. LIQUIDITY RISK

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties (Note 4f).

f. USE OF DERIVATIVE FINANCIAL INSTRUMENTS IN POOLED INVESTMENT FUNDS

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share *(in thousands)*	
By counterparty	**Number of counterparties**	**2021**	**2020**
Contracts in net favourable position (current credit exposure)	152	$ 223,182	$ 235,513
Contracts in net unfavourable position	14	(128,795)	(88,119)
Net fair value of derivative contracts	166	$ 94,387	$ 147,394

i. Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $223,182 (2020: $235,513) were to default at once. Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

ii. Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received, or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

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f. USE OF DERIVATIVE FINANCIAL INSTRUMENTS IN POOLED INVESTMENT FUNDS (continued)

Types of derivatives used in pools	Plan's Indirect Share *(in thousands)* 2021	2020
Equity-based derivatives	$ 92,533	$ 101,445
Foreign currency derivatives	(4,267)	42,119
Interest rate derivatives	(77)	856
Credit risk derivatives	6,198	2,974
Net fair value of derivative contracts	$ 94,387	$ 147,394

i. Equity derivatives are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity derivatives. Rights, warrants, futures and options are also included as structured equity replication derivatives.

ii. Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

iii. Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv. Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

v. At December 31, 2021, deposits in futures contracts margin accounts totaled $62,707 (2020: $55,826). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $(124,068) (2020: $123,025) and $nil (2020: $nil).

NOTE 5. PENSION OBLIGATION *(in thousands)*

a. ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out at December 31, 2020 by George and Bell Consulting and results were then extrapolated to December 31, 2021.

The actuarial assumptions used in determining the value of the pension obligation of $13,469,930 (2020: $13,410,602) reflect PSPP Corporation's best estimate, as at the measurement date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate, and the salary escalation rate. The discount rate is determined by taking the plan specific asset allocation and applying the expected long-term asset returns determined by an independently developed investment model. It does not assume a return for active management beyond the passive benchmark.

a. ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS (continued)

The major assumptions used for accounting purposes were:

	2021	2020
	%	%
Discount rate	5.9	5.6
Inflation rate	2.0	2.0
Salary escalation rate*	3.0	0.0 to 3.0**
Mortality rate	2014 Canadian Pension Mortality Private Table	

** In addition to age specific merit and promotion increase assumptions.*
*** Rate is 0.0% until March 31, 2021 and 3.0% thereafter.*

Net gain due to actuarial assumption changes of $550,332 (2020: net loss of $643,068) primarily resulted from changes in the discount rate.

The next actuarial valuation of the Plan will be completed no later than December 31, 2023.

Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in the year following the next actuarial valuation.

b. EXPERIENCE LOSSES AND GAINS

Experience losses totaling $94,883 include $65,797 from the results of the valuation at December 31, 2020 and extrapolated to December 31, 2021, and $29,086 from cost of living adjustments greater than expected.

In the prior year, experience gains include $351,993 from the results of the valuation at December 31, 2019 and extrapolated to December 31, 2020 and $30,903 from cost of living adjustments lower than expected.

c. SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

The Plan’s future experience will differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

c. **SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS** (continued)

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2021:

	(in thousands)		
	Changes in Assumptions %	**Increase in Plan Deficiency $**	**Increase in Current Service Cost as a % of Pensionable Earnings (1)**
Inflation rate increase holding discount rate and salary escalation assumptions constant	1.0	908,341	1.1
Salary escalation/YMPE/Maximum pension limit rate increase holding inflation rate and discount rate assumptions constant	1.0	354,993	1.2
Discount rate decrease holding inflation rate and salary escalation assumptions constant	1.0	1,887,880	3.2

(1) The current service cost as a percentage of pensionable earnings is 15.2% at December 31, 2021.

NOTE 6. SURPLUS

	(in thousands)	
	2021	**2020**
Surplus at beginning of year	$ 2,223,582	$ 2,759,320
Increase in net assets available for benefits	2,424,225	216,374
Net increase in pension obligation	(59,328)	(752,112)
Surplus at end of year	$ 4,588,479	$ 2,223,582

NOTE 7. CONTRIBUTIONS

	(in thousands)	
	2021	**2020**
Employers		
Current service	$ 308,563	$ 321,690
Past service	1,808	1,807
	310,371	323,497
Employees		
Current service	295,508	319,986
Past service	3,900	3,846
	299,408	323,832
	$ 609,779	$ 647,329

NOTE 8. INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

(in thousands)

	Income	Change in Fair Value	2021 Total	Income	Change in Fair value	2020 Total
Fixed Income						
Money market	$ 381	$ (7,067)	$ (6,686)	$ 1,144	$ 873	$ 2,017
Bonds, mortgages and private debt	114,824	(181,648)	(66,824)	239,025	70,676	309,701
	115,205	$ (188,715)	$ (73,510)	$ 240,169	$ 71,549	$ 311,718
Equities						
Canadian	385,560	87,632	473,192	(1,968)	49,408	47,440
Foreign	1,096,898	327,330	1,424,228	337,586	(10,892)	326,694
	1,482,458	414,962	1,897,420	335,618	38,516	374,134
Alternatives						
Real Estate	25,686	269,697	295,383	51,587	(342,917)	(291,330)
Infrastructure	102,376	122,491	224,867	43,606	(67,901)	(24,295)
Renewables	11,220	21,084	32,304	17,533	(30,519)	(12,986)
Private equity*	44,970	179,235	224,205	27,851	(61,292)	(33,441)
	184,252	592,507	776,759	140,577	(502,629)	(362,052)
Strategic and currency investments	10,098	(10,604)	(506)	17,999	(21,869)	(3,870)
	$ 1,792,013	$ 808,150	$ 2,600,163	$ 734,363	$ (414,433)	$ 319,930

** Private equity investment income and prior year comparative is presented under Alternatives as part of the SIPP approved on October 1, 2021 (2020: private equity investment income presented under Equities (see Note 4).*

The change in fair value includes realized and unrealized gains and (losses) on pool units. Realized and unrealized gains and losses on pool units total $286,055 and $522,095 respectively (2020: $53,216 and ($467,647) respectively).

Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, and income and expense on derivative contracts. Interest income earned on Consolidated Cash Investment Trust Fund (CCITF) balance is included in income.

NOTE 9. INVESTMENT RETURNS, CHANGE IN NET ASSETS AND PENSION OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	In %				
	2021	**2020**	**2019**	**2018**	**2017**
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	10.8	8.0	13.8	1.0	9.7
Value added (lost) by AIMCo	5.0	(6.4)	(1.5)	0.5	1.6
Time weighted rate of return, at fair value [(a)]	**15.8**	**1.6**	**12.3**	**1.5**	**11.3**
Other sources [(b)]	(0.3)	(0.2)	0.1	0.6	1.4
Per cent change in net assets [(c)]	**15.5**	**1.4**	**12.4**	**2.1**	**12.7**
Per cent change in pension obligation [(c)]	**0.4**	**5.9**	**(4.1)**	**8.6**	**4.7**
Per cent of pension obligation supported by net assets	**134**	**117**	**122**	**104**	**111**

(a) All investment returns are provided by AIMCo and are net of investment expenses.

(b) Other sources include employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.

(c) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

NOTE 10. BENEFIT PAYMENTS

	(in thousands)	
	2021	**2020**
Retirement benefits	$ 525,616	$ 491,781
Disability pensions	1,830	1,796
Termination benefits	84,721	137,513
Death benefits	23,073	27,866
	$ 635,240	$ 658,956

NOTE 11. INVESTMENT EXPENSES

	(in thousands)	
	2021	**2020**
Amounts charged by AIMCo for:		
Investment costs [a]	$ 57,784	$ 52,774
Performance-based fees [a]	67,199	16,066
GST	4,217	2,482
Total investment expenses	$ 129,200	$ 71,322
Increase (decrease) in expenses [a]	81.2%	(17.7%)
Increase in average investments under management	8.6%	6.7%
Increase (decrease) in value of investments attributed to AIMCo	5.0%	(6.4%)
Investment expenses	77 bps	46 bps

(a) Investment expenses are charged by AIMCo on a cost recovery basis. Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by AIMCo for investment costs include those costs that are primarily non-performance related including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance-based fees relate to external managers hired by AIMCo.

NOTE 12. ADMINISTRATIVE EXPENSES

	(in thousands)	
	2021	**2020**
Pension administration costs and process improvement costs		
Alberta Pensions Services Corporation (APS)	$ 10,507	$ 11,539
PSPP Corporation	2,571	2,279
Goods and services tax	437	460
	$ 13,515	$ 14,278
Administrative expenses per member in dollars (based on total membership)	$ 159	$ 169

Pension administration and process improvement costs were paid to APS and PSPP Corporation on a cost-recovery basis.

Goods and service tax reflects the amount not eligible for rebate under the *Excise Tax Act*.

NOTE 13. CAPITAL

The Plan defines its capital as the funded status. The actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years. The objective is to ensure that the Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments, the use of derivatives and leverage are based on an asset mix and risk policies and procedures that are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Plan's SIPP.

The Plan's asset values are determined on the fair value basis for accounting purposes. However, for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation purposes amounted to $16,983,000 at December 31, 2021 (2020: $15,768,000).

NOTE 14. RESPONSIBILITY OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of PSPP Corporation based on information and representations provided by PSPP Corporation, APS, AIMCo and the Plan's actuary.

PSPP CORPORATION

Financial Statements

December 31, 2021

Auditor General OF ALBERTA

Independent Auditor's Report

To the PSPP Corporation Board of Directors

Report on the Financial Statements

Opinion

I have audited the financial statements of PSPP Corporation, which comprise the statement of financial position as at December 31, 2021, and the statements of operations, change in net debt, and cash flows 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 PSPP Corporation as at December 31, 2021, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 PSPP Corporation 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.

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 public sector accounting standards, 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 PSPP Corporation'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 PSPP Corporation'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 PSPP Corporation'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 PSPP Corporation'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 PSPP Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

May 18, 2022
Edmonton, Alberta

PSPP CORPORATION
STATEMENT OF FINANCIAL POSITION
Year ended December 31, 2021

(in thousands)	2021	2020
Financial assets		
Cash	$ 217	$ 580
Accounts receivable	2	29
	219	609
Liabilities		
Due to Public Service Pension Plan (Note 6)	222	654
Due to Alberta Pensions Services Corporation (Note 7)	25	8
Accounts payable and accrued liabilities	77	130
Accrued salaries and benefits	64	82
Deferred lease inducement (Note 9)	227	252
	615	1,126
Net Debt	(396)	(517)
Non-financial assets		
Tangible capital assets (Note 8)	344	392
Prepaid expenses	196	294
	540	686
Net assets before spent deferred capital contributions	144	169
Spent deferred capital contributions (Note 8)	144	169
Net assets	$ -	$ -

Contractual obligations (Note 9)

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

Approved by the Board:

Original signed by
David Lardner
Chair of the Corporate Board

Approved by the Board:

Original signed by
Liliana Cordeiro
Chair of Finance Audit Committee

PSPP CORPORATION
STATEMENT OF OPERATIONS
Year ended December 31, 2021

(in thousands)	**2021** Budget	**2021** Actual	**2020**
Expenses			
Salaries and benefits	$ 1,424	$ 1,303	$ 1,045
Contract services	500	480	578
General and administrative	529	474	375
Amortization (Note 8)	-	53	5
Corporate Board (Board fees and administrative)	326	108	122
Sponsor Board (administrative)	209	153	154
Total operating costs	2,988	2,571	2,279
Recovery of costs from the PSPP (Note 6)	2,988	2,571	2,279
Annual surplus (deficit)	-	-	-
Net assets at beginning of year	-	-	-
Net assets at end of year	$ -	$ -	$ -

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

PSPP CORPORATION
STATEMENT OF CHANGE IN NET DEBT
Year ended December 31, 2021

(in thousands)	2021		2020
	Budget	**Actual**	**Actual**
Annual surplus (deficit)	$ -	$ -	-
Acquisition of tangible capital assets (Note 8)	(15)	(5)	(397)
Amortization of tangible capital assets (Note 8)	-	53	5
Change in spent deferred capital contributions	-	(25)	169
Change in prepaid expenses	-	98	(210)
Decrease (Increase) in net debt	(15)	121	(433)
Net debt at beginning of year	-	(517)	(84)
Net debt at end of year	$ (15)	$ (396)	(517)

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

PSPP CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2021

(in thousands)	2021	2020
Operating transactions		
Annual surplus (deficit)	$ -	-
Non-cash items included in annual surplus (deficit)		
Increase in deferred lease inducement (Note 9)	-	254
Acquisition of leasehold improvements as a deferred lease inducement (Note 8)	-	(225)
Amortization of tangible capital assets (Note 8)	53	5
Amortization of deferred lease inducement	(25)	-
Amortization of spent deferred capital contributions	(30)	(2)
	(2)	32
Decrease (Increase) in accounts receivable	27	(29)
Decrease (Increase) in prepaid expenses	98	(210)
(Decrease) Increase in due to Public Service Pension Plan (Note 6)	(432)	798
(Decrease) Increase in accounts payable and accrued liabilities	(53)	26
Increase (Decrease) in due to Alberta Pensions Service Corporation (Note 7)	17	(137)
(Decrease) Increase in accrued salaries and benefits	(18)	36
Cash (applied to) provided by operating transactions	(361)	484
Capital transactions		
Acquisition of tangible capital assets (Note 8)	(5)	(172)
Cash applied to capital transactions	(5)	(172)
Financing transactions		
Increase in spent deferred capital contributions (Note 8)	5	169
Cash provided by financing transactions	5	169
(Decrease) Increase in cash	(363)	513
Cash at beginning of year	580	67
Cash at end of year	$ 217	580

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

1. Authority

PSPP Corporation (Corporation) was established on December 11, 2018 by the *Joint Governance of Public Sector Pension Plans Act* (Alberta) (Joint Governance Act). The Corporation is a "Provincial Corporation" for the purposes of the *Financial Administration Act* (Alberta), and a "public agency" for the purposes of the *Alberta Public Agencies Governance Act* and the *Reform of Agencies, Boards and Commissions Compensation Act*.

2. Nature of operations

The Corporation is the trustee and administrator of the Public Service Pension Plan (PSPP or Plan). PSPP is registered under the *Employment Pension Plans Act* (Alberta) (EPPA). The functions of the Corporation include supporting the PSPP Sponsor Board in performing its statutory functions under the Joint Governance Act.

3. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Recovery of costs

All recoveries of costs are reported on the accrual basis of accounting. Accruals for recovery of costs are recognized as the related expenses are incurred.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The Corporation's financial assets and liabilities are generally measured as follows:

Financial statement component	Measurement
Cash	Cost
Accounts receivable	Lower of cost or net recoverable value
Due to/from pension plan	Lower of cost or net recoverable value
Accounts payable, accrued liabilities, and accrued salaries and benefits	Cost

Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external organizations and individuals.

Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid, investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Due to/from pension plan

Amounts due to/from pension plan are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Non-financial assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

(a) are normally employed to deliver services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight- line basis over their estimated useful lives as follows:

Furniture and equipment	5 years
Computer hardware and software	3 years
Leasehold improvements	Term of lease

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

Prepaid expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Net Debt

Net debt reflects the difference between the Corporation's financial assets and liabilities. The net debt will be recovered from the Public Service Pension Plan, as authorized by the Joint Governance Act, in a future period when the Corporation realizes the benefits associated with the non-financial assets.

Financial instruments

Financial instruments of the Corporation consist of cash, accounts receivable, due from/to pension plan, due from/to Alberta Pensions Services Corporation, accounts payable and accrued liabilities and accrued salaries and benefits. Due to their short-term nature, the carrying value of these instruments approximates their fair value.

As the Corporation does not have any transactions involving financial instruments that are classified in the fair value category, there are no remeasurement gains and losses and therefore, a statement of remeasurement gains and losses has not been presented.

4. Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting updates:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2022)**

  This standard provides guidance on how to account for and report liabilities for retirement of tangible capital assets.

- **PS 3400 Revenue (effective April 1, 2023)**

  This standard provides guidance on how to account for and report on revenue, and specifically, it differentiates between revenue arising from exchange transactions and non-exchange transactions.

- **PSG 8 Purchased Intangibles (effective April 1, 2023)**

  This guideline allows recognition in financial statements of intangibles purchased through an arm's length exchange transaction and meeting the definition of an asset.

The Corporation has not yet adopted these standards. Management is currently assessing the impact of these standards on the financial statements.

5. Budget

The Corporation's 2021 budget was approved by the Corporation's Board of Directors.

6. Recovery of costs *(in thousands)*

The Corporation charges the Public Service Pension Plan for its operating costs, as authorized by the Joint Governance Act.

At December 31, 2021, $222 is payable to (2020 - $654 payable to) the Public Service Pension Plan. The balance at year end is directly related to the timing of the receipt and disbursement of funds.

7. Due to Alberta Pensions Services Corporation *(in thousands)*

In addition to plan administration services, Alberta Pensions Services Corporation also provides corporate services to the Corporation. The balance of these services at the end of December 31, 2021 was $25 (2020 - $8).

8. Tangible capital assets *(in thousands)*

	Furniture & equipment	Leasehold improvements	2021 Total	2020 Total
Estimated useful life	5 years	Lease term		
Historical Cost				
Beginning of year	$ 141	$ 256	$ 397	$ -
Additions		5	5	397
Disposals, including write-downs	-	-	-	-
	141	261	402	397
Accumulated Amortization				
Beginning of year	3	2	5	-
Amortization expense	27	26	53	5
Effect of disposals, including write-downs	-	-	-	-
	30	28	58	5
Net Book Value	$ 111	$ 233	$ 344	$ 392

Additions in 2020 included $225 of leasehold improvements received as part of the Corporation's 10-year office lease agreement and was recognized as a deferred lease inducement.

Financing for all other additions was obtained from PSPP and is recognized as spent deferred capital contributions. The recovery of costs is recognized on the same basis as the tangible capital assets are amortized.

9. Contractual obligations *(in thousands)*

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

The Corporation has services agreements for administration of the Plan benefits, and investment and management of the Plan's assets with Alberta Pensions Services Corporation and Alberta Investment Management Corporation, respectively.

In 2020, the Corporation entered into a 10-year lease agreement for office space and services. The minimum annual commitments are as follows:

Year	Operating
2022	$ 165
2023	$ 171
2024	$ 171
2025	$ 175
2026	$ 175
Thereafter	$ 699
	$ 1,556

As part of the lease agreement, the Corporation received a Deferred Lease Inducement of $254 in 2020. The Deferred Lease Inducement is recognized as a reduction in lease expense over the 10-year lease term.

10. Trust funds under administration *(in thousands)*

The Corporation administers trust funds in the Public Service Pension Plan on behalf of the beneficiaries in accordance with the EPPA.

These amounts are held on behalf of others with no power of appropriation and therefore are not reported in these financial statements. At December 31, 2021, trust funds under administration by the Corporation were $18,058,409 (2020 - $15,634,184).

11. Salaries and benefits disclosure *(in thousands)*

The table below provides complete disclosure of salary, variable pay, employer portion of pension contributions and all other compensation paid during the year ended December 31, 2021 to senior management and the Board of Directors.

POSITION	BASE SALARY [1]	OTHER CASH BENEFITS [2]	OTHER NON-CASH BENEFITS [3]	2021 TOTAL	2020 TOTAL
Chief Executive Officer	300	35	73	408	387
Director, Finance and Risk	140	10	36	186	163
Director, Pension Policy	130	8	33	171	161
Director, Investment [4]	137	-	32	169	-

(1) Base salary includes regular base pay.

(2) Other cash benefits include personal leave and vacation payout. There were no bonuses paid in 2021 and 2020.

(3) Other non-cash benefits include the Corporation's share of contributions to the pension plans based on each individual's pensionable earnings. Also included are payments made on employees' behalf including health care and dental coverage, group life insurance, long-term disability insurance, workers compensation premiums, professional memberships, and education expenses.

(4) Director, Investment commenced January 11, 2021.

Board remuneration *(in thousands)*

The Board Chair received remuneration of $23 (2020 - $30). Four board members received a combined total remuneration of $58 (2020 - $69). Remuneration was not accepted by the remaining Board members as they each served on the Board as part of their employment duties with the sponsor organization that nominated them to the Board. The remuneration is paid in accordance with the rates approved by the Sponsor Board and is subject to applicable withholdings.

12. Defined benefit plans *(in thousands)*

The Corporation participates in two multi-employer defined benefit public sector pension plans, the Management Employees Pension Plan (MEPP) and the Public Service Pension Plan (PSPP). The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers (SRP). The expense for these pension plans is equivalent to the contributions of $142 (2020 $116) for the year ended December 31, 2021. This amount is included in salaries and benefits.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2020, PSPP reported a surplus of $2,223,582 (2019 - surplus of $2,759,320), MEPP reported a surplus of $809,850 (2019 - surplus of $1,008,135) and SRP had a deficiency of $59,972 (2019 - deficiency of $44,698).

13. Financial instruments

Liquidity risk is the risk of not being able to meet the Corporation's cash requirements in a timely and cost-effective manner. The Corporation's only source of liquidity are amounts charged to the Public Service Pension Plan (Note 6).

It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

14. Related party transactions *(in thousands)*

Related parties include the Government of Alberta, the Plan and key management personnel, close family members of those individuals, and entities that those individuals or their close family members may have significant control over.
All related party transactions are in the normal course of operations and consist of the recovery of the Corporations operating expenses as disclosed in the financial statements.

Related party transactions also include the purchase of risk management insurance from the Government of Alberta of which $16 (2020 - $15) is included in Prepaid expenses and $62 (2020 - $47) in General and administrative expenses. The Corporation is also required to file an annual information return for the Plan with the Government of Alberta, of which $75 (2020 - $75) is included in General and administrative expenses.

15. Approval of financial statements

The Corporation's Board of Directors approved the financial statements on May 18, 2022.

Appendix A – Governance

PSPP operates under a comprehensive governance framework to oversee, manage, and administer the Plan. Governance policies and documents are available at PSPP.ca under "Governance Publications" and "Sponsor Board Rules & Policies". As established and authorized under the *Joint Governance of Public Sector Pension Plans Act* (Joint Governance Act), three entities are responsible for oversight and decision-making of the Plan and Plan fund:

1. **PSPP Sponsor Board** – responsible for plan design, including benefits, rules, eligibility, and contributions.
2. **PSPP Corporation** – administrator and trustee of the Plan and Plan fund.
3. **PSPP Corporation Board of Directors** – responsible for overseeing the activities of PSPP Corporation.

The Plan, subject to certain exemptions granted under the EPPA Exemption Regulation, is a registered pension plan under the *Employment Pension Plans Act* (EPPA) and the Canadian *Income Tax Act*.

The Auditor General of Alberta is the auditor of PSPP and PSPP Corporation.

PSPP Sponsor Board

The PSPP Sponsor Board is a representative body comprised of eight members appointed directly by the largest Plan participating employers and employee organizations, as specified within the Joint Governance Act. Members of the Sponsor Board represent the sponsor organization that appointed them.

- Four employer representatives
    - Three appointed by the Government of Alberta (GOA)
    - One appointed by the University of Alberta (U of A), or the University of Calgary (U of C) based on a three-year rotation
- Four employee representatives
    - Three appointed by the Alberta Union of Provincial Employees (AUPE)
    - One appointed by the University of Alberta Non-Academic Staff Association (NASA)

The Sponsor Board's roles and responsibilities are set out in the *Joint Governance Act*. The following are some of the areas that fall under the Sponsor Board's purview:

- making and amending Plan rules
- setting contribution rates
- establishing a funding policy
- reviewing the Corporation's annual budget
- establishing a code of conduct and conflict of interest policy governing its members
- determining the remuneration of the Corporation's directors

2021 Sponsor Board Members

- Susan Slade, *Chair*
- Dan Stadlwieser, *Vice-Chair*
- Mike Dempsey
- Todd Gilchrist
- Jason Heistad
- Alex Long
- Shannon Marchand
- David Williams

PSPP Corporation

PSPP Corporation is the administrator and trustee of the Plan and Plan fund. It is responsible for carrying out all of the functions and responsibilities of a plan administrator and for managing and investing the Plan fund. The Corporation, as required by the *Joint Governance Act*, has agreements with Alberta Pensions Services Corporation (APS) for pension administration services, and Alberta Investment Management Corporation (AIMCo) for investment management services. Although pension administration and investment management are contracted to APS and AIMCo, PSPP Corporation continues to be responsible for the services provided.

PSPP Corporation operates on a cost recovery basis. All expenses incurred are recovered from the Plan fund.

PSPP Corporation Board of Directors (Corporate Board)

The PSPP Corporation Board of Directors is comprised of eight members who are nominated by employer and employee sponsor organizations as specified within the *Joint Governance Act* and appointed by the Lieutenant Governor through an Order in Council.

- Four directors nominated by employer sponsor organizations
    - Three nominated by the Government of Alberta (GOA)
    - One nominated by the University of Alberta (U of A), or the University of Calgary (U of C) based on a three-year rotation opposite of the PSPP Sponsor Board
- Four directors nominated by employee sponsor organizations
    - Three nominated by the Alberta Union of Provincial Employees (AUPE)
    - One nominated by the University of Alberta Non-Academic Staff Association (NASA)

The Board governs and oversees the activities of PSPP Corporation including Plan management. The Board established the following committees to assist with fulfilling its responsibilities. Please visit ***https://www.pspp.ca/page/committees*** to learn more about the Board's committees.

- Finance & Audit Committee (FAC)
- Governance & Human Resources Committee (GHRC)
- Investment Committee (IC)
- Appeal Tribunal

2021 Corporate Board and Committee Membership

Board Members	Board	FAC	GHRC	IC	Appeal Tribunal
Linda Dalgetty[1]	✔ Chair		✔ Chair	✔ Vice Chair	
Elizabeth Johannson	✔ Vice Chair	✔ Chair		✔	✔
Terry Agoto	✔			✔	
Liliana Cordeiro	✔	✔	✔ Vice Chair		
Jan Goodwin	✔				
Emilian Groch	✔	✔		✔ Chair	✔
Elaine Noel-Bentley	✔	✔	✔		
Ross Prokopy[2]	✔			✔	
Past Board Members					
Lauren Montgomery[3]	✔		✔ Chair		✔

[1]L. Dalgetty was a member of the IC from January 1 to September 15; a member of the GHRC for 2021; and became GHRC Chair effective November 17.

[2]R. Prokopy became a member of the IC effective September 16.

[3]L. Montgomery resigned from the Board effective November 9.

External IC Members

Janet Julé	Wesley Peters	Louise Poirier-Landry

The IC assists the Board in fulfilling its investment decision making and oversight responsibilities. The Board appoints external investment subject matter experts to the IC who significantly enhance the level of governance and experience underlying the investment platform.

Corporate Board Attendance and Remuneration

The Joint Governance Act authorizes the PSPP Sponsor Board to make rules respecting the remuneration paid to directors of PSPP Corporation. The Director Remuneration policy is publicly available at PSPP.ca under "Sponsor Board Rules & Policies".

In 2021, five directors received remuneration in accordance with the remuneration policy. The remaining directors, at their request, were not paid remuneration as these directors served on the Board as part of their employment duties with their sponsor organization.

The Director Remuneration policy also allows for any amounts that would have been payable to the applicable directors to instead be paid to the sponsor organization that appointed or nominated the applicable director. There was no remuneration paid to sponsor organizations in 2021.

Members of the PSPP Sponsor Board are not entitled to receive remuneration.

2021 Meeting Attendance

Board Members	Board	FAC	GHRC	IC	Appeal Tribunal	2021 Total Remuneration Paid ($, rounded)
Linda Dalgetty	9/9	-	4/4	4/4	-	22,700
Elizabeth Johannson	9/9	5/5	-	5/5	1/1	20,200
Terry Agoto	9/9	-	-	4/5	-	0
Liliana Cordeiro	9/9	5/5	4/4	-	-	0
Jan Goodwin[4]	-	-	-	-	-	0
Emilian Groch	9/9	5/5	-	5/5	1/1	21,200
Elaine Noel-Bentley	9/9	5/5	4/4	-	-	11,100
Ross Prokopy[5]	4/4	-	-	1/1	-	5,000
Past Board Members						
Lauren Montgomery[3]	7/7	-	3/3	-	1/1	0
Total						80,200

[4] J. Goodwin was appointed to the Board effective December 8.

[5] R. Prokopy was appointed to the Board effective August 10.

Appendix B – Public Interest Disclosure (Whistleblower Protection) Act

This unaudited section provides supplemental information required under Section 32 of the *Public Interest Disclosure (Whistleblower Protection) Act* (the *"Act"*). Pursuant to the *Act*, PSPP Corporation must report the following annually:

1. The number of disclosures received by or referred to the designated officer, the number of disclosures acted on, and the number of disclosures not acted on, by the designated officer.
2. The number of investigations commenced by the designated officer.
3. In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and:
    a. Any recommendations made or corrective measures taken in relation to the wrongdoing, and
    b. If the department, public entity, or office to which the recommendations relate has not taken corrective measures in relation to the wrongdoing, the reasons provided.

A Whistleblower & Whistleblower Protection Policy for PSPP Corporation was approved in 2021. The Corporation confirms that in 2021, there were no disclosures of wrongdoing received and as such, no investigations undertaken in 2021.

PSPP
CORPORATION