PJPP

Ontario
Provincial Judges
Pension Plan

Provincial Judges' Pension Plan
Audited Financial Statements
For the year ended December 31, 2023

Management's Responsibility for Financial Reporting

The financial statements of the Provincial Judges' Pension Plan ("PJPP") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements are in accordance with Canadian accounting standards for pension plans. Of necessity, many amounts in the financial statements must be based on the best estimates and judgment of management with appropriate consideration as to materiality.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records are maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the PJPP.

The Provincial Judges Pension Board (the "PJPB") is ultimately responsible for the financial statements of the PJPP. The PJPB reviews the financial statements in detail with management before such statements are approved. The PJPB meets with management and the Office of the Auditor General of Ontario to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian accounting standards for pension plans. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Mark A. Henry
Director, Managed Plans
Ontario Pension Board

Armand de Kemp
Chief Financial Officer
Ontario Pension Board

June 12, 2024

Independent Auditor's Report

To the Provincial Judges Pension Board and to the President of the Treasury Board

Opinion

I have audited the financial statements of the Provincial Judges' Pension Plan (the Plan), which comprise the statements of financial position as at December 31, 2023, and the statements of changes in net assets available for benefits and the statements of changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (together, "the financial statements").

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2023, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of these 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.

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In preparing the financial statements, management is responsible for assessing the Plan'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 the Plan either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan'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 Provincial Judges' Pension Plan's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Provincial Judges' Pension Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Toronto, Ontario
June 12, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

Statements of Financial Position

As at December 31 (in thousands of dollars)	2023 RPP	2023 RCA	2023 SUPP	2022 RPP	2022 RCA	2022 SUPP
Assets						
Cash	$ 2,262	$ 25,684	$ 225	$ 1,088	$ 11,448	$ 95
Investments (Note 5)	401,742	–	–	400,480	–	–
Investment-related assets (Note 5)	12,021	–	–	–	–	–
Contributions receivable						
Members	580	26	–	534	25	–
Province	20,649	–	–	745	–	–
Other receivables	431	2,039	74	158	204	7
Refundable tax asset (Note 6)	–	48,556	–	–	46,780	–
Total assets	437,685	76,305	299	403,005	58,457	102
Liabilities						
Investment-related liabilities (Note 5)	7,500	–	–	–	–	–
Accounts payable	221	6,272	22	189	155	10
Total liabilities	7,721	6,272	22	189	155	10
Net assets available for benefits	429,964	70,033	277	402,816	58,302	92
Pension obligation (Note 13)	433,894	448,225	471,711	466,386	456,502	472,172
Deficit	$ (3,930)	$ (378,192)	$ (471,434)	$ (63,570)	$ (398,200)	$ (472,080)

See accompanying notes to the financial statements.

Approved on behalf of the Board:

D. A. Oakley

Deborah A. (Debbie) Oakley
Chair, Provincial Judges Pension Board

Gus Gatzios

Gus Gatzios
Member, Provincial Judges Pension Board

Statements of Changes in Net Assets Available for Benefits

For the year ended December 31 (in thousands of dollars)	2023 RPP	2023 RCA	2023 SUPP	2022 RPP	2022 RCA	2022 SUPP
Increase in net assets						
Net investment income (Note 7)	$ 20,168	$ –	$ –	$ 6,556	$ –	$ –
Bank interest income	193	1,885	49	–	29	–
Contributions						
Members current service	5,826	584	–	5,520	562	–
Province matching payments	–	584	–	–	562	–
Province funding payments	25,669	29,900	23,115	5,520	36,053	19,480
Increase in net assets	51,856	32,953	23,164	17,596	37,206	19,480
Decrease in net assets						
Benefits paid	23,649	20,588	22,978	21,442	17,843	21,146
Termination payments	213	14	1	–	–	–
Pension administration expenses (Note 8)	636	620	–	649	649	–
Investment management expenses (Note 9)	210	–	–	125	–	–
Decrease in net assets	24,708	21,222	22,979	22,216	18,492	21,146
Increase (decrease) in net assets for the year	27,148	11,731	185	(4,620)	18,714	(1,666)
Net assets, at beginning of the year	402,816	58,302	92	407,436	39,588	1,758
Net assets, at end of the year	$ 429,964	$ 70,033	$ 277	$ 402,816	$ 58,302	$ 92

See accompanying notes to the financial statements.

Statements of Changes in Pension Obligations

For the year ended December 31 (in thousands of dollars)	**2023 RPP**	**2023 RCA**	**2023 SUPP**	2022 RPP	2022 RCA	2022 SUPP
Pension obligations, at beginning of the year	**$ 466,386**	**$ 456,502**	**$ 472,172**	$ 505,690	$ 480,633	$ 485,383
Increase in pension obligations						
Service accrual	**17,514**	**18,842**	**21,746**	20,802	21,655	24,555
Interest cost	**17,602**	**17,314**	**17,919**	13,141	12,547	12,664
Indexation loss (Note 13)	**7,358**	**7,776**	**6,409**	10,844	11,502	10,426
Net experience losses (Note 13)	**814**	**2,690**	**11,395**	5,036	16,722	22,681
Increase in pension obligations	**43,288**	**46,622**	**57,469**	49,823	62,426	70,326
Decrease in pension obligations						
Benefits paid	**23,862**	**20,602**	**22,979**	21,442	17,843	21,146
Net impact of change in assumptions (Note 13)	**51,918**	**34,297**	**34,951**	67,685	68,714	62,391
Decrease in pension obligations	**75,780**	**54,899**	**57,930**	89,127	86,557	83,537
Net decrease in pension obligations	**(32,492)**	**(8,277)**	**(461)**	(39,304)	(24,131)	(13,211)
Pension obligations, at end of the year	**$ 433,894**	**$ 448,225**	**$ 471,711**	$ 466,386	$ 456,502	$ 472,172

See accompanying notes to the financial statements.

Notes to the Financial Statements

As at and for the year ended December 31, 2023

Note 1: Description of the Provincial Judges' Pension Plan

On January 1, 2020, Ontario Regulation 290/13 ("Regulation") was amended to split the Provincial Judges' Pension Plan ("PJPP" or the "Plan") into three different parts: a Registered Pension Plan Trust ("RPP"), a Retirement Compensation Arrangement Trust ("RCA") and a Supplemental Pension Account ("SUPP"). The PJPP is included as an employee future benefit liability within the consolidated financial statements of the Province of Ontario ("Province" or "Plan Sponsor"). The RPP, RCA, and SUPP are not subject to the reporting requirements under the Ontario *Pension Benefits Act, R.S.O. 1990* and Regulations ("Pension Benefits Act").

The Government of Ontario is the sponsor of all three parts of the Plan. The Provincial Judges Pension Board ("the Board") is the administrator of the RPP and RCA for the purposes of the *Income Tax Act (Canada) R.S.C. 1985* ("Income Tax Act"). The Board is also the trustee of both the RPP and RCA with all powers afforded to the trustee by the respective trust agreements. The Ontario Minister of Finance ("Minister") is the custodian of the SUPP. Any assets of the SUPP are held within the Consolidated Revenue Fund of the Province of Ontario. The Board oversees the administration of the PJPP and, in accordance with applicable law, oversees all administrative functions in respect of the pensions, survivor allowances and refunds.

The primary purpose of the Plan is to provide eligible judges with pension in the form of periodic payments following their retirement from full-time service as Provincial judges.

RPP

The RPP is registered for income tax purposes and provides for pension benefits up to the limit permitted under the Income Tax Act.

RCA

The RCA provides supplementary pension benefits to members whose earnings result in a pension that exceeds the maximum pension benefits permitted under the Income Tax Act for the RPP. The Income Tax Act limits the maximum benefits that are permitted to be paid to pensioners.

SUPP

The SUPP supplements the pensions of members whose benefits provided by the above two components are above the maximum prescribed by the Income Tax Act. A right under this part of the PJPP to a supplemental pension or supplemental survivor allowance is only in respect of service on or after January 1, 1992.

Note 2: Administration of the Plan

The Ontario Pension Board ("OPB") has been jointly selected by the Minister and the Provincial Judges Pension Board to assist the Board in carrying out its responsibilities and assist the Government of Ontario in carrying out its pension administration responsibilities in respect of the Plan.

The *Investment Management Corporation of Ontario Act, 2015* created the Investment Management Corporation of Ontario ("IMCO"), an entity providing investment management and selected advisory services to participating organizations in Ontario's broader public sector with the ownership of the investment assets remaining with the participants. IMCO was appointed as the sole and exclusive investment manager for the investment assets of the RPP and RCA. The investment management agreement between IMCO and the Board for the management of the RPP and RCA assets was effective March 17, 2020 and amended on September 18, 2023 for the management of the RPP assets.

As of December 31, 2023 and 2022, IMCO did not manage any of the RCA assets.

The Board retains responsibility for setting the investment strategy and target asset mix for the RPP's and RCA's investments.

Note 3: Description of the Plan

The following is a brief description of the Plan provided for general purposes only. For more complete information, reference should be made to the Regulation.

FUNDING POLICY

The RPP and RCA are contributory defined benefit pension plans covering eligible judges (members) of the Ontario Court of Justice. The RPP does not require matching contributions from the Province. The RCA requires the Province to contribute an amount at least equal to the RCA contributions from the members. The SUPP is funded by the Province as benefits payments fall due. The benefits and contribution rates are set, and may be amended, by the Plan Sponsor through an Order-in-Council.

CONTRIBUTIONS

Each judge is required to contribute 7% of their salary into the Plan, by way of deduction from the judge's salary, up to the earlier occurrence of either meeting their basic service requirement or attaining 70 years of age.

The Province ensures that, in respect of each calendar year of service, the portion of each judge's pension contributions that exceeds the dollar limit for pension plan contributions under the Income Tax Act is contributed to the RCA.

The amount to be contributed in a year by the Province is based on an actuarial valuation and subject to the limits set out in the Income Tax Act and its regulations.

PENSION PAYMENTS

A pension payment is available based on the age and the number of years of full-time service for which a member has credit upon ceasing to hold office and is based on the salary of a full-time judge of the highest judicial rank held by the member while in office. The member is entitled to these payments during their lifetime. These payments are sourced from the three components as follows:

RPP

An amount equal to 2% of the judge's average salary, indexed in accordance with the Income Tax Regulations, for their final three years of service multiplied by the judge's years of service up to the defined benefit limit or maximum benefit limit.

RCA

An amount equal to 2% of the judge's average salary, indexed in accordance with the Income Tax Regulations, for their final three years of service multiplied by the judge's years of service without regard to the defined benefit limit or maximum benefit limit, reduced by the RPP amount.

SUPP

An amount payable to the judge if the pension determined without regard to the defined benefit limit or maximum benefit limit is greater than the amount that is actually paid to the judge under the RPP and RCA plans.

DISABILITY PENSION PAYMENTS

A disability pension is available at age 65 for members with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness. The annual amount of the pension is the amount that would be payable if the judge had continued in office on a full-time basis until the judge attained 75 years of age and if the pension were determined without regard to the defined benefit limit or maximum benefit limit, reduced by the amount that is actually payable to the judge under the RPP and RCA.

SURVIVOR ALLOWANCES

A survivor allowance equal to 60% of the qualifying judge's pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education, or disability criteria defined by the Regulation.

DEATH BENEFITS

A death refund can be payable to the personal representative of a member where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the member's contributions to the Plan plus interest, less entitlements already paid out.

TERMINATION PAYMENTS

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of their contributions to the Plan plus interest.

ESCALATION OF BENEFITS FROM THE PLAN

Judges retired before June 1, 2007

The annual inflationary increase for judges who retired before June 1, 2007, is based on changes in the Average Weekly Earnings published by Statistics Canada and subject to a maximum of 7% in any one year and is effective on April 1st every year. In addition, the pensions are adjusted based on the salary increases of sitting judges as recommended by the Provincial Judges Remuneration Commission.

Judges retired on or after June 1, 2007

The annual inflationary increase for judges who were appointed before June 1, 2007, who retired on or after June 1, 2007, and elected to be paid under the Plan provisions effective on that date is based on changes in the Consumer Price Index and is effective on January 1st every year. The same annual inflationary increase is applicable upon retirement for those judges appointed to office on or after June 1, 2007, with no available election.

Note 4: Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The financial statements are prepared in accordance with Canadian accounting standards for pension plans.

In accordance with Section 4600, "Pension Plans", of the CPA Canada Handbook – Accounting, Canadian Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook – Accounting have been chosen for accounting policies that do not relate to the investment portfolio or pension obligations to the extent that those standards do not conflict with the requirements of Section 4600.

All amounts are expressed in thousands of Canadian dollars, unless expressed otherwise.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for pension plans 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 on the statements of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates. The most significant estimates affecting the financial statements relate to the determination of pension obligations (Note 13) and the fair values of the RPP's Level 3 investments (Note 5b).

INVESTMENTS

Investments are stated at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of financial instruments is determined as follows:

i. Cash held at custodian is recorded at cost, which approximates fair value.

ii. Short-term money market investments such as treasury bills are recorded at cost, with accrued interest or amortized discount or premium, which approximates fair value.

iii. Fixed income instruments and bonds are valued at quoted market prices where available. Where there are no quoted prices on an active market, fair value is determined using a variety of pricing methodologies including evaluated bid-ask pricing, evaluated broker pricing, discounted cash flows based on current market yields for comparable securities (e.g., similar credit ratings, duration, etc.), or calculated using discounted cash flows based on market yield curves and credit spreads of the issuer.

iv. Pooled funds are valued using the most recently available financial information including net asset values or estimates provided by the fund managers and general partners as of December 31, 2023.

v. Exchange-traded derivatives are valued at quoted closing market prices if actively traded. Over-the-counter derivative instruments for which there is no active market are valued using appropriate valuation models based on industry-recognized methodologies. The inputs used in the valuation models depend on the type of the derivative and the nature of the underlying instrument and are specific to the instrument being valued. Inputs can include, but are not limited to, foreign exchanges rates, spot prices and correlation. Refer to Note 5e for currency forward contracts held by RPP.

NET INVESTMENT INCOME

Investment transactions are recorded on the trade date. Investment income includes interest income, distributions from pooled funds, realized gains or losses, and changes in unrealized gains or losses. Interest is recognized on an accrual basis. Distributions from pooled funds are recognized when declared by the fund managers and general partners. Realized gains or losses are recognized when the Plan has transferred to the purchaser the significant risks and rewards of ownership of the investment, the purchaser has made a substantial commitment demonstrating its intent to honour its obligation, and the collection of any consideration is reasonably assured. Change in unrealized gains or losses are recognized when there is a change in the difference between the fair value and cost of the investments held.

INVESTMENT MANAGEMENT AND RELATED FEES

Investment management fees, transaction costs and other investment-related fees are recognized on an accrual basis and paid by their respective components.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions impacting income and expenses are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. The fair values of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end. Realized exchange gains and losses from investment transactions are included in realized gains and losses at the time of sale of the investments. Unrealized exchange gains and losses from investment transactions are included in the change in unrealized gains and losses on investments.

CONTRIBUTIONS

Contributions due at the year-end are recorded as contributions receivable. The Province's funding contributions to the Plan are made in accordance with the funding requirements as specified by the most recently filed actuarial funding valuation. The Province's funding payments for the RPP included special contributions for an unfunded liability of $17,190 (2022 – $nil) as per the actuarial funding valuation. The PJPP is not subject to the Pension Benefits Act and, as such, there is no minimum required funding contribution by the Province.

BENEFITS PAID AND TERMINATION PAYMENTS

Retirement pension payments, commuted value transfers, refunds to former members, and transfers to other pension plans are recorded when paid.

PENSION ADMINISTRATION EXPENSES

Pension administration expenses are recognized on an accrual basis. Expenses applicable to the RPP and RCA are paid by their respective components. All expenses applicable to the SUPP are paid by the Province.

INCOME TAX STATUS

The RPP and RCA are registered pension plans, as defined by the Income Tax Act and, accordingly, are not subject to income taxes.

PENSION OBLIGATION

Pension obligations are determined based on an actuarial valuation prepared by an independent firm of actuaries using an actuarial valuation report prepared for funding purposes. This valuation uses the projected benefit cost method pro-rated based on service and management's best estimate of various economic and demographic assumptions. The year-end valuation of pension obligations is based on data extrapolated to the current financial statement year-end date.

NEW ACCOUNTING PRONOUNCEMENTS

Amendments to Section 4600, Pension Plans were issued in December 2022 and will be effective for fiscal years beginning on or after January 1, 2024. The amendments are not expected to have any impact on the Plan's financial statements.

Note 5: Investments

The RPP's investments managed by IMCO consist of the following:

As at December 31 (in thousands of dollars)	**2023** **Cost**	**Fair Value**	2022 Cost	Fair Value
Cash at custodian	**$ 1,159**	**$ 1,159**	$ 1,015	$ 1,015
Money-market investments	**334,895**	**334,895**	399,465	399,465
Fixed income				
Canada	**32,027**	**32,712**	–	–
Global	**16,997**	**16,918**	–	–
	49,024	**49,630**	–	–
Pooled funds				
Global Equity	**11,642**	**11,558**	–	–
Global Credit	**4,500**	**4,500**	–	–
	16,142	**16,058**	–	–
Total investments	**401,220**	**401,742**	400,480	400,480
Investment-related assets				
Pooled fund units receivable (Note 5d)	**12,000**	**12,000**	–	–
Derivatives receivables	**–**	**21**	–	–
Total investment-related assets	**12,000**	**12,021**	–	–
Investment-related liabilities				
Pending trades	**7,500**	**7,500**	–	–
Total investment-related liabilities	**7,500**	**7,500**	–	–
Total net investments	**$ 405,720**	**$ 406,263**	$ 400,480	$ 400,480

a) INVESTMENT ASSET MIX

The RPP's Statement of Investment Policies and Procedures ("SIP&P") was amended and effective on September 21, 2023. The SIP&P was updated for changes in the policy asset mix, risk, environmental, social, and governance factors and general provisions. The Policy Asset Mix ("PAM") does not allocate any assets to pooled funds as an asset class, although pooled funds are used to achieve allocations to the investment categories indicated above.

The RPP's actual and target investment asset mix is summarized below as at December 31:

	2023		2022		
	Asset Allocation %		Asset Allocation %		2023
	Total Plan	**Target**	Total Plan	Target	PAM Range
Asset categories[1]					
Cash and money market	**83.7%**	**2.0%**	100.0%	100.0%	0.0%–7.0%
Fixed income					
Long-term	**8.1%**	**21.5%**	–	–	16.5%–26.5%
Inflation-linked	**4.2%**	**21.5%**	–	–	16.5%–26.5%
Credit	**1.1%**	**10.0%**	–	–	5.0%–15.0%
Public equities	**2.9%**	**17.5%**	–	–	12.5%–22.5%
Real estate	**0.0%**	**10.0%**	–	–	5.0%–15.0%
Infrastructure	**0.0%**	**10.0%**	–	–	5.0%–15.0%
Private equities	**0.0%**	**7.5%**	–	–	2.5%–12.5%
Total investments	**100.0%**	**100.0%**	100.0%	100.0%	

1 The asset categories and asset allocation reflect the allocation of derivative positions, pooled funds, investment-related assets and investment-related liabilities.

At December 31, 2022, the asset mix of the Plan's investments was invested in cash and money market instruments. To mitigate the potential regret risk with transitioning these assets to the RPP's long-term asset mix, the transition will be implemented gradually. In addition, due to illiquid nature of assets such as Real estate, Infrastructure, and Private equities, actual allocations may be above or below target allocations and reaching these target allocations may take several years, during which time actual allocations may be outside the PAM minimum and maximum levels. Such deviations will not be considered violations of the SIP&P provided they are consistent with the transition plan. For greater clarity, the minimum and maximum ranges in the above table are intended to apply only once the asset mix transition has been completed.

At December 31, 2023, the allocation of all assets was outside the ranges as specified in the SIP&P, which is permitted as described above.

b) FAIR VALUE HIERARCHY

Canadian accounting standards for pension plans require disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds; hedge funds; Government of Canada, provincial and other government bonds; Canadian corporate bonds; and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes investments in real estate properties, infrastructure and private equity, and securities that have liquidity restrictions.

The following tables present the level within the fair value hierarchy for investments and derivatives, excluding pending trades and other Investment-related assets for which a fair value hierarchy is not required.

As at December 31, 2023 (in thousands of dollars)	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Financial assets				
Cash at custodian	**$ 1,159**	**$ –**	**$ –**	**$ 1,159**
Short-term investments	**–**	**334,895**	**–**	**334,895**
Fixed income	**–**	**49,630**	**–**	**49,630**
Pooled funds	**–**	**11,558**	**4,500**	**16,058**
Currency forwards	**–**	**21**	**–**	**21**
	$ 1,159	**$ 396,104**	**$ 4,500**	**$ 401,763**

As at December 31, 2022 (in thousands of dollars)	Level 1	Level 2	Level 3	Total Fair Value
Financial assets				
Cash at custodian	$ 1,015	$ –	$ –	$ 1,015
Short-term investments	–	399,465	–	399,465
	$ 1,015	$ 399,465	$ –	$ 400,480

There were no transfers between Level 1 and 2 during the years ended December 31, 2023, and December 31, 2022.

c) LEVEL 3 INVESTMENT RECONCILIATION

The following tables present a reconciliation of Level 3 assets measured at fair value.

(in thousands of dollars)	Fair Value as at January 1, 2023	Net Transfers In/(Out)	Acquisitions	Dispositions	Fair Value Changes	Fair Value as at December 31, 2023
Pooled funds	$ –	$ –	$ 4,500	$ –	$ –	$ 4,500
	$ –	$ –	$ 4,500	$ –	$ –	$ 4,500

There were no transfers into or out of Level 3 during the years ended December 31, 2023, and December 31, 2022.

d) POOLED FUND UNITS RECEIVABLE

The Plan has pooled fund units receivable of $12,000 in the IMCO Infrastructure LP as at December 31, 2023, which was settled on January 2, 2024.

e) DERIVATIVES

Derivatives are financial or commodity contracts, whose market price, value, delivery obligations, payment obligations or settlement obligations are derived from, referenced to or based on, an underlying interest that may include stocks, bonds, commodities, currencies, interest rates and market indices. Derivative strategies can be implemented using a wide range of instruments including, but not limited to, forwards, futures, swaps and options.

Derivatives may be used for various purposes including to:

- hedge (fully or partly) any investment risk, including market, interest rate, credit, liquidity, or currency risk;
- alter the risk and return profile of investments, replicate investments in the underlying assets or groups of assets (e.g., indices) so as to achieve some advantage of lower cost, transactional ease, or market exposure;
- improve the efficiency of achieving investment objectives; or
- create unique risk and return payoffs.

The Plan does not use derivatives with the goal of providing an additional source of return through active management or to generate total portfolio leverage unless the use of total portfolio leverage is explicitly incorporated into the Policy Asset Mix.

The Plan uses currency forward contracts to modify currency exposure for both passive and active hedging. Currency forward contracts are negotiated agreements between two parties to exchange a notional amount of one currency for another at an exchange rate specified at origination of the contract, with settlement at a specified future date.

Derivative notional and fair values

The following schedule summarizes the notional amounts and fair values of the Plan's directly held derivative positions.

	2023			2022		
		Fair Value			Fair Value	
As at December 31 (in thousands of dollars)	**Notional Value**	**Assets**	**Liabilities**	Notional Value	Assets	Liabilities
Currency forwards	**$ 16,983**	**$ 21**	**$ –**	$ –	$ –	$ –
	$ 16,983	**$ 21**	**$ –**	$ –	$ –	$ –

Derivative notional values by term to maturity

The maturities of the Plan's notional values for the Plan's derivative positions are as follows:

As at December 31 (in thousands of dollars)	**2023**				2022			
	< 1 year	**≥ 1–3 years**	**> 3–5 years**	**Total**	< 1 year	≥ 1–3 years	> 3–5 years	Total
Currency forwards	**$ 16,983**	**$ –**	**$ –**	**$ 16,983**	$ –	$ –	$ –	$ –

Note 6: Refundable Tax Asset

Contributions made to the RCA, as well as investment income and net capital gains earned within the RCA, net of distributions, are taxed at a 50% rate under the Income Tax Act. New contributions are taxable at the time the contribution is made. Investment returns earned within the RCA component are assessed as at December 31 each year. The remitted tax amounts are held by the Canada Revenue Agency as a non-interest-bearing deposit. These tax amounts are refundable when distributions are made from the RCA component of the Plan to the beneficiaries of the retirement compensation arrangement.

Note 7: Net Investment Income

The RPP's net investment income is made up of the following:

For the year ended December 31 (in thousands of dollars)	**2023**			2022		
	Income[1]	**Fair Value Changes[2]**	**Net Investment Income**	Income[1]	Fair Value Changes[2]	Net Investment Income
Short-term investments	**$ 19,008**	**$ (157)**	**$ 18,851**	$ 7,559	$ (1,003)	$ 6,556
Fixed income						
Canada	**68**	**700**	**768**	–	–	–
Global	**5**	**(79)**	**(74)**	–	–	–
	73	**621**	**694**	–	–	–
Pooled funds						
Global Equity	**102**	**60**	**162**	–	–	–
	102	**60**	**162**	–	–	–
Derivatives	**–**	**461**	**461**	–	–	–
Total investment income	**$ 19,183**	**$ 985**	**$ 20,168**	$ 7,559	$ (1,003)	$ 6,556

1 Income includes interest on short-term investments, fixed income, and distributions from pooled funds.

2 Includes net realized gains of $442 and change in net unrealized gains of $543 (2022: realized losses of $1,003).

Note 8: Pension Administration Expenses

The following is a summary of the expenses incurred by the Plan related to services provided by Ontario Pension Board.

For the year ended December 31 (in thousands of dollars)	**2023 RPP**	**2023 RCA**	**2023 SUPP**	2022 RPP	2022 RCA	2022 SUPP
Pension administration and IT	**$ 516**	**$ 516**	**$ 362**	$ 526	$ 526	$ 372
Insurance	**43**	**43**	**43**	44	44	44
Actuarial fees	**26**	**26**	**53**	29	29	29
Legal expenses	**47**	**31**	**38**	45	45	45
IT external services	**–**	**–**	**–**	1	1	1
Pension payroll processing charges	**4**	**4**	**4**	4	4	4
Expenses paid by the Province[1]	**–**	**–**	**(500)**	–	–	(495)
Total pension administration expenses	**$ 636**	**$ 620**	**$ –**	$ 649	$ 649	$ –

1 The SUPP administration expenses are fully paid by the Province (Note 14).

Note 9: Investment Management Expenses

The following is a summary of the expenses incurred by the RPP related to services provided by IMCO. The RPP pays its share of IMCO's expenses on a cost recovery basis. These costs are funded through cash held in custody with CIBC Mellon.

For the year ended December 31 (in thousands of dollars)	**2023**	2022
Management fees paid to IMCO	**$ 127**	$ 70
External investment management fees	**19**	–
Implementation fees	**40**	41
Custodial fees	**20**	14
Investment transaction costs	**4**	–
Total investment management expenses	**$ 210**	$ 125

Note 10: Risk Management

The Plan is subject to financial risks as a result of its investing activities that could impact its cash flows, income, and assets available to meet benefit obligations. These risks include market risk (including interest rate risk, foreign currency risk and other price risk), credit risk, liquidity risk, and others as applicable.

The Board has appointed IMCO as the sole and exclusive investment manager for the investment assets of the RPP and RCA. IMCO has the full authority, acting in accordance with its statutory duty of care under the Investment Management Corporation of Ontario Act, 2015, the provisions of the SIP&P and the Investment Management Agreement, to manage all aspects of the investments of the RPP and RCA.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market factors. Market risk is comprised of the following:

Interest rate risk – Interest rate risk refers to the effect on the fair value of the Plan's assets and liabilities due to fluctuations in market interest rates. The value of the Plan's investments is affected by changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates and inflation.

Management
The Plan has established an asset mix policy that balances interest-rate-sensitive investments with other investments. RPP's fixed income investments have direct exposure to interest rate risk. Duration and weighting for the fixed income portfolio are actively managed.

Measurement
Effective duration is a measure of the sensitivity of the price of a financial instrument to a change in interest rates. Given the effective duration of 1.72 years at December 31, 2023 and a total net fair value of $385,684, a parallel shift in the interest rate curve of +/-1% would result in an approximate impact of +/-$6,918 on net investments with all other variables held constant. In practice, actual results may differ materially from this sensitivity analysis. The Plan did not have significant exposure to interest rate risk as at December 31, 2022.

Currency risk – Currency exposure arises from the Plan holding foreign currency denominated investments and entering contracts that provide exposure to currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can have an impact on the fair value of investments.

Management
Currency risk is managed by IMCO through currency hedging. Implementation of any currency hedging strategy is accomplished through the use of instruments such as forwards, futures, options, and swaps.

Measurement
As at December 31, 2023, the impact to the Plan's net assets available for benefits of a 5% absolute change in foreign exchange rates relative to the Canadian dollar are as follows:

As at December 31, 2023 (in thousands of dollars)	**Gross Exposure**	**Currency Contracts Receivable**	**Currency Contracts Payable**	**Net Exposure**	**Impact of +/- 5% Change**
U.S. dollar	**$ 16,926**	**$ –**	**$ (16,962)**	**$ (36)**	**+/- 2**
Total foreign currency	**16,926**	**–**	**(16,962)**	**(36)**	**+/- 2**
Canadian dollar	**389,316**	**16,983**	**–**	**406,299**	**–**
	$ 406,242	**$ 16,983**	**$ (16,962)**	**$ 406,263**	**+/- 2**

As at December 31, 2022, the RPP's investments and cash were all in Canadian dollars and therefore not exposed to foreign currency risk.

Other price risk – Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

Management
IMCO manages other price risk through diversification and regular monitoring of the performance of the Plan against approved benchmarks.

Measurement
An absolute change in the fair value of the Plan's investments that are exposed to other price risk will have a direct proportional impact on the fair value of the investments. The Plan's investments in pooled funds holding public equities have the most significant exposure to other price risk. As at December 31, 2023, the impact of a 10% absolute change in the price of an investment, holding all other variables constant, is 10% of the net exposure of the impacted investment, as follows:

			Change in Net Assets as at	
(in thousands of dollars)	Stock Market Benchmark	Change in Price Index	**December 31, 2023**	December 31, 2022
Public Equity	MSCI ACWI Net Total Return Index	+/- 10%	**+/- $ 1,156**	+/- $ 0

The sensitivity analysis is performed using the total Plan actual investment asset mix weights summarized in Note 5a as at December 31, 2023.

CREDIT AND COUNTERPARTY RISK

Credit risk is the risk of loss resulting from a borrower's failure to repay or meet contractual obligations. The Plan is exposed to credit risk through investments in fixed income instruments as there is a risk of default. Counterparty risk is the risk of loss arising from a counterparty defaulting on its obligations, the insolvency of a counterparty, or the risk of a market decline resulting from the deterioration in the credit quality of a counterparty. The Plan is exposed to counterparty risk through investments in derivatives.

Management

IMCO manages credit risk by creating a diversified portfolio of investments and employing a multi-sector strategy. In creating a diversified portfolio, IMCO will invest according to a risk strategy outlining specified target allocation ranges by risk strategy (i.e., investment grade), geographical focus and investment vehicle.

In mitigating counterparty risk, IMCO initiates counterparty transactions with parties on its approved counterparty list, which meet a minimum credit rating requirement. IMCO is responsible for monitoring the credit ratings of counterparties and reviewing those who suffer a downgrade.

Counterparty risk from derivatives is managed through due diligence on potential counterparties, use of appropriate legal documentation such as International Swaps and Derivatives Association ("ISDA") master agreements, by imposing counterparty risk exposure limits, or by the use of a Credit Support Annex ("CSA") under an ISDA master agreement. IMCO maintains and reviews a list of approved counterparties which, at a minimum, have a long-term credit rating of A or higher as rated by S&P (or equivalent Moody's or Fitch long-term rating) and a short-term rating of A1 or higher as rated by S&P (equivalent Moody's or Fitch short-term rating). IMCO also reviews counterparties who suffer a credit rating downgrade, even if they continue to meet the minimum credit ratings noted and maintains and reviews counterparty exposure limits, considering current exposure, with limits commensurate with the credit rating of the counterparty. See Note 11 for details of collateral held or pledged pertaining to derivatives.

Measurement

Counterparty and credit risk exposure is measured by the fair value of contractual obligations less any collateral or margin received from the counterparties. The use of credit ratings allows the Plan to assess the creditworthiness of counterparties using an independent source. As at December 31, 2023, the Plan's greatest credit exposure to a single securities issuer was with the Government of Canada in the form of interest-bearing securities for $183,837 (2022 – with the Government of Canada for $399,465).

The credit risk exposure, without considering any collateral held, is as follows:

As at December 31 (in thousands of dollars)	**2023** **Total Risk Exposure**	2022 Total Risk Exposure
Credit risk		
Fixed income		
AAA	**$ 26,920**	$ –
AA	**22,172**	–
A	**538**	–
Total fixed income	**$ 49,630**	$ –
Short-term investments		
AAA	**175,703**	399,465
AA	**34,714**	–
A	**124,478**	–
Total short-term investments	**$ 334,895**	$ 399,465
Counterparty risk		
Derivative assets		
AA	**15**	–
A	**6**	–
Total derivative assets	**$ 21**	$ –

LIQUIDITY RISK

Liquidity risk is the risk that the Plan has insufficient cash flows to meet its pension obligations and operating expenses as they become due. The typical cash requirements of the Plan are in the form of monthly retirement benefit payments as well as periodic termination and other benefit payments and expenses.

Management

The Plan manages liquidity risk by maintaining a cash reserve and performing regular cash flow projections to ensure the Plan can meet obligations. Most cash requirements are typically met through member and Plan Sponsor contributions. Additional cash requirements can be met through investment liquidity. IMCO manages liquidity risk by determining how much liquid assets should be maintained, the portion of liquid assets to be held as cash, day-to-day management of cash inflows and outflows, monitoring and reporting of measures including a liquidity coverage ratio and acknowledging and responding to crisis environment conditions. An IMCO liquidity committee is also responsible for overseeing a crisis environment plan and approving any breach remediation plans. A crisis environment condition is triggered by a drop in the S&P 500 of 10% (USD) over the prior week in conjunction with a drop of 15% over the prior month or as declared by the liquidity committee during periods of significant market stress.

As at December 31, 2023 and 2022, the Plan's investments are mostly in Government of Canada treasury bills and provincial bonds, which are highly liquid assets.

Note 11: Collateral

As of December 31, 2023 and 2022, the RPP had no collateral pledged or received and no security lending agreements.

Note 12: Commitments and Guarantees

As of December 31, 2023, there were $1,735 in unfunded commitments (2022 – $nil).

Note 13: Pension Obligation

FUNDING VALUATION

An actuarial valuation was prepared for the RPP as at January 1, 2023 by Aon plc, the Plan's appointed actuary, for the primary purpose of establishing contribution requirements in accordance with the Income Tax Act. The valuation was prepared in accordance with Ontario Regulation 290/13. The valuation was prepared based on membership data as at December 31, 2022. The next actuarial valuation for the purpose of developing funding requirements must be prepared with an effective date no later than December 31, 2026.

The valuation determined the maximum eligible contribution to the RPP under the Income Tax Act. The RPP is not subject to the provisions of the Pension Benefits Act. As such, there is no minimum required contribution to the RPP. The valuation was prepared using the projected unit credit cost method. As at January 1, 2023, the liability associated with the RPP was $419,993.

FINANCIAL STATEMENT VALUATION

For the purposes of these financial statements, Aon, the Plan's actuary, used the member data as at December 31, 2022 on the basis of the accounting methodology required by the CPA Canada Handbook – Accounting, Section 4600 and extrapolated those liabilities using current service cost and actual benefit payments to December 31, 2023. The obligations were determined using the projected unit credit prorated on service method. The total RPP, RCA, and SUPP pension obligations under this method for pension benefits payable under the Plan was $1,353,830 (December 31, 2022 – $1,395,060). This obligation is allocated and presented for each component of the Plan in the statements of financial position.

The indexation loss is due to the cost-of-living adjustment for January 2024 of 4.8%. Net experience losses in the RPP are primarily due to an Income Tax Act maximum pension increase greater than expected. Net experience losses in the RCA and SUPP are primarily due to salary increases greater than expected. The net impact of change in assumptions is the effect of losses from an expected cost-of-living adjustment of 2.5% effective January 2025 offset by gains from an increase of 0.95% in the discount rate for RPP and an increase of 0.6% in the discount rate for RCA and SUPP.

Significant assumptions used in the financial statement valuation for the Plan are shown below.

Assumptions	2023	2022
Economic Assumptions		
Increase in Consumer Price Index (Inflation)		
2023	**–**	6.30%
2024	**4.80%**	2.00%
2025	**2.50%**	2.00%
2026 and thereafter	**2.00%**	2.00%
Increase in Income Tax Act maximum pension limit	**2.75%**	2.75%
Increase in salaries	**3.00%**	3.00%
Nominal discount rate		
RPP	**4.75%**	3.80%
RCA and SUPP	**4.40%**	3.80%
Demographic Assumptions		
Mortality table	2004 Public Sector Canadian Pensioners' Mortality Table with generational projection using mortality improvement scale MI-2017.	

The discount rate for RPP has been set based on the Plan's investment policy and its funding policy and objectives. The discount rate for RCA and SUPP has been set based on the monthly average of the 20-year and 30-year Ontario Financing Authority borrowing rate for calendar years ended December 31, 2023 and 2022.

Note 14: Related Party Transactions

The Government of Ontario is the sponsor of the Plan. As at December 31, 2023, RPP held Province of Ontario bonds valued at $10,119 (2022 – $nil).

As the Plan administrator, the Board is assisted by OPB in carrying out its responsibilities. OPB administers payroll and benefits for Plan members and assists the Government of Ontario in carrying out its responsibilities in respect of the SUPP. OPB provides these services on a cost recovery basis. The SUPP administration expenses are fully paid by the Province (Note 8).

IMCO manages the RPP's investment assets. The RPP pays its share of IMCO's operating expenditures on a cost recovery basis (Note 9). Custodial fees are paid by IMCO on the Plan's behalf.

Note 15: Capital Management

The Plan defines its capital as the funding surpluses or deficits determined periodically through the funding valuations prepared by the independent actuary. The actuary's funding valuation is used to measure the long-term health of the Plan. The Plan Sponsor determines the level of funding payments. Any resulting deficit is guaranteed by the Plan Sponsor. There have been no changes in what the Plan considers to be its capital.

The RPP's SIP&P was amended and effective on September 21, 2023. The SIP&P also provides guidance with respect to the investment of the RPP's assets (Note 5a) to assist with the management of any funding excesses or shortfalls. The RPP's investment strategies and its individual portfolios have an objective to generate returns over rolling periods of five years or longer, as may be appropriate for a particular strategy, that meet or exceed the returns of relevant benchmarks. The expected long-term annualized nominal rate of return on the policy asset mix is 5.7% per annum, net of investment-related expenses, including investment management fees.