

Teachers'
Pension Plan
Corporation
NEWFOUNDLAND
& LABRADOR




ANNUAL REPORT
2022

**TRUST.
CONFIDENCE.
SECURITY.**

Who we are

Since the beginning, providing you with retirement security has been our mission.

We always lead with our core values — as these guide us steadily into the future, and ensure superb service for all our plan members:

- TRUST**  By governing and executing with excellence, we provide you with access to straightforward and accurate information, at any time.
- CONFIDENCE**  We maintain assurance through our strategic clarity and strong financial results — safeguarding your financial retirement.
- SECURITY**  And by delivering a predictable, lifetime retirement income, we go a long way in ensuring your peace of mind. Now, and in retirement.

Comparable to an open book, we're built from transparency. And like our loyalty, wisdom and confidence, our stability is unwavering. The diverse expertise, knowledge and skills we possess are quiet strengths — allowing us to govern the Plan and serve plan members with nothing but the absolute best.

We are *your* Teachers' Pension Plan Corporation of Newfoundland and Labrador.





Message from the Chair

Paula McDonald – Board Chair

It is a privilege to serve the current and retired teachers of Newfoundland and Labrador and provide assurance that their pension is in good hands.

Throughout 2022 markets were volatile and global economic prospects were uncertain. The year provided several challenges with historic interest rate hikes by central banks, spiking inflation and increasing geopolitical tensions. The Plan had a net investment return of -5.2% for the year ended December 31, 2022, exceeding its benchmark for the portfolio of -6.2%, representing over \$40 million in value added. The Plan's funded ratio was 113.3% as at December 31, 2022.

The Plan is very mature and requires steady, long-term returns. We are a multi-generational investor with a portfolio that continues to be diversified to withstand the difficult times. While volatility and uncertainty are expected to continue during 2023 we remain well positioned to meet our obligations. The strategic initiatives we undertook in recent years and our risk management processes are designed to deliver results over the long-term. Over ten years, the Plan's annualized net return on invested assets was 9.2%, also higher than its portfolio benchmark of 7.7%. We will continue to maintain our disciplined investment approach and focus on a well diversified portfolio.

During the year the Teachers' Pension Plan Corporation delivered on its strategic priorities and goals. We continued to leverage our investments in technology, enhance our security posture, provide excellent service to our members and embrace our culture that allows our team to thrive.

As a Board we are committed to overseeing and guiding the Plan and fulfilling our fiduciary duties. A sincere thank you to the Sponsor Body, my fellow Board members, external members of the Investment Committee and the Corporation's staff for their support and commitment. We are all driven to protect the retirement security of the Plan's members.



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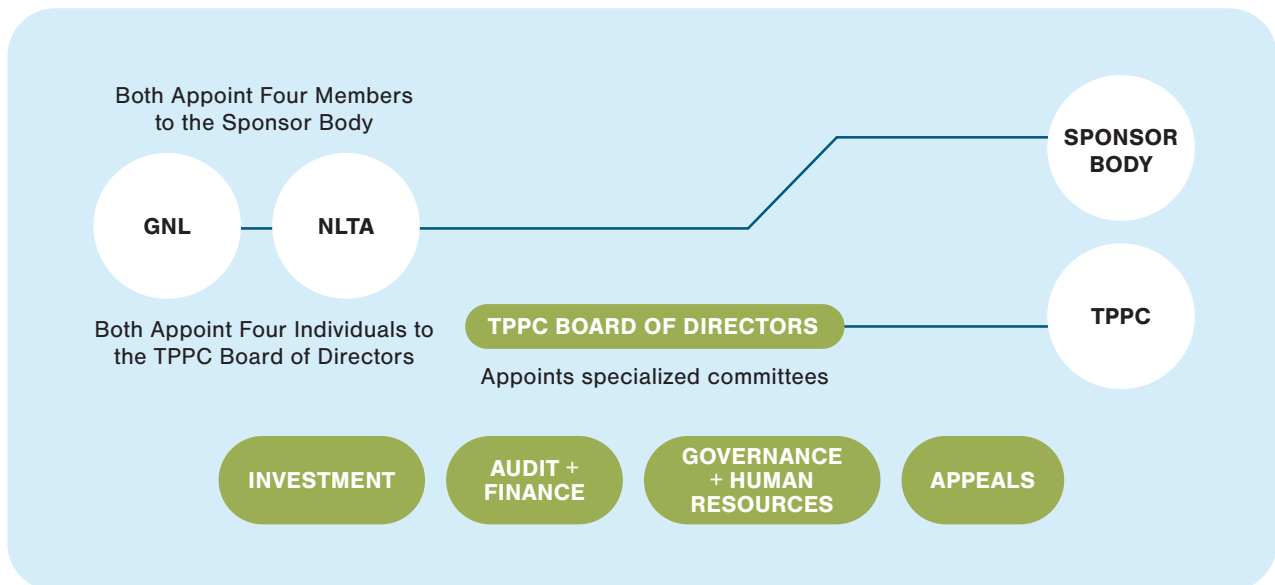
Glossary of Terms

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 we do, 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 Teachers' Pension Plan (Plan) and its fund – hence, the birth of the TPPC. If you're interested in reading about pension reform, [please visit our website](#).

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



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.

The TPPC's 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 – Audit and Finance, Investment, 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
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TPPC Standing Committees

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 six times in 2022 for Board meetings. In addition, the Investment Committee met six times, the Audit and Finance Committee met four times and the Governance and Human Resources Committee met four times. The Appeals Committee held one general meeting, one virtual hearing and two related meetings.

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



2022 Highlights

Invested Assets
\$4.4
Billion

Net Rate
of Return on
Invested Assets
(1 year)
-5.2%

Net Rate
of Return on
Invested Assets
(10 year Annualized)
9.2%

Contributions

Members
\$60.5
Million

Employers
\$57.7
Million

Benefits
Paid
\$332.1
Million

Net Assets
Available
for Benefits
\$6,061.5
Million

Accrued Benefit
Obligation
\$5,351.3
Million

Funded Ratio
113.3%
Fully funded for the
sixth year in a row

Management's Discussion & Analysis

Investment Strategy and Performance

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.

Performance Highlights

-5.2% Invested Assets
Net Rate of Return

-2.1% Total Pension Assets
Net Rate of Return
(Including the Promissory Note)

8.4% Invested Assets
Net Rate of Return
(4 year annualized)

9.2% Invested Assets
Net Rate of Return
(10 year annualized)

Overview

The TPPC's primary investment objective is to ensure that the Plan has the ability to meet its pension obligations as they come due. TPPC's investment strategy, asset mix, and robust investment management and monitoring processes are designed to meet the Plan's funding targets as outlined within the JSA, and ensure the Plan remains positioned to meet its obligations to members.

Given the Plan's liabilities are long-term in nature, the TPPC takes a long-term approach to investment strategies and results. This means a strong focus on risk mitigation is imperative to the success of the TPPC's investment strategy and permeates every aspect of the investment process from asset class diversification, detailed due diligence and manager selection, rigorous monitoring of the Plan's assets, environmental, social and governance (ESG) considerations, and engagement with a wide variety of relevant industry participants.

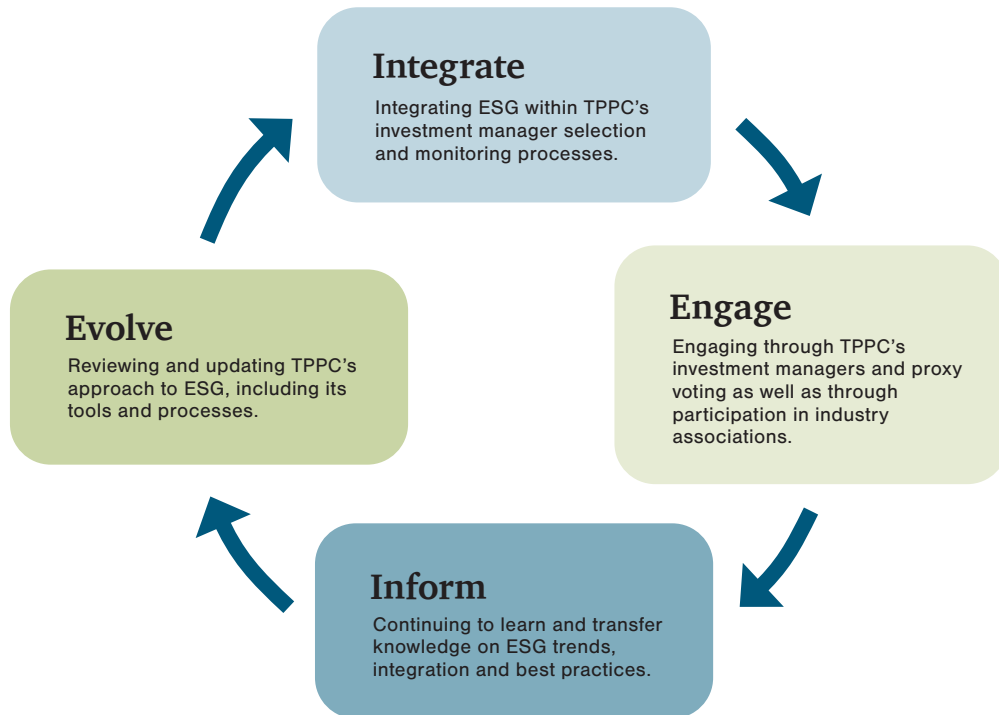
In 2022, the TPPC's risk mitigation approach and investment strategy enabled the Plan to outperform its benchmark by 1.0% and deliver a net investment return of -5.2% despite experiencing the most difficult market conditions since the global financial crisis in 2007 - 2008. Market volatility, as experienced in 2022, can negatively impact short-term results, but the long-term performance of the Plan remains strong, with an annualized net return of 9.2% over the past ten years, significantly exceeding its 6.0% discount rate and a primary factor contributing to the Plan's 113.3% funded ratio at December 31, 2022.



Risk mitigation is key to ensuring that the Plan can continue meeting its obligations now and in the future.

Responsible Investing

In fulfilling its mission, the TPPC has a fiduciary responsibility to act in the financial best interest of its members, provide prudent investment management and consider risks that may affect the performance of the Plan. The TPPC believes that considering ESG factors can positively impact the Plan's long-term investment returns through both improved risk management and identification of attractive investment opportunities. Additionally, TPPC believes that companies managing ESG risks are better positioned to grow long-term value. TPPC's ESG Framework continues to focus on the following principles:



The Corporation continues to make progress along its ESG journey and in 2022 retained the services of a specialty ESG consultant to assist in further developing the TPPC's ESG approach. A key milestone was achieved in 2022 with the adoption of the Plan's first Responsible Investing Policy. The TPPC also updated its ESG Roadmap and developed detailed workplans for 2022 and 2023.

During the year, the TPPC developed and began using ESG questionnaires in its external manager investment monitoring process to gather and document information. Similar questionnaires are being used in the new manager due diligence and selection process. Both questionnaires further enhance the Corporation's ESG risk mitigation approach while at the same time assisting in identifying potential investment opportunities.

In addition to the engagement of a specialist ESG consultant, 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.

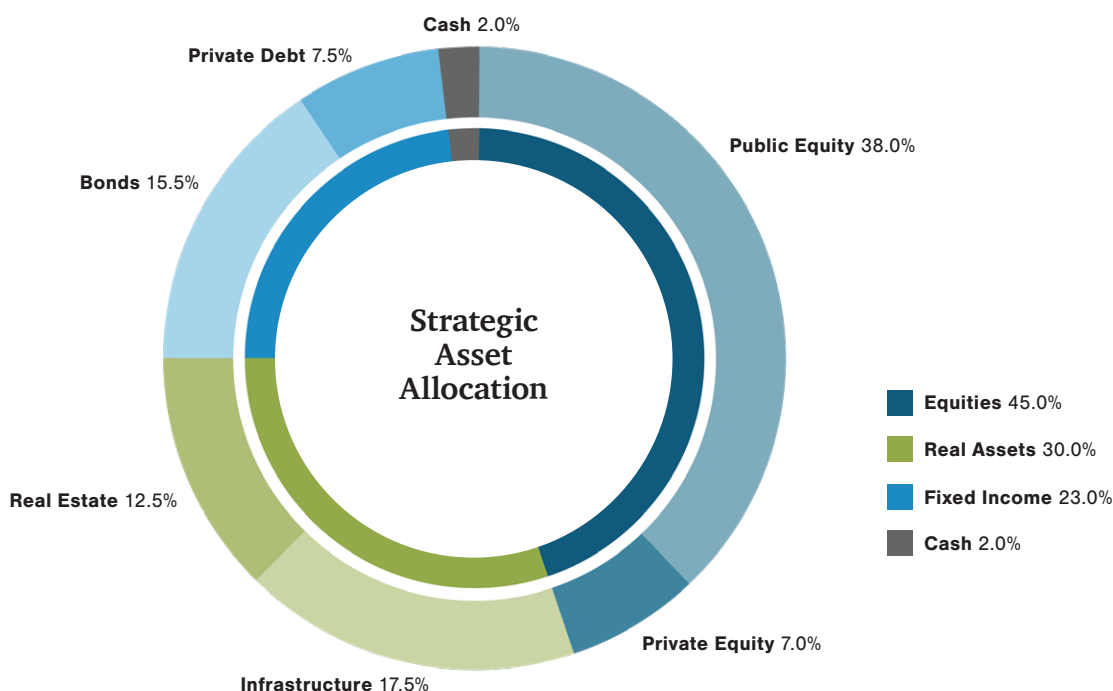
Asset Mix

The TPPC is 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. The TPPC's Strategic Asset Allocation (SAA) was developed to continue to de-risk the Plan's investments by increasing asset class diversification to achieve more consistent returns over the long-term.

The Board of Directors approved the SAA based on an asset liability study finalized in December 2020 that provided for significant allocations to real assets, namely real estate and infrastructure, asset classes that perform well in a variety of market conditions and that are expected to deliver consistent long-term returns.

During late 2022, the TPPC undertook a review of the structure of the Plan's equity portfolio. Based on this review and subsequent to year end, in March 2023, the Board of Directors approved a change in the SAA whereby the Plan's Emerging Market Equity allocation decreased from 8.0% to 4.0%. As a result, the Global Equity and Private Equity allocations each increased by 2.0%.

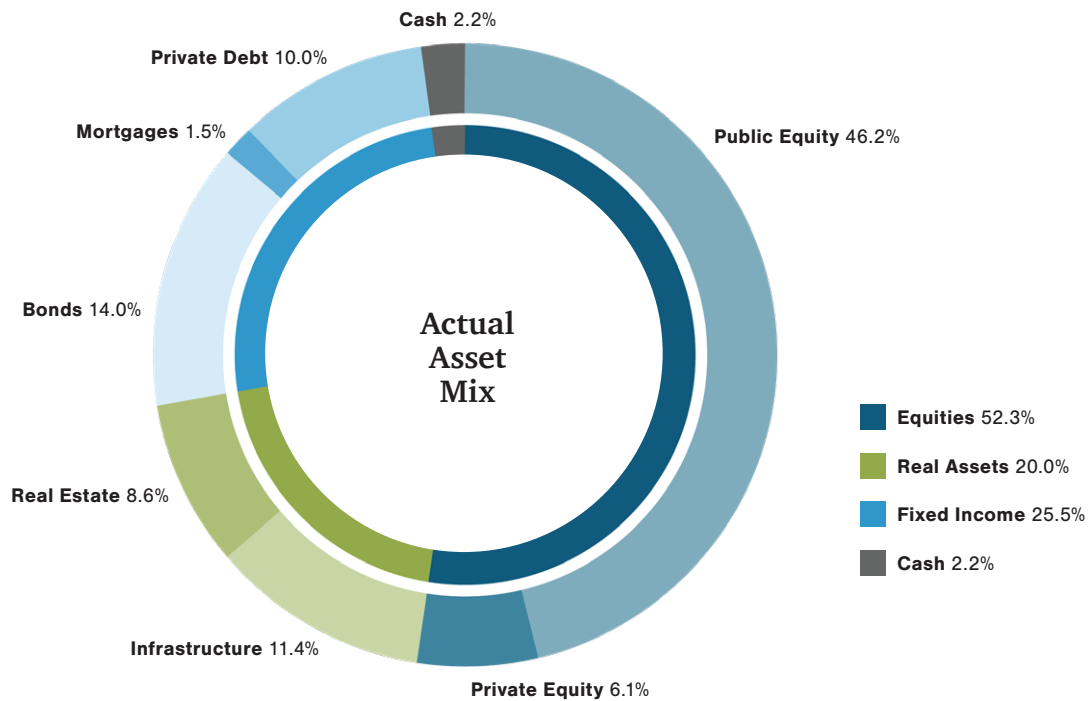
Strategic Asset Allocation Approved March 2023



During 2022, progress was made towards meeting the Plan's SAA. New commitments totaling more than \$350 million to infrastructure and real estate were closed during 2022, with capital to be deployed over the next 48 months. The Corporation anticipates having sufficient commitments in place to meet its SAA by the end of 2025, but its ability to deploy capital will be dependent on market conditions and the timing of investment opportunities.

The TPPC establishes annual asset mix targets to achieve an orderly transition to its SAA. These targets are adjusted based on a number of factors including pace of deployment of new investments, return of capital from existing investments, overall Plan performance, and available investment opportunities.

December 31, 2022 Actual Asset Mix



In addition to annual asset mix targets, the TPPC's Statement of Investment Policies and Procedures permits the annual asset mix to deviate within certain approved ranges, reducing unnecessary portfolio disruption and cost. The TPPC's actual asset mix, which is monitored monthly, has consistently been within these permitted ranges.

The increase in exposure to private market asset classes (real estate, infrastructure, private equity, and private debt), has increased the Plan's exposure to foreign currency fluctuations. While currency exposure can provide a further source of diversification, 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 for US dollar exposures in certain asset classes.

2022 Market Review

2022 was an extremely challenging year for investors who had to navigate an environment characterized by ongoing disruptive geopolitical events, supply chain issues, soaring inflation and interest rates not seen in decades, and the threat of global recession. On the heels of lingering supply chain issues and pandemic era government spending, consumer prices increased to 40-year highs while the Russian invasion of Ukraine added yet more pressure to prices throughout the year.

In an effort to reduce demand and reign in inflation, central banks began aggressively raising interest rates resulting in increased market volatility in 2022, and for the first time since the 1960's, both equity and bond markets experienced significant declines.

In the face of global economic pressures, private market asset classes demonstrated their resiliency in 2022 and fulfilled the role they play in most traditional investment portfolios – return enhancement, inflation protection, and diversification benefits relative to public markets.

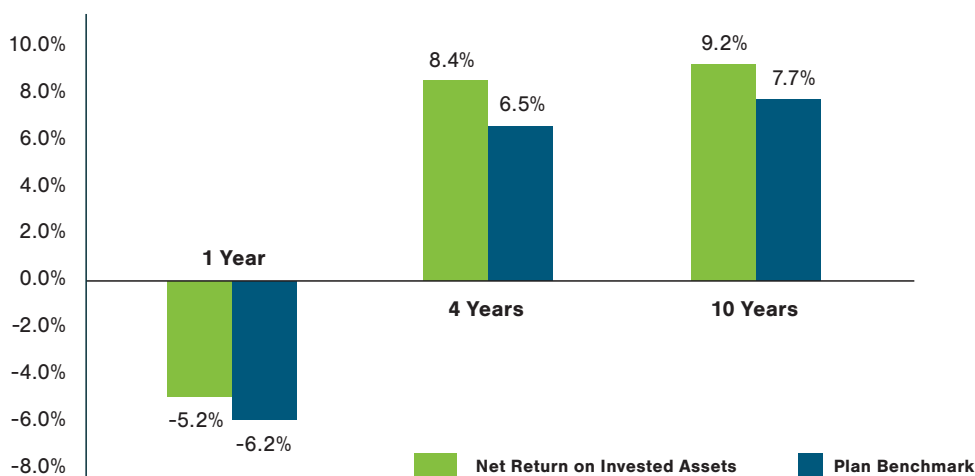
In general, however, multi-decades high inflation combined with the historically aggressive central bank rate hikes and growing concerns over the risk of a global recession, resulted in 2022 being the most difficult year for investors since the global financial crisis in 2007 – 2008.

2022 Performance

The Plan was not immune to market volatility in 2022, but strategic changes to the SAA and asset mix since the TPPC's inception in 2016 has helped shield results from the worst of the market impacts. During 2022, the Plan realized a net return on invested assets of -5.2%, as poor public equity and bond returns were partially offset by strength in the private market asset classes (namely infrastructure, real estate, and private debt). The Plan's hedging strategy had little impact in 2022, detracting from Plan performance by approximately 6 basis points (or 0.06%). The Plan's one year net return on invested assets exceeded its benchmark by 1.0% on the strength of manager outperformance.

In view of the Plan's long-term liabilities, and the requirement to ensure the Plan meets its objectives, Plan performance is always viewed through a long-term lens.

Net Return on Invested Assets Relative to Plan Benchmark (Annualized)



The Plan continued to produce strong returns over the long-term and outperformance relative to the Plan's benchmark as shown in the table above. Over the past ten years, the Plan has achieved an annualized net return of 9.2%, providing 1.5% in value-add compared with the Plan's benchmark.

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, as it did in 2022. Net return including promissory note was -2.1% in 2022.

As noted in the following table, all private market asset classes, with the exception of private equity, performed well on an absolute basis. Relative to their respective benchmarks, all private market asset classes except real estate provided significant value add.

2022 Asset Class Net Return Relative to Benchmark Return

	Net Return	Benchmark Return	Value Added
Total Plan	-5.2%	-6.2%	1.0%
Equities			
Canadian Equity	-4.2%	-5.8%	1.7%
Global Equity	-17.7%	-12.0%	-5.7%
Private Equity	-0.7%	-9.4%	8.6%
Real Assets			
Real Estate	7.9%	11.1%	-3.2%
Infrastructure	28.1%	12.1%	16.0%
Fixed Income			
Universe Bonds	-11.2%	-11.7%	0.5%
Corporate Bonds	-9.9%	-9.9%	0.0%
Mortgages	1.0%	-3.0%	4.0%
Private Debt	10.1%	8.0%	2.1%
Cash	1.7%	1.7%	0.0%

The global equity portfolio underperformed relative to its benchmark and detracted from overall Plan performance. Growth stocks were particularly hard hit in 2022 and the Plan's Growth managers were no exception, underperforming the benchmark by a wide margin. The Canadian equity portfolio outperformed relative to its benchmark, although the negative return did detract from overall Plan performance for 2022. The outperformance was driven primarily by manager security selection that resulted in an underweight to the Information Technology sector.

The private equity performance was essentially flat in 2022, but strong relative to public equity markets. Market activity (divestments and acquisitions) was subdued in 2022 and valuation decreases, driven by public market comparables, were largely offset by earnings growth in portfolio companies.

The Plan's infrastructure portfolio performed very well in 2022 and benefited from several highly successful dispositions during the first half of the year. Additionally, the critical nature of infrastructure assets and inflation-linked contracts insulated the infrastructure portfolio from much of the volatility seen in the public markets during the year.

While providing a good absolute net investment return in 2022, the real estate portfolio underperformed its benchmark largely due to the impact of increased interest rates on European asset valuations, which was only partially offset by higher net operating income.

The fixed income bond portfolios were negatively impacted by rising interest rates in 2022. Performance of universe and corporate bond portfolios was largely in line with broader bond market returns.

Private debt, which benefits from shorter duration holdings compared with public bonds and has significant floating rate loan exposure, performed well in 2022, adding 2.1% of value relative to its benchmark. The private debt managers are all performing well with strong portfolios and exceptionally low default ratios.

Looking Ahead to 2023

Volatility and uncertainty are expected to continue throughout 2023 with several issues having the potential to impact Plan performance. Key themes the Corporation will be watching in 2023 include:

Interest Rates & Inflation

Although inflation moderated during the second half of 2022, it remains stubbornly high and central banks remain committed to reigning it in. Strong labour market numbers in the first months of 2023 may mean that markets have yet to see the end of the rate hike cycle and/or persistently higher interest rates.

Geopolitical Events

Russia's strategy in Ukraine remains unclear as does its impact on European economies and commodities prices. US/China relations remain strained leading to continued market uncertainty.

Recessionary Fears

Sustained high inflation has had a negative effect on capital markets and is beginning to impact economic growth.

China Reopening

China's nearly three year zero-COVID policy wreaked havoc on global supply chains, driving up prices and inflation. Easing of supply chain bottlenecks could alleviate supply shortages and thus ease inflationary pressures. The flip side, however, should China's economy rebound strongly, could result in increased pressure on world commodity prices which in turn would create additional inflationary pressures

TPPC, with its long-term approach, will continue to de-risk its portfolio and transition to less volatile asset classes to mitigate the impact of global economic and geopolitical risks.

Administration

Investment in Technology

We continue to invest in and leverage new technologies to operate efficiently and increase digital services to our members that simplify information and enhance the members' experience. In May 2022, we launched a member self service portal for our pensioners (now called myPENSION). Using this portal, pensioners can view their pension pay cheque stub on each payment date, change their address and banking information or request additional income tax deductions.

Enterprise Risk Management (ERM)

We have a strong risk-conscious culture. Risk management is important and plays a key role in all our activities. It is integrated into our strategic decisions and execution. Our ERM provides us with a consistent framework that 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. Our security program continues to mature as we focus on mitigating this risk and protecting our data through our Information Management Framework and Policies which were updated during 2022. Our risk mitigation also 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 2022 strategic priorities and goals that were set in the Strategic Plan for 2022-2024.

2022-2024 Strategic Plan

Key Goals + Initiatives

Plan security + 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. The latest valuation was completed by Eckler Ltd., an independent actuary, 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%. 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

Effective January 18, 2022, an amendment was made to Plan Text regarding the number of days a pensioner may be hired without impacting their pension. As a result of the COVID-19 pandemic, the 90 day re-employment limit was suspended and a pensioner could be re-employed without limit during the 2021-2022 teaching year. At the commencement of the 2022-2023 teaching year, the 90 day re-employment limit was again to be considered in determining the impact on a re-employed pensioner.

2022 Member Profile

Active
Members
5,991

Pensioners
9,756

Ratio of
Active Members
to Pensioners
0.61

Average Age
of Active Member
43.4

Average Age
of Pensioner
71.9
Pensioners over
100 Years Old
8

Pensioners
in Pay
> 30 Years
755

2022 Retirees

New Retirees
233

Average Years
Contributing to
the Plan
27.9

Years Expected to
Collect a Pension
33.2

Average Retirement Age
57.2

Average Annual Lifetime Pension
\$40,064

Outstanding Service is Key to Everything We Do

TPPC administers pensions efficiently while delivering quality information and service to members. Many aspects of pensions and retirement planning are complicated and our members are at various stages in their career or retirement. We appreciate that not every situation is the same and we strive to make everything related to our members' pensions as easy as possible. Being approachable in our interactions helps strengthen our relationships with members so they feel comfortable reaching out to us in the future.

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 including the Plan Text, Plan Member Guide and various forms. These detail the current Plan provisions, rules regarding retirement eligibility and the pension benefit formula.

Active members receive personalized annual statements of their TPP benefits each year. This member statement, which is also available through the member self serve portal (now called myPENSION), provides members with information in an easy to understand format.



23,177 Website Visits

www.tppcnl.ca provides stakeholders with important Plan information as well as entry to myPENSION

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. Our team is dedicated to delivering outstanding service to members, ensuring they feel important and appreciated. As members become more engaged in learning about their pension, we encourage them to contact us with their questions.



3,225 Telephone Calls Answered

Members received a real time answer to calls



5,137 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

Following specific 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 2022 was 4.9 out of 5.



98% Member Satisfaction

During late 2022, we engaged with members by participating in and presenting at NLTA pre-retirement seminars – both in person and virtual.

Timely Information

For 2022, 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.



**61% of Active Members
12% of Pensioners**

Registered to use myPENSION as of December 31, 2022

myPENSION is a secure, web-based application designed to provide members with enhanced on-line services available at their convenience. Members have access to personal data, modeling tools to help them understand their retirement benefit options, and the ability to create a personalized retirement plan. myPENSION allows members and the TPPC to share documents through the secure portal. This is more secure than e-mail or mail and is very efficient. There is also a self serve beneficiary module in myPENSION which allows members to add or change beneficiaries on-line as their life circumstances change.



**5,298 Online Pension Estimates by Members
2,116 Uses of Retirement Modeling Tool**

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 the 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, takes into account pension credit earned to date by all Plan members and contributions already received by the Plan. Valuation techniques, estimates and the 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)

	2022	2021
Net assets available for benefits	\$6,061	\$ 6,419
Accrued benefit obligation	5,351	5,284
Surplus	\$ 710	\$ 1,135
Funded ratio	113.3%	121.5%

The Plan ended 2022 with a financial statement surplus of \$0.7 billion compared to a surplus of \$1.1 billion at December 31, 2021. The surplus represents the difference between the net assets available for benefits of \$6.1 billion and the accrued benefit obligation at year end of \$5.4 billion. This results in a funded ratio of 113.3% at December 31, 2022 compared to 121.5% at December 31, 2021.

The decrease in funded ratio was primarily a result of the net investment return of -5.2% being lower than the discount rate of 6%. This resulted in the interest on accrued benefits of \$310 million exceeding the investment (loss) income and interest on the promissory note from the Government of Newfoundland and Labrador of \$(126) million. This was partially offset by contributions received by the Plan of \$118 million which exceeded the current service cost (the cost of benefits accrued during the year) of \$89 million.

Net Assets Available for Benefits

(For the year ended December 31) (millions of dollars)

	2022	2021
Net assets available for benefits, beginning of year	\$ 6,419	\$ 5,979
Investment (loss) income	(227)	552
Interest earned on promissory note	101	103
Contributions	118	121
Benefits paid	(332)	(318)
Investment related expenses	(11)	(12)
Management fees	(5)	(4)
Non-refundable HST	(2)	(2)
(Decrease) Increase in net assets available for benefits	(358)	440
Net assets available for benefits, end of year	\$ 6,061	\$ 6,419

Net assets available for benefits decreased during the year by \$358 million. This decrease was a result of investment loss of \$227 million, benefits paid of \$332 million, investment related expenses of \$11 million, management fees to the Corporation for the administration of the Plan of \$5 million and non-refundable HST of \$2 million. These were partially offset by interest earned on the promissory note of \$101 million and contributions of \$118 million.

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

Accrued Benefit Obligation

(For the year ended December 31) (millions of dollars)

	2022	2021
Accrued benefit obligation, beginning of year	\$ 5,284	\$ 5,204
Interest on accrued benefits	310	306
Benefits accrued	89	92
Benefits paid	(332)	(318)
Increase in accrued benefit obligation	67	80
Accrued benefit obligation, end of year	\$ 5,351	\$ 5,284

The accrued benefit obligation increased by \$67 million during the year to \$5.4 billion. The increase was a result of interest on accrued benefits of \$310 million and benefits accrued of \$89 million, partially offset by benefits paid during the year of \$332 million.

Six Year Review

(thousands of dollars)	2022	2021	2020	2019	2018	2017
Investment assets	4,397,035	4,721,576	4,250,295	3,832,974	3,418,980	3,468,412
Promissory note	1,664,306	1,697,715	1,729,234	1,758,968	1,787,019	1,813,482
Other assets (liabilities) (net)	164	(611)	(473)	(1,199)	2,785	(771)
Net assets available for benefits	6,061,505	6,418,680	5,979,056	5,590,743	5,208,784	5,281,123
Investment income (loss)	(227,467)	551,577	501,683	479,882	26,044	345,793
Interest on promissory note	101,466	103,122	104,942	106,659	108,278	109,806
Contributions	118,177	120,830	115,496	115,452	113,641	110,411
Benefit payments	(332,056)	(317,833)	(318,621)	(305,406)	(304,313)	(294,048)
Investment and management expenses	(17,295)	(18,072)	(15,187)	(14,628)	(15,989)	(16,484)
Net change in net assets available for benefits	(357,175)	439,624	388,313	381,959	(72,339)	255,478
Accrued benefit obligation	5,351,291	5,284,016	5,204,434	5,207,603	5,120,662	5,102,741
Funded Ratio (%)	113.3	121.5	114.9	107.4	101.7	103.5
Performance (%)						
Annual investment return, gross of fees	-4.8	13.3	13.6	14.4	0.9	11.3
Annual investment return, net of fees	-5.2	12.9	13.2	13.9	0.4	10.9
Benchmark	-6.2	9.2	10.3	13.7	-0.1	9.7
Membership						
Active members	5,991	6,062	6,116	5,935	5,898	5,913
Inactive members	3,081	3,016	3,042	3,319	3,392	4,041
Retirees and survivors	9,756	9,615	9,499	9,405	9,290	9,140
Total Members	18,828	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 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 has 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
Chief Executive Officer



Levi May
Chief Financial Officer

March 22, 2023

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, 2022. 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, 2022 under the CPA Canada 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
Fellow, Canadian Institute of Actuaries



Mary Kate Archibald
Fellow, Canadian Institute of Actuaries

March 22, 2023



2022 Financials

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St. John's NL A1C 6H6
Canada
Tel 709-733-5000
Fax 709-733-5050

INDEPENDENT AUDITOR'S 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, 2022
- 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, 2022, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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 auditor's 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.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

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 auditor's report thereon, included in Annual Report as at the date of this auditor's 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 auditor's 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.

Auditor's 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 auditor's 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.

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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 auditor's 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 auditor's 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.



Chartered Professional Accountants

St. John's, Canada

March 22, 2023

Teachers' Pension Plan

Statement of Financial Position

As at December 31

(thousands of dollars)

	2022	2021
Assets		
Cash	\$ 31,299	\$ 48,141
Accrued investment income	55,888	57,016
Contributions receivable:		
Members	1,198	1,448
Employer	1,153	1,087
Receivable from pending trades	144	416
Receivable from Teachers' Pension Plan Corporation	3	-
Harmonized Sales Tax receivable	425	340
Investments (note 4)	4,310,038	4,616,259
Promissory note receivable (note 14)	1,664,306	1,697,715
Total assets	\$ 6,064,454	\$ 6,422,422
Liabilities		
Accounts payable and accrued liabilities	\$ 2,615	\$ 3,146
Payable for pending trades	334	256
Payable to Teachers' Pension Plan Corporation	-	340
Total liabilities	\$ 2,949	\$ 3,742
Net assets available for benefits	\$ 6,061,505	\$ 6,418,680
Accrued benefit obligation (note 9)	5,351,292	5,284,016
Commitments (note 15)		
Surplus	\$ 710,213	\$ 1,134,664

The accompanying notes to the financial statements are an integral part of this financial statement.

On behalf of the Board

 Chair

 Director

Teachers' Pension Plan

Statement of Changes in Net Assets Available for Benefits

As at December 31

(thousands of dollars)

	2022	2021
Income and contributions		
Investment (loss) income (note 5)	\$ (227,467)	\$ 551,577
Interest on promissory note (note 14)	101,466	103,122
	(126,001)	654,699
Contributions (note 11)	118,177	120,830
Total (loss) income and contributions	(7,824)	775,529
Decrease in net assets		
Benefits (note 12)	(332,056)	(317,833)
Investment related expenses (note 8)	(10,922)	(12,210)
Management fees (note 14)	(4,830)	(4,264)
Non-refundable Harmonized Sales Tax	(1,543)	(1,598)
Total decrease in net assets	(349,351)	(335,905)
(Decrease) increase in net assets available for benefits	(357,175)	439,624
Net assets available for benefits, beginning of year	6,418,680	5,979,056
Net assets available for benefits, end of year	\$ 6,061,505	\$ 6,418,680

The accompanying notes to the financial statements are an integral part of this financial statement.

Teachers' Pension Plan

Statement of Changes in Accrued Benefit Obligation

For the year ended December 31

(thousands of dollars)

	2022	2021
Actuarial present value of accrued benefit obligation, beginning of year	\$ 5,284,016	\$ 5,204,434
Increase in accrued benefit obligation		
Interest on accrued benefits	309,766	305,500
Benefits accrued	89,566	92,311
	399,332	397,811
Decrease in accrued benefit obligation		
Benefits paid	(332,056)	(317,833)
Experience gains	-	(396)
	(332,056)	(318,229)
Net increase in accrued benefit obligation	67,276	79,582
Actuarial present value of accrued benefit obligation, end of year (note 9)	\$ 5,351,292	\$ 5,284,016

The accompanying notes to the financial statements are an integral part of this financial statement.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

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 and Administrator of the Registered Plan. The Province of Newfoundland and Labrador (the "Province") continues to provide pension payroll and refund services 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 "Members").

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

Plan benefits are funded by contributions and investment earnings.

Member 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.

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

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

1. Description of the Plan (continued)

c) Pension amounts

A service pension is available from the Plan based on $1/45^{\text{th}}$ 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.

d) Disability pensions

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

e) 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.

f) 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.

g) 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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

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, investments 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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

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, receivable from Teachers' Pension Plan Corporation, 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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

3. Significant Accounting Policies (continued)

a) Financial Instruments (continued)

iii. *De-recognition* (continued)

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

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

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

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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

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 general partner, 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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

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. Termination benefit payments, 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) Expenses

Expenses incurred by the Corporation as Trustee and Administrator, as well as external investment management, are recorded on an accrual basis. Under the Service Level Agreement, the Province continues to provide pension payroll and refund services for the Plan whereby 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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

4. Investments

a) Investment portfolio:

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

	2022			2021		
	Fair Value	%	Cost	Fair Value	%	Cost
Money market	\$ 92,065	2.1	\$ 92,065	\$ 144,269	3.1	\$ 144,269
Equities						
Canadian	576,057	13.4	514,150	596,066	12.9	477,339
Global	1,398,644	32.4	1,225,045	1,726,510	37.4	1,251,115
Private	266,133	6.2	120,186	271,085	5.9	118,486
Real assets						
Real estate	376,347	8.7	319,912	311,985	6.8	278,029
Infrastructure	497,932	11.6	326,323	391,269	8.5	309,209
Fixed income						
Bonds	603,259	14.0	713,745	671,930	14.5	692,723
Mortgages	66,120	1.5	70,101	121,077	2.6	122,761
Private debt	438,325	10.2	380,316	386,234	8.4	353,818
Derivatives	(4,844)	(0.1)	-	(4,166)	(0.1)	-
Total	\$ 4,310,038	100	\$ 3,761,843	\$ 4,616,259	100	\$ 3,747,749

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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(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	2022 Total
Money market	\$ -	\$ 92,065	\$ -	\$ 92,065
Equities				
Canadian	551,711	24,346	-	576,057
Global	1,113,924	284,720	-	1,398,644
Private	-	-	266,133	266,133
Real assets				
Real estate	-	-	376,347	376,347
Infrastructure	-	133,979	363,953	497,932
Fixed income				
Bonds	3,089	600,170	-	603,259
Mortgages	-	-	66,120	66,120
Private debt	-	-	438,325	438,325
Derivatives	-	(4,844)	-	(4,844)
Total	\$ 1,668,724	\$ 1,130,436	\$ 1,510,878	\$ 4,310,038

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

4. Investments (continued)

b) Fair value measurement (continued)

	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				
Bonds	-	671,930	-	671,930
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

There have been no transfers between levels in 2022 or 2021.

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, 2021	\$ 271,099	\$ 570,187	\$ 507,311	\$ 1,348,597
Acquisitions	6,220	80,858	58,933	146,011
Settlements	(9,638)	(57,243)	(89,181)	(156,062)
Realized gains	4,511	24,340	4,085	32,936
Change in unrealized gain/loss on assets sold	(4,424)	(11,687)	(3,812)	(19,923)
Change in unrealized gain/loss on assets held	(1,635)	133,845	27,109	159,319
Fair value, December 31, 2022	\$ 266,133	\$ 740,300	\$ 504,445	\$ 1,510,878
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

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(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, 2022	\$ 432,008	\$ -	\$ 4,844	\$ (4,844)
December 31, 2021	\$ 354,646	\$ -	\$ 4,166	\$ (4,166)

5. Investment Income

a) Investment income is as follows:

	2022	2021
Dividend income	\$ 68,799	\$ 64,669
Interest income	34,439	33,545
Other income	83	137
Dividend, interest and other investment income	103,321	98,351
Realized (losses) gains	(10,847)	181,921
Current period (decrease) increase in market value of investments	(319,941)	271,305
Investment (loss) income	\$ (227,467)	\$ 551,577

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

5. Investment Income (continued)

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

	Investment income	Realized gains (losses)	Current period change in market value of investments	2022
Money market	\$ 2,072	\$ 68	\$ -	\$ 2,140
Equities				
Canadian	15,950	18,123	(56,820)	(22,747)
Global	29,398	(38,535)	(301,795)	(310,932)
Private	-	5,119	(6,653)	(1,534)
Real assets				
Real estate	6,755	2,202	22,480	31,437
Infrastructure	6,399	26,776	89,548	122,723
Fixed income				
Bonds	21,463	(1,697)	(89,694)	(69,928)
Mortgages	5,068	(1,996)	(2,297)	775
Private debt	16,133	6,077	25,594	47,804
Derivatives	-	(26,984)	(304)	(27,288)
Other	83	-	-	83
Total	\$ 103,321	\$ (10,847)	\$ (319,941)	\$ (227,467)

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

5. Investment Income (continued)

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

	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				
Bonds	21,124	7,310	(28,670)	(236)
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

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 interest rate, market price, credit, foreign currency, and liquidity risks. 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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(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:

	2022	2021
	(%)	(%)
Within 1 year	13.4	11.3
Short (1-5 years)	23.1	24.0
Medium (6-10 years)	36.3	28.4
Long (10+ years)	27.2	36.3
Total	100.0	100.0

Assuming a parallel change in the long and short-term yields, a 1% increase or decrease in interest rates would have the effect of decreasing or increasing, respectively, the fair value of the Plan's fixed income investments by approximately \$37.5 million or 6.42% (2021 - \$50.0 million or 7.68%).

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 traded on various markets representing various industries. 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 \$197.5 million or 4.58% (2021 - \$232.3 million or 5.03%).

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

6. Investment Risk Management (continued)

c) Credit risk

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

Fixed Income portfolio

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

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

	2022 (%)	2021 (%)
Federal government	19.1	15.9
Provincial governments	17.4	19.4
Corporate	60.9	62.5
Other	2.6	2.2
Total	100.0	100.0

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

	2022 (%)	2021 (%)
AAA	15.4	15.4
AA	28.2	27.0
A	14.1	13.7
BBB	23.7	25.6
Below BBB	12.5	15.2
Not rated	6.1	3.1
Total	100.0	100.0

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(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 United States dollar exposures in certain asset classes. Under the terms of an investment management agreement with an external investment manager, the Plan enters into United States dollar forward contracts for periods of one to three months. The notional value of these contracts at December 31, 2022 is \$388.4 million (2021 - \$301.9 million).

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

	2022	2021
	(%)	(%)
Canadian Dollar	61.0	57.2
United States Dollar	20.8	23.3
Euro	6.6	6.7
British Pound	2.2	2.5
Japanese Yen	1.9	2.4
Other currencies	7.5	7.9
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 \$169.7 million, or 3.90% (2021 - \$200.1 million or 4.28%).

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

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 Member 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 and Management.

a) Portfolio management

The Plan utilizes external investment management firms to invest the assets of the Plan. Each investment manager is selected following a comprehensive due diligence process. Existing managers are monitored on an ongoing basis by the Corporation. The Corporation also retains external custodial and investment counselling advisory services for the Plan.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

7. Capital Management (continued)

b) Asset mix policy

The Plan's investments are selected and held in accordance with the criteria and limitations set forth in the Statement of Investment Policies and Procedures (SIPP), which requires diversification of investments within asset classes and sets constraints on the exposure to individual investments. These constraints are outlined within the Plan's strategic asset allocation contained within the SIPP. The SIPP is subject to review by the Board of Directors at least annually.

The Board of Directors approved a strategic asset allocation based on the Asset Liability Study finalized in December 2020. During 2022, management undertook a review of the structure of the Plan's equity portfolio. Based on this review, subsequent to year end, the Board of Directors approved a change in the strategic asset allocation whereby the Plan's emerging market equity allocation decreased from 8.0% to 4.0%. As a result, the global equity and private equity allocations each increased by 2.0%.

Based on the current asset implementation plan, and subject to market conditions and investment opportunities, management believes the strategic asset allocation will be fully committed by the end of 2025.

The following summarizes the current strategic asset allocation approved by the Board of Directors:

	Strategic Asset Allocation (%)
Equities	
Public equity	38.0
Private equity	7.0
Real assets	
Real estate	12.5
Infrastructure	17.5
Fixed income	
Bonds	15.5
Private debt	7.5
Cash	2.0

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(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:

	2022	2021
Investment management fees	\$ 10,513	\$ 11,752
Custodian fees	347	402
Other	62	56
Total	\$ 10,922	\$ 12,210

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, 2022 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, 2022.

The actuarial assumptions used in determining the value of the accrued benefit obligation at December 31, 2022 of \$5.351 billion (2021 - \$5.284 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.

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

9. Accrued Benefit Obligation (continued)

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

	For the years ended December 31, 2022 and 2021
Net of expense discount rate:	6.0% per annum
Inflation:	2.0% per annum
Pensioner indexing:	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
• Promotional increase	Dependent on Certificate Level and time from valuation
• Contractual	2.5% per annum
Maximum pension and YMPE:	2021: \$3,245.56 and \$61,600 2022+: Increase at 2.5% per annum
Retirement age:	100% at earliest age member is eligible for an unreduced pension
Mortality:	CPM Public Sector Mortality Table projected generationally with Improvement Scale MI-2017

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

10. Actuarial Valuations

As per the Plan's Joint Sponsorship Agreement, triennial actuarial valuations are required for plan funding purposes. Off-cycle valuations are performed as needed 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 and December 31, 2022 to determine the respective accrued benefit obligation at those dates and contained herein.

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

	2022	2021
Members		
Current service	\$ 56,958	\$ 57,401
Purchase of past service	2,669	3,627
Transfers from other pension plans	839	1,580
	<hr/> 60,466	<hr/> 62,608
Employer		
Current service	56,958	57,401
Purchase of past service	753	821
	<hr/> 57,711	<hr/> 58,222
Total contributions	<hr/> \$ 118,177	<hr/> \$ 120,830

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(thousands of dollars)

12. Benefits

	2022	2021
Retirement pensions	\$ 314,238	\$ 307,247
Termination benefits	14,504	8,679
Transfers to other pension plans	1,740	1,561
Death benefits	1,574	346
Total benefits	\$ 332,056	\$ 317,833

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	2022	2021
TPP Neptune Corporation	Private equity, Infrastructure, Real estate and Private debt	100.00%	\$ 764,003	\$ 675,819
TPP Investment Corporation	Private debt	100.00%	\$ 77,379	\$ 58,698

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).

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(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, 2022 and the year ended December 31, 2021 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:

	2022	2021
Salaries and benefits	\$ 1,999	\$ 1,864
Consulting and other professional services	1,352	970
Insurance	386	296
Board and committee fees and expenses	216	187
Rent	173	171
Premises and equipment	43	198
Other expenses	661	578
Total	\$ 4,830	\$ 4,264

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

	2022		2021	
	Cost	Market Value	Cost	Market Value
Province of Newfoundland and Labrador Debentures				
Series maturing October 17, 2046	\$ 384	\$ 330	\$ 371	\$ 414
Series maturing October 17, 2050	1,320	1,020	1,572	1,679
Total	\$ 1,704	\$ 1,350	\$ 1,943	\$ 2,093

Teachers' Pension Plan

Notes to Financial Statements

For the year ended December 31, 2022

(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, 2022 was \$1.664 billion (2021 - \$1.698 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:

2023	\$ 35,414
2024	\$ 37,539
2025	\$ 39,791
2026	\$ 42,179
2027	\$ 44,709

The Province continues to provide pension payroll and refund services for the Plan under a Service Level Agreement on a cost recovery basis. The cost of the services for the year ended December 31, 2022 is \$0.11 million (2021 - \$0.12 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, 2022, these commitments totaled \$543.9 million (2021 - \$280.5 million). \$125.8 million of this will be made through TPP Neptune Corporation, \$33.2 million will be made through TPP Investment Corporation and the remaining \$384.9 million will be made directly from the Plan. The commitments are expected to be funded over the next four years, 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, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, 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

The investment return excluding 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

The investment return after fees or expenses paid to the investment managers have been deducted from the investment return calculation.

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.



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