



Special Forces
Pension Plan



2022 FINANCIAL
STATEMENTS



FINANCIAL STATEMENTS



**Special Forces
Pension Plan**

YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the SFPP Corporation Board of Directors



REPORT ON THE FINANCIAL STATEMENTS

OPINION

I have audited the financial statements of the Special Forces Pension Plan, which comprise the statement of financial position as at December 31, 2022, 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, 2022, and the changes in net assets available for benefits, and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

BASIS FOR OPINION

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

OTHER INFORMATION

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Special Forces Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Auditor General

June 6, 2023
Edmonton, Alberta

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022

(in thousands)	2022	2021
Net assets available for benefits		
Assets		
Cash	\$ 7,606	\$ -
Investments (Note 3)	3,851,947	4,158,325
Contributions receivable		
Employers	3,274	3,014
Employees	2,954	2,748
Province of Alberta	636	728
Accounts receivable	1,918	1,428
Total Assets	3,868,335	4,166,243
Liabilities		
Accounts payable	101	193
Total Liabilities	101	193
Net assets available for benefits	\$ 3,868,234	\$ 4,166,050
Pension obligation and surplus		
Pension obligation (Note 5)	\$ 3,602,894	\$ 3,741,886
Surplus (Note 6)	265,340	424,164
Pension obligation and surplus	\$ 3,868,234	\$ 4,166,050

The accompanying notes are part of these financial statements.

Approved by the Board:



DAVE PATON
Chair, Corporate Board

Approved by Management:



LIZ DOUGHTY
Chief Executive Officer

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31, 2022

(in thousands)	2022	2021
Increase in assets		
Contributions (Notes 7)		
Employers	\$ 74,869	\$ 74,541
Employees	71,222	70,319
Province of Alberta	6,413	6,378
Transfers from other plans	1,284	2,080
Investment income (Note 8)		
Income	3,880	454,791
Change in fair value	-	141,676
Interest Income	180	-
	157,848	749,785
Decrease in Assets		
Benefit payments (Note 10)	150,172	137,935
Transfers to other plans	490	879
Investment expenses (Note 11)	24,133	34,212
Investment loss (Note 8)		
Change in fair value	277,019	-
Administrative expenses (Note 12)	3,850	3,452
	455,664	176,478
(Decrease) Increase in net assets	(297,816)	573,307
Net assets available for benefits at beginning of year	4,166,050	3,592,743
Net assets available for benefits at end of year	\$ 3,868,234	\$ 4,166,050

The accompanying notes are part of these financial statements.

STATEMENT OF CHANGES IN PENSION OBLIGATION

YEAR ENDED DECEMBER 31, 2022

(in thousands)	2022			2021		
	Pre-1991	Post-1991	Total	Pre-1992	Post-1991	Total
Increase in pension obligation						
Interest accrued on opening pension obligations	\$ 39,506	\$ 158,223	\$ 197,729	\$ 40,598	\$ 148,317	\$ 188,915
Benefits earned	-	121,213	121,213	-	120,551	120,551
Net experience loss (Note 5b)	17,916	12,985	30,901	-	-	-
	57,422	292,421	349,843	40,598	268,868	309,466
Decrease in pension obligation						
Benefit payments, transfers and interest	60,405	92,857	153,262	61,589	78,700	140,289
Net experience (loss) gain (Note 5b)	-	-	-	(283)	10,576	10,293
Net gain due to actuarial assumption changes	39,218	296,355	335,573	-	-	-
	99,623	389,212	488,835	61,306	89,276	150,582
Net (decrease) increase in pension obligation	(42,201)	(96,791)	(138,992)	(20,708)	179,592	158,884
Pension obligation at beginning of year	759,739	2,982,147	3,741,886	780,447	2,802,555	3,583,002
Pension obligation at end of year (Note 5)	\$ 717,538	\$ 2,885,356	\$ 3,602,894	\$ 759,739	\$ 2,982,147	\$ 3,741,886

The accompanying notes are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

(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 *Joint Governance of Public Sector Pension Plans Act* (Alberta) and the SFPP plan text document.

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

a. GENERAL

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

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

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

b. PLAN FUNDING

The Plan is subject to the jointly sponsored plan funding rules of the EPPA and is exempt from the EPPA's solvency funding requirements. Current service costs and any actuarial deficiency are funded by the employees and employers. Employees and employers are responsible for fully funding service after 1991. The current service contribution rates for employers are 1.1% higher than the rates of employees.

The Sponsor Board, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years. The most recent actuarial valuation for funding purposes was prepared at December 31, 2021. Under the *Joint Governance of Public Sector Pension Plans Act*, no solvency funding requirements prescribed by the *Employment Pension Plans Act* apply to the Plan.

The contribution rates in effect at December 31, 2022 for current service and post-1991 actuarial deficiency were 13.80% of pensionable salary for employers and 12.70% for employees, unchanged from 2021. Of this, contribution rates towards current service were 13.39% (2021: 13.39%) of pensionable earnings for employers and 12.29% (2021: 12.29%) for employees. Contributions towards the post-1991 actuarial deficiency were 0.41% (2021: 0.41%) of pensionable salary each for both employers and employees. The total contribution rates in effect at December 31, 2022 were 14.55% of pensionable salary for employers and 13.45% of pensionable salary for employees, unchanged from 2021.

Pensionable earnings are subject to an upper limit (the salary cap) to ensure the pension accrual is not greater than the maximum pension benefit limit allowed under the *Income Tax Act*. In 2022, the salary cap was \$190,470 (2021: \$180,758).

The unfunded liability for service prior to December 31, 1991 is being financed by additional contributions from employees, employers, and the Province of Alberta. Additional contributions

are payable until December 31, 2036 unless the unfunded liability has been previously eliminated. The rates in effect at December 31, 2022 were 0.75% each for employers and employees, and 1.25% of pensionable salary for the Province of Alberta. As long as there remains an unfunded liability for pre-1992 service, payment of all benefits arising from service before 1992 is guaranteed by the Province of Alberta. (Section 38 of Schedule 3 of the *Joint Governance of Public Sector Pension Plans Act*).

Contribution rates were reviewed in 2021 and are to be reviewed at least once every three years based on recommendations of the Plan's actuary.

c. RETIREMENT BENEFITS

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

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

d. DISABILITY PENSIONS

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

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

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

e. DEATH BENEFITS

Benefits are payable on the death of a member.

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

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

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

f. TERMINATION BENEFITS, REFUNDS AND TRANSFERS

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

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

g. PURCHASED SERVICE AND TRANSFERS

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

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

h. COST-OF-LIVING ADJUSTMENTS (COLA)

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a. BASIS OF PRESENTATION

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

b. CASH

Cash includes deposits in the plan's administration bank account. The funds in this account are used for operational and pension benefits disbursements. Historically, cash was part of the Consolidated Cash Investment Trust Fund (CCITF) and included as part of 'Investments' on the financial statements. Effective October 2022, the CCITF structure was dismantled and split into the Money Market Pool (MMP) and a stand-alone plan administration bank account.

The MMP is disclosed under 'Investments' and the stand-alone plan administration bank account is disclosed as 'Cash' on the financial statements. Interest earned on cash is recorded on an accrual basis as Interest income.

c. VALUATION OF INVESTMENTS

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

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

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

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

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

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

d. INVESTMENT INCOME

Investment income is recorded on an accrual basis.

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

- i. Income distributions from the pools based on the Plan's pro-rata share of total units issued by the pools; and
- ii. Changes in fair value of units including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

e. INVESTMENT EXPENSES

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

f. VALUATION OF PENSION OBLIGATION

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

g. MEASUREMENT UNCERTAINTY

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

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

- i. the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and
- ii. the estimated fair values of the Plan's private investments, hedge funds, real estate and renewable investments may differ significantly from the values that would have been used had a ready market existed for these investments.

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

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

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

NOTE 3. INVESTMENTS

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

FAIR VALUE HIERARCHY (A)

(in thousands)	2022			2021		
Asset Class	Level 2	Level 3	Fair Value	Level 2	Level 3	Fair Value
Interest-bearing securities						
Cash and short-term securities	\$ 38,965	\$ -	\$ 38,965	\$ 46,772	\$ -	\$ 46,772
Bonds, mortgages, private debt and loans	688,850	218,083	906,933	900,172	141,034	1,041,206
	727,815	218,083	945,898	946,944	141,034	1,087,978
Equities						
Canadian	371,055	-	371,055	429,884	-	429,884
Global development	909,414	26,259	935,673	1,181,906	30,530	1,212,436
Private	1	212,817	212,818	1	223,004	223,005
Emerging markets	154,816	-	154,816	173,069	-	173,069
Global small cap	115,909	-	115,909	135,562	-	135,562
	1,551,195	239,076	1,790,271	1,920,422	253,534	2,173,956
Inflation sensitive						
Real estate	-	455,803	455,803	-	420,048	420,048
Infrastructure	2	403,628	403,630	2	257,621	257,623
Real return bonds	147,385	-	147,385	142,583	-	142,583
Renewable	-	96,945	96,945	-	64,862	64,862
	147,387	956,376	1,103,763	142,585	742,531	885,116
Strategic, tactical and currency investments *	2,308	9,707	12,015	1,586	9,689	11,275
Total Investments	\$ 2,428,705	\$ 1,423,242	\$ 3,851,947	\$ 3,011,537	\$ 1,146,788	\$ 4,158,325

* 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 \$2,428,705 (2021: \$3,011,537).
- **Level 3** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation sensitive investments totaling \$1,423,242 (2021: \$1,146,788).

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENT

(in thousands)	2022	2021
Balance at beginning of year	\$ 1,146,788	\$ 879,655
Investment income *	87,952	203,611
Purchases of Level 3 pooled fund units	268,569	189,728
Sale of Level 3 pooled fund units	(80,067)	(126,199)
Level 3 transfers out	-	(7)
Balance at end of year	\$ 1,423,242	\$ 1,146,788

* Investment income includes unrealized losses of \$50,182 (2021: \$128,573).

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

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

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

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

NOTE 4. INVESTMENT RISK MANAGEMENT

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

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

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

Asset Class	Target Asset Mix	Actual Asset Mix (a) (in thousands)			
		2022	%	2021	%
Interest-bearing securities					
Money market (cash and short-term securities)	1%	\$ 38,965	1.0	\$ 46,772	1.1
Fixed income (bonds and mortgages)	23%	906,933	23.5	1,041,206	25.0
Equities	47%	1,790,271	46.5	2,173,956	52.3
Inflation sensitive	29%	1,103,763	28.7	885,116	21.3
Strategic, tactical and currency	(b)	12,015	0.3	11,275	0.3
		\$ 3,851,947	100.0%	\$ 4,158,325	100.0%

- a. Actual investments are within the ranges for each asset class outlined in the SIPP.
- b. In accordance with the SIPP, AIMCo may invest up to 5% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above. AIMCo may, at its discretion, invest the funds in currency overlays.

a. CREDIT RISK

i. Debt securities

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

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

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

The table below summarizes the Plan's investments in debt securities by credit rating at December 31, 2022:

Credit Rating	2022	2021
Investment Grade (AAA to BBB-)	84.5%	86.2%
Speculative Grade (BB+ or lower)	1.5%	1.8%
Unrated	14.0%	12.0%
	100.0%	100.0%

ii. Counterparty default risk - derivative contracts

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

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

iii. Security lending risk

To generate additional income, the pools participate in a securities-lending program. Under this program, the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31, 2022, the Plan's share of securities loaned under this program is \$115,270 (2021: \$210,991) and collateral held totals \$124,600 (2021: \$230,508). 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 34% (2021: 38%) of the Plan's investments, or \$1,326,282 (2021: \$1,585,334), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 20% (2021: 23%) and the Euro, 4% (2021: 4%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 3.4% (2021: 3.8%).

The following table summarizes the Plan's exposure to foreign currency investments held in pooled investment funds at December 31, 2022:

(in thousands)	2022		2021	
	Fair Value	Sensitivity	Fair Value	Sensitivity
Currency*				
U.S. dollar	\$ 765,699	\$ (76,570)	\$ 963,562	\$ (96,356)
Euro	150,691	(15,069)	175,120	(17,512)
Japanese yen	73,444	(7,344)	99,062	(9,906)
British pound	99,002	(9,900)	95,762	(9,576)
Other foreign currency	237,448	(23,745)	251,828	(25,183)
Total foreign currency investments	\$ 1,326,284	(132,628)	1,585,334	(158,533)

* 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, which will impact returns if the securities are sold prior to maturity. A rise in interest rates will typically mean a drop in fair value (and vice versa), with longer-term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. The Plan also has indirect exposure to repurchase agreements through its investment in the pooled investment portfolio and the risk of adverse changes in interest rates is reduced by indirect exposure to repurchase agreements. 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 2.9% of total investments (2021: 3.3%).

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 value of the product may decline due to changes in general market conditions, economic trends or due to factors that affect a particular company or group of companies. Price risk is influenced by the geopolitical environment, economic conditions and changes in the regulatory environment. Both products and their benchmarks are impacted by price risk. 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 5.2% (2021: 5.9%). 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)	
		2022	2021
Contracts in net favourable position (current credit exposure)	153	18,803	\$ 49,207
Contracts in net unfavourable position	19	(28,339)	(27,979)
Net fair value of derivative contracts	172	(9,536)	\$ 21,228

- 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 \$18,803 (2021: \$49,207) 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)		2021
	2022	2021	
Equity-based derivatives	\$ 1,878	\$ 19,071	
Foreign currency derivatives	(23,717)	1,244	
Interest rate derivatives	11,831	(449)	
Credit risk derivatives	473	1,362	
Net fair value of derivative contracts	\$ (9,535)	\$ 21,228	

- 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, 2022, deposits in futures contracts margin accounts totaled \$5,558 (2021: \$11,156). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled \$63,868 (2021: \$40,083) and \$Nil (2021: \$Nil).

NOTE 5. PENSION OBLIGATION

a. ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

An actuarial valuation of the Plan was carried out as at December 31, 2021 and was then extrapolated by Aon to December 31, 2022.

The actuarial assumptions used in determining the value of the liability for accrued benefits of \$3,602,894 (2021: \$3,741,886) reflect management's best estimate, as at the measurement date, of future economic events and involve both economic and non-economic assumptions. The noneconomic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate and salary escalation rate. The discount rate is determined by taking the plan specific asset allocation and applying the expected long-term asset returns determined by independently developed investment model, less expected plan investment expenses, and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major assumptions used for accounting purposes were:

	%	2022	%	2021
Discount rate		5.80		5.20
Inflation rate*		4.50		2.00
Salary escalation rate**		2.00-2.75		1.50-2.75
Mortality rate	2014 Canadian Pensioner <u>Mortality Table (Public Sector)</u>			

* 3.00% for 2023, 2.50% for 2024 and 2.00% per annum thereafter.

** 2.00% per annum for three years from December 31, 2021 and 2.75% per annum thereafter, in addition to age specific merit and promotion increase assumptions

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

b. NET EXPERIENCE GAIN (LOSS)

Net experience loss of \$30,901 (2021: net experience gain of \$10,293) arose from actual experience deviating from 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, 2022:

(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%	181,695	0.9%
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	1%	122,403	2.2%
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1%)	588,229	5.6%

(1) The current service cost as a percentage of pensionable earnings as determined by the December 31, 2022 extrapolation was 21.30%.

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)	2022			2021		
	Pre-1992	Post-1991	Total	Pre-1992	Post-1991	Total
(Deficit) Surplus at beginning of year	\$ (112,876)	\$ 537,040	\$ 424,164	\$ (177,989)	\$ 187,730	\$ 9,741
(Decrease) increase in Plan Fund net assets available for benefits	(89,068)	(208,748)	(297,816)	44,405	528,902	573,307
Net decrease (increase) in pension obligation	42,201	96,791	138,992	20,708	(179,592)	(158,884)
(Deficit) Surplus at end of year	\$ (159,743)	\$ 425,083	\$ 265,340	\$ (112,876)	\$ 537,040	\$ 424,164
Net assets available for benefits at beginning of year	\$ 646,863	\$ 3,519,187	\$ 4,166,050	\$ 602,458	\$ 2,990,285	\$ 3,592,743
(Decrease) increase in Plan net assets available for benefits	(89,068)	(208,748)	(297,816)	44,405	528,902	573,307
Net assets available for benefits at end of year	\$ 557,795	\$ 3,310,439	\$ 3,868,234	\$ 646,863	\$ 3,519,187	\$ 4,166,050

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

NOTE 7. CONTRIBUTIONS

<i>(in thousands)</i>	2022	2021
Employers		
Current Service	\$ 68,632	\$ 68,366
Past Service	286	257
Unfunded liability	5,951	5,918
	\$ 74,869	\$ 74,541
Employees		
Current Service	62,949	62,734
Past Service	2,322	1,667
Unfunded liability	5,951	5,918
	\$ 71,222	\$ 70,319
Province of Alberta		
Unfunded liability	6,413	6,378
	\$ 6,413	\$ 6,378
	\$ 152,504	\$ 151,238

NOTE 8. INVESTMENT INCOME

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

<i>(in thousands)</i>	Income	Change in Fair Value	2022 Total	Income	Change in Fair Value	2021 Total
Interest-bearing securities	\$ 10,333	\$ (212,541)	\$ (202,208)	\$ 44,451	\$ (66,115)	\$ (21,664)
Equities						
Canadian	29,320	(45,000)	(15,680)	83,709	23,546	107,255
Foreign	(75,614)	(78,398)	(154,012)	253,957	54,417	308,374
Private	9,802	(18,972)	(9,170)	29,672	66,351	96,023
	(36,492)	(142,370)	(178,862)	367,338	144,314	511,652
Inflation Sensitive						
Real estate	13,927	11,060	24,987	5,359	49,068	54,427
Real return bonds	165	7	172	8,969	(6,413)	2,556
Infrastructure	13,162	50,336	63,498	20,096	21,526	41,622
Renewables	3,816	17,431	21,247	4,291	4,869	9,160
	31,070	78,834	109,904	38,715	69,050	107,765
Strategic, tactical and currency investments	(1,031)	(942)	(1,973)	4,287	(5,573)	(1,286)
	\$ 3,880	\$ (277,019)	\$ (273,139)	\$ 454,791	\$ 141,676	\$ 596,46

The change in fair value includes realized and unrealized gains and losses on pool units and currency hedges. Realized and unrealized (losses) and gains on pool units total \$(50,781) and \$(225,721) respectively (2021: gains of \$27,531 and \$114,331 respectively). Realized and unrealized (losses) and gains on currency hedges total \$(611) and \$94 respectively (2021: \$(232) and \$46 respectively). Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool.

Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, and income and expense on derivative contracts. Interest income earned on Consolidated Cash Investment Trust Fund (CCITF) balance is included in Investment income until September 30, 2022 after which the CCITF was wound down.

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	2022	2021	2020	2019	2018
Increase (decrease) in net assets attributed to:					
Investment income					
Policy benchmark return on investments	(8.9)	9.7	10.2	14.3	(0.1)
Value added (lost) by the investment manager	1.7	5.9	(5.7)	(0.8)	0.6
Time weighted rate of return, at fair value ^(a)					
Other sources ^(b)	(7.2)	15.6	4.5	13.5	0.5
Per cent change in net assets ^(c)					
Per cent change in pension obligation ^(c)	(7.2)	16.0	4.0	14.1	0.9
Per cent of pension obligation supported by net assets					
	107	111	100	106	94

- 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)	2022	2021
Retirement benefits	\$ 132,316	\$ 125,540
Disability pensions	438	336
Termination benefits	15,696	10,363
Death benefits	1,722	1,696
	\$ 150,172	\$ 137,935

NOTE 11. INVESTMENT EXPENSES

(in thousands)	2022	2021
Amount charged by AIMCo for:		
Investment costs ^(a)	\$ 16,423	\$ 14,882
Performance-based fees ^(a)	7,041	18,155
Goods and services tax	669	1,175
Total investment expenses	\$ 24,133	\$ 34,212
(Decrease) Increase in expenses ^(a)	(29.5)%	91.6%
Increase in average investments under management	3.4%	10.2%
Increase in value of investments attributed to AIMCo	1.4%	5.9%
Expenses as a percent of dollar invested	0.6%	0.9%
Investment expenses per member (in dollars)	\$ 3,089	\$ 4,460

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

NOTE 12. ADMINISTRATIVE EXPENSES

(in thousands)	2022	2021
Pension administration costs		
Alberta Pensions Services Corporation (APS)	\$ 1,495	\$ 1,322
SFPP Corporation	2,231	2,018
Goods and services tax and other	124	112
	3,850	3,452
Expenses per member (in dollars)	\$ 493	\$ 450

Pension administration costs were paid to APS and SFPP Corporation on a cost-recovery basis. Goods and service tax reflects the amount not eligible for rebate under the *Excise Tax Act*.

NOTE 13. TOTAL PLAN EXPENSES

Total Plan Expenses comprise investment expenses per Note 11 and administrative expenses per Note 12 of \$27,983 (2021: \$37,664) or \$3,582 (2021: \$4,910) per member and 0.72% (2021: 0.90%) 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 \$4,076,021 at December 31, 2022 (2021: \$3,915,772), comprising of \$587,407 (2021: \$606,770) Pre-1992 and \$3,488,614 (2021: \$3,309,002) Post-1991.

The unfunded liability for post-1991 service as determined by actuarial funding valuation is financed by a special payment currently totaling 0.82% (2021: 0.82%) of pensionable salary shared equally between employees and employers. The special payment is included in the rates in effect at December 31, 2022 (see Note 1b).

NOTE 15. RESPONSIBILITY OF FINANCIAL STATEMENTS

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