2020 Annual Report

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, 2020.

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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 and engrained in our culture.

2020 presented a year of significant challenges for so many. These challenges put a further spotlight on many needs and vulnerabilities in our community. In the face of such circumstances, our people remained committed to make a difference for those at-risk and to support organizations with a similar purpose.

Through the commitment of their own time and resources, our team and board members donated to several local organizations including the Gathering Place, the Salvation Army and the VOCM Happy Tree. Many of our team members also actively volunteer their time on a year-round basis in support of community organizations they are passionate about.

Our community commitment matters, and we are immensely proud of our people and the impact their efforts and dedication have had on others.

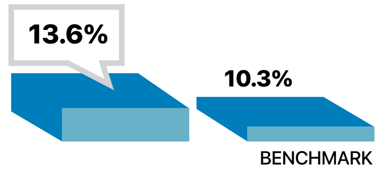
2020 At a Glance

OVERVIEW

NET INVESTMENT ASSETS

as at December 31, 2020

RATE OF RETURN ON INVESTED ASSETS IN 2020



CONTRIBUTIONS OF $115.5M IN 2020

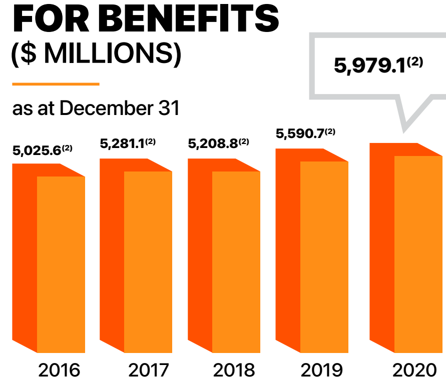
BENEFITS PAID IN 2020(1)

$318.6 M

NET ASSETS FOR BENEFITS

($ MILLIONS)

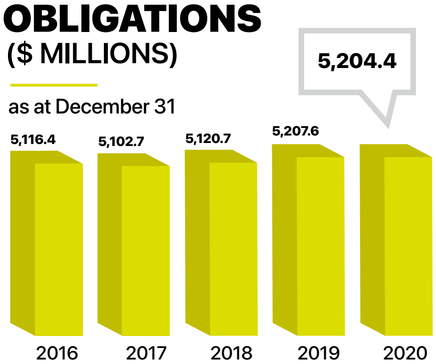
as at December 31



ACCRUED BENEFIT OBLIGATIONS

($ MILLIONS)

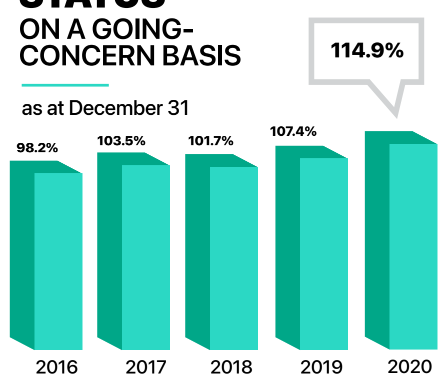
as at December 31



PLAN'S FUNDED STATUS

ON A GOING-CONCERN BASIS

as at December 31



(1) Includes termination benefits (refunds and commuted value payments) of $13.1 million.
(2) Includes Promissory Note from the Province

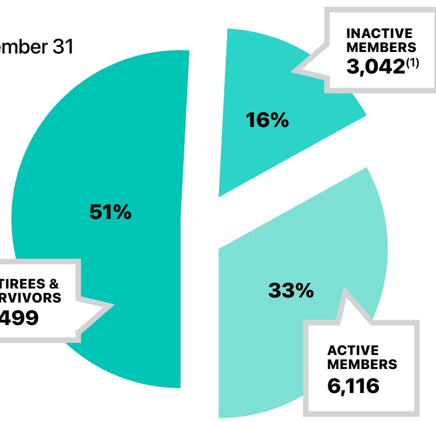
Probability of Remaining Fully Funded in 20 Years: **86%**

2020 | At a Glance

MEMBERSHIP FACTS

MEMBERSHIP PROFILE 2020

as at December 31



Average Age **WORKING TEACHER** 43.2

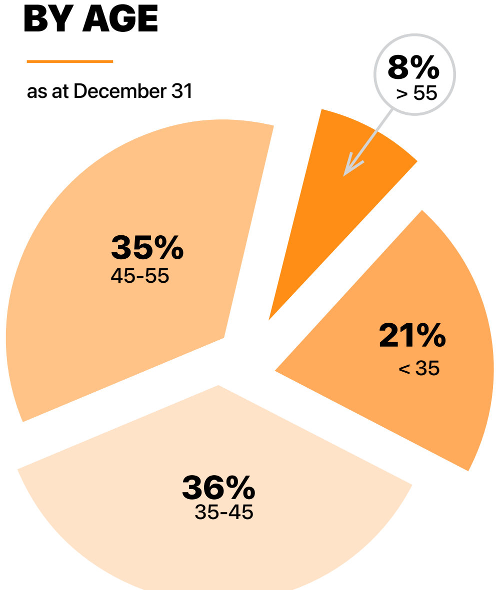
Average Age **RETIRED TEACHER** 70.9

Average Age	2016	2017	2018	2019	2020
Active Member	42.5	42.9	43.0	43.2	**43.2**
Retirees	68.6	69.2	69.8	70.3	**70.9**

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

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

1,462 Active members will have reached pensionable age over the next five years

Retirees and survivors over 100 years of age **7**

Average pensionable earnings of active members **$78,347**

$30,007(2) Retiree average annual lifetime pension

Active members for one retiree **0.64**

71% of accrued benefit obligations relate to retirees and survivors

FOR THE 178 NEW RETIREES IN 2020

Average age at retirement

57.4

Average years of service

28.4

Average Annual Lifetime Pension:[1]
$40,254

Average Annual CPP Bridge Benefit:
$9,740

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

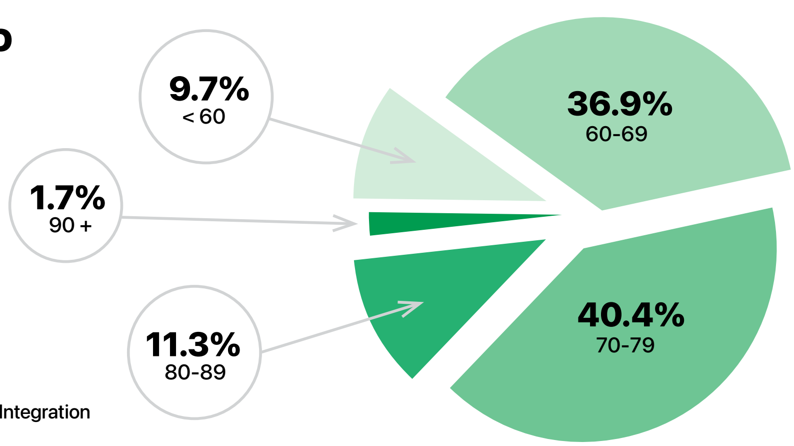
MEMBERSHIP SNAPSHOT

	2016	2017	2018	2019	2020
ACTIVE MEMBERS	5,998 31.5%	5,913 31.0%	5,898 31.7%	5,935 31.8%	**6,116** **32.8%**
RETIREES + SURVIVORS	8,994 47.3%	9,140 47.9%	9,290 50.0%	9,405 50.4%	**9,499** **50.9%**
INACTIVE MEMBERS	4,035 21.2%	4,041 21.1%	3,392 18.3%	3,319 17.8%	**3,042** **16.3%**
TOTAL	**19,027**	**19,094**	**18,580**	**18,659**	**18,657**

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 Board of Directors, I am pleased to share with you the 2020 Annual Report of the Teachers' Pension Plan ("Plan or the "TPP").

On a global scale, 2020 presented unprecedented challenges which resulted in significant health, economic and financial uncertainties. Global capital markets exhibited significant volatility but were ultimately resilient. The Plan's return was 13.6% in 2020, compared to a discount rate of 6%, which is the long-term rate to sustain the Plan.

Our investment priorities are aligned with the maturity of the Plan. A new asset-liability study was initiated in August 2020. This decision was driven by the expectation that our strategic asset allocation would be fully implemented by the end of the year, combined with global market and economic uncertainties driven by the COVID-19 pandemic and the emerging concerns that inflation may reappear. Following the completion of the asset liability study, a new strategic asset allocation was approved by the Board in December 2020. Based on current expectations of market conditions and investment opportunities we believe it could take up to five years to have commitments in place to support the new strategic asset allocation, with significant progress anticipated during the early years of implementation.

The Plan remains fully funded, on a going concern basis, with a funded ratio of 114.9% at December 31, 2020 compared to 107.4% at December 31, 2019. The increase in the funded ratio was primarily the result of investment returns in 2020 exceeding the discount rate of 6%.

The Board and management are committed to meeting their obligations to Plan members. We act in Plan members' best interest. 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.

The Board is extremely proud of how quickly the Teachers' Pension Plan Corporation ("TPPC" or the "Corporation") enacted its Business Continuity Plan during the COVID-19 pandemic. The team immediately transitioned to a work-from-home environment ensuring the continued smooth operation of the Plan, the safety of our staff and members and the continued delivery of our pension promises. The Corporation established new ways to connect, improved work processes and continued its investment in technology to innovate service delivery.

Our culture enables people to thrive. As a result, the Board is confident that the Corporation and its staff will rise to the challenges ahead.

I would like to express thanks and appreciation to my fellow Board members, the external members of the Investment Committee and the staff of the TPPC for their extraordinary support and effort during this very challenging year.

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.

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.

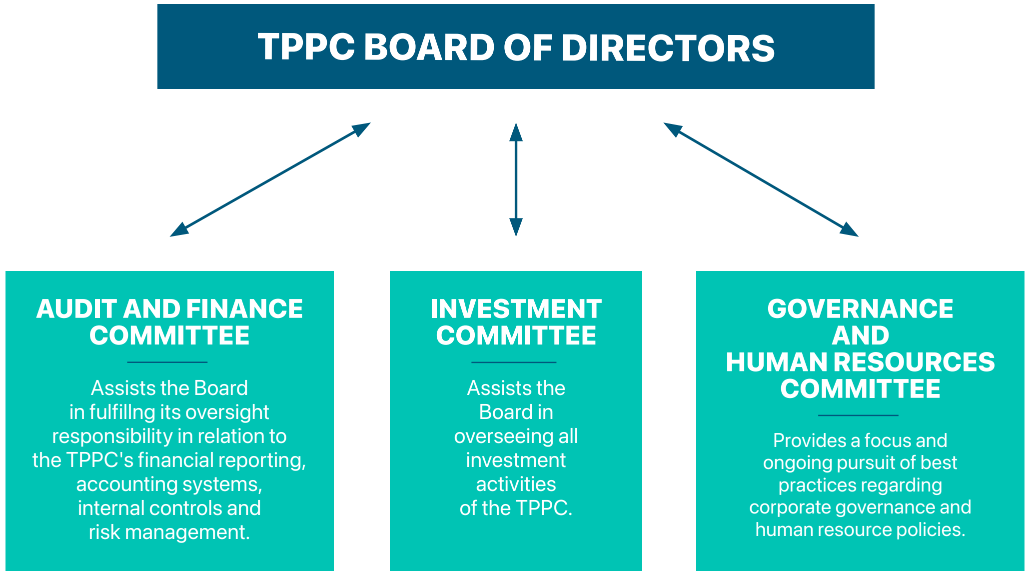
The TPPC Board of Directors, a governing body separate from the Sponsor Body, was established as Trustee for the Teachers' Pension Fund and oversees the management and prudent investment of the pension plan and direction of the TPPC.

A robust governance structure has been established by the Board. There are three standing committees of the Board:

- **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, 2020

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, 2020

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 2020 the Board participated in several presentations on a variety of topics. The sessions were delivered by industry experts as part of quarterly board meeting agendas. Topics for 2020 included pension industry trends, effective climate governance for pension fiduciaries and absolute return strategies.

MONITORING

This practice includes the review of the quarterly financial statements for the Plan and the Corporation and the quarterly review of investment performance and funded ratios, as applicable. Investment compliance checklists, management certifications, 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 2020 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. An off-cycle valuation for funding purposes was completed as at August 31, 2020. The next required funding valuation will be as at August 31, 2021.

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 seven times in 2020 for Board meetings. In addition, the Investment Committee met seven 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%	7	15
Eric Thoms	87%	7	6
Don Ash	100%	7	7
Robert Blais	100%	7	11
Richard Dixon	100%	7	4
Scott Perkin	100%	7	8
Janet Rabovsky	100%	7	7
Gretchen Van Riesen	100%	7	4

OUR COVID-19 RESPONSE

At the end of January 2020, when the World Health Organization declared a global public health emergency, we did not appreciate the impact it would have on our day-to-day lives. With hindsight, we can see that the Corporation was well positioned to deal with the situation and continue to improve and innovate its service delivery.

From the beginning, we understood that the safety of staff, members, their families and our community was paramount. In January and February, we reviewed our business continuity response planning including office protocols. On March 18, 2020 we operationalized our Business Continuity Plan, closed our physical office and employees moved to a work-from-home environment.

Our digital transformation over the last few years served us well during COVID-19. It is through our forward-thinking efforts that we were able to continue to assist our members and pay pensions. As a result of our rapid response, we had no disruption in the delivery of our services to members. While work-from-home had an initial adjustment period, the team adapted quickly so we could work effectively.

During COVID-19 we launched new initiatives and adjusted our processes to more effectively deliver on our expanded digital service priorities. We found technological solutions to streamline work and reduce manual effort by our staff.

We engaged in a virtual world during COVID-19. We found new ways to interact. Our Board and Committee meetings were held virtually for all of 2020. Virtual meetings gave staff a casual opportunity to engage with members of the team and all staff regularly participated. We created virtual opportunities for employees to communicate, interact, collaborate, contribute and stay in touch.

We began returning to the office on September 24, 2020, when the risk was reduced to an appropriate level and all staff had returned to the office by October 22, 2020. All team members can now effectively work from both office and home, depending on requirements.

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 and is part of our culture. 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.

On March 18, 2020, we closed our office and transitioned to a work-from-home environment. As a result of our technology investments and process improvements over the past few years, our team was fully functional and operating at normal levels. This included all telephone calls being answered in the same manner as if we were physically in the office with members receiving a real time response to calls, all e-mails being responded to promptly, all pensioners receiving their pension payments on time and all member requests being processed.

We identified information security risks associated with the work-from-home model and focussed on mitigating these risks. Our risk mitigation included increased monitoring of network traffic, providing additional security training and reminders to staff and setting best practices and security protocols for virtual meetings.

Plan Changes

Effective November 18, 2020, amendments were made to the Plan Text to increase the maximum number of days a pensioner can substitute in a teaching year without impacting pension from 65 to 90 days. In addition, qualified pensioners are allowed to fill a teaching position, for a term not to exceed the remainder of the teaching year, without impacting pension, subject to Sponsor Body approval, when a qualified teacher cannot be found.

Services

We are a service organization and our members are 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.

Accuracy is key when it comes to pensions. Our members are often making important life decisions at the time they contact us or visit our website.

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.

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. During early 2020, we updated our website to enhance our member experience.

Quick Turn-Around – We employ modern technology and frequently refine our internal processes to ensure requests are fulfilled and members are receiving information quickly. Key performance indicators and targets are monitored on a monthly basis to improve processes resulting in efficient, cost effective and timely service to our members. For 2020 we met or exceeded our service standards for quality and timeliness and have been able to prepare and deliver information to members on key requests such as purchase of service, Plan transfers and marriage breakdown in less than one week.

24-7 ONLINE ACCESS – The Member Self Service ("MSS") Portal is 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. The MSS Portal allows 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. This became very important during the pandemic as we were able to share documents in a secure paperless manner. There is also 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, provides members with information in an easy to understand format.

Presentations – During late 2020, we engaged with members through participation and presentations at four virtual NLTA pre-retirement seminars.

Service Highlights

3,209 ACTIVE MEMBERS

Registered to use the MSS Portal as of December 31, 2020

18,705 WEBSITE VISITS

www.tppcnl.ca provides stakeholders with important Plan information as well as entry to the MSS Portal

4,001 ONLINE CALCULATOR ESTIMATES BY MEMBERS

The MSS Portal includes a pension projection calculator which helps members estimate their pension under various retirement scenarios

5,797 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

3,340 TELEPHONE CALLS ANSWERED

Members received a real time answer to calls despite employees working from home

We continue to leverage new technologies to efficiently deliver more digital services that simplify information and streamline the experience for our members. Despite the *COVID-19 pandemic*, we have been successful in achieving our strategic priorities and goals. The TPPC Board of Directors and staff continue to communicate and work collaboratively with our stakeholders to achieve our mission – **Retirement security and outstanding service for our members.**

Investment Management – Discussion and Analysis

The Plan maintains a well-diversified, professionally-managed investment portfolio, that is structured to balance risk and return, and ensure the long-term sustainability of the Plan.

2020 Results Highlights

$4.2 Billion Invested Assets

$6.0 Billion Total Pension Assets (including the Promissory Note)

13.6% Invested Assets Rate of Return

11.2% Total Pension Assets Rate of Return

OVERVIEW

The Plan's purpose is to meet the pension obligations for all its members as they come due – today and in the future. This purpose serves as the foundation of the Plan's investment strategy and is anchored by the requirement to meet the Plan's funding targets outlined within the JSA.

Over the past four years, the Plan has delivered an annualized return of 9.9% (9.5% net of investment management fees). This performance has been a key factor contributing to the Plan's funded ratio at December 31, 2020 of 114.9%.

The Plan's ability to fulfill its purpose and meet its funding targets requires an unwavering focus on the long-term – both in terms of investment strategy and results. We have been resolute in this focus and developing and executing an investment strategy that aims to deliver a well-diversified portfolio that is aligned with TPPC's risk tolerance given the maturity profile of the Plan.

2020 presented unprecedented challenges on a global scale – including the global COVID-19 pandemic, rising geopolitical tensions, weather-related disasters, and intensifying social unrest and inequalities – these risks resulted in significant health, economic and financial uncertainties. From a capital markets perspective, the onset of the COVID-19 pandemic and the end of the longest cycle of economic expansion in history sent equity markets into a tailspin. Global capital markets exhibited significant volatility but were ultimately resilient, as governments around the world implemented fiscal and monetary policy measures which effectively backstopped collapsing economies.

The Plan also proved to be resilient – the changes made to the investment portfolio over the past three years positioned the portfolio well to withstand the volatility, and the liquidity position of the Plan was protected. The Plan ended the year well ahead of the 6% discount rate and the Plan's policy benchmark.

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 Board 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 of Directors in March 2021.

The Investment Committee 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.

An additional key element of the Corporation's approach to investment governance is the use of asset liability ("ALM") studies, which are conducted periodically and represent a critical risk management tool to manage the long-term risk associated with the Plan's ability to meet expected pension obligations as they come due. Such ALM studies form the foundation of the Plan's investment and asset allocation strategy.

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.

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
Canso Investment Counsel
CBRE Caledon[1]
CBRE
CIBC Asset Management
Crestpoint
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

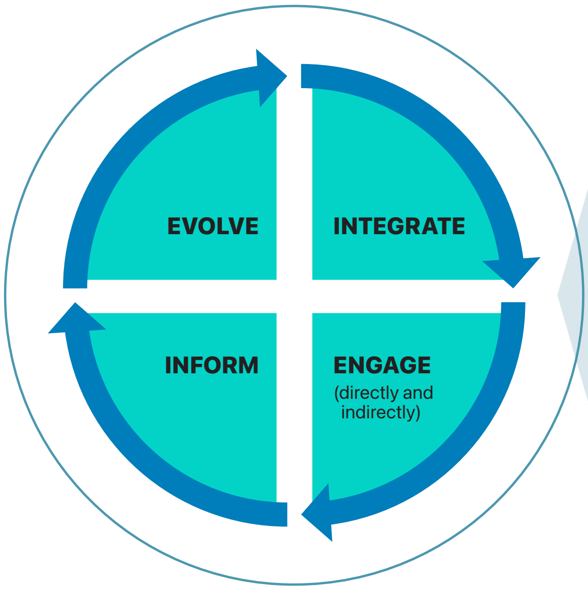
1 – Through a customized portfolio including approximately twenty-seven (27) private fund investments and six (6) co-investments.

RESPONSIBLE INVESTING

The Plan's SIPP states that the primary fiduciary responsibility of TPPC's Board of Directors and Investment Committee is to ensure the Plan's assets are invested to obtain the highest possible return commensurate with acceptable levels of risk. The Plan believes that Environmental, 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, to the extent material, must be considered and 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.

The Corporation has been executing upon an ESG workplan that was finalized at the end of 2018. In executing the Plan's investment strategy, ESG considerations have been integrated within the investment team's policies and processes.

During 2020, the Corporation reviewed its progress relative to this workplan and evaluated its go forward priorities from an ESG perspective. This process resulted in the finalization of TPP's *Responsible Investing and ESG Framework* focused on the following principles:



INTEGRATE – continued integration of ESG within TPP's Investment Manager selection and monitoring processes and Investment Manager Governance Framework

ENGAGE – direct engagement (through TPP's Investment Managers and proxy voting) and indirect engagement activities

INFORM – continuous learning and knowledge transfer regarding ESG trends, integration best practices, etc

EVOLVE – ESG factors and TPP's ESG beliefs are not static, requiring continuous review and evolution as needed

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** – the Plan is a member of the Canadian Coalition for Good Governance ("CCGG"), 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.

In comparison to other longer established Canadian pension plans, the Plan is still in the early stages of its Responsible Investing and ESG journey but believes incremental progress is important. Consideration of ESG risks is consistent with the Corporation's proactive approach to risk management.

ASSET MIX DIVERSIFICATION

Since its inception, the TPPC has been focused on maintaining a return over the long-term that is equal to or greater than the assumed actuarial discount rate of 6%. This focus has been matched by a continued emphasis on de-risking the Plan's investment strategy and lowering the volatility of returns.

These priorities have been achieved through investment and asset class diversification as the Corporation has implemented its Strategic Asset Allocation:

- At the end of 2017, the Board approved a Strategic Asset Allocation, based on the results of an ALM study.
- In early 2018, the Corporation embarked on an ambitious three-year implementation plan supporting the Strategic Asset Allocation.
- 2020 represented the final year of this implementation plan. Despite the broad-scale challenges and uncertainty throughout 2020, it was a year of continued activity and accomplishments. The Plan undertook several strategic initiatives during 2020 that were centered on the objectives of de-risking and diversifying the Plan's investment portfolio and ensuring the Plan's long-term sustainability. These 2020 initiatives and accomplishments included:
    - Restructuring the Plan's universe and corporate bond portfolios, resulting in enhanced risk-adjusted returns.
    - Completing a review of the Plan's public equity portfolio, resulting in a reduction in the Plan's Canadian equity allocation (from 17.5% to 10.0%) and a corresponding increase in the Global equity allocation (from 27.5% to 35.0%).
    - Continuing to build out its private equity co-investment portfolio and making commitments to private equity and infrastructure funds.
    - Despite market uncertainty sentiment throughout 2020, continuing to deploy capital to private fund commitments, particularly in the second half of the year as attractive risk-adjusted investment opportunities were identified by the Plan's external Investment Managers.

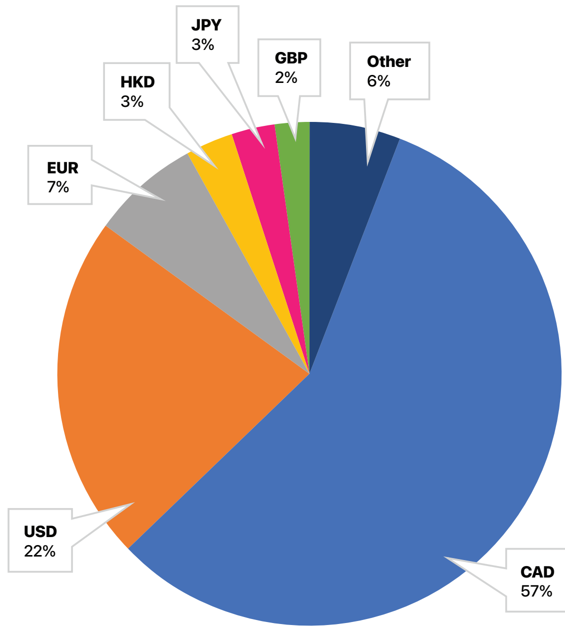
By the end of 2020, the Corporation had completed its three-year implementation plan. As at December 31, 2020, the Plan's actual asset allocation was either in-line with the target allocation of the Strategic Asset Allocation or within the allowable tolerance bands.

The following summarizes the evolution of the Plan's asset allocation and diversification since the Corporation's inception in 2016:

	STRATEGIC ASSET ALLOCATION	2020	2019	2018	2017	2016
Equities						
Canadian Equity	**10.0%**	11.7%	18.7%	18.1%	20.9%	24.9%
Global Equity	**35.0%**	37.7%	30.0%	31.0%	37.9%	45.5%
Private Equity	**5.0%**	4.8%	3.8%	2.7%	0.7%	0.3%
Total Equities	**50.0%**	**54.2%**	**52.5%**	**51.8%**	**59.5%**	**70.7%**
Real Assets						
Real Estate	**7.5%**	6.5%	8.1%	8.4%	3.5%	3.7%
Infrastructure	**7.5%**	7.9%	7.3%	8.4%	7.2%	6.8%
Total Real Assets	**15.0%**	**14.4%**	**15.4%**	**16.8%**	**10.7%**	**10.5%**
Fixed Income						
Universe Bonds (including cash)	**12.5%**	10.6%	12.1%	14.8%	16.2%	18.8%
Corporate Bonds	**7.5%**	6.9%	6.7%	5.4%	7.1%	0.0%
Mortgages	**7.5%**	6.7%	7.3%	7.8%	5.7%	0.0%
Private Debt	**7.5%**	7.2%	6.0%	3.4%	0.8%	0.0%
Total Fixed Income	**35.0%**	**31.4%**	**32.1%**	**31.4%**	**29.8%**	**18.8%**
Total Plan	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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, 2020:



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. To assist in midigating this risk, the TPPC utilizes a passive foreign currency overlay program, with a focus on US dollar exposures in certain asset classes. Due to the strengthening of the Canadian dollar during 2020, the Plan benefitted from this hedge by approximately 0.28%.

ASSET LIABILITY (ALM) STUDIES

As discussed in the **Investment Governance section**, the TPPC conducts ALM studies periodically to validate its financial projections against a variety of diverse economic and demographic scenarios and to determine if any adjustments to the asset mix are needed.

These studies consider a range of market and economic environments and demographic assumptions. Based on the range of potential outcomes, the ALM 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. In finalizing the selected asset mix, the TPPC focuses on certain key variables centered on de-risking the Plan's investment strategy and ensuring the long-term sustainability of the Plan. These variables include maximizing the probability of being fully funded within thirty years, not altering any pension benefits or contribution rates, and exceeding the actuarial discount rate over the long-term – all of which were key tenets through the establishment of the JSA.

Based on the TPPC's expectation that the three-year implementation plan associated with the Strategic Asset Allocation approved in 2017 would be completed by the end of 2020, and combined with global market and economic uncertainties driven by the COVID-19 pandemic and the emerging concern that inflation may re-appear, the TPPC determined it would be prudent to undertake another ALM study in 2020. This process was initiated in August 2020 and resulted in the recommendation of a new Strategic Asset Allocation that further optimized the key focus variables noted above.

The Board approved a new Strategic Asset Allocation in December 2020 as outlined below:

ASSET CLASS	STRATEGIC ASSET ALLOCATION (2018-2020)	ACTUAL ALLOCATION (12-31-2020)	"NEW" STRATEGIC ASSET ALLOCATION	CHANGE (12-31-2020 VS. NEW STRATEGIC ASSET ALLCATION)
Equities				
Canadian Equity	10.0%	11.7%	8.5%	↓ 3.2%
Global Equity	35.0%	37.7%	31.5%	↓ 6.2%
Private Equity	5.0%	4.8%	5.0%	↑ 0.2%
Total Equities	**50.0%**	**54.2%**	**45.0%**	**↓ 9.2%**
Real Assets				
Real Estate	7.5%	6.5%	12.5%	↑ 6.0%
Infrastructure	7.5%	7.9%	17.5%	↑ 9.6%
Total Real Assests	**15.0%**	**14.4%**	**30.0%**	**↑ 15.6%**
Fixed Income (including cash)				
Cash	0.0%	1.4%	2.0%	↑ 0.6%
Universe Bonds	12.5%	9.2%	10.0%	↑ 0.8%
Corporate Bonds	7.5%	6.9%	5.5%	↓ 1.4%
Mortgages	7.5%	6.7%	0.0%	↓ 6.7%
Private Debt	7.5%	7.2%	7.5%	↑ 0.3%
Total Fixed Income	**35.0%**	**31.4%**	**25.0%**	**↓ 6.4%**

From a risk tolerance and constraints perspective, TPPC's SIPP permits the asset class allocations to deviate from the Strategic Asset Allocation by certain defined ranges. These 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.

The Corporation has started the development of an implementation plan supporting the realization of the new Strategic Asset Allocation. This will be finalized in the first half of 2021. The timelines associated with the commitment and deployment of capital across alternative private market asset classes, including real estate and infrastructure, will vary between asset classes and are fluid based on the inherent risks associated with a dynamic global investment landscape. Based on current expectations of market conditions and investment opportunities, TPPC anticipates it will take approximately 48-60 months to have commitments in place in support of the new Strategic Asset Allocation, with significant progress anticipated during the first 36-48 months.

The Corporation's ability to successfully execute the implementation plan will be dependent on market conditions and the sourcing of investment opportunities that meet TPPC's risk parameters and return expectations.

2020 Market Overview

To say the year 2020 was a rollercoaster ride for global markets is a considerable understatement. The emergence of COVID-19 as a worldwide pandemic had an immediate impact on global liquidity, and risky assets like equities took a severe beating between mid-February and late-March. In less than a month, global equity prices sank by more than 30%, outpacing declines experienced during the Great Depression and the Great Financial Crisis of 2007/2008. Central banks around the world reacted promptly by cutting interest rates, boosting liquidity, and engaging in bond purchasing programs. Governments were quick to introduce policies to help struggling individuals and businesses. These bold monetary and fiscal policy actions allowed for a turnaround in global financial conditions, and by year end, the ground lost had been completely recouped.

The U.S. equity market (S&P 500) returned 18.4% (28.9% in 2019) 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 16.3% in Canadian dollars. In Canadian dollars, global-developed (MSCI All World Country Index) and emerging markets (MSCI Emerging Markets) experienced positive returns of 14.8% and 16.6% respectively, compared to 2019 positive returns of 20.9% for global-developed markets and 12.9% for emerging markets.

The Canadian equity market, which lagged most other global markets and was dragged down by depressed energy prices and reduced consumption and production, finished the year up 5.6%, compared to 22.9% a year ago.

Relative to the U.S. dollar, the Canadian dollar started the year at 77.1 cents and ended it at 78.5 cents, reflecting an appreciation of 1.8%. In comparison to other major currencies, the Canadian dollar depreciated by 3.3%, 6.6% and 1.4% relative to the Yen, Euro and Pound Sterling, respectively. Canadian investors in global markets, excluding the United States, were positively impacted by the weakened Canadian dollar; currency gains increased local market gains slightly in several global markets.

Central banks around the globe cut interest rates to near-zero levels in early 2020. The Bank of Canada cut the overnight rate by 50 basis points three times during the month of March 2020 to 0.25% matching the lows of the Global Financial Crisis, and the Federal Reserve in the United States made two cuts to the overnight rate range to a target range of 0.0% to 0.25%.

Crude oil prices, as measured by the West Texas Intermediate (WTI), often a world reference price, closed the year at just above U.S.$48 a barrel, in comparison to U.S.$61 a barrel a year earlier, a decline of over 20%. The sudden drop in demand due to the pandemic combined with a price war between Russia and Saudi Arabia resulted in US crude prices turning negative for the first time on record in April. Western Canada Select (WCS), the price obtained for many Canadian producers of oil, decreased to $33 from almost $39 in 2019, a decline of 15%.

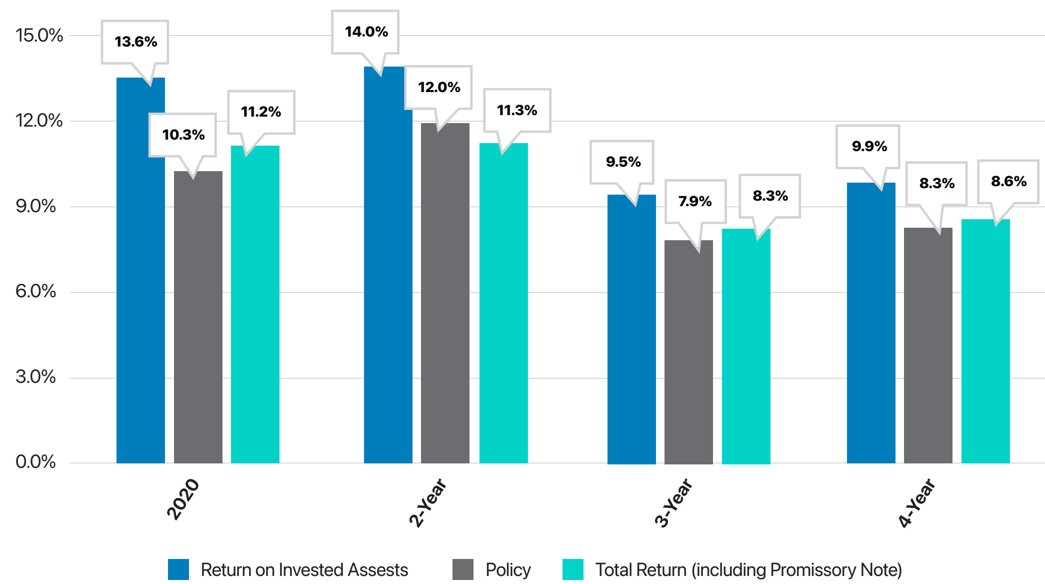
2020 Performance

During 2020, the Plan realized a return on invested assets of 13.6% gross of investment management fees (13.2% net of investment management fees).

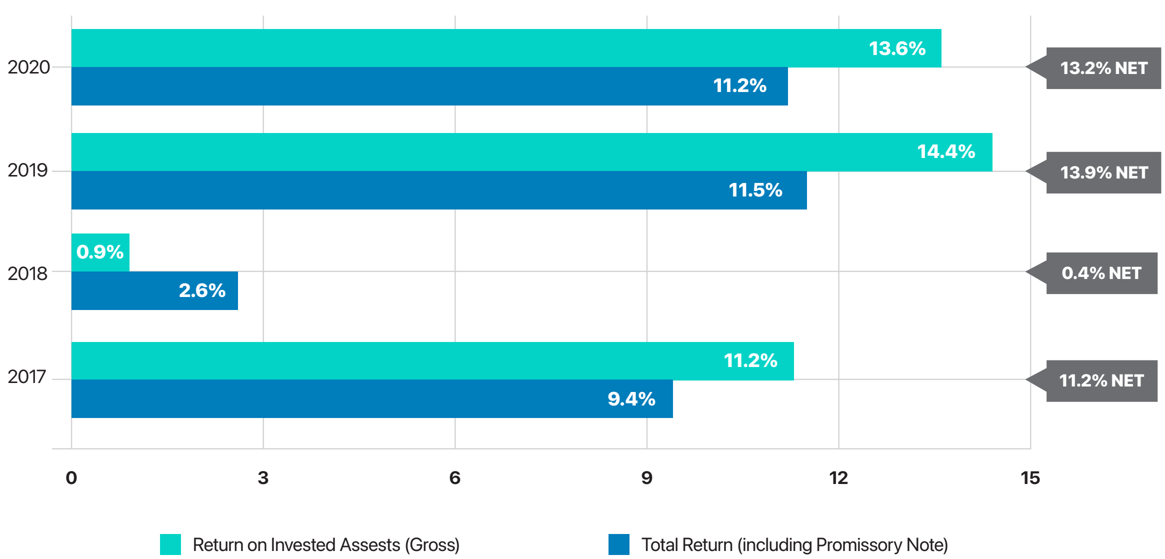
Total invested assets reached approximately $4.2 billion at December 31, 2020, an increase of approximately $0.4 billion over the December 31, 2019 balance of approximately $3.8 billion.

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 Government of Newfoundland and Labrador. The promissory note bears interest at a rate of 6% per annum and is a further fixed income investment of the Plan. When considering the impact of the promissory note during 2020, the return decreases to 11.2% gross of investment management fees (10.9% net of investment management fees) and total pension assets reached approximately $6.0 billion at December 31, 2020.

RETURNS (GROSS) VERSUS POLICY BENCHMARK:



ANNUAL RATES OF RETURN (GROSS):



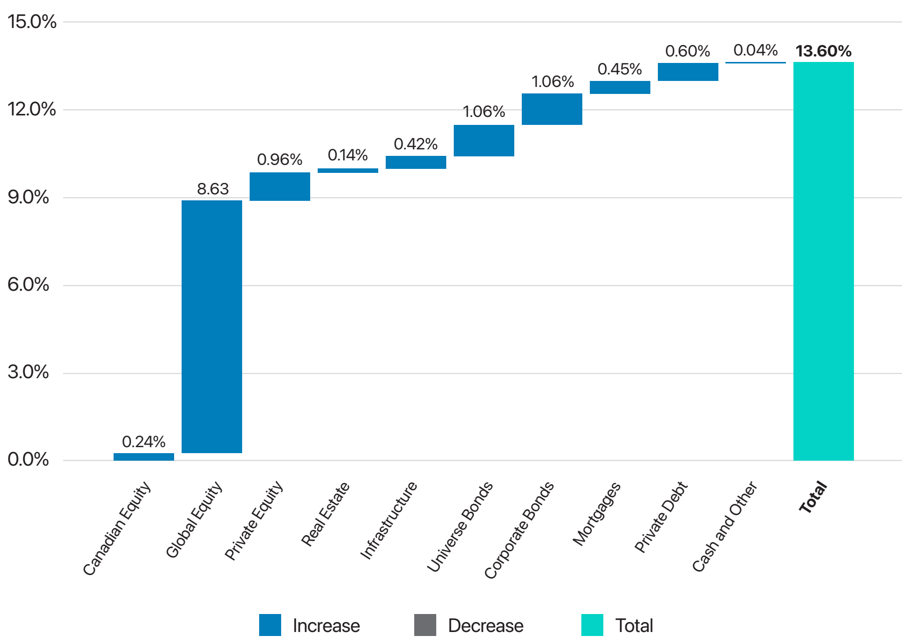
Similar to 2019, the impact of the promissory note had a dampening effect on returns in 2020. The opposite was true in 2018 (e.g., the return on invested assets was 0.9% gross of investment management fees, while the total return including the impact of the promissory note was 2.6% gross of investment management fees), which illustrates the benefit of the promissory note in certain market conditions.

The following illustrates (i) the absolute return for each asset class during 2020, and (ii) the relative contribution from each of TPP's asset classes to the Plan's total return on invested assets for 2020.

INVESTED ASSETS – ABSOLUTE RETURN BY ASSET CLASS:

ASSET CLASS	ACTUAL ASSET ALLOCATION – DECEMBER 31, 2020	ABSOLUTE TOTAL RETURN – 2020
Equities		
Canadian Equity	**11.7%**	**9.5%**
Global Equity	**37.7%**	**24.8%**
Private Equity	**4.8%**	**22.0%**
Real Assets		
Real Estate	**6.5%**	**1.9%**
Infrastructure	**7.9%**	**4.9%**
Fixed Income		
Universe Bonds (including cash)	**10.6%**	**13.0%**
Corporate Bonds	**6.9%**	**15.0%**
Mortgages	**6.7%**	**5.8%**
Private Debt	**7.2%**	**8.1%**

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



Highlight: All asset classes contributed positively to total return during 2020 (both on an absolute and relative basis), with the majority of the Plan's return being driven by the strength of performance within TPP's Global equity portfolio.

In 2020, 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 10.3%.

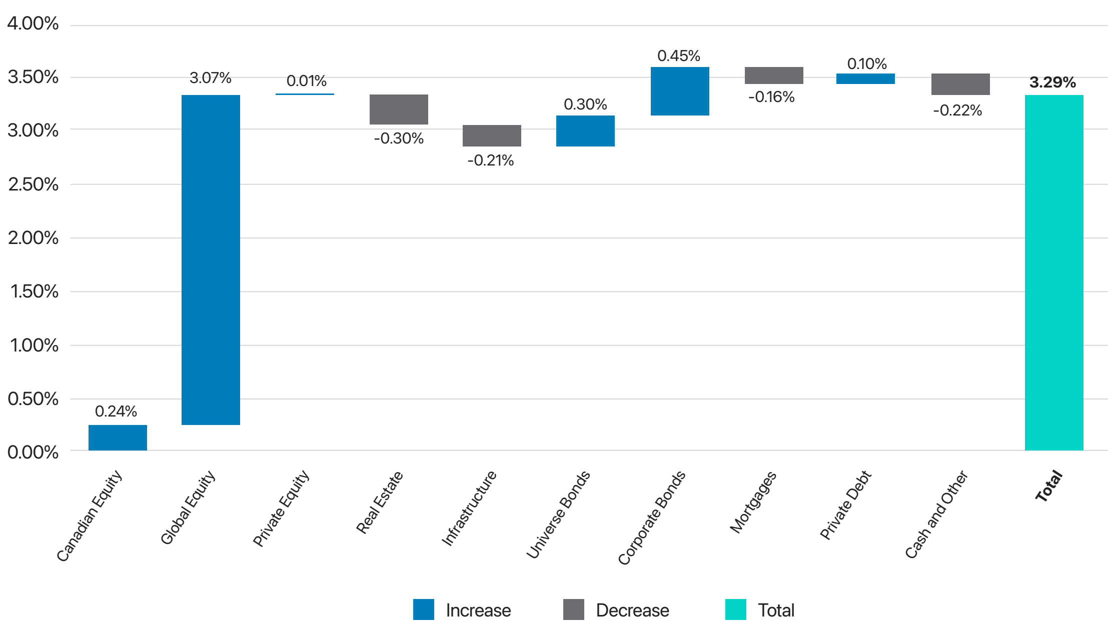
ASSET CLASS	BENCHMARK
Equities	
Canadian Equity	S&P / TSX Composite
Global Equity	MSCI ACWI C$
Emerging Market Equity	MSCI Emerging Markets C$
Private Equity	9.0% (net)/MSCI ACWI C$ + 3.0%
Real Assets	
Real Estate	CPI + 4.0%
Infrastructure	CPI + 5.0%
Fixed Income	
Universe Bonds	FTSE Canada Universe Bond Index
Corporate Bonds	FTSE Canada All 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 3.29% gross of investment management fees (2.87% 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 3.29% value-add:

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



The majority of the value-added return stemmed from the strength of performance within the Plan's Global Equity portfolio. The value-added return within the Universe and Corporate Bond portfolios related to the portfolio restructurings undertaken in the first half of 2020. The Private Equity, Real Estate, and Infrastructure portfolios are constructed as multi-year investments and intended to be viewed from a performance perspective over five-to-ten year time-horizons.

The table below illustrates a historical comparison of the value-added return on an annualized basis (net of investment management fees):

VALUE-ADDED RETURN (ANNUALIZED)				
	1 Year	*2 Years*	*3 Years*	*4 Years*
TPP Return (net)	13.17%	13.56%	8.99%	9.46%
Benchmark	10.30%	12.03%	7.86%	8.33%
Value-Add	***2.87%***	***1.53%***	***1.13%***	***1.13%***

Over the past four years (on an annualized basis), the active management of the Plan's investment strategy has added 1.13% per annum (net of fees), exceeding the target of 1.0%.

Looking Ahead to 2021

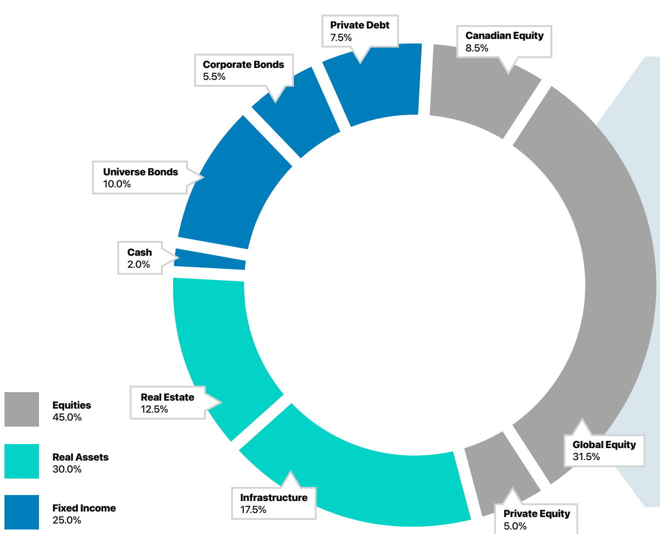
Considerable uncertainty continues in relation to the COVID-19 pandemic and the resulting impact on global markets and economies – factors including the speed and efficacy of the COVID-19 global vaccination roll-out, global supply and supply-chain considerations, the impact of new variants, and continued public health measures around the world further contribute to the uncertainty.

The COVID-19 pandemic has accelerated profound shifts in how economies and societies operate, resulting in transformations across macro policy, geopolitics, inequality and sustainability. The ripple effects may be far-reaching but are not yet fully known or understood from a macro-economic perspective.

The "new normal" in relation to globalization (or a shift towards de-globalization) and the resulting impact on global trade is not yet clear. Despite the longer-term risks of rising inflation, signals of continued accommodative monetary and fiscal policy by governments around the world, together with certain economic indicators, lend a sentiment of cautious optimism.

From an investment perspective, these risks and factors translate into uncertainty regarding valuations, interest rates and pricing, and a continuation of market volatility.

During 2021, the Corporation will be focused on developing a comprehensive and prudent implementation plan to support the new Strategic Asset Allocation and continuing to monitor the Plan's current investment portfolio in accordance with its investment governance framework and strategy.



NEW STRATEGIC ASSET ALLOCATION

The new Strategic Asset Allocation provides:

- the opportunity for continued further de-risking in the Plan's investment strategy and portfolio
- a greater stability of returns over the longer-term
- a positioning of the Plan for possible future inflationary pressures
- the necessary liquidity positioning for the Plan

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.

Financial Reporting

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

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

- Management's Responsibility for Financial Reporting – identifies that management is responsible 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.
- Independent 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 indicator 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)	**2020**	2019
Net assets available for benefits	**$ 5,979**	$ 5,591
Accrued benefit obligation	**5,204**	5,208
Surplus	**$ 775**	$ 383
Funded ratio	**114.9%**	107.4%

The Plan ended 2020 with a financial statement surplus of $775 million compared to a surplus of $383 million at December 31, 2019. The surplus represents the difference between the net assets available for benefits of $6.0 billion and accrued benefit obligation at year end of $5.2 billion. This results in a funded ratio of 114.9% at December 31, 2020 compared to 107.4% at December 31, 2019.

The increase in funded ratio was primarily a result of the gross investment return of 13.6% 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 $607 million exceeding the interest on accrued benefits of $305 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 $88 million and the Plan experience, relative to actuarial assumptions, resulted in a net gain of $78 million.

NET ASSETS AVAILABLE FOR BENEFITS

(As at December 31) (millions of dollars)	**2020**	2019
Net assets available for benefits, beginning of year	**$ 5,591**	$ 5,209
Investment income	**502**	480
Interest earned on promissory note	**105**	107
Contributions	**115**	115
Benefits paid	**(319)**	(305)
Investment related expenses	**(10)**	(9)
Management fees	**(4)**	(4)
Non-refundable HST	**(1)**	(2)
Increase in net assets available for benefits	**388**	382
Net assets available for benefits, end of year	**$ 5,979**	$ 5,591

Net assets available for benefits increased during the year by $388 million. This increase was a result of investment income of $502 million, interest earned on promissory note of $105 million and contributions of $115 million, partially offset by decreases for benefits paid of $319 million, investment related expenses of $10 million, management fees from the Corporation for the administration of the Plan of $4 million and non-refundable HST of $1 million.

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

ACCRUED BENEFIT OBLIGATION

(As at December 31) (millions of dollars)	**2020**	2019
Accrued benefit obligation, beginning of year	**$ 5,208**	$ 5,121
Interest on accrued benefits	**305**	303
Benefits accrued	**88**	89
Benefits paid	**(319)**	(305)
Experience gains	**(78)**	–
Increase (decrease) in accrued benefit obligation	**(4)**	87
Accrued benefit obligation, end of year	**$ 5,204**	$ 5,208

Accrued benefit obligation decreased by $4 million during the year to $5.2 billion. The decrease was a result of benefits paid during the year of $319 million and experience gains of $78 million, partially offset by interest on accrued benefits of $305 million and benefits accrued of $88 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 the 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	$ –	$ 62	$ –	$ 62
Equity	1,692	347	204	2,243
Real Assets	–	111	492	603
Fixed Income	–	673	582	1,255
Derivatives	–	7	–	7
Total Investments	$ 1,692	$ 1,200	$ 1,278	$ 4,170

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.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets 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"). The Board 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 regularly 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 for approval.

The Plan's external auditors, KPMG LLP, are 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 integrity of the Plan's financial reporting and adequacy of internal control systems in the context of their financial statement audit. The Plan's external auditors conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing 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 17, 2021

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 interim actuarial valuation of the Plan as at August 31, 2020. The results of this valuation were extrapolated to estimate the accrued benefit obligation as at December 31, 2020. 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, 2020 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 full or interim 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, 2020;
- 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 17, 2021

AUDITED

Financial Statements

FOR THE YEAR ENDED
DECEMBER 31, 2020

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St. John's NL A1C 6H6
Canada
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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, 2020
- 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, 2020, 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in Annual Report

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the 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

St. John's, Canada

March 17, 2021

Teachers' Pension Plan

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

	2020	2019
Assets		
Cash	$ 30,541	$ 15,317
Accrued investment income	49,510	51,531
Contributions receivable:		
Employee	1,105	466
Employer	888	343
Receivable from pending trades	1,324	813
Harmonized Sales Tax and other receivables	433	811
Investments (note 4)	4,169,763	3,767,607
Promissory note receivable (note 14)	1,729,234	1,758,968
Total assets	**$ 5,982,798**	**$ 5,595,856**
Liabilities		
Accounts payable and accrued liabilities	$ 2,738	$ 2,583
Payable for pending trades	843	2,294
Payable to Teachers' Pension Plan Corporation	161	236
Total liabilities	**$ 3,742**	**$ 5,113**
Net assets available for benefits	**$ 5,979,056**	**$ 5,590,743**
Accrued benefit obligation (note 9)	5,204,434	5,207,603
Commitments (note 15)		
Surplus	**$ 774,622**	**$ 383,140**

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)

	2020	2019
Increase in net assets		
Investment income (note 5)	$ 501,683	$ 479,882
Interest on promissory note (note 14)	104,942	106,659
	606,625	586,541
Contributions (note 11)	115,496	115,452
Total increase in net assets	**722,121**	**701,993**
Decrease in net assets		
Benefits paid (note 12)	(318,621)	(305,406)
Investment related expenses (note 8)	(10,012)	(9,171)
Management fees (note 14)	(3,877)	(4,172)
Non-refundable Harmonized Sales Tax	(1,298)	(1,285)
Total decrease in net assets	**(333,808)**	**(320,034)**
Increase in net assets available for benefits	**388,313**	**381,959**
Net assets available for benefits, beginning of year	5,590,743	5,208,784
Net assets available for benefits, end of year	**$ 5,979,056**	**$ 5,590,743**

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)

	2020	2019
Actuarial present value of accrued benefit obligation, beginning of year	**$ 5,207,603**	**$ 5,120,662**
Increase in accrued benefit obligation		
Interest on accrued benefits	305,544	303,414
Benefits accrued	88,208	88,933
	393,752	392,347
Decrease in accrued benefit obligation		
Benefits paid	(318,621)	(305,406)
Experience gains	(78,300)	-
	(396,921)	(305,406)
Net (decrease) increase in accrued benefit obligation	**(3,169)**	**86,941**
Actuarial present value of accrued benefit obligation, end of year (note 9)	**$ 5,204,434**	**$ 5,207,603**

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 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.

The pandemic related to an outbreak of COVID-19 has added additional uncertainty to the assumptions used by management in setting estimates and judgements. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These actions affect both the interest rate and credit environment of financial markets. The duration and impact of COVID-19 is unknown at this time; as such, it is not reasonably possible to estimate the impact of the pandemic on the Plan in future periods. While the pandemic is in effect, a higher level of uncertainty in respect to management's estimates and judgements is expected.

3. Significant Accounting Policies

a) Financial Instruments

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.

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.

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.

3. Significant Accounting Policies (continued)

a) Financial Instruments (continued)

iii. De-recognition (continued)

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.

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.

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.

3. Significant Accounting Policies (continued)

b) Fair value measurement (continued)

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.

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.

3. Significant Accounting Policies (continued)

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.

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 and refund 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:

	2020			2019		
	Fair Value	%	Cost	Fair Value	%	Cost
Money market	$ 62,081	1.5	$ 62,081	$ 79,220	2.1	$ 79,220
Equities						
Canadian	478,683	11.5	407,108	697,806	18.5	605,539
Global	1,560,594	37.4	1,157,512	1,118,236	29.7	951,698
Private	203,590	4.9	145,190	145,359	3.8	119,788
Real assets						
Real estate	270,654	6.5	265,000	275,298	7.3	279,692
Infrastructure	332,727	8.0	298,592	307,622	8.2	280,724
Fixed income						
Canadian bonds	599,453	14.4	598,416	634,855	16.9	631,562
U.S. bonds	72,694	1.7	65,854	-	-	-
Mortgages	281,398	6.7	281,448	277,109	7.4	275,095
Private debt	300,666	7.2	291,670	227,701	6.0	222,476
Derivatives	7,223	0.2	-	4,401	0.1	-
Total	**$ 4,169,763**	**100**	**$ 3,572,871**	**$ 3,767,607**	**100**	**$ 3,445,794**

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)

b) Fair value measurement (continued)

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

	Level 1	Level 2	Level 3	2020 Total
Money market	$ -	$ 62,081	$ -	$ 62,081
Equities				
Canadian	459,281	19,402	-	478,683
Global	1,232,679	327,853	62	1,560,594
Private	-	-	203,590	203,590
Real assets				
Real estate	-	-	270,654	270,654
Infrastructure	-	111,293	221,434	332,727
Fixed income				
Canadian bonds	-	599,453	-	599,453
U.S. bonds	-	72,694	-	72,694
Mortgages	-	-	281,398	281,398
Private debt	-	-	300,666	300,666
Derivatives	-	7,223	-	7,223
Total	**$ 1,691,960**	**$ 1,199,999**	**$ 1,277,804**	**$ 4,169,763**

(in thousands of dollars)

4. Investments (continued)

b) Fair value measurement (continued)

	Level 1	Level 2	Level 3	2019 Total
Money market	$ -	$ 79,220	$ -	$ 79,220
Equities				
Canadian	678,195	19,611	-	697,806
Global	819,325	298,279	632	1,118,236
Private	-	-	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
U.S. bonds	-	-	-	-
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**

There have been no transfers between levels in 2019 or 2020.

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, 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 on assets sold	-	(102)	(1,510)	(1,612)
Change in unrealized gain/loss on assets held	15,898	5,253	(289)	20,862
Fair value December 31 , 2019	**$ 145,991**	**$ 309,723**	**$ 504,810**	**$ 960,524**
Fair value, December 31, 2019	$ 145,991	$ 309,723	$ 504,810	$ 960,524
Acquisitions	28,358	153,957	163,334	345,649
Settlements	(3,988)	(1,052)	(89,395)	(94,435)
Realized gains	1,032	470	1,608	3,110
Change in unrealized gain/loss on assets sold	(613)	(20)	(34)	(667)
Change in unrealized gain/loss on assets held	32,872	29,010	1,741	63,623
Fair value, December 31, 2020	**$ 203,652**	**$ 492,088**	**$ 582,064**	**$ 1,277,804**

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.

COVID-19 has created global economic disruption and uncertainty. Management continues to monitor the impact on these investments but currently believes that changing one or more of the inputs to a reasonable alternative assumption would not change the fair value significantly.

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.

(in thousands of dollars)

4. Investments (continued)

c) Derivatives (continued)

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.

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, 2020	$ 317,276	$ 7,224	$ 1	$ 7,223
December 31, 2019	$ 192,639	$ 4,506	$ 105	$ 4,401

d) Securities lending

The Plan participated 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 securities lending program was discontinued during the fourth quarter of 2020.

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

	2020	2019
Securities lent	$ -	$ 531,610
Securities contractually receivable	$ -	$ 560,451

(in thousands of dollars)

5. Investment Income

a) Investment income is as follows:

	2020	2019
Dividend income	$ 51,136	$ 53,189
Interest income	44,353	26,767
Securities lending income	879	753
Other income	705	541
Dividend, interest and other investment income	97,073	81,250
Realized gains	129,232	113,429
Current period increase in market value of investments	275,378	285,203
Investment income	**$ 501,683**	**$ 479,882**

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

	Investment income	Realized gains (losses)	Current period change in market value of investments	2020
Money market	$ 573	$ 46	$ 381	$ 1,000
Equities				
Canadian	14,956	24,541	(20,691)	18,806
Global	18,157	63,047	236,163	317,367
Private	-	1,032	32,828	33,860
Real assets				
Real estate	6,442	(12,622)	10,162	3,982
Infrastructure	4,404	1,781	7,238	13,423
Fixed income				
Canadian bonds	19,590	41,445	(2,370)	58,665
U.S. bonds	2,269	738	6,840	9,847
Mortgages	17,503	303	(2,064)	15,742
Private debt	11,595	1,308	3,770	16,673
Derivatives	-	7,613	3,121	10,734
Securities lending	879	-	-	879
Other	705	-	-	705
Total	$ 97,073	$ 129,232	$ 275,378	$ 501,683

(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	2019
Money market	$ 1,728	$ 16	$ -	$ 1,744
Equities				
Canadian	18,442	17,989	94,554	130,985
Global	23,170	43,773	134,381	201,324
Private	-	-	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
U.S. bonds	-	-	-	-
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

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, 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:

	2020 (%)	2019 (%)
Within 1 year	7.6	4.0
Short (1-5 years)	25.7	55.1
Medium (5-10 years)	26.8	18.7
Long (10+ years)	39.9	22.2
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 $49.5 million or 7.92% (2019 - $37.2 million or 5.88%).

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. Due to the COVID-19 pandemic, financial markets experienced significant volatility in the first half of 2020. The full impact of the pandemic on global growth and business will not be fully understood until more time has passed. The ultimate extent on the Plan is uncertain. Investment managers have and will continually assess the performance of the portfolios and make investment decisions that are aligned with each of the Plan's respective mandates to mitigate risk. 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 $224.3 million or 5.38% (2019 - $196.1 million or 5.21%).

(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:

	2020 (%)	2019 (%)
Federal government	7.8	13.4
Provincial governments	20.3	17.8
Municipal governments	0.3	1.0
Corporate	69.4	65.0
Other	2.2	2.8
Total	100.0	100.0

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

	2020 (%)	2019 (%)
AAA to A-	49.6	80.3
BBB to BBB-	31.4	16.3
BB+ and below	17.2	0.1
Not rated	1.8	3.3
Total	**100.0**	**100.0**

(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 notional value of these contracts at December 31, 2020 is $242.3 million (2019 - $186.4 million).

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

	2020 (%)	2019 (%)
Canadian Dollar	57.3	61.9
US Dollar	22.2	20.3
Euro	6.5	4.2
Other Asia / Pacific currencies	4.6	5.1
Other currencies	2.8	2.1
Japanese Yen	2.6	2.4
British Pound	2.3	2.3
Other European currencies	1.7	1.7
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 $179.5 million, or 4.27% (2019 - $141.9 million or 3.81%).

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.

7. Capital Management (continued)

b) Asset mix policy

The SIPP also addresses the manner in which the Plan shall be invested. The Plan's investments are selected and held in accordance with the criteria and limitations set forth in the SIPP, which requires diversification of investments within asset classes and sets constraints on the exposure to individual investments. These constraints are outlined within the Plan's strategic asset allocation contained within the SIPP. The SIPP is subject to review by the Board of Directors at least annually.

The Board of Directors utilizes asset-liability studies as a key risk management tool in determining the asset allocation. Factors considered in determining the asset allocation include the Plan's going concern funded ratio, member demographics, existing and future pension obligations, actuarial assumptions, liquidity requirements of the Plan and long-term capital market assumptions.

An asset-liability study was completed in 2017, resulting in the Board's approval of a strategic asset allocation. In 2018, the Corporation embarked on a three-year implementation plan supporting this strategic asset allocation.

During 2020, the Corporation undertook a review of the optimal structure of the Plan's public equity portfolios. Based on this review, in June 2020, the Board of Directors amended the SIPP to reflect a change in the strategic asset allocation whereby the Plan's Canadian Equity allocation decreased from 17.5% to 10.0% and the Global Equity allocation increased by a corresponding amount from 17.5% to 25.0%.

Based on the expected completion of the strategic asset allocation implementation plan by the end of 2020, combined with risks associated with certain macro-economic factors and global capital market conditions stemming from the COVID-19 pandemic, an asset-liability study was initiated in August 2020. This resulted in the approval of a new strategic asset allocation by the Board of Directors in December 2020. The Board of Directors amended the SIPP to reflect this new strategic asset allocation subsequent to year-end, in March 2021. The Plan's actual asset allocation will be compared against the new strategic asset allocation commencing in 2021.

(in thousands of dollars)

7. Capital Management (continued)

b) Asset mix policy (continued)

The following summarizes the new strategic asset allocation, the strategic asset allocation approved in June 2020, and the strategic asset allocation that was in place in 2019:

	New Strategic Asset Allocation (%)	Strategic Asset Allocation (June 2020) (%)	Strategic Asset Allocation (2019) (%)
Equities			
Canadian	8.5	10.0	17.5
Global	23.5	25.0	17.5
Emerging market	8.0	10.0	10.0
Private equity	5.0	5.0	5.0
Real assets			
Real estate	12.5	7.5	7.5
Infrastructure	17.5	7.5	7.5
Fixed income			
Cash	2.0	-	-
Universe bonds	10.0	12.5	12.5
Corporate bonds	5.5	7.5	7.5
Mortgages	-	7.5	7.5
Private debt	7.5	7.5	7.5
Total	**100.0**	**100.0**	**100.0**

(in thousands of dollars)

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:

	2020	2019
Investment management fees	$ 9,505	$ 8,718
Custodian fees	425	379
Investment consulting fees	73	66
Miscellaneous foreign fees	9	8
Total	**$ 10,012**	**$ 9,171**

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, 2020 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, 2020, based on plan membership as at this date, and results were extrapolated to December 31, 2020.

The actuarial assumptions used in determining the value of the accrued benefit obligation at December 31, 2020 of $5.204 billion (2019 - $5.208 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:

	December 31, 2020	December 31, 2019
Net of expense discount rate:	6.0% per annum	6.0% per annum
Inflation:	2.0% per annum	2.0% per annum
Pensioner indexing:	1.0% per annum	1.0% per annum
Annual salary increase:		
• Service based merit	<10 years of service: 3.2% per annum 10 + years of service: 0% per annum	<10 years of service: 3.2% per annum 10 + years of service: 0% per annum
• Promotional increase	Dependent on Certificate Level and time from valuation	Dependent on Certificate Level and time from valuation
• Contractual	2.5% per annum	2.5% per annum
Maximum pension and YMPE:	2020: $3,092.22 and $58,700 2021+: Increase at 2.5% per annum	2018: $2,944.44 and $55,900 2019+: Increase at 2.5% per annum
Retirement age:	100% at earliest age member is eligible for an unreduced pension	100% at earliest age member is eligible for an unreduced pension
Mortality:	CPM Public Sector Mortality Table projected generationally with Improvement Scale MI-2017	CPM Public Sector Mortality Table projected generationally with Improvement Scale MI-2017

(in thousands of dollars)

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.

An off-cycle valuation was performed as at August 31, 2020 by the consulting firm Eckler Ltd., and the liabilities were extrapolated to December 31, 2020 to determine the accrued benefit obligation contained herein.

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, 2019 to determine the accrued benefit obligation as at that date.

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

	2020	2019
Employee		
Current service	$ 55,202	$ 53,865
Past service	3,476	4,629
Reciprocal transfers	624	2,348
	59,302	60,842
Employer		
Current service	55,202	53,864
Past service	992	746
	56,194	54,610
Total contributions	**$ 115,496**	**$ 115,452**

(in thousands of dollars)

12. Benefits Paid

	2020	2019
Retirement benefit payments	$ 292,940	$ 287,633
Disability benefit payments	8,508	8,675
Termination benefit payments (including commuted value payments and contribution refunds)	13,142	4,556
Transfers to other pension funds	1,387	2,190
Death benefit payments	2,644	2,352
Total benefits paid	**$ 318,621**	**$ 305,406**

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	2020	2019
TPP Neptune Corporation	Private equity, Infrastructure, Real estate and Private debt	100.00%	$ 552,053	$ 396,604
TPP Investment Corporation	Private debt	100.00%	$ 32,184	$ 13,256

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, 2020 and the year ended December 31, 2019 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:

	2020	2019
Salaries and benefits	$ 1,716	$ 1,605
Consulting and other professional services	845	1,087
Insurance	275	284
Board and committee fees and expenses	191	204
Rent	175	213
Premises and equipment	86	197
Other expenses	589	582
Total	**$ 3,877**	**$ 4,172**

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

	2020 Cost	2020 Market Value	2019 Cost	2019 Market Value
Province of Newfoundland and Labrador Debentures				
Series maturing June 2, 2029	$ -	$ -	$ 415	$ 427
Series maturing October 17, 2033	-	-	1,037	1,030
Series maturing October 17, 2046	465	564	694	735
Series maturing October 17, 2050	1,582	1,852	-	-
Total	**$ 2,047**	**$ 2,416**	**$ 2,146**	**$ 2,192**

(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, 2020 was $1.729 billion (2019 - $1.759 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:

2021	$ 31,519
2022	$ 33,409
2023	$ 35,414
2024	$ 37,539
2025	$ 39,791

A Service Level Agreement between the Corporation and the Province continued to provide pensioner payroll and refund service on a cost recovery basis. The cost of the services for the year ended December 31, 2020 is $0.14 million (2019 - $0.09 million).

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, 2020, these commitments totaled $282.1 million (2019 - $465.0 million). $198.0 million of this will be made through TPP Neptune Corporation, $16.7 million will be made through TPP Investment Corporation and the remaining $67.4 million will be made directly from the Plan. The commitments are expected to be funded over the next 30 months, depending on market opportunities and conditions.

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 ALL CORPORATE BOND INDEX
Measures the performance of the Canadian Dollar denominated investment-grade corporate fixed income market, covering Canadian corporate bonds, with a minimum maturity of at least one year. The index is designed to track the performance of a broad range 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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