Special Forces
Pension Plan

2025 ANNUAL REPORT

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Message from the Chair

As I reflect on my first year as Chair of the Corporate Board of Directors, I am pleased to present SFPP's 2025 Annual Report — a report that, in many ways, tells the story of an organization coming into its own.

The CEO's message speaks to SFPP Corporation's transition from its foundational start-up phase into a maturing institution. From the Board's perspective, evolution is both visible and deliberate. Governance does not simply follow organizational growth — it enables it. The Corporate Board's role is to provide disciplined oversight, strategic clarity, and long-term stewardship that allow the Corporation to advance with confidence. In 2025, that is precisely what we set out to do.

SFPP exists to deliver secure, sustainable retirement income for Alberta's police members and their families. That purpose is straightforward in its intent and demanding in its execution. The Plan's defining features — including its 25-year retirement profile, discretionary indexing framework, and bicameral governance model — require careful coordination, informed oversight, and a deep appreciation of the long-term obligations the Plan carries on behalf of its members. The Board remains firmly attentive to these dynamics, and to the intergenerational equity considerations that must guide every significant decision.

A defining achievement of 2025 was the structured work undertaken jointly with the Sponsor Board and Corporation management to strengthen alignment across the Plan's governance architecture. Through a formal joint retreat and the establishment of collaborative dialogue on roles, accountabilities, and long-term strategic direction, we laid the groundwork for a refreshed mission, vision, and values framework.

This is governance maturation in practice — not merely refining process but deepening the shared understanding and trust that enables effective bicameral governance to function at its best.

The Board also advanced its oversight of enterprise risk management and committee-level governance practices. As the Corporation matures, so too must the frameworks through which the Board exercises its oversight responsibilities. Ensuring that risks are well understood, that decisions are well informed, and that the Plan remains resilient across a range of operating environments is central to the Board's mandate — and central to the confidence members and employers deserve to have in this institution.

The progress reflected in this report does not happen in isolation. It is the product of committed directors, a capable and dedicated Corporation team, trusted service providers, and governance partners who share a long-term view of what SFPP must be. On behalf of the Board, I extend my sincere appreciation to my fellow directors for their thoughtful engagement and sound judgment throughout the year. I also thank the CEO, Liz Doughty, and the SFPP Corporation team for their professionalism, and our service providers and Plan partners for their continued collaboration.

Most importantly, we acknowledge the trust placed in this institution by our members, retirees, and employers. That trust is not taken lightly. The Board is confident in the Corporation's direction, in the strength of the governance framework supporting the Plan, and in the collective commitment of all parties to ensuring SFPP is managed prudently and sustainably — for today's members, and for the generations of officers still to come.

Jason Elliott, Chair
SFPP Corporate Board

The **Corporate Board of Directors** governs SFPP Corporation in its legal and fiduciary oversight of the Plan, including its management of Plan administration and asset investment.

Message from the CEO

The 2025 fiscal year marked a pivotal moment in the evolution of SFPP Corporation. Since the Government granted Joint Governance in 2019, the Corporation has built the foundations of a well-governed, member-focused pension organization. Six years on, we are proud to signal that SFPP Corporation is transitioning from its start-up phase into a maturing organization — one with established governance structures, deepening institutional capacity, and a clear long-term vision for the members and employers we serve.

This maturation brings meaningful benefits. Members can have greater confidence in the stability and sustainability of their pension plan. Employers benefit from a partner that is more strategically aligned and operationally capable. And the broader public safety sector gains from a pension institution that is growing in experience, credibility, and influence. The progress we describe in this report reflects that evolution in action.

Strengthening Governance as We Mature

A key priority this year was enhancing coordination and alignment across the Plan's governance structure. Through the establishment of a Joint Strategy Council and a collaborative governance retreat, we created space for more structured dialogue on strategic direction, roles, and priorities. This work is foundational to strengthening decision-making in SFPP's bicameral governance model and will inform a refreshed mission, vision, and values framework — one that reflects who we are becoming, not just where we started.

For members, a maturing governance structure means that the Corporation and the boards overseeing the Plan are increasingly aligned and effective. Decisions are made with greater rigour, strategic oversight is more robust, and the long-term interests of members remain at the centre of everything we do.

Funding, Sustainability, and the Police-Specific Retirement Design

We also made meaningful progress in strengthening the Plan's funding and policy framework. This included initiating work on a funding workplan, supporting valuation activities with a new actuary, and providing analysis to inform Sponsor Board decisions — including the granting of a cost-of-living adjustment for post-2000 service at 90% of the Alberta Consumer Price Index for 2026. The ability to support decisions like this reflects a Corporation that has grown in its analytical and advisory capacity.

Elizabeth Doughty, CEO
SFPP Corporation

These efforts remain grounded in the unique nature of SFPP's retirement design. SFPP allows officers to retire after 25 years of pensionable service regardless of age — a design that recognizes the demanding nature of policing careers and the importance of supporting members through a secure retirement. This feature is deeply valued by members and employers alike, but it also creates important funding and investment considerations. Members may contribute to the Plan over a shorter working career while drawing pension benefits for a longer period. A maturing Corporation is better positioned to balance long-term investment strategy, funding resilience, and risk management to support the sustainability of the Plan across generations.

Service Provider Oversight and Operational Growth

Supervision of key service providers remained a central focus as the Corporation continues to develop its oversight capacity. In 2025, we continued to work closely with the Alberta Pension Services Corporation and Alberta Investment Management Corporation to monitor performance, strengthen accountability, and ensure alignment with the Plan's objectives. This included ongoing engagement on investment oversight, service delivery, and governance expectations. As SFPP Corporation matures, our ability to hold service providers accountable on behalf of members deepens — a direct benefit that translates into better service, better performance monitoring, and stronger value for members.

Growing Value for Members and Employers

Several initiatives this year directly enhanced the Plan's value to members. SFPP joined the National Transfer Agreement, improving pension portability for members moving between public sector employers. We supported policy discussions related to accommodative employment and policing structures in Alberta, and we strengthened plan partner relationships through initiatives such as Alberta Pension Day, a collaborative event with Alberta's public sector pension plans. These are the kinds of meaningful, member-focused improvements that reflect a Corporation entering a more confident and capable phase of its development.

We also worked closely with government and stakeholders to support implementation planning related to the Alberta Sheriffs Police Service joining SFPP. This reflects the growing recognition of SFPP's value as a police-focused defined benefit pension plan — and the growing confidence stakeholders have in SFPP Corporation as the organization responsible for its governance and oversight. A start-up organization could not have undertaken this work. A maturing one can.

Evolving Internal Capacity

We continued to evolve our internal capacity and governance practices, including further development of our enterprise risk management approach and ongoing work through the Governance and Human Resources Committee to support organizational effectiveness. Building institutional knowledge, refining internal processes, and deepening the capabilities of the Corporation's team are all hallmarks of a maturing organization — and investments that benefit members by ensuring the Corporation is equipped to serve them well for the long term.

Looking Ahead with Confidence

SFPP is not a typical pension arrangement. Its design, stakeholder environment, and reliance on long-term funding and investment performance require thoughtful planning, strong governance support, and sustained collaboration across all parties involved in the Plan. The start-up challenges of building a governance organization from the ground up following the granting of Joint Governance in 2019 have given way to the more rewarding work of strengthening and growing what has been built.

As SFPP Corporation matures, the benefits compound: more experienced leadership and staff, more refined processes, stronger relationships with government and stakeholders, and a deeper understanding of the Plan and the members it serves. For the police officers who rely on SFPP, this maturation means a more capable, more confident, and more effective organization working on their behalf every day.

As we move through 2026, governance will remain a priority for SFPP. We will continue to evaluate and strengthen our bicameral structure to ensure it is effectively serving the needs of both our members and employers – because the strength of our Plan depends on a governance framework that is responsive, accountable, and built to last.

I would like to thank the Corporate and Sponsor Boards for their guidance and partnership, and the SFPP Corporation team for their professionalism and commitment. I also extend my appreciation to our service providers and stakeholders for their continued collaboration.

Most importantly, we remain focused on delivering value to our members, retirees, and employers. We are confident in the Plan's direction and in our ability to continue supporting its long-term sustainability for the police officers who rely on it — now and for the generations of officers still to come.

Governance

2025 CORPORATE BOARD OF DIRECTORSS

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

Kurtis LaDouceur (Vice-Chair), Police Associations of Lethbridge, Medicine Hat, Lacombe, Camrose, and Taber

John Burdyny, Calgary Police Association

Denis Jubinville, City of Edmonton

Dave Paton, Edmonton Police Association

Monica Storer, City of Calgary

2025 SPONSOR BOARD MEMBERS

John Orr (Chair), Calgary Police Association

Becky Andersen (Vice Chair), City of Calgary

Dustin Adsett, Edmonton Police Association

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

Matthew Goudy, Municipalities of Lethbridge, Medicine Hat, Lacombe, Camrose, and Taber

Adam Norget, City of Edmonton

CORPORATION MANAGEMENT

Elizabeth Doughty, Chief Executive Officer

Janice Jong, Corporate Affairs and General Counsel

Meghan Klein, Chief Strategic Relations Officer*
**Departed SFPP in December 2025*

Edward Ng, Chief Finance and Risk Officer

Christa Taylor, Chief Pension Officer

About SFPP

The Special Forces Pension Plan (SFPP or the Plan) is a jointly sponsored, defined benefit pension plan for active, deferred, and retired police officers in Alberta.

SFPP was established in 1979. In 2019, SFPP Corporation was created under the Joint Governance of Public Sector Pension Plans Act, becoming the Trustee and Administrator of the Plan and responsible for its management. Together with its Board of Directors, SFPP Corporation develops strategy for the Plan built upon investment and pension policy. The Corporation establishes performance and service standards for the Plan's investment manager and pension benefit service provider to facilitate alignment across organizations to best meet the needs of SFPP's boards, members, and employers.

Members and employers are represented on the SFPP Sponsor Board, which is responsible for Plan design, determining member benefits, contribution rates, and ad hoc cost-of-living adjustments (COLA) granted on post-2000 service, and setting the Plan's overall risk parameters that guide the Plan's investment strategies.

The **Sponsor Board** represents members and employers and is responsible for Plan design and setting contribution rates, cost-of-living adjustments, and risk parameters.

PLAN FUNDING

The financial position of the Plan is measured in two distinct ways:

Accounting Basis: Each year, the Plan's financial statements include required disclosures of the Plan's financial position in accordance with Canadian accounting standards for pension plans.

Funding Basis: Every three years, or more frequently, the Plan's actuary prepares an actuarial funding valuation to measure the health of the Plan. Funding valuations are used to set contribution rates, inform decisions on cost-of-living adjustments, and provide an important risk management tool to ensure the Plan can meet its objectives far into the future.

One of the main components in both calculations is the assumed rate of investment returns, commonly referred to as the discount rate. The discount rate represents the long-term expected rate of return for the Fund's investments based on its target asset mix. Expectations for investment returns are reviewed each year. The discount rate is adjusted with each valuation to ensure it remains appropriate given changing capital markets conditions.

Financial Position of the Plan—Accounting Basis

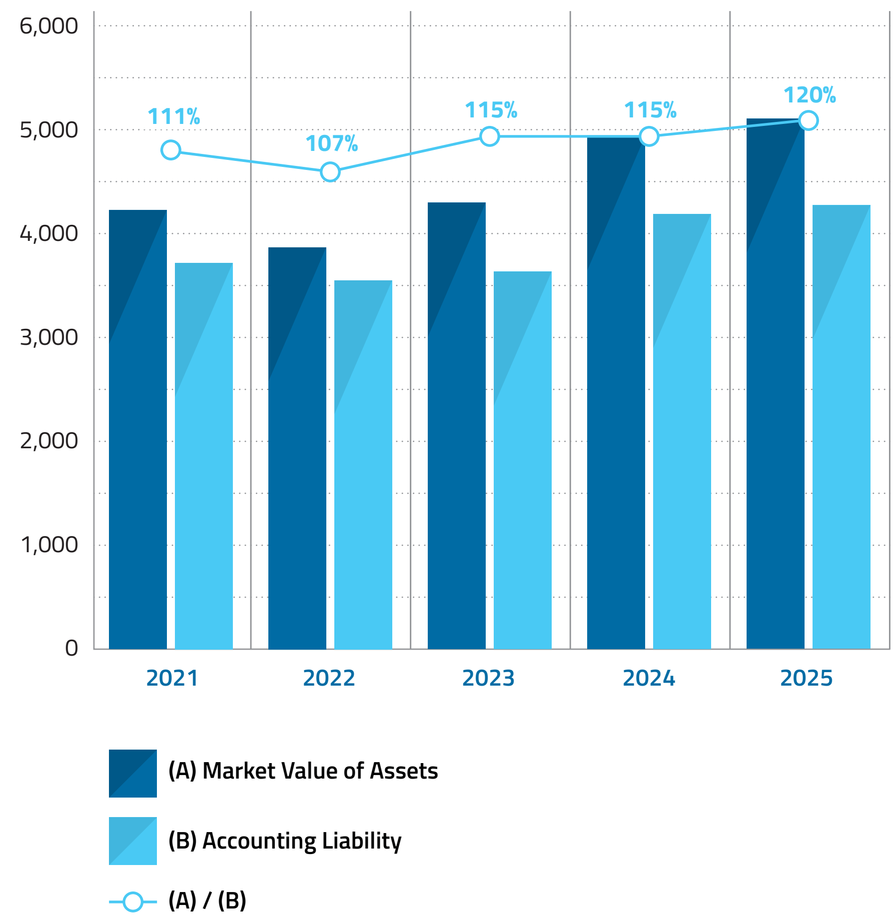
The financial statements herein are prepared using Canadian accounting standards for pension plans. The financial statement measurements of assets and liabilities differ from the funding valuation in two material aspects:

1. The conservatism or margin in the discount rate for funding purposes is removed so that the accounting liability (pension obligation) is measured using a best-estimate discount rate; and
2. The smoothed value of assets to manage contribution rate volatility for funding purposes is removed, with accounting assets being measured solely on a market-value basis.

These differences lead to greater volatility of the ratio of assets to liabilities of the Plan on an accounting versus a funding basis. Due to the timing of the annual financial statement disclosures, the accounting liability is extrapolated using membership data from the previous funding valuation rolled forward to the financial statement measurement date, to reflect the passage of time.

For 2025, the ratio of the market value of assets to accounting liabilities improved to 120%. The improvement in the Plan's financial position in recent years is primarily due to an increase in the discount rate used to measure the accounting liability, and better-than expected investment performance between 2023 and 2025. Chart 1 below shows a five-year history of the ratio of the Plan's market value of assets and accounting liability.

Chart 1. Financial Position of the Plan 2021-2025 (Accounting Basis)



SFPP Funding—Actuarial Basis

SFPP Corporation monitors the financial health of the Plan by commissioning regular actuarial valuations. An independent actuary completes the actuarial valuation, which measures the funded status of the Plan (the ratio of the funding value of assets to the funding liability). This allows the Sponsor Board to set contribution rates and make decisions on cost-of-living adjustments (COLA).

The most recent valuation was done in 2025 for the year ending December 31, 2024.

An actuarial funding valuation:

- Is prepared at least every three years, with the SFPP Sponsor Board having the option to request one more frequently.
- Communicates the funded status of the Plan, which is a snapshot of its financial health, emphasizing the security of benefits.
- Smooths investment gains and losses over three years to reduce contribution volatility.
- Assumes the Plan will continue indefinitely ("going concern").
- Determines the contribution rates paid by members and employers.
- Reflects best-estimate assumptions about future salaries, economic growth, investment returns, and member life expectancy.
- Includes a margin within the assumed investment return. This margin adds a level of conservatism, providing a cushion to help the Plan navigate variations when actual experience differs from best-estimate assumptions.

Funding Value of Assets

The first step in calculating the funded status of the Plan is determining the funding value of assets, which incorporates a three-year asset smoothing period for investment gains and losses. Asset smoothing involves comparing the assumed investment returns to the actual investment returns during the two calendar years preceding the valuation date. For example, when investment returns exceed the assumed rate (including margin), the funding value of assets tends to be less than the market value. Conversely, when investment performance is below the assumed rate, the funding value of assets tends to be greater than the market value. This smoothing process helps maintain stable contribution rates for members and employers despite year-to-year fluctuations in investment returns.

In the latest SFPP funding valuation (as at December 31, 2024), this smoothing adjustment resulted in the funding value of assets being less than the market value by $247.8 million. The funding value of the Plan's assets increased to $4.51 billion in 2024 from $4.29 billion at the end of the previous valuation conducted for the period ending December 31, 2023. Positive investment performance in 2024 helped offset the negative return from 2022, fulfilling its intended purpose.

Chart 2 shows a history of the market value of assets, the funding value of assets, and the funding liability for each funding valuation since 2016.

Chart 2. Market and Funding Value of Assets and Liabilities 2016-2024 (Millions)

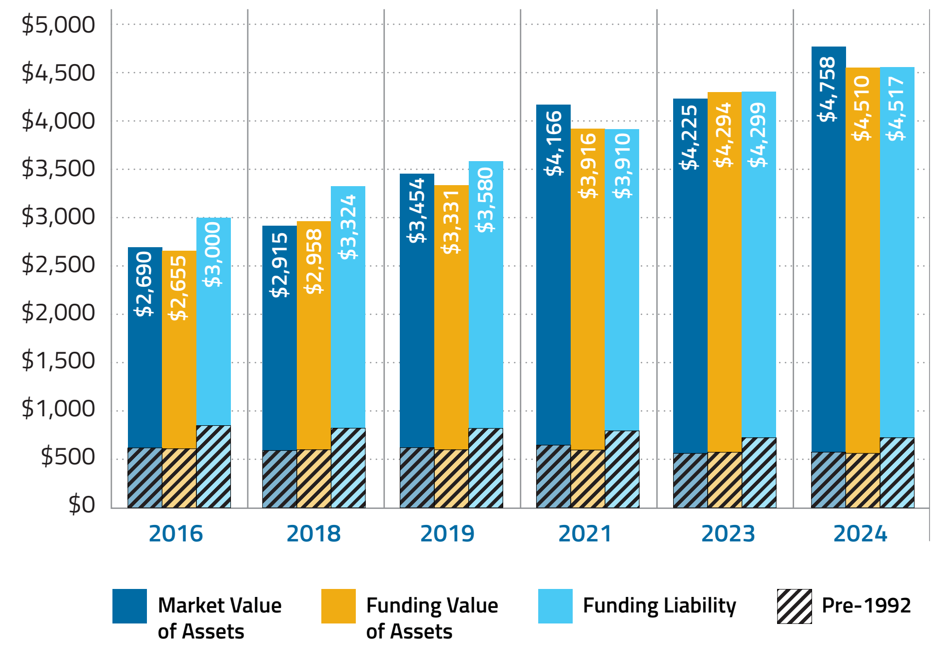
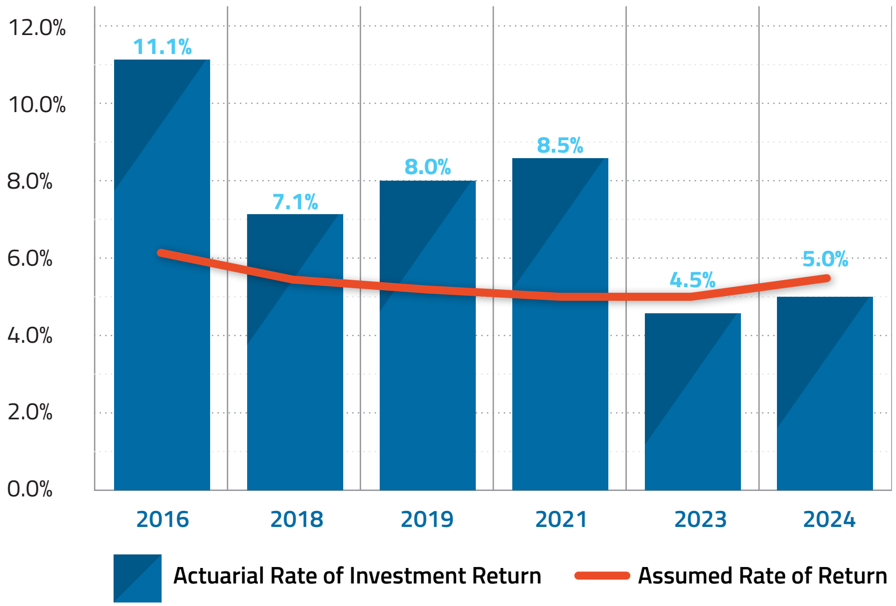


Chart 3 shows a comparison of the actuarial rate of investment return which incorporates asset smoothing, with the assumed rate of investment return with margin. Since 2016, the actuarial rate of investment return has exceeded the assumed rate in all but two actuarial valuations—a positive indicator of the funding health of the Plan.

Chart 3. Actuarial Rate of Investment Return vs. Assumed Rate of Return 2016-2024



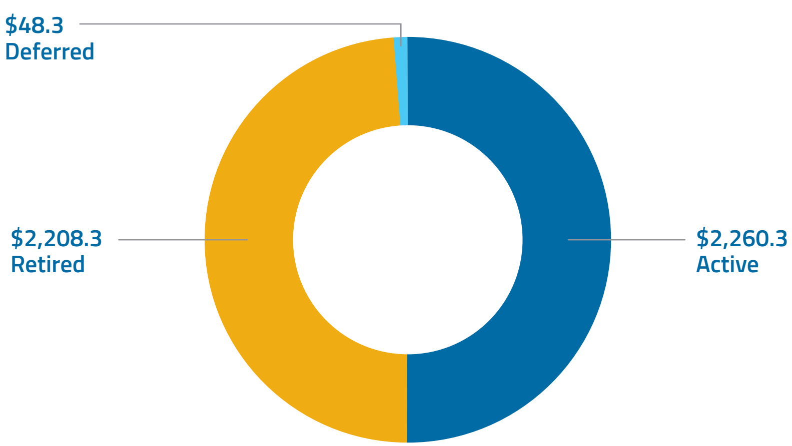
Liabilities

The second component in the funded status calculation is determining the Plan's funding liability—the present value of benefits expected to be paid to Plan members at the valuation date. To calculate this figure, the actuary makes several assumptions about the future, including projected salary increases for members, life expectancy, inflation adjustments to pensions, and most significantly, the assumed rate of investment returns, commonly referred to as the discount rate. The discount rate is inversely proportional to the liability, meaning a higher discount rate results in a lower liability, while a lower discount rate results in a higher liability.

The funding liability reported in the December 31, 2024, funding valuation was $4.52 billion, compared to $4.30 billion in the December 31, 2023, valuation. This represents an annual increase of 5.1% between valuations. The increase in liability between valuations can largely be attributed to changes in actuarial assumptions, primarily the mortality assumption (longer life expectancy) and salary increase assumption (members assumed to receive higher salaries). To offset the increase in the funding liability due to the changes in assumptions, the discount rate was increased through a release of margin for adverse deviation to 5.62% from 5.50%.

Chart 4 shows a breakdown of the Plan's funding liability by membership groups (active, pensioner, and deferred). In the December 31, 2024, valuation, the funding liability for active members comprised 50% of the Plan's total liability ($2.30 billion), down slightly from 51% in the previous valuation in 2023. The increase in the share of total liability by active members is partly due to salary increases granted during the measurement period, although the higher discount rate mostly offset this. Since active members will not receive a pension until they retire sometime in the future, their proportion of the funding liability is more sensitive to discount rates compared to retired members, who are receiving pensions today.

Chart 4. Actuarial Liability by Membership Group, 2024 ($ Millions)

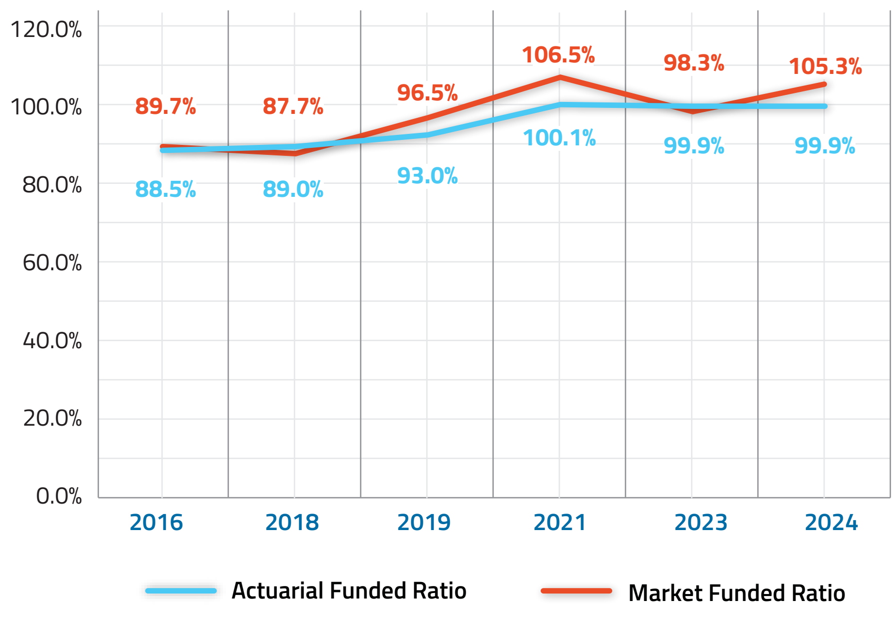


Funded Ratio

Dividing the funding value of assets by the funding liability produces the Plan's funded status, also known as the funded ratio. If the funding value of assets (the numerator) exceeds the funding liability (the denominator), the Plan has a surplus of assets. Conversely, if the funding liability is greater than the funding value of assets, there is a deficit, and additional special contributions may be required. As at December 31, 2024, SFPP's funded ratio was 99.9%, the same as reported in the previous funding valuation. Given the structure of the Plan's benefits and contribution rates, no additional special contributions are required.

Chart 5 shows the funded ratio for the previous six actuarial valuations calculated on both a funding basis, including asset smoothing, and a market value basis with no asset smoothing.

Chart 5. Market and Actuarial Funded Ratios 2016-2024



While the Plan's funded ratio remained essentially unchanged from the previous valuation, overall funding results were positive. Both the Corporate and Sponsor Boards worked through the provisions of the Plan's funding policy when considering the assumptions ultimately adopted in the 2024 actuarial valuation. The SFPP Funding Policy emphasizes the Plan's long-term goal of protecting pension benefits for members and their beneficiaries while maintaining stable contribution rates.

With the Plan in a healthy funding position, the Sponsor Board was able to maintain the target COLA assumption of 60% of the increase in the average Alberta Consumer Price Index (ACPI) for pensioners with post-2000 service. Additionally, contribution rates for active members and employers, which were reduced to 27.50% as of January 1, 2025, were maintained at same level for 2026. This demonstrates how the Sponsor Board's Funding Policy works to balance the needs of retirees (inflation protection) and active members and employers (stable contribution rates).

Because the Government of Alberta shares in funding the unfunded liability established at December 31, 1991, and since this deficit remains, the pre-1992 portion of assets and liabilities is identified separately in SFPP's actuarial valuation. As at December 31, 2024, the funded ratio of the pre-1992 segment of the Plan was 75.8% on a funding basis. (In 2023, it was 79.2%). The liabilities for this group pertain to older members, as the pensions and service were accrued prior to 1992. Consequently, due to the shorter future life expectancy of these members, the increase in the discount rate for this group is less impactful than for the post-1991 portion of the Plan.

The post-1991 portion of the Plan remains in a surplus position, with a funded ratio of 104.5% on an actuarial value basis as of 2024 (2023: 104.1%). The liabilities for this group are more significantly affected by the higher discount rate due to the younger age of members in this cohort.

Key funding figures from the previous six actuarial funding valuations for pre-1992 and post-1991 portions of the plan are presented in Chart 5.

Revenues and Expenditures

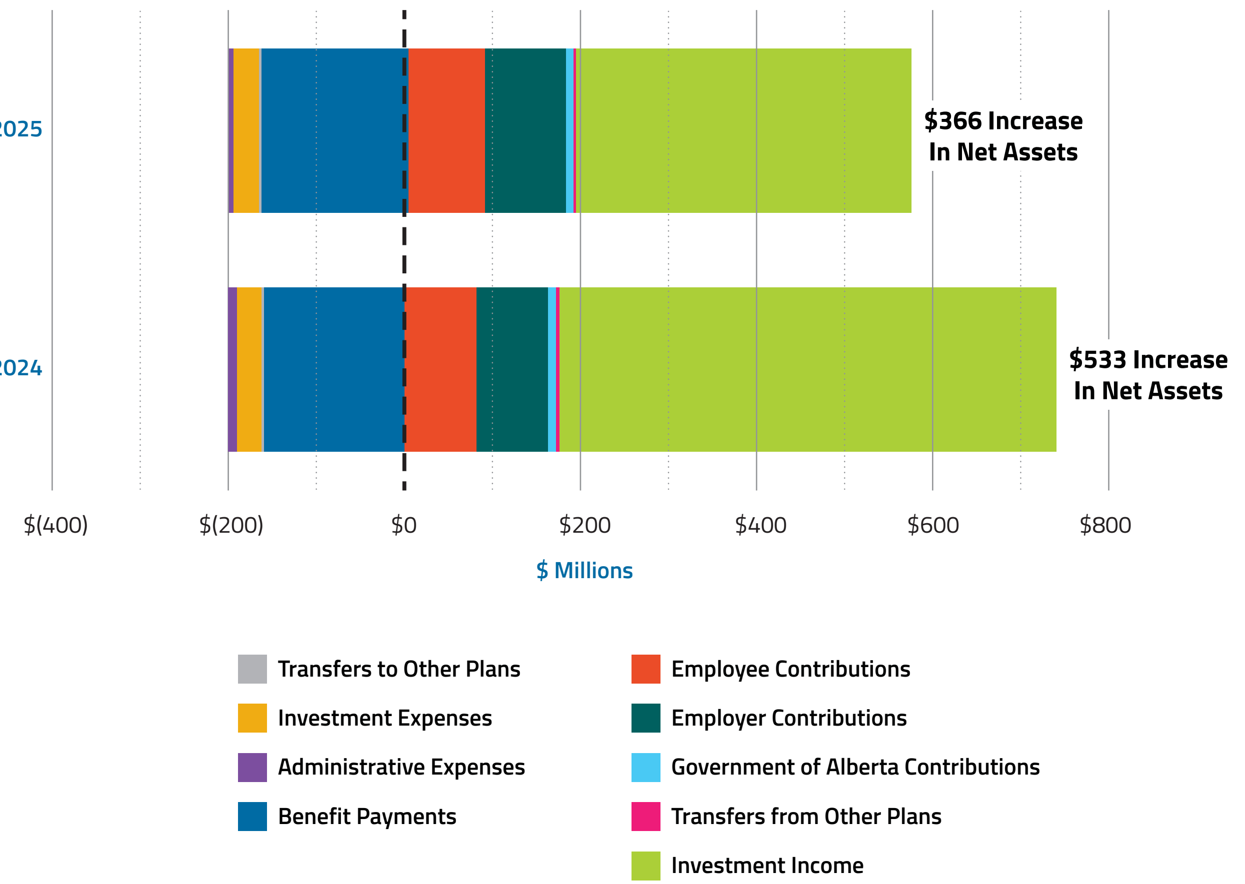
Contributions received from employers, members, and the Province of Alberta increased by 9.2% to $187.9 million in 2025 from $172.2 million in 2024. Contributions in 2025 were higher due to salary increases among the active membership.

Total pension payments rose by 2.4% during 2025 to $168.4 million from $164.5 million in 2024. Effective January 1, 2025, pensioners received COLA increases of 2.03% on post-2000 service and 1.74% on pre-2001 service. Contributions from members transferring into the Plan were $500 thousand more than transfers out, down from $1 million in 2024.

In addition to the pension payments, the Plan administrative expenses were $6.6 million during 2025 compared to $5.4 million in 2024.

Overall, in 2025, contributions and investment earnings (revenues) into the Plan, less payments and other expenses out of the Plan (expenditures), added $366 million to the Plan's market value of assets compared to an increase of $533 million in 2024.

Chart 6. Revenues and Expenditures in 2025 and 2024



SFPP members come from **eight municipal police services**:
Calgary, Edmonton, Lethbridge, Grande Prairie, Medicine Hat, Camrose, Lacombe, and Taber.

INVESTMENT REPORT

Investment returns play a critical part in funding pension benefits for Plan members now and in the future, as most of each pension dollar comes from investment returns. The long-term investment objective for the Fund is to meet or exceed the assumed rate of return (discount rate) used in the actuarial valuation to fund pension benefits while maintaining stable contribution rates paid by active members and their employers.

In 2025, the SFPP Fund finished the year with a positive 7.26% investment return. This performance is above the most recent actuarial valuation's discount rate of 5.62% and resulted in an increase in market value of approximately $57.9 million for a fund value of $5.09 billion.

Investment Strategy and Monitoring

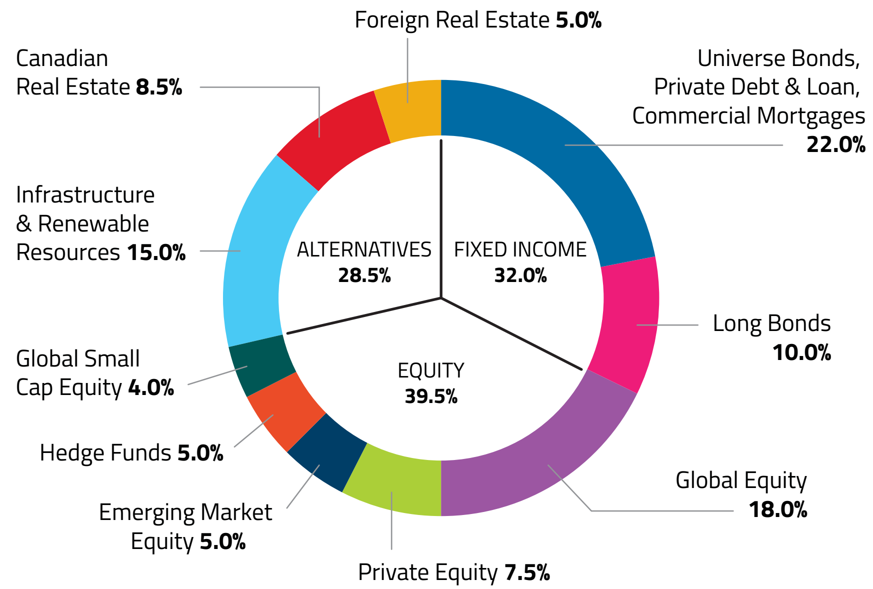
Statement of Investment Policies and Procedures

The Corporate Board supervises the investment strategy of the Fund, which is a significant part of its fiduciary responsibility. This includes an annual review of the Board's Statement of Investment Policies and Procedures (SIPP) which sets the long-term strategic asset allocation, risk limits and performance measures for the portfolio. The SIPP also defines the investment management structure and monitoring procedures for the Alberta Investment Management Corporation (AIMCo). The review of the SIPP is undertaken in consultation with SFPP management and an external investment advisor to ensure there is alignment between expected investment returns and risk tolerance.

Asset Mix

SFPP strives to diversify investments across different asset classes to construct an investment portfolio that is 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 defined in the SIPP (illustrated in Chart 7) contains public market assets, such as equities and bonds, and also includes private market assets such as real estate and infrastructure.

Chart 7: Long-term Strategic Asset Mix



Investment Management Supervision

AIMCo, as the legislated investment manager, is responsible for the day-to-day investment of SFPP's assets subject to the SIPP. AIMCo has the flexibility to actively invest within the prescribed limits of the SIPP to provide value over the investment policy benchmark. The Corporate Board's expectation is that over the long term, AIMCo will add 65 basis points of value, net of fees, over the investment policy benchmark on a 4-year basis.

An annual performance scorecard, including both assessment and recommendations for improvement, is used by the Corporate Board to assess 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

Sustainable and Responsible Investing

SFPP recognizes the importance of sustainable and responsible investing in managing risks and creating long-term value for the Plan. As part of exercising its fiduciary duty, the Corporate Board and management monitors how AIMCo integrates environmental, social, and governance factors into investment decisions, thereby reducing risks to the portfolio. To this end, AIMCo provides quarterly reporting on its responsible investing processes and outcomes.

Investment Results

Market Overview

Financial markets moved through 2025 with some cautious optimism as the global economy began to stabilize following the shock of high tariffs imposed on imports into the US in April of 2025. Inflation slowed in many developed countries, and investors paid close attention to interest rate moves from central banks. Economic growth, while not fast, was still positive. Ongoing geopolitical tensions and trade disruptions remained important sources of uncertainty, though did not result in a global recession as initially feared.

In Canada, the economy showed mixed results, with real GDP expanding about 1.7% for the year, as tariff-related trade disruptions and weak business investment weighed on activity, even while consumer spending remained relatively resilient. Inflation eased toward the Bank of Canada's 2% target, helped by lower energy prices and earlier interest rate cuts, but overall growth was uneven and vulnerable to ongoing global trade uncertainty.

In the United States, the Federal Reserve continued cutting rates into the fourth quarter, even as a lengthy federal government shutdown made it harder to read the economic data. Artificial intelligence continued to be a major driver of technology stock values. China ended the year with steady but fragile growth, helped by strong exports but held back by weak consumer spending at home. Europe's economy slowed, and the European Central Bank took a cautious "wait and see" approach going into the new year. Throughout the year, risks remained elevated due to housing market pressures, cautious consumers, and ongoing trade tensions.

Lower interest rates gave financial markets a meaningful boost in 2025. Both stocks and bonds benefited from the shift. Canadian stocks performed especially well. The S&P/TSX rose 31.7% for the year—its strongest annual gain since 2009. This was a sharp turnaround from recent years and far outpaced global markets. By comparison, the MSCI World Index (in Canadian dollars) gained 15.4%. After a long period where large U.S. technology stocks dominated and Canadian markets lagged, 2025 marked a turning point with Canadian markets outperforming their US counterpart.

Bond markets had more mixed results. Short term investments performed relatively well, with Canadian Treasury bills and the broad bond index returning about 2.6–2.7%. Longer term government bonds, however, struggled and finished the year down 1.7%.

SFPP Investment Results

The SFPP portfolio's performance was also in line with these trends and public equities' impressive performance during 2025 led to the asset class being the largest contributor to the portfolio's total return, accounting for 6.1% of the portfolio's total 7.3% annual return. The remaining gains are attributable to positive yearly returns in Private Debt & Loan, Universe Bonds, and Infrastructure investments.

On a 4-year basis, the SFPP portfolio earned a return of 5.1%, supported by public equities and alternatives portfolios returning 4.1% and 0.8%, respectively, whereas the fixed income portfolio returned a -0.1%. While the 4-year return currently lags the long-term funding assumption, the Plan remains in good financial shape. As an investor with a long-term investment horizon, SFPP expects the possibility of investment losses in the short-term among some asset classes. What is most important for SFPP is that the Plan's assets achieve the investment returns required to fund the Plan's liabilities over the long-term. The SFPP Fund has continued to deliver the returns necessary to achieve this goal even if performance in a particular year doesn't meet the long-term expectation.

Chart 8. Annualized Returns Over 1-Year, 4-Year, and 10-Year Periods Compared to Assumed Rate of Return

Evaluating Investment Manager Performance

The Corporate Board's primary objective for AIMCo is to deliver value by exceeding the performance of the investment portfolio's policy benchmark defined in the Board's SIPP. The policy benchmark return represents the performance from a combination of market indices that represent the asset classes or strategies included in the portfolio in proportion to the policy asset mix approved by the Board.

The difference between the actual investment returns and the policy benchmark is known as value-add and is a measure of the effectiveness of AIMCo's investment decisions. Performance is reviewed by the Board and management quarterly, with an emphasis on 4-year returns.

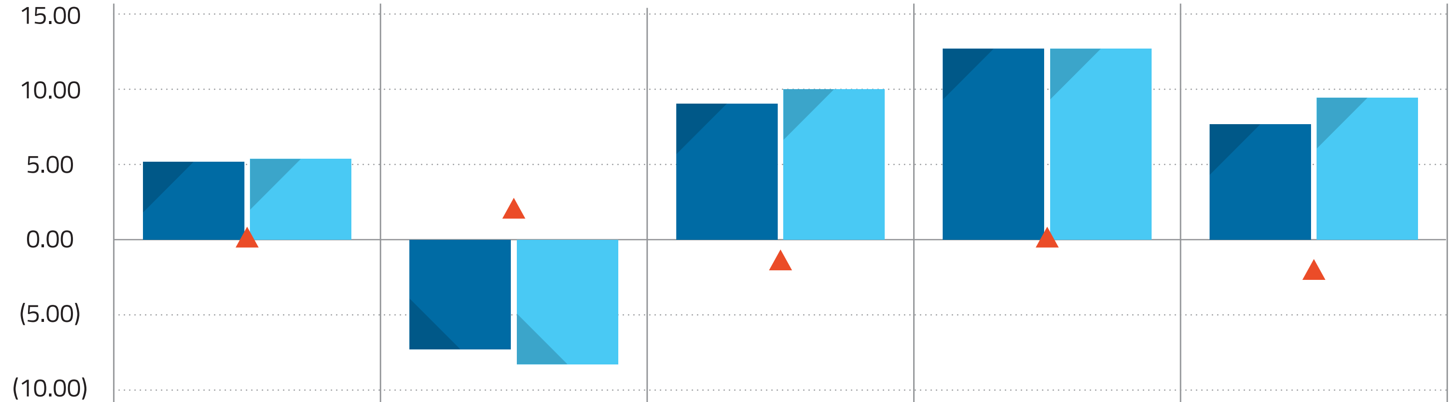
As noted earlier, the Fund returned a healthy 7.26% absolute return in 2025; however, in terms of performance compared to the benchmark over the short-, medium-, and long-term, results did not achieve the expected value-add target. On a one-year basis, AIMCo under-performed the policy benchmark by 207 bps, and consequently the Board's target by 272 bps. On a 4-year basis, the value-add was a negative 31 bps, which is 96 bps below than the target. The 10-year value add measure was 4 bps, which is positive, though below the 65 bp target.

Table 1 below shows the annualized excess return or value added from the investment manager over the past one, four, and ten years. Chart 9 provides a four-year history of annual returns net of fees compared to the policy benchmark.

Table 1. Annualized Returns Over 1-Year, 4-Year, and 10-Year Periods

Annualized Return (%)			
	1-YEAR	4-YEARS	10-YEARS
Portfolio Return	7.26%	5.10%	7.15%
Policy Benchmark Return	9.33%	5.41%	7.11%
Excess Return/Value-Added	(2.07%)	(0.31%)	0.04%

Chart 9. Calendar Year Returns and Excess Return Percentage



	4-Year	2022	2023	2024	2025
Portfolio Return	5.1%	-7.2%	8.8%	12.6%	7.3%
Benchmark Return	5.4%	-8.9%	10.0%	12.7%	9.3%
Added Value	-0.3%	1.7%	-1.2%	-0.1%	-2.1%

Investment Management Expenses

Managing investment expenses is an important aspect of portfolio management as fees act as a drag on investment returns and the overall long-term financial performance of the portfolio. AIMCo operates on a cost-recovery basis and charges SFPP for the portion of investment 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), and whether assets are managed internally at AIMCo or contracted to external third-party investment managers. Table 2 provides a ten-year history of investment expenses as a percentage of invested assets.

Table 2. Investment Expenses as a Percentage of Net Assets

Investment Expenses as a Percentage of Net Assets										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Investment Costs as a % of AUM	0.5%	0.6%	0.6%	0.6%	0.5%	0.9%	0.6%	0.7%	0.7%	0.7%

Employer and employee contributions, and investment earnings finance SFPP.

MANAGEMENT AND ADMINISTRATION

Trusteeship

The Fund is held in trust for members and SFPP Corporation is the Trustee and Administrator. Under the oversight of the Corporate Board, SFPP Corporation is responsible for the ongoing operation and administration of the pension plan. This includes day-to-day monitoring of the Plan's legislated service providers, policy development, financial management, communication with members and employers, and ensuring compliance with all relevant legal and regulatory requirements.

Cost Management

As prudent stewards of the Plan, SFPP Corporation is focused on cost management. In 2025, SFPP Corporation continued to keep a fine balance between optimizing operations to minimize expenses while ensuring high-quality service for members.

Investment Management Expenses – AIMCo

Alberta Investment Management Corporation (AIMCo) is SFPP's mandated investment manager. In 2025, AIMCo's investment management expenses were 64.1 basis points (bps), up from 63.8 bps in 2024. AIMCo's overall investment returns were 7.26% for 2025, including AIMCo's investment management expense.

The increase compared to 2024 is attributable to higher performance fees and investment costs paid to AIMCo's third-party managers. While market performance in 2025 increased the assets under management (AUM), the cost measured in basis points increased slightly. The actual dollar cost rose from $30.4 million in 2024 to $32.8 million in 2025. Investment costs, before performance fees, increased by $1.1 million (or 5.6%) compared to 2024, primarily due to higher third-party manager costs — driven by new commitments and higher management fees as the Fund's AUM grew. Performance fees increased by $1.4 million (or 15.3%) compared to 2024. This reflected higher performance fees earned by some external managers who outperformed their benchmarks and was partly offset by lower internal AIMCo performance costs and some cost savings from staff departures.

Pension Administration Expenses – APS

Alberta Pensions Services Corporation (APS) is SFPP's mandated pension administration services provider. In 2025, APS expenses were 3.9 bps, up from 3.8 bps in 2024. APS supports SFPP through pension administration, communications, educational materials and services, and direct pension services to employers and members.

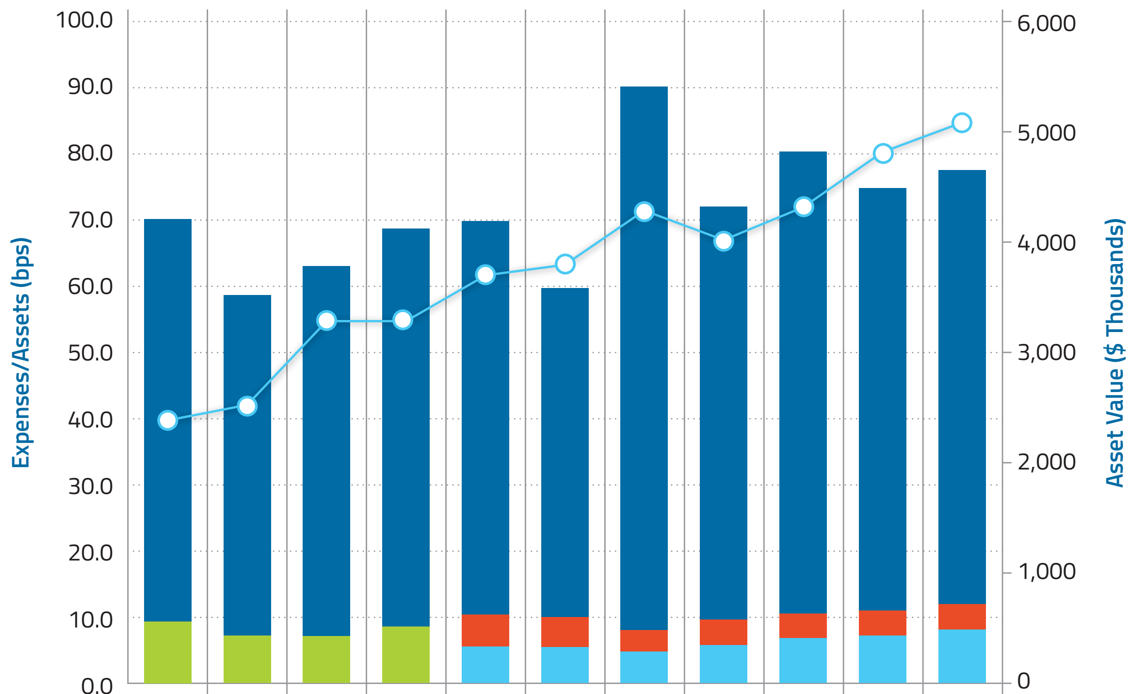
Operational Expenses – SFPP Corporation

The expenses for SFPP Corporation in 2025 were 8.6 bps, up from 7.2 bps in 2024. Costs for the Corporation cover activities such as pension policy, funding, investment strategy (SIPP), investment services monitoring and administration services oversight, operations, active engagement with employers and members, support to both boards, and trusteeship of the overall pension plan. Through the work of the SFPP Corporation, SFPP recovered rebates in the amount of just under $7 million for GST and interest paid for investment services. SFPP Corporation carefully balances expenses incurred against value to the members, maintaining cost-effective operations while providing high-quality services.

Total Cost Management

Overall, SFPP's total cost management strategy in 2025 effectively balanced expenses with the need to provide excellent service and achieve strong investment performance. The Plan's focus on cost efficiency, combined with strategic investments in member services and administration, ensures that SFPP Corporation and the Plan remain well positioned to meet long-term objectives.

Chart 10. Expense to Asset Value 2015-2025



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AIMCo (Investment)	60.8	51.4	55.9	60.1	59.4	49.7	82.1	62.4	69.8	63.8	64.1
APS (Admin)					4.9	4.5	3.2	3.9	3.7	3.8	3.9
SFPP Corporation					4.4	5.5	4.8	5.8	6.8	7.2	8.6
Admin + GST	9.3	7.2	7.1	8.6	0.2	0.4	0.3	0.3	0.4	0.4	0.4
Net Asset Value	2,503	2,691	3,000	3,028	3,454	3,593	4,166	3,868	4,225	4,758	5,124

Note that in Chart 10, expense categories changed in 2019 when the changes under the *Joint Governance for Public Sector Pension Plans Act* went into effect. The section from 2014 to 2018 reflects when the Government of Alberta administered SFPP with AIMCo as its investment manager. From 2019 to 2024, when joint governance came into effect, administration expenses are split across SFPP Corporation and APS, with AIMCo continuing to manage investments.

Statistical Data

Table 3. Going Concern Funded Position 2011-2024

Going Concern Funded Position ($ millions)	2011	2013	2016	2018	2019	2021	2023	2024
Market Value of Assets at December 31	$ 1,548.7	$ 2,026.1	$ 2,690.9	$ 3,028.3	$ 3,454.3	$ 4,166.1	$ 4,225.1	$ 4,758.0
Asset Smoothing Adjustment	$ (17.4)	$ 123.7	$ 35.7	$ (42.4)	$ 122.8	$ 250.3	$ (68.5)	$ 247.8
Funding Value of Assets	$ 1,566.1	$ 1,902.4	$ 2,655.2	$ 3,070.7	$ 3,331.5	$ 3,915.8	$ 4,293.6	$ 4,510.2
Actuarial Liability	$ 2,079.0	$ 2,388.3	$ 3,000.0	$ 3,323.9	$ 3,580.5	$ 3,910.4	$ 4,299.2	$ 4,516.9
Surplus (Deficit)	$ (512.9)	$ (485.9)	$ (344.8)	$ (253.2)	$ (249.0)	$ 5.4	$ (5.6)	$ (6.7)
Funded Ratio	75.3%	79.7%	88.5%	92.4%	93.0%	100.1%	99.9%	99.9%
Actuarial Rate of Investment Return	5.4%	9.0%	11.1%	7.1%	8.0%	8.5%	4.5%	0.0%
Discount Rate (Funding)	6.3%	6.3%	6.1%	5.3%	5.2%	5.0%	5.0%	0.1%
Pre-1992 Period Only								
Market Value of Assets at December 31	$ 549.7	$ 598.2	$ 618.6	$ 590.9	$ 620.7	$ 646.9	$ 561.3	$ 584.6
Asset Smoothing Adjustment	$ (6.0)	$ 39.7	$ 9.2	$ (8.2)	$ 21.8	$ 50.5	$ (11.2)	$ 32.0
Funding Value of Assets	$ 555.7	$ 558.5	$ 609.4	$ 599.1	$ 598.9	$ 596.4	$ 572.5	$ 552.5
Actuarial Liability	$ 833.2	$ 846.0	$ 849.0	$ 821.6	$ 819.5	$ 794.5	$ 723.1	$ 729.3
Surplus (Deficit)	$ (277.5)	$ (287.5)	$ (239.6)	$ (222.5)	$ (220.6)	$ (198.1)	$ (150.6)	$ (176.8)
Funded Ratio	66.7%	66.0%	71.8%	72.9%	73.1%	75.1%	79.2%	75.8%
Post-1991 Period Only								
Market Value of Assets at December 31	$ 999.0	$ 1,427.9	$ 2,072.3	$ 2,437.4	$ 2,833.6	$ 3,519.2	$ 3,663.8	$ 4,173.4
Asset Smoothing Adjustment	$ (11.4)	$ 84.0	$ 26.5	$ (34.2)	$ 101.0	$ 199.8	$ (57.3)	$ 215.8
Funding Value of Assets	$ 1,010.4	$ 1,343.9	$ 2,045.8	$ 2,471.6	$ 2,732.6	$ 3,319.4	$ 3,721.1	$ 3,957.6
Actuarial Liability	$ 1,245.8	$ 1,542.3	$ 2,151.0	$ 2,502.3	$ 2,761.0	$ 3,115.9	$ 3,576.1	$ 3,787.6
Surplus (Deficit)	$ (235.4)	$ (198.4)	$ (105.2)	$ (30.7)	$ (28.4)	$ 203.5	$ 145.0	$ 170.0
Funded Ratio	81.1%	87.1%	95.1%	98.8%	99.0%	106.5%	104.1%	104.5%

Table 4. 10-Year Financial and Membership Review 2016-2025

Financial Position ($ millions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market Value of Assets at December 31	$ 2,690.9	$ 3,000.2	$ 3,028.3	$ 3,454.4	$ 3,592.7	$ 4,166.1	$ 3,868.2	$ 4,225.1	$ 4,758.0	$ 5,123.7
Accounting Liability	$ 2,799.4	$ 2,929.0	$ 3,219.5	$ 3,269.7	$ 3,583.0	$ 3,741.9	$ 3,602.9	$ 3,672.0	$ 4,133.9	$ 4,285.3
Surplus (Deficit)	$ (108.5)	$ 71.1	$ (191.2)	$ 184.6	$ 9.7	$ 424.2	$ 265.3	$ 553.1	$ 624.1	$ 838.3
Ratio of Market Value of Assets to Accounting Liability	96.1%	102.4%	94.1%	105.6%	100.3%	111.3%	107.4%	115.1%	115.1%	119.6%
Pre-1992 Period Only										
Market Value of Assets at December 31	$ 618.6	$ 634.7	$ 590.9	$ 620.7	$ 602.5	$ 646.9	$ 557.8	$ 561.3	$ 584.6	$ 583.5
Accounting Liability	$ 810.2	$ 783.4	$ 789.6	$ 770.9	$ 780.4	$ 759.7	$ 717.5	$ 688.2	$ 665.4	$ 663.1
Surplus (Deficit)	$ (191.6)	$ (148.6)	$ (198.8)	$ (150.2)	$ (178.0)	$ (112.9)	$ (159.7)	$ (126.9)	$ (80.8)	$ (79.6)
Ratio of Market Value of Assets to Accounting Liability	76.4%	81.0%	74.8%	80.5%	77.2%	85.1%	77.7%	81.6%	87.9%	88.0%
Post-1991 Period Only										
Market Value of Assets at December 31	$ 2,072.3	$ 2,365.5	$ 2,437.4	$ 2,833.6	$ 2,990.3	$ 3,519.2	$ 3,310.4	$ 3,663.8	$ 4,173.4	$ 4,540.2
Accounting Liability	$ 1,989.2	$ 2,145.7	$ 2,429.8	$ 2,498.8	$ 2,802.6	$ 2,982.1	$ 2,885.4	$ 2,983.9	$ 3,468.5	$ 3,622.3
Surplus (Deficit)	$ 83.1	$ 219.8	$ 7.6	$ 334.8	$ 187.7	$ 537.0	$ 425.1	$ 680.0	$ 704.9	$ 917.9
Ratio of Market Value of Assets to Accounting Liability	104.2%	110.2%	100.3%	113.4%	106.7%	118.0%	114.7%	122.8%	120.3%	125.3%
Contributions and Transfers from Other Plans	$ 128.8	$ 128.7	$ 135.9	$ 151.8	$ 151.8	$ 153.3	$ 153.8	$ 180.7	$ 175.1	$ 190.8
Benefit Payments and Transfers to Other Plans	$ 117.5	$ 118.6	$ 129.2	$ 132.9	$ 162.9	$ 138.8	$ 150.7	$ 160.7	$ 166.5	$ 170.7
Administrative Expenses	$ 1.9	$ 2.1	$ 2.6	$ 3.3	$ 3.7	$ 3.5	$ 3.9	$ 4.5	$ 5.4	$ 6.6
Investment Expenses	$ 13.8	$ 16.8	$ 18.2	$ 20.5	$ 17.9	$ 34.2	$ 24.1	$ 29.5	$ 30.4	$ 27.6
Total Return on Investments	6.80%	10.90%	0.50%	13.50%	4.50%	15.60%	-7.20%	8.80%	12.59%	7.26%
Discount Rate (Accounting)	5.90%	5.90%	5.60%	5.60%	5.20%	5.20%	5.80%	6.15%	6.18%	6.32%
January 1 Cost-of-Living Adjustment										
Pre-2001 Service (contractual 60% of Alberta CPI)	0.72%	0.78%	0.78%	1.50%	1.02%	0.78%	1.56%	3.72%	2.34%	1.20%
Post-2000 Service (conditional)	0.36%	0.39%	0.39%	0.75%	0.51%	0.39%	0.78%	3.72%	3.12%	1.80%
Average Annual Pension	$ 49,090	$ 41,184	$ 42,280	$ 43,763	$ 49,207	$ 47,429	$ 47,716	$ 48,719	$ 48,558	$ 49,497
Plan Members										
Active	4,425	4,467	4,476	4,570	4,569	4,607	4,649	4,742	4,867	4,965
Deferred	221	211	220	211	214	231	247	267	288	300
Pensioners and Beneficiaries	2,541	2,607	2,679	2,725	2,755	2,832	2,916	3,025	3,114	3,198
Total Plan Members	7,187	7,285	7,375	7,506	7,538	7,670	7,812	8,034	8,269	8,463
Average Age (Active)	40.1	39.9	40.3	40.6	41.4	41.3	41.5	41.5	41.6	41.6
Average Service (Active)	10.6	11.7	12.2	12.4	12.8	12.2	12.2	12.2	12.3	12.8
Average Age (Pensioners)	66.2	-	65.8	66.2	66.7	67.1	67.3	67.6	67.6	68.4

Financial Statements

Year Ended December 31, 2025

Special Forces Pension Plan

About SFPP Corporation

SFPP Corporation serves as the Trustee and Administrator of the Special Forces Pension Plan (SFPP). In this role, the Corporation supports the long-term strength of the Plan through prudent oversight, effective administration, and a strong governance framework focused on the best interests of members and beneficiaries.

As Trustee, SFPP Corporation oversees the Plan Fund and monitors the investment management of Plan assets to help ensure they are managed in alignment with the Plan's objectives. As Administrator, the Corporation is responsible for ensuring the Plan is administered in accordance with applicable legislation and sound pension management practices. This includes overseeing key policies, arranging actuarial valuations, entering into agreements on behalf of the Plan, and supervising pension administration services delivered to members and employers.

SFPP Corporation also supports the Plan's joint governance structure. The Corporate Board of Directors oversees the Corporation in its role as Trustee and Administrator, while the Sponsor Board is responsible for key plan design matters, including contribution rates, plan text, and the Funding Policy. Under the leadership of the Chief Executive Officer, SFPP Corporation provides both boards with the analysis, advice, research, and administrative support needed to support informed decision-making.

The Corporation also oversees the performance of its mandated service providers. Alberta Pensions Services (APS) Corporation delivers pension administration services to members, and Alberta Investment Management Corporation (AIMCo) provides investment management services for the Plan Fund. SFPP Corporation monitors both organizations to help ensure services are delivered effectively, investment activities align with the Plan's objectives, and member interests remain central to decision-making.

As a provincial statutory corporation operating on a cost-recovery basis, SFPP Corporation is also responsible for financial management, regulatory oversight, and compliance for both the Corporation and the Plan. This includes preparing annual financial statements, coordinating the annual audit, and monitoring compliance with the legislative framework governing the Plan.

Through this work, SFPP Corporation helps ensure the Plan remains well governed, responsibly managed, and focused on delivering long-term value and retirement security to members.

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, 2025, 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, 2025, 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

April 20, 2026
Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025

(in thousands)	2025	2024
Net assets available for benefits		
Assets		
Cash (Note 2b)	$ 19,195	$ 6,600
Investments (Note 3)	5,089,130	4,744,523
Contributions receivable		
Employers	4,005	3,713
Employees	3,765	3,367
Province of Alberta	621	559
GST and interest receivable (Note 11b)	6,604	-
Accounts receivable	753	1,043
Total Assets	5,124,073	4,759,805
Liabilities		
Accounts payable	397	1,793
Total Liabilities	397	1,793
Net assets available for benefits	$ 5,123,676	$ 4,758,012
Pension obligation and surplus		
Pension obligation (Note 5)	$ 4,285,344	$ 4,133,920
Surplus (Note 6)	838,332	624,092
Pension obligation and surplus	$ 5,123,676	$ 4,758,012

The accompanying notes are part of these financial statements.

Approved by the Board:

**[Original signed by Jason Elliott,
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, 2025

(in thousands)	2025	2024
Increase in assets		
Contributions (Note 7)		
Employers	$ 92,761	$ 84,385
Employees	87,091	80,553
Province of Alberta	8,074	7,228
Transfers from other plans	2,864	2,978
Investment income (Note 8)		
Income	299,675	414,735
Change in fair value	78,245	143,657
Accrued interest on GST rebate (Note 11b)	1,356	-
Interest Income (Note 2b)	547	1,624
	570,613	735,160
Decrease in assets		
Benefit payments (Note 10)	168,355	164,467
Transfers to other plans	2,372	2,009
Investment expenses (Note 11)	27,597	30,372
Administrative expenses (Note 12)	6,625	5,415
	204,949	202,263
Increase in net assets	365,664	532,897
Net assets available for benefits at beginning of year	4,758,012	4,225,115
Net assets available for benefits at end of year	$ 5,123,676	$ 4,758,012

The accompanying notes are part of these financial statements.

STATEMENT OF CHANGES IN PENSION OBLIGATION

YEAR ENDED DECEMBER 31, 2025

(in thousands)	2025			2024		
	Pre-1992	Post-1991	Total	Pre-1992	Post-1991	Total
Increase in pension obligation						
Interest on accrued benefits	$ 39,281	$ 215,450	$ 254,731	$ 42,322	$ 187,068	$ 229,390
Benefits earned	-	143,743	143,743	-	115,793	115,793
Net loss due to actuarial assumption changes (Note 5a)	23,589	-	23,589	-	41,111	41,111
Net experience loss (Note 5b)	-	-	-	-	247,429	247,429
	62,870	359,193	422,063	42,322	591,401	633,723
Decrease in pension obligation						
Benefit payments, transfers and interest	59,583	108,280	167,863	61,773	106,753	168,526
Net gain due to actuarial assumption changes (Note 5a)	-	39,987	39,987	683	-	683
Net experience gain (Note 5b)	5,630	57,159	62,789	2,620	-	2,620
	65,213	205,426	270,639	65,076	106,753	171,829
Net (decrease) increase in pension obligation	(2,343)	153,767	151,424	(22,754)	484,648	461,894
Pension obligation at beginning of year	665,408	3,468,512	4,133,920	688,162	2,983,864	3,672,026
Pension obligation at end of year (Note 5)	$ 663,065	$ 3,622,279	$ 4,285,344	$ 665,408	$ 3,468,512	$ 4,133,920

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2025

(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.

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 contribution rates in effect at December 31, 2025 for current service were 13.55% (2024: 13.80%) of pensionable salary for employers and 12.45% (2024: 12.70%) for employees. Contributions towards the pre-1992 actuarial deficiency are set by statute at 0.75% of pensionable salary each for both employers and employees. The total contribution rates in effect at December 31, 2025, is 14.30% (2024: 14.55%) of pensionable salary for employers and 13.20% (2024: 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 2025, the salary cap was $209,224 (2024: $201,050).

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 are 0.75% each for employers and employees, and 1.25% of pensionable salary for the Province of Alberta. As long as there remains an unfunded liability for pre-1992 service, payment of all benefits arising from service before 1992 is guaranteed by the Province of Alberta. (Section 38 of Schedule 3 of the *Joint Governance of Public Sector Pension Plans Act*).

The SFPP 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, 2024. Resulting contribution rates for both employers and employees remain unchanged effective January 1, 2026.

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 until the member reaches age 65. The bridge benefit is 0.6% for each year of pensionable service based on the highest average salary over five consecutive years up to the average 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 became 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 may be 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. 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, exceed 100% of the commuted value, the excess contributions with interest are refunded as taxable cash.

Members who are not vested when they terminate receive a refund of the employee paid portion of their contributions with interest. These payments are included as benefit payments on the statement of changes in net assets available for benefits.

g. PURCHASED SERVICE AND TRANSFERS

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

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

h. COST-OF-LIVING ADJUSTMENTS (COLA)

For pre-2001 service, pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index (ACPI). The increase is calculated by taking the ratio of the average of the ACPI during the most recent twelve-month period ending on October 31st to the previous year's twelve-month average. For post-2000 service, the Sponsor Board determines each year whether and how much COLA will 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 infrastructure, 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 valued based on the Plan's share of the pooled fund's net asset value. This market-based unit value is also used for allocating income and for processing purchases and sales. 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)	2025			2024		
Asset Class	**Level 2**	**Level 3**	**Fair Value**	**Level 2**	**Level 3**	**Fair Value**
Interest-bearing securities						
Cash and short-term securities	$ 42,068	$ -	$ 42,068	$ 65,555	$ -	$ 65,555
Bonds, mortgages, private debt and loans	1,044,598	550,208	1,594,806	1,021,342	367,283	1,388,625
	1,086,666	550,208	1,636,874	1,086,897	367,283	1,454,180
Equities						
Canadian	107,153	-	107,153	195,840	-	195,840
Global development	1,218,977	17,007	1,235,984	1,118,570	21,592	1,140,162
Private	73	259,315	259,388	959	265,701	266,660
Emerging markets	259,205	-	259,205	239,083	-	239,083
Global small cap	209,191	-	209,191	189,072	-	189,072
Hedge funds/ absolute return	-	128,499	128,499	-	-	-
	1,794,599	404,821	2,199,420	1,743,524	287,293	2,030,817
Inflation sensitive						
Real estate	-	557,990	557,990	-	507,105	507,105
Infrastructure	705	545,879	546,584	686	558,714	559,400
Real return bonds	23,977	-	23,977	72,169	-	72,169
Renewable	-	109,167	109,167	-	108,478	108,478
	24,682	1,213,036	1,237,718	72,855	1,174,297	1,247,152
Strategic, tactical and currency investments *	517	14,601	15,118	3,907	8,467	12,374
Total Investments	$ 2,906,464	$ 2,182,666	$ 5,089,130	$ 2,907,183	$ 1,837,340	$ 4,744,523

* *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 $2,906,464 (2024: $2,907,183).
- **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 $2,182,666 (2024: $1,837,340).

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENT

(in thousands)	2025	2024
Balance at beginning of year	$ 1,837,340	$ 1,674,271
Investment income*	52,207	122,971
Purchases of Level 3 pooled fund units	438,303	277,892
Sale of Level 3 pooled fund units	(145,184)	(237,794)
Balance at end of year	$2,182,666	$1,837,340

** Investment income includes unrealized losses of $376 (2024: losses of $21,582).*

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. Absolute Return strategies include investments in hedge funds, and underlying securities in the funds can include equities, fixed income securities, derivatives, and alternative investments. The fair value of these funds is based on the net asset value reported by the external fund manager.
- **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.
- **Repurchase agreements:** The Plan has exposure to repurchase agreements through its investments. A repurchase agreement can be thought of as a collateralized loan. Repurchase agreements are commonly used to provide short-term liquidity. The lender provides cash to the borrower (the Plan) in exchange for security, which acts as collateral. At a future date, the borrower repurchases the same security plus accrued interest. The Plan's exposure to repurchase agreements as of December 31, 2025, was $329,481 (2024: $269,458).

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 Policy Mix Range	Actual Asset Mix (a) *(in thousands)*				
			2025	%		2024	%
Interest-bearing securities							
Money market (cash and short-term securities)	0 – 10%	$	42,068	0.8	$	65,555	1.3
Fixed income (bonds and mortgages)	13 – 48%		1,594,806	31.4		1,388,625	29.3
Equities	17 – 71%		2,199,420	43.2		2,030,817	42.8
Inflation sensitive	16 – 44%		1,237,718	24.3		1,247,152	26.3
Strategic, tactical and currency (b)	0 – 3%		15,118	0.3		12,374	0.3
		$	5,089,130	100.00%	$	4,744,523	100.00%

(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 3% 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, 2025:

Credit Rating	2025	2024
Investment Grade (AAA to BBB-)	67.2%	80.2%
Speculative Grade (BB+ or lower)	3.6%	2.3%
Unrated	29.2%	17.5%
	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, 2025, the Plan's share of securities loaned under this program is $108,103 (2024: $169,652) and collateral held totals $115,621 (2024: $181,691). 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 41% (2024: 41%) of the Plan's investments, or $2,097,622 (2024: $1,953,365), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 26% (2024: 26%) and the Euro, 5% (2024: 5%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 4.1% (2024: 4.1%).

The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2025:

(in thousands)	2025		2024	
Currency*	**Fair Value**	**Sensitivity**	**Fair Value**	**Sensitivity**
U.S. dollar	$ 1,319,326	$ (131,933)	$ 1,224,521	$ (122,452)
Euro	235,099	(23,510)	234,959	(23,496)
British pound	119,369	(11,937)	127,231	(12,723)
Japanese yen	99,992	(9,999)	79,137	(7,914)
Hong Kong dollar	57,562	(5,756)	53,255	(5,326)
Other foreign currency	266,274	(26,627)	234,262	(23,426)
Total foreign currency investments	$ 2,097,622	$ (209,762)	$ 1,953,3655	$ (195,337)

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

c. INTEREST RATE RISK

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by AIMCo. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer-term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 2.2% of total investments (2024: 2.5%).

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 5.4% (2024: 5.5%). 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)*	
		2025	2024
Contracts in net favourable position (current credit exposure) (i)	151	12,326	3,742
Contracts in net unfavourable position	11	(4,184)	(34,612)
Net fair value of derivative contracts	162	8,142	(30,870)

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 $12,326 (2024: $3,742) 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)*	
	2025	2024
Equity-based derivatives (i)	$ 6,329	$ (5,294)
Foreign currency derivatives (ii)	6,106	(23,152)
Interest rate derivatives (iii)	(4,338)	(2,416)
Credit risk derivatives (iv)	45	(8)
Net fair value of derivative contracts	$ 8,142	$ (30,870)

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, 2025, deposits in futures contracts margin accounts totaled $7,060 (2024: $7,886). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled $25,395 (2024: $48,176) and $Nil (2024: $Nil).

NOTE 5. PENSION OBLIGATION

a. ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2024, and was then extrapolated by Eckler Ltd. to December 31, 2025.

The actuarial assumptions used in determining the value of the liability for accrued benefits of $4,285,344 (2024: $4,133,920) 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:

	% 2025	% 2024
Discount rate	6.32	6.18
Inflation rate*	2.25	2.50
Salary escalation rate**	3.75-3.00	3.75-3.00
Mortality rate	Club Vita Canada's CV22 VitaCurves, with generational improvements using MI-CAN-2024, with a long term assumption of 1.3%	120% of the 2014 Canadian Pensioner Mortality Table (Public Sector), with generational improvements using CPM Scale B

* *2.50% for 2024, 2.25% for 2025 and 2.00% per annum thereafter*

** *3.75% per annum for two years from December 31, 2024, and 3.00% per annum thereafter, in addition to age specific merit and promotion increase assumptions.*

Net loss due to actuarial assumption changes for pre-1992 of $23,589 (2024: net gain of $683) resulting primarily from changes in mortality assumptions.

Net gain due to actuarial assumption changes for post-1991 of $39,987 (2024: net loss of $41,111) resulting primarily from an increase in the discount rate..

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

b. NET EXPERIENCE GAIN AND LOSS

Net experience gain for pre-1992 of $5,630 (2024: net experience gain of $2,620) reflects the results of the valuation as at December 31, 2024, and is due to actual experience differing from expected, primarily related to the timing and amount of benefit payments.

Net experience gain for post-1991 of $57,159 (2024: net experience loss of $247,429) reflects the results of the valuation as at December 31, 2024, and is due primarily to salaries increasing less than assumed, which is partially offset by actual COLA higher than expected.

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, 2025:

(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%	317,524	1.7%
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1%	129,059	2.0%
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1%)	694,561	5.5%

(1) The current service cost as a percentage of pensionable earnings as determined by the December 31, 2025, extrapolation was 20.80%.

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)		2025				2024					
		Pre-1992		Post-1991		Total		Pre-1992		Post-1991		Total
(Deficit) Surplus at beginning of year	$	(80,841)	$	704,933	$	624,092	$	(126,894)	$	679,983	$	553,089
(Decrease) Increase in Plan Fund net assets available for benefits		(1,062)		366,726		365,664		23,299		509,598		532,897
Net decrease (increase) in pension obligation		2,343		(153,767)		(151,424)		22,754		(484,648)		(461,894)
(Deficit) Surplus at end of year	$	(79,560)	$	917,892	$	838,332	$	(80,841)	$	704,933	$	624,092

(in thousands)		2025						2024				
		Pre-1992		Post-1991		Total		Pre-1992		Post-1991		Total
Net assets available for benefits at beginning of year	$	584,567	$	4,173,445	$	4,758,012	$	561,268	$	3,663,847	$	4,225,115
(Decrease) Increase in Plan net assets available for benefits		(1,062)		366,726		365,664		23,299		509,598		532,897
Net assets available for benefits at end of year	$	583,505	$	4,540,171	$	5,123,676	$	584,567	$	4,173,445	$	4,758,012

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)		2025		2024
Employers				
Current service	$	87,113	$	78,751
Past service		804		1,297
Unfunded liability		4,844		4,337
	$	92,761	$	84,385
Employees				
Current service		80,027		72,560
Past service		2,220		3,656
Unfunded liability		4,844		4,337
	$	87,091	$	80,553
Province of Alberta				
Unfunded liability		8,074		7,228
		8,074	$	7,228
	$	187,926	$	172,166

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	2025 Total	Income	Change in Fair Value	2024 Total
Interest-bearing securities	$ 59,964	$ (15,592)	$ 44,372	$ 45,910	$ 9,449	$ 55,359
Equities						
Canadian	17,130	8,294	25,424	16,029	17,300	33,329
Foreign	195,002	80,232	275,234	253,963	107,195	361,158
Private	18,553	(5,900)	12,653	13,541	21,820	35,361
Hedge funds / absolute return	2,474	6,192	8,666	-	-	-
	233,159	88,818	321,977	283,533	146,315	429,848
Inflation Sensitive						
Real estate	(3,083)	(1,410)	(4,493)	4,112	(7,394)	(3,282)
Real return bonds	2,697	(1,314)	1,383	4,560	(887)	3,673
Infrastructure	9,053	7,097	16,150	75,213	(6,068)	69,145
Renewables	(449)	(382)	(831)	95	2,780	2,875
	8,218	3,991	12,209	83,980	(11,569)	72,411
Strategic, tactical and currency investments	(1,666)	1,028	(638)	1,312	(538)	774
	$ 299,675	$ 78,245	$ 377,920	$ 414,735	$ 143,657	$ 558,392

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized gains on pool units total $44,956 and $33,289 respectively (2024: $25,424 and $117,470). Realized and unrealized gains on currency hedges total $Nil and $Nil respectively (2024: $50 and $713) respectively.

Income earned in pooled investment funds is distributed to the Plan daily based on the pro rata share of units issued by the pool. Income 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)	2025	2024	2023	2022	2021
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	9.3	12.7	10.0	(8.9)	9.7
Value (lost) added by the investment manager	(2.1)	(0.1)	(1.2)	1.7	5.9
Time weighted rate of return, at fair value [(a)]	**7.2**	**12.6**	**8.8**	**(7.2)**	**15.6**
Other sources [(b)]	0.5	0.0	0.4	0.0	0.4
Per cent change in net assets [(c)]	**7.7**	**12.6**	**9.2**	**(7.2)**	**16.0**
Per cent change in pension obligation [(c)]	**3.7**	**12.6**	**1.9**	**(3.7)**	**4.4**
Per cent of pension obligation supported by net assets	**120**	**115**	**115**	**107**	**111**

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

(b) *Other sources includes 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)	2025	2024
Retirement benefits	$ 159,398	$ 151,520
Disability pensions	430	405
Termination benefits	7,319	9,936
Death benefits	1,208	2,606
	$ 168,355	$ 164,467

NOTE 11. INVESTMENT EXPENSES

(in thousands)	2025	2024
Amount charged by AIMCo for:		
Investment costs [a]	$21,462	$20,328
Performance-based fees [a]	10,434	9,049
Goods and services tax	949	995
Total investment expenses	$32,845	$30,372
Increase in expenses [a]	8.1%	2.9%
Increase in average investments under management	10.0%	11.1%
Decrease in value of investments attributed to AIMCo	(2.1)%	(0.1)%
Expenses as a percent of dollar invested	0.7%	0.7%
Investment expenses per member (in dollars)	$ 3,881	$ 3,673
Total annual investment expenses	$ 32,845	$ 30,372
GST rebate from previous years (b)	(5,248)	-
Net investment expenses	$ 27,597	$ 30,372

(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.*

(b) *The GST rebate relates to amounts recovered from the Canada Revenue Agency for GST paid in error on investment management services for the period from January 1, 2016 to December 31, 2016 and July 1, 2017 to December 31, 2023. As at December 31, 2025, the Plan recorded the GST rebate and accrued interest as a current financial asset, and the funds were subsequently received by the Plan.*

NOTE 12. ADMINISTRATIVE EXPENSES

(in thousands)	2025	2024
Pension administration costs		
Alberta Pensions Services Corporation (APS)	$ 2,014	$ 1,824
SFPP Corporation	4,391	3,411
Goods and services tax and other	213	174
Plan bank fees	7	6
	6,625	5,415
Expenses per member (in dollars)	$ 783	$ 655

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 of investment expenses (before GST rebate recovery from previous years) per Note 11 and administrative expenses per Note 12 of $39,470 (2024: $35,787) or $4,664 (2024: $4,328) per member and 0.77% (2024: 0.75%) 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 $4,968,320 at December 31, 2025 (2024: $4,510,179), comprising of $564,895 (2024: $552,536) Pre-1992 and $4,403,425 (2024: $3,957,643) 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.

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