ANNUAL REPORT 2019

Teachers' Pension Plan Corporation
NEWFOUNDLAND & LABRADOR

Teachers' Pension Plan Corporation
NEWFOUNDLAND & LABRADOR

As the second largest public sector pension plan in the Province, our mission is to provide retirement security and outstanding services to our Plan members.

We begin and end by honouring our roots, richly grounded in the symbolism of our core values. Our brand identity embodies these as a reminder that our values will continue to guide us forward. The colour choice, and the iconic and symbolic representations – including a literary reference, and another that draws strength from nature – were intentional in its design.

Like an open book, we are built from transparency and education, while being of the Province's fabric: surrounded by sky and sea, our depth and stability is unwavering, as is our trust, loyalty, wisdom, faith and truth. Our quiet strength is built from the diverse expertise, skills and knowledge we possess, enabling us to govern the Plan and serve our members with excellence – a compelling reminder that there is more to us than initially meets the eye.

About the Teachers' Pension Plan

The Newfoundland and Labrador Teachers' Pension Plan is a defined benefit registered pension plan that offers you a lifetime pension benefit when you retire. Your pension benefit is funded by contributions made by you and your employer, as well as investment income generated by the Plan's investment assets. This Annual Report details the Plan's investment performance and financial health at December 31, 2019.

CONTACT INFORMATION:

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OUR COMMITMENT TO OUR COMMUNITY

We believe deeply in the importance of giving back to the community in which we live and work; this belief is supported by and grounded in our core values. Our people share this belief and we are extraordinarily proud of the initiatives they've undertaken over the past year. Through the commitment of their personal time, and own resources, our team members:

- Donated school bags and school supplies in support of the Bridges to Hope "Bag to School" program;
- Volunteered at the Gathering Place to help with the preparation and serving of Saturday Brunch to guests of the Gathering Place;
- Donated personal care items to the Gathering Place for use by their guests; and
- Donated toys to the VOCM Happy Tree in support of the VOCM Cares Foundation and the Salvation Army.

Table of Contents

2019 at a Glance . . . 3

Message from the Chair . . . 6

Pension Reform . . . 7

Plan Governance . . . 8

Our Good Governance Practices . . . 10

Plan Operations . . . 11

Investment Management – Discussion and Analysis . . . 14

Financial Reporting . . . 24

Audited Financial Statements . . . 29

Glossary of Terms . . . 62

2019 At a Glance

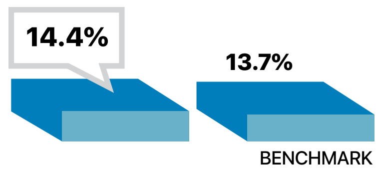
OVERVIEW

NET INVESTMENT ASSETS

$3.8 BILLION

as at December 31, 2019

RATE OF RETURN ON INVESTED ASSETS IN 2019



CONTRIBUTIONS OF $115.4M IN 2019

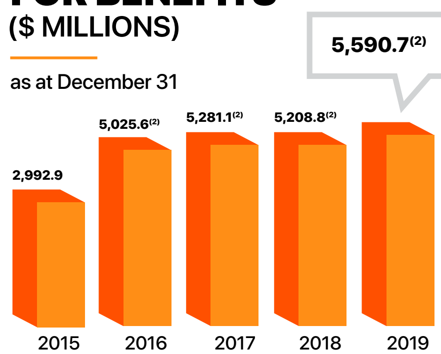
BENEFITS PAID IN 2019[(1)]

$305.4 M

NET ASSETS FOR BENEFITS

($ MILLIONS)

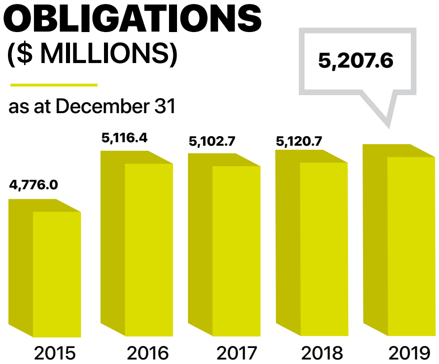
as at December 31



ACCRUED BENEFIT OBLIGATIONS

($ MILLIONS)

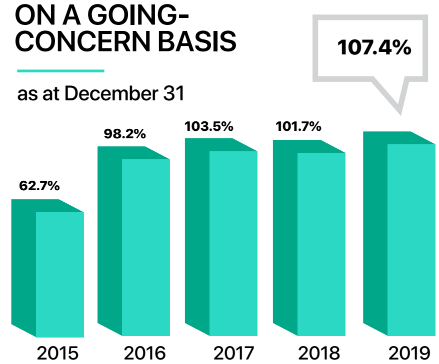
as at December 31



PLAN'S FUNDED STATUS

ON A GOING-CONCERN BASIS

as at December 31



(1) Includes termination benefits (refunds and commuted value payments) of $4.6 million.
(2) Includes Promissory Note from the Province

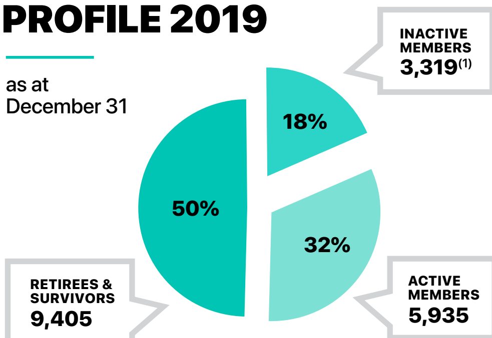
Probability of Remaining Fully Funded in 20 Years: 85%

2019 | At a Glance

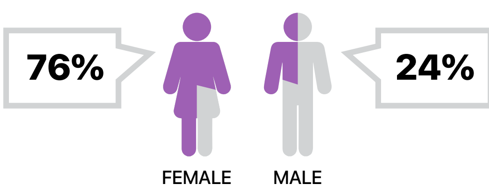
MEMBERSHIP FACTS

MEMBERSHIP PROFILE 2019

as at
December 31

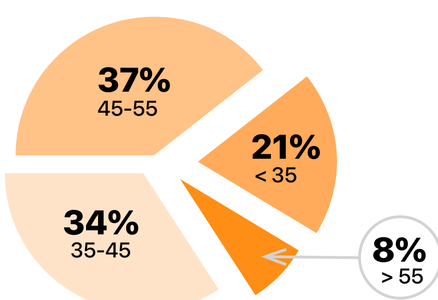


GENDER PROFILE OF ACTIVE MEMBERS

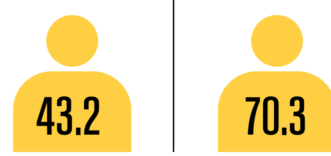


ACTIVE MEMBERS BY AGE

as at December 31



(1) Includes plan members who are not regular contributors to the plan and have not retired or removed their funds from the plan.
(2) From age 65 after CPP integration



Average Age	2017	2018	2019
Active Member	42.9	43.0	**43.2**
Retirees	69.2	69.8	**70.3**

Accrued Benefit Obligations	%
Retirees and Survivors	71
Active Members	28
Inactive Members	1
	100

OVER THE NEXT FIVE YEARS

1,414
Active members will have reached pensionable age

Retirees and survivors over 100 years of age
5

Average pensionable earnings of active members
$79,352

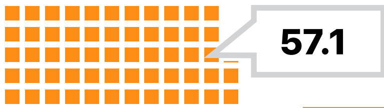
$29,690(2)
Retiree average annual lifetime pension

Active members for one retiree
0.63

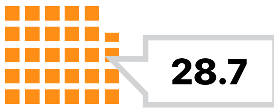
71%
of accrued benefit obligations relate to retirees and survivors

FOR THE 201 RETIREES IN 2019

Average age at retirement



Average years of service for members retiring in 2019



Average Lifetime Pension:[1] **$40,544**

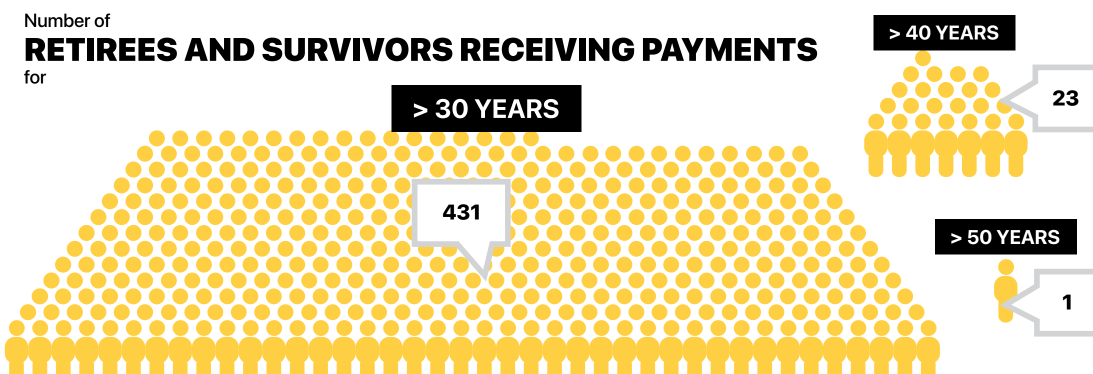
Average CPP Bridge Benefit: $9,622

Average Number of **YEARS CONTRIBUTED TO PLAN** **VS** Expected **YEARS ON PENSION**

MEMBERSHIP SNAPSHOT

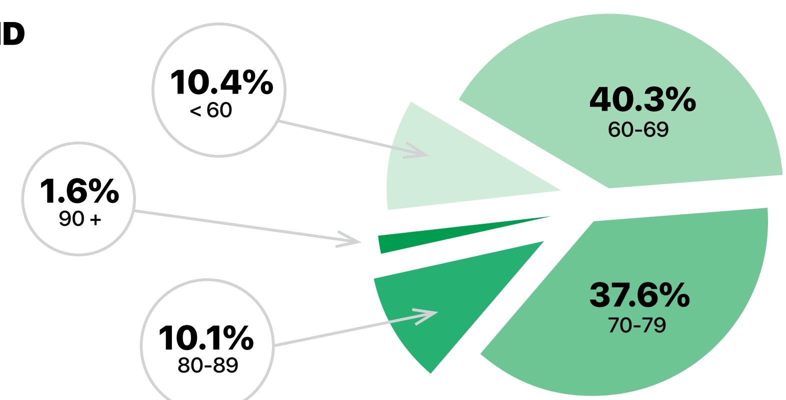
	2015	2016	2017	2018	2019
ACTIVE MEMBERS	5,982 31.5%	5,998 31.5%	5,913 31.0%	5,898 31.7%	**5,935** **31.8%**
RETIREES + SURVIVORS	8,853 46.6%	8,994 47.3%	9,140 47.9%	9,290 50.0%	**9,405** **50.4%**
INACTIVE MEMBERS	4,173 21.9%	4,035 21.2%	4,041 21.1%	3,392 18.3%	**3,319** **17.8%**
TOTAL	**19,008**	**19,027**	**19,094**	**18,580**	**18,659**

Number of
RETIREES AND SURVIVORS RECEIVING PAYMENTS
for



RETIREES AND SURVIVORS BY AGE

as at
December 31



[1] From age 65 after CPP Integration

Message from the Chair

PAULA McDONALD

On behalf of the Teachers' Pension Plan Corporation (the "TPPC" or the "Corporation"), I am pleased to present the Annual Report of the Teachers' Pension Plan (the "Plan" or the "TPP") for the fiscal year ended December 31, 2019.

During the year, financial markets were resilient and equity markets delivered impressive gains. The Plan's investment return was 14.4% in 2019, compared to the discount rate of 6%, which is the long-term rate to sustain the Plan. The Plan's investment assets increased to $3.8 billion in 2019 from $3.4 billion in 2018.

The variability in market returns between 2018 and 2019 illustrates the importance of maintaining an unwavering commitment to a long-term investment strategy. Our investment priorities reflect this commitment and are well aligned with the maturity of the Plan and its significant monthly benefit payments. 2019 marked the second year of the implementation of TPP's strategic asset allocation. We continue to reduce equity risk, focus on less volatile asset classes and increase diversification of investments. We expect full implementation of the strategic asset allocation by the end of 2020. The full deployment of capital commitments made through the implementation process is dependent upon market opportunities and conditions.

The funded ratio measures the Plan's assets, which include the promissory note received from the Government of Newfoundland and Labrador on August 29, 2016, against its projected obligations to its members. The funded ratio, on a going concern basis, was 107.4% at December 31, 2019 compared to 101.7% at December 31, 2018. The increase in the funded ratio was primarily the result of investment returns in 2019 exceeding the discount rate of 6%.

The TPPC made great operational strides during the year as the team pursued a number of initiatives supporting the Board's strategic priorities. I am proud of the continued advancements we have made in deploying technology to enhance our service model and decision making and the continued development of our talent. Heading into the third year of our initial three-year strategic plan, I am confident we will achieve our goals.

The Board and management are committed to meeting its obligations to Plan members. We act in Plan members' best interest not only because we have a legal fiduciary duty to do so, but out of respect for Plan members. To fulfill our duty, we follow leading governance principles and practices to ensure that the Plan's administration and investment policies are prudent. The Board monitors both global and specific plan risks to provide effective governance and oversight of the Plan.

I would like to thank my fellow Board members, the external members on the Investment Committee and the staff of the TPPC for their support, dedication and contributions during 2019. Everyone's commitment is exceptional.

Pension Reform

A Pension Reform Agreement was reached between the Newfoundland and Labrador Teachers' Association ("NLTA") and the Government of Newfoundland and Labrador ("Government" or "Province") and signed on June 15, 2015. On March 15, 2016, a Joint Sponsorship Agreement ("JSA") was signed by the NLTA and Government. Under joint sponsorship, both Government and the NLTA are responsible for the Plan sustainability into the future. Both parties have appointed representatives to the Sponsor Body. The ultimate goal of the Pension Reform Agreement and the JSA is the creation of a world class TPPC to administer the TPP and its pension fund. The JSA sets out the responsibilities and duties of the Sponsor Body and the Corporation.

Key responsibilities of the Sponsor Body and the TPPC are:

Sponsor Body

- Making amendments to the Plan design, including eligibility, benefits and contributions
- Deciding the frequency of actuarial valuations of the Plan
- Amending the actuarial assumptions and methods for the Plan
- Implementing the Funding Policy that has been agreed in the JSA

The TPPC

- Fiduciary responsibility for the Plan and the investment assets
- Sets strategic direction and makes key decisions
- Responsible for the Plan's overall operations and investment decisions
- Sets policy framework and strategic direction for the investment assets
- Manages the day-to-day operations of the Plan investments and benefit administration

The assets of the Plan were transferred from the Province to the Teachers' Pension Fund under the trusteeship of the TPPC. The $1.862 billion promissory note included in the Pension Reform Agreement was provided to the Corporation on August 29, 2016 and is an asset of the Plan.

Government no longer solely guarantees the pension deficiency; rather, future deficits and surpluses will be shared equally by the sponsors – Government and Pension Plan members as represented by the NLTA.

A funding policy was established for the Plan under the Pension Reform Agreement and the JSA which prescribes a path to full funding by 2042 and thereafter.

On December 5, 2018, Bill 45, An Act Respecting A Pension Plan For Teachers ("Bill 45"), was passed by the House of Assembly. Bill 45 clarified certain aspects of the JSA within the legislation, removed the administrative provisions relating to the TPP from the legislation and exempted the Plan from the Pension Benefits Act. Bill 45 was proclaimed by the Lieutenant-Governor in Council on April 15, 2019 and the Teachers' Pension Act, 2018, SNL 2018 c.T-4.01 ("TPA 2018") came into full effect at that time.

Plan Governance

The TPPC's vision is to be an outstanding pension plan administrator and institutional investor, and its mission is to provide retirement security and outstanding service for our members – today and tomorrow.

Since our inception on August 31, 2016, the Plan has been overseen by independent, expert board members who are required to make decisions in the best interest of all beneficiaries of the Plan. In accordance with the JSA, the Plan sponsors each appoint four individuals to the TPPC Board of Directors. This governance structure is key to the Plan's success.

TPPC believes good governance is essential because it delivers long-term value to our members. As the Plan Administrator and Trustee, we measure ourselves against best practices for governance, risk management, internal controls, stewardship and reporting.

BOARD OF DIRECTORS

The eight Board members have fiduciary responsibilities and were selected based on specialized skills as outlined in the JSA. The Directors have experience in governance, investments, finance, human resources, pensions, customer service and related administration, risk management, stakeholder involvement and regulatory matters. The Directors' responsibilities include, but are not limited to, acting independently of the Plan sponsors and making decisions in the best interest of all Plan beneficiaries.

The TPPC Board of Directors, a governing body separate from the Sponsor Body, was established as Trustee for the Teachers' Pension Fund and oversees the management and prudent investment of the pension plan and direction of the TPPC.

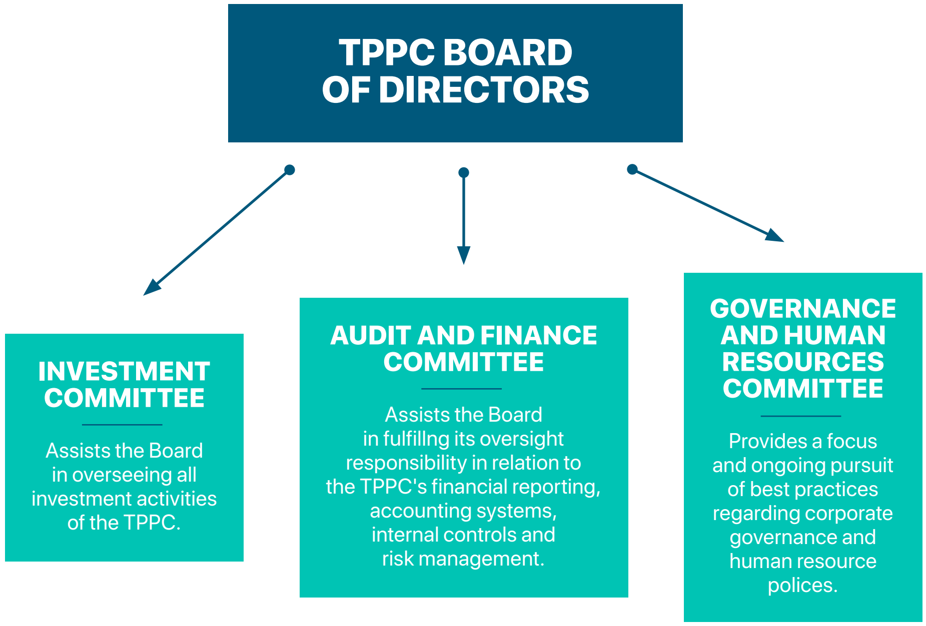
A robust governance structure has been established by the Board.

There are three standing committees:

- **Investment Committee**
- **Audit and Finance Committee**
- **Governance and Human Resources Committee**

The standing committees are responsible for providing expert advice to the Board, as per each committee's respective Terms of Reference; such advice enables the Board to fulfill the TPPC's corporate goals, objectives and responsibilities.

The Board has also established an Appeals Committee to hear member appeals of the Corporation's staff's interpretation of Plan rules.



MEMBERSHIP OF THE BOARD OF DIRECTORS AND COMMITTEES
as at December 31, 2019

Paula McDonald, BComm, FCPA, FCA, CMA
Board Chair, Member of the Investment, Audit and Finance and Governance and Human Resources Committees

Eric Thoms, BA, MBA, CPA, CMA
Board Vice-Chair, Audit and Finance Committee Chair and Member of the Governance and Human Resources Committee

Don Ash, BSc, BEd, MBA
Member of the Investment Committee

Robert Blais, BSc, FSA, FCIA
Member of the Investment and Audit and Finance Committees

Richard Dixon, BA, MIR, ICD.D
Governance and Human Resources Committee Chair

Scott Perkin, BComm, LLB
Member of the Audit and Finance and Governance and Human Resources Committees

Janet Rabovsky, BA, MBA
Investment Committee Chair

Gretchen Van Riesen, BSc
Member of the Governance and Human Resources Committee

EXTERNAL INVESTMENT COMMITTEE MEMBERS
as at December 31, 2019

The Investment Committee also includes two external members who bring additional subject matter expertise to the Board and are as follows:

Kevin Fahey, BComm, LLB, CFA
Johannus (John) Poos, BA, LLB

Our Good Governance Practices

ONGOING DIRECTOR EDUCATION

TPPC believes the ongoing development and education of its Board members is integral to achieving a high level of Board effectiveness. During 2019 the Board participated in several presentations on a variety of topics. The sessions were delivered by industry experts. Topics for 2019 included pension industry trends, global and local economic outlooks, demographic and longevity trends and artificial intelligence.

MONITORING

This practice includes the quarterly review of investment performance and funded ratios, as applicable. Investment compliance checklists, service performance, service provider contracts, investment managers, and service level agreements are also monitored regularly.

RISK MANAGEMENT

The Board has established a risk management framework that defines the risk tolerance for the Plan in matters of administration and investment. The framework guides the development of strategies to meet overall objectives. For all risks the Board provides oversight, and the various committees review management's assessment of pertinent risks on a quarterly basis.

COMPREHENSIVE POLICIES

In carrying out their responsibilities, the Directors are guided by numerous policies including Code of Business Conduct, Privacy and Information Management. All policies were reviewed during 2019 to ensure they remained relevant and current with the environment in which the Plan operates.

AUDIT

An annual audit is conducted by independent external auditors.

FUNDING VALUATIONS

The Board conducts regular funding valuations to assess the Plan's long-term financial health. Our most recent funding valuation was completed as at August 31, 2018.

BOARD GENDER DIVERSITY

Women comprise 37.5% of the Board's membership.

BOARD ATTENDANCE

Board members are expected to attend Board meetings and meetings of Committees of which they are a member. Board members met four times in 2019 for Board meetings. In addition, the Investment Committee met six times, the Audit and Finance Committee met four times and the Governance and Human Resources Committee met four times. The Appeals Committee did not meet during the year.

Name	Attendance	Board Meetings	Committee Meetings
Paula McDonald	100%	4	14
Eric Thoms	100%	4	8
Don Ash	100%	4	6
Robert Blais	100%	4	10
Richard Dixon	100%	4	4
Scott Perkin	100%	4	8
Janet Rabovsky	100%	4	6
Gretchen Van Riesen	100%	4	4

Plan Operations

TPPC administers pensions efficiently and in compliance with all regulations while delivering quality information and service to members. Providing members with outstanding service is key to everything we do. As a result, we continue to introduce new technology, improve our processes, develop our talent and communicate effectively with our members. We strive to make everything related to our members' pensions as easy as possible.

Plan Changes

During 2019, the TPA 2018 came into effect. From a plan member perspective, the most significant outcome of the enactment of the TPA 2018 relates to the administrative provisions for the TPP. As required under the JSA, these provisions have been moved from legislation and are now included in the non-statutory Newfoundland and Labrador Teachers' Pension Plan Text (the "Plan Text"). The Plan Text is the official document governing the TPP and allows the TPPC to effectively administer the plan on behalf of members.

The Plan Text and the TPA 2018 differ from the previous act as follows:

- **DESIGNATION OF BENEFICIARY –** The Plan Text now provides that a plan member may designate a beneficiary to receive potential benefit payments that would have previously gone to the member's estate.

- **APPEAL PROVISION –** The TPPC is committed to ensuring plan members have a fair and efficient structure in place to address their issues regarding the administrative practices, policies and decisions of the TPPC. As a result, an Appeals Committee has been established in accordance with the Plan Text.

The various plan documents are available on the TPPC website.

Services

We are a service organization and our members are from all over Newfoundland and Labrador and at various stages in their career or retirement. We strive to deliver the highest quality of service and aim to be accurate, timely, helpful and approachable.

Knowledgeable Employees – TPPC's employees receive extensive training and education in pension plan administration to ensure our members' first point of contact provides them with accurate information and answers they need to make informed decisions about their pensions. With the TPA 2018 and the Plan Text coming into force, TPPC employees received training on the changes and communicated these changes to plan members.

Accurate Information – Our website contains a full range of material which details the Plan provisions, rules regarding retirement eligibility and pension benefit formula. The Plan Member Guide, various forms, and the Plan Text are also available on the website.

Quick Turn-Around – Significant advancements have been made regarding our processes. New processes have been implemented to deal with the changes resulting from Plan Text such as designation of beneficiaries and handling of appeals. Key performance indicators and targets are monitored to improve processes resulting in efficient, cost effective and timely service to our members.

24-7 ONLINE ACCESS – During late 2018, we launched the Member Self Service ("MSS") Portal, a secure, web-based application designed to provide active members with enhanced on-line services available at their convenience. Members have access to personal data, retirement modeling tools to help them understand their retirement benefit options and the ability to create a personalized retirement plan. During 2019, functionality was added to allow active members and the TPPC to share documents through the secure portal. This is more secure than e-mail or regular mail and is very efficient. We also introduced a self serve beneficiary module in the MSS Portal which allows active members to add and change beneficiaries on-line as their life circumstances change.

Annual Statements – Active members receive personalized annual statements of their TPP benefits each year. This member statement, which is also available through the MSS Portal, was enhanced during 2019 to provide members with information in an easier to understand format.

Presentations – During 2019, we engaged with members through participation and presentations at five NLTA pre-retirement seminars, one mid-career seminar, the NLTA Biannual General Meeting and two Retired Teachers' Association meetings.

Service Highlights

1,938 ACTIVE MEMBERS
Registered to use the MSS Portal

19,499 WEBSITE VISITORS
www.tppcnl.ca provides stakeholders with important Plan information as well as entry to the MSS Portal

4,127 ONLINE CALCULATOR ESTIMATES BY MEMBERS
The MSS Portal includes a pension projection calculator which helps members estimate their pension under various retirement scenarios

4,051 E-MAILS RECEIVED BY memberservices@tppcnl.ca
E-mail is an effective way to communicate with pension experts who are educated, trained and eager to provide exceptional service

During 2019, we continued to build on the foundation established since the Corporation's inception. We have been successful in achieving our strategic priorities and goals. The TPPC Board of Directors and staff will continue to communicate and work collaboratively with the Sponsor Body and our stakeholders to achieve our mission – **Retirement security and outstanding service for our members.**

Investment Management – Discussion and Analysis

2019 Results Highlights

$3.8 Billion Invested Assets

$5.6 Billion Total Pension Assets
(including the Promissory Note)

14.4% Invested Assets Rate of Return

11.5% Total Pension Assets Rate of Return

OVERVIEW

The Plan's primary objective is to fulfill the funding requirements outlined in the JSA to ensure the Plan can meet the pension obligations for all its members as they come due. This objective requires an unwavering focus on the long-term – both in terms of investment strategy and results.

Since our inception in 2016, we have been resolute in this focus and developing and executing an investment strategy that aims to deliver a well-diversified portfolio, balancing risk and return, and ensuring the long-term sustainability of the Plan.

The strategic initiatives undertaken since 2016 and resulting changes were all aligned with the objective of de-risking the Plan's investments. The Plan's asset mix at the end of 2019 represents much greater diversification in comparison to 2016, with a more balanced risk / return profile:

As a percentage of total invested assets, comparing the end of 2016 to the end of 2019:

- The Plan's exposure to public equities decreased from approximately 71% to approximately 52%;
- Private equity was less than 0.5% at the end of 2016; this exposure increased to approximately 4% at the end of 2019;
- Real assets increased from approximately 10% to approximately 15%;
- Fixed income increased from approximately 19% to approximately 32%;
- Corporate bonds and commercial mortgages increased from 0% each at the end of 2016 to approximately 7% each at the end of 2019;
- Private debt increased from 0% to 6%;
- The Plan has made capital commitments to approximately 30 private fund investments totalling approximately $1.3 billion; such commitments are at various stages of deployment.

Proactive risk management is core to TPP's investment strategy, investment operations and overall corporate philosophy.

INVESTMENT STRATEGY

The Plan's investment strategy reflects a steadfast emphasis on risk management and robust investment governance practices.

INVESTMENT GOVERNANCE

TPPC's Statement of Investment Policies and Procedures (the "SIPP") formally articulates and governs the Plan's investment strategy. The SIPP outlines the governance arrangements for the Plan, together with the asset allocation strategy, risk tolerance, permitted asset classes and risk constraints, conflict of interest policies, monitoring procedures and the Plan's responsible investing strategy.

The TPPC Board of Directors is responsible for all investment activities of the Plan, including approval of the SIPP on an annual basis; the most recent SIPP was approved by the Board in March 2020.

The Investment Committee of the TPPC Board of Directors plays an integral role in assisting the Board in discharging its duties and has been delegated specific tasks by the Board.

Under the oversight of TPPC's CEO, the investment team implements the investment policies within the delegated constraints and limits approved by the Board.

The implementation of the Plan's investment strategy is undertaken through the engagement of external investment managers for both public and private market investments.

The TPPC's investment team closely monitors the activities of its external investment managers through its Investment Manager Governance Framework which addresses investment manager and fund selection, and ongoing monitoring criteria. TPPC is supported by the Plan's custodian and external investment consultant in these efforts.

RESPONSIBLE INVESTING

The Plan's SIPP states that the primary fiduciary responsibility of TPPC's Board of Directors and Investment Committee, by virtue of its delegated authorities, is to ensure the Plan's assets are invested to obtain the highest possible return commensurate with acceptable levels of risk. The Plan also believes that Environment, Social and Governance ("ESG") considerations can impact the Plan's financial outcomes and represent potential risks; from the perspective of a prudent investor, such risks must be evaluated. The Plan has no express mandate to exclude certain investments based on any single factor; rather the Plan has taken a holistic approach to ESG considerations.

TPPC's current investment policies and practices include the following from an ESG perspective:

- **Proxy voting** – The Plan's SIPP states that through the rights delegated to the Plan's external investment managers, proxies should be voted on in the best interests of the Plan. The TPPC monitors the proxy voting activities of the Plan's external managers and reports on such activities annually to the Investment Committee.
- **Integration of ESG within TPPC's Investment Manager Governance Framework** – As TPP does not invest directly and relies upon its network of external investment managers, TPPC encourages its investment managers to incorporate an assessment of ESG considerations within its investment decision-making process. This is also a criterion considered when evaluating existing and new potential investment managers.

Our team further leverages the resources and support of leading organizations focused on the areas of governance best practices, and other ESG considerations. These organizations include:

- **Canadian Coalition for Good Governance** – During late 2019, the Plan became a member of the Canadian Coalition for Good Governance ("CCGC"), which represents the interests of institutional investors in promoting good governance practices in Canadian public companies and the improvement of the regulatory environment to best align the interest of boards and management with those of their shareholders.
- **Pension Investment Association of Canada** – TPPC is a member of the Pension Investment Association of Canada ("PIAC"), whose mission is to promote sound investment practices and good governance for the benefit of pension plan sponsors and beneficiaries. TPPC's Investment team actively participates in PIAC.

External Advisors and Partnerships

Actuary
Eckler Ltd.

Auditor
KPMG LLP

Custodian
CIBC Mellon Global Securities Services Company

Legal Counsel
Blakes, Cassels & Graydon LLP
McInnes Cooper LLP

Investment Consultant
Eckler Ltd.

Investment Managers
Barings
Baillie Gifford
Beutel Goodman
Blackrock
Brandes
CBRE Caledon[1]
CBRE
CIBC Asset Management
Connor Clark & Lunn
Crestpoint
Fiera
Fidelity
Montrusco Bolton/Third Eye Capital
Phillips, Hager & North - RBC Global Asset Management
Neuberger Berman
Oaktree
Romspen
TD Asset Management
T. Rowe Price
Walter Scott
Wellington

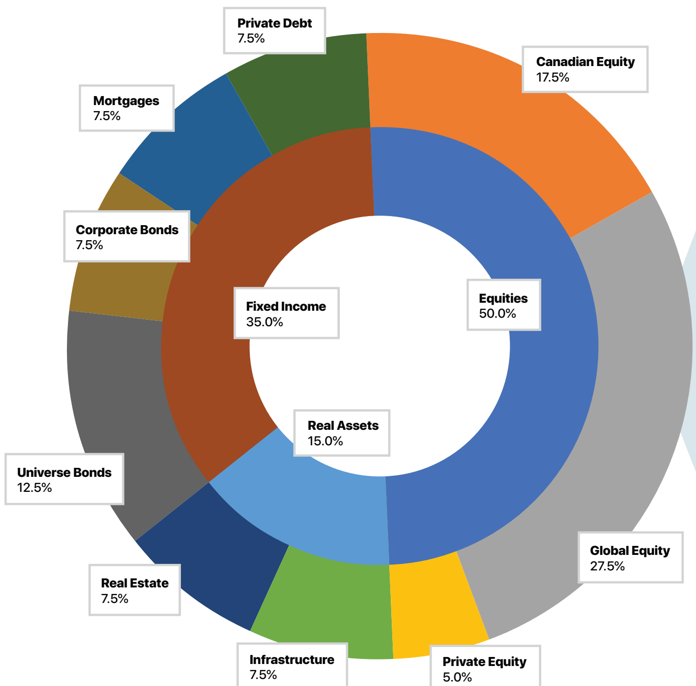
1 – Through a customized portfolio including approximately twenty-seven (27) private fund investments.

ASSET LIABILITY STUDIES

A critical risk management tool utilized by the TPPC is an Asset Liability Study. Such studies consider a range of market and economic environments and demographic assumptions. Based on the range of potential outcomes, the Asset Liability Study provides asset mixes to consider. The goal of the selected asset mix arising from the study is to balance cost, return and risk of loss.

The Asset Liability Study completed by the TPPC in 2017 was focused on certain key variables centered on de-risking the Plan's investment strategy and ensuring the long-term sustainability of the Plan. This process resulted in the approval by TPPC's Board of Directors of the Strategic Asset Allocation:

ASSET MIX DIVERSIFICATION



In early 2018, the TPPC launched a three-year implementation plan supporting the Plan's strategy to transition to this Strategic Asset Allocation.

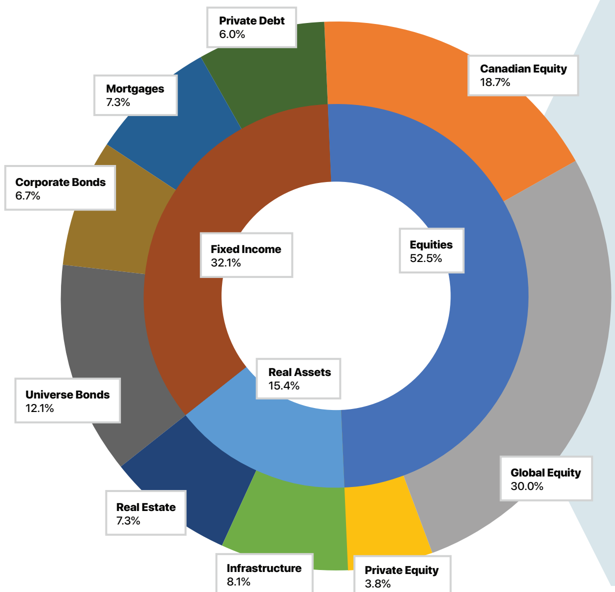
From a risk tolerance and constraints perspective, TPPC's SIPP permits the asset class allocations to deviate from the strategic asset allocation by generally plus or minus 10 percentage points of the stated targets for public equity, universe and corporate bonds, and by plus or minus 5 percentage points for the remaining asset classes. Ranges are important as markets do not move in tandem and allowing some flex in the allocation within the permitted ranges reduces unnecessary portfolio disruption and cost. TPPC's Board of Directors reserves the right to permit the asset mix allocations to vary temporarily above or below the stated ranges.

Since its inception, the TPPC has been focused on maintaining a return equal to or greater than the assumed actuarial discount rate of 6%, but with lower volatility of return than previously experienced. This is being achieved through continued investment and asset class diversification as the TPPC has executed upon its Strategic Asset Allocation implementation plan.

2019 marked the second year of TPPC's three-year Strategic Asset Allocation implementation plan and it was a period of significant activity and accomplishments. TPPC initiated a review of the Plan's Universe and Corporate Bond portfolios, which is expected to be completed in 2020. The Corporation made commitments to Canadian and European private real estate funds, as well as commitments to private debt, private equity and infrastructure funds, principally in North America.

As at December 31, 2019, the Plan's actual asset allocation was either in-line with the target allocation of the Strategic Asset Allocation or within the allowable tolerance bands.

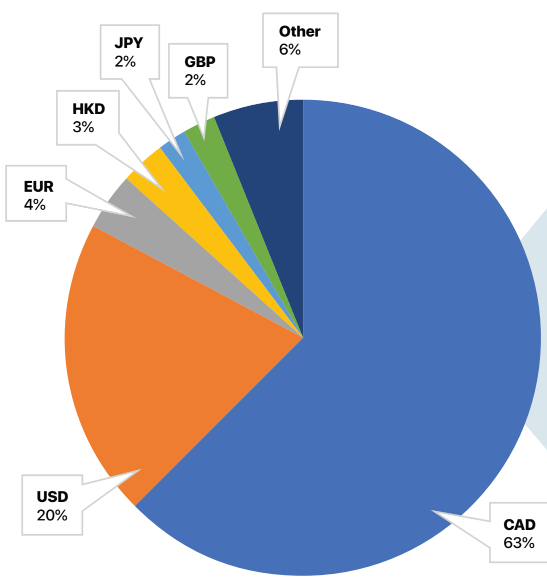
ACTUAL ASSET ALLOCATION AS AT DECEMBER 31, 2019:



The Plan's Real Assets category, including the infrastructure and real estate asset classes, include both private fund investments, as well as index funds. The index funds invest primarily in publicly traded securities included in the funds' benchmarks and are designed to track the return and risk profile of the benchmark. The index funds are being utilized on a transitional basis as a public-market substitute to provide the Plan with exposure to the real estate and infrastructure asset classes. The transitional approach to the index funds is such that they are used as a funding source for the Plan's infrastructure and real estate private fund commitments. The Plan's allocation to the infrastructure and real estate asset classes through private funds as at December 31, 2019 was approximately 4.0% and 4.3%, respectively.

GEOGRAPHIC DIVERSIFICATION – CURRENCY CONSIDERATIONS

As the Plan's investment portfolio evolves and continues to diversify, the Plan becomes more exposed to foreign currency risk and fluctuations. The following illustrates the Plan's currency exposure as of December 31, 2019:



As the graph indicates, the Plan's greatest exposure currently exists in relation to the US Dollar*.

*on a pro-forma basis, considering the private market commitments TPPC has made to-date that have not yet been deployed, the US dollar exposure is expected to increase to approximately 35%.

Currency exposure can provide a further source of diversification in certain market conditions and for certain asset classes; however, it can also present a significant source of risk, uncertainty and volatility. On this basis, the TPPC introduced a passive foreign currency overlay program during 2019, with a focus on US dollar exposures in certain asset classes. Due to the strengthening of the Canadian dollar during 2019, the Plan benefitted from this hedge by approximately 0.05%.

2019 Market Overview

To better understand and calibrate the Plan's investment performance and returns during 2019, it is important to first take a more macro reflection of the 2019 global markets. Investors approached 2019 with great caution due to uncertainty regarding global trade, continued slowing global growth, inflation and monetary policies of central banks around the world. Notwithstanding investor trepidation, financial markets were resilient and equity markets delivered impressive gains in 2019, with some markets posting the strongest returns since 2009. By year-end, fears of a recession in the near-term were eased as yield curves were once again positively sloped after inverting earlier in 2019.

The U.S. equity market (S&P 500) returned 31.5% in local currency (U.S. dollars). However, a strengthening Canadian dollar relative to the U.S. dollar muted those returns somewhat for Canadian investors as the market returned 25.1% in Canadian dollars. International-developed and emerging markets experienced positive returns of 15.9% and 12.4% respectively, a significant shift from the 2018 returns of negative 6.0% for International-developed markets and negative 7.0% for emerging markets (all in Canadian Dollars).

After being down 8.9% in 2018, the Canadian equity market finished the year up 22.9%, largely driven by returns in the technology, utilities and industrials sectors.

Global markets responded favourably to the stabilization of the U.S. / China trade uncertainty, the injection of monetary stimulus (48 of 49 Central Banks cut interest rates during 2019), and the overall sentiment that despite continued declines in global growth, the risk of an eminent recession was lower.

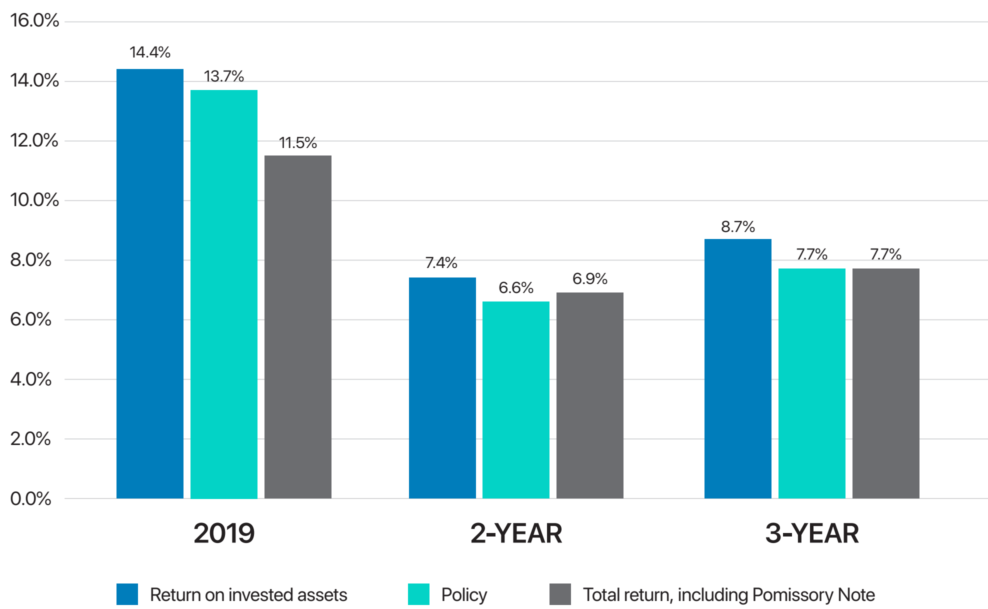
Relative to the U.S. dollar, the Canadian dollar started the year at 73.2 cents and ended it at 77.1 cents, reflecting an appreciation of 5.3%. In comparison to other major currencies, the Canadian dollar appreciated by 4.3%, 7.3% and 1.3% relative to the Yen, Euro and Pound Sterling, respectively. Canadian investors in global markets were negatively impacted by the strengthened Canadian dollar; currency losses reduced local market gains slightly in several international markets.

Crude oil prices, as measured by the West Texas Intermediate (WTI), often a world reference price, closed the year at just above U.S.$61 a barrel, in comparison to U.S.$47 a barrel a year earlier. Western Canada Select (WCS), the price obtained for many Canadian producers of oil, increased to almost $39, after falling as low as $16 in 2018.

While equities rose for most of 2019, credit spreads narrowed further relative to safe-haven government bonds, and most central bank rates decreased. The Bank of Canada held its overnight rate at 1.75%, one of the highest policy rates in developed markets, while the Fed in the U.S. cut rates three times to 1.75%.

2019 Performance

2019 PERFORMANCE OVERVIEW:



During 2019, the Plan realized a return on invested assets of 14.4% gross of investment management fees (13.9% net of investment management fees).

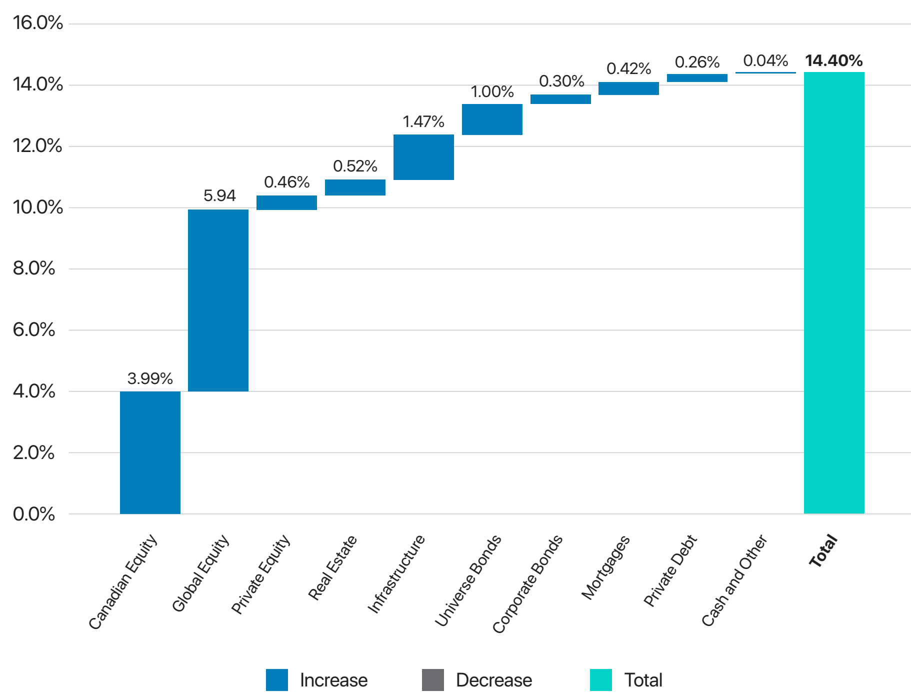
Total invested assets reached approximately $3.8 billion at December 31, 2019, an increase of approximately $0.4 billion over the December 31, 2018 balance of approximately $3.4 billion.

These values and return figures only reflect the Plan's invested assets and do not incorporate the $1.8 billion promissory note received from the Province. The promissory note bears interest at a rate of 6% per annum and is a further fixed income investment of the Plan. When combined with the Plan's invested assets, the inclusion of the promissory note results in a total return for 2019 of 11.5% gross of investment management fees (11.2% net of investment management fees).

Although the impact of the promissory note had a dampening effect in 2019, the opposite was true in 2018 (e.g., the return on invested assets was 0.9% gross of investment management fees, while the total return including the impact of the promissory note was 2.6% gross of investment management fees), which illustrates the benefit of the promissory note in certain market conditions.

The following graphic illustrates the relative contribution from each of TPP's asset classes to the Plan's total return on invested assets for 2019:

INVESTED ASSETS –
RELATIVE CONTRIBUTION[1] TO TOTAL RETURN BY ASSET CLASS:



As the chart illustrates, all asset classes provided a positive contribution to total return during 2019, with the majority of the Plan's return being driven by the strength of performance within TPP's public equity portfolios.

In 2019, the Plan's return (both on a gross and net of investment management fees basis) exceeded the assumed actuarial discount rate of 6% and the Plan's policy benchmark of 13.7%.

1 - Relative contribution is determined by applying the weight of the respective asset class to the return of the asset class for the period under analysis

As of December 31, 2019:

ASSET CLASS	BENCHMARK
Equities	
Canadian Equity	S&P / TSX Composite
Global Equity	MSCI ACWI C$
Emerging Market Equity	MSCI Emerging Markets C$
Private Equity	9.0% (net)/MSCI ACWI C$ + 3.0%
Real Assets	
Real Estate	CPI + 4.0%
Infrastructure	CPI + 5.0%
Fixed Income	
Universe Bonds	FTSE Canada Universe Bond Index
Corporate Bonds	FTSE Canada Short Corporate Bond
Mortgages	FTSE Canada Short Corporate Bond + 150 Basis Points
Private Debt	8.0% (net)

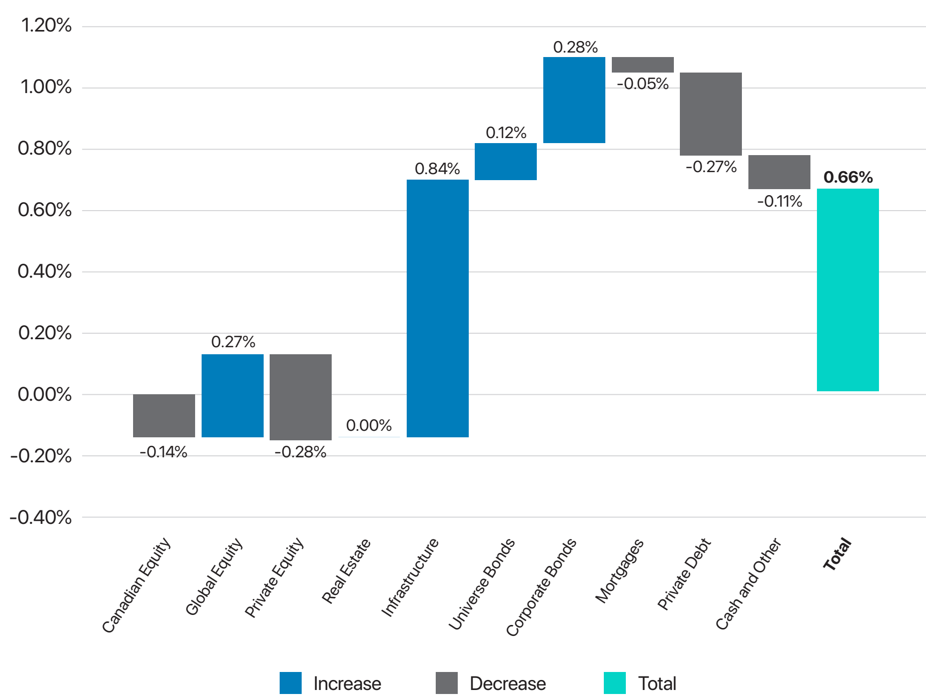
BENCHMARKS

In addition to comparing performance against the Plan's assumed actuarial discount rate of 6%, the TPPC also compares its performance against relative benchmarks on a total-fund and individual asset class basis. This benchmarking process is critical as it allows TPPC Management, members of the Investment Committee and Board of Directors to evaluate the effectiveness of the Plan's investment strategy and implementation. TPPC's benchmarks are approved annually by TPPC's Board of Directors.

On a total-fund basis and for each asset class, the Fund seeks to outperform the benchmark rates of return, and this outperformance is described as "value-add". A discussion of the Plan's performance will always be anchored back to a comparison to the assumed actuarial discount rate and the Plan's established policy benchmarks.

The Plan achieved a value-added return of 0.66% gross of investment management fees (0.21% net of investment management fees) due to the active management undertaken by the Plan's investment managers. The following chart provides a breakdown of the relative contribution by asset class to the 0.66% value-add:

INVESTED ASSETS – RELATIVE CONTRIBUTION TO VALUE-ADD BY ASSET CLASS:



In comparison to the relative contribution to total return, the relative contribution to value-add during 2019 reflected more variability by asset class. The value detraction within Canadian Equity was primarily driven by stock selection. The other asset classes detracting from value-add during the year were largely driven by the early stages of these investment portfolios and programs. Infrastructure contributed strongly to the Plan's value-add due to strong performance within a number of TPP's private infrastructure fund investments.

Looking Ahead to 2020

The strategic initiatives and actions taken in respect of the Plan's investment strategy have positioned the Plan well from a long-term sustainability perspective. This positioning plays an integral role in the ability of the Plan to fulfill the funding obligations outlined in the JSA, to meet the pension obligations as they come due and to support our members today and in the future.

We will maintain our disciplined approach and our commitment to the Plan's Strategic Asset Allocation, which was undertaken with a long-term perspective and time horizon, based on the 2017 Asset Liability Study. The TPPC believes it is prudent to update Asset Liability Studies periodically and anticipates undertaking an Asset Liability Study in 2022, following the next actuarial valuation.

As we embark upon the new year and a new decade, heightened sentiments of caution and uncertainty persist. Downside risks identified at the outset of 2020, including rising geopolitical tensions, intensifying social unrest, weather-related disasters, derailment of trade negotiations, and the limitation of central banks to introduce further accommodative policies, certainly remain. But these have been overshadowed by concerns relating to slowing growth, the situation stemming from the outbreak of the Coronavirus, and risks for our global economy and capital markets. Depending on the severity of the virus' spread and containment measures, the possibility of a near-term global recession exists.

From an investment perspective, such risks translate into uncertainty regarding valuations, interest rates, liquidity, and a continuation of market volatility. These factors, combined with uncertainty in timelines associated with private market capital deployment (and the ability of the investment managers retained by TPPC to deploy capital commitments based on TPPC's risk parameters), require a steadfast focus on the Plan's long-term investment strategy.

Today's global environment is highly fluid and dynamic. Accordingly, we will closely monitor key economic and capital market indicators to assess the long-term impact on the Plan and the continued appropriateness of its Strategic Asset Allocation.

Financial Reporting

The Financial Reporting section highlights certain aspects of the financial statements that management views as key to understanding the financial position and operations of the Plan.

Included in the pages preceding the financial statements are three letters that outline the responsibility of management, the auditors and the actuaries.

- Management's Responsibility for Financial Reporting – identifies management's responsibility for preparation of financial statements. The financial statements are prepared according to Canadian accounting standards for pension plans. The Board has ultimate responsibility for the financial statements and is assisted in its responsibility by the Audit and Finance Committee.
- Auditors' Report to the Administrator – the formal opinion issued by an external auditor on the financial statements.
- Actuaries' Opinion – identifies that valuation methods are appropriate, data is sufficient and reliable, and the assumptions are in accordance with accepted actuarial practices. The actuarial valuation is based on membership data, actuarial and accounting standards and long-term interest rates.

FINANCIAL STATEMENT VALUATION

The financial statement valuation measures the fair value of the Plan's net assets available for benefits and pension liabilities at a point in time. The financial statement valuation provides a snap shot of the financial health of the Plan and it does not assume any future contributions and does not project the cost of benefits that members have not yet earned. Therefore, the financial statement valuation is not considered an indication of the long-term sustainability of the Plan.

The financial statement valuation is prepared in accordance with guidance from Chartered Professional Accountants of Canada ("CPA Canada"). The pension liabilities, prepared by an independent actuary, take into account pension credit earned to date by all Plan members and contributions already received by the Plan. Valuation techniques, estimates and pension liabilities are described further in the notes to the financial statements.

The actuarial assumptions used in determining the pension liabilities reflect best estimates of future economic and non-economic factors proposed by management and approved by the Board. Actual experience typically differs from these assumptions, and the differences are recognized as experience gains and losses in future years.

FINANCIAL POSITION

(As at December 31) (millions of dollars)	**2019**	2018
Net assets available for benefits	**$ 5,591**	$ 5,209
Accrued benefit obligation	**5,208**	5,121
Surplus	**$ 383**	$ 88
Funded ratio	**107.4%**	101.7%

The Plan ended 2019 with a financial statement surplus of $383 million compared to a surplus of $88 million at December 31, 2018. The surplus represents the difference between the net assets available for benefits of $5.6 billion and accrued benefit obligation at year end of $5.2 billion. This results in a funded ratio of 107.4% at December 31, 2019 compared to 101.7% at December 31, 2018.

The increase in funded ratio was primarily a result of the gross investment return of 14.4% being higher than the discount rate of 6%. This resulted in investment income and interest on the promissory note from the Government of Newfoundland and Labrador of $587 million exceeding the interest on accrued benefits of $303 million. In addition, contributions received by the Plan of $115 million exceeded the current service cost (the cost of benefits accrued during the year) of $89 million.

NET ASSETS AVAILABLE FOR BENEFITS

(As at December 31) (millions of dollars)	**2019**	2018
Net assets available for benefits, beginning of year	**$ 5,209**	$ 5,281
Investment income	**480**	26
Interest earned on promissory note	**107**	108
Contributions	**115**	114
Benefits paid	**(305)**	(304)
Investment related expenses	**(9)**	(10)
Management fees	**(4)**	(4)
Non-refundable HST	**(2)**	(2)
Increase (Decrease) in net assets available for benefits	**382**	(72)
Net assets available for benefits, end of year	**$ 5,591**	$ 5,209

Net assets available for benefits increased during the year by $382 million. This increase was a result of investment income of $480 million, interest earned on promissory note of $107 million and contributions of $115 million, partially offset by decreases for benefits paid of $305 million, investment related expenses of $9 million, management fees from the Corporation for the administration of the Plan of $4 million and non-refundable HST of $2 million.

Further detail on the investment income and returns are discussed in the Investment Section.

ACCRUED BENEFIT OBLIGATION

(As at December 31) (millions of dollars)	**2019**	2018
Accrued benefit obligation, beginning of year	**$ 5,121**	$ 5,103
Interest on accrued benefits	**303**	302
Benefits accrued	**89**	92
Benefits paid	**(305)**	(304)
Experience gains	**–**	(48)
Changes in actuarial assumptions	**–**	(24)
Increase in accrued benefit obligation	**87**	18
Accrued benefit obligation, end of year	**$ 5,208**	$ 5,121

Accrued benefit obligation increased by $87 million during the year to $5.2 billion. The increase was a result of interest on accrued benefits of $303 million and benefits accrued of $89 million, partially offset by benefits paid during the year of $305 million.

FAIR VALUE HIERARCHY

The Plan's investments are stated at fair value. The objective of fair value determination is to estimate an exit price at which an orderly transaction to sell the asset would take place between market participants. Valuation techniques are employed in order to measure fair value. As described in note 3(b) of the Plan's financial statements, these techniques utilize inputs such as prices for market transactions, discount rates, contractual or expected future cash flows and other relevant factors that impact the assessment of fair value.

As required under Canadian accounting standards, the Plan has classified and disclosed its fair value measurements into one of three categories based upon the degree of observable inputs used in their determination. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities; Level 2 inputs are derived from observable prices but do not meet the Level 1 criteria, while Level 3 inputs are unobservable. If different levels of inputs are used to measure fair value of an investment, the classification within the hierarchy is based upon the lowest level input that is significant to the fair value measurement.

Level 1 investments comprise the majority of the Plan's publicly traded equities which are valued using quoted prices. Examples of Level 2 investments include marketable bonds that are valued using quoted prices from less actively traded markets. Examples of Level 3 investments include real assets such as real estate and infrastructure, mortgages, private debt and non-publicly traded equities which are valued using appropriate techniques that involve the use of significant unobservable inputs such as forecasted cash flows or other information that is specific to the entity.

The table below shows the Plan's investments based on the fair value hierarchy. Further details of each category can be found in note 4(b) of the Plan's financial statements.

(As at December 31) (millions of dollars)	Level 1	Level 2	Level 3	Total
Money Market	$ –	$ 79	$ –	$ 79
Equity	1,498	318	146	1,962
Real Assets	–	273	310	583
Fixed Income	–	635	505	1,140
Derivatives	–	4	–	4
Total Investments	$ 1,498	$ 1,309	$ 961	$ 3,768

Management's Responsibility for Financial Reporting

The financial statements of the Teachers' Pension Plan (the "Plan") have been prepared by management, which is responsible for the integrity and fairness of the data presented, including the many amounts which must, of necessity, be based on estimates and judgments. The accounting policies followed in the preparation of these financial statements conform to Canadian accounting standards for Pension Plans. Financial information presented throughout the annual report is consistent with the financial statements.

In support of its responsibilities, management maintains systems of internal control and supporting procedures to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training of employees, a code of conduct, the establishment of an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization.

Ultimate responsibility for the financial statements rests with the Teachers' Pension Plan Corporation Board of Directors. The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control principally through the Audit and Finance Committee (the "Committee") consisting of four Board members. In carrying out its duties and responsibilities, the Committee meets with management and the external auditors to review the scope and timing of the audit, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee reviews the annual financial statements and the external auditors' report and recommends them to the Board of Directors for approval.

The Plan's actuary, Eckler Ltd., completed an actuarial assessment of the going-concern accrued benefit obligation of the Plan as of December 31, 2019, for inclusion in the Plan's financial statements. The results of the actuaries' assessment are set out in the Actuarial Opinion. This assessment was performed in accordance with accepted actuarial practice. The actuarial assumptions used in these financial statements reflect management's best estimate of future economic events.

The Plan's external auditors, KPMG LLP, is directly accountable to the Committee and has full and unrestricted access to the Committee. They discuss with the Committee their audit and related findings as to the fairness of the Plan's financial reporting and any internal control recommendations observed during the audit. The Plan's external auditors conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards and performed such tests and other procedures as they considered necessary to express the opinion in their report to the Administrator.

Paula McDonald

Paula McDonald
Chief Executive Officer

Levi May

Levi May
Chief Financial Officer

March 19, 2020

Actuarial Opinion

Eckler Ltd. (Eckler) was retained by the Board of the Newfoundland and Labrador Teachers' Pension Plan Corporation (the TPPC), Administrator of the Newfoundland and Labrador Teachers' Pension Plan to perform an actuarial valuation of the Plan as at August 31, 2018. The results of this valuation were extrapolated to estimate the accrued benefit obligation as at December 31, 2019. The purpose of the extrapolation was to determine the pension obligation and benefit accrual of the Plan for inclusion in the Plan's financial statements in accordance with Section 4600 of Part IV of the Chartered Professional Accountants of Canada (CPA Canada) Handbook.

As this extrapolation was undertaken for purposes of the Plan's financial statements as at December 31, 2019 under the CPA Handbook Section 4600, it may not be appropriate for other purposes and should not be relied upon or used for any other purpose. Specifically, the objective of this extrapolation was different than the triennial valuations required for funding purposes, as per the terms of the Plan's Joint Sponsorship Agreement.

The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the TPPC as at August 31, 2018;
- methods prescribed by Section 4600 of the CPA Canada Handbook for pension plan financial statements; and
- assumptions regarding future investment returns, inflation, salary growth and demographic experience, with a margin for conservatism where appropriate;

We have reviewed the data used for the valuation and have performed tests of reasonableness and consistency, and it is our opinion that the membership data on which the valuation are based are sufficient and reliable for the purpose of the valuation. Additionally, it is our opinion that the assumptions and the methods employed in the valuation are appropriate for the purpose of the valuation.

Notwithstanding the foregoing opinion, emerging experience differing from the assumptions will result in gains or losses which will be revealed in future valuations.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Jill Wagman
Fellow, Canadian Institute of Actuaries

Mary Kate Archibald
Fellow, Canadian Institute of Actuaries

March 19, 2020

AUDITED

Financial Statements

FOR THE YEAR ENDED
DECEMBER 31, 2019

KPMG LLP
TD Place
140 Water St., Suite 1001
St. John's NL A1C 6H6
Canada
Tel 709-733-5000
Fax 709-733-5050

INDEPENDENT AUDITORS' REPORT

To the Administrator of the Teachers' Pension Plan

Opinion

We have audited the financial statements of the Teachers' Pension Plan (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued benefit obligation for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its changes in net assets available for benefits and its changes in accrued benefits obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

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

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

St. John's, Canada

March 19, 2020

Teachers' Pension Plan

Statement of Financial Position
As at December 31
(in thousands of dollars)

	2019	2018
Assets		
Cash	$ 15,317	$ 24,174
Accrued investment income	51,531	45,604
Contributions receivable:		
Employee	466	2,395
Employer	343	2,368
Receivable from pending trades	813	215
Harmonized Sales Tax and other receivables	811	1,078
Investments (note 4)	3,767,607	3,351,795
Promissory note receivable (note 14)	1,758,968	1,787,019
Total assets	**$ 5,595,856**	**$ 5,214,648**
Liabilities		
Accounts payable and accrued liabilities	$ 2,583	$ 2,589
Payable for pending trades	2,294	2,808
Payable to Teachers' Pension Plan Corporation	236	467
Total liabilities	**$ 5,113**	**$ 5,864**
Net assets available for benefits	**$ 5,590,743**	**$ 5,208,784**
Accrued benefit obligation (note 9)	5,207,603	5,120,662
Commitments (note 15)		
Surplus	**$ 383,140**	**$ 88,122**

See accompanying notes to financial statements

On behalf of the board

Paula McDonald ______ Chair

______ Director

Teachers' Pension Plan

Statement of Changes in Net Assets Available for Benefits
For the year ended December 31
(in thousands of dollars)

	2019	2018
Increase in net assets		
Investment income (note 5)	$ 479,882	$ 26,044
Interest on promissory note (note 14)	106,659	108,278
	586,541	134,322
Contributions (note 11)	115,452	113,641
Total increase in net assets	**701,993**	**247,963**
Decrease in net assets		
Benefits paid (note 12)	(305,406)	(304,313)
Investment related expenses (note 8)	(9,171)	(10,123)
Management fees (note 14)	(4,172)	(4,369)
Non-refundable Harmonized Sales Tax	(1,285)	(1,497)
Total decrease in net assets	**(320,034)**	**(320,302)**
Increase (decrease) in net assets available for benefits	**381,959**	**(72,339)**
Net assets available for benefits, beginning of year	5,208,784	5,281,123
Net assets available for benefits, end of year	**$ 5,590,743**	**$ 5,208,784**

See accompanying notes to financial statements

Teachers' Pension Plan

Statement of Changes in Accrued Benefit Obligation
For the year ended December 31
(in thousands of dollars)

	2019	2018
Actuarial present value of accrued benefit obligation, beginning of year	**$ 5,120,662**	**$ 5,102,741**
Increase in accrued benefit obligation		
Interest on accrued benefits	303,414	302,529
Benefits accrued	88,933	91,570
	392,347	394,099
Decrease in accrued benefit obligation		
Benefits paid	(305,406)	(304,313)
Experience gains	-	(48,363)
Changes in actuarial assumptions	-	(23,502)
	(305,406)	(376,178)
Net increase in accrued benefit obligation	**86,941**	**17,921**
Actuarial present value of accrued benefit obligation, end of year (note 9)	**$ 5,207,603**	**$ 5,120,662**

See accompanying notes to financial statements

The Teachers' Pension Plan (the "Plan" or "TPP") was continued on April 15, 2019, with an effective date retroactive to January 1, 1991, by the Teachers' Pension Act, 2018 (the "Act"). The Teachers' Pension Plan Fund (the "Fund") was continued under Section 5 of the Act. The assets of the Plan were separated, at carrying value, from the Newfoundland and Labrador Pooled Pension Fund on September 1, 2016, as provided by Section 5.1 of the Pensions Funding Act.

The Act provides for two Plan components: a Registered Plan (registration number 0375709), which provides registered pension benefits allowable under the Income Tax Act (Canada), and a Supplementary Plan, which provides benefits in excess of the Income Tax Act (Canada) maximum benefit limits. The Supplementary Plan is not included in the TPP. The Teachers' Pension Plan Corporation (the "Corporation") has been established as the Trustee of the Registered Plan, to manage the investments of and administer the Registered Plan. The Province of Newfoundland and Labrador (the "Province") continues to provide pensioner payroll and refund service for the Plan under a Service Level Agreement for an interim period.

1. Description of the Plan

a) General

The Plan is a contributory defined benefit pension plan covering teachers as defined under the Act ("Teachers" or "Employees").

These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund of the Province.

The Plan is not subject to income tax, but is subject to indirect taxes including the Harmonized Sales Tax.

b) Funding policy

The employer funding requirement is to match the Employee contributions for current service. Matching of contributions may also occur for other types of past service, which may be purchased under contract.

c) Employee contributions

Employee contributions are equal to 11.35% of salary, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are included in the Supplementary Plan.

1. Description of the Plan (continued)

d) Accrued service pensions

A service pension is available from the Plan based on 1/45th of the member's best five years average salary times years of pensionable service prior to January 1, 1991, plus 2% of the member's best five years average salary times years of pensionable service after January 1, 1991. When a member who retired after August 31, 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average Year's Maximum Pensionable Earnings ("YMPE") times years of pensionable service after April 1, 1967.

In respect of service accrued after August 31, 2015, the calculation is based on the best eight years' salary. For service accrued before September 1, 2015, the calculation will be based on the greater of the average best five years' salary to August 31, 2015 or the average best eight years of salary.

e) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

f) Death benefits

Upon the death of a Teacher, deferred pensioner or pensioner, benefits may be payable to a principal beneficiary, dependent child(ren), other dependents, a designated beneficiary or the person's estate.

g) Termination benefits

On termination of employment, a Teacher may elect to receive a refund of the Teacher's own contributions with interest or, if the Teacher has at least five years pensionable service, may elect to receive a deferred pension, commuted value or a combination of commuted value and refund of the Teacher's own contributions with interest based on certain service requirements. A Teacher who terminates after August 31, 2016 with less than 24.5 years of service and who chooses to take a deferred pension will have to wait until age 62 to access that pension.

h) Indexing

Effective September 1, 2002 and each September 1 thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the Teacher to whom that pension, or benefit relates retires after August 31, 1998. For individuals who retire after August 31, 2015, the indexing adjustment is only applicable for the years and months of service credited before August 31, 2015.

2. Basis of Preparation

a) Basis of presentation

The financial statements are prepared in Canadian dollars, which is the Plan's functional currency, in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants ("CPA") Canada Handbook (Section 4600). Section 4600 provides specific accounting guidance on investments and pension obligations.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") in Part I of the CPA Canada Handbook, or Accounting Standards for Private Enterprises ("ASPE") in Part II of the Handbook. The Plan has chosen to comply on a consistent basis with IFRS. To the extent that IFRS in Part I is inconsistent with Section 4600, Section 4600 takes precedence.

Consistent with Section 4600, investment assets and liabilities are presented on a non-consolidated basis even when the investment is in an entity over which the Plan has effective control. Earnings of such entities are recognized as income is earned and as dividends are declared. The Plan's total investment income includes valuation adjustments required to bring the investments to their fair value.

b) Use of estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments, as well as assumptions used in the calculation of pension obligations. Actual results could differ from these estimates and the impact of any such differences will be recorded in future periods.

3. Significant Accounting Policies

a) Financial Instruments

i. Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit and loss ("FVTPL") are recognized in the statement of financial position on the trade date, which is the date on which the Plan becomes a party to the contractual provisions of the instrument.

3. Significant Accounting Policies (continued)

a) Financial Instruments (continued)

i. Recognition and initial measurement (continued)

Financial assets and financial liabilities at FVTPL are initially measured at fair value, with transaction costs recognized in profit or loss.

ii. Classification

Financial assets are required to be classified as measured at amortized cost, fair value through other comprehensive income or FVTPL according to the business model used for managing them and their contractual cash flow characteristics. Financial liabilities are classified as measured through amortized cost unless they are measured at FVTPL.

The Plan makes an assessment of the objective of a business model because this best reflects the way the business is managed, and information is provided. Investments are managed and their performance is evaluated on a fair value basis. As such, the Plan classifies all investments and derivative assets as FVTPL with changes in fair value being recognized in net investment income in the statement of changes in net assets available for benefits.

Financial assets at amortized cost include cash, accrued investment income, contributions receivable, receivable from pending trades, Harmonized Sales Tax and other receivables and Promissory note receivable. Financial liabilities at amortized cost include accounts payable and accrued liabilities, payable for pending trades and payable to Teachers' Pension Plan Corporation.

iii. De-recognition

The Plan de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain on sale of investments.

The Plan de-recognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Plan considers all liabilities, except for derivative contracts payable, to be non-derivative financial liabilities.

3. Significant Accounting Policies (continued)

a) Financial Instruments (continued)

iv. Derivative financial instruments

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

b) Fair value measurement

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available); reference to the current fair value of other instruments that are substantially the same; and discounted cash flow analysis.

All changes in fair value, other than interest and dividend income and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in market value of investments.

Fair values of investments are determined as follows:

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Bonds and debentures are valued at the closing mid-price at the valuation date.

3. Significant Accounting Policies (continued)

b) Fair value measurement (continued)

Publicly traded equities are valued at period-end quoted closing prices where available. Where quoted prices are not available on the valuation date, estimated fair values are calculated using the last trade date.

Pooled fund investments include investments in fixed income and equity securities and are valued using net asset values obtained from fund managers which are determined with reference to the fair value of the underlying investments of the fund.

Private equity, private debt, mortgages, real estate and infrastructure investments are held through ownership in limited partnership and private fund investment arrangements. The Plan's ability to access information on underlying individual fund investments is generally limited. Fair value is determined by the limited partnership manager, using the most recent financial information obtained from underlying investments, and/or forecasts of future financial performance and then applying appropriate valuation techniques such as market comparables or discounted cash flows.

Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at period-end quoted market prices where available. Where quoted prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Unrealized gains and losses on derivative financial instruments, net of premiums paid or received on options contracts, are included in derivative contracts investments.

c) Receivable/payable for pending trades

For securities transactions, the fair value of receivable from pending trades and payable for pending trades approximate their carrying amounts due to their short-term nature.

d) Investment income

Investment income is recorded on an accrual basis and includes interest income, dividends and other income as well as gains and losses that have been realized on the sale of investments and unrealized current period change in market value of investments.

Dividend income is recognized as of the date of record.

The net realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

3. Significant Accounting Policies (continued)

e) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in the market value of the investment.

f) Contributions

Contributions from employers and members due to the Plan at the reporting date are recorded on an accrual basis. Service purchases that include, but are not limited to leaves of absence, periods of reduced accrual and transfer from other pension plans are recorded and service is credited when the signed contract to purchase is received.

g) Benefits

Benefit payments to retired members are recorded as they are due and paid, twice monthly. Commuted value payments, contribution refunds and transfers to other pension plans are recorded when paid. Accrued benefits for members are recorded as part of the accrued pension obligation.

h) Administration expenses

Administration expenses are incurred for direct pension administration and external investment management and are recorded on an accrual basis. Direct pension administration expenses represent costs to provide direct services to plan members and employers that are incurred by the Corporation and charged to the Plan as a management fee. External investment management expenses represent payments to the investment managers. Under the Service Level Agreement the Province continues to provide pensioner payroll service for the Plan. Certain related salaries, overhead and administrative expenses are charged to the Plan on a cost recovery basis.

i) Cash

Cash includes balances with banks and investment managers.

(in thousands of dollars)

4. Investments

a) Investment portfolio:

The fair value of investments relative to the cost is summarized in the following table:

	2019			2018		
	Fair Value	%	Cost	Fair Value	%	Cost
Money market	$ 79,220	2.1	$ 79,220	$ 29,428	0.9	$ 29,428
Equities						
Canadian equity	697,806	18.5	605,539	605,786	18.1	608,073
Global equity	1,118,236	29.7	951,698	1,028,265	30.7	996,108
Private equity	145,359	3.8	119,788	92,579	2.8	82,940
Real assets						
Real estate	275,298	7.3	279,692	284,277	8.5	281,559
Infrastructure	307,622	8.2	280,724	282,988	8.4	281,971
Fixed income						
Canadian bonds	634,855	16.9	631,562	651,828	19.4	667,649
Mortgages	277,109	7.4	275,095	262,046	7.8	260,623
Private debt	227,701	6.0	222,476	114,809	3.4	107,193
Derivatives	4,401	0.1	-	(211)	-	-
Total	**$ 3,767,607**	**100**	**$ 3,445,794**	**$ 3,351,795**	**100**	**$ 3,315,544**

b) Fair value measurement

Financial instruments are classified according to the following fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs for assets and liabilities that are not based on observable market data.

(in thousands of dollars)

4. Investments (continued)

Investments based on the valuation level within the fair value hierarchy are as follows:

	Level 1	Level 2	Level 3	2019 Total
Money market	$ -	$ 79,220	$ -	$ 79,220
Equities				
Canadian equity	678,195	19,611	-	697,806
Global equity	819,325	298,279	632	1,118,236
Private equity	-	-	145,359	145,359
Real assets				
Real estate	-	114,310	160,988	275,298
Infrastructure	-	158,887	148,735	307,622
Fixed income				
Canadian bonds	-	634,855	-	634,855
Mortgages	-	-	277,109	277,109
Private debt	-	-	227,701	227,701
Derivatives	-	4,401	-	4,401
Total	**$ 1,497,520**	**$ 1,309,563**	**$ 960,524**	**$ 3,767,607**

(in thousands of dollars)

4. Investments (continued)

b) Fair value measurement (continued)

	Level 1	Level 2	Level 3	2018 Total
Money market	$ -	$ 29,428	$ -	$ 29,428
Equities				
Canadian equity	589,576	16,210	-	605,786
Global equity	741,422	286,177	666	1,028,265
Private equity	-	-	92,579	92,579
Real assets				
Real estate	-	125,873	158,404	284,277
Infrastructure	-	174,372	108,616	282,988
Fixed income				
Canadian bonds	-	651,828	-	651,828
Mortgages	-	-	262,046	262,046
Private debt	-	-	114,809	114,809
Derivatives	-	(211)	-	(211)
Total	**$ 1,330,998**	**$ 1,283,677**	**$ 737,120**	**$ 3,351,795**

There have been no transfers between levels in 2018 or 2019.

The following table reconciles the Plan's Level 3 fair value measurements from period to period:

	Equities	Real assets	Fixed income	Total
Fair value, December 31, 2017	$ 27,065	$ 165,331	$ 224,545	$ 416,941
Acquisitions	61,413	214,514	157,090	433,017
Settlements	(3,317)	(131,078)	(13,485)	(147,880)
Realized gains	839	13,924	497	15,260
Change in unrealized gain/loss	7,245	4,329	8,208	19,782
Fair value, December 31, 2018	**$ 93,245**	**$ 267,020**	**$ 376,855**	**$ 737,120**
Fair value, December 31, 2018	93,245	267,020	376,855	737,120
Acquisitions	36,848	37,553	141,637	216,038
Settlements	-	(1,068)	(13,311)	(14,379)
Realized gains	-	1,067	1,428	2,495
Change in unrealized gain/loss	15,898	5,151	(1,799)	19,250
Fair value, December 31, 2019	**$ 145,991**	**$ 309,723**	**$ 504,810**	**$ 960,524**

4. Investments (continued)

b) Fair value measurement (continued)

The Plan's private equity, infrastructure, private debt, real estate and mortgage investments are structured as indirect investments in private funds; these funds are valued using various methods including the discount rate method. Based on the structure of these investments, the Plan's ability to access information on underlying individual fund investments is limited. Accordingly, the fair value of these investments is based on the net asset value provided by the fund's general partner or investment manager, and therefore, in the absence of specific information to support deviating from this value, no other reasonably possible alternative assumptions could be applied.

c) Derivatives

Derivatives are financial contracts, the value of which is derived from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategies. The Plan uses such contracts to enhance investment returns and for managing exposure to foreign currency volatility.

Notional amounts of derivative contracts are the contract amounts used to calculate the cash flow to be exchanged. They represent the contractual amounts to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis on which the returns from and fair value of the contracts are determined. They are not recorded as financial assets or liabilities on the annual statement of financial position and change in net assets available for benefits. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure. The aggregate notional amounts and fair value of derivative contracts can fluctuate significantly.

Derivative contracts transacted on either regulated exchange market or in the over the counter market directly between two counterparts include the following:

i. Futures

Futures are transacted in standard amounts on regulated exchanges and are subject to daily cash management.

ii. Currency forwards

Currency forwards are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date. Forward contracts are used to manage the currency exposure of investments held in foreign currencies. The notional amount of a currency forward represents the contracted amount purchased or sold for settlement at a future date. The fair value is determined by the difference between the market value and the notional value upon settlement.

(in thousands of dollars)

4. Investments (continued)

c) Derivatives (continued)

ii. Currency forwards (continued)

The following table sets out the notional values of the Plans' derivatives and their related assets and liabilities:

Currency forwards	Notional amount	Fair value asset	Fair value liability	Fair value net
December 31, 2019	$ 192,639	$ 4,506	$ 105	$ 4,401
December 31, 2018	$ 14,883	$ 549	$ 760	$ (211)

d) Securities lending

The Plan participates in a securities lending program whereby it lends securities in order to enhance portfolio returns. The securities lending program requires collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending programs. In the absence of an event of default, the same securities or equivalent securities must be returned to the counterparty at the end of the contract.

The fair values of the allocated securities and collateral associated with the securities lending program as at year end are as follows:

	2019	2018
Securities lent	$ 531,610	$ 370,872
Securities contractually receivable	$ 560,451	$ 386,531

(in thousands of dollars)

5. Investment Income

a) Investment income is as follows:

	2019	2018
Dividend income	$ 53,189	$ 45,148
Interest income	26,767	18,131
Securities lending income	753	1,503
Other income	541	2,254
Dividend, interest and other investment income	81,250	67,036
Realized gains	113,429	143,905
Current period increase (decrease) in market value of investments	285,203	(184,897)
Investment income	**$ 479,882**	**$ 26,044**

b) Investment income (loss) by asset mix, is as follows:

	Investment income	Realized gains (losses)	Current period change in market value of investments	2019
Money market	$ 1,728	$ 16	$ -	$ 1,744
Equities				
Canadian equity	18,442	17,989	94,554	130,985
Global equity	23,170	43,773	134,381	201,324
Private equity	-	-	15,932	15,932
Real assets				
Real estate	4,958	18,712	(7,113)	16,557
Infrastructure	-	21,689	25,881	47,570
Fixed income				
Canadian bonds	20,542	3,124	19,117	42,783
Mortgages	3,720	9,471	591	13,782
Private debt	7,396	1,428	(2,390)	6,434
Derivatives	-	(2,773)	4,250	1,477
Securities lending	753	-	-	753
Other	541	-	-	541
Total	**$ 81,250**	**$ 113,429**	**$ 285,203**	**$ 479,882**

(in thousands of dollars)

5. Investment Income (continued)

b) Investment income (loss) by asset mix (continued)

	Investment income	Realized gains (losses)	Current period change in market value of investments	2018
Money market	$ 6,957	$ 169	$ -	$ 7,126
Equities				
Canadian equity	17,796	(2,320)	(69,402)	(53,926)
Global equity	19,340	134,340	(133,076)	20,604
Private equity	-	72	7,274	7,346
Real assets				
Real estate	838	17,663	(6,869)	11,632
Infrastructure	2,032	(869)	4,659	5,822
Fixed income				
Canadian bonds	17,160	(11,477)	3,858	9,541
Mortgages	-	8,623	730	9,353
Private debt	1,347	497	7,478	9,322
Derivatives	-	(2,793)	451	(2,342)
Securities lending	1,503	-	-	1,503
Other	63	-	-	63
Total	**$ 67,036**	**$ 143,905**	**$ (184,897)**	**$ 26,044**

6. Investment Risk Management

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The use of financial instruments exposes the Plan to credit and liquidity risks, interest rate volatility, and market risks including foreign exchange and market price fluctuations and volatility. The Plan has policies and operating procedures that establish an asset mix among equity (public and private), real assets and fixed income asset classes require diversification of investments within asset class categories and set limits on the size of exposure to individual investment and counterparties. Trustee oversight, procedures and compliance functions are incorporated into Plan processes to achieve consistent controls and mitigate operational risk.

(in thousands of dollars)

6. Investment Risk Management (continued)

a) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The fair value of the Plan is affected by short term changes in nominal interest rates. Pension liabilities are exposed to the long-term expectation of rate of return on the investments, as well as expectations of inflation and salary escalation.

The term to maturity classifications of interest-bearing investments, based upon the contractual maturity of these securities, are as follows:

	2019 (%)	2018 (%)
Within 1 year	4.0	4.5
Short (1-5 years)	55.1	50.2
Medium (5-10 years)	18.7	20.0
Long (10+ years)	22.2	25.3
Total	**100.0**	**100.0**

Assuming a parallel change in the long and short-term yields, a 1% increase or decrease in interest rates would have the effect of decreasing or increasing, respectively, the fair value of the Plan's fixed income investments by approximately $37.2 million or 5.88% (2018 - $48.3 million or 7.45%).

b) Market price risk

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. All changes in market conditions will directly result in an increase or decrease in net assets available for benefits. Market price risk is managed by the Plan through the construction of a diversified portfolio of instruments including public market instruments (traded on various markets) and private market investments, representing various industries. If equity market indices (S&P/TSX, MSCI ACWI, MSCI ACWI SMID CAP and MSCI Emerging Markets and their sectors) declined or increased by 10%, and all other variables are held constant, the potential loss or gain to the Plan would be approximately $196.1 million or 5.21% (2018 - $172.7 million or 5.15%).

(in thousands of dollars)

6. Investment Risk Management (continued)

c) Credit risk

Credit risk is the risk that the issuer of a debt security or counterparty to a contract is unable to fulfill its financial obligation and causes the other party to incur a loss.

Fixed Income portfolio

Credit risk in the fixed income portfolio is monitored by evaluating the Plan's exposure by sector (government versus corporate) and by credit quality.

The Plan is exposed to credit risk from the following interest earning investments, classified by sector as at year end:

	2019 (%)	2018 (%)
Federal government	13.4	18.6
Provincial governments	17.8	20.0
Municipal governments	1.0	0.7
Corporate	65.0	57.5
Other	2.8	3.2
Total	**100.0**	**100.0**

The Plan's risk by credit rating as at year end is as follows:

	2019 (%)	2018 (%)
AAA to A-	80.3	80.1
BBB to BBB-	16.3	15.5
BB+ and below	0.1	0.2
Not rated	3.3	4.2
Total	**100.0**	**100.0**

Securities lending

The Plan lends securities for a fee to approved borrowers. High quality collateral is provided by borrowers to alleviate the credit risk. Regular reporting of the securities lending program ensure that its various components are continuously being monitored.

(in thousands of dollars)

6. Investment Risk Management (continued)

d) Foreign currency risk

Foreign currency exposure arises through holdings of non-Canadian dollar denominated investments in non-Canadian assets. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. The Plan's exposure to foreign currencies provides diversification benefits that should be assessed by asset class. Certain investment managers of the Plan are given flexibility through their mandate to periodically hedge currency for opportunistic or defensive purposes.

On July 1, 2019 the Plan implemented the hedging policy approved by the Corporation's Board of Directors at a total Fund level ("Hedging Policy") focused on US Dollar exposures in certain asset classes. Under the terms of an investment management agreement with an external investment manager, the Plan entered into three-month US dollar forward contracts. The nominal value of these contracts at December 31, 2019 is $186.4 million.

The Plan's unhedged currency exposure from net investment assets as at year end is summarized in the following table:

	2019 (%)	2018 (%)
Canadian Dollar	61.9	64.2
US Dollar	20.3	23.5
Other Asia / Pacific currencies	5.1	3.3
Euro	4.2	3.5
Japanese Yen	2.4	1.7
British Pound	2.3	1.6
Other currencies	2.1	0.6
Other European currencies	1.7	1.6
Total	**100.0**	**100.0**

A 10% increase or decrease in the value of the Canadian dollar in relation to all unhedged foreign currencies, with all other variables held constant, would result in an unrealized investment loss or gain of $141.9 million, or 3.81% (2018 - $120.6 million or 3.59%).

6. Investment Risk Management (continued)

e) Liquidity risk

Liquidity risk corresponds to the Plan's ability to meet its financial obligations as they come due with sufficient and readily available cash resources. Cash obligations are fulfilled from contributions to the Plan, cash income of the Plan and planned dispositions of Plan assets as required. Cash requirements of the Plan are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations. In general, the Plan's investments in cash and cash equivalents, bonds and public equities are expected to be highly liquid and are invested in securities that are actively traded. Investments in private equity, private debt, certain infrastructure and real estate funds are considered highly illiquid due to their private nature and longer term to maturity.

7. Capital Management

The capital of the Plan is defined as the net assets available for benefits. The Plan was established as a vehicle to invest Employee and employer pension plan contributions in the capital markets with a long-term goal to achieve investment returns. The main objective of the Plan is to secure promised pension obligations as they come due, and the secondary objective is to minimize long-term contributions and manage the variability of contributions.

The Plan is jointly sponsored by the Government of Newfoundland and Labrador and the Newfoundland and Labrador Teachers' Association. The Board of Directors of the Corporation has overall responsibility for all investment activities of the Plan and is supported by the Investment Committee appointed by the Board of Directors. The Investment Committee has been delegated certain duties by the Board of Directors as outlined in the Statement of Investment Policies and Procedures (SIPP), and the Board of Directors has also delegated certain duties relating to day to day administration, operations and investment of the Plan to Corporation management. The SIPP outlines the governance arrangement, and roles and responsibilities in respect of the Plan.

a) Portfolio management

The Plan utilizes external investment management firms to invest the assets of the Plan. Each investment manager is selected and monitored through the Corporation's Investment Manager Governance Framework.

CIBC Mellon Global Securities Services provides all custodial and administrative services for the Plan, and Eckler Ltd. provides investment counselling services to the Plan.

(in thousands of dollars)

7. Capital Management (continued)

b) Asset mix policy

An asset mix was approved by the Board of Directors in November 2017. Factors considered in determining the asset mix included the Plan's going concern funded ratio, member demographics, existing and future pension obligations, actuarial assumptions and liquidity requirements. The following summarizes the approved asset mix policy:

	Strategic asset mix %
Equities	
Canadian	17.5
Global	17.5
Emerging market	10.0
Private equity	5.0
Real assets	
Real estate	7.5
Infrastructure	7.5
Fixed income	
Universe bonds	12.5
Corporate bonds	7.5
Mortgages	7.5
Private debt	7.5

8. Investment Related Expenses

Investment related expenses consist of management fees and expenses charged by the external investment management firms, the custodian and the investment consultant and are as follows:

	2019	2018
Investment management fees	$ 8,718	$ 9,424
Custodian fees	379	579
Investment consulting fees	66	91
Miscellaneous foreign fees	8	29
Total	**$ 9,171**	**$ 10,123**

9. Accrued Benefit Obligation

The actuarial present value of the accrued pension obligation is an estimate of the value of pension obligations of the Plan in respect of benefits accrued to December 31, 2019 for all active and inactive members including pensioners and survivors. In accordance with Section 4600, the obligation is measured using the projected unit credit method, prorated on service. This method calculates the actuarial value of the benefits accrued up to the financial reporting date, after the projected benefits have been attributed equally to each year of a member's service.

The actuarial valuation of the Plan was performed as at August 31, 2018, based on plan membership as at this date, and results were extrapolated to December 31, 2019.

The actuarial assumptions used in determining the value of the accrued benefit obligation at December 31, 2019 of $5.208 billion (2018 - $5.121 billion) were determined using a methodology that is consistent with the methodology used to determine the assumptions made in the funding valuation, with adjustments where appropriate for future economic and non-economic events.

The primary economic assumptions include the discount rate, the salary escalation rate and the inflation rate. The discount rate was developed by calculating the expected average annual gross rate of return for the Plan's assets, net of estimated fees, and adding back any expected value-added return resulting from active management, less a provision for adverse deviation. The salary increase assumptions incorporates the underlying inflation assumption and includes an additional margin of 0.50% for productivity. The salary increase assumption also includes a service-based merit component and a component for promotional increases.

(in thousands of dollars)

9. Accrued Benefit Obligation (continued)

The key assumptions used in the valuation are summarized in the table below:

	For the years ended December 31, 2018 and 2019
Net of expense discount rate	6.00% per annum
Inflation	2.00% per annum
Pensioner indexing	1.00% per annum
Annual salary increase	
- Service based merit	<10 years of service: 3.20% per annum 10+ years of service: 0.00% per annum
- Promotional increase	Dependent on certificate level and time from valuation
- Contractual	2.50% per annum
Maximum pension and YMPE	2018: $2,944.44 and $55,900 2019+: Increase at 2.50% per annum
Retirement age	100% at earliest age member is eligible for an unreduced pension
Mortality	CPM Public Sector Mortality Table projected generationally with CPM improvement Scale MI-2017

10. Actuarial Valuations

As per the Plan's Joint Sponsorship Agreement, triennial actuarial valuations are required for plan funding purposes, with off-cycle valuations performed as directed to be used for monitoring the position of the pension plan. The results of these off-cycle valuations do not impact funding requirements of the plan.

A triennial valuation required for funding purposes was performed as at August 31, 2018 by the consulting firm of Eckler Ltd. and the liabilities were extrapolated to December 31, 2018 and December 31, 2019 to determine the accrued benefit obligation contained herein.

(in thousands of dollars)

10. Actuarial Valuations (continued)

The next triennial valuation required for funding purposes will be as of August 31, 2021. A review of the appropriateness of the assumptions used for funding purposes will be completed as part of the process for this valuation.

11. Contributions

	2019	2018
Employee		
Current service	$ 53,865	$ 53,797
Past service	4,629	4,152
Reciprocal transfers	2,348	1,051
	60,842	59,000
Employer		
Current service	53,864	53,795
Past service	746	846
	54,610	54,641
Total contributions	**$ 115,452**	**$ 113,641**

12. Benefits Paid

	2019	2018
Retirement benefit payments	$ 287,633	$ 281,227
Disability benefit payments	8,675	8,904
Termination benefit payments (including commuted value payments and contribution refunds)	4,556	8,827
Transfers to other pension funds	2,190	2,691
Death benefit payments	2,352	2,664
Total benefits paid	**$ 305,406**	**$ 304,313**

(in thousands of dollars))

13. Interest in Subsidiaries

The Plan's subsidiaries were created for the purposes of providing investment earnings from real estate, infrastructure and other private market investment arrangements. The Plan's subsidiaries are presented on a non-consolidated basis. The following table shows the fair value of the Plan's subsidiaries:

	Purpose	Ownership	2019	2018
TPP Neptune Corporation	Private equity, Infrastructure, Real estate and Private debt	100.00%	$ 396,604	$ 233,196
TPP Investment Corporation	Private debt	100.00%	$ 13,256	$ 11,400

Funding is made by capital investment from the Plan via share capital or contributed surplus. TPP Neptune Corporation and TPP Investment Corporation have commitments that must be funded directly through capital investment by the Plan. These amounts are included in the Plan's commitments (note 15).

(in thousands of dollars)

14. Related Party Transactions

Administration expenses are incurred by the Corporation for direct pension administration and charged to the Plan as a management fee. Expenses for the year ended December 31, 2019 and the year ended December 31, 2018 include an allocation of costs of the Government of Newfoundland and Labrador under the Service Level Agreement with the Corporation, as well as direct costs incurred by the Corporation. A breakdown of the expenses included in the management fee are as follows:

	2019	2018
Salaries and benefits	$ 1,605	$ 1,493
Consulting and other professional services	1,087	1,519
Insurance	284	258
Rent	213	169
Board and committee fees and expenses	204	227
Premises and equipment	197	175
Other expenses	582	528
Total	**$ 4,172**	**$ 4,369**

The following related party investments were held by the Plan at year end:

	2019 Cost	2019 Market Value	2018 Cost	2018 Market Value
Province of Newfoundland and Labrador Debentures				
Series maturing June 2, 2029	$ 415	$ 427	$ -	$ -
Series maturing October 17, 2033	1,037	1,030	1,037	988
Series maturing October 17, 2046	694	735	974	927
Total	**$ 2,146**	**$ 2,192**	**$ 2,011**	**$ 1,915**

(in thousands of dollars)

14. Related Party Transactions (continued)

As part of the pension reform process, the Province issued a promissory note to the Corporation on August 29, 2016, for the benefit of the Plan. The principal sum of $1.862 billion, valued at September 1, 2015, together with interest at 6% per annum, is payable in annual blended payments of principal and interest of $135 million on August 31 of each year, with the first payment made on August 31, 2016 and continuing for 29 years. Payments under the promissory note are fixed and will be made regardless of the funded status of the Plan in the future. The promissory note is non-marketable. In addition, the promissory note and the payments due are not assignable or transferrable by the Corporation.

The amount of the promissory note outstanding at December 31, 2019 was $1.759 billion (2018 - $1.787 billion).

Principal repayments of the promissory note by the Province to the Corporation and by the Corporation to the Plan for the next five fiscal years ending December 31 are as follows:

2020	$ 29,734
2021	$ 31,518
2022	$ 33,409
2023	$ 35,414
2024	$ 37,539

A Service Level Agreement between the Corporation and the Province continued to provide pensioner payroll and refund service on a cost recovery basis for an interim period. The cost of the services for the year ended December 31, 2019 is $0.09 million (2018 - $0.19 million including pensioner administrative services).

15. Commitments

The Plan has committed to invest in certain private market investments, including private equity, private debt, infrastructure, real estate and mortgages. As at December 31, 2019, these commitments totaled $465.0 million (2018 - $561.1 million). $314.4 million of this will be made through TPP Neptune Corporation, $36.1 million will be made through TPP Investment Corporation and the remaining $114.5 million will be made directly from the Plan. The commitments are expected to be funded over the next 36 months, depending on market opportunities and conditions.

16. Comparative Information

Certain 2018 comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

Glossary of Terms

ACCRUED BENEFIT OBLIGATION
An estimate of the current value of the future obligations of the Plan. The Plan's future obligations refer to the pension commitments made to the retirees, current employees and future employees.

ACTUARIAL RATE OF RETURN
The assumed long-term rate of return used by the Plan's external actuaries to determine the value of the Plan's liabilities. Also referred to as the Discount Rate.

ASSETS
The items owned by the Plan that have a monetary value and are available to pay the Plan's obligations. Examples of the Plan's assets are cash, stocks, bonds, real estate, infrastructure, etc.

ASSET ALLOCATION/MIX
The allocation of the Plan's Fund among the different asset classes that the Fund invests in such as cash, stocks, bonds, real estate, infrastructure, etc.

ASSET LIABILITY STUDY
A study that analyzes the future stream of liabilities of the Plan and helps determine an asset mix which will provide the return required to support the liabilities over the long term. The study also examines the amount of risk that the Plan must take to generate the return.

BENCHMARK
A standard against which the performance of the Plan's return on investment can be measured.

CPI
Consumer price index

DEVELOPED MARKETS
These countries are the most advanced economically, have highly developed capital markets, high levels of liquidity, meaningful regulatory bodies, large market capitalization and high levels of per capital income, such as the United States, Canada, Japan, Germany, the UK, Australia, etc.

DISCOUNT RATE
The rate that reflects what the Plan's assets are expected to earn over the long term.

EMERGING MARKETS
A country's economy that is progressing toward becoming advanced and has some characteristics of a developed market, as shown by some liquidity in local debt and equity markets, and the existence of some form of market exchange and regulatory body but does not meet standards to be a developed market. They do not have the level of market efficiency and strict standards in accounting and securities regulation as more advanced economies. Such markets include Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

EQUITY(IES)
A stock or any other security representing an ownership interest in a company.

FIXED INCOME
A loan made by an investor to a company or a government. It is commonly referred to as a bond.

FTSE CANADA UNIVERSE BOND INDEX
Measures the performance of the Canadian Dollar denominated investment-grade fixed income market, covering Canadian government, quasigovernment and corporate bonds. The index is designed to track the performance of marketable government and corporate bonds outstanding in the Canadian market.

FTSE CANADA SHORT CORPORATE BOND INDEX
Measures the performance of the Canadian Dollar denominated investment-grade corporate fixed income market, covering Canadian corporate bonds, with 1-5 years of maturity. The index is designed to track the performance of marketable corporate bonds outstanding in the Canadian market.

FUNDED RATIO
The Plan's assets divided by the Plan's liabilities and expressed as a percentage. If the percentage is above 100%, the Plan has a surplus which indicates that there are more than enough assets to fund the future estimated liabilities. If the percentage is below 100%, the Plan has a deficit or Unfunded Liability which indicates that the assets are not sufficient to fund the future liabilities.

GROSS OF INVESTMENT MANAGEMENT FEES
Refers to the fact that the investment return does not include any fees or expenses paid to the investment managers.

MSCI
Morgan Stanley Capital International, the organization that maintains stock market indices.

MSCI ACWI C$
A market capitalization weighted index, converted to Canadian dollars, designed to provide a broad measure of equity market performance throughout the world. It is comprised of stocks from 23 developed countries and 24 emerging markets.

MSCI EMERGING MARKETS C$
A stock market index, converted to Canadian dollars, that captures large and mid-capitalization representation across 24 emerging market countries.

NET ASSETS AVAILABLE FOR BENEFITS
Total assets less liabilities of the Plan that are available for the Accrued Benefit Obligation.

NET OF INVESTMENT MANAGEMENT FEES
Refers to the fact that the investment return includes fees or expenses paid to the investment managers and has been deducted from the investment return calculation.

OVERWEIGHT/UNDERWEIGHT
Refers to the difference relative to the benchmark portfolio. Underweight indicates less than the benchmark, while overweight indicates more than the benchmark.

RELATIVE CONTRIBUTION
The contribution from an individual asset class determined by applying the weight of the respective asset class to the return or value-add of the asset class.

RETURN ON INVESTMENT
A performance measure, expressed as a percentage, used to determine the return of an investment relative to the investment's cost. It evaluates the efficiency of the Plan's assets.

S&P / TSX COMPOSITE INDEX
A capitalization-weighted index that tracks the performance of approximately 250 companies listed on the Toronto Stock Exchange.

STRATEGIC ASSET ALLOCATION
The Plan's target asset allocation based on the Asset Liability Study conducted in 2017.

UNFUNDED LIABILITY
See Funded Ratio. The unfunded liability is expressed in dollar terms.

UNIVERSE BONDS
Represent the broad Canadian fixed income market consisting of marketable issues that are widely covered. The universe is weighted by size to its various components across the federal, provincial and municipal government sectors as well as corporate issues.

VALUE-ADD
The difference between the return on investment and the return for the applicable benchmark.

VOLATILITY
A measure of the variation in the price of a security or the returns of the Plan.
High volatility indicates increased risk.

YIELD
The income return on an investment, such as interest, received from holding a particular security.
A common term used for the return on bonds.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