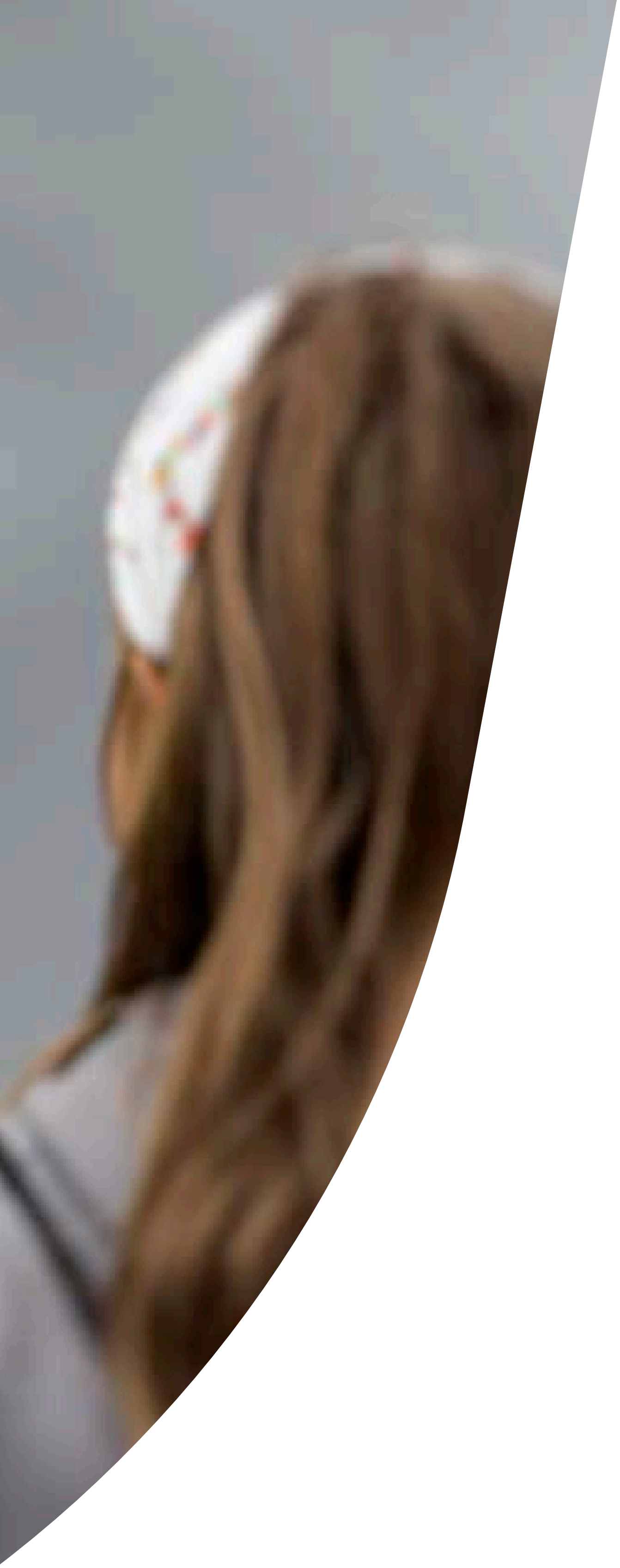
Annual Report

2020

Special Forces Pension Plan



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SFPP at a Glance

Total Memberships: 7,538

Active members to pensioners ratio: **1.66**

New pensioners in 2020

Average age: **54.8**

Average pension amount: **$49,207.29**

Funding status of the Plan: 94.6%

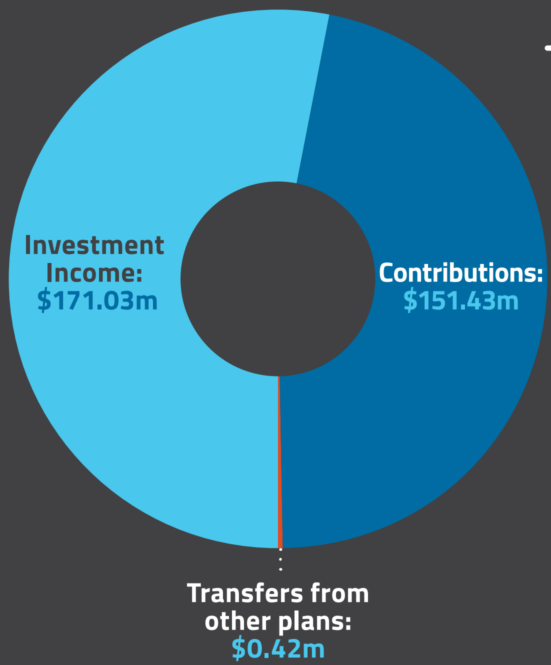
Pension services administration

Over **2,700** members calls were received.

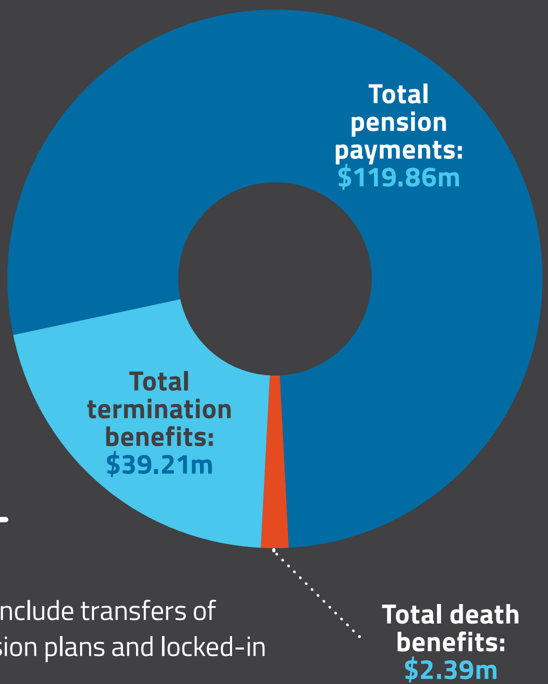
Over **6,900** self-serve pension estimates were run.

Over **1,200** secure messages were received.

Contributions – Cash Flow

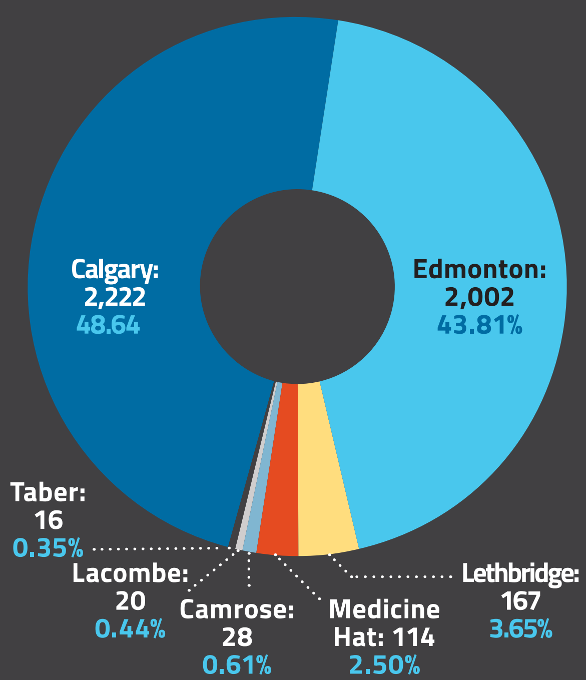


Payments

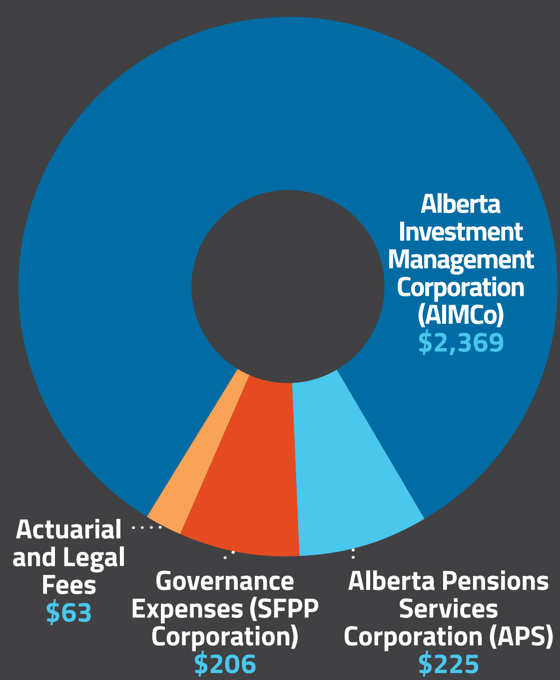


* Termination benefits include transfers of benefits to other pension plans and locked-in retirement accounts
* Total pension payments include disability benefits.

Active Members by Employer



Plan Expenses Per Member



Backing the Brave

4,569

active police officers

2,755

retired police officers and their beneficiaries receiving SFPP pensions

The pension plan for Alberta's municipal police

Resilience

Your pension is backed by

$3.59

billion in assets

Providing pensions since 1979

SFPP grew by

$138.4

million in 2020

Identity and Momentum

- Created new connections with our members through recruit classes and police associations
- Pensions and pre-retirement lump-sums are now calculated on the same basis
- Benefits for all members are now calculated using gender neutral assumptions
- Established our enterprise risk management program


POLICE

Executive Summary

The Special Forces Pension Plan (SFPP) was established in 1979 as a defined benefit pension plan for Alberta municipal police officers, including police chiefs and deputy police chiefs. The Plan currently has $3.6 billion in assets and over 7,500 active, retired and deferred members.

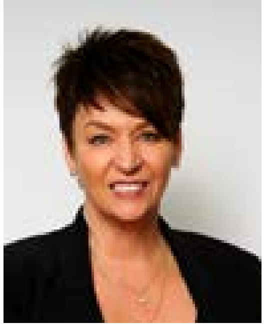
In March of 2019, legislated changes allowed SFPP to transition to a new joint governance structure. In the new structure, the SFPP Sponsor Board, comprised of employer and police association representatives, have responsibility for plan benefits and funding. SFPP Corporation, comprised of the Corporate Board and Management, are responsible for administering the plan benefits and investing the plan funds. SFPP Corporation is an agency of the Alberta Government, meaning there is a line of reporting to government, and legislation dictates specific requirements. Together, the Sponsor Board and SFPP Corporation have the primary purpose of providing members with a resilient and secure pension plan and the certainty that the Plan will continue to serve them now and into the future. For more details about joint governance, refer to the Governance section of the Annual Report.

In accordance with legislation, SFPP utilizes and oversees the services of Crown corporations of the Alberta government to invest the plan funds and administer the plan benefits. Alberta Investment Management Corporation (AIMCo) provides investment management services that align with SFPP's Investment Policy and Investment Management Agreement. Alberta Pensions Services Corporation (APS) provides benefit administration services that align with the SFPP Pension Services Agreement.

SFPP is funded by employer and employee contributions and the investment income acquired through long- and short-term strategies in order to pay pension benefits now and in the future.

SFPP Board Chair and CEO Message

Denis Jubinville
Board Chair



Liz Doughty
CEO

Momentum against all odds

Two years ago, the Special Forces Pension Plan (SFPP) Corporation was formed. Over that time, our team has worked through setting up a new two-board structure, developed a new plan text, navigated through a global pandemic, and persevered despite investment turbulence at AIMCo.

It's no secret that the pandemic has had a significant impact on the way the world operates. For example, global financial markets, investments and commodities have been volatile, and high unemployment rates have been widespread in many countries. Despite these impacts, your pension is secure. It does not fluctuate due to short-term investment volatility. Instead, your defined benefit pension is calculated based on your highest five years of salary and years of pensionable service.

Although AIMCo incurred investment losses for part of 2020, SFPP weathered the financial storm with a positive return. At the end of 2020, the Plan's projected funded position was 94.6%, a slight but notable increase from 93% in 2019 in this challenging economic environment.

That strong performance has continued through the first half of 2021; however, despite the recent recovery, we've observed long-term investment returns steadily reducing over the past 20 years. In 2000, future investment returns were expected to average 7.00 percent per year. Today, we forecast long-term future returns to be 4.95 percent per year. While SFPP's financial health has improved over the last decade, low-interest rates create a challenging environment.

The Special Forces Pension Plan plays an integral part in your retirement planning and security. We're working closely with our Corporate and Sponsor Boards to identify and address key funding risks and ensure the Plan is resilient for decades to come. Working together, we can safeguard the resiliency of SFPP by providing necessary and agile responses to new and emerging issues. We're carefully projecting the cost of our members' future pension benefits, the expected growth of the Plan's assets and the impact of a wide range of economic and demographic factors on the Plan's ability to meet its funding obligations in the long term.

We're also gathering feedback from active members and retirees about their retirement needs and experiences. We're planning a widespread consultation process through 2022 to hear from our members.

The pension environment is complex. Fortunately, we have a diverse group of talented people working together to place plan members at the center of every decision. As a result, we've continued to operate like a well-oiled machine—even through a global pandemic and societal change. This teamwork speaks volumes about our capacity to adapt as an organization and our team's fortitude.

On behalf of SFPP, we want to express our gratitude for your continued support and commitment to keeping our communities safe during these challenging times. SFPP's mission is to serve the best interests of our members—we don't take this responsibility lightly. We understand how difficult policing is on an average day. It's an even more incredible feat during times like these.

On behalf of everyone at SFPP, we hope you keep safe and in good health.

SFPP Plan Governance

Governance is a fundamental necessity in pension plans. In broad terms, governance is the structure and processes used to oversee, manage and administer a pension plan in accordance with legislation and in the best interest of plan members.

SFPP is a jointly sponsored pension plan consisting of a Sponsor Board and SFPP Corporation. The Sponsor Board is made up of employer and police association representatives and has the legal authority to make decisions in areas such as plan benefits, funding policy, contribution rates, cost-of-living adjustments and membership in the Plan. SFPP Corporation is made up of both a Board of Directors, who are nominated by employers and police associations and appointed by the Government of Alberta, and a professional management team. SFPP Corporation is the administrator and trustee of the Plan and has the legal authority to make decisions in areas such as the Plan's finances, administration and investments.

The Sponsor Board and SFPP Corporation work together to ensure that SFPP is resilient and affordable for all sponsors (employers and members) so that current and future pension payments continue to align with the promise of paying a lifetime pension.

In performing their duties, the Sponsor Board and SFPP Corporation are bound to codes of conduct stating they will demonstrate a high level of integrity, act honestly, consider all relevant facts before making decisions, be a positive ambassador for the Plan to stakeholders and show a commitment to ongoing learning in their roles.

SFPP Sponsor Board

- Make decisions related to plan design, including pension benefits and eligibility rules.
- Set contribution rates.
- Set cost-of-living adjustments for post-2000 service.
- Determine the Plan's risk tolerance in areas such as contributions, paying pensions and granting post-2000 cost-of-living adjustments and set the Funding Policy.
- Establish and maintain the SFPP Plan Text, which is the document that outlines all the rules and regulations of the pension plan.

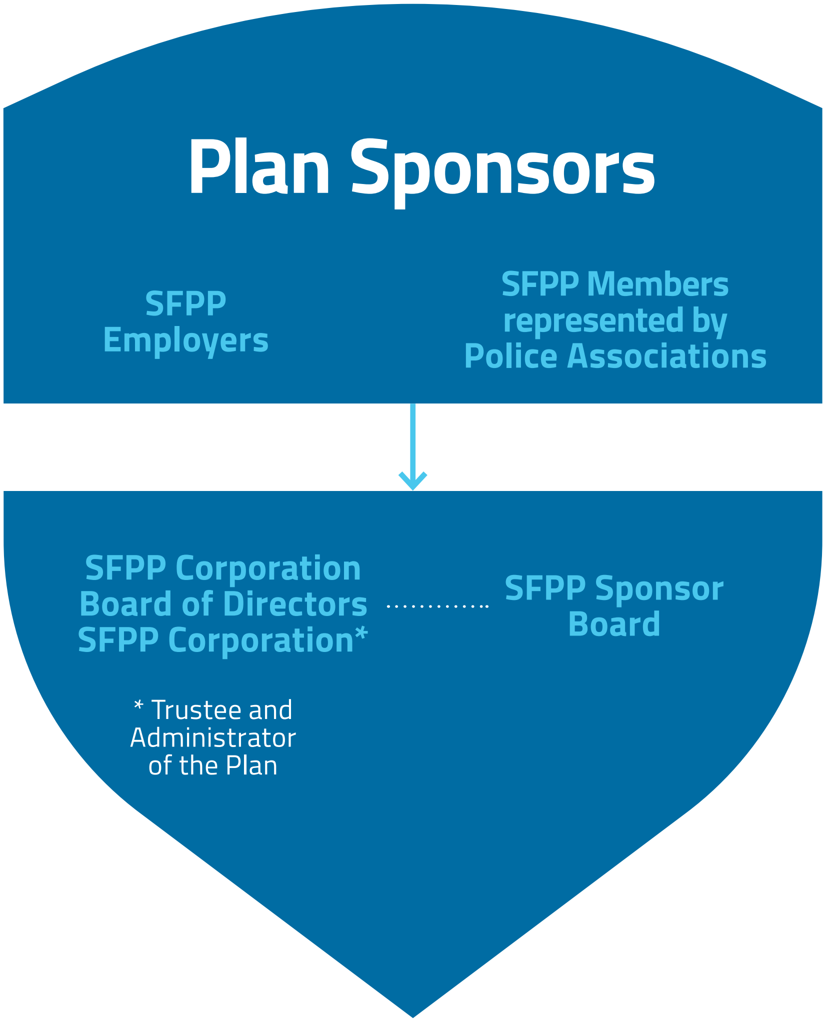
Each Sponsor Board member represents the views of the sponsor organization and must consider retired members.

SFPP Corporation

- Oversee the financial position of the Plan.
- Establish the Statement of Investment Policies and Procedures (SIPP), including setting the investment asset mix.
- Develop and execute strategic business planning.
- Develop SFPP's enterprise-wide risk management system.
- Arrange for actuarial valuations.
- Oversee and evaluate SFPP's service providers including:
  - Alberta Investment Management Corporation (AIMCo)
  - Alberta Pensions Services Corporation (APS)

Each Corporate Board Director has a fiduciary responsibility to act in the best interest of all SFPP members and to the SFPP Corporation. Directors must act independently of their nominating sponsor organization.

SFPP's governance structure



SFPP Sponsor Board

The SFPP Sponsor Board is made up of six representatives appointed by the Plan's sponsors.

SFPP Sponsor Board Members

Howard Burns (Chair)
Police Associations of Lethbridge, Medicine Hat, Lacombe, Camrose and Taber

Ellen Nygaard (Vice-Chair)
Municipalities of Lethbridge, Medicine Hat, Lacombe, Camrose and Taber

John Burdyny
Calgary Police Association

Christopher Collier
City of Calgary

Tony Simioni
Edmonton Police Association

Jodie Graham
City of Edmonton

SFPP Corporation Board of Directors

The employer and employee sponsor organizations are responsible for nominating individuals to the SFPP Corporate Board. Directors are appointed by the Lieutenant Governor through an Order in Council. The SFPP Corporation Board of Directors is a non-representative board. Each Director has a fiduciary responsibility to all members and to the Corporation.

SFPP Corporate Board Directors

Denis Jubinville (Chair)
City of Edmonton

Mike Baker (Vice-Chair)
Calgary Police Association

Monica Storer
City of Calgary

David Paton
Edmonton Police Association

Jason Elliot
Municipalities of Lethbridge, Medicine Hat, Lacombe, Camrose and Taber

Marc Gaumont
Police Associations of Lethbridge, Medicine Hat, Lacombe, Camrose and Taber

In 2020, the Corporate Board Directors received remuneration in accordance with the Remuneration Policy approved by the Sponsor Board.

2020 Corporate Board Meeting Attendance

Board Director	Regular Board Meetings (days)	Ancillary meetings	Total Remuneration Paid
Denis Jubinville	6/6	4/4	$5,704
Mike Baker	6/6	4/4	$4,090
Jason Elliott	6/6	3/4	$1,038
David Paton	6/6	3/4	$2,519
Marc Gaumont	6/6	4/4	$2,189
Monica Storer	6/6	4/4	$0.00*

* Director claims travel expenses and does not receive other remuneration.

SFPP Corporation Management Team

Elizabeth Doughty
Chief Executive Officer
Phone: 780-391-3692
Email: Liz.Doughty@sfpp.ca

Tennille Willis
Executive Director, Finance and Risk
Phone: 780-391-3464
Email: Tennille.Willis@sfpp.ca

Huw Buchtmann
Executive Director, Pension Policy and Communications
Phone: 780-391-3799
Email: Huw.Buchtmann@sfpp.ca

Backing the brave

Service Providers

Service providers are external organizations that have expertise in delivering a variety of services in support of SFPP. While some service providers must undergo a competitive selection process, SFPP is legally mandated by the Government to utilize AIMCo for investment management and APS for pension administration. Both the Sponsor Board and SFPP may utilize service providers to support appropriate oversight, such as with investment oversight. SFPP uses the following service providers:

Alberta Investment Management Corporation (AIMCo)

- Investment management that is strategic and in alignment with SFPP investment policies
- Integration of responsible investing practices into investment decision-making processes

Alberta Pensions Services Corporation (APS)

- Contributions management
- Member, pensioner and employer information management
- Benefit calculations
- Benefit payments
- Member communications on benefits

Mercer Canada

- Actuarial services (until December 31, 2020)
- Investment assets consultant

SFPP Membership

There are three types of members currently in SFPP:

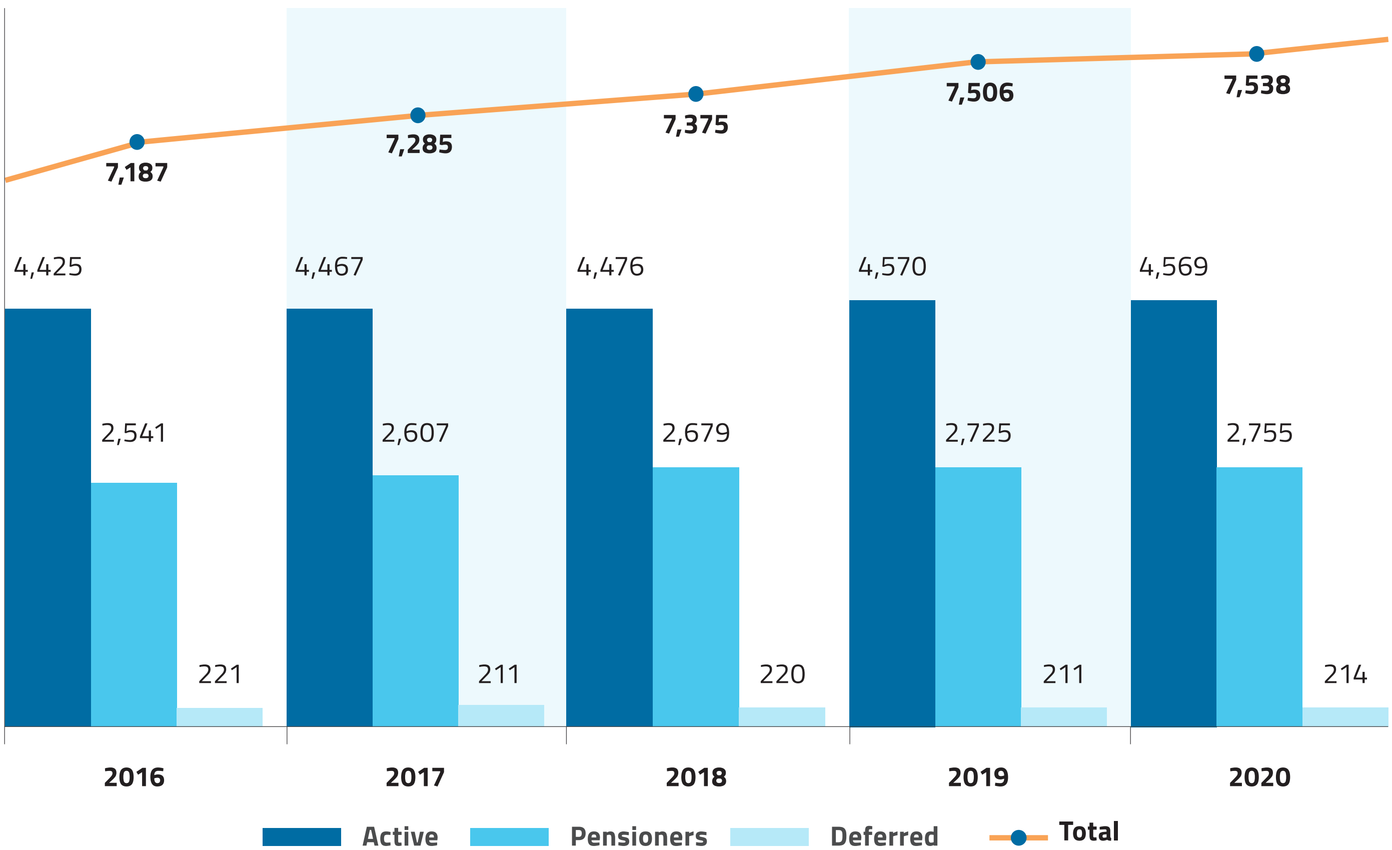
- Active members are those police officers currently employed by a participating employer.
- Pensioners are those who have commenced receiving an SFPP pension, including surviving spouses.
- Deferred members are those who have terminated employment, have benefits remaining in SFPP, but have not yet withdrawn their entitlement or commenced receiving a monthly pension.

SFPP saw 142 new members join the Plan in 2020, as well as 51 members retiring from the Plan and 89 members who resigned as municipal police officers, transferring their benefit from the Plan. Of the 89 members who resigned as municipal police officers, 72 removed their pension from SFPP, 53 of which were vested and 19 of which were non-vested.

Total SFPP membership in 2019 was 7,538, an increase of 0.4% from 2019.

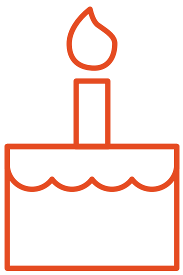
The total number of active members (those currently contributing to the Plan) remained stable in 2020, decreasing by one member from 4,570 to 4,569 members.

Membership trends – five-year comparison



The ratio of active members (those contributing to the Plan) to retired members (those receiving benefits from the Plan) has remained stable at 1.66 active members for every 1 retired member, compared to 1.74 active members for every 1 retired member in 2016. With people living longer and pensions being paid for greater periods of time, the reducing ratio of active members to retired members illustrates that SFPP is a maturing pension plan where at some point in the future more money will be paid as benefits than contributions received.

Active Members	2016	2017	2018	2019	2020
Average Age	40.1	39.9	40.3	40.6	41.4
Average Years of Service	10.6	11.7	12.2	12.4	12.8
Active Member to Pension Ratio	1.74	1.71	1.66	1.67	1.66



Oldest plan member is **97 yrs** of age and has been receiving a pension for 36.75 yrs

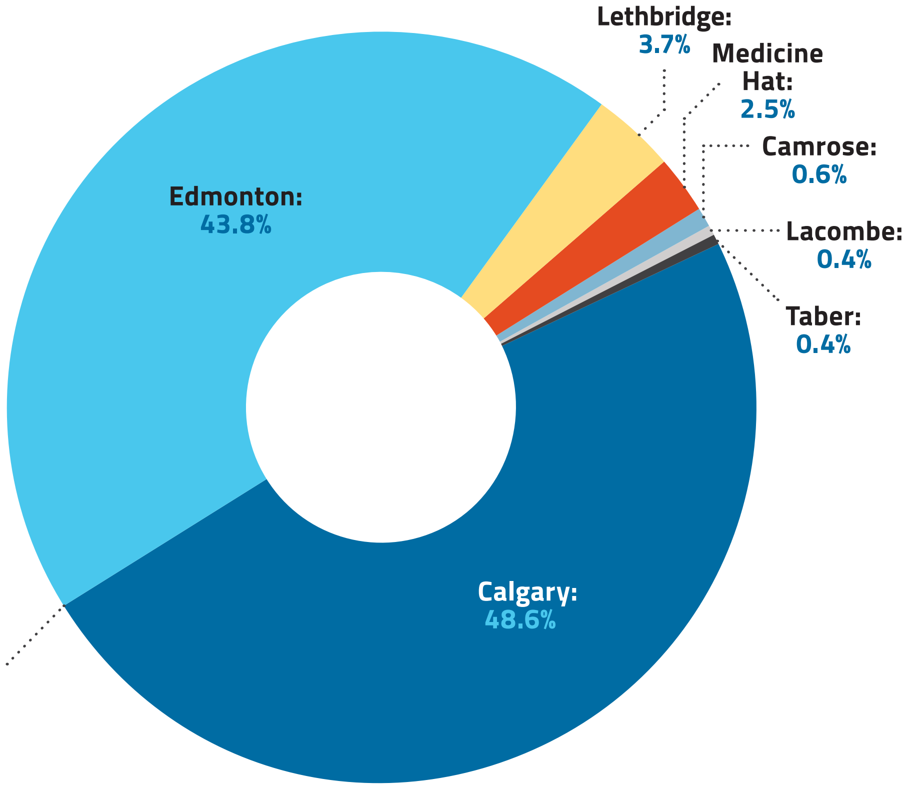
There are 11 SFPP members who have been with the Plan for more than **40 yrs** and are still working

Longest pension in pay is over **41 yrs**

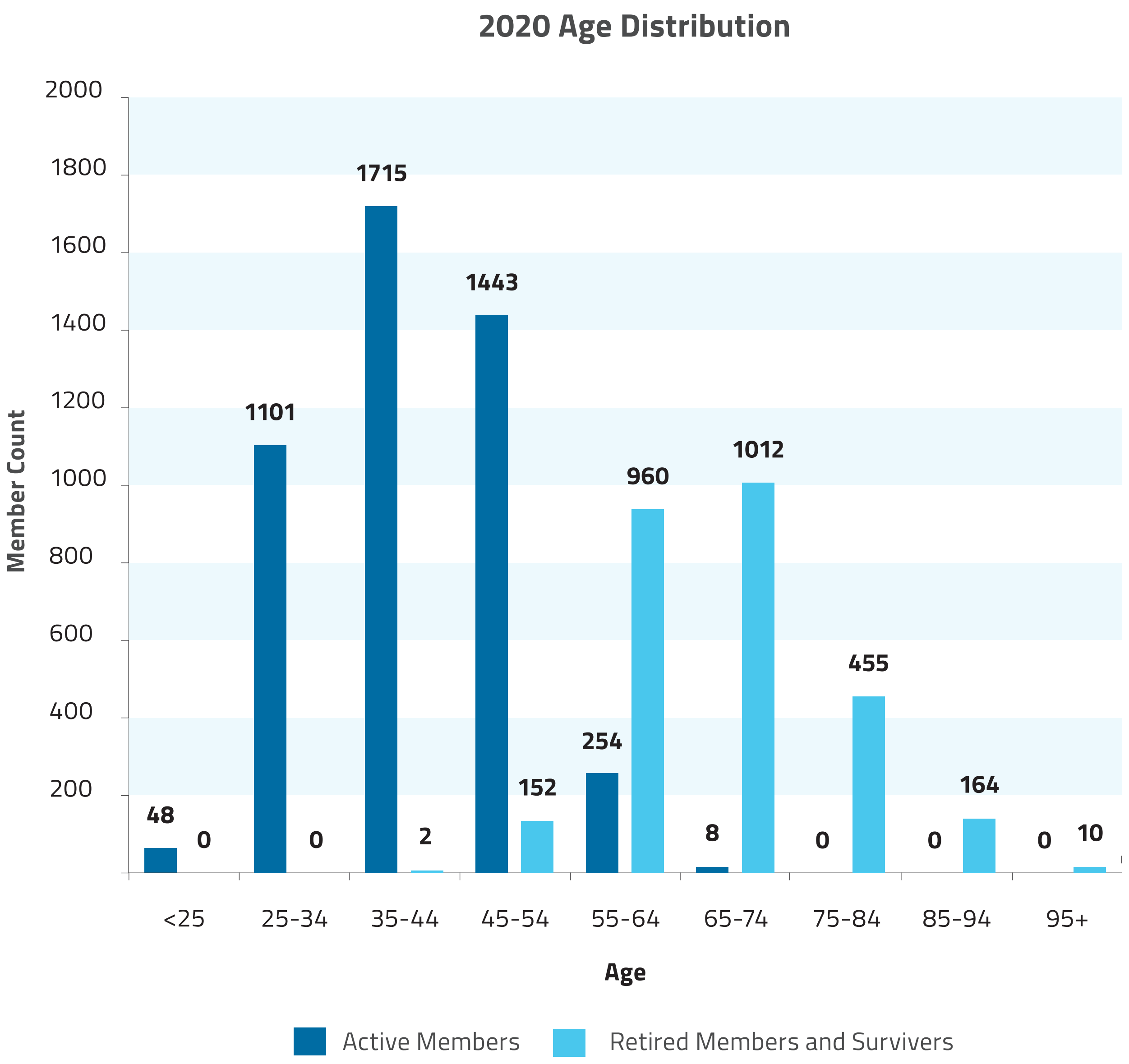
New Pensioners	2018	2019	2020
Number of New Pensioners	84	63	52
Average Age of New Pensioners	54.9	55.6	54.8

All Pensioners	2018	2019	2020
Average Yearly Pension Paid (Gross)*	$42,280.01	$43,762.75	$49,207.29
Current Pension Choices in Payment			
Joint Life Options	90.3%	90.2%	89.8%
Single Life Options	9.7%	9.8%	10.2%

*Spouses and beneficiaries, who may be splitting the pension are not included in the average yearly pension amount



* In the long-term, investment income is expected to make up approximately 70% of SFPP's funding increases. On a one-year basis, investment income can differ from long-term expectations.


2020 Age Distribution
Member Count
2000
1800
1600
1400
1200
1000
800
600
400
200
48
0
1101
0
1715
2
1443
152
254
960
8
1012
0
455
0
164
0
10
<25
25-34
35-44
45-54
55-64
65-74
75-84
85-94
95+
Age
Active Members
Retired Members and Survivers

2020 Accomplishments

The first full year operating in the new joint governance structure was 2020, and in a global economy significantly impacted by the pandemic. With the primary focus being on the security of the Plan, efforts centered on strategic business planning and risk management; identifying and addressing the economic impacts affecting the financial position of the Plan; establishing clear investment management and pension services agreements; and overseeing the delivery of AIMCo's and APS's products, services and costs. While there were many accomplishments over the year, some of the highlights are summarized below:

Strategic business plan and enterprise risk management

A resilient pension plan is one that can consistently deliver, through both favourable and adverse circumstances, pension benefits within an acceptable range of costs over the long term. SFPP Corporation, with input from the Sponsor Board, has enhanced the business planning and risk management process. SFPP has developed critical objectives, identified potential risks and mitigation strategies, and established both ongoing and strategic priorities to ensure the security of the plan, and to fulfill the promise of support throughout retirement to members.

Financial position of the Plan

Economic and geopolitical factors are creating an uncertain investment environment, exacerbated by the current pandemic. There is also concern that future levels of investment returns are projected to be lower than the returns seen in the last ten years. The Business Plan includes a critical objective related to optimizing long term investment returns to ensure the long-term resilience of the Plan. In 2020, achievements aligned with this objective include:

- Annual review of the Statement of Investment Policies and Procedures (SIPP) to improve alignment with investment returns and risk tolerance. The SIPP sets out the governing investment principles and guidelines, considering the Plan's requirements, characteristics, financial obligations, market expectations and asset mix. AIMCo is responsible for making decisions on where and how to invest the plan funds in alignment with the SIPP.

- As part of the disciplined, long-term approach to managing the financial health of the Plan, an actuarial valuation is completed at least every three years and filed with the Alberta Superintendent of Pensions and the Canada Revenue Agency. The valuation uses reasonable economic, demographic and investment assumptions, applicable to SFPP, to determine the cost of the pension promised and the adequacy of the money to fund those pensions. A key outcome of the valuation is the employer and employee contribution amount required over the term of the valuation. Although a valuation was done in 2019, concerns over investment returns and impacts on the Plan's fund prompted another review in 2020. Some benefits of the 2020 review include: contribution rate stability and time to respond to changing economic conditions.

Overseeing service providers

Service providers are external organizations that have expertise in delivering a range of services in support of SFPP. While some service providers must undergo a competitive selection process, SFPP is directed through legislation to utilize AIMCo for investment management and APS for pension administration. All service providers require oversight; however, due to the nature and significance of the services provided by AIMCo and APS, extensive time and resources are focused on establishing clear investment management and pension services agreements, and monitoring performance of the providers. In 2020 some accomplishments include:

AIMCo

- Significant effort was made on negotiations with AIMCo on a new Investment Management Agreement (IMA). The IMA is a legal agreement between SFPP and AIMCo that clearly defines the working relationship, cost of products and services, investment risk management and other expectations of SFPP and is expected to be complete in 2021. In the interim, the Government of Alberta established a working arrangement in the form of a Ministerial Order, which outlines how SFPP and AIMCo will meet their respective mandates under the legislation. Considering approximately 70 cents of every pension dollar comes from investment returns and SFPP's investment expenses per member in 2020 was $2,369, SFPP Corporation is committed to strong governance over AIMCo and the investment of the Plan's assets.

- Throughout the year, SFPP Corporation monitors and addresses the performance of AIMCo in areas such as: alignment with SFPP investment goals, organizational effectiveness, investment risk management and investment performance. Quarterly investment reporting by AIMCo are thoroughly scrutinized by SFPP Corporation and an independent consultant, and AIMCo must address questions and issues to the satisfaction of both parties. A performance scorecard, submitted to the CEO of AIMCo, provides both an assessment of performance and recommendations for areas of improvement with the expectation of timely results. Critical areas identified for improvement in 2020 were: increased investment risk management and better alignment of the business model to meet the needs of SFPP.

APS

- Significant progress was made on negotiations with APS on a new Pension Services Agreement (PSA). The PSA is a legal agreement between SFPP and APS that clearly defines provisions in areas, such as: products, services, performance levels and costs. APS provides pension administration services, such as: receiving contributions, calculating pensions, paying pensions and having thousands of direct contacts with SFPP members each year. The cost for these services in 2020 was $225 per member. Taking into account the breadth of the services provided and the cost to provide them, SFPP Corporation ensures effective governance measures, such as the PSA, are in place.

- Throughout the year, SFPP Corporation monitors and addresses the performance of APS in areas, such as: alignment and compliance with the PSA, organizational effectiveness, effectiveness of operations and systems and overall performance. Regular reporting by APS is evaluated and any questions or issues must be addressed to the satisfaction of SFPP Corporation. A performance scorecard, submitted to CEO of APS, provides both an assessment of performance and recommendations for improvement. In 2020 several areas were identified for improvement including the cost of services and better alignment of APS's business model to meet the needs of SFPP.

The Year Ahead

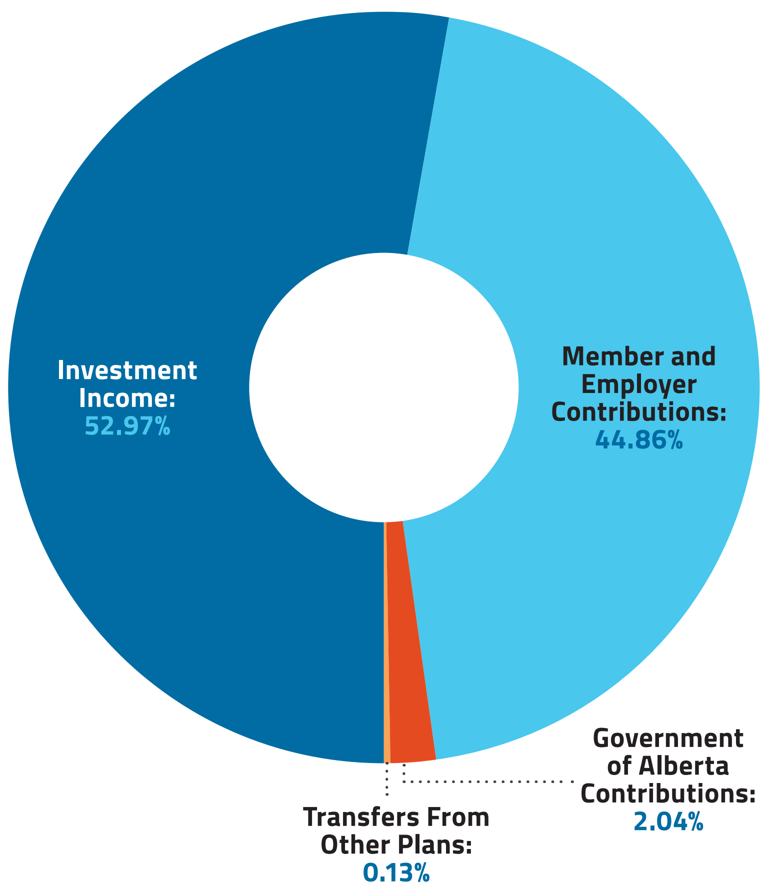
The 2021-2023 Strategic Business Plan and Enterprise Risk Management System identifies on-going and strategic priorities that will guide our efforts over the next three years. A top priority identified for 2021 is to conduct a Funding Risk Study. The study will be completed by the end of 2021 and will identify, assess and prioritize the potential risks facing the Plan. From there actions will be identified to mitigate the impact of risks on the resilience and security of the Plan.

Management Discussion and Analysis

Plan Funding

The Plan is primarily funded by employer and employee contributions and investment income. Approximately 70 cents of every pension dollar comes from investment income. The Sponsor Board is responsible for developing the Funding Policy (the Policy) that sets out the principles and guidelines necessary to ensure adequate funding of the Plan. The primary objective of the Policy is to provide a pension plan that meets the needs of sponsors (members and employers) including stable and affordable contribution rates. By applying the Policy, employee and employer contribution rates have stabilized over the last 10 years and the Plan's funded position has continued to improve since the 2008 global financial crisis.

Funding Increase by Source



In the long-term, investment income is expected to make up approximately 70% of SFPP's funding increases. On a one-year basis, investment income can differ from long-term expectations.

Financial Position of the Plan

A primary responsibility in plan governance is to ensure the Plan has net assets that fully support the pension benefits for members. The assets and pension payments in the Plan are managed over the long term and actuarial valuations are used to assess the financial health of the Plan. The actuarial valuation takes into consideration relevant long-term assumptions that affect the funding of the Plan, such as: investment returns, demographics, inflation, salary, mortality and retirement age. This provides a more realistic funding amount than the Financial Statements, which do not factor in these assumptions.

An independent actuary conducted a valuation in 2020 of SFPP's funding position as of December 31, 2019. This valuation compares SFPP's assets, smoothed for investment volatility, with the Plan's funding liabilities. SFPP uses the funding valuation to determine contribution rates and cost-of-living adjustments. Overall, SFPP's funding status improved from 92.4% funded (December 31, 2018 valuation) to 93.0% (December 31, 2019 valuation). At December 31, 2020, the funding status was extrapolated from the 2019 valuation to be approximately 94.6%.

	Plan Assets		
($millions)	**As at December 31, 2018**	**As at December 31, 2019**	**As at December 31, 2020**
Market Value of Assets	$3,028.3	$3,454.3	$3,592.7
	Actuarial Valuation		**Funding Extrapolation**
($millions)	**As at December 31, 2018**	**As at December 31, 2019**	**As at December 31, 2020**
Smoothing Adjustment	$42.4	($122.8)	($72.6)
Actuarial Value of Assets	$3,070.7	$3,331.5	$3,520.1
Actuarial Funding Target	$3,323.9	$3,580.5	$3,719.9
Funding Excess or (Unfunded Liability)	($253.2)	($249.0)	($199.8)
Funding Status	92.4%	93.0%	94.6%

The market value of assets is the fair market value of the Plan in the current year as stated in the Financial Statements. The *Employment Pension Plans Act* requires that plan funding be based on the actuarial valuation. Here is what the numbers mean:

- The Smoothing Adjustment is an accepted actuarial practice of spreading investment returns over a longer term to even out fluctuations in the market. This practice generates an Actuarial Value of Assets that can be higher or lower than the Market Value of Assets.
- The Actuarial Funding Target is how much money the Plan needs to pay pension benefits.
- Funding excess or (unfunded liability) is the difference in the Actuarial Value of Assets and the Actuarial Funding Target.
- Funded Ratio is the percentage of the Actuarial Value of Assets over the Actuarial Funding Target.

Liabilities

SFPP calculates the liabilities and assets separately for pre-1992 and post-1991 service because the Government of Alberta shares in the funding of the pre-1992 unfunded liability. When there are not enough assets to pay the pension benefit obligations the shortfall is called an unfunded liability.

SFPP's post-1991 unfunded liabilities are amortized up to 15 years from the date they are originally established, with the costs shared equally between members and employers. SFPP's post-1991 funded position has improved over 9 years from 81.1% (as of the December 31, 2011 valuation) to 100.4% (as of December 31, 2020, extrapolated from the December 31, 2019 valuation).

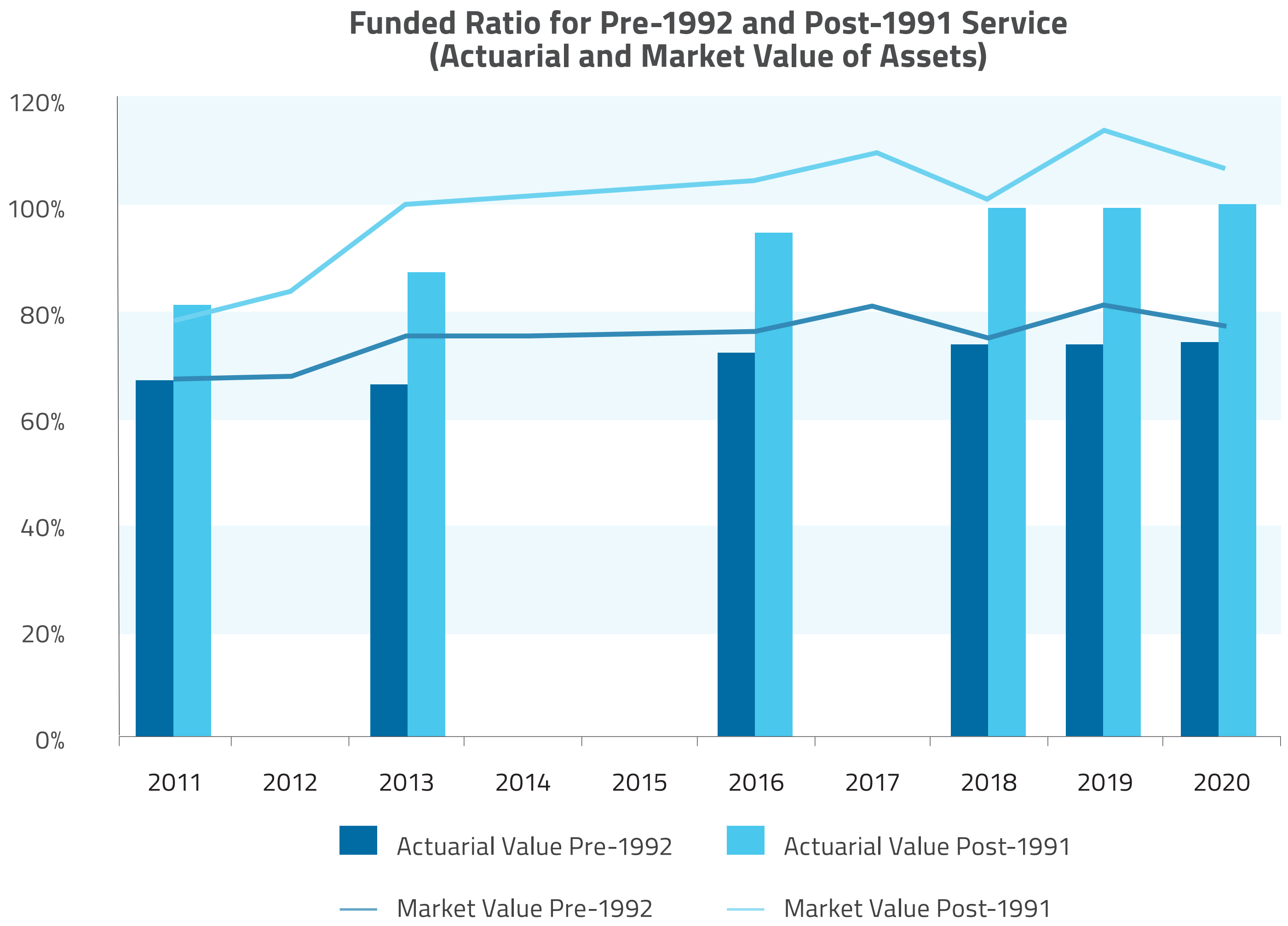
The contribution rates for the pre-1992 unfunded liability are set by legislation. Members, employers and the Government of Alberta contribute to the pre-1992 unfunded liability until December 31, 2036. SFPP's pre-1992 funded position has improved from 66.7% (as of the December 31, 2011 valuation) to 73.7% (as of December 31, 2020, extrapolated from the December 31, 2019 valuation).

SFPP Contribution Rates

	Members	Employers	Total
Current service contributions	11.77%	12.87%	24.64%
Post-1991 unfunded liability contributions	0.93%	0.93%	1.86%
Pre-1992 unfunded liability contributions	0.75%	0.75%	1.50%
Total contributions	13.45%	14.55%	28.00%

* The Government of Alberta pays an additional 1.25% towards the pre-1992 unfunded liability.

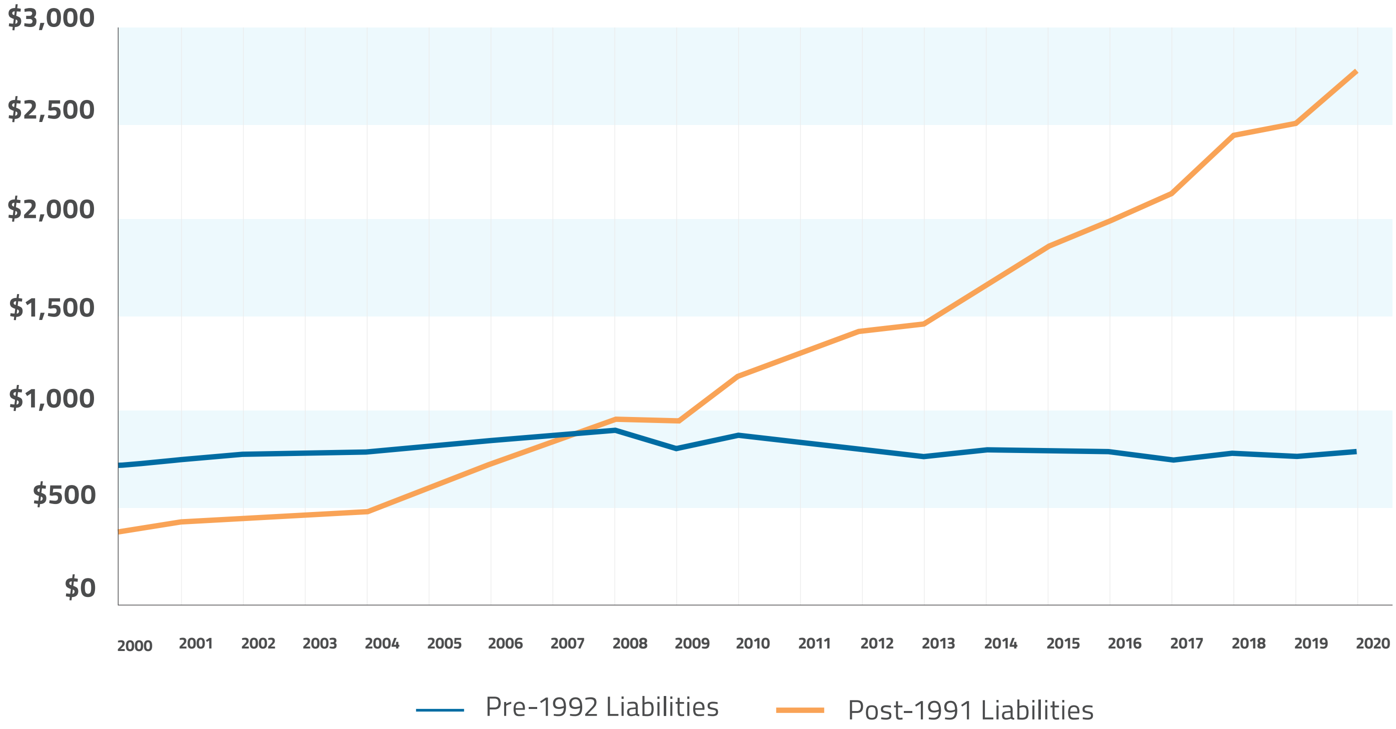
The following chart illustrates SFPP's funded ratio for pre-1992 and post-1991 service over the last decade, both on an actuarial basis (applying funding tools such as asset smoothing to determine contributions to the Plan) and a market value basis (used in the financial statements).



*Actuarial valuations were conducted in 2011, 2013, 2016, 2018 and 2019. A December 31, 2020 extrapolation was prepared for 2020, based on the December 31, 2019 valuation. The Plan's market value is determined each year as part of the financial statements.

SFPP's total (accrued) liabilities for pre-1992 service has remained consistent between $730 million and $860 million for the last 20 years. This can be attributed to two primary reasons. First, there are fewer active members in SFPP with accrued pre-1992 service with each passing year. Second, the Plan's long-term expected returns have decreased, which in turn have increased the cost of liabilities. At the same time, total post-1991 liabilities have outgrown pre-1992 liabilities as members continue to accrued service after 1991.

Liabilities by Service Split ($millions)



The Plan's extrapolated funding liabilities as of December 31, 2020 are estimated at **$3,719.9 million**, a growth in liabilities of 3.9% over the December 31, 2019 valuation of $3,580.5 million. The extrapolated pre-1992 liabilities at December 31, 2020 are **$799.4 million** and the post-1991 liabilities are **$2,920.5 million**. The increase in liabilities was partly due to a reduction in long-term expected future investment returns, as well as normal movement in salaries and service. Where there is a shortfall between accrued liabilities and the Plan's assets, SFPP will have an unfunded liability. The Plan's actual funding status will be assessed at the next actuarial valuation, which is required within three years of the previous valuation as at December 31, 2019.

Looking ahead

The Sponsor Board and SFPP Corporation are focused on ensuring SFPP is a resilient and affordable pension plan, while managing the challenges being experienced by pension plans across Canada. This includes concerns over future investment income, members living longer in retirement and plan maturity. In 2021 there will be an in-depth review of the Plan through a Funding Risk Study. This will identify strengths, vulnerabilities and challenges inherent in the Plan and risk mitigation strategies.

Some key areas will be reviewed in the Funding Risk Study, including:

- Adequacy and affordability of cost-of-living adjustments in the short- and long-term for pensioners
- Long-term expected rate of investment returns
- Plan maturity which considers funding issues when the ratio of members contributing to the Plan becomes lower than retirees
- Increases in mortality rates

Backing the brave

"investment performance plays a critical part"

Investment Report

The market value of the Fund's assets was $3,592.74 million at the end of 2020, an increase of $138.36 million (4.0%) from the end of 2019. The growth in assets was driven by the Plan's investment income of $171.03 million (net of investment costs) less payments of $161.46 million (benefit payments and administrative expenses). This increase in benefit payments was due to a temporary increase in pre-retirement resignations in the first quarter and members transferring their benefits to other retirement savings.

Policy

With approximately 70 cents of every dollar paid coming from investment returns, investment performance plays a critical part in making sure there is enough money to pay pension benefits now and in the future. SFPP assets are invested using a long-term strategy set out in the Statement of Investment Policies and Procedures (SIPP). The purpose of the SIPP is to establish principles and guidelines for the investment of the Plan's assets that aligns with the Sponsor Board's Funding Policy. This includes clearly stating requirements related to areas such as the asset mix; management of the Fund; criteria to measure, monitor and evaluate investment performance results; and investment risk management. SIPP also strives to improve communications between all parties in order to execute the best investment strategies. SFPP Corporation reviews the SIPP annually to improve alignment with investment returns and risk tolerance. The SIPP is available on the SFPP website under SFPP Corporation, Plan Documents.

Investment Manager

AIMCo is an Alberta crown corporation and the government mandated investment manager for SFPP. AIMCo reports to the President of Treasury Board and Minister of Finance. In total, AIMCo administers investment portfolios of around $120 billion on behalf of other public sector pension plans and the Government of Alberta. AIMCo is responsible for the day-to-day investment of SFPP's assets subject to the SIPP. Investment managers have the flexibility to act within the prescribed limits of the SIPP in order to provide value over the policy benchmark. Returns above the benchmark (value add) is expected considering the active management approach used by AIMCo. Both compliance with the SIPP and performance against the specified benchmarks are monitored by SFPP Corporation and an independent consultant.

SFPP Corporation is negotiating a new Investment Management Agreement (IMA) with AIMCo. The IMA is a legal agreement that clearly defines the working relationship, cost of products and services, investment risk management and other expectations of SFPP. The IMA is an important tool that ensures AIMCo is accountable and in alignment with the specific needs of the Plan. Until the new IMA is finalized, expected in 2021, the government has put in place a temporary Ministerial Order, which outlines how SFPP and AIMCo will fulfil their respective mandates under the legislation. Regardless of the rules in place, SFPP Corporation will continue to provide oversight of AIMCo to ensure that investment governance is appropriate and that investment decisions are in the best interest of the Plan.

Throughout the year SFPP Corporation monitors AIMCo's performance in relation to both the SIPP and IMA. While investment performance is crucial to the Plan, it is also important to monitor and assess how effectively AIMCo has aligned their business model to the needs of SFPP. A performance scorecard is used to assess and communicate AIMCo's performance in the following areas:

- Alignment with SFPP goals and investment objectives
- Organizational sustainability to deliver expected returns
- Management of investment risk specific to SFPP
- Investment performance in relation to benchmarks and value add

The performance scorecard is submitted to the CEO of AIMCo; it includes both the assessment and recommendations for improvement.

Investment performance

The 2020 returns are reported against the backdrop of the most significant humanitarian and financial challenge the world has faced in generations. The COVID-19 pandemic had significant and far-reaching financial impacts across the globe. The pandemic created a stress test for how statement of investment policies and procedures is structured and how portfolios are invested. For the whole of 2020, the Fund generated a return of 4.52% relative to a benchmark of 10.22%, returning just 44% of the expected return. Pension investing has a long-life cycle, and it is important to look at the results over the long-term. On a four and 10-year annualized basis the Plan returned 7.3% and 8.6% respectively against expected benchmark returns of 8.4% for each year.

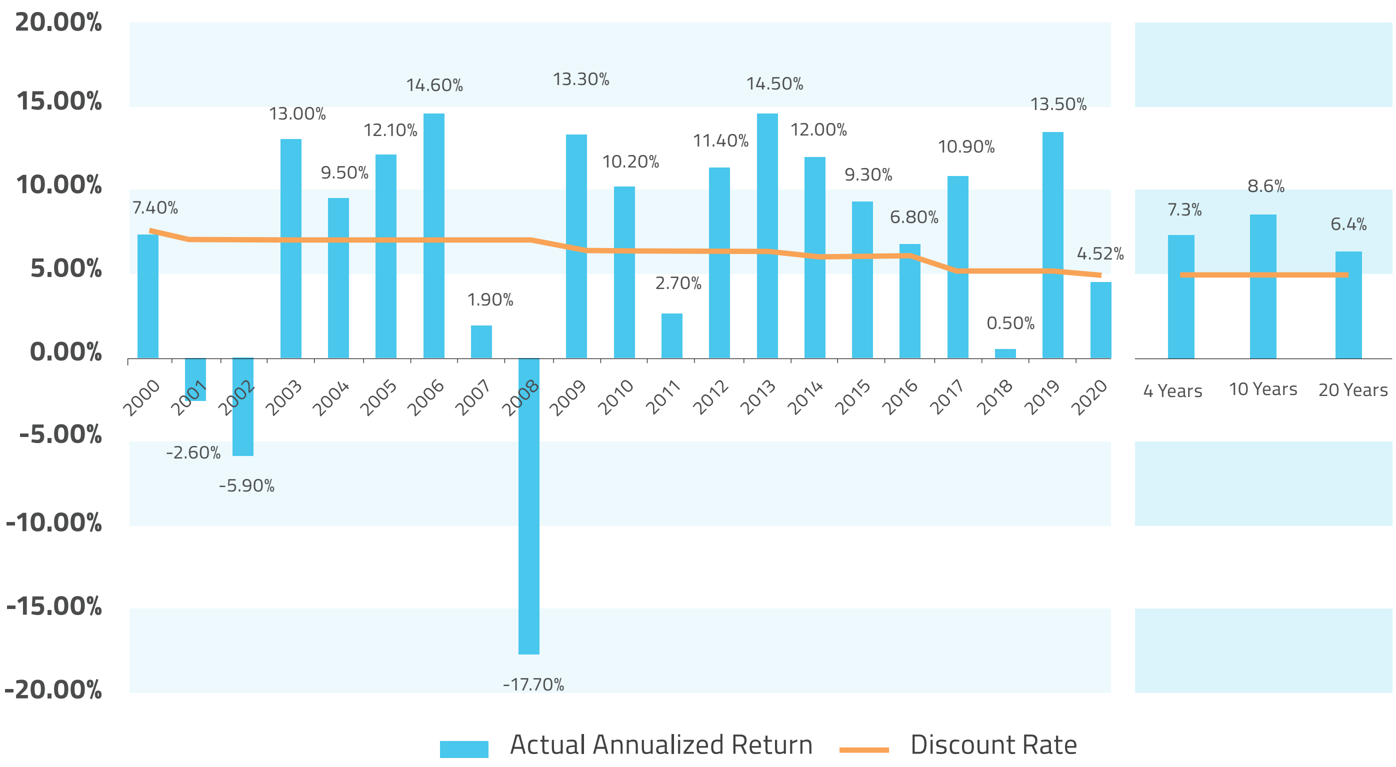
Investments: $3,587.5 million
(2019: $3,444.6 million)

Return on Investments: 4.52%
(2019: 13.5%)

Investment Income: $171.0 million
(2019: $431.0 million)

Investment Expenses: $17.9 million
(2019: $20.5 million)

Net of expenses, SFPP's investments generated a return of 4.52% in 2020, lower than the current long-term funding expectations (called the discount rate). Over the past four, 10 and 20 years, SFPP's actual investment return was above the long-term funding expectations.



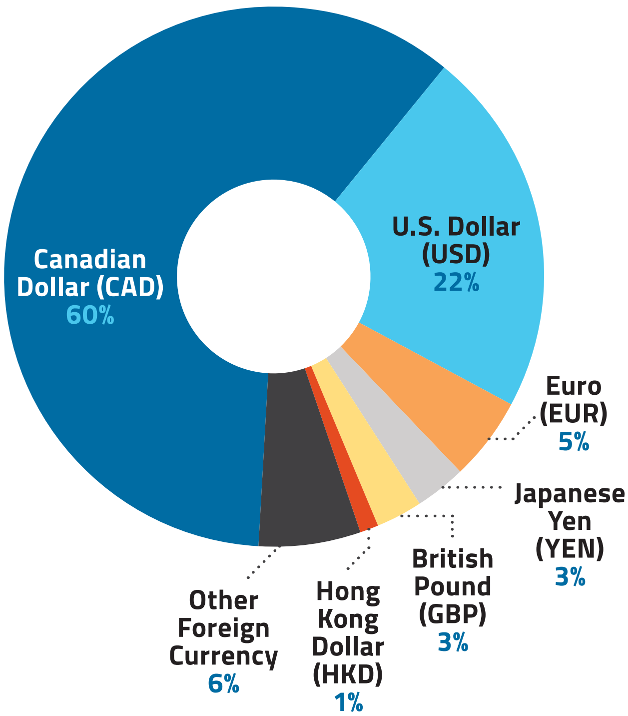
When overseeing the performance of AIMCo, SFPP compares the actual return with the benchmark set out in the Plan's Investment Policy. Returns above the benchmark are expected, reflecting that AIMCo takes an active-management approach. In very general terms, active managers respond to changing capital market expectations and rely on analytical research, experience and forecasts to make decisions on what securities to buy, hold, or sell.

As can be seen in the table below, AIMCo was unable to exceed the benchmark in 2019 and 2020.

Investments Returns (%)

Ending December 31, 2020	Annual Returns (%)					Annualized Returns (%)		
	2017	2018	2019	2020		4 Years	10 Years	20 Years
Actual return	10.9	0.5	13.5	4.5		7.3	8.6	6.4
Policy benchmark return	9.6	-0.1	14.3	10.2		8.4	8.4	6.3
Value added	1.3	0.6	-0.8	-5.7		-1.1	0.2	0.1

Investments by Currency



The Canadian economy and stock market is heavily influenced and weighted towards commodities. To develop a truly diversified portfolio, SFPP invests in other countries to develop a richer exposure to different industries and leading companies. As a consequence, SFPP takes on an additional risk exposure in terms of currency. As a result, the relative performance of the Canadian dollar against other currencies can impact the Plan's returns. If the dollar performs as well as it did in 2020, then non-Canadian investments won't return well once translated back into Canadian dollar terms. What is important to understand is the Canadian dollar is sensitive to commodity prices. When commodity prices rise, the Canadian dollar performs and so does the Canadian stock market. This creates additional cyclical volatility for a Canadian-based investor and the additional currency exposure with SFPP's non-Canadian investments over the long term actually enhances the benefit of diversifying outside of Canada.

Asset Mix

SFPP is invested in a diverse set of asset classes to help improve the likelihood of achieving the desired results for a given level of risk. In broad terms, SFPP has fixed-income, equities and inflation-sensitive assets. Fixed income (which includes long bonds, mortgages and private debt) has a high correlation to our funding risk and will provide a cushion for the Plan in periods of volatility and uncertainty. This was well demonstrated in 2020, when SFPP's fixed income exposure partially mitigated the impact of the dramatic decline in public equities. Equities, which includes both public and private, provides growth to meet the Plan's expected rate of return needed to fund the long-term cost of the Plan. Inflation-sensitive assets include real-return bonds, real estate, infrastructure and renewables. Inflation-sensitive assets offset to varying degrees the effects of inflation on the valuation of the Plan's pension payments. As at December 31, 2020, the long-term policy asset mix was:

Asset Class	Long-Term Policy Weight	Policy Range		Actual	
		Min	Max	2019	2020
	%	%	%	%	%
Money Market	**1.0**	**0.0**	**10.0**	**1.1**	**1.2**
Fixed Income	**23.0**			**24.3**	**25.8**
Universe Bonds				5.7	8.1
Private debt				1.0	1.5
Private Mortgages				2.0	2.0
Universe bonds, mortgages, private debt (1)	8.0	4.0	18.0	8.7	11.6
Long government bonds	15.0	12.0	20.0	15.6	14.2
Equities (2)	**47.0**			**52.0**	**52.4**
Canadian	10.0	8.0	16.0	14.1	10.3
Global developed	25.0	14.0	34.0	27.8	31.2
Emerging markets	4.0	0.0	8.0	4.1	4.3
Global small cap	3.0	0.0	6.0	3.2	3.2
Private Equity	5.0	0.0	8.0	2.8	3.4
Inflation sensitive	**29.0**	**0.0**	**0.0**	**21.9**	**20.1**
Real return bonds	4.0	2.0	8.0	4.6	3.9
Real estate (Canadian) (3)	8.5	6.0	15.0	6.8	6.0
Real estate (foreign) (3)	4.0	1.0	7.0	2.5	3.1
Infrastructure				5.9	5.5
Timberland				2.1	1.6
Infrastucture and timberland	12.5	7.0	15.0	8.0	7.1
Strategic, tactical and currency investments	**-**	**-**	**-**	**0.7**	**0.5**
Grand Total	100.0			100.0	100.0

(1) The combined allocation to private mortgages and private debt is restricted to a range of 0% to 6%
(2) The combined allocation to public and private equities is restricted to a maximum limit of 72%
(3) Two separate allocations to Canadian and Foreign comprise the long-term strategic allocation of 12.5% to real estate.

Asset class summary descriptions

The following explains each asset class and its value to a diversified portfolio.

- Money market: These investments are typically characterized by safety and liquidity. The short-term nature of this investment and low absolute volatility makes it generally low risk, but that also gives it relatively low rates of return.
- Fixed income: There are a variety of instruments that fall under this category, as noted in the table on the previous page but this asset class consists of investments that pay out a set level of cash flows to the Plan, typically in the form of fixed interest or dividends for a fixed term. At maturity, these debt instruments usually also repay the principal that the Plan invested to begin with. Fixed income securities align closely with the interest rate risk associated with the Plan's pension obligation.
- Equities: Equities are shares of ownership in both publicly traded and private companies. To enhance stability through diversification, these instruments are further divided by geographical/economic region (Canadian, global developed, and emerging market) and market capitalization/size of business. These investments are intended to provide long-term growth which will enable the Plan to meet the funding requirements of its pension obligation.
- Inflation sensitive: These investments include any publicly traded or privately held investment that provides inflation-based returns, seen as protection against inflation. This typically consists of tangible assets such as investments in real estate, infrastructure, or renewables or real-return bonds, which are bonds that pay a rate of return adjusted for inflation. The goal of this asset class is protecting the Plan's assets against inflation.
- Strategic, tactical and currency investments: SFPP provides AIMCo with the autonomy to invest up to 5% of total assets in certain strategic opportunities that are outside the asset classes listed above. This gives our investment manager the opportunity to pounce on opportunities which may arise that they deem appropriate to the Plans mandate and which could yield a higher-than-average return, although that is usually associated with a higher-than-average risk profile.

Investment risk management

Investment risk management is a key component in effective governance of the Plan. SFPP Corporation and the Sponsor Board recognize that in order to meet the investment return objectives of the Plan, a reasonable level of investment risk must be taken. The Sponsor Board determines the Plan's risk tolerance through the Statement of Risk Appetite and the Funding Policy. This is then incorporated in the development of the SFPP Corporation Statement of Investment Policies and Procedures (SIPP).

The SIPP has clearly defined benchmarks, guidelines, standards and controls at both the total fund and asset class levels. AIMCo has the flexibility to act within prescribed limits to increase returns above the benchmarks (referred to as value add). Both compliance with the SIPP and performance against the specified benchmarks are monitored formally on a quarterly basis by SFPP Corporation and an independent asset consultant.

The Plan has a long-term investment horizon, and the need for long-term growth net of inflation. Investment objectives and strategies emphasize the long-term outlook and interim performance fluctuations are viewed within this context. Risk is assessed relative to liability primarily using asset-liability studies. Investment risk management does not require the elimination of risk, but the balancing of risk and return.

Risk can be reduced through asset class diversification. Diversification also aims to reduce volatility, negative impacts from unanticipated inflation and exposure to individual issuers or single industries.

AIMCo also has accountability for investment risk management. A quantitative investment risk management system is applied across all asset classes and a variety of risk types.

The Plan is exposed to risks associated with the underlying securities held in the pooled investment funds managed by AIMCo. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is comprised of foreign currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its pension obligations as they become due.

SFPP Corporation manages investment risk using the following tools:

1. Annual review of SFPP's SIPP, which could include changes to asset mix, performance benchmarks as well as credit and risk limits.
2. Periodic Asset Liability Management reviews which are used to develop the long-term asset mix policy, and help formalize the risk appetite and ensure liquidity.
3. Using clearly defined benchmarks for the portfolio, the individual asset classes and for value add expectations by the investment manager.
4. Quarterly reviews of investment performance results by SFPP Corporation and an external investment consultant.
5. Monitoring and reviewing investment return expectations for asset classes and the fund as a whole and forward-looking risks as part of the Plan's enterprise risk management program.
6. Regular and systematic reviews of AIMCo, which are formally provided to the CEO of AIMCo on an annual basis.
7. Working with an external investment consultant in addition to in house expertise to ensure appropriate oversight and monitoring of all aspects of the investment manager, AIMCo.

Pension Services Administration Report

Alberta Pensions Services (APS) is a Crown corporation of the Alberta Government and is the mandated provider of pension services administration for SFPP and other public sector pension plans in Alberta. SFPP Corporation oversees the services provided by APS through the Pension Services Agreement (PSA). The PSA is a negotiated, legal agreement between SFPP and APS that clearly defines standards in areas such as the collection and management of relevant member data and contributions, the calculation and payment of pension benefits and the communication of pension transactions.

SFPP also uses a performance scorecard to assess APS's performance and makes recommendations to APS's CEO for improvement in areas, such as: alignment and compliance with the PSA, organizational effectiveness, effectiveness of operations and systems and overall performance.

APS operating and plan-specific expenses are determined using an activity and transactional-based methodology outlined in the PSA. Based on average membership numbers, SFPP's expenses lead to a cost-per-member of $225 for APS's administration services. The implementation of recent changes in legislation resulted in an increase to the cost per member for 2020, as shown in Note 12 in the SFPP Financial Statements on page 48.

Through ongoing reporting and monitoring, SFPP Corporation works with APS management to discuss and develop plans to improve service levels that are below the target.

Pension Service Levels

Pension Service Provided	Service Level	Target	Average Elapsed Time	% that met Target
Pension estimate	Within 7 days if the request is within 6 months of retirement. Otherwise 30 days.	95%	8.4 days	84%
Pensions options package	Within 14 days of receiving termination notice from the employer or all information in.	95%	9 days	93%
Pension payment for new retirees	Within 30 days of retirement or all information in.	95%	26 days	96%
Monthly pension payments	Second last business day of the month, with exception to December	100%		100%
Resignation package	Within 30 days of receiving termination notice from the employer or all information in.	90%	3.2 days	98%
Resignation payments	Within 30 days of receiving all required documentation or all information in.	90%	16.6 days	93%
Secure message responses	Within 2 business days	100%	2.2 days	91%
Mail responses	Within 3 business days	100%	9.3 days	35%
Telephone inquiries	Retirements: 80% in 135 seconds Other calls: 80% in 180 seconds			Retirements: 86% Other tiers: 79%
Call abandonment rate	Defined as any abandoned call	<5%		7.8%

Ten-Year Overview

Membership

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Members	4,067	4,139	4,180	4,270	4,334	4,416	4,467	4,466	4,570	4,569
Pensioners	2,175	2,261	2,341	2,426	2,469	2,533	2,607	2,683	2,725	2,755
Ratio	1.87	1.83	1.79	1.76	1.76	1.74	1.71	1.66	1.68	1.66

Funding

	2011	2013	2016	2018	2019
Assets	$1,566.1	$1,902.4	$2,655.2	$3,070.7	$3,331.5
Liabilities	$2,079.0	$2,388.3	$3000.0	$3,323.9	$3,580.5
Funded Ratio	75.3%	79.7%	88.5%	92.4%	93.0%

($ millions)

Investment Returns

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1-year	**Return**	2.70%	11.40%	14.50%	12.00%	9.30%	6.80%	10.90%	0.50%	13.53%	4.52%
	Benchmark	2.20%	9.20%	13.40%	12.20%	7.10%	6.80%	9.60%	-0.10%	14.29%	10.22%
4-year	**Return**	1.40%	9.40%	9.70%	10.20%	11.80%	10.60%	9.80%	6.80%	7.84%	7.26%
	Benchmark	2.40%	8.80%	8.70%	9.20%	10.50%	9.80%	8.90%	5.80%	7.53%	8.38%
	Target	3.40%	9.80%	9.70%	10.20%	11.50%	10.80%	9.90%	6.80%	8.53%	9.38%

Investment Management Expenses

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
% of every dollar	0.3%	0.5%	0.5%	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.5%
Per member	$794	$1,144	$1,524	$1,909	$2,177	$1,925	$2,302	$2,468	$2,734	$2,369

Pension Services Administration Expenses (Per Member)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
APS Total	$155	$190	$235	$237	$233	$233	$228	$265	$235	$225
SFPP Corporation Costs	$79	$89	$67	$106	$103	$39	$65	$93	$219	$269

Financial Statements

Special Forces Pension Plan

Financial Statements

Year Ended December 31, 2020

Independent Auditor's Report

Auditor General
OF ALBERTA

To the SFPP Corporation Board of Directors

Report on the Financial Statements

Opinion

I have audited the financial statements of the Special Forces Pension Plan, which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits, and changes in pension obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Special Forces Pension Plan as at December 31, 2020, and the changes in net assets available for benefits and 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 Special Forces Pension 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

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 the 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 Special Forces Pension 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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Special Forces Pension 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 Special Forces Pension 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 Special Forces 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 Special Forces 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.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 7, 2021
Edmonton, Alberta

Statement of Financial Position
As at December 31, 2020

		(in thousands)		
		2020		**2019**
Net assets available for benefits				
Assets				
Investments (Note 3)	$	3,587,454	$	3,444,647
Contributions receivable				
Employers		2,707		5,157
Employees		2,447		4,774
Province of Alberta		735		463
Accounts receivable		1,077		844
Total Assets		3,594,420		3,455,885
Liabilities				
Accounts payable		1,677		1,508
Total Liabilities		1,677		1,508
Net assets available for benefits	$	3,592,743	$	3,454,377
Pension obligation and surplus				
Pension obligation (Note 5)	$	3,583,002	$	3,269,746
Surplus (Note 6)		9,741		184,631
Pension obligation and surplus	$	3,592,743	$	3,454,377

The accompanying notes are part of these financial statements.

Approved by the Board:

DENIS JUBINVILLE
Chair, *Corporate Board*

Approved by Management:

LIZ DOUGHTY
Chief Executive Officer

Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2020

	(in thousands) 2020	2019
Increase in assets		
Contributions (Note 7)	$ 151,429	$ 150,937
Transfers from other plans	420	871
Investment income (Note 8)	171,034	430,989
	322,883	582,797
Decrease in assets		
Benefit payments (Note 10)	161,459	132,638
Transfers to other plans	1,474	235
Investment expenses (Note 11)	17,858	20,519
Administrative expenses (Note 12)	3,726	3,299
	184,517	156,691
Increase in net assets	138,366	426,106
Net assets available for benefits at beginning of year	3,454,377	3,028,271
Net assets available for benefits at end of year	$ 3,592,743	$ 3,454,377

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2020

(in thousands)

	2020			2019
	Pre-1992	Post-1991	Total	Total
Increase in pension obligation				
Interest accrued on opening pension obligations	$ 43,171	$ 143,175	$ 186,346	$ 183,477
Benefits earned	-	115,735	115,735	113,827
Net loss due to actuarial assumption changes (Note 5a)	28,548	142,517	171,065	-
Net experience loss (Note 5b)	(1,306)	8,151	6,845	-
	70,413	409,578	479,991	297,304
Decrease in pension obligation				
Benefit payments, transfers and interest	60,881	103,954	164,835	133,803
Net gain due to plan provision changes (Note 5c)	-	1,900	1,900	-
Net gain due to actuarial assumption changes (Note 5a)	-	-	-	91,978
Net experience gain (Note 5b)		-	-	21,243
	60,881	105,854	166,735	247,024
Net increase in pension obligation	9,532	303,724	313,256	50,280
Pension obligation at beginning of year	770,915	2,498,831	3,269,746	3,219,466
Pension obligation at end of year (Note 5)	$ 780,447	$ 2,802,555	$ 3,583,002	$ 3,269,746

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2020

(All dollar amounts in thousands, except per member data)

NOTE 1. SUMMARY DESCRIPTION OF THE PLAN

The following description of the Special Forces Pension Plan (SFPP or the Plan) is a summary only. For a complete description of the Plan, reference should be made to the *Joint Governance of Public Sector Pension Plans Act* (Alberta) and the SFPP plan text document.

Prior to March 1, 2019, the terms of the Plan were set out in the *Public Sector Pension Plans Act* (Alberta), the *Public Sector Pension Plans (Legislative Provisions) Regulation* Alberta Regulation 365/1993, and the *Special Forces Pension Plan Alberta Regulation* 369/93.

Unless otherwise stated, all terms that are not defined below have the meaning ascribed to them in the Plan. Should anything in Note 1 or the financial statements conflict with the plan text and applicable pension laws, the plan rules and legislation shall apply.

a. GENERAL

The Plan is a defined benefit pension plan for police officers employed by participating employers in Alberta.

The Plan is a registered pension plan (registration number 0584375) as defined in the *Income Tax Act,* and accordingly, is not subject to income taxes. As of March 1, 2019, the Plan also became registered as a jointly sponsored plan under the *Employment Pension Plans Act* (Alberta) (EPPA), with certain exemptions provided under the *Joint Governance of Public Sector Pensions Plan Act* (Alberta), and the *Exemption (Public Sector Pension) Regulation.*

Prior to March 1, 2019, the President of Treasury Board and Minister of Finance was the legal trustee for the Plan. As of March 1, 2019, SFPP Corporation is the legal trustee of the Fund and administrator of the Plan. SFPP Corporation is responsible for the Plan Fund and all administrative functions of the Plan.

The Corporation is governed by a Board of Directors. The board members are nominated by the Plan's sponsors and are appointed by Government.

The SFPP Sponsor Board represents police association and participating employers. The Sponsor Board is responsible for plan text, setting contribution rates, and the Plan's funding policy. The Sponsor Board is supported by SFPP Corporation.

b. PLAN FUNDING

Contributions and investment earnings are expected to fund all benefits payable under the Plan from the Plan Fund. Employees and employers are responsible for fully funding service after 1991. The current service contribution rates for employers are 1.1% higher than the rates of employees.

The Sponsor Board, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years. The most recent actuarial valuation for funding purposes was prepared at December 31, 2019. Under the *Joint Governance of Public Sector Pension Plans Act*, no solvency funding requirements prescribed by the *Employment Pension Plans Act* apply to the Plan.

The unfunded liability for service prior to December 31, 1991 is being financed by additional contributions from employees, employers, and the Province of Alberta. Additional contributions are payable until December 31, 2036 unless the unfunded liability has been previously eliminated. The rates in effect at December 31, 2020 were 0.75% each for employers and employees, and 1.25% of pensionable salary for the Province of Alberta. As long as there remains an unfunded liability for pre-1992 service, payment of all benefits arising from service before 1992 is guaranteed by the Province of Alberta. (Section 38 of Schedule 3 of the *Joint Governance of Public Sector Pension Plans Act.)*

The contribution rates in effect at December 31, 2020 for current service and post-1991 actuarial deficiency were 13.80% of pensionable salary for employers and 12.70% for employees, unchanged from 2019. Of this, contribution rates towards current service were 12.87% (2019: 12.56%) of pensionable earnings for employers and 11.77% (2019: 11.46%) for employees. Contributions towards the post-1991 actuarial deficiency were 0.93% (2019: 1.24%) of pensionable salary each for both employers and employees.

The total contribution rates in effect at December 31, 2020 were 14.55% of pensionable salary for employers and 13.45% of pensionable salary for employees, unchanged from 2019.

Pensionable earnings are subject to an upper limit (the salary cap) to ensure the pension accrual is not greater than the maximum pension benefit limit allowed under the *Income Tax Act*. In 2020, the salary cap was $172,221 (2019: $168,498).

c. RETIREMENT BENEFITS

A member can commence their pension after 25 years of pensionable service or from age 55 and being vested. A member is vested for a retirement benefit when they have at least two years of pensionable service if they terminated on or after April 1, 2020, five years of pensionable service if they terminated prior to April 1, 2020, or immediately if they are a participant in the Plan on or after attaining age 65.

The Plan is integrated with the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE). The Plan provides for a pension of 1.4% for each year of pensionable service based on highest average salary over five consecutive years up to the average YMPE over the same five consecutive year period and 2.0% on the salary above average YMPE, subject to the maximum pension benefit limit allowed under the *Income Tax Act*. For members who retire before age 65, the pension will include a bridge benefit. This bridge is provided up to age 65. The bridge benefit is 0.6% for each year of pensionable service based on the average of the highest five consecutive years up to the YMPE. The maximum pensionable service allowable under the Plan is 35 years.

d. DISABILITY PENSIONS

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

Individuals who became members before July 1, 2007, have a vested benefit in SFPP, and are totally or partially disabled may be entitled to an SFPP disability pension. Pensions may be payable to vested members who become totally disabled and retire early. Reduced pensions may be payable to vested members who become partially disabled and retire early.

e. DEATH BENEFITS

Benefits are payable on the death of a member.

If the member is vested, dies prior to commencing to receive a pension, and has a pension partner, the surviving pension partner may choose to receive either a survivor pension or a lump-sum payment. If there is no surviving pension partner the beneficiary(ies) would receive a lump-sum payment. There are additional benefits for any dependent minor children with respect to pre-1992 service.

If the member is not vested, the pension partner or beneficiary(ies) is entitled to receive death benefits in the form of a lump-sum payment.

If the member is vested and dies after commencing to receive a pension, the death benefit will depend on the pension option selected at retirement and can include a lifetime pension payable to a surviving pension partner, or a monthly pension or lump-sum benefit payable to the surviving beneficiary(ies) based on any remaining guaranteed period.

f. TERMINATION BENEFITS, REFUNDS AND TRANSFERS

Vested members who terminate before accumulating 25 years of pensionable service and age 55 may choose to receive a deferred pension or to withdraw their funds from the Plan. If the member chooses to withdraw their funds, they will receive a refund of their contributions and interest on service prior to 1992 and a lump-sum payment equal to the commuted value of their pension for service after 1991, with the commuted value being subject to locking-in provisions. Any service purchased by the member on an elective basis that was wholly funded by the member is not included in the commuted value and is instead refunded as contributions with interest. Prior to April 1, 2020, if the member's contributions with interest exceeded more than 50% of the commuted value, the excess contributions with interest were refunded as taxable cash. As of April 1, 2020, if the member's contributions with interest exceed more than 100% of the commuted value, the excess contributions with interest are refunded as taxable cash. Members who are not vested when they terminate receive a refund of the employee paid portion of their contributions with interest. These payments are included as benefit payments on the statement of changes in net assets available for benefits.

g. PURCHASED SERVICE AND TRANSFERS

Leave of absence without salary which occur before the Plan's deadline are costed on a contribution basis. All other leave and eligible service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan.

The Plan also allows for the transfer of entitlements into the Plan under a transfer agreement. Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transferred-out service receive the greater of the commuted value or all contributions made by the member to the Plan.

h. COST-OF-LIVING ADJUSTMENTS (COLA)

For pre-2001 service, pensions payable is increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year. The increase is prorated on a monthly basis for pensions that became payable within the previous year.

For post-2000 service, the Sponsor Board determines each year whether COLA can be granted based on the Plan's financial condition.

The increase is prorated on a monthly basis for pensions that became payable within the previous year. Currently, COLA for post-2000 service is at 30% of the increase in the Alberta Consumer Price Index.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a. BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b. VALUATION OF INVESTMENTS

Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* (Alberta), and the *Alberta Investment Management Corporation Act* (Alberta). Participants in pools include government and non-government funds and plans.

Contracts to buy and sell financial instruments in the pools are between the Province of Alberta and the third party to the contracts. Participants in the pools are not party to the contracts and have no control over the management of the pool and the selection of securities in the pool. Alberta Investment Management Corporation (AIMCo), a Crown corporation within the Ministry of Treasury Board and Finance, controls the creation of the pools and the management and administration of the pools including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when it purchases units issued by the pools and loses its exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the financial risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by AIMCo (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

Investments in units are recorded in the Plan's accounts on a trade date basis. All purchases and sales of the pool units are in Canadian dollars.

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

c. INVESTMENT INCOME

i. Investment income is recorded on an accrual basis.

ii. Investment income is reported in the statement of changes in net assets available for benefits and in Note 8 and includes the following items recorded in the Plan's accounts:

   i. Income distributions from the pools based on the Plan's pro-rata share of total units issued by the pools; and

   ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

d. INVESTMENT EXPENSES

Investment expenses include all amounts incurred by the Plan to earn investment income (see Note 11). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

e. VALUATION OF PENSION OBLIGATION

The value of the pension obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is performed at least every three years and results from the most recent valuation are extrapolated, on an annual basis, to year-end. The valuation uses the projected benefit method pro-rated on service and SFPP Corporation's best estimate, as at the measurement date, of various economic and non-economic assumptions.

f. MEASUREMENT UNCERTAINTY

In preparing these financial statements, estimates and assumptions are used in circumstances where the actual values are unknown. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the Plan's pension obligation, private investments, hedge funds, real estate and renewable investments. Uncertainty arises because:

   i. the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and

   ii. the estimated fair values of the Plan's private investments, hedge funds, real estate and renewable investments may differ significantly from the values that would have been used had a ready market existed for these investments.

   iii. the current economic environment has significant market volatility stemming from the global pandemic COVID-19 virus.

While best estimates have been used in the valuation of the Plan's pension obligation, private investments, hedge funds, real estate and renewable investments, it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in the Plan's pension obligation are disclosed as assumption or other changes and net experience gains or losses in the statement of changes in pension obligation in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized for investments are included in net investment income in the year when the ultimate realizable values are known.

NOTE 3. INVESTMENTS

The Plan's investments are managed at the asset class level for purposes of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. AIMCo invests the Plan's assets in accordance with the Statement of Investment Policies and Procedures (SIPP) approved by the SFPP Corporate Board. The fair value of the pool units is based on the Plan's share of the net asset value of the pooled fund. The pools have a market-based unit value that is used to allocate income to participants of the pool and to value purchases and sales of pool units. AIMCo is delegated authority to independently purchase and sell securities in the pools and Plan, and units of the pools, within the ranges approved for each asset class (see Note 4)

($ thousands)

	Fair Value Hierarchy (a)		2020	2019
Asset class	**Level 2**	**Level 3**	**Fair Value**	**Fair Value**
Interest-bearing securities				
Cash and short-term securities	$ 42,330	$ -	$ 42,330	$ 37,000
Bonds, mortgages and private debt and loans	802,487	125,484	927,971	834,991
	844,817	125,484	970,301	871,991
Equities				
Canadian	369,323	-	369,323	487,316
Global developed	1,084,344	34,448	1,118,792	957,669
Private	1	123,230	123,231	96,614
Emerging markets	152,723	-	152,723	140,217
Global small cap equity	114,221	-	114,221	108,954
	1,720,612	157,678	1,878,290	1,790,770
Inflation sensitive				
Real estate	-	325,211	325,211	323,071
Infrastructure	-	198,576	198,576	202,995
Real return bonds	140,180	-	140,180	157,620
Renewable	-	57,946	57,946	73,091
	140,180	581,733	721,913	756,777
Strategic, tactical and currency investments *	$ 2,190	$ 14,760	$ 16,950	$ 25,109
Total Investments	$ 2,707,799	$ 879,655	$ 3,587,454	$ 3,444,647

** This asset class is not listed separately in the SIPP as it relates to strategic investments and currency overlays made on an opportunistic and discretionary basis by AIMCo (see Note 4).*

a. FAIR VALUE HIERARCHY:

The quality and reliability of information used to estimate the fair value of investments is classified according to the following fair value hierarchy with level 1 being the highest quality and reliability.

- ***Level 1*** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and therefore cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- ***Level 2*** - fair value is estimated using valuation techniques that make use of market- observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling $2,707,799 (2019: $2,585,081).
- ***Level 3*** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling $879,655 (2019: $859,566).

Reconciliation of Level 3 Fair Value Measurement

($ thousands)

	2020	2019
Balance, beginning of year	$ 859,566	$ 815,619
Investment (loss) income *	(32,913)	62,465
Purchases of Level 3 pooled fund units	160,932	144,719
Sale of Level 3 pooled fund units	(107,930)	(163,237)
Balance, end of year	$ 879,655	$ 859,566

** Investment income includes unrealized losses of $86,535 (2019: $6,677).*

b. VALUATION OF FINANCIAL INSTRUMENTS RECORDED BY AIMCO IN THE POOLS

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- ***Interest-bearing securities:*** Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans are valued similar to private mortgages.
- ***Equities:*** Public equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. The fair value of hedge fund investments is estimated by external managers. The fair value of private equities is estimated by managers or general partners of private equity funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and earnings multiple analysis.

- ***Inflation Sensitive:*** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine fair value including replacement cost, direct comparison, direct capitalization of earnings and the discounted cash flows. The fair value of renewable investments is appraised annually by independent third-party evaluators. Infrastructure investments are valued similar to private equity investments. Real return bonds are valued similar to public interest-bearing securities.
- ***Strategic, tactical and currency investments:*** For tactical asset allocations, investments in derivative contracts provides overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- ***Foreign currency:*** Foreign currency transactions in pools are translated into Canadian dollars using average rates of exchange. At year end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- ***Derivative contracts***: The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4f). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on difference between contractual foreign exchange rates and foreign exchange forward rate. Futures contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap. Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

NOTE 4. INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pools created and managed by AIMCo. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is comprised of currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

The investment policies and procedures of the Plan are clearly outlined in the SIPP approved by the SFPP Corporate Board. The purpose of the SIPP is to ensure the Plan is invested and managed in a prudent manner in accordance with current, accepted governance practices incorporating an appropriate level of risk. The SFPP Corporate Board manages the Plan's return-risk trade- off through asset class diversification, target ranges on each asset class, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return expected to be earned on investments. In order to earn the best possible return at an acceptable level of risk, the SFPP Corporate Board has established the following asset mix long term policy weight:

Asset Class	Long-term Policy Weight	Actual Asset Mix			
		2020		2019	
		($ thousands)	%	($ thousands)	%
Interest-bearing securities					
Money market (cash and short-term securities)	1%	$ 42,330	1.1	$ 37,000	1.1
Fixed income (bonds and mortgages)	23%	927,971	25.9	834,991	24.2
Equities	47%	1,878,290	52.4	1,790,770	52.0
Inflation sensitive	29%	721,913	20.1	756,777	22.0
Strategic, tactical and currency	(a)	16,950	0.5	25,109	0.7
		$ 3,587,454	100.0	$ 3,444,647	100.0

(a) In accordance with the SIPP, AIMCo may invest up to 5% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, invest the funds in currency overlays.

a. CREDIT RISK

i. Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by AIMCo. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors.

Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade.

Unrated debt securities consist primarily of mortgages and private debt placements.

The table below summarizes the Plan's investments in debt securities by credit rating at December 31, 2020:

Credit Rating	2020	2019
Investment Grade (AAA to BBB-)	84.2%	88.9%
Speculative Grade (BB+ or lower)	2.2%	0.3%
Unrated	13.6%	10.8%
	100.0%	**100.0%**

ii. Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4f). AIMCo is responsible for selecting and monitoring derivative counterparties on behalf of the Plan. AIMCo monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Plan.

Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii. Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2020, the Plan's share of securities loaned under this program is $131,034 (2019: $183,406) and collateral held totals $140,610 (2019: $196,201). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash, other investments or a bank-issued letter of credit. All collateralization, by the borrower, must be in excess of 100% of investments loaned.

b. FOREIGN CURRENCY RISK

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 40% (2019: 38%) of the Plan's investments, or $1,426,748 (2019: $1,299,541), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 22% (2019: 20%) and the Euro, 5% (2019: 4%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 4.0% (2019: 3.8%).

The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2020:

($ thousands)

	2020		2019	
Currency *	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 785,013	$ (78,502)	$ 671,782	$ (67,178)
Euro	171,265	(17,127)	144,748	(14,475)
Japanese yen	104,140	(10,414)	98,713	(9,871)
British pound	100,103	(10,010)	88,884	(8,888)
Hong Kong dollar	39,204	(3,920)	33,798	(3,380)
Other foreign currency	227,023	(22,702)	261,616	(26,162)
Total foreign currency investments	$ 1,426,748	$ (142,675)	$ 1,299,541	$ (129,954)

** Information on specific currencies is disclosed when the current year fair value is greater than 1% of the Plan's net assets.*

c. INTEREST RATE RISK

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer-term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 3.3% (2019: 3.4%).

d. PRICE RISK

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pools managed by AIMCo. If equity market indices (S&P/TSX, S&P500, S&P1500 and MSCI ACWI and their sectors) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately 4.7% (2019: 6.2%). Changes in fair value of investments are recognized in the statement of changes in net assets available for benefits.

e. LIQUIDITY RISK

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. Units in pools that hold private investments like real estate, renewable, infrastructure and private equities are less easily converted to cash since the underlying securities are illiquid because they take more time to sell. These sources of cash are used to pay pension benefits and operating expenses, purchase new investments, settle derivative transactions with counterparties and margin calls on futures contracts. The Plan's future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties (Note 4f).

f. USE OF DERIVATIVE FINANCIAL INSTRUMENTS IN POOLED INVESTMENT FUNDS

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. AIMCo uses derivative financial instruments to cost effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

		Plan's Indirect Share *($ thousands)*	
By counterparty	**Number of counterparties**	**2020**	**2019**
Contracts in net favourable position (current credit exposure)	143	$ 63,003	$ 134,255
Contracts in net unfavourable position	9	(20,028)	(122,193)
Net fair value of derivative contracts	152	$ 42,975	$ 12,062

i. Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling $63,003 (2019: $134,255) were to default at once.

ii. Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.

iii. Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

Types of derivatives used in pools	Plan's Indirect Share ($ thousands) 2020	2019
Equity-based derivatives	$ 28,618	$ 6,945
Foreign currency derivatives	13,341	7,572
Interest rate derivatives	101	(2,905)
Credit risk derivatives	915	450
Net fair value of derivative contracts	$ 42,975	$ 12,062

i. Equity derivatives are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity derivatives. Rights, warrants, futures and options are also included as structured equity replication derivatives.

ii. Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

iii. Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross currency interest rate swaps, futures contracts and options.

iv. Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for a contingent payment should a defined credit event occur with respect to the underlying security.

v. At December 31, 2020, deposits in futures contracts margin accounts totaled $13,421 (2019: $6,499). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $(31,913) (2019: $(19,003)) and $nil (2019: $nil).

NOTE 5. PENSION OBLIGATION

a. ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2019 by Mercer (Canada) Limited and was then extrapolated to December 31, 2020.

The actuarial assumptions used in determining the value of the liability for accrued benefits of $3,583,002 (2019: $3,269,746) reflect management's best estimate, as at the measurement date, of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate and salary escalation rate. The discount rate is determined by taking the plan specific asset allocation and applying the expected long-term asset returns determined by independently developed investment model, less expected plan investment expenses, and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	2020 %	2019 %
Discount rate	5.20	5.60
Inflation rate	2.00	2.00
Salary escalation rate*	1.50 – 2.75**	2.00 - 2.75**
Mortality Rate	2014 Canadian Pension Mortality Table (Public Sector)	

** In addition to age specific merit and promotion increase assumptions.*
*** 1.50% per annum for 5 years from December 31, 2019 and 2.75% per annum thereafter.*

In 2020, net loss due to actuarial assumption changes of $171,065 primarily resulted from decreases in the discount rate. In 2019, net gain due to actuarial assumption changes of $91,978 primarily resulted from decreases in the salary escalation rate.

An actuarial valuation of the Plan will be performed at least triennially. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in the subsequent year the valuation is performed.

b. NET EXPERIENCE GAIN (LOSS)

Net experience loss of ($6,845) (2019: $21,243 gain) arose from actual experience deviating from expected.

c. PLAN PROVISION CHANGES

In 2020, net gain of $1,900 mainly reflect the following changes in plan provisions effective April 1, 2020:

- Removal of the existing 50% excess employee contribution test and introduction of a 100% excess employee contribution test as required by the *Employment Pension Plans Act*
- Vesting period change from 5 years of pensionable service to 2 years of pensionable service

In 2019, there was no net gain or loss from changes in plan provisions. The amendment effective April 1, 2020 changed the Plan provisions to adopt the going concern funding basis assumptions for the calculation of commuted values. This change had no significant impact on the valuation liabilities as at December 31, 2019 or on the liability extrapolation to December 31, 2020.

d. SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

The Plan's future experience will differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2020:

($ thousands)

	Changes in Assumptions %	Increase in Plan Deficiency $	Increase in Current Service Cost as a % of Pensionable Earnings (1)
Inflation rate increase holding discount rate and salary escalation assumptions constant	1%	196,112	1.0%
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1%	149,934	2.7%
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1%)	640,784	6.5%

(1) The current service cost as a percentage of pensionable earnings as determined by the December 31, 2020 extrapolation was 23.47%.

NOTE 6. SURPLUS (DEFICIT)

In accordance with the requirements of the *Joint Governance of Public Sector Pension Plans Act*, a separate accounting is required of the pension obligation and deficiency with respect to service that was recognized as pensionable as at December 31, 1991.

($ thousands)

	2020			2019
	Pre-1992	**Post-1991**	**Total**	**Total**
(Deficit) Surplus at beginning of year	$ (180,052)	$ 364,683	$ 184,631	$ (191,195)
Increase in Plan Fund net assets available for benefits	11,595	126,771	138,366	426,106
Net increase in pension obligation	(9,532)	(303,724)	(313,256)	(50,280)
(Deficit) Surplus at end of year	$ (177,989)	$ 187,730	$ 9,741	$ 184,631

($ thousands)

	2020			2019
	Pre-1992	**Post-1991**	**Total**	**Total**
Plan opening net assets available for benefits	$590,863	$2,863,514	$3,454,377	$ 3,028,271
Increase in Plan net assets available for benefits	11,595	126,771	138,366	426,106
Plan closing net assets available for benefits	$602,458	$ 2,990,285	$3,592,743	$ 3,454,377

This Plan deficiency is for accounting purposes and may differ from the Plan Fund deficiency for funding purposes (Note 14).

NOTE 7. CONTRIBUTIONS

	($ thousands) 2020	2019
Current service		
Employers	$ 65,275	$ 64,445
Employees	59,666	58,842
Unfunded liability		
Employers	8,863	9,818
Employees	8,863	9,818
Province of Alberta	6,595	6,167
Past service		
Employers	187	257
Employees	1,980	1,590
	$ 151,429	$ 150,937

NOTE 8. INVESTMENT INCOME

The following is a summary of the Plan's investment income (loss) by asset class:

($ thousands)

	Income	Change in Fair Value	2020 Total	2019 Total
Interest-bearing securities	$ 73,042	$ 24,747	$ 97,789	$ 83,480
Equities				
Canadian	658	9,513	10,171	87,282
Foreign	56,671	30,410	87,081	197,499
Private	13,444	6,102	19,546	7,846
	70,773	46,025	116,798	292,627
Inflation Sensitive				
Real estate	8,246	(52,750)	(44,504)	15,390
Real return bonds	3,792	13,909	17,701	12,264
Infrastructure	2,798	(15,322)	(12,524)	11,413
Renewables	4,563	(8,304)	(3,741)	10,899
	19,399	(62,467)	(43,068)	49,966
Strategic, tactical and currency investments	6,206	(6,691)	(485)	4,916
	$ 169,420	$ 1,614	$ 171,034	$ 430,989

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains and losses on pool units total $29,587 and $(28,450) respectively (2019: $18,759 and $176,782 respectively). Realized and unrealized gains and losses on currency hedges total $413 and $64 respectively (2019: $(93) and $(67) respectively).

Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis and income and expense on derivative contracts. Interest income earned on Consolidated Cash Investment Trust Fund (CCITF) balance is included in income.

NOTE 9. INVESTMENT RETURNS, CHANGE IN NET ASSETS AND PENSION OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	2020	2019	2018	2017	2016
			in per cent		
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	10.2	14.3	(0.1)	9.6	6.8
Value added (lost) by the investment manager	(5.7)	(0.8)	0.6	1.3	-
Time weighted rate of return, at fair value [(a)]	**4.5**	**13.5**	**0.5**	**10.9**	**6.8**
Other sources [(b)]	(0.5)	0.6	0.4	0.6	0.7
Per cent change in net assets [(c)]	**4.0**	**14.1**	**0.9**	**11.5**	**7.5**
Per cent change in pension obligation [(c)]	**9.6**	**1.6**	**9.9**	**4.6**	**5.0**
Per cent of pension obligation supported by net assets	**100**	**106**	**94**	**102**	**96**

(a) *All investment returns are provided by AIMCo and are net of investment expenses. The annualized total return and policy benchmark return (PBR) on investments over five years is 7.2% (PBR: 8.1%), ten years is 8.6% (PBR: 8.4%) and twenty years is 6.4% (PBR: 6.3%). The Plan's actuary estimates the long-term net investment returns on assets for funding purposes to be 5.0% (2019: 5.3%)*

(b) *Other sources include employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.*

(c) *The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.*

NOTE 10. BENEFIT PAYMENTS

	($ thousands)	
	2020	**2019**
Retirement benefits	$ 119,536	$ 116,823
Disability pensions	322	296
Termination benefits	39,214	13,481
Death benefits	2,387	2,038
	$ 161,459	$ 132,638

NOTE 11. INVESTMENT EXPENSES

	($ thousands)	
	2020	**2019**
Amount charged by AIMCo for:		
Investment costs [a]	$ 12,929	$ 12,506
Performance-based fees [a]	4,309	7,349
Goods and services tax	620	644
	17,858	20,499
Amounts charged by Treasury Board and Finance for:		
Investment accounting and Plan reporting	-	20
Total investment expenses	$ 17,858	$ 20,519
(Decrease) Increase in expenses [a]	(13.0%)	12.7%
Increase in average investments under management	8.7%	7.4%
Decrease in value of investments attributed to AIMCo	(5.7%)	(0.8%)
Expenses as a percent of dollar invested	0.5%	0.6%
Investment expenses per member	$ 2,369	$ 2,734

(a) Investment expenses are charged by AIMCo on a cost-recovery basis. Please refer to AIMCo's financial statements for a more detailed breakdown of the types of expenses incurred by AIMCo. Amounts recovered by the investment manager for investment costs include those costs that are primarily non-performance related, including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by AIMCo for performance-based fees relate to external managers hired by AIMCo.

NOTE 12. ADMINISTRATIVE EXPENSES

	($ thousands)	
	2020	**2019**
Pension administration costs		
Alberta Pensions Services Corporation (APS)	$ 1,634	$ 1,704
SFPP Corporation	1,966	1,533
Goods and services tax and other	126	62
	3,726	$ 3,299
Expenses per member	$ 494	$ 440

Pension administration costs were paid to APS and SFPP Corporation on a cost-recovery basis.

The Plan's share of APS's operating and plan specific costs were based on the cost recovery methodology included in the Pension Services Agreement between APS and SFPP Corporation.

Goods and service tax reflects the amount not eligible for rebate under the Excise Tax Act.

NOTE 13. TOTAL PLAN EXPENSES

Total Plan Expenses comprise investment expenses per Note 11 and administrative expenses per Note 12 of $21,584 (2019: $23,818) or $2,863 (2019: $3,174) per member and 0.60% (2019: 0.69%) of net assets under administration.

NOTE 14. CAPITAL

The Plan defines its capital as the funded status. The actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years. The objective is to ensure that the Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments, the use of derivatives and leverage are based on an asset mix and risk policies and procedures that are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Plan's SIPP approved by the Board.

The Plan's asset values are determined on the fair value basis for accounting purposes. However, for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset values for funding valuation purposes amounted to $3,520,177 at December 31, 2020 (2019: $3,331,554), comprising of $588,844 (2019: $598,899) Pre-1992 and $2,931,333 (2019: $2,732,655) Post-1991.

The unfunded liability for post-1991 service as determined by actuarial funding valuation is financed by a special payment currently totaling 2.48% of pensionable salary shared equally between employees and employers (1.24% each) until December 31, 2019 and 1.86% of pensionable salary shared equally between employees and employers (0.93% each) effective January 1, 2020 up to December 31, 2022. The special payment is included in the rates in effect at December 31, 2020 (see Note 1b).

NOTE 15. RESPONSIBILITY OF FINANCIAL STATEMENTS

These financial statements were approved by the Corporate Board of Directors of the SFPP Corporation based on information provided by SFPP Corporation, APS, AIMCo and the Plan's actuary.

SFPP CORPORATION

Financial Statements

December 31, 2020

Independent Auditor's Report

To the SFPP Corporation Board of Directors

Report on the Financial Statements

Opinion

I have audited the financial statements of SFPP Corporation, which comprise the statement of financial position as at December 31, 2020, and the statements of operations, change in net debt, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SFPP Corporation as at December 31, 2020, and the results of its operations, its changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 SFPP Corporation 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.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SFPP Corporation'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing SFPP Corporation'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 SFPP Corporation'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 SFPP Corporation'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 SFPP Corporation 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.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 7, 2021
Edmonton, Alberta

SFPP CORPORATION
STATEMENT OF FINANCIAL POSITION
As at December 31, 2020

(in thousands)	2020	2019
Financial assets		
Cash	$ 187	$ 22
Accounts recievable	48	-
Due from Special Forces Pension Plan (Note 5)	-	327
	235	349
Liabilities		
Due to Special Forces Pension Plan (Note 5)	177	-
Due to Alberta Pensions Services Corporation (Note 6)	11	136
Accounts payable and accrued liabilities	108	222
Accrued salaries and benefits	22	17
Deferred lease inducement (Note 8)	91	-
	409	375
Net debt	(174)	(26)
Non-financial assets		
Tangible capital assets (Note 7)	167	62
Prepaid expenses	83	26
	250	88
Net assets before spent deferred capital contributions	76	62
Spent deferred capital contributions (Note 7)	76	62
Net assets	$ -	$ -

Contractual obligations (Note 8)

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

DENIS JUBINVILLE
Chair, *Corporate Board*

Approved by Management:

LIZ DOUGHTY
Chief Executive Officer

SFPP CORPORATION
STATEMENT OF OPERATIONS
Year ended December 31, 2020

(in thousands)	2020 Budget	2020 Actual	2019 Actual
Expenses			
Salaries and benefits	$ 877	$ 928	$ 617
Contract services	670	619	581
General and administrative	385	374	265
Amortization (Note 7)	-	26	1
Corporate board	138	17	62
Sponsor board	82	4	7
Total operating costs	2,152	1,968	1,533
Recovery of costs			
Recovery from the SFPP	2,152	1,966	1,532
Interest income	-	2	1
Recovery of costs from the SFPP (Note 5)	2,152	1,968	1,533
Annual surplus (deficit)	-	-	-
Net assets at beginning of year	-	-	-
Net assets at end of year	$ -	$ -	$ -

SFPP CORPORATION
STATEMENT OF CHANGE IN NET DEBT
Year ended December 31, 2020

(in thousands)	2020		2019
	Budget	**Actual**	**Actual**
Annual surplus (deficit)	$ -	$ -	$ -
Acquisition of tangible capital assets (Note 7)	-	(131)	(63)
Amortization of tangible capital assets (Note 7)	-	26	1
Change in spent deferred capital contributions	-	14	62
Change in prepaid expenses	-	(57)	(26)
Increase in net debt	-	(148)	(26)
Net debt at beginning of year	-	(26)	-
Net debt at end of year	$ -	$ (174)	$ (26)

The accompanying notes are an integral part of these financial statements.

SFPP CORPORATION
STATEMENT OF CASH FLOWS
Year ended December 31, 2020

(in thousands)	2020	2019
Operating transactions		
Annual surplus (deficit)	$ -	$ -
Non-cash items included in annual surplus (deficit)		
Increase in deferred lease inducement (Note 8)	99	-
Acquisition of leasehold improvements as a deferred lease inducement (Note 7)	(99)	-
Amortization of tangible capital assets (Note 7)	26	1
Amortization of spent deferred capital contributions	(18)	(1)
Amortization of deferred lease inducement (Note 8)	(8)	-
	-	-
Increase in accounts receivable	(48)	-
Increase in prepaid expenses	(57)	(26)
Decrease (increase) in due from Special Forces Pension Plan (Note 5)	327	(327)
Increase in due to Special Forces Pension Plan (Note 5)	177	-
(Decrease) increase in due to Alberta Pensions Services Corporation (Note 6)	(125)	136
(Decrease) increase in accounts payable and accrued liabilities	(114)	222
Increase in accrued salaries and benefits	5	17
Cash provided by operating transactions	165	22
Capital transactions		
Acquisition of tangible capital assets (Note 7)	(32)	(63)
Cash applied to capital transactions	(32)	(63)
Financing transactions		
Increase in spent deferred capital contributions (Note 7)	32	63
Cash provided by financing transactions	32	63
Increase in cash	165	22
Cash at beginning of year	22	-
Cash at end of year	$ 187	$ 22

The accompanying notes are an integral part of these financial statements.

1. Authority

SFPP Corporation (Corporation) is a “Provincial Corporation” established on December 11, 2018 by the *Joint Governance of Public Sector Pension Plans Act* (Alberta) (Joint Governance Act) and commenced operations on March 1, 2019. The Corporation operates under the authority of the *Financial Administration Act* (Alberta), *Alberta Public Agencies Governance Act*, and the *Reform of Agencies, Boards and Commissions Compensation Act*.

2. Nature of Operations

The Corporation is the trustee and administrator of the Special Forces Pension Plan (SFPP). SFPP is registered under the *Employment Pension Plans Act* (Alberta) (EPPA). The functions of the Corporation include supporting the SFPP Sponsor Board in performing its statutory functions under the Joint Governance Act.

The Corporation and the SFPP Sponsor Board were established prior to the Corporation becoming the trustee of the SFPP on March 1, 2019. There were no financial transactions or management related expenses prior to this date.

3. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

Recovery of costs

All recoveries of costs are reported on the accrual basis of accounting. Accruals for recovery of costs are recognized as the related expenses are incurred.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

The Corporation's financial assets and liabilities are generally measured as follows:

Financial statement component	Measurement
Cash	Cost
Due to/from pension plan	Lower of cost or net recoverable value
Accounts payable, accrued liabilities, and accrued salaries and benefits	Cost

Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external organizations and individuals.

Cash and cash equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term, highly liquid, investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term commitments rather than for investment purposes.

Due to/from pension plan

Amounts due to/from pension plan are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Non-financial assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

(a) are normally employed to deliver services;
(b) may be consumed in the normal course of operations; and
(c) are not for sale in the normal course of operations.

Non-financial assets are limited to tangible capital assets and prepaid expenses.

Tangible capital assets

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight- line basis over their estimated useful lives as follows:

Computer hardware and software	3 years
Furniture and equipment	5 years
Leasehold improvements	Lease term

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

Prepaid expenses

Prepaid expenses are recognized at cost and amortized based on the terms of the agreement.

Financial instruments

Financial instruments of the Corporation consist of cash, accounts receivable, due from/to pension plan, due from/to Alberta Pensions Services Corporation, accounts payable and accrued liabilities and accrued salaries and benefits. Due to their short-term nature, the carrying value of these instruments approximates their fair value.

As the Corporation does not have any transactions involving financial instruments that are classified in the fair value category, there are no remeasurement gains and losses and therefore, a statement of remeasurement gains and losses has not been presented.

4. Budget

The Corporation's 2020 budget was approved by the Corporation's Board of Directors.

5. Recovery of costs *(in thousands)*

The Corporation charges the SFPP for its operating costs, as authorized by the Joint Governance Act.

At December 31, 2020, $177 is payable to (2019 – $327 receivable from) the SFPP. The payable or receivable at year end is directly related to the timing of the receipt and disbursement of funds.

6. Due to Alberta Pensions Services Corporation *(in thousands)*

In addition to plan administration services, Alberta Pensions Services Corporation also provides a limited number of corporate services to the Corporation. The balance of these services at the end of December 31, 2020 was $11 (2019 - $136). The payable at year end is directly related to the timing of the disbursement of funds.

7. Tangible capital assets *(in thousands)*

				2020	2019
	Computer hardware & software	Furniture & equipment	Leasehold improvements	**Total**	**Total**
Estimated useful life	3 years	5 years	Lease term		
Historical Cost					
Beginning of year	$ 41	$ 22	$ -	$ 63	$ -
Additions	-	-	131	131	63
Disposals, including write-downs	-		-	-	-
	41	22	131	194	63
Accumulated Amortization					
Beginning of year	1	-	-	1	-
Amortization expense	11	4	11	26	1
Effect of disposals	-	-	-	-	-
	12	4	11	27	1
Net Book Value	$ 29	$ 18	$ 120	$ 167	$ 62

Additions include $99 of leasehold improvements received during the year as part of the Corporation's office lease agreement.

Financing for the remaining additions was obtained from the SFPP and is recognized as spent deferred capital contributions. The recovery of costs is recognized on the same basis as the tangible capital assets are amortized.

8. Contractual obligations *(in thousands)*

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts or agreements are met.

The Corporation has service agreements for administration of the Plan benefits, and investment and management of the Plan's assets with Alberta Pensions Services Corporation and Alberta Investment Management Corporation, respectively.

In 2020, the Corporation entered into a 10-year lease agreement for office space and services. The minimum annual commitments are as follows:

	Operating
2021	$ 138
2022	142
2023	145
2024	148
2025	155
Thereafter	649
	$ 1,377

The minimum annual commitment includes basic rent and an estimate for operating cost recoveries. Operating cost recoveries will be adjusted for actual costs during the year.

As part of the lease agreement, the Corporation received leasehold improvements of $99 as a lease inducement. This inducement is recognized as a reduction in lease expense over the 10-year term of the lease.

9. Trust funds under administration *(in thousands)*

Effective March 1, 2019, the Corporation administers trust funds in the SFPP on behalf of the beneficiaries in accordance with the EPPA.

These amounts are held on behalf of others with no power of appropriation and therefore are not reported in these financial statements. At December 31, 2020, trust funds under administration by the Corporation were $3,592,743 (2019 - $3,454,377).

10. Salaries and benefits disclosure (in thousands)

The table below provides complete disclosure of salary, vacation and personal leave payout, employer portion of pension contributions and all other compensation paid during the year ended December 31, 2020 to the Chief Executive Officer and Executive Directors.

POSITION	BASE SALARY [1]	OTHER CASH BENEFITS [2]	OTHER NON-CASH BENEFITS [3]	2020 TOTAL	2019 TOTAL
Chief Executive Officer [4]	162	30	34	226	223
Executive Director Finance and Risk [5]	137	20	31	188	94
Executive Director Policy and Communications [5]	137	14	29	180	93

(1) Base salary includes regular salary.
(2) Other cash benefits include vacation and personal leave payouts.
(3) Other non-cash benefits include: Corporation's share of contributions to the pension plans based on each individual's pensionable salary. Also included are payments made on employees' behalf including health care and dental coverage, group life insurance, long-term disability insurance, and professional memberships.
(4) Position created March 1, 2019. 2019 includes a one-time retroactive pay lump sum of $43.
(5) Positions created June 17, 2019.

Board remuneration *(in thousands)*

The Board Chair position received remuneration of $6 (2019: $13). Five other board members received a combined total remuneration of $9 (2019: $21). The remuneration is paid in accordance with the rates approved by the Shareholder and is subject to applicable withholdings. Amounts are lower in 2020 as there were fewer meetings due to COVID-19 pandemic restrictions.

11. Defined benefit plans *(in thousands)*

The Corporation participates in two multi-employer defined benefit public sector pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the contributions of $102 (2019 - $68) for the year ended December 31, 2020. This amount is included in salaries and benefits.

An actuarial valuation is performed to assess the financial position of the plan and adequacy of the plan funding. At December 31, 2019, PSPP reported a surplus of $2,759,320 (2018 - surplus of $519,218), MEPP reported a surplus of $1,008,135 (2018 - surplus of $670,700) and SRP had a deficiency of $44,698 (2018 - deficiency of $70,310).

12. Financial instruments

Liquidity risk is the risk of not being able to meet the Corporation's cash requirements in a timely and cost-effective manner. The Corporation's only source of liquidity is amounts charged to the SFPP (Note 5).

It is management's opinion that the Corporation is not exposed to any risk arising from this financial instrument.

13. Related party transactions *(in thousands)*

Related parties include the Government of Alberta, the Plan and key management personnel, close family members of those individuals, and entities that those individuals or their close family members may have significant control over.

All related party transactions are in the normal course of operations and consist of the recovery of the Corporations operating expenses and tangible assets as disclosed in the financial statements.

Related party transactions also include the purchase of risk management insurance from the Government of Alberta of which $10 (2019 - $nil) is included in Prepaid expenses and $28 (2019 - $nil) in General and administrative expenses.

14. Approval of financial statements

The Corporation's Board of Directors approved the financial statements on June 7, 2021.

Membership or Pension Inquiries

c/o Alberta Pensions Services Corporation
5103 Windermere Boulevard SW
Edmonton, AB T6W 0S9

1-877-809-7377
memberservices@sfpp.ca

Management of the Plan

SFPP Corporation
2000 College Plaza
8215 112 Street NW
Edmonton, AB T6G 2C8

sfpp.ca