

**PSPP CORPORATION**

Financial Statements

December 31, 2023

## 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, 2023, 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, 2023, 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 14, 2024  
Edmonton, Alberta

**PSPP CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2023**

*(in thousands)*

	<u>2023</u>	<u>2022</u>
<b>Financial assets</b>		
Cash	\$ 90	\$ 118
	<u>90</u>	<u>118</u>
<b>Liabilities</b>		
Due to Public Service Pension Plan (Note 6)	73	161
Due to Alberta Pensions Services Corporation (Note 7)	5	13
Accounts payable and accrued liabilities	109	80
Accrued salaries and benefits	68	62
Deferred lease inducement (Note 9)	176	201
	<u>431</u>	<u>517</u>
<b>Net debt</b>	<u>(341)</u>	<u>(399)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Note 8)	291	325
Prepaid expenses	186	221
	<u>477</u>	<u>546</u>
<b>Net assets before spent deferred capital contributions</b>	<u>136</u>	<u>147</u>
Spent deferred capital contributions (Note 8)	<u>136</u>	<u>147</u>
<b>Net assets</b>	<u>\$ -</u>	<u>\$ -</u>

**Contractual obligations** (Note 9)

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

Approved by the Board:

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[Original signed by]

David Lardner  
Chair, Corporate Board

[Original signed by]

Liliana Cordeiro  
Chair, Finance Audit Committee

**PSPP CORPORATION**  
**STATEMENT OF OPERATIONS**  
**Year ended December 31, 2023**

	2023		2022
<i>(in thousands)</i>	Budget	Actual	Actual
<b>Expenses</b>			
Salaries and benefits	\$ 1,937	\$ 1,660	\$ 1,422
Contract services	319	245	266
General and administrative	1,463	954	673
Amortization (Note 8)	60	68	57
Corporate Board (Board fees and administrative)	356	214	180
Sponsor Board (administrative)	325	209	153
<b>Total operating costs</b>	4,460	3,350	2,751
<b>Recovery of costs from PSPP (Note 6)</b>	4,460	3,350	2,751
Annual surplus (deficit)	-	-	-
<b>Net assets at beginning of year</b>	-	-	-
<b>Net assets at end of year</b>	\$ -	\$ -	\$ -

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

**PSPP CORPORATION**  
**STATEMENT OF CHANGE IN NET DEBT**  
**Year ended December 31, 2023**

*(in thousands)*

	2023		2022
	Budget	Actual	Actual
<b>Annual surplus (deficit)</b>		\$ -	-
Acquisition of tangible capital assets (Note 8)	(60)	(34)	(38)
Amortization of tangible capital assets (Note 8)	60	68	57
Change in spent deferred capital contributions		(11)	3
Change in prepaid expenses		35	(25)
<b>Decrease (Increase) in net debt</b>		58	(3)
<b>Net debt at beginning of year</b>		(399)	(396)
<b>Net debt at end of year</b>		\$ (341)	(399)

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

**PSPP CORPORATION**  
**STATEMENT OF CASH FLOWS**  
Year ended December 31, 2023

(in thousands)

	<u>2023</u>	<u>2022</u>
<b>Operating transactions</b>		
Annual surplus (deficit)	\$ -	-
<b>Non-cash items included in annual surplus (deficit)</b>		
Amortization of tangible capital assets (Note 8)	68	57
Amortization of deferred lease inducement (Note 9)	(25)	(26)
Amortization of spent deferred capital contributions	(45)	(35)
	(2)	(4)
Decrease in accounts receivable	-	2
Decrease (Increase) in prepaid expenses	35	(25)
Decrease in due to Public Service Pension Plan (Note 6)	(88)	(61)
Increase in accounts payable and accrued liabilities	29	3
Decrease in due to Alberta Pensions Service Corporation (Note 7)	(8)	(12)
Increase (Decrease) in accrued salaries and benefits	6	(2)
Cash applied to operating transactions	(26)	(95)
<b>Capital transactions</b>		
Acquisition of tangible capital assets (Note 8)	(34)	(38)
Cash applied to capital transactions	(34)	(38)
<b>Financing transactions</b>		
Increase in spent deferred capital contributions (Note 8)	34	38
Cash provided by financing transactions	34	38
<b>Decrease in cash</b>	(28)	(99)
<b>Cash at beginning of year</b>	118	217
<b>Cash at end of year</b>	<u>\$ 90</u>	<u>118</u>

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



**PSPP CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended December 31, 2023**

**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:

<u>Financial statement component</u>	<u>Measurement</u>
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 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 Conceptual Framework for Financial Reporting in the Public Sector (effective April 1, 2026)**

The Conceptual Framework is the foundation for public sector financial reporting standard setting.

- **PS 1202 Financial Statement Presentation (effective April 1, 2026)**

This standard set out general and specific requirements for the presentation of information in general purpose financial statements.

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 2023 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, 2023, \$73 is payable to (2022 - \$161 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, 2023 was \$5 (2022 - \$13).

## 8. Tangible capital assets (in thousands)

				2023	2022
	Furniture & equipment	Leasehold improvement	Computer Equipment	Total	Total
Estimated useful life	5 years	Lease term	3 years		
<b>Historical Cost</b>					
Beginning of year	\$ 141	\$ 299	\$ -	\$ 440	\$ 402
Additions	-	-	34	34	38
Disposals, including write-downs	-	-	-	-	-
	141	299	34	474	440
<b>Accumulated Amortization</b>					
Beginning of year	58	57	-	115	58
Amortization expense	28	31	9	68	57
Effect of disposals, including write-downs	-	-	-	-	-
	86	88	9	183	115
<b>Net Book Value</b>	<b>\$ 55</b>	<b>\$ 211</b>	<b>\$ 25</b>	<b>\$ 291</b>	<b>\$ 325</b>

Financing for all 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:

<u>Year</u>	<u>Operating</u>
2024	\$ 173
2025	\$ 177
2026	\$ 177
2027	\$ 177
2028	\$ 177
Thereafter	<u>\$ 354</u>
	<u>\$ 1,235</u>

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, 2023, trust funds under administration by the Corporation were \$18,459,777 (2022 - \$17,116,542).

## 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, 2023 to senior management and the Board of Directors.

<b>POSITION</b>	<b>BASE SALARY <sup>1</sup></b>	<b>OTHER CASH BENEFITS <sup>2</sup></b>	<b>OTHER NON-CASH BENEFITS <sup>3</sup></b>	<b>2023 TOTAL</b>	<b>2022 TOTAL</b>
Chief Executive Officer	238	21	72	331	345
Chief Finance and Risk Officer	159	10	53	222	191
Chief Investment Officer	159	2	37	198	189
Chief Pension Officer	149	8	32	189	186

(1) Base salary includes regular base pay.

(2) Other cash benefits include personal leave and vacation payout. There were no bonuses paid in 2023 or 2022.

(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.

## Board remuneration (in thousands)

The Board Chair did not receive remuneration. Four board members received a combined total remuneration of \$65 (2022 - \$53). 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, including the Board Chair. The remuneration is paid in accordance with the rates approved by the PSPP 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 defined benefit Supplementary Retirement Plan for Public Service Managers (SRP), and an additional Reserve Fund, as required by the Government of Alberta for all SRP employers. The expense for these pension plans is equivalent to the contributions of \$159 (2022 - \$146) for the year ended December 31, 2023. This amount is included in salaries and benefits.

As of December 31, 2022, PSPP reported a surplus of \$4,258,721 (2021 - surplus of \$4,588,479), MEPP reported a surplus of \$924,735 (2021 - surplus of \$1,348,160) and SRP had a deficiency of \$25,117 (2021 - deficiency of \$20,982).

## **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 (2022 - \$16) is included in Prepaid expenses and \$63 (2022 - \$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 (2022 - \$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 14, 2024.