ANNUAL REPORT 2021

Teachers' Pension Plan Corporation
NEWFOUNDLAND & LABRADOR

TRUST. CONFIDENCE. SECURITY.

About
the Teachers' Pension Plan

The Newfoundland and Labrador Teachers' Pension Plan is a jointly sponsored 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 and operational performance during 2021 and its financial health at December 31, 2021.

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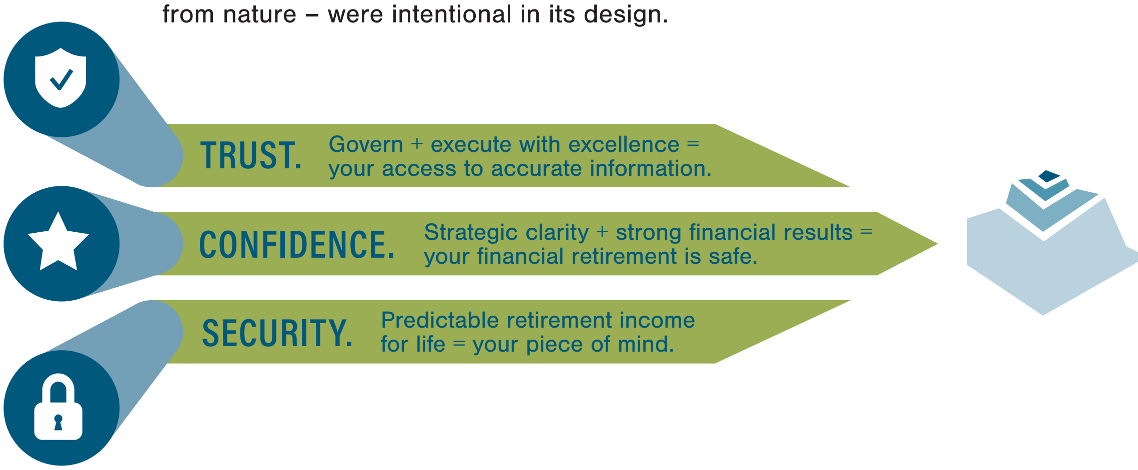
As the second largest public sector pension plan in the Province, our mission is to provide retirement security and outstanding services to our Plan members.

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, confidence 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.

Message
from the Chair

On behalf of the Board of Directors, I am pleased to share with you the 2021 Annual Report of the Teachers' Pension Plan.

During 2021 we all continued to experience the challenges of the COVID-19 pandemic. The Teachers' Pension Plan Corporation showed great resiliency and delivered strong results. We provide a life-time benefit so we must be focused on the long-term while addressing immediate issues. The Directors are committed to the Plan's success and fulfilling their fiduciary duty.

The Plan is well positioned financially. We ended the year with a funded ratio of 121.5% compared to 114.9% last year. The increase in the funded ratio was primarily the result of investment returns exceeding the discount rate of 6%. The Plan had a net return of 12.9% on invested assets in 2021 and a five-year annual average net return of 10.1% to December 31, 2021.

We provide a life-time benefit so we must be focused on the long-term while addressing immediate issues.

Our investment priorities and risk management practices are aligned with the maturity of the Plan. The Strategic Asset Allocation, approved by the Board in December 2020, is being implemented. To achieve our objectives, we are investing more in private markets and expect to make significant progress during the early years of implementation.

The Board and management spent considerable time looking to our future. During the second half of the year we finalized our Strategic Plan for 2022-2024, continuing to build on our solid foundation with both wisdom and creativity.

As a Board we remain focused on the right priorities to manage through today's issues and the challenges we may face in the future.

A sincere thank you to the Sponsor Body, my fellow Board members, external members of the Investment Committee and the staff of the Corporation for their continued support and collaboration. We are all driven to serve the best interests of our members.

Paula McDonald

Paula McDonald
Board Chair

2021

Highlights

Invested Assets:
$4.7 billion

Net Rate of Return on Invested Assets (1 Year):
12.9%

Net Rate of Return on Invested Assets (5 Year Annualized):
10.1%

Contributions:

Members
$62.6 million

Employers
$58.2 million

Benefits Paid:
$317.8 million

Net Assets available for Benefits:
$6,418.7 million

Accrued Benefit Obligation:
$5,284.0 million

Funded Ratio:
121.5%

For the 200 New Retirees in 2021

Average Age at Retirement:
56.9 YEARS

From age 65 after CPP integration

Average Years of Service:
28.5 YEARS

Average Annual Lifetime Pension:
$40,404

Average Annual CPP Bridge Benefit:
$9,890

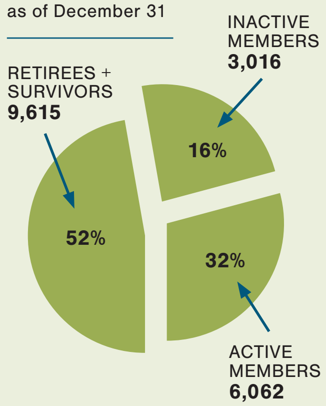
Average Number of **Years Contributed to Plan:**
28.5 YEARS

VS

Expected **Years on Pension:**
33.2 YEARS

2021
Highlights

Membership Profile:
as of December 31



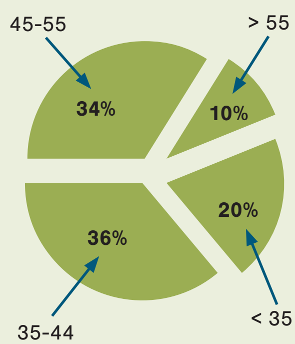
Active members for one retiree:

0.63

71%

of accrued benefit obligation relates to retirees + survivors

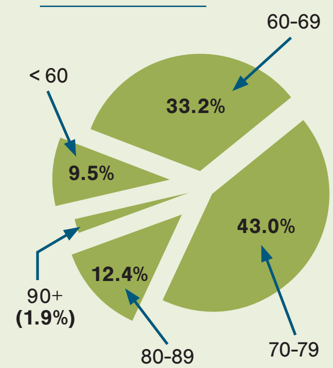
Active Members by Age:
as of December 31



$81,669

Average pensionable earnings of active members

Retirees and Survivors by Age:
as of December 31



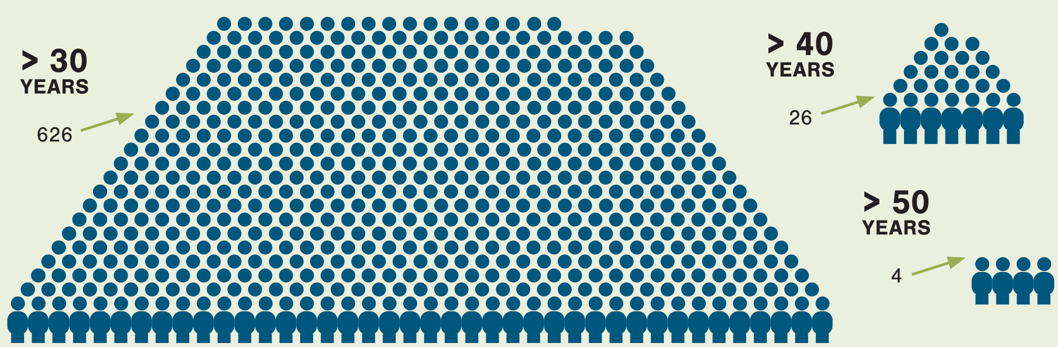
$30,298

Retiree average annual lifetime pension

Retirees + survivors over 100 years of age:

7

Retirees + Survivors Receiving Payments



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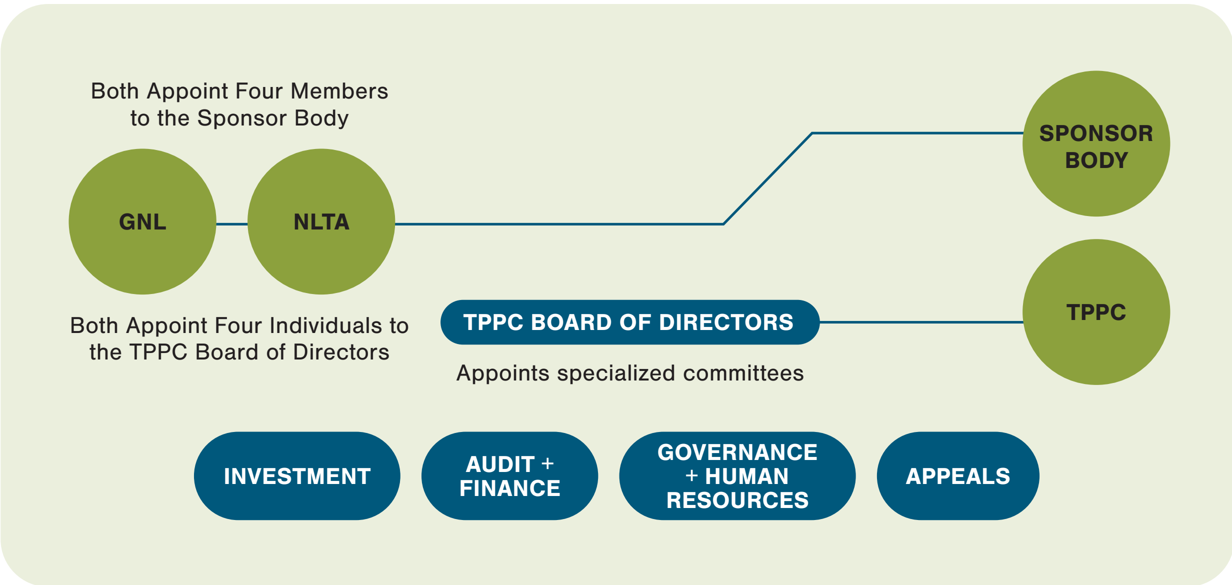
Plan
Governance

At the Teachers' Pension Plan Corporation (TPPC), our vision is to be an outstanding pension plan administrator, as well as institutional investor. Providing retirement security and excellent service to members is our mission – not only now, but in the future. Transparency is at the forefront of everything the TPPC does, like managing the day-to-day operations, setting strategic direction and holding a fiduciary responsibility for the plan and its investments.

In 2016, the Government of Newfoundland and Labrador (GNL) and the Newfoundland and Labrador Teachers' Association (NLTA) signed a Joint Sponsorship Agreement (JSA). The ultimate goal of this agreement was to create a world-class organization to administer the Plan and its fund – hence, the birth of the TPPC.

Since 2016, the Teachers' Pension Plan (Plan) has been overseen by an independent, expert Board of Directors, that makes decisions in the best interest of *all* plan members.

If you're interested in reading more about pension reform, ***please visit our website***.



Four members from each of GNL and the NLTA are appointed to the Sponsor Body. The Sponsor Body is responsible for approving plan amendments, determining the frequency of actuarial valuations, amending actuarial assumptions, implementing the funding policy and ensuring plan longevity.

GNL and the NLTA each appoint four individuals to the TPPC Board of Directors. These eight Board members are selected based on the following specialized skills: governance, investments, finance, human resources, pensions, customer service, risk management, stakeholder involvement and regulatory matters. The TPPC Board of Directors is the Trustee of the Teachers' Pension Fund; it oversees the management and prudent investment of the pension plan's assets, in addition to its administration.

The TPPC Board of Directors has established a robust governance structure; and as such, it created three standing committees – Investment, Audit and Finance, and Governance and Human Resources. Each provides expertise to the Board, which allows the TPPC's corporate goals, objectives and responsibilities to be fulfilled. An Appeals Committee has also been created to ensure we have a fair adjudication process in place to resolve matters related to the interpretation of Plan rules.

TPPC BOARD OF DIRECTORS

Paula McDonald BComm, FCPA, FCA, CMA Board Chair	**Richard Dixon** BA, MIR, ICD.D
Eric Thoms BA, MBA, CPA, CMA Board Vice-Chair	**Scott Perkin** BComm, LLB
Don Ash BSc, BEd, MBA	**Janet Rabovsky** BA, MBA
Robert Blais BSc, FSA, FCIA	**Gretchen Van Riesen** BSc

TPPC EXTERNAL INVESTMENT COMMITTEE MEMBERS

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

TPPC STANDING COMMITTEES	Committee Members
Audit + Finance Assists the Board in fulfilling its oversight responsibility in relation to the TPPC's financial reporting, accounting systems, internal controls and risk management.	**Eric Thoms** Committee Chair **Robert Blais** **Paula McDonald** **Scott Perkin**
Investment Assists the Board in overseeing all investment activities of the TPPC.	**Janet Rabovsky** Committee Chair **Don Ash** **Robert Blais** **Kevin Fahey** **Paula McDonald** **John Poos**
Governance + Human Resources Provides a focus and ongoing pursuit of best practices regarding corporate governance and human resource policies.	**Richard Dixon** Committee Chair **Paula McDonald** **Scott Perkin** **Eric Thoms** **Gretchen Van Riesen**

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 2021 for Board meetings. In addition, the Investment Committee met nine 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.

Board Members	Attendance	Board Meetings	Committee Meetings
Paula McDonald	100%	7	17
Eric Thoms	100%	7	8
Don Ash	100%	7	9
Robert Blais	100%	7	13
Richard Dixon	100%	7	4
Scott Perkin	100%	7	8
Janet Rabovsky	100%	7	9
Gretchen Van Riesen	91%	7	3

Management's
Discussion + Analysis

Investment Management

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.

2021 Results Highlights

$4.7 billion
Invested Assets

12.9%
Net Rate of Return on Invested Assets

$6.4 billion
Total Pension Assets
(including the Promissory Note)

10.9%
Net Rate of Return on Total Pension Assets

OVERVIEW

The overarching purpose of the Plan is to meet the present and future pension obligations for all its members as they come due. 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 five-years, the Plan has delivered an annualized net return of 10.1%. This performance has been a key factor contributing to the steady increase in the Plan's funded ratio that, at December 31, 2021, had improved to 121.5%.

The fulfillment of the Plan's purpose and its ability to meet the JSA funding targets requires a long-term approach to investment strategies and results. Risk mitigation continues to be paramount to the Corporation's investment strategy and permeates every aspect of the investment process from the Strategic Asset Allocation (SAA) to its implementation plan, the selection of new managers, and the ongoing monitoring of the Plan's assets and existing managers. This investment strategy has resulted in the development of a well diversified portfolio across asset classes that is aligned with TPPC's risk tolerance given the maturity profile of the Plan.

COVID-19 has had a significant impact on markets over the past two years. In 2021, global economic recovery was driven by government and central bank action taken in 2020. Barring another wide-scale outbreak that impacts global economies, investor concerns about the economic impact related to the pandemic have begun to recede, but the effects may linger in the form of supply-chain issues, labour shortages, rising inflation, and interest rate increases. In addition, increased geopolitical tensions could also impede markets and investment performance. Despite these challenges, the Plan's strong funded position provides a helpful cushion against such outcomes.

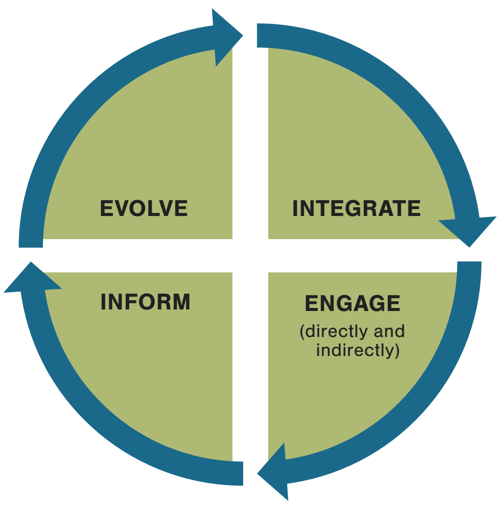
Proactive risk management is core to TPP's investment strategy, investment operations and overall corporate philosophy.

RESPONSIBLE INVESTING

Environmental, Social, and Governance (ESG) issues have become increasingly important considerations in the investment process. The Corporation believes that ESG factors can impact the Plan's financial outcomes and represent potential risks and that such risks, to the extent material, must be considered and evaluated.

The path taken by the Corporation has been measured and focused with a clear recognition that the Corporation is in the early stages of its ESG journey relative to other larger and more established Canadian pension plans. The Corporation believes incremental progress is important, and consideration of ESG risks is consistent with the Corporation's proactive approach to risk management. These considerations have been integrated within the investment team's due diligence, new manager selection and portfolio monitoring processes.

The Corporation has made significant progress and in early 2021, finalized its ESG framework, together with clear processes for guiding its continued ESG evolution. TPP's Responsible Investing and ESG Framework focuses 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, including the Canadian Coalition for Good Governance and the Pension Investment Association of Canada.

During 2021, as part of its ESG Workplan, the Corporation held in-depth discussions with its investment managers and their ESG subject matter experts to better understand each manager's approach to ESG integration, and how the Corporation might leverage that information to further develop and improve its own ESG approach.

While the Corporation has a strong focus on ESG risk mitigation factors, it believes that ESG related issues and considerations are also creating investment opportunities. New energy transition funds, renewable energy projects, battery storage, carbon capture, green hydrogen and e-fuels, have all become investable strategies. The evolution of sustainability has come so far that "sustainable" business and "well-run" businesses are synonymous terms. Businesses are required to do more than simply tick the box when it comes to ESG. Proactive identification of ESG risks and opportunities is becoming an increasingly key factor in creating long-lasting, value-creating and consistently successful businesses. This thought will be front and center as the Corporation assesses ongoing, and future, partners and investment opportunities.

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. As a result of an asset liability study conducted during 2020, a new SAA was approved by the Board in December 2020. With this new SAA, the Corporation continues to focus on de-risking the investment plan, lowering plan volatility, and positioning the portfolio to better withstand inflationary pressures.

Private markets includes private equity, real estate, infrastructure, private debt and mortgages. The new SAA provides for meaningful increases to the Plan's private markets portfolio, specifically to infrastructure and real estate. During the first half of the year, Management was engaged in developing an SAA framework, which was subsequently approved by the Board in the second half of 2021. The detailed implementation plan was approved by the Investment Committee at the same time and will result in a number of new infrastructure and real estate fund commitments over the coming years. The Corporation began executing on the implementation plan during the fourth quarter of 2021 and made commitments to new infrastructure and real estate funds. The Corporation anticipates achieving its new SAA targets by the end of 2025, but its ability to do so will be dependent on market conditions and the sourcing of investment opportunities that meet TPPC's risk parameters and return expectations.

To assist with managing the Plan's investment portfolio and executing on its SAA implementation plan, the Corporation's investment team works with a variety of experienced partners and investment managers. Prior to engagement, each partner undergoes a thorough review to ensure its organization's experience is suitable for purpose, is a good cultural fit with the Corporation, and specifically for investment managers, have successful track records and align with the Corporation's investment philosophy and beliefs.

The following summarizes the Plan's new asset allocation and actual allocations for the past two years:

STRATEGIC ASSET ALLOCATION:

	Strategic Asset Allocation	2021 Actual	2020 Actual
Equities			
Canadian Equity	8.5%	13.1%	11.7%
Global Equity	31.5%	37.5%	37.7%
Private Equity	5.0%	5.8%	4.8%
Total Equities	45.0%	56.4%	54.2%
Real Assets			
Real Estate	12.5%	6.6%	6.5%
Infrastructure	17.5%	8.3%	7.9%
Total Real Assets	30.0%	14.9%	14.4%
Fixed Income			
Cash	2.0%	3.4%	1.4%
Universe Bonds	10.0%	8.1%	9.2%
Corporate Bonds	5.5%	6.4%	6.9%
Mortgages	0.0%	2.6%	6.7%
Private Debt	7.5%	8.2%	7.2%
Total Fixed Income	25.0%	28.7%	31.4%
TOTAL Plan	**100.0%**	**100.0%**	**100.0%**

In recognition of the need to de-risk the Plan, exposure to public equity markets has been declining since 2016, when 70% of the Plan's assets were invested in public equities. By the end of 2025, this exposure is targeted to be 40%, significantly reducing the risk and volatility of returns for the Plan. The allocation to private markets, on the other hand, has increased to 42.5% from an actual allocation of 10.8% in 2016. Increased exposure to infrastructure, real estate, and private debt is expected to result in increased annual cash yield, which benefits the Plan's overall liquidity position.

Since markets do not move in tandem, TPPC's Statement of Investment Policies and Procedures permits the asset class allocations to deviate from the SAA within certain ranges. Allowing some flex within the permitted ranges reduces unnecessary portfolio disruption and cost. TPPC's actual allocations, which are monitored monthly, have consistently been within these permitted ranges.

As the Plan's investment portfolio evolves and continues to diversify, the Plan becomes more exposed to foreign currency risk and fluctuations. 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 mitigating this risk, the TPPC utilizes a passive foreign currency overlay program, with a focus on U.S. dollar exposures in certain asset classes. Due to the strengthening of the Canadian dollar during 2021, the Plan's returns benefitted from this hedge by approximately four basis points (or 0.04%).

2021 MARKET OVERVIEW

After a roller coaster 2020, investors were looking for signals as to which direction the global economy was heading. The continued distribution of vaccines helped drive an economic rebound, while the emergence of the Omicron variant later in 2021, overshadowed what was largely a positive year for global economic growth. Benefiting from government actions taken in 2020 and 2021 to assist struggling businesses and individuals, global economic growth of approximately 5.9% was up sharply in 2021 from the 3.4% contraction experienced in 2020. The year ended on something of a negative note, however, as economic growth faced headwinds from Omicron, labour shortages, supply chain issues, increasing geopolitical tensions, and rising inflation, which reached near 40-year highs.

Global equity markets performed well during 2021 as corporate earnings across developed markets consistently beat expectations. The U.S. equity market (S&P 500) returned 28.7% (18.4% in 2020) in local currency (U.S. dollars). However, a strengthening Canadian dollar relative to the U.S. dollar muted those returns slightly for Canadian investors as the market returned 27.6% in Canadian dollars. In Canadian dollars, global-developed (MSCI All World Country Index) and emerging markets (MSCI Emerging Markets) experienced returns of positive 18.0% and negative 3.1% respectively, compared to 2020 positive returns of 14.8% for global-developed markets and 16.6% for emerging markets. The Canadian equity market rose in line with other developed markets, finishing the year up 25.1%, compared to 5.6% a year ago.

After central banks around the globe cut interest rates to near-zero levels in early 2020, most central banks kept rates at those lows throughout 2021. The Bank of Canada maintained the overnight rate at 0.25%, and the Federal Reserve in the United States maintained the overnight rate's target range of 0.0% to 0.25%. The Bank of England raised interest rates in December 2021 for the first time since 2018, and both the Bank of Canada and U.S. Federal Reserve are expected to raise rates several times in 2022.

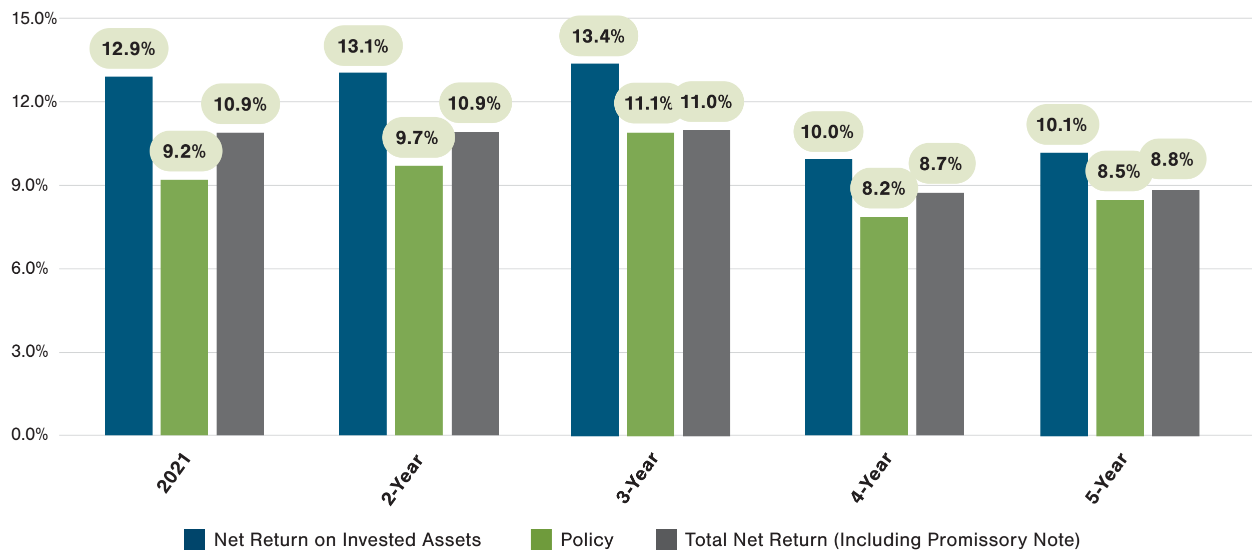
Driven by higher oil prices and an increasing likelihood that the Bank of Canada will move to raise interest rates sooner rather than later, the Canadian dollar was the second best G10 currency performer in 2021, behind only the U.S. dollar. Relative to the U.S. dollar, the Canadian dollar started the year at 78.5 cents and ended it at 79.2 cents, reflecting an appreciation of 0.9%. In comparison to other major currencies, the Canadian dollar appreciated by 12.5%, 8.5% and 1.8% relative to the Yen, Euro and Pound Sterling, respectively.

Spurred on by the global economic recovery, demand for oil outstripped supply in 2021 which, combined with a lack of refining capacity, pushed oil prices to their highest levels in almost three years. Crude oil prices, as measured by the West Texas Intermediate (WTI), often a world reference price, closed the year at just above U.S.$75 a barrel, in comparison to U.S.$48 a barrel a year earlier, an increase of over 55%. Western Canada Select (WCS), the price obtained for many Canadian producers of oil, increased to U.S.$61, from U.S.$33 in 2020, a gain of approximately 85%.

2021 PERFORMANCE

During 2021, the Plan realized a net return on invested assets of 12.9%. Reflecting the strong performance of global public equity markets, the Plan's Global and Canadian equity portfolios performed well and accounted for approximately 55% of the total return, with private equity and infrastructure also contributing meaningfully.
The following table presents the Plan's annual return for 2021 and over the preceding two, three, four and five year periods:

NET RETURNS VERSUS POLICY BENCHMARK (ANNUALIZED):



On invested assets, the Plan seeks to outperform the benchmark rate of return, and this outperformance is described as "value-add". Over the long-term, the Plan continues to consistently produce strong returns and outperformance relative to the policy benchmark. Over the past five years the Plan has achieved an annualized net return of 10.1%, providing 1.6% in value-add compared with the Plan's policy benchmark (see below for additional value-add and benchmark commentary). The one-year net return of 12.9% achieved a 3.7% value-add.

The $1.7 billion promissory note due from the Government of Newfoundland and Labrador bears interest at an annual rate of 6.0%. The note acts as a risk and return ballast for the Plan's assets by providing a steady 6.0% return annually. In years where the return on the Plan's invested assets exceeds 6.0%, the note will have a dampening effect on performance. When the return is below 6.0%, however, the note serves to enhance investment returns.

Strong investment performance resulted in growth of total invested assets to $4.69 billion at December 31, 2021, an increase of approximately $0.48 billion over the December 31, 2020 balance of approximately $4.21 billion.

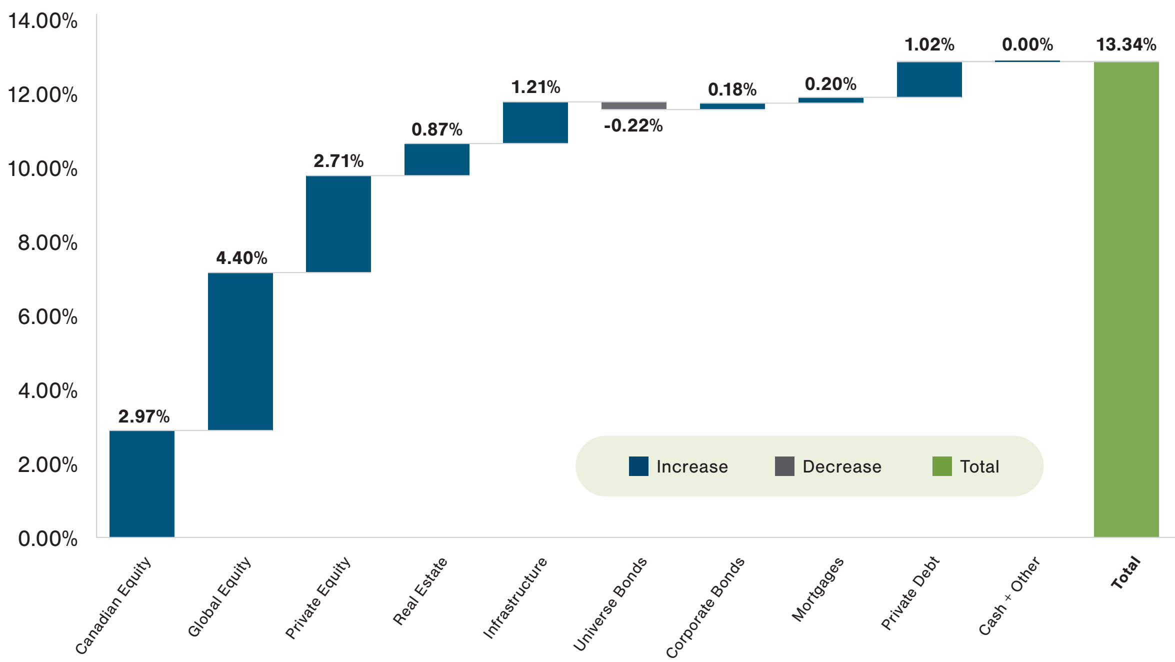
The following illustrates the return (on a gross basis) for each asset class during 2021:

INVESTED ASSETS – GROSS RETURN BY ASSET CLASS:

	Actual Asset Allocation – December 31 2021	Absolute Total Return – 2021
Equities		
Canadian Equity	13.1%	24.3%
Global Equity	37.5%	11.1%
Private Equity	5.8%	62.6%
Real Assets		
Real Estate	8.3%	15.2%
Infrastructure	6.6%	13.9%
Fixed Income		
Cash	3.4%	-0.1%
Universe Bonds	8.1%	-1.9%
Corporate Bonds	6.4%	2.7%
Mortgages	2.6%	4.8%
Private Debt	8.2%	13.1%

As previously noted, public equity markets benefitted from the strong global economic recovery experienced in 2021 and were a main driver of total performance. Private markets all enjoyed strong returns during the year. Fixed income returns were muted as bond yields rose throughout the year sending bond prices lower. The following chart provides contributions by asset class to the Plan's gross returns:

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



Except for universe bonds and cash, all asset classes contributed positively to total return during 2021, with the majority of the Plan's return being driven by the strength of performance within TPP's equity portfolio (Canadian, Global and private equity all had strong total contributions).

A discussion of the Plan's performance will always be anchored back to a comparison to the Plan's established policy benchmarks and assumed actuarial discount rate (6.0%). 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	5 Years
TPP Return (net)	12.93%	13.05%	13.35%	9.96%	10.14%
Benchmark	9.16%	9.73%	11.06%	8.18%	8.49%
Value-add	3.77%	3.32%	2.29%	1.78%	1.65%

Over the past five years (on an annualized basis), the active management of the Plan's investment strategy has added 1.65% per annum (net of fees), exceeding the target of 1.0%.

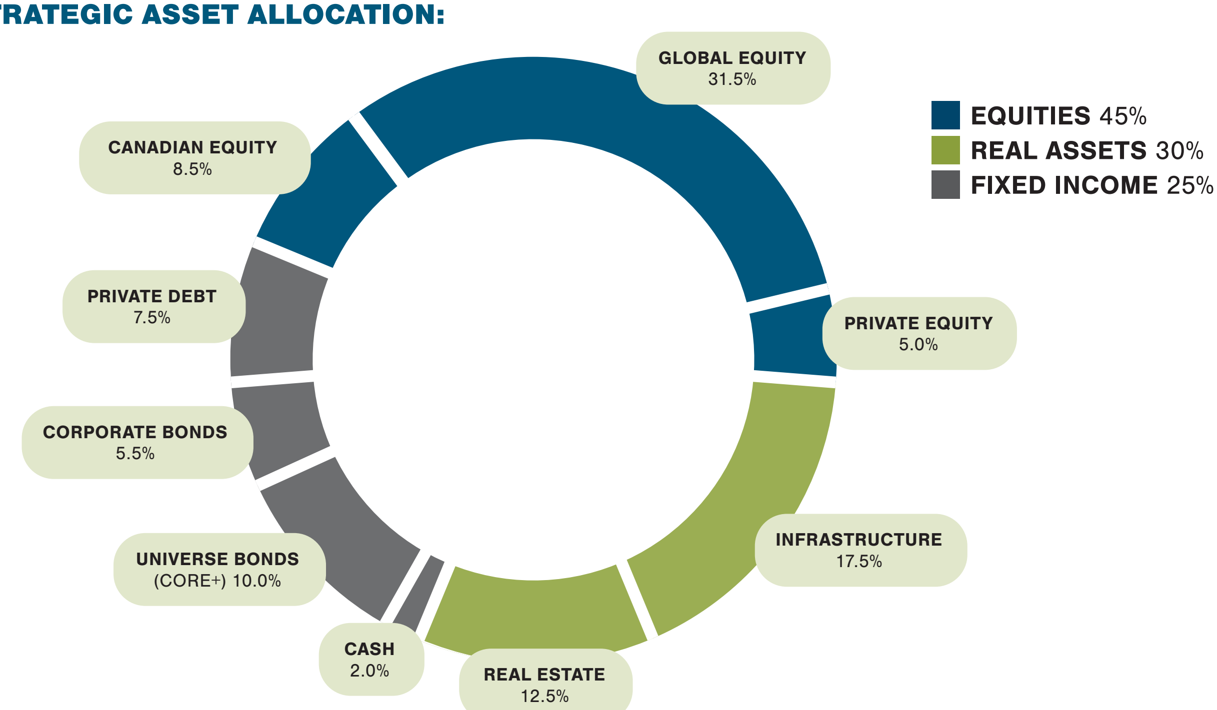
In 2021, the net value-add was 3.77%, and while equities provided strong absolute returns, performance generally met benchmark returns. Value-add was driven primarily by private markets (private equity in particular), and to a lesser extent, fixed income.

LOOKING AHEAD TO 2022

Global economies are facing numerous headwinds including uncertainty around the COVID-19 variants, supply-chain disruptions, labour supply shortages, the end of government quantitative easing programs, looming inflationary pressures, interest rate hikes, and growing geopolitical concerns.

During 2022, the Corporation will be focused on executing its implementation plan to support the new SAA. This will see the Plan continue to increase its exposure to infrastructure and real estate – two asset classes that are expected to perform well in inflationary periods due to inflation linked cash flows stemming from long term contracts and lease agreements. The SAA implementation plan will not focus solely on infrastructure and real estate but will also include reviews of all other asset classes. Once fully executed, the Plan's portfolio will be well diversified across asset classes and geographies.

STRATEGIC ASSET ALLOCATION:



The Corporation's ESG journey will continue throughout 2022, with further work on our ESG framework and the formalization of a Responsible Investing Policy. Focusing on the Plan's long-term sustainability, the recent changes to the SAA and a commitment to continual improvement of risk mitigating and monitoring processes has positioned, and will continue to position, the Plan to meet its obligation under the JSA and ensure pension obligations are met as they come due.

Plan Administration

During 2021, as we navigated the pandemic, we had periods when we worked from home and other times when we worked from our office. Our skilled employees and the technology investments and process improvements we made allowed us to change location as needed and be fully functional and operational. Members received a real time response to calls, all e-mails were responded to promptly, all pensioners received their pension payments on time and all member requests were processed.

INVESTMENT IN TECHNOLOGY We continue to invest in and leverage new technologies to operate efficiently and deliver enhanced digital services that simplify information and streamline the experience for our members. Additional self-serve capability is planned for members during 2022.

ENTERPRISE RISK MANAGEMENT (ERM) We have a strong risk culture. Risk management is critical and plays a key role in all our activities. It is integrated into our strategic decisions and execution. Our ERM process helps us understand the risks we face and how they are being effectively managed.

SECURITY POSTURE Information security is very important in an increasingly risky world. We continue to focus on mitigating this risk and protecting our data. Our risk mitigation includes annual vulnerability assessments and penetration testing by industry experts, increased monitoring of network traffic, setting best practices and security protocols for virtual meetings and additional cyber security awareness training and reminders to staff that help identify and prevent potential cyber threats. We received an Above Best Practice rating in our latest vulnerability assessment and penetration testing.

STRATEGIC PLANNING We were successful in achieving our 2021 strategic priorities and goals. During the second half of the year the TPPC Board of Directors and management undertook a strategic planning exercise to set the Strategic Plan for 2022-2024. Key goals and initiatives have been developed in the following areas:

- *Plan security and sustainability*
- *Member centric focus*
- *Talent performance*
- *Stakeholder relationships*

PLAN FUNDING The Plan is required to file actuarial valuations with the Canada Revenue Agency every three years. Eckler Ltd., an independent actuary, was engaged to complete the required valuation as at August 31, 2021. This valuation, completed on a going-concern basis, showed the funded ratio of the Plan at that date was 120.2%, compared to 106.2% in the previous required valuation as at August 31, 2018. This is a point-in-time determination of the Plan's financial health. The next required valuation is as at August 31, 2024.

Plan Text Amendment

The Plan is designed with the primary purpose of providing members with a secure predictable lifetime pension in retirement. Paying out a lump sum Commuted Value immediately before retirement is at odds with this purpose. Effective November 1, 2021, an amendment was made to the Plan Text to support our focus on the long-term sustainability of the Plan. Members whose employment ends before they are eligible to retire that have 20 or more years of pensionable and past service will need to keep their pension entitlement in the Plan as a deferred pension until retirement benefits are payable. Members with less than 20 years of pensionable and past service still have the option to transfer their Commuted Value out of the Plan when they terminate. Members who had accumulated 20 years of pensionable and past service before November 1, 2021, will continue to have the option to transfer their Commuted Value out of the Plan upon termination, until they become eligible for an unreduced pension.

Outstanding Service

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. Many aspects of pensions and retirement planning are complicated and our members are at various stages in their career or retirement. We strive to make everything related to our members' pensions as easy as possible.

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

Our website contains a full range of material which details the current 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.

24,624 WEBSITE VISITS

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

Active members receive personalized annual statements of their TPP benefits each year. This member statement, which is also available through the Member Self Serve (MSS) Portal, provides members with information in an easy to understand format.

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 the answers they need to make informed decisions about their pensions.

Following certain interactions between TPPC employees and members, members are asked to complete a short survey to provide valuable feedback regarding their experience and their overall satisfaction of the service they received. The average satisfaction rating for 2021 was 4.8 out of 5.

During late 2021, we engaged with members by participating in and presenting at NLTA pre-retirement seminars – both in person and virtual.

96% MEMBER SATISFACTION

3,408 TELEPHONE CALLS ANSWERED

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

6,150 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

TIMELY INFORMATION For 2021 we met or exceeded our service standards for accuracy and timeliness. 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. We 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 seven business days.

The 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 mail and is very efficient. This functionality became very important during the pandemic as we were able to share documents in a secure and 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.

57% OF ACTIVE MEMBERS

Registered to use the MSS Portal as of December 31, 2021

5,606 ONLINE CALCULATOR ESTIMATES BY MEMBERS

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

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 the 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*** *– 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 accrued benefit obligation at a point in time. The financial statement valuation provides a snapshot 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 accrued benefit obligation, 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 accrued benefit obligation are described further in the notes to the financial statements.

The actuarial assumptions used in determining the accrued benefit obligation 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)	**2021**	2020
Net assets available for benefits	**$ 6,419**	$ 5,979
Accrued benefit obligation	**5,284**	5,204
Surplus	**$ 1,135**	$ 775
Funded ratio	**121.5%**	114.9%

The Plan ended 2021 with a financial statement surplus of $1.1 billion compared to a surplus of $775 million at December 31, 2020. The surplus represents the difference between the net assets available for benefits of $6.4 billion and accrued benefit obligation at year end of $5.3 billion. This results in a funded ratio of 121.5% at December 31, 2021 compared to 114.9% at December 31, 2020.

The increase in funded ratio was primarily a result of the gross investment return of 13.3% 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 $655 million exceeding the interest on accrued benefits of $306 million. In addition, contributions received by the Plan of $121 million exceeded the current service cost (the cost of benefits accrued during the year) of $92 million.

NET ASSETS AVAILABLE FOR BENEFITS:

(As at December 31) (millions of dollars)	2021	2020
Net assets available for benefits, beginning of year	**$ 5,979**	$ 5,591
Investment income	**552**	502
Interest earned on promissory note	**103**	105
Contributions	**121**	115
Benefits paid	**(318)**	(319)
Investment related expenses	**(12)**	(10)
Management fees	**(4)**	(4)
Non-refundable HST	**(2)**	(1)
Increase in net assets available for benefits	**440**	388
Net assets available for benefits, end of year	**$ 6,419**	$ 5,979

Net assets available for benefits increased during the year by $440 million. This increase was a result of investment income of $552 million, interest earned on promissory note of $103 million and contributions of $121 million, partially offset by decreases for benefits paid of $318 million, investment related expenses of $12 million, management fees from the Corporation for the administration of the Plan of $4 million and non-refundable HST of $2 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)	2021	2020
Accrued benefit obligation, beginning of year	**$ 5,204**	$ 5,208
Interest on accrued benefits	**306**	305
Benefits accrued	**92**	88
Benefits paid	**(318)**	(319)
Experience gains	**–**	(78)
Increase (decrease) in accrued benefit obligation	**80**	(4)
Accrued benefit obligation, end of year	**$ 5,284**	$ 5,204

Accrued benefit obligation increased by $80 million during the year to $5.3 billion. The increase was a result of interest on accrued benefits of $306 million and benefits accrued of $92 million, partially offset by benefits paid during the year of $318 million.

Five Year
Review

(thousands of dollars)	2021	2020	2019	2018	2017
Investment assets	4,721,576	4,250,295	3,832,974	3,418,980	3,468,412
Promissory note	1,697,715	1,729,234	1,758,968	1,787,019	1,813,482
Other assets (liabilities) (net)	(611)	(473)	(1,199)	2,785	(771)
Net assets available for benefits	**6,418,680**	**5,979,056**	**5,590,743**	**5,208,784**	**5,281,123**
Investment income	551,577	501,683	479,882	26,044	345,793
Interest on promissory note	103,122	104,942	106,659	108,278	109,806
Contributions	120,830	115,496	115,452	113,641	110,411
Benefit payments	(317,833)	(318,621)	(305,406)	(304,313)	(294,048)
Investment and management expenses	(18,072)	(15,187)	(14,628)	(15,989)	(16,484)
Net change in net assets available for benefits	**439,624**	**388,313**	**381,959**	**(72,339)**	**255,478**
Accrued benefit obligation	**5,284,016**	**5,204,434**	**5,207,603**	**5,120,662**	**5,102,741**
Funded Ratio (%)	**121.5**	**114.9**	**107.4**	**101.7**	**103.5**

Performance (%)					
Annual investment return, gross of fees	13.3	13.6	14.4	0.9	11.3
Annual investment return, net of fees	12.9	13.2	13.9	0.4	10.9
Benchmark	9.2	10.3	13.7	(0.1)	9.7

Membership					
Active members	6,062	6,116	5,935	5,898	5,913
Inactive members	3,016	3,042	3,319	3,392	4,041
Retirees and survivors	9,615	9,499	9,405	9,290	9,140
Total	**18,693**	**18,657**	**18,659**	**18,580**	**19,094**

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 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. KPMG LLP 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 independent auditors' report.

Paula McDonald

Paula McDonald
Chief Executive Officer

Levi May

Levi May
Chief Financial Officer

March 23, 2022

Actuaries' Opinion

Eckler Ltd. (Eckler) was retained by the Board of the Newfoundland and Labrador Teachers' Pension Plan Corporation (the TPPC), Administrator of the Newfoundland and Labrador Teachers' Pension Plan to perform an actuarial valuation of the Plan as at August 31, 2021. The results of this valuation were extrapolated to estimate the accrued benefit obligation as at December 31, 2021. 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, 2021 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 that of the valuation 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, 2021;*
- *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

Jill Wagman
Fellow, Canadian Institute of Actuaries

MK Archibald

Mary Kate Archibald
Fellow, Canadian Institute of Actuaries

March 23, 2022

2021

Audited Financial Statements

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

INDEPENDENT AUDITORS' REPORT

To the Administrator of the Teachers' Pension Plan

Opinion

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

- the statement of financial position as at December 31, 2021
- 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, 2021, 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.

Page 3

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 23, 2022

Teachers' Pension Plan
Statement of Financial Position
As at December 31

(thousands of dollars)

	2021	2020
Assets		
Cash	$ 48,141	$ 30,541
Accrued investment income	57,016	49,510
Contributions receivable:		
Employee	1,448	1,105
Employer	1,087	888
Receivable from pending trades	416	1,324
Harmonized Sales Tax receivable	340	433
Investments (note 4)	4,616,259	4,169,763
Promissory note receivable (note 14)	1,697,715	1,729,234
Total assets	**$ 6,422,422**	**$ 5,982,798**
Liabilities		
Accounts payable and accrued liabilities	$ 3,146	$ 2,738
Payable for pending trades	256	843
Payable to Teachers' Pension Plan Corporation	340	161
Total liabilities	**$ 3,742**	**$ 3,742**
Net assets available for benefits	**$ 6,418,680**	**$ 5,979,056**
Accrued benefit obligation (note 9)	5,284,016	5,204,434
Commitments (note 15)		
Surplus	**$ 1,134,664**	**$ 774,622**

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

(thousands of dollars)

	2021	2020
Increase in net assets		
Investment income (note 5)	$ 551,577	$ 501,683
Interest on promissory note (note 14)	103,122	104,942
	654,699	606,625
Contributions (note 11)	120,830	115,496
Total increase in net assets	**775,529**	**722,121**
Decrease in net assets		
Benefits paid (note 12)	(317,833)	(318,621)
Investment related expenses (note 8)	(12,210)	(10,012)
Management fees (note 14)	(4,264)	(3,877)
Non-refundable Harmonized Sales Tax	(1,598)	(1,298)
Total decrease in net assets	**(335,905)**	**(333,808)**
Increase in net assets available for benefits	**439,624**	**388,313**
Net assets available for benefits, beginning of year	5,979,056	5,590,743
Net assets available for benefits, end of year	**$ 6,418,680**	**$ 5,979,056**

See accompanying notes to financial statements

Teachers' Pension Plan

Statement of Changes in Accrued Benefit Obligation

For the year ended December 31

(thousands of dollars)

	2021	2020
Actuarial present value of accrued benefit obligation, beginning of year	**$ 5,204,434**	**$ 5,207,603**
Increase in accrued benefit obligation		
Interest on accrued benefits	305,500	305,544
Benefits accrued	92,311	88,208
	397,811	393,752
Decrease in accrued benefit obligation		
Benefits paid	(317,833)	(318,621)
Experience gains	(396)	(78,300)
	(318,229)	(396,921)
Net increase (decrease) in accrued benefit obligation	**79,582**	**(3,169)**
Actuarial present value of accrued benefit obligation, end of year (note 9)	**$ 5,284,016**	**$ 5,204,434**

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 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 access that pension at the normal retirement age of 62.

h) Indexing

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

2. Basis of Preparation

a) Basis of presentation

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

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

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

b) Use of estimates and judgments

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

3. Significant Accounting Policies

a) Financial Instruments

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

h) Administration expenses

Administration expenses incurred as Trustee and administrator, as well as external investment management, are recorded on an accrual basis. Trustee and administrator expenses represent costs to manage investments and provide direct services to plan members and employers. These costs are incurred by the Corporation and charged to the Plan as a management fee. External investment management expenses represent payments made directly 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.

(thousands of dollars)

4. Investments

a) Investment portfolio:

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

	2021			2020		
	Fair Value	%	Cost	Fair Value	%	Cost
Money market	$ 144,269	3.1	$ 144,269	$ 62,081	1.5	$ 62,081
Equities						
Canadian	596,066	12.9	477,339	478,683	11.5	407,108
Global	1,726,510	37.4	1,251,115	1,560,594	37.4	1,157,512
Private	271,085	5.9	118,486	203,590	4.9	145,190
Real assets						
Real estate	311,985	6.8	278,029	270,654	6.5	265,000
Infrastructure	391,269	8.5	309,209	332,727	8.0	298,592
Fixed income						
Canadian bonds	621,635	13.4	646,967	599,453	14.4	598,416
U.S. bonds	50,295	1.1	45,756	72,694	1.7	65,854
Mortgages	121,077	2.6	122,761	281,398	6.7	281,448
Private debt	386,234	8.4	353,818	300,666	7.2	291,670
Derivatives	(4,166)	(0.1)	-	7,223	0.2	-
Total	**$ 4,616,259**	**100**	**$ 3,747,749**	**$ 4,169,763**	**100**	**$ 3,572,871**

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.

(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	2021 Total
Money market	$ -	$ 144,269	$ -	$ 144,269
Equities				
Canadian	571,258	24,808	-	596,066
Global	1,397,036	329,460	14	1,726,510
Private	-	-	271,085	271,085
Real assets				
Real estate	-	-	311,985	311,985
Infrastructure	-	133,067	258,202	391,269
Fixed income				
Canadian bonds	-	621,635	-	621,635
U.S. bonds	-	50,295	-	50,295
Mortgages	-	-	121,077	121,077
Private debt	-	-	386,234	386,234
Derivatives	-	(4,166)	-	(4,166)
Total	**$ 1,968,294**	**$ 1,299,368**	**$ 1,348,597**	**$ 4,616,259**

(thousands of dollars)

4. Investments (continued)

b) Fair value measurement (continued)

	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**

There have been no transfers between levels in 2021 or 2020.

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

	Equities	Real assets	Fixed income	Total
Fair value, December 31, 2020	$ 203,652	$ 492,088	$ 582,064	$ 1,277,804
Acquisitions	4,396	22,745	85,399	112,540
Settlements	(53,064)	(2,379)	(186,486)	(241,929)
Realized gains	21,963	1,222	4,549	27,734
Change in unrealized gain/loss on assets sold	(12,463)	(100)	(823)	(13,386)
Change in unrealized gain/loss on assets held	106,615	56,611	22,608	185,834
Fair value, December 31, 2021	**$ 271,099**	**$ 570,187**	**$ 507,311**	**$ 1,348,597**
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.

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 statement of 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.

(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, 2021	$ 354,646	$ -	$ 4,166	$ (4,166)
December 31, 2020	$ 317,276	$ 7,224	$ 1	$ 7,223

5. Investment Income

a) Investment income is as follows:

	2021	2020
Dividend income	$ 64,669	$ 51,136
Interest income	33,545	44,353
Securities lending income	-	879
Other income	137	705
Dividend, interest and other investment income	98,351	97,073
Realized gains	181,921	129,232
Current period increase in market value of investments	271,305	275,378
Investment income	**$ 551,577**	**$ 501,683**

(thousands of dollars)

5. Investment Income (continued)

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

	Investment income	Realized gains (losses)	Current period change in market value of investments	2021
Money market	$ 206	$ 41	$ -	$ 247
Equities				
Canadian	13,973	57,640	47,153	118,766
Global	29,188	75,400	72,312	176,900
Private	-	21,963	94,200	116,163
Real assets				
Real estate	7,358	1,249	28,302	36,909
Infrastructure	2,058	-	47,925	49,983
Fixed income				
Canadian bonds	17,649	2,864	(26,369)	(5,856)
U.S. bonds	3,475	4,446	(2,301)	5,620
Mortgages	10,127	(397)	(1,634)	8,096
Private debt	14,180	4,962	23,420	42,562
Derivatives	-	13,753	(11,703)	2,050
Other	137	-	-	137
Total	$ 98,351	$ 181,921	$ 271,305	$ 551,577

(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	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

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. Corporation oversight, procedures and compliance functions are incorporated into Plan processes to achieve consistent controls and mitigate operational risk.

(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:

	2021 (%)	2020 (%)
Within 1 year	11.3	7.6
Short (1-5 years)	24.0	25.7
Medium (5-10 years)	28.4	26.8
Long (10+ years)	36.3	39.9
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 $50.0 million or 7.68% (2020 - $49.5 million or 7.92%).

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. The aggressive actions taken by governments and central banks, in response to the COVID-19 pandemic, helped spur a significant global economic recovery during 2020 and 2021. This on-going recovery is facing numerous headwinds including supply-chain disruptions, labour constraints, the timing of the end of government quantitative easing programs, significant inflationary pressures, looming interest rate increases, and various geopolitical concerns. The full impact of the foregoing 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

(thousands of dollars)

6. Investment Risk Management (continued)

b) Market price risk (continued)

aligned with each of the Plan's respective mandates to mitigate risk. If equity market indices (S&P/TSX, MSCI ACWI 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 $259.4 million or 5.62% (2020 - $224.3 million or 5.38%).

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:

	2021 (%)	2020 (%)
Federal government	15.9	7.8
Provincial governments	19.4	20.3
Municipal governments	0.3	0.3
Corporate	62.5	69.4
Other	1.9	2.2
Total	100.0	100.0

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

	2021 (%)	2020 (%)
AAA to A-	56.1	49.6
BBB to BBB-	25.6	31.4
BB+ and below	15.2	17.2
Not rated	3.1	1.8
Total	**100.0**	**100.0**

(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.

The Plan has implemented a hedging policy 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 enters into three-month US dollar forward contracts. The notional value of these contracts at December 31, 2021 is $301.9 million (2020 - $242.3 million).

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

	2021 (%)	2020 (%)
Canadian Dollar	57.2	57.3
US Dollar	23.3	22.2
Euro	6.7	6.5
Other Asia / Pacific currencies	4.0	4.6
British Pound	2.5	2.3
Japanese Yen	2.4	2.6
Other currencies	2.3	2.8
Other European currencies	1.6	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 $199.0 million, or 4.29% (2020 - $179.5 million or 4.27%).

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 ensure the Plan is fully funded to pay the Plan's benefits over the long term.

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 and utilizes external consultants to assist in identifying appropriate investment managers. Each manager is selected following a comprehensive due diligence process. Existing managers are monitored on an ongoing basis by the Corporation. The Corporation also retains custodial and administrative services and investment counselling services for the Plan.

(thousands of dollars)

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.

In December 2020, the Board of Directors approved a new strategic asset allocation. Based on the current asset implementation plan, and subject to market conditions and investment opportunities, management believes the strategic asset allocation will be fully deployed by the end of 2025. The Board of Directors amended the SIPP to reflect this new strategic asset allocation in March 2021.

The following summarizes the current strategic asset allocation approved in December 2020:

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

(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 others and are as follows:

	2021	2020
Investment management fees	$ 11,752	$ 9,505
Custodian fees	402	425
Other	56	82
Total	**$ 12,210**	**$ 10,012**

9. Accrued Benefit Obligation

The actuarial present value of the accrued benefit obligation is an estimate of the value of pension obligations of the Plan in respect of benefits accrued to December 31, 2021 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 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, 2021, based on plan membership as at this date, and results were extrapolated to December 31, 2021.

The actuarial assumptions used in determining the value of the accrued benefit obligation at December 31, 2021 of $5.284 billion (2020 - $5.204 billion) were determined using a methodology that is consistent with the methodology used to determine the assumptions made in the funding valuation.

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.

(thousands of dollars)

9. Accrued Benefit Obligation (continued)

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

	December 31, 2021	December 31, 2020
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:	2021: $3,245.56 and $61,600 2022+: Increase at 2.5% per annum	2020: $3,092.22 and $58,700 2021+: 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

(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.

A triennial valuation required for funding purposes was performed as at August 31, 2021 by the consulting firm Eckler Ltd., and the liabilities were extrapolated to December 31, 2021 to determine the accrued benefit obligation contained herein.

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 as at that date.

The next triennial valuation required for funding purposes will be as of August 31, 2024. 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

	2021	2020
Employee		
Current service	$ 57,401	$ 55,202
Past service	3,627	3,476
Transfers from other pension plans	1,580	624
	62,608	59,302
Employer		
Current service	57,401	55,202
Past service	821	992
	58,222	56,194
Total contributions	**$ 120,830**	**$ 115,496**

(thousands of dollars)

12. Benefits Paid

	2021	2020
Retirement benefit payments	$ 307,247	$ 301,448
Termination benefit payments	8,679	13,142
Death benefit payments	346	2,644
Transfers to other pension plans	1,561	1,387
Total benefits paid	**$ 317,833**	**$ 318,621**

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	2021	2020
TPP Neptune Corporation	Private equity, Infrastructure, Real estate and Private debt	100.00%	$ 675,819	$ 552,053
TPP Investment Corporation	Private debt	100.00%	$ 58,698	$ 32,184

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).

(thousands of dollars)

14. Related Party Transactions

Expenses are incurred by the Corporation as Trustee and administrator and charged to the Plan as a management fee. Expenses for the year ended December 31, 2021 and the year ended December 31, 2020 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:

	2021	2020
Salaries and benefits	$ 1,864	$ 1,716
Consulting and other professional services	970	845
Insurance	296	275
Premises and equipment	198	86
Board and committee fees and expenses	187	191
Rent	171	175
Other expenses	578	589
Total	**$ 4,264**	**$ 3,877**

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

	2021		2020	
	Cost	Market Value	Cost	Market Value
Province of Newfoundland and Labrador Debentures				
Series maturing October 17, 2046	$ 371	$ 414	$ 465	$ 564
Series maturing October 17, 2050	1,572	1,679	1,582	1,852
Total	**$ 1,943**	**$ 2,093**	**$ 2,047**	**$ 2,416**

(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, 2021 was $1.698 billion (2020 - $1.729 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:

2022	$ 33,409
2023	$ 35,414
2024	$ 37,539
2025	$ 39,791
2026	$ 42,179

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, 2021 is $0.12 million (2020 - $0.14 million).

15. Commitments

The Plan has committed to invest in certain private market investments, including private equity, private debt, infrastructure, and real estate. As at December 31, 2021, these commitments totaled $280.5 million (2020 - $282.1 million). $155.7 million of this will be made through TPP Neptune Corporation, $43.3 million will be made through TPP Investment Corporation and the remaining $81.5 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.

BENCHMARK POLICY
A weighted average composite of the Corporation's relevant asset class and manager indices in accordance with the Strategic Asset Allocation as appropriate.

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.

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 RETURN
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 RETURN
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.

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 2020.

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.

Teachers' Pension Plan Corporation
NEWFOUNDLAND & LABRADOR

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