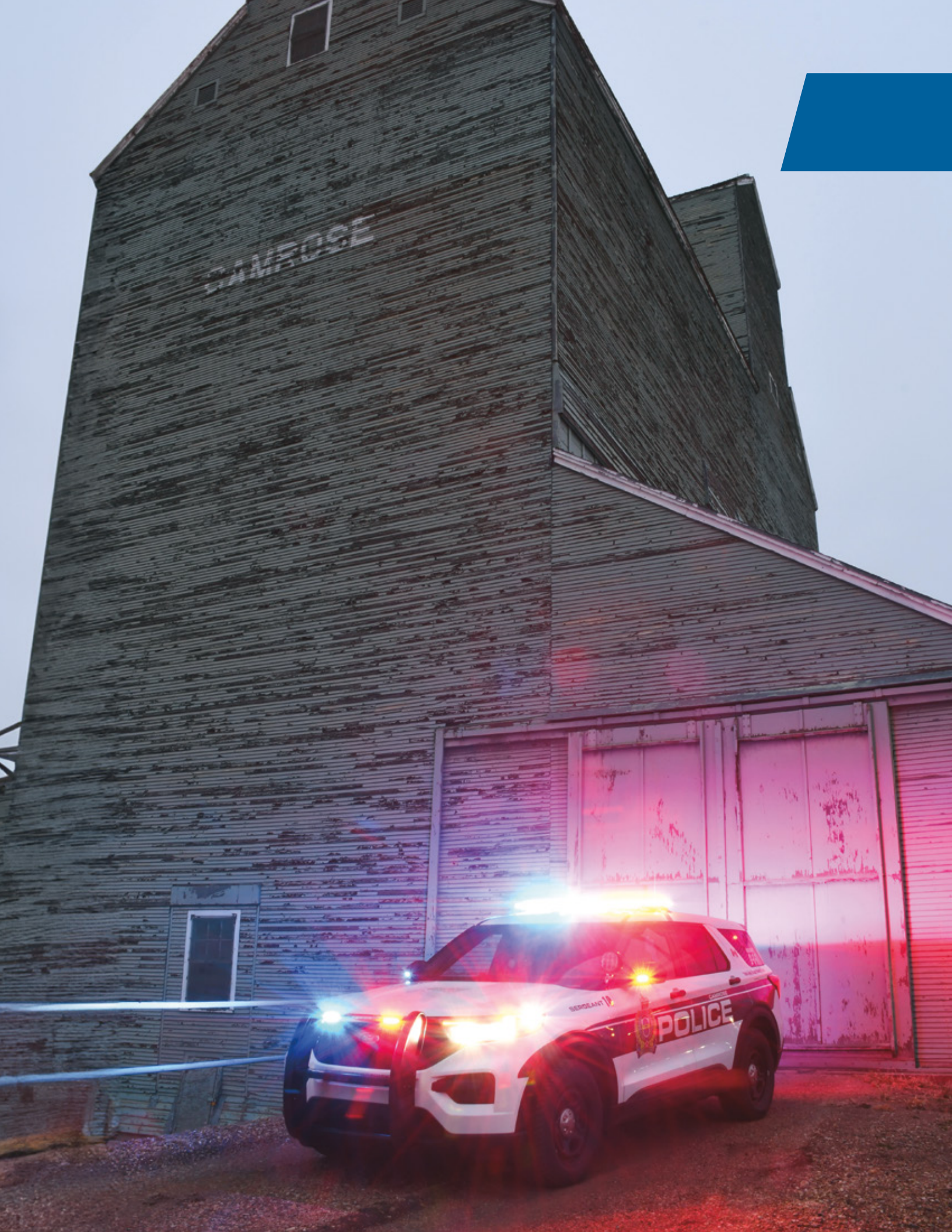
Special Forces Pension Plan

2023 ANNUAL REPORT


POLICE

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Highlights

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RATIO OF ACTIVE MEMBERS TO RETIREES

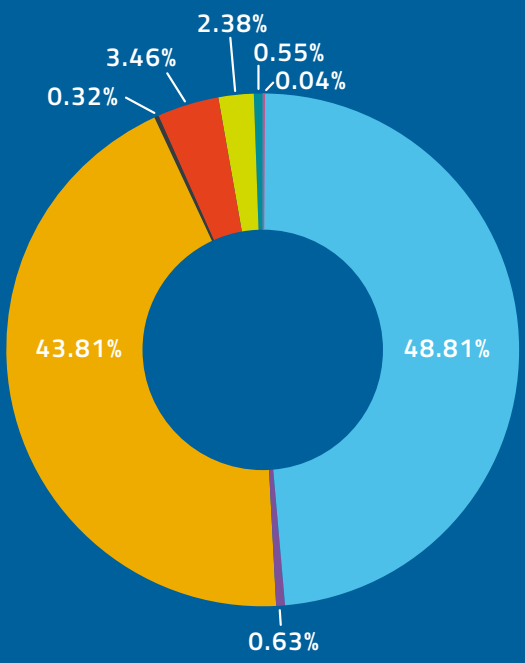
8.8%
INVESTMENT RETURN IN 2023

$48,719
AVERAGE ANNUAL PENSION (GROSS)

54.7 years
AVERAGE AGE OF NEW RETIREES

7.3%
INVESTMENT RETURN OVER 10 YEAR PERIOD

Active Membership by Employer*



- City of Calgary
- City of Camrose
- City of Edmonton
- City of Grande Prairie
- City of Lacombe
- City of Lethbridge
- City of Medicine Hat
- Town of Taber

291
NEW MEMBERSHIPS IN 2023

$4.2
BILLION IN ASSETS

98
RETIREES AGED 85 AND OLDER STILL RECEIVING BENEFITS

*Numbers are rounded to the nearest decimal.

Message from the Chair

Dave Paton, Chair
SFPP Board of Directors

I am thrilled to present the 2023 SFPP Annual Report.

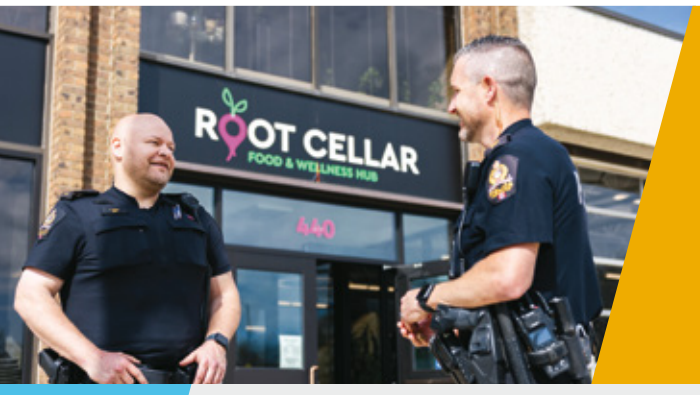
As I wrap up my second year as Chair of the SFPP Board of Directors, I can truly say that it has been an honour to work alongside fellow police officers and municipal representatives from across Alberta in a leadership role that supports and guides our Plan. Knowing the players at the table and the staff supporting us behind the scenes, I have confidence that our Plan is in good hands now and in the future.

The Board has a fiduciary duty to make decisions that are in the best interests of Plan members. We are expected to make the right financial and investment choices today so that the Plan is sustainable over the long term. Not only do we oversee the SFPP Fund, but we are entrusted to provide sound judgment on benefit administration, investments, and risk management. To that end, I'm pleased to report that the Plan saw remarkable gains in 2023.

The Board continues to focus on risks facing Alberta's law enforcement industry, our economy, and pension plans in general. We took significant steps in 2023 to better address risks directly related to SFPP. In the fall of 2023, we honed our sights on refining our risk management framework to help us identify current risks and prepare for what may come our way. We will continue to build our risk management framework in 2024. With a solid structure and process in place, we are in a better position to make informed decisions, support business continuity, create resiliency, and protect the Plan's reputation.

Throughout the year, we continued to monitor investments and pension benefit administration through regular reporting and in-depth discussions with Alberta Investment Management Corporation (AIMCo), our investment manager, and Alberta Pensions Services Corporation (APS), our pension benefit administrator. In addition, we spent considerable time conducting important administrative business, such as approving the Corporate Business Plan and Government Relations Plan, as well as approving our disclosure, governance, and code of conduct policies. While these may seem like dull parts of the pension world, they are critical to SFPP Corporation's operation and our Plan's success.

This important work can't be done without the collaboration of the Sponsor Board, the Corporate Board, and SFPP Corporation staff. I want to thank my fellow Corporate Board members for their dedication throughout the year. For example, one of our board members took time out from a winter family vacation to attend a two-day virtual board meeting. I want to recognize and acknowledge SFPP Corporation staff, under the leadership of CEO Liz Doughty, for conducting the daily operations of our Plan, helping us prepare for the future, and supporting the Board in a way that makes our roles and responsibilities much easier.



Message from the CEO

As we close out 2023, I'm happy to report that SFPP continues to thrive in these difficult and uncertain economic times.

Liz Doughty, CEO
SFPP Corporation

Our goal is to provide an affordable, predictable, and secure pension that supports police officers in Alberta as they move through their careers and step into retirement. The Plan's funded ratio at the end of 2023 was 115%, on an accounting basis, with $4.2 billion in net assets. In comparison, SFPP was 107% funded at the end of 2022.

Much of the growth in 2023 came towards the end of the year when both bond and equity markets responded positively to changing expectations for inflation and interest rates. This occurred as central banks shifted towards targeted rate cuts in 2024, creating strong conditions for corporate profits and leading to gains in the pension fund's equity and fixed income holdings.

With the increase in funded status, the Sponsor Board was pleased to increase the level of ad hoc Cost-of-Living Adjustment (COLA) for retirees, allowing their pensions to keep better pace with inflation than had been possible in the past several years. This increase was made without increasing contribution rates, which have remained steady for more than a decade.

Challenging financial markets lead to instability and uncertainty, making it even more important to take a long-term view to plan funding; building in a cushion to help smooth the ups and downs, rather than making decisions based on a moment in time. A major focus for SFPP Corporation is to work with the Corporate Board to enhance our risk management framework. We are always refining our strategy to assist the Board in identifying risks specific to SFPP. With adequate staffing resources in place, we are already integrating risk thinking into everything we do. Strengthening this fundamental system to monitor, assess, and respond to risks ensures that we deploy the proper policies, procedures, and methodologies as part of our everyday work.

The Grande Prairie Police Service joined SFPP in 2023, and other Alberta municipalities are exploring the idea of whether to establish their own police service. We continue to engage in discussions about the future of policing in Alberta and will be prepared for change and expansion as we grow as a province. We are always ready to welcome new members to the Plan and will work with government and police services to provide good pensions for those who serve and protect us. At SFPP, it motivates us every day to know that our efforts will make a difference in the lives of Alberta's police officers.

On behalf of SFPP Corporation, I invite you to read more about our incredible year in this annual report.

Plan Governance

CORPORATE BOARD DIRECTORS*

David Paton (Chair)
Edmonton Police Association

Jason Elliott (Vice-Chair)
Municipalities of Lethbridge, Medicine Hat, Lacombe, Camrose and Taber

John Burdyny
Calgary Police Association

Denis Jubinville
City of Edmonton

Kurtis LaDouceur
Police Associations of Lethbridge, Medicine Hat, Lacombe, Camrose and Taber

Monica Storer
City of Calgary

SPONSOR BOARD MEMBERS

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

John Orr (Vice Chair)
Calgary Police Association

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

Justin Krikler
City of Edmonton

Leslie Shikaze
City of Calgary

Tony Simioni
Edmonton Police Association

CORPORATION MANAGEMENT

Elizabeth Doughty
Chief Executive Officer

Edward Ng
Chief Finance and Risk Officer

Andrew Tambone
Chief Investment Officer

Christa Taylor
Chief Pension Officer

Sheri Wright
Chief Strategy Officer

**Board and staff members as of June 11, 2024, at Board approval of audited financial statements.*

The Special Forces Pension Plan (SFPP) is an independent, jointly-sponsored, defined benefit pension plan operating in the province of Alberta for the benefit of over 8,000 active, deferred, and retired municipal police officers. The police officers and their employers sponsor the pension plan by making contributions based on a percentage of pay throughout the officer's career. An SFPP member will never outlive their pension.

An SFPP defined benefit pension is calculated based on years of service and the highest five-year average consecutive salary, to create a guaranteed monthly income for life. Note: Not all defined benefit pension plans have highest five-year averages.

Serving Plan Members

At SFPP, we know that police work every day in our communities to protect and serve Albertans. In return, SFPP Corporation works to protect their pensions and provide the help and information they need as they work towards retirement.

SFPP was established in 1979 under the oversight of the Government of Alberta, with the President of Treasury Board and Minister of Finance having final say on all Plan benefits and changes. This changed in March 2019 when SFPP officially became a jointly-sponsored pension plan and SFPP Corporation was created with full responsibilities as trustee and administrator of the Plan. SFPP Corporation and its Board of Directors are now responsible for the administration of the Plan benefit and the investment management of the SFPP Fund, worth more than $4 billion.

In addition, members and employers are represented on a Sponsor Board which makes final decisions on Plan member benefits and contribution rates. SFPP Corporation has a small management team that develops strategy, policy, procedures, reporting, and service standards to meet the needs of our Boards, our service providers, our members and their employers. It is the responsibility of SFPP Corporation to ensure the financial health of the Plan, manage risk, and deliver on the pension promise.

2023 Accomplishments

FRASER DECISION ADVANCEMENTS

Significant steps were undertaken in 2023 relating to the Fraser Decision.

Phase 1, which focused on active SFPP members with historical periods of part-time service or job sharing, ended in 2023. Of the approximately 200 eligible active members, 120 chose to purchase the service and start making payments.

In the summer of 2023, SFPP Corporation entered into Phase 2, which focused on identifying and advising 44 retired and deferred SFPP members of their eligibility to purchase historical periods of part-time service or job sharing. Equipped with lessons learned from Phase 1, SFPP Corporation again worked closely with Alberta Pensions Services, Ellement Consulting, and the Canada Revenue Agency to create a seamless and timely process. Letters and forms were sent to each eligible member advising them of the opportunity to purchase service, and the SFPP website was updated with detailed information about the process, including the form required to initiate the purchase. To date, 24 retired or deferred members chose to purchase the service.

We want to thank SFPP employers who were engaged throughout the process and spent a significant amount of time reviewing employee service records to ensure accuracy. We continue to work on the next phase which will bring processes and automation for the ongoing administration of this service.

The Fraser Decision is a court challenge brought by three members of the RCMP Pension Plan who claimed that their plan violated their right to equality under the Canadian Charter of Rights and Freedoms. In 2020, the Supreme Court of Canada ruled in Fraser v. Canada (Attorney General) that federal pension plan members could buy back full-time pension credit for periods of employment where they temporarily reduced their working hours to care for their children.

WELCOME GRANDE PRAIRIE POLICE SERVICE

For the first time in 68 years, Alberta welcomed a new municipal police service into the fold when the Grande Prairie Police Service (GPPS) became the province's eighth municipal police service. SFPP was pleased to welcome GPPS members to our pension family in 2023, helping to grow our membership.

It will take GPPS a few years to transition into the full police service envisioned for the community, but 2023 saw the hiring of their first Chief of Police and a small number of staff to begin building the police service. GPPS expects to recruit 100 officers by 2027.

One of SFPP Corporation's responsibilities is to examine growth opportunities for the Plan. The potential for natural growth in policing is quite favourable in Alberta. With other municipalities exploring the feasibility of a municipal police service for their city or region, opportunities for continued growth are on the horizon.

ENHANCING MEMBER COMMUNICATIONS

With the establishment of the 2023-25 business plan, one of SFPP Corporation's goals is to enhance members' understanding of their pension and promote the value of the Plan. With easy access to clear, accurate, and timely communications relating to pension benefits, Plan members will be more comfortable making informed decisions about this essential piece of their retirement.

We know that simply communicating required information or checking an engagement box in an annual to-do list is not enough. A clear understanding of what we must communicate, what Plan members want to know, and how they want to hear about it allows us to provide the best value to Plan members.

Work began in 2023 to build a member communication strategy that will take us into 2024 and 2025. By the end of 2023, steps were underway to rebuild the website's home page and examine how we can enhance this important tool to meet the needs of Plan members. Over the next few years, Plan members can expect greater access to the pension information they need, when they need it, and in a way that works best for them.

TAKING RISK MANAGEMENT TO THE NEXT LEVEL

In the ever-evolving landscape of finance, where uncertainty can be a constant companion, we prioritize the safety and growth of our members' pensions above all else. To achieve this, we employ a comprehensive risk management strategy.

At the core of our approach is our Enterprise Risk Management (ERM) Framework, which forms part of the foundation of our operations, ensuring that risk management is integrated into every aspect of our work.

ERM FRAMEWORK

Our risk management journey begins with the development of risk statements, which outline acceptable and unacceptable risks and consider the Plan's financial health and future pension needs. This initial step sets the stage for thorough risk identification.

With a clear understanding of our risk landscape, we proceed to risk evaluation, targeting systematic quantitative and qualitative approaches to measure potential impacts. This analytical approach empowers us to make informed decisions, applying risk management best practices to steer clear of dangers and capitalize on opportunities.

Our commitment to risk management extends beyond assessment—it informs every aspect of our work. Whether it's optimizing our investment strategy or enhancing our third-party oversight, we are proactively monitoring risk to safeguard your interests.

Our ERM framework serves as a beacon of stability in uncertain times, providing our members with peace of mind as they plan for their future. By prudently managing risks, we are committed to ensuring our members have a dependable source of income in retirement.

Contribution Rates in 2023

Actuarial valuations inform the SFPP's Corporate and Sponsor Boards of the funding necessary to support current and future benefits, including setting contribution rates to be paid by employers and members. The SFPP Fund's ongoing prudent management and the good asset returns experienced in 2023 (8.8%) have allowed SFPP to remain fully funded despite tough market returns in 2022. It has also allowed total contribution rates to remain stable, without increases, for the last 13 years.

CONTRIBUTION RATES FOR 2023

	Members	Employers	Total
Current service contributions	12.70%	13.80%	26.50%
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% toward the pre-1992 unfunded liability.*

*** Percentage of payroll*

Cost of Living Adjustments

A Cost-of-Living Adjustment (COLA) is made to adjust for rising daily living expenses, allowing retirees' income to help keep pace with inflation. In 2023, our sound financial position allowed our Sponsor Board to grant COLA at 80% of the change in the Alberta Consumer Price Index (CPI) for those retirees with post-2000 service. This was a significant increase above the targeted rate of COLA for these pensioners, which is 30% of the change in Alberta CPI. Decisions on the level of COLA the Plan can afford for post-2000 service are made annually. COLA increases were welcome news for retirees at a time when Canadians are facing inflationary pressures.

- Retired members with pre-2001 service saw that portion of their pension increase by 2.34% in 2024.
- Retired members with service earned after 2000 saw that portion of their pension increase by 3.12% in 2024.

Our Plan Members

SFPP members come from eight municipal police services around the province: Calgary, Camrose, Edmonton, Grande Prairie, Lacombe, Lethbridge, Medicine Hat, and Taber. We work hard to ensure our members receive predictable, secure, and appropriate pensions for their years of dedicated service and sacrifice.

TYPES OF SFPP MEMBERS:

- **Active members** are those police officers currently employed by a participating employer and contributing to the Plan.
- **Retirees/pensioners** are those who have begun receiving an SFPP pension, including surviving spouses.
- **Deferred members** are those who have terminated employment, have benefits remaining in SFPP, but have not yet begun receiving a monthly pension.

At the end of 2023, SFPP had 8,034 members, an increase of 2.84% from 2022 (7,812).

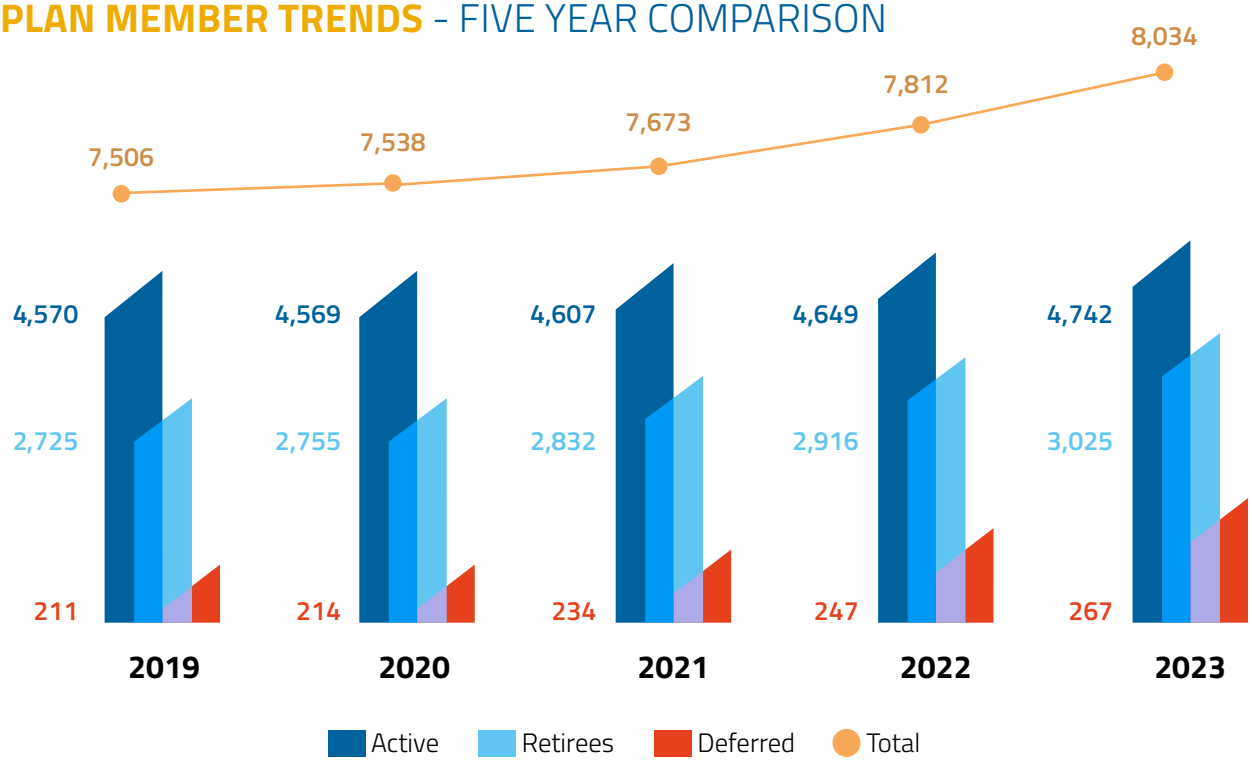
46

# of spouses over 85 receiving a survivor benefit

The total number of active members rose to 4,742 from 4,649 a year earlier, and the total number of retirees increased to 3,025 from 2,916.

Plan Metrics

PLAN MEMBER TRENDS - FIVE YEAR COMPARISON



SFPP's oldest member is **99 years old** and has been on pension payroll for **39.4 years**.

11 active **SFPP members** have been with the Plan for over 40 years.

ACTIVE MEMBER DEMOGRAPHICS

	2019	2020	2021	2022	2023
Average age of active members	40.6	41.4	41.3	41.5	41.5
Average years of service of active members	12.4	12.8	12.2	12.2	12.2
Active member to retiree ratio	1.66	1.66	1.63	1.59	1.57

RETIREE TRENDS

	2019	2020	2021	2022	2023
Number of new retirees	92	77	121	141	154
Average age of new retirees	55	54.5	55.1	54.6	54.7
Average annualized yearly pension (gross)	$43,763	$49,207	$47,429	$47,716	$48,719
Current Pension Choices in Payment					
Joint Lifetime Options	90.2%	89.8%	89.6%	89.9%	88.9%
Single Lifetime Options	9.8%	10.2%	10.5%	10.2%	11.1%

**Numbers are rounded to the nearest decimal and may not add up to 100%.*

USING THE SECURE ONLINE ACCOUNT

Active members registered for their secure online account: **67.3%**

Secure account logins increased by: **7.1%**

Benefit Administration

APS CEO UPDATE

Doug Woloshyn
CEO
Alberta Pensions Services Corporation (APS)

Alberta Pensions Services Corporation (APS) commends the dedication and bravery of those who courageously serve Albertans. We are honoured to provide pension administration services to SFPP members, retirees and employers.

APS is proud to continue our strategic partnership with SFPP, collaborating to enhance the member experience. We strive to support SFPP Corporation as it works to secure your pension and give you peace of mind. We are determined to maintain our status as a cost-effective pension administrator and offer a high calibre of service.

We have thousands of opportunities to connect with SFPP members every year. We provide services such as contributions management and benefit payouts, pension benefit information and communication, data management, analytics and reporting. We also assist members and retirees with navigating the changes in their lives that can change their retirement outlook.

Our commitment to the well-being of SFPP members and retirees remains steadfast, reflected in our corporate values of quality, service and accountability. We know the path to operational excellence focuses on reliability, innovation and our people and culture, and these remain key themes in all our organizational objectives and the services we provide.

We achieved significant service and operational successes while collaborating with SFPP Corporation on many initiatives to improve the pension experience for members in 2023—including online service improvements and online self-service options such as estimators and secure online account developments. In addition, we collaborated closely with SFPP Corporation to ensure the successful implementation and communication of the Fraser Decision for members and employers. Teams from across APS have been involved and continue to ensure clear and forthcoming communications to help educate and allow for informed decision-making and the seamless processing of buybacks for affected members.

Further growth is on the horizon, and we are eager to continue working together to meet the evolving expectations of members and employers. We were pleased to collaborate with SFPP Corporation to develop a five-year strategic roadmap addressing future desired services, service levels, functionality and capacity. We will remain agile as member demographics change with time and work to serve new generations as they join the workforce or retire. We look forward to continuing to collaborate with SFPP Corporation on the future of pension administration.

PENSION SERVICE LEVELS

	Target	2023 average elapsed time	% that met target
Pension estimates	95%	7.1 days	87.9%
Pension options package	95%	4.5 days	95.4%
Pension payment for new retirees	95%	26.1 days	94.8%
Monthly pension payments	100%	-	100%
Termination packages	95%	1.3 days	100%
Termination payouts	95%	4.2 days	100%
Secure online responses	2 days	1.6 days	
Call abandonment rate	<5%	4.1%	

VOICE OF THE CUSTOMER SCORE WAS 8.5/10 AT THE END OF 2023.

Following an interaction with a Member Services Centre representative, Plan members often receive a short survey to assess their satisfaction with their customer service experience. We call this the voice of the customer score.

Investment Policy and Oversight

STRATEGIC INVESTMENT APPROACH

At SFPP, we are committed to ensuring the long-term financial security of our members through prudent and strategic investment decisions. The foundation of our strategic investment approach is built on principles of risk management, diversification, and sustainable growth. This approach is designed to navigate the complexities of the global financial markets, aiming to deliver optimal returns while safeguarding the interests of our stakeholders.

INVESTMENT PHILOSOPHY AND OBJECTIVES

Our investment philosophy is centered on a disciplined approach that balances risk and reward. We aim to achieve a diversified portfolio that generates sufficient long-term returns to fund benefits earned under the Plan while assuming an appropriate level of risk.

GOVERNANCE AND OVERSIGHT

Effective governance is the cornerstone of our investment framework. The Corporate Board oversees the investment strategy, ensuring alignment with our fiduciary responsibilities. This includes regular reviews of the **Statement of Investment Policies and Procedures (SIPP)**, asset allocation, and performance. The SIPP is updated annually by the Board to ensure there is alignment between investment returns and risk tolerance. The SIPP also defines the investment management structure and monitoring procedures.

STRATEGIC ASSET ALLOCATION

The majority of pension benefits paid to Plan members come from investment returns. Investment performance plays a critical part in ensuring there is enough money to pay pension benefits now and in the future. Asset allocation is a critical determinant of our investment performance. We employ a strategic asset allocation model that balances growth assets, such as equities, with income-generating and defensive assets, such as fixed income, real estate, and infrastructure. This diversified approach helps mitigate risk and enhances the potential for stable returns.

RISK MANAGEMENT

Risk management is integrated into every aspect of our investment process. We utilize a comprehensive risk management approach that includes:

- Rigorous due diligence and continuous monitoring of our investment manager, AIMCo.
- Diversification across asset classes, geographies, and sectors.
- Regular stress testing and scenario analysis to assess potential vulnerabilities.

SUSTAINABLE AND RESPONSIBLE INVESTING

We recognize the importance of sustainable and responsible investing in creating long-term value. The Board monitors that AIMCo comprehensively integrates environmental, social, and governance factors into investment decisions, thereby reducing risks and potentially increasing returns.

OVERSIGHT - PERFORMANCE MEASUREMENT, MONITORING, AND REPORTING

AIMCo is responsible for the day-to-day investment of SFPP's assets, based on Board instructions in the SIPP. Investment managers have the flexibility to act within the prescribed limits of the SIPP to provide value over the investment policy benchmark. Returns above the benchmark, known as "value add," are expected considering the active management approach used by AIMCo. An annual performance scorecard, including both assessment and recommendations for improvement, 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's portfolio.
- Investment performance in relation to policy benchmarks.

AIMCo CEO Update

Coming to work every day for a meaningful purpose is one of the greatest motivators there is.

Evan Sidall
CEO
Alberta Investment Management Corporation (AIMCo)

AIMCo's employees spend every day with our clients and their beneficiaries in mind, along with the rest of the hard-working people of Alberta. After all, as our purpose states, "AIMCo exists to help our clients secure a better financial future for the Albertans they serve."

Rooted in Alberta with a global reach, Alberta Investment Management Corporation's sole mandate is to earn the best investment returns so Albertans like members of SFPP can make the most of their hard earned pension dollars. This year, we embarked on a transformation project to overhaul our investment technology, streamline and simplify our processes in a way that will make us one of the most advanced investors, certainly in Canada, but also in the investment industry. This newfound efficiency is done with you in mind and will lead to better investment data, processes and, ultimately, decisions.

This year we also made significant strides in turning our investment strategy into a reality by translating it into asset class specific strategies while navigating challenging markets throughout 2023. Absolute performance for the year for SFPP was 8.8%, under performing the benchmark by 1.2%. However, long-term total returns remain robust and excess return above clients' benchmarks, particularly over 2 and 3-year horizons. Today, midway through 2024, the Special Forces Pension Plan is worth $4.2B, an increase of $200M over the 2023 year-end.

As we work our way through 2024, we continue to focus on executing against our investment strategy while remaining laser-focused on our transformation milestones. I am excited about the opportunities that lie ahead and look forward to sharing more with you.

Investment Results

SFPP Management Analysis

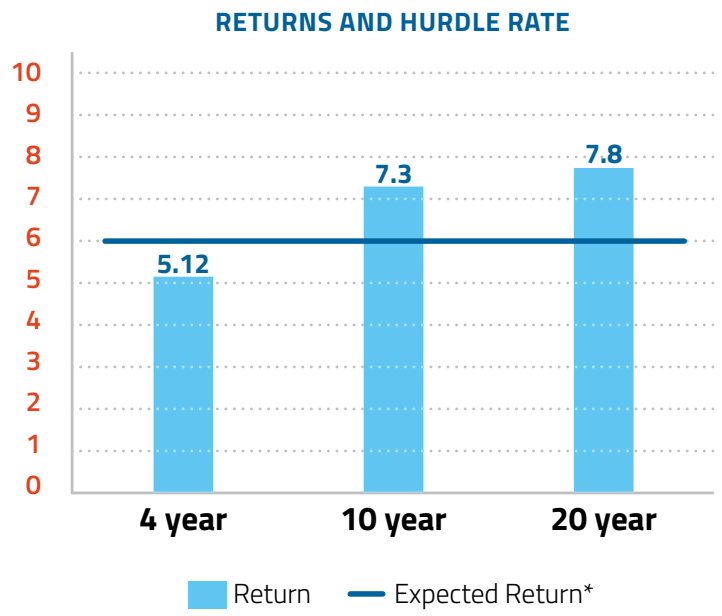
Following a difficult year in 2022, expectations for financial markets were muted heading into 2023 as the higher interest rates of the past two years were expected to slow the economy and increasingly elevate the risk of recession. However, events took an unexpectedly positive turn.

Public equities significantly outperformed predictions, with major indices like the S&P 500 and the Nasdaq posting robust gains. This surge, which was significantly concentrated in the fourth quarter, was driven by investor enthusiasm for large-cap technology stocks tied to artificial intelligence and a surprising shift in central bank messaging that interest rate cuts were possible sooner rather than later on decelerating inflation data.

Fixed income markets also experienced a favorable environment, contrary to the cautious outlook at the year's start. Central banks' dovish signals led to lower yields and higher bond prices, benefiting both government and high-quality corporate bonds. The private market sector maintained its stability, with private equity and private credit delivering strong returns. Despite the resilience in most areas, the real estate sector faced challenges, particularly in the office segment due to sustained remote work trends and increased vacancy rates. Nevertheless, residential and industrial real estate remained robust, driven by continuous demand for housing and logistics spaces. Overall, 2023 showcased the importance of a diversified investment strategy, enabling the SFPP Fund to navigate and capitalize on the year's unforeseen market dynamics.

The SFPP portfolio returned 8.8%, driven by robust performance in public equities and fixed income. The fixed income portfolio rebounded in 2023 after a very challenging period in 2022 with rising interest rates.

The strong investment performance witnessed in 2023 not only exceeded expectations but also significantly contributed to the sustainability of our Plan. With a 10-year annualized return of 7.3% and a 4-year annualized return of 5.1%, both surpassing the Plan's average assumed actuarial rate of return, we are well positioned to meet our long-term obligations. This achievement underscores our prudent investment strategy and diligent risk management practices. As stewards of the SFPP Fund, we remain committed to delivering solid returns that secure the financial future of our beneficiaries.



**20-year average funding discount rate, including a margin for conservatism.*

INVESTMENT MANAGER PERFORMANCE

AIMCo, a crown corporation of the Government of Alberta, is the legislated investment manager for SFPP. As noted above, SFPP sets the Plan's overall investment strategy and strategic asset allocation through its SIPP, and AIMCo implements it according to those instructions. AIMCo's objective is to deliver value by exceeding the performance of the investment portfolio's policy benchmark. The policy benchmark return represents the performance from a combination of market indices or benchmarks that represent the asset classes or strategies included in the portfolio in proportion to the policy asset mix approved by the Board. Performance is reviewed quarterly, with an emphasis on four-year returns and longer. According to the Plan's SIPP, the Board expects that the investments held by the Plan will return approximately 0.65%, or 65 basis points per annum, above the policy benchmark return over the long-term. In 2023, the investment portfolio's relative performance underperformed the policy benchmark by 1.2%, primarily due to weaker returns from private assets such as real estate and infrastructure. The table below shows the annualized excess return or value added from the investment manager over the past four, 10, and 20 years.

	Annualized Returns (%)		
	4 Years	10 Years	20 Years
Portfolio Return	5.12	7.30	7.08
Policy Benchmark Return	4.83	6.85	6.72
Excess Return/Value-added	0.29	0.45	0.36

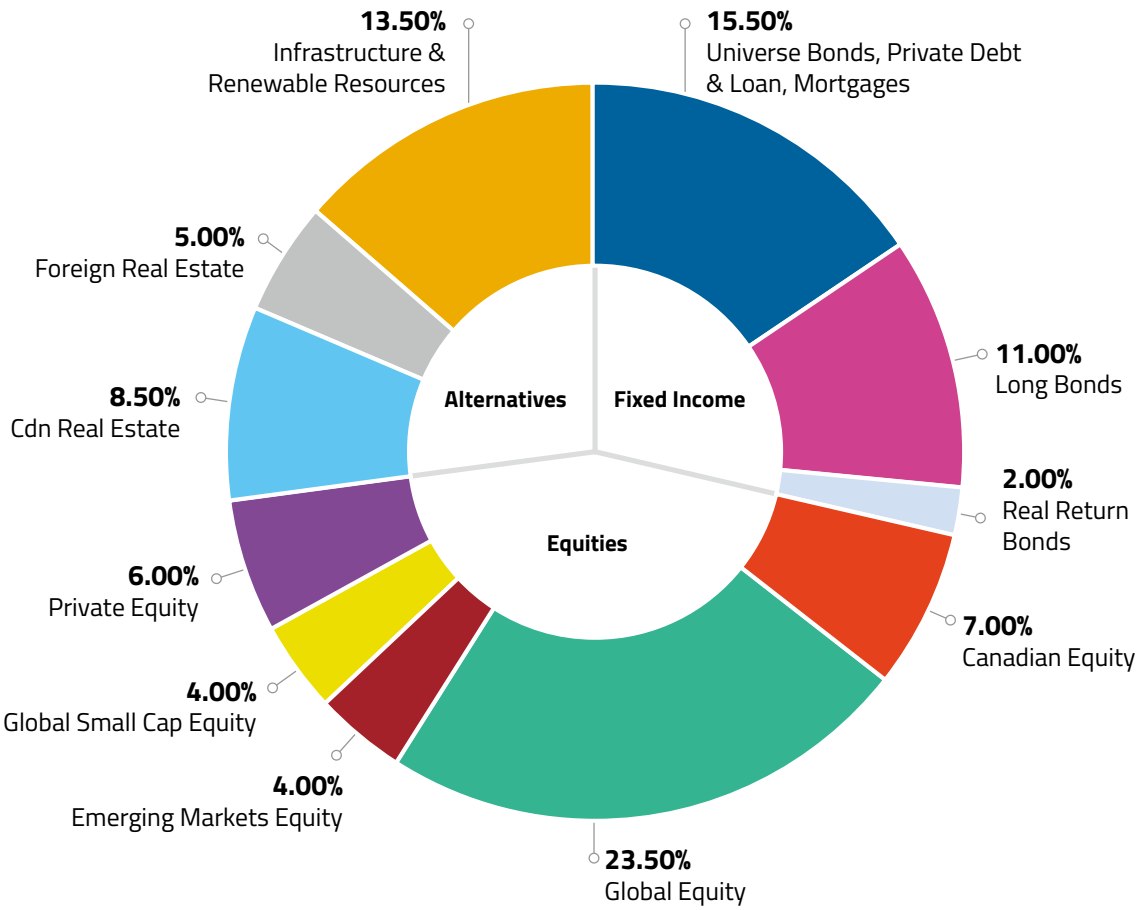
AIMCo's objective is to deliver value by exceeding the performance of the investment portfolio's policy benchmark.

PORTFOLIO ASSET ALLOCATION

The process of dividing an investment portfolio among different asset classes, such as stocks, bonds, real estate, etc. is referred to as asset allocation. Research studies have found that an investment portfolio's strategic asset allocation significantly impacts long-term investment returns. In fact, numerous studies attribute a significant portion of the variability in investment returns to asset allocation decisions, while individual security selection and market timing play a relatively smaller role. Asset allocation is based on the understanding that different asset classes offer returns that are not perfectly correlated and diversifying portfolios across asset classes will help to optimize risk-adjusted returns.

SFPP's Corporate Board sets the strategic asset allocation which is reviewed on an annual basis as part of the annual review of the SIPP. SFPP strives to diversify investments across different asset classes to construct an investment portfolio resilient to different economic and market environments to reduce risk and enhance the potential for consistent long-term returns. The Plan's current long-term policy asset mix (illustrated below) contains public market assets, such as equities and bonds, and includes private market assets such as real estate and infrastructure.

ASSET MIX



INVESTMENT MANAGEMENT EXPENSES

Managing investment expenses is an important aspect of portfolio management as they directly impact investment returns and the overall long-term financial performance of the portfolio. AIMCo, as SFPP's legislated investment management services provider, operates on a cost-recovery basis and charges SFPP for the portion of AIMCo costs based on SFPP's share of total client assets managed by AIMCo. Investment expenses typically vary based on several factors, including the type of investments held (asset mix), the nature of the strategy employed (active versus passive management), whether managed internally at AIMCo or contracted to external third-party investment managers and investment management performance fees paid to investment managers when the returns they generate exceed a specified target. Managing investment costs is an ongoing process that requires regular evaluation and attention. By actively monitoring these expenses, SFPP can ensure they are reasonable and align with the value provided by the investment management service.

In 2023, total investment costs, including GST, were $29.5 million. When measured in relation to our average total assets for the year, these costs represent 0.70% or 70 basis points. This year's investment costs increased from 60 basis points in 2022. Higher performance fees paid in 2023 explain the majority of this change. In addition to investment costs, SFPP also has annual costs for management of the Plan (SFPP Corporation) and the administration of benefits (APS - Alberta Pensions Services). The three cost areas are compared in the chart below.

SFPP OPERATING EXPENSES BEFORE GST

(in thousands)	2023 Budget	2023 Actual	Variance - Under/(Over)
SFPP Corporation	2,910	2,855	(55)
AIMCo Investment Services	25,873	28,493	(2,620)
APS Pension Administration Service	1,712	1,546	166
Total	$30,495	$32,894	($2,399)

** numbers have been rounded to the nearest decimal*

TEN-YEAR OVERVIEW

INVESTMENT EXPENSES AS A PERCENTAGE OF NET ASSETS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
% of Every Dollar	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.5%	0.9%	0.6%	0.7%

FUNDING ($ MILLIONS) ON AN ACCOUNTING BASIS

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Assets	$2,280.9	$2,503.2	$2,691.0	$3,000.2	$3,028.3	$3,454.4	$3,594.4	$4,166.1	$3,868.2	$4,225.1
Liabilities	$2,472.0	$2,665.0	$2,799.0	$2,929.0	$3,219.5	$3,269.7	$3,583.0	$3,741.9	$3,602.9	$3,672.0
Funded Ratio	92.3%	93.9%	96.1%	102.4%	94.1%	105.6%	100.3%	111.3%	107.4%	115.1%

INVESTMENT RETURNS (IN %)

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1-year	Return	12.0	9.3	6.8	10.9	0.5	13.5	4.5	15.6	-7.2	8.8
	Benchmark	12.2	7.1	6.8	9.6	-0.1	14.3	10.2	9.3	-8.9	10.0
	Excess Return to Benchmark*	-0.2	2.2	0.0	1.3	0.6	-0.8	-5.7	6.3	1.7	-1.2
4-year	Return	10.2	11.8	10.6	9.8	6.8	7.8	7.3	8.4	6.2	5.1
	Benchmark	9.2	10.5	9.8	9.0	5.9	7.5	8.4	8.3	5.9	4.8
	Excess Return to Benchmark*	1.0	1.3	0.8	0.8	0.9	0.3	-1.1	0.1	0.3	0.3

**Excess Return to Benchmark target is 0.65%. Prior to 2022, the target was 1.00%.*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FINANCIAL STATEMENTS

Special Forces Pension Plan

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the SFPP Corporation Board of Directors

Auditor General OF ALBERTA

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, 2023, 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, 2023, 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 11, 2024
Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(in thousands)		2023		2022
Net assets available for benefits				
Assets				
Cash (Note 2b)	$	26,293	$	7,606
Investments (Note 3)		4,191,992		3,851,947
Contributions receivable				
Employers		3,760		3,274
Employees		3,148		2,954
Province of Alberta		1,089		636
Accounts receivable		1,630		1,918
Total assets		4,227,912		3,868,335
Liabilities				
Accounts payable		2,797		101
Total liabilities		2,797		101
Net assets available for benefits	$	4,225,115	$	3,868,234
Pension obligation and surplus				
Pension obligation (Note 5)	$	3,672,026	$	3,602,894
Surplus (Note 6)		553,089		265,340
Pension obligation and surplus	$	4,225,115	$	3,868,234

The accompanying notes are part of these financial statements.

Approved by the Board:

[Original signed by Dave Paton, Chair, Corporate Board]

Approved by Management:

[Original signed by Liz Doughty, Chief Executive Officer]

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31, 2023

(in thousands)	2023	2022
Increase in assets		
Contributions (Note 7)		
Employers	$ 88,778	$ 74,869
Employees	83,543	71,222
Province of Alberta	7,592	6,413
Transfers from other plans	782	1,284
Investment income (Note 8)		
Income	288,758	3,880
Change in fair value	81,290	-
Interest income (Note 2b)	857	180
	551,600	157,848
Decrease in assets		
Benefit payments (Note 10)	160,389	150,172
Transfers to other plans	277	490
Investment expenses (Note 11)	29,504	24,133
Investment loss (Note 8)		
Change in fair value	-	277,019
Administrative expenses (Note 12)	4,549	3,850
	194,719	455,664
Increase (Decrease) in net assets	356,881	(297,816)
Net assets available for benefits at beginning of year	3,868,234	4,166,050
Net assets available for benefits at end of year	$ 4,225,115	$ 3,868,234

The accompanying notes are part of these financial statements.

STATEMENT OF CHANGES IN PENSION OBLIGATION

YEAR ENDED DECEMBER 31, 2023

(in thousands)	2023			2022		
	Pre-1992	Post-1991	Total	Pre-1992	Post-1991	Total
Increase in pension obligation						
Interest accrued on opening pension obligations	$ 41,617	$ 171,103	$ 212,720	$ 39,506	$ 158,223	$ 197,729
Benefits earned	-	129,388	129,388	-	121,213	121,213
Net experience loss (Note 5b)	11,795	66,328	78,123	17,916	12,985	30,901
	53,412	366,819	420,231	57,422	292,421	349,843
Decrease in pension obligation						
Benefit payments, transfers and interest	62,322	102,198	164,520	60,405	92,857	153,262
Net gain due to actuarial assumption changes	20,466	166,113	186,579	39,218	296,355	335,573
	82,788	268,311	351,099	99,623	389,212	488,835
Net (decrease) increase in pension obligation	(29,376)	98,508	69,132	(42,201)	(96,791)	(138,992)
Pension obligation at beginning of year	717,538	2,885,356	3,602,894	759,739	2,982,147	3,741,886
Pension obligation at end of year (Note 5)	$ 688,162	$ 2,983,864	$ 3,672,026	$ 717,538	$ 2,885,356	$ 3,602,894

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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

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 SFPP plan text document.

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. The Plan is also 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 Pension Plans Act* (Alberta) (Joint Governance Act), and the Exemption (Public Sector Pension) Regulation AR 3/2019.

The Plan is governed by SFPP Corporation and the SFPP Sponsor Board. The SFPP Sponsor Board has certain statutory functions with respect to the Plan under the Joint Governance Act, including making and amending the plan text, setting contribution rates, and establishing the Plan's funding policy. SFPP Corporation is the legal trustee of the Fund and administrator of the Plan for all purposes under the EPPA, and management for the purposes of these financial statements.

b. PLAN FUNDING

The Plan is subject to the jointly sponsored plan funding rules of the EPPA and is exempt from the EPPA's solvency funding requirements. Current service costs and any actuarial deficiency are funded by the employees and employers. 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, 2021.

The contribution rates in effect at December 31, 2023, for current service were 13.80% (2022: 13.39%) of pensionable salary for employers and 12.70% (2022: 12.29%) for employees. However, the contributions towards the post-1991 actuarial deficiency was eliminated in 2023 (2022: 0.41% of pensionable salary each for both employers and employees). Contributions towards the pre-1992 actuarial deficiency remained the same at 0.75% of pensionable salary each for both employers and employees. Therefore, the total contribution rates in effect at December 31, 2023, remained unchanged from 2022 at 14.55% of pensionable salary for employers and 13.45% of pensionable salary for employees.

Pensionable salary is 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 2023, the salary cap was $195,314 (2022: $190,470).

The unfunded liability for service prior to 1992 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, 2023, 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*).

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 the highest average salary over five consecutive years up to the average YMPE over the same 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.

Individuals who become members after June 30, 2007, and have no pensionable service prior to July 1, 2007, are not entitled to disability pensions.

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 surviving pension partner entitled to a death benefit, the surviving pension partner may choose to receive either a survivor pension or a lump-sum payment. If there is no surviving pension partner entitled to a death benefit, 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 or 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 made for service after 1991, excluding member wholly funded contributions, transferred amounts under a transfer agreement, and contributions toward pre-1992 unfunded liabilities exceeded more than 50% of the commuted value, the excess contributions with interest were refunded as taxable cash. As of April 1, 2020, if such member 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 receives 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 are 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. For post-2000 service, the Sponsor Board determines each year whether COLA can be granted based on the Plan's financial condition.

COLA increases apply to pensions in pay and pensions payable to deferred vested members. The increase is subject to proration for pensions that become paid or payable within the previous year based on the number of complete months in the that calendar year after the vested member's termination date.

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. CASH

Cash includes deposits in the plan's administration bank account. The funds in this account are used for operational and pension benefits disbursements. Interest earned on cash is recorded on an accrual basis as Interest income.

c. 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 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.

d. INVESTMENT INCOME

Investment income is recorded on an accrual basis.

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.

e. 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.

f. 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.

g. 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.

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 the 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).

FAIR VALUE HIERARCHY (A)

(in thousands)	2023			2022		
Asset Class	**Level 2**	**Level 3**	**Fair Value**	**Level 2**	**Level 3**	**Fair Value**
Interest-bearing securities						
Cash and short-term securities	$ 2,909	$ -	$ 2,909	$ 38,965	$ -	$ 38,965
Bonds, mortgages, private debt and loans	886,607	328,884	1,215,491	688,850	218,083	906,933
	889,516	328,884	1,218,400	727,815	218,083	945,898
Equities						
Canadian	157,992	-	157,992	371,055	-	371,055
Global development	1,004,313	24,884	1,029,197	909,414	26,259	935,673
Private	248	234,112	234,360	1	212,817	212,818
Emerging markets	168,259	-	168,259	154,816	-	154,816
Global small cap	174,331	-	174,331	115,909	-	115,909
	1,505,143	258,996	1,764,139	1,551,195	239,076	1,790,271
Inflation sensitive						
Real estate	-	470,017	470,017	-	455,803	455,803
Infrastructure	2	498,650	498,652	2	403,628	403,630
Real return bonds	123,116	-	123,116	147,385	-	147,385
Renewable	-	107,536	107,536	-	96,945	96,945
	123,118	1,076,203	1,199,321	147,387	956,376	1,103,763
Strategic, tactical and currency investments *	(56)	10,188	10,132	2,308	9,707	12,015
Total Investments	$ 2,517,721	$ 1,674,271	$ 4,191,992	$ 2,428,705	$ 1,423,242	$ 3,851,947

** 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 $2,517,721 (2022: $2,428,705).
- **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 $1,674,271 (2022: $1,423,242).

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENT

(in thousands)	2023	2022
Balance at beginning of year	$ 1,423,242	$ 1,146,788
Investment income *	29,373	87,952
Purchases of Level 3 pooled fund units	280,952	268,569
Sale of Level 3 pooled fund units	(59,296)	(80,067)
Balance at end of year	$ 1,674,271	$ 1,423,242

** Investment income includes unrealized losses of $13,911 (2022: $50,182).*

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 provide 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 the 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	Target Asset Mix	Actual Asset Mix (a) *(in thousands)*			
		2023	%	2022	%
Interest-bearing securities					
Money market (cash and short-term securities)	0%	$ 2,909	0.1	$ 38,965	1.0
Fixed income (bonds and mortgages)	32%	1,215,491	29.0	906,933	23.5
Equities	38%	1,764,139	42.1	1,790,271	46.5
Inflation sensitive	30%	1,199,321	28.6	1,103,763	28.7
Strategic, tactical and currency	(b)	10,132	0.2	12,015	0.3
		$ 4,191,992	100.0%	$ 3,851,947	100.0%

a. Actual investments are within the ranges for each asset class outlined in the SIPP.

b. 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, 2023:

Credit Rating	2023	2022
Investment Grade (AAA to BBB-)	83.0%	84.5%
Speculative Grade (BB+ or lower)	1.4%	1.5%
Unrated	15.6%	14.0%
	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, 2023, the Plan's share of securities loaned under this program is $141,831 (2022: $115,270) and collateral held totals $152,683 (2022: $124,600). 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 bankers' acceptances and bankers' deposit notes. 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 36% (2022: 34%) of the Plan's investments, or $1,513,644 (2022: $1,326,282), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 21% (2022: 20%) and the Euro, 4% (2022: 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 3.6% (2022: 3.4%)

The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2023:

(in thousands)	2023		2022	
Currency*	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 877,324	$ (87,732)	$ 765,699	$ (76,570)
Euro	172,961	(17,296)	150,691	(15,069)
British pound	116,564	(11,656)	99,002	(9,900)
Japanese yen	83,549	(8,355)	73,444	(7,344)
Other foreign currency	263,246	(26,325)	237,448	(23,745)
Total foreign currency investments	$ 1,513,644	(151,364)	$ 1,326,284	(132,628)

** Information on specific currencies is disclosed when the current year's 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 2.8% of total investments (2022: 2.9%).

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 4.6% (2022: 5.2%). 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.

By counterparty	Number of counterparties	Plan's Indirect Share *(in thousands)*	
		2023	2022
Contracts in net favourable position (current credit exposure)	107	56,707	18,803
Contracts in net unfavourable position	7	(8,800)	(28,339)
Net fair value of derivative contracts	114	47,907	(9,536)

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 $56,707 (2022: $18,803) 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 *(in thousands)*	
	2023	2022
Equity-based derivatives	$ 21,754	$ 1,878
Foreign currency derivatives	15,672	(23,717)
Interest rate derivatives	10,330	11,831
Credit risk derivatives	151	473
Net fair value of derivative contracts	$ 47,907	$ (9,535)

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, 2023, deposits in futures contracts margin accounts totaled $3,325 (2022: $5,558). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $28,204 (2022: $63,868) and $Nil (2022: $Nil).

NOTE 5. PENSION OBLIGATION

a. ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2021, and was then extrapolated by Aon to December 31, 2023.

The actuarial assumptions used in determining the value of the liability for accrued benefits of $3,672,026 (2022: $3,602,894) 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 an 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:

	% 2023	% 2022
Discount rate	6.15	5.80
Inflation rate*	3.00	4.50
Salary escalation rate**	2.00-2.75	2.00-2.75
Mortality rate	120% of the 2014 Canadian Pensioner Mortality Table (Public Sector)	

* *2.50% for 2024 and 2.00% per annum thereafter.*

** *2.00% for one year from December 31, 2023, and 2.75% per annum thereafter, in addition to age specific merit and promotion increase assumptions*

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 LOSS

Net experience loss of $78,123 (2022: net experience loss of $30,901) from cost-of-living adjustments being greater than expected and reflecting actual retroactive salary increases.

c. 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 obligation and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2023:

(in thousands)	Changes in Assumptions %	Increase in Plan's Obligation $	Increase in Current Service Cost as a % of Pensionable Earnings [1]
Inflation rate increase holding discount rate and salary escalation assumptions constant	1%	164,878	0.8%
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1%	103,672	1.6%
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1%)	576,856	5.1%

(1) The current service cost as a percentage of pensionable earnings as determined by the December 31, 2023 extrapolation was 20.03%.

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.

(in thousands)	2023			2022		
	Pre-1992	Post-1991	Total	Pre-1992	Post-1991	Total
(Deficit) Surplus at beginning of year	$ (159,743)	$ 425,083	$ 265,340	$ (112,876)	$ 537,040	$ 424,164
Increase (decrease) in Plan Fund net assets available for benefits	3,473	353,408	356,881	(89,068)	(208,748)	(297,816)
Net decrease (increase) in pension obligation	29,376	(98,508)	(69,132)	42,201	96,791	138,992
(Deficit) Surplus at end of year	$ (126,894)	$ 679,983	$ 553,089	$ (159,743)	$ 425,083	$ 265,340
Net assets available for benefits at beginning of year	$ 557,795	$ 3,310,439	$ 3,868,234	$ 646,863	$ 3,519,187	$4,166,050
Increase (Decrease) in Plan net assets available for benefits	3,473	353,408	356,881	(89,068)	(208,748)	(297,816)
Net assets available for benefits at end of year	$ 561,268	$ 3,663,847	$ 4,225,115	$ 557,795	$3,310,439	$3,868,234

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

NOTE 7. CONTRIBUTIONS

(in thousands)	2023	2022
Employers		
Current service	$ 81,448	$ 68,632
Past service	2,775	286
Unfunded liability	4,555	5,951
	$ 88,778	$ 74,869
Employees		
Current service	74,605	62,949
Past service	4,383	2,322
Unfunded liability	4,555	5,951
	$ 83,543	$ 71,222
Province of Alberta		
Unfunded liability	7,592	6,413
	$ 7,592	$ 6,413
	$ 179,913	$ 152,504

NOTE 8. INVESTMENT INCOME

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

(in thousands)	Income	Change in Fair Value	2023 Total	Income	Change in Fair Value	2022 Total
Interest-bearing securities	$ 43,464	$ 47,650	$ 91,114	$ 10,333	$ (212,541)	$ (202,208)
Equities						
Canadian	24,108	5,670	29,778	29,320	(45,000)	(15,680)
Foreign	192,514	34,002	226,516	(75,614)	(78,398)	(154,012)
Private	13,023	12,249	25,272	9,802	(18,972)	(9,170)
	229,645	51,921	281,566	(36,492)	(142,370)	(178,862)
Inflation Sensitive						
Real estate	14,986	(44,150)	(29,164)	13,927	11,060	24,987
Real return bonds	142	5,832	5,974	165	7	172
Infrastructure	(1,270)	19,584	18,314	13,162	50,336	63,498
Renewables	4,188	(2,350)	1,838	3,816	17,431	21,247
	18,046	(21,084)	(3,038)	31,070	78,834	109,904
Strategic, tactical and currency investments	(2,397)	2,803	406	(1,031)	(942)	(1,973)
	$ 288,758	$ 81,290	$ 370,048	$ 3,880	$ (277,019)	$ (273,139)

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized (losses) gains on pool units total $(13,494) and $94,565 respectively (2022: losses of $(50,781) and $(225,721) respectively). Realized and unrealized gains and losses on currency hedges total $932 and $(713) respectively (2022: $(611) and $94) 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.

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:

(in per cent)	2023	2022	2021	2020	2019
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	10.0	(8.9)	9.7	10.2	14.3
Value (lost) added by the investment manager	(1.2)	1.7	5.9	(5.7)	(0.8)
Time weighted rate of return, at fair value [a]	**8.8**	**(7.2)**	**15.6**	**4.5**	**13.5**
Other sources [b]	0.4	0.0	0.4	(0.5)	0.6
Per cent change in net assets [c]	**9.2**	**(7.2)**	**16.0**	**4.0**	**14.1**
Per cent change in pension obligation [c]	**1.9**	**(3.7)**	**4.4**	**9.6**	**1.6**
Per cent of pension obligation supported by net assets	**115**	**107**	**111**	**100**	**106**

a. All investment returns are provided by AIMCo and are net of investment expenses.

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

(in thousands)	2023	2022
Retirement benefits	$ 141,756	$ 132,316
Disability pensions	417	438
Termination benefits	15,413	15,696
Death benefits	2,803	1,722
	$ 160,389	$ 150,172

NOTE 11. INVESTMENT EXPENSES

(in thousands)	2023	2022
Amount charged by AIMCo for:		
Investment costs [a]	$ 17,204	$ 16,423
Performance-based fees [a]	11,289	7,041
Goods and services tax	1,011	669
Total investment expenses	$ 29,504	$ 24,133
Increase (Decrease) in expenses [a]	22.3%	(29.5)%
Increase in average investments under management	0.4%	3.4%
(Decrease) Increase in value of investments attributed to AIMCo	(1.2)%	1.4%
Expenses as a percent of dollar invested	0.7 %	0.6%
Investment expenses per member (in dollars)	$ 3,672	$ 3,089

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

(in thousands)	2023	2022
Pension administration costs		
Alberta Pensions Services Corporation (APS)	$ 1,546	$ 1,495
SFPP Corporation	2,855	2,231
Goods and services tax and other	147	124
Bank fees*	1	-
	4,549	3,850
Expenses per member (in dollars)	$ 566	$ 493

* Effective October 2023, a new SFPP disbursement account was utilized for member and pensioner payments. Bank fees were previously charged to APS.

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

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 $34,053 (2022: $27,983) or $4,238 (2022: $3,582) per member and 0.81% (2022: 0.72%) 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 $4,293,584 at December 31, 2023 (2022: $4,076,021), comprising $572,522 (2022: $587,407) pre-1992 and $3,721,062 (2022: $3,488,614) post-1991.

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.

Special Forces Pension Plan

MEMBERSHIP OR PENSION INQUIRIES

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