



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Report on the Public Service Pension Plan

for the Fiscal Year
Ended March 31, 2020



ANNUAL REPORT

Erratum

Subsequent to its tabling in Parliament and online publication, the following corrections were made to the Report on the Public Service Pension Plan for Fiscal Year Ended March 31, 2020:

- In the **Average pension paid** section, the data for 2019 and 2020 was erroneous and has since been corrected.
- In **Statistical table 1.2 – Average annual amount of pension benefits paid to retired members**, the data for average annual amount of pension benefits in 2019 and 2020 was erroneous and has since been corrected.
- In **Statistical table 2.1 – Pensions that became payable**, the data for average annual pension benefits that became payable in 2019 and 2020 was erroneous and has since been corrected.

These changes do not affect the rest of the information contained in the report.

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represented by the President of the Treasury Board, 2021

Catalogue No. BT1-13E-PDF
ISSN 2291-4285

This document is available on the Government of Canada website at www.canada.ca

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His Excellency the Right Honourable Richard Wagner, P.C.
Administrator of the Government of Canada

Excellency:

I have the honour of submitting to Your Excellency the *Report on the Public Service Pension Plan for the Fiscal Year Ended March 31, 2020*.

Respectfully,

Original signed by

The Honourable Jean-Yves Duclos, P.C., M.P.
President of the Treasury Board

Table of contents

Message from the President of the Treasury Board	1
Message from the Chief Human Resources Officer	2
Overview	3
Fiscal year at a glance	4
Plan benefits	4
Plan financial status	8
Membership demographics	3
Roles and responsibilities	5
Statistical tables	7
Account transaction statements	15
Glossary	23
Financial statements	27
Endnotes	89

Message from the President of the Treasury Board

The Secretariat continues to ensure that the plan is well-managed and provides adequate and affordable benefits, all the while remaining sustainable.



I am pleased to present the 2019-20 annual Report on the Public Service Pension Plan. It informs members, parliamentarians, and Canadians on how the Government of Canada manages this Plan.

The Treasury Board of Canada Secretariat supports the management of the Plan by providing strategic advice, governance, and administrative oversight to the President of Treasury Board to help ensure its integrity.

The Secretariat continues to ensure that the Plan is well-managed and provides adequate and affordable benefits to its members--public servants, former public servants and their dependents--all while remaining sustainable. Of particular note is the strong financial position of the Plan, with \$124.6 billion in net assets available for benefits compared to \$112.1 billion in funded pension obligations for service accrued after April 1, 2000.

As part of the implementation of the *Funding Policy for the Public Sector Pension Plans*, an Asset Liability Committee that includes actuarial and investment experts was established this year by the Treasury Board of Canada Secretariat. This committee provides a forum for the review and discussion of the funding risks and supports the Secretariat's role in ensuring these risks remain within the established funding targets. The Public Service Pension Advisory Committee, established under the *Public Service Superannuation Act*, continues to provide advice on matters related to the plan's administration, benefit design and funding.

In what has been an unprecedented year, I want to thank all those who work to ensure the Plan remains well-managed, financially strong, and reliable for federal public servants.

Original signed by

The Honourable Jean-Yves Duclos, P.C., M.P.
President of the Treasury Board



Message from the Chief Human Resources Officer

I am proud to highlight the progress we have made during this challenging year in modernizing our systems, tools, and practices to meet the needs and expectations of plan members.



As Chief Human Resources Officer at the Treasury Board of Canada Secretariat, I am committed to taking steps to improve our oversight and the funding governance of the Public Service Pension Plan.

I am proud to highlight the progress we have made during this challenging year in modernizing our systems, tools, and practices to meet the needs and expectations of active and retired plan members.

During the reporting period, we conducted a survey of plan members to establish communication needs and expectations. This data will inform our efforts to ensure our systems, tools and practices remain effective and innovative. Members' use of online tools and information continues to grow; the Government of Canada's pension and benefits website received more than 4.5 million page views during the 2019-20 fiscal, a 5.7% increase from the previous year. We will continue to improve access to pertinent pension information for members and stakeholders.

I would like to acknowledge the commitment and dedication of all those involved in the effective delivery of the public service pension plan, including its administrator, Public Services and Procurement Canada. I look forward to continued collaboration among all our partners with the shared objective of maintaining a strong and viable pension plan for members.

Original signed by

Nancy Chahwan
Chief Human Resources Officer



Overview

About this report

This report provides information on the public service pension plan for the fiscal year ended March 31, 2020.¹ It is prepared and tabled in Parliament in accordance with section 46 of the *Public Service Superannuation Act*.

As required under section 45 of the *Public Service Superannuation Regulations*, the report includes the plan's annual financial statements, which are prepared in accordance with the Government of Canada's stated accounting policies for the pension plan.

About the plan

The public service pension plan is a defined benefit pension plan. Benefits under the plan are funded by contributions from active plan members and the employer (the Government of Canada), as well as by investment earnings.

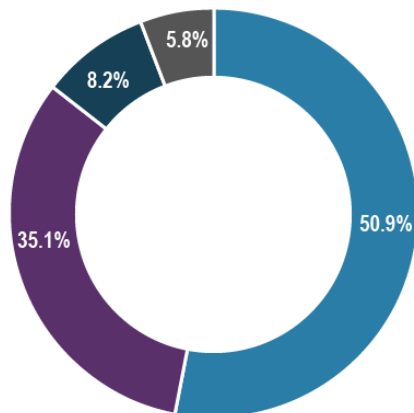
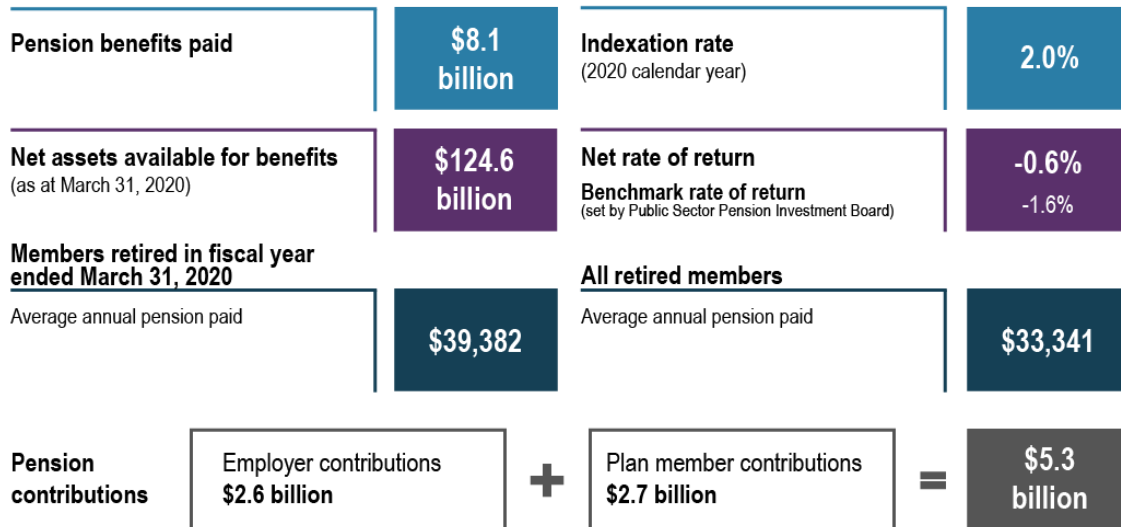
Plan members consist of active members (full-time and part-time employees of the federal public service, employees of certain public service corporations² and employees of the public service of the territorial governments), retired members and deferred annuitants.

As of March 31, 2020, the plan served **651,353** plan members and survivors.

-
1. Information on plan eligibility and benefits is available in [Public service pension at a glance](#).
 2. [Public service corporation](#) means any board, commission or corporation specified in [Part I of Schedule I](#) of the act.



Fiscal year at a glance



Membership demographics

- Active members: 331,665
- Retired members: 228,669
- Survivors: 53,096
- Deferred annuitants: 37,923



Plan benefits

Benefit formula

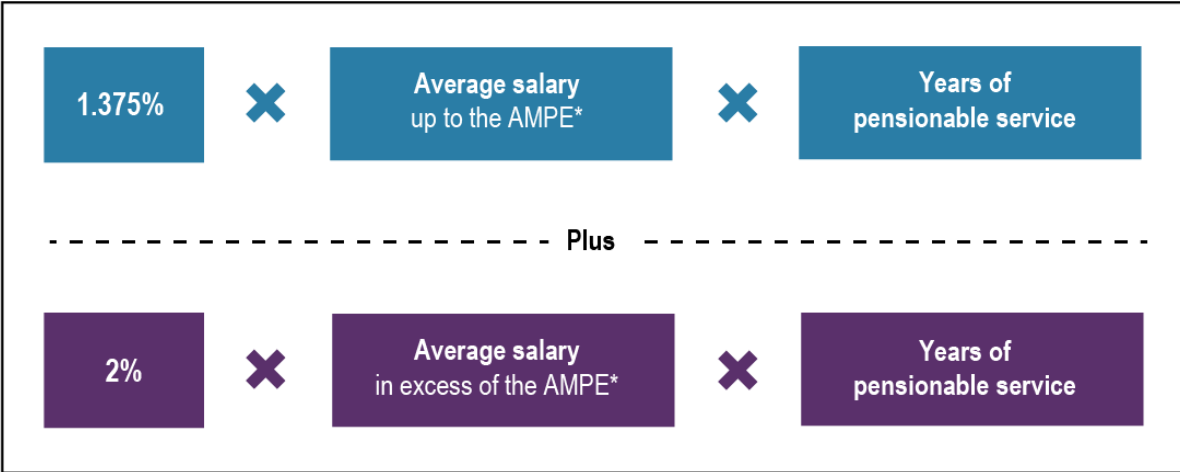
A plan member's benefits are based on the member's years of pensionable service, to a maximum of 35 years, and are calculated using a formula set out in the *Public Service Superannuation Act*. Benefits are not based on the financial status of the plan.



The basic benefit formula is 2% per year of pensionable service multiplied by the average salary for the highest-paid 5 consecutive years of service. To coordinate the benefits paid under the public service pension plan (PSPP) with those paid under the Canada Pension Plan (CPP) and the Québec Pension Plan (QPP), PSPP benefits are reduced when a retired member reaches age 65 and can start collecting CPP or QPP benefits (see Figure 1). PSPP pensions are also reduced when a member receives a disability benefit under the CPP or QPP.

Benefits paid under the plan include immediate and deferred pensions, annual allowances, disability retirement benefits and survivor benefits. These benefits are indexed annually to the cost of living, which is based on the Consumer Price Index. In calendar year 2020, the indexation rate was **2.0%** (2.2% in 2019).

Figure 1. Benefit coordination with the CPP and QPP



* AMPE (average maximum pensionable earnings) is the average of the yearly maximum pensionable earnings set by the Canada Pension Plan or the Québec Pension Plan for the year in which a member retires and the 4 preceding years.

Survivor benefits and Supplementary Death Benefit

Additional pension benefits include benefits for a member’s survivors in the event of the member’s death.

If a vested member (an active or retired member) dies, the eligible survivor and children are entitled to the following:

- ▶ **Survivor benefit:** A monthly allowance equal to half of the member’s unreduced pension, payable immediately to the eligible survivor for the rest of the survivor’s life.



- ▶ **Child allowance:** A monthly allowance equal to 10% of the member’s unreduced pension (20% of the member’s unreduced pension if the member has no eligible survivor). The amount is payable until age 18, or until age 25 if the child is a full-time student. The maximum allowance for all children is 40% of the member’s unreduced pension, or 80% if there are dependent children but no spouse eligible for a survivor benefit.
- ▶ **Supplementary Death Benefit:** A lump-sum benefit equal to twice the member’s annual salary, rounded up to the nearest \$1,000, payable to the designated beneficiary or to the estate. Coverage decreases by 10% each year starting at age 66 to \$10,000 from age 75 onwards. If the member is still employed in the public service after age 65, coverage is the greater of \$10,000 or one third of his or her annual salary, rounded up to the nearest \$1,000.

If the member has no eligible survivor or children, the designated beneficiary of the Supplementary Death Benefit or the estate will receive an amount equal to the greater of the return of contributions with interest or 5 years of pension payments, less any payments already received.

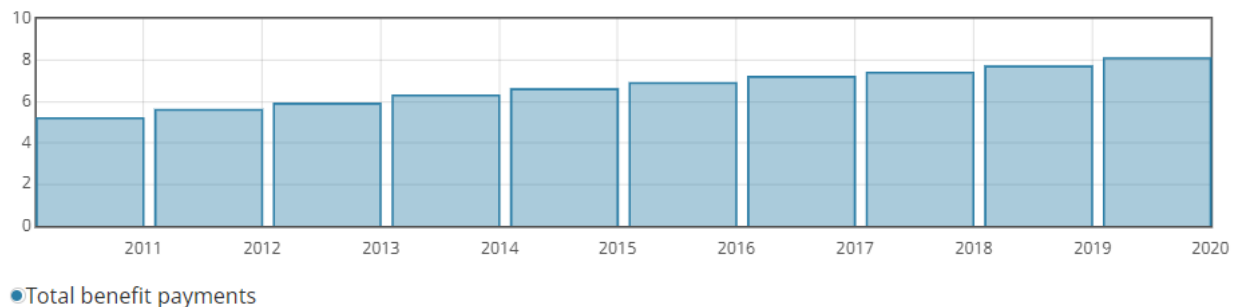
If a member dies before they are vested, contributions with interest are refunded to any eligible survivor or children, or to the estate if the member has no eligible survivors.

Benefits paid

In fiscal year ended March 31, 2020, **\$8.1 billion** in benefits was paid to members, compared to \$7.7 billion in the previous fiscal year.

Figure 2 shows total benefits paid to retired members and survivors over the past 10 years. The average annual growth rate in this period was 4.9%.

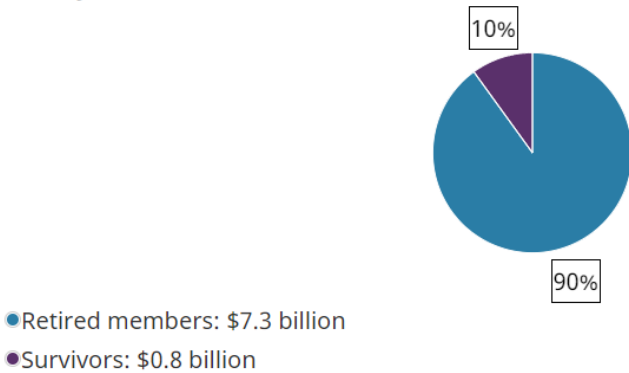
Figure 2. Total benefits paid to retired members and to survivors, 2011 to 2020
Fiscal year ended March 31 (\$ billions)



Of the total benefits paid in fiscal year ended March 31, 2020, approximately **\$7.3 billion** was paid to retired members, including those who retired on grounds of disability.

The remainder, approximately **\$0.8 billion**, was paid to survivors, including children and students.

Figure 3. Benefits paid to retired members and survivors
Fiscal year ended March 31, 2020



During fiscal year ended March 31, 2020, **10,014** plan members retired, an increase of 393 from the previous fiscal year. The type of benefit a member receives when they leave the public service depends on their age and years of pensionable service (see Table 1).

Table 1. Number of pensions that became payable, by benefit type
Fiscal year ended March 31

Year	Immediate pension	Disability retirement benefit	Deferred pension	Annual allowance	Total
2020	7,813	492	341	1,368	10,014
2019	7,181	650	358	1,432	9,621
2018	7,641	446	3,725*	1,278	13,090

*This figure is inflated a result of a methodological error that has since been corrected.

Average pension paid

The average annual pension paid to members who retired in fiscal year ended March 31, 2020, was **\$39,382** (\$39,786 in the previous fiscal year).

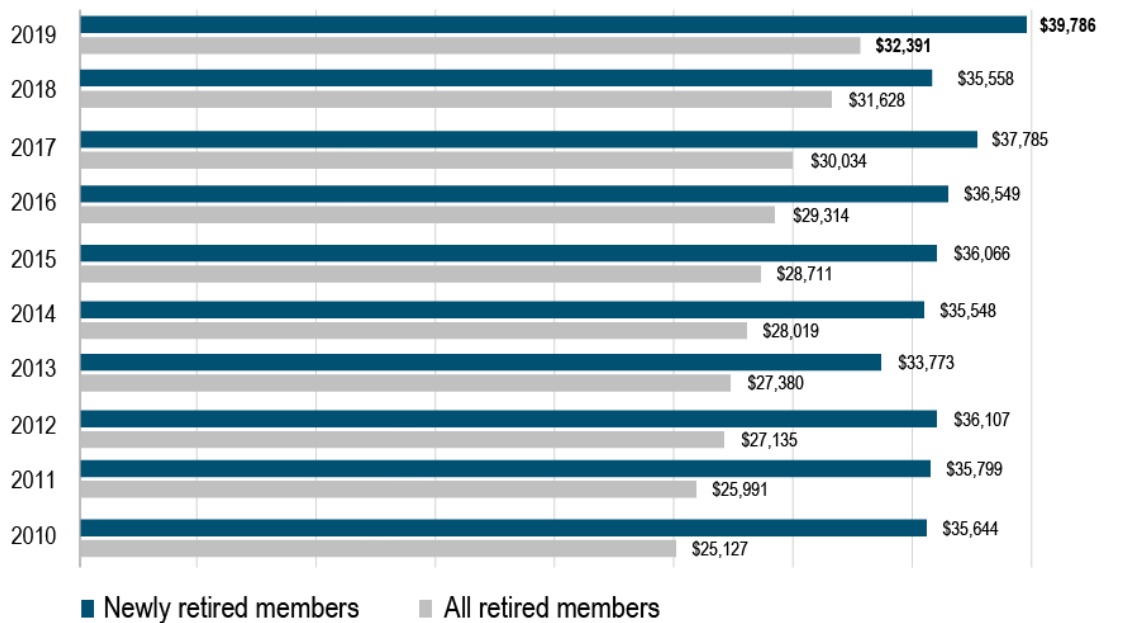
The average annual pension paid to all retired members in fiscal year ended March 31, 2020, was **\$33,341** (\$32,391 in the previous fiscal year).



As at March 31, 2020, the average annual growth rate over 10 years for average pension paid was:

- ▶ 1.0% for newly retired members
- ▶ 2.9% for all retired members

Figure 4. Average pension paid to retired members, 2011 to 2020
Fiscal year ended March 31



Note: The average pension paid to members who retired in fiscal year ended March 31, 2018, was incorrectly presented in previous reports as \$37,391 and has been corrected to \$35,558.

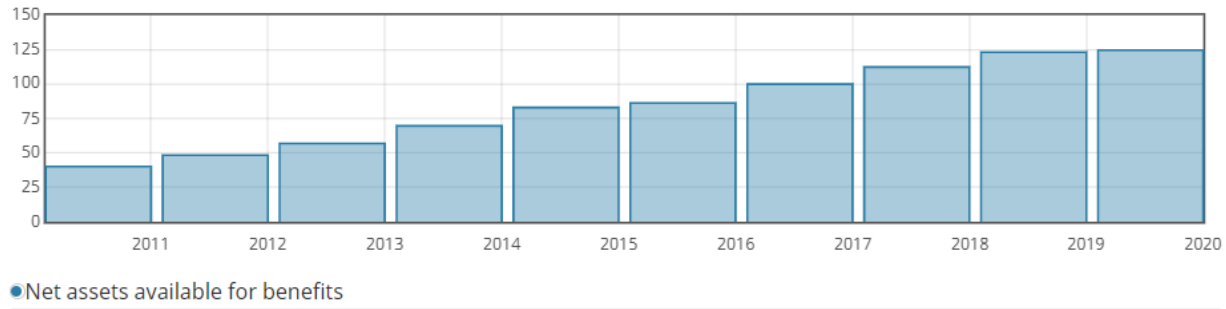
Plan financial status

Net assets available for benefits

As at March 31, 2020, the net assets available for benefits were **\$124.6 billion** (\$123.1 billion in the previous fiscal year). These net assets consist mainly of net investments managed by the Public Sector Pension Investment Board (PSPIB) on behalf of the plan (see Figure 5).



Figure 5. Net assets available for benefits, 2011 to 2020
Fiscal year ended March 31 (\$ billions)



As at March 31, 2020, the 10-year average annual growth rate of net assets available for benefits was 13.9%.

Pension obligations

The [Office of the Chief Actuary](#) performs an actuarial valuation for accounting purposes each year to determine the amount of pension obligations. The economic assumptions used in the annual actuarial valuation represent management’s best estimates.

Pension obligations measure in today’s dollars the amount of benefits that will be paid to members in the future. The actuary uses various projections such as life expectancy, retirement age, future rates of return on investments, and other variables to estimate the pension obligations.

As at March 31, 2020, pension obligations were **\$235.2 billion** (\$217.6 billion in the previous fiscal year) (see Figure 6).

Figure 6. Funded and unfunded pension obligations, 2020 and 2019
Fiscal year ended March 31 (billions)



Note: Due to rounding, the amounts for funded and unfunded pension obligations do not add to the totals.



Funded pension obligations relate to pension benefits accrued through pensionable service after March 31, 2000, and are funded by plan member and employer contributions, special payments, and investment returns earned by the PSPIB.

Unfunded pension obligations relate to pension benefits accrued through pensionable service before April 1, 2000, when a separate account was created to track transactions related to pension benefit obligations and the government's account balance.

See Notes 12 and 13 of the financial statements for additional information.

Net assets available for benefits versus funded pension obligations (after March 31, 2000)

Table 2 shows that net assets available for benefits have exceeded funded pension obligations for the last 3 years.

Table 2. Net assets available for benefits versus funded pension obligations (after March 31, 2000)

Fiscal year ended March 31 (billions)

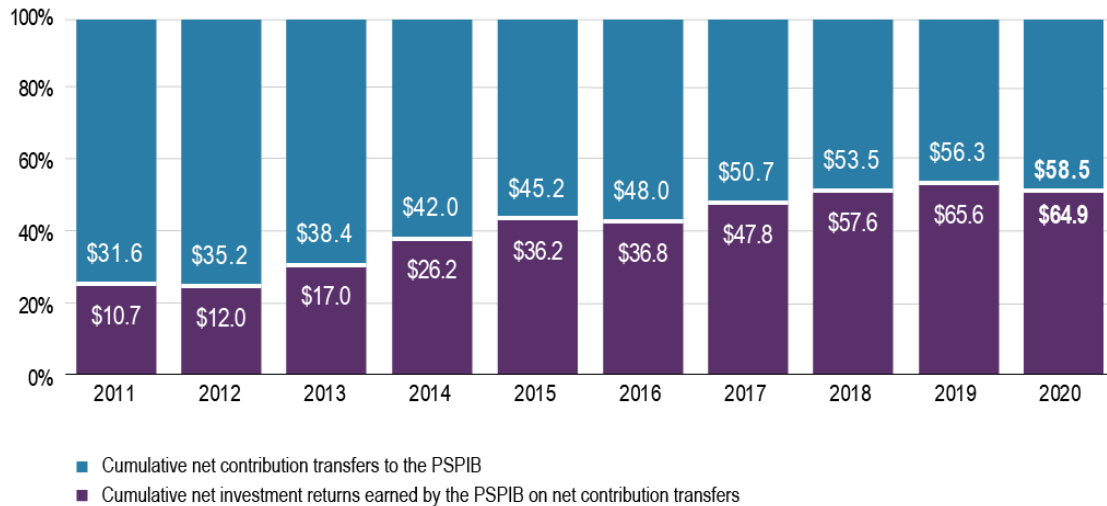
Year	Net assets available for benefits	Funded pension obligations (after March 31, 2000)
2020	\$124.6	\$112.1
2019	\$123.1	\$100.5
2018	\$112.3	\$93.0

Cumulative net contribution transfers to PSPIB and investment returns

Investment returns are an important element of plan funding. Since April 1, 2000, the plan has made regular net contribution transfers to the PSPIB for investment. These transfers are net of benefit payments and administration costs. As the plan matures, the proportion of assets that come from investment returns is expected to continue growing. Since 2018, the cumulative net investment returns earned by the PSPIB have exceeded the cumulative net contribution transfers sent to the PSPIB (see Figure 7).



Figure 7. Cumulative net contribution transfers to PSPIB and cumulative net investment returns as percentages of net assets, 2011 to 2020
Fiscal year ended March 31 (billions)



Source: PSPIB annual reports, 2011 to 2020

Table 3. Cumulative net contribution transfers to PSPIB versus net investment returns on those transfers, as percentages of net assets, 2020

Cumulative net contribution transfers	Cumulative net investment returns earned on net contribution transfers
47.4%	52.6%

Investment returns

For the year ended March 31, 2020, the PSPIB reported a net rate of return of **-0.6%** (7.1% in the previous fiscal year), compared with a **benchmark rate of return** of **-1.6%** (7.2% in the previous fiscal year) (see Table 4). The one-year return of -0.6% reflects the severe decline in the equity markets in the weeks just before year-end.

More information on the rate of return on assets held by the PSPIB and on comparative benchmarks is available in the [PSPIB 2020 Annual Report](#).



Table 4. Annual rates of return on assets held by PSPIB, as percentages, 2011 to 2020
Fiscal year ended March 31

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Portfolio returns	14.1	2.6	10.3	15.9	14.2	0.7	12.8	9.8	7.1	-0.6
Benchmark returns	12.7	1.6	8.6	13.9	13.1	0.3	11.9	8.7	7.2	-1.6

Source: PSPIB annual reports, 2011 to 2020

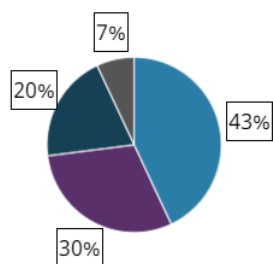
Over the past 10 years, the PSPIB has achieved a net annualized rate of return of 8.5%, exceeding the Government of Canada’s return objective of 5.7%.

Investment portfolio: targets and actual

In accordance with the PSPIB’s investment framework, assets held by the PSPIB are invested with long-term investment portfolio targets by asset class.

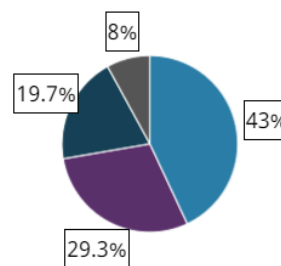
Figures 8 and 9 show the target asset allocation and the asset mix.

Figure 8. PSPIB target asset allocation for fiscal year ended March 31, 2020



- Equity (public market and private equities)
- Real assets (real estate, infrastructure and natural resources)
- Government fixed income (fixed income, cash and cash equivalents)
- Credit (credit investments)

Figure 9. PSPIB asset mix as at March 31, 2020



- Equity (public market and private equities)
- Real assets (real estate, infrastructure and natural resources)
- Government fixed income (fixed income, cash and cash equivalents)
- Credit (credit investments)



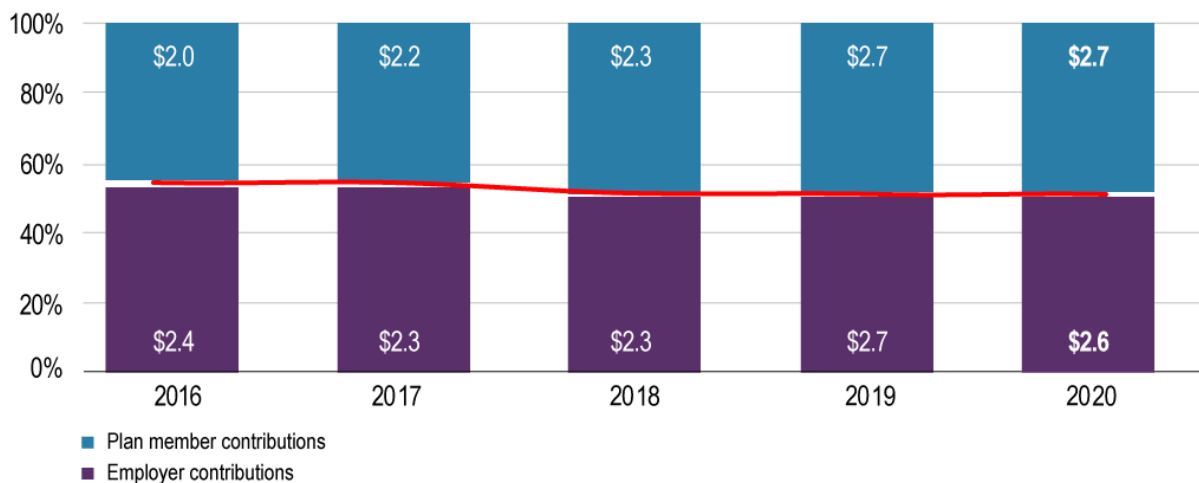
Contributions

Plan benefits are funded through compulsory contributions from the employer and from active plan members, as well as from investment earnings. To ensure the sustainability of the plan, contributions are at a 50:50 employer-member cost-sharing ratio for contributions for current service. Members' contributions are a percentage of their salary and are collected through payroll deductions.

Total member and employer contributions received for the year ended March 31, 2020, totalled **\$5.3 billion** (\$5.4 in the previous fiscal year).

Figure 10 shows plan member and employer contributions for 2016 to 2020. Amounts include contributions for both current and past service (for example, service buybacks and pension transfers).

Figure 10. Plan member and employer contributions as percentages of total contributions, 2016 to 2020
Fiscal year ended March 31 (billions)



Note: Equal cost-sharing applies to plan member and employer contributions for current service only. As past service contributions are also included in the above figure, the 50:50 ratio is not reflected in 2020.

As at March 31, 2020, the 5-year average annual growth rate of combined employer and plan member contributions was 2.7%.

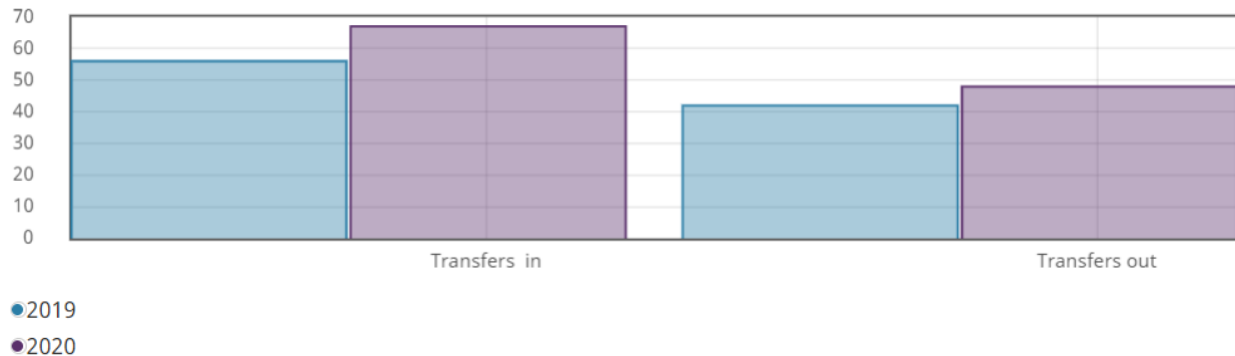
Pension transfers

The plan has pension transfer agreements with other levels of government and with some universities and other private sector employers. Plan members who contributed to a pension plan with an employer with whom the plan has a transfer agreement may increase their pensionable



service by requesting a transfer of service accrued under the pension plan of the other employer. Members may also transfer their service out of the plan to the pension plan of one of these employers. Figure 11 shows transfers in and out of the plan under pension transfer agreements in 2019 and 2020.

Figure 11. Transfers in and out of the plan under pension transfer agreements
Fiscal year ended March 31 (\$ millions)



Expenses

Administrative expenses

Under legislation, any expenses related to plan administration that are incurred by the following government organizations may be charged to the plan:

- ▶ Treasury Board of Canada Secretariat
- ▶ Public Services and Procurement Canada
- ▶ Health Canada
- ▶ Office of the Chief Actuary

The PSPIB’s administrative expenses are also charged to the plan.

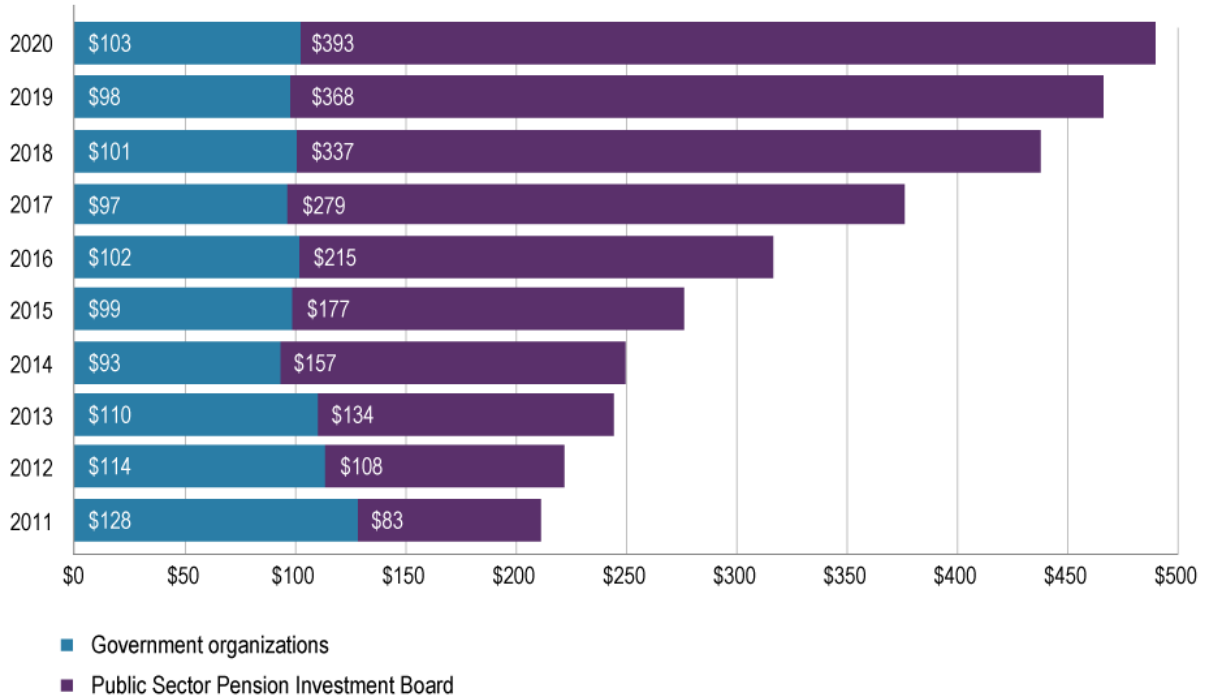
Figure 12 presents the administrative expenses charged to the plan each year for the past 10 years, as shared between these government organizations and the PSPIB.

The government organizations’ administrative expenses have remained stable over the past 4 years.

The PSPIB’s administrative expenses have increased as a result of the growth in the number of employees and investments in technology and initiatives underway as part of its strategic plan.



Figure 12. Administrative expenses, 2011 to 2020
Fiscal year ended March 31 (millions)



See Note 19 of the financial statements for more details on administrative expenses.

In addition to administrative expenses, the PSPIB also incurs costs in relation to its investment activities, see Note 18 for information on investment-related expenses.

Membership demographics

Number of active and retired members

As at March 31, 2020, plan membership was as follows:

- ▶ **331,665 active members** (318,154 in the previous fiscal year)
- ▶ **228,669 retired members** (224,961 in the previous fiscal year)

Figure 13 shows the number of active members and the number of retired members for 2011 to 2020.

Table 5 shows the average annual growth rate over 10 years for active and retired members.



Figure 13. Active members and retired members, 2011 to 2020
Fiscal year ended March 31 (thousands)

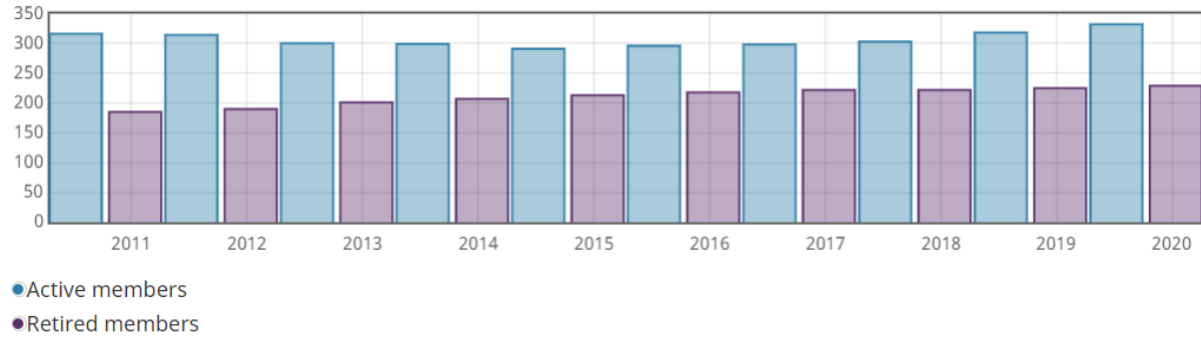


Table 5. Average annual growth rate over 10 years for active members and retired members, 2020

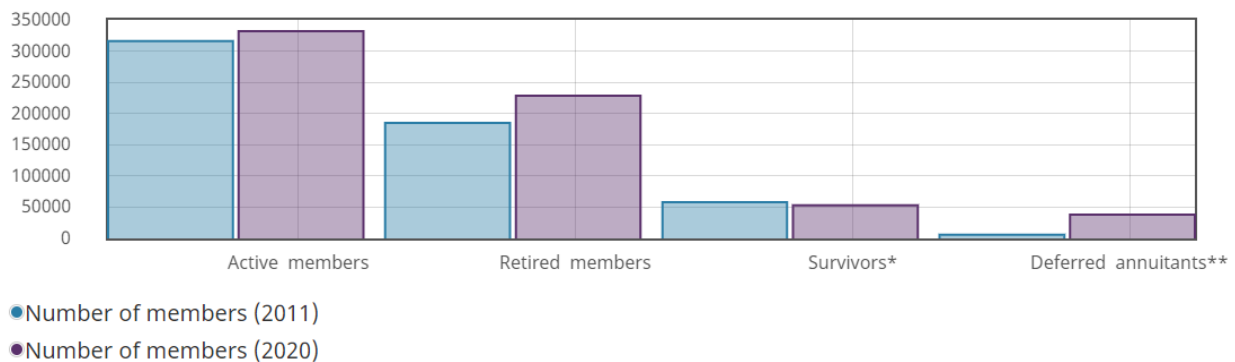
Active members	Retired members
0.5%	2.4%

Membership type

Plan members are classified as active members, retired members or deferred annuitants.

Figure 14 shows the breakdown of plan members, by membership type, for 2011 and 2020.

Figure 14. Members by membership type, 2011 and 2020
Fiscal year ended March 31



* Survivors are included in the membership statistics for the purposes of this graph.

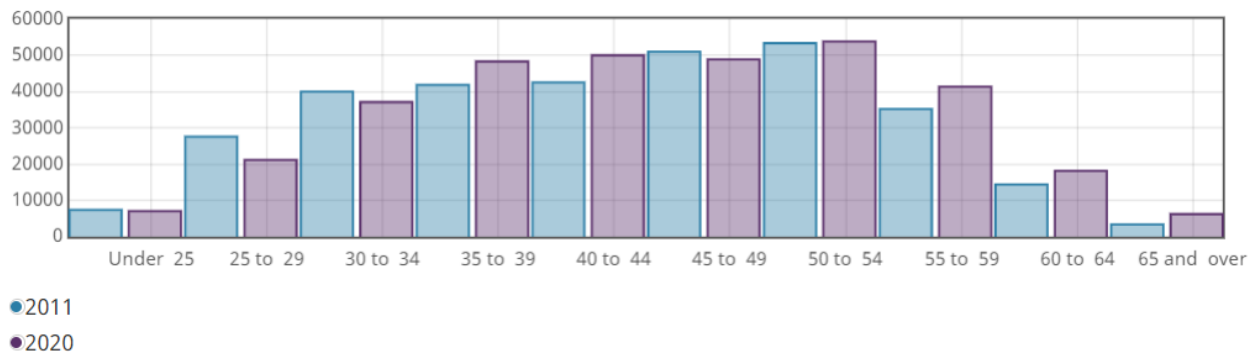
** The figure for 2011 represents the number of new deferred annuitants only; these are plan members who left the public service and opted for a deferred pension during the previous fiscal year. The figure for 2020 represents the total number of deferred annuitants.



Active members by age group

Figure 15 shows active membership in 2011 and 2020, by age group.

Figure 15. Active members by age group, 2011 and 2020
Fiscal year ended March 31



Note: The breakdown of members by age group was estimated by applying a pro rata methodology using data from the *Actuarial Report on the Pension Plan for the Public Service of Canada*. Data for 2011 was obtained from the actuarial report as at March 31, 2011, and data for 2020 was obtained from the actuarial report as at March 31, 2017.

Roles and responsibilities

The President of the Treasury Board has overall responsibility for the plan. The President's responsibilities include making sure that the plan is adequately funded to pay for members' benefits.

In carrying out these responsibilities, the President is supported by:

- ▶ the Treasury Board of Canada Secretariat, the administrative arm of the Treasury Board, which:
 - › develops policy for the funding, design and governance of the plan
 - › provides strategic direction, program advice and interpretation
 - › develops legislation
 - › communicates with plan members
 - › liaises with plan stakeholders
- ▶ the Office of the Chief Actuary, which determines the plan's funding requirements and provides advice and actuarial services
- ▶ the Public Sector Pension Investment Board (PSPIB), which manages the plan's investments

-
- ▶ Public Services and Procurement Canada, which handles the day-to-day administration of the plan
 - ▶ the Public Service Pension Advisory Committee, which includes employer, active and retired plan member representatives, and which advises the President of the Treasury Board on matters relating to the administration, design and funding of the plan



Statistical tables

Statistical table 1. Retired members and survivors and benefits paid

Statistical table 2. Pensions and survivor benefits that became payable

Statistical table 3. Immediate pensions (unreduced pensions) and deferred pensions that became payable

Statistical table 4. Annual allowances (reduced pensions) and lump-sum payments that became payable

Statistical table 5. Changes in number of active members, retired members and survivors

Statistical table 6. Number of members who transferred pensionable service, by age of member and number of years of service at termination

Statistical table 7. Supplementary Death Benefit participants and benefits paid



Statistical table 1. Retired members and survivors and benefits paid

Statistical table 1.1. Retired members and survivors
(Fiscal year ended March 31)

Year	Retired members ¹	Survivors ²	Total
2020	228,669	53,096	281,765
2019	224,961	53,756	278,717
2018	222,169	54,115	276,284

Statistical table 1.2. Average annual amount of pension benefits¹ paid³ to retired members
(Fiscal year ended March 31)

Year	Average	Male	Female	Overall
2020	Annual amount	\$37,730	\$28,632	\$33,341
	Age	72.8	69.8	71.4
	Pensionable service (years)	26.3	23.9	25.2
2019	Annual amount	\$36,669	\$27,665	\$32,391
	Age	72.1	69.0	70.6
	Pensionable service (years)	25.9	23.1	24.6
2018	Annual amount	\$36,273	\$27,121	\$31,628
	Age	71.8	68.7	70.2
	Pensionable service (years)	25.9	23.1	24.6



Statistical table 1.3. Average annual amount of survivor benefits paid³
(Fiscal year ended March 31)

Year	Average	Spouse or common-law partner	Children	Students
2020	Annual amount	\$15,723	\$2,479	\$4,057
	Age	81.1	12.9	21.6
	Pensionable service at death (years)	22.7	12.1	17.3
2019	Annual amount	\$15,213	\$2,441	\$4,012
	Age	81.1	13.0	21.8
	Pensionable service (years)	22.6	13.6	20.4
2018	Annual amount	\$14,391	\$2,302	\$3,952
	Age	79.8	12.8	21.5
	Pensionable service (years)	22.5	13.0	19.8

Notes:

1. Includes immediate pensions, disability retirement benefits and annual allowances payable to former members only.
2. Includes spouse or common-law partner, children and students.
3. Amounts include indexation.

Statistical table 2. Pensions and survivor benefits that became payable

Statistical table 2.1. Pensions^{1, 2} that became payable
(Fiscal year ended March 31)

Year	Male	Female	Total	Total amount paid	Average pension
2020	4,423	5,591	10,014	\$390,273,834	\$39,382
2019	4,165	5,456	9,621	\$380,373,686	\$39,786
2018	6,065	7,025	13,090	\$465,451,113	\$35,558

Statistical table 2.2. Survivor benefits² that became payable
(Fiscal year ended March 31)

Year	Spouse or common-law partner	Children and students	Total
2020	2,718	187	2,905
2019	2,841	225	3,066
2018	2,636	98	2,734



Statistical table 2.3. Total survivor benefits that became payable and average amount paid
(Fiscal year ended March 31)

Year	Total amount paid	Spouse or common-law partner average benefits	Children and students average benefits
2020	\$50,972,077	\$18,525	\$3,323
2019	\$51,858,227	\$17,990	\$3,331
2018	\$44,604,440	\$16,796	\$3,378

Notes:

1. See [Table 1. Number of pensions that became payable, by benefit type \(fiscal year ended March 31\)](#) for the breakdown of pensions that became payable, by type.
2. These amounts include indexation.

Statistical table 3. Immediate pensions (unreduced pensions) and deferred pensions that became payable

Statistical table 3.1. Number of immediate pensions¹ paid, by age of member at retirement
(Fiscal year ended March 31)

Year	50 to 54 ²	55	56	57	58	59	60
2020	33	684	508	403	357	358	1,297
2019	91	666	389	272	319	494	1,216
2018	49	913	499	373	384	318	1,712

Year	61	62	63	64	65	66 and over	Total
2020	919	555	475	390	545	1,289	7,813
2019	723	508	444	414	516	1,129	7,181
2018	636	470	407	390	472	1,018	7,641

Statistical table 3.2. Average age and average immediate pension¹
(Fiscal year ended March 31)

Year	Average age			Average immediate pension		
	Male	Female	Overall	Male	Female	Overall
2020	62.3	61.5	61.9	\$46,125	\$39,052	\$42,281
2019	62.6	61.7	62.1	\$47,116	\$39,827	\$42,013
2018	61.3	60.4	60.8	\$44,817	\$38,925	\$42,623



Statistical table 3.3. Deferred pensions payable at age 60
(Fiscal year ended March 31)

Year	Male	Female	Total
2020	116	225	341
2019	153	205	358
2018	2,124	1,601	3,725*

* This figure is inflated a result of a methodological error that has since been corrected.

Notes:

1. Excludes immediate pensions resulting from disability retirement benefits (492 in 2020).
2. Includes only eligible Correctional Service Canada operational employees who qualify for an unreduced pension.

Statistical table 4. Annual allowances (reduced pensions) and lump-sum payments that became payable

Statistical table 4.1. Reduced pensions that became payable¹
(Fiscal year ended March 31)

Year	Male	Female	Total	Average allowance
2020	576	792	1,368	\$35,283
2019	569	863	1,432	\$37,723
2018	444	834	1,278	\$35,010

Statistical table 4.2. Lump-sum payments that became payable²
(Fiscal year ended March 31)

Year	Number	Amount
2020	7,426	\$523,036,548
2019	7,088	\$418,562,804
2018	6,549	\$340,990,108

Notes:

1. Includes deferred annual allowances. A deferred annual allowance is a deferred pension that is reduced because of early payment.
2. Includes transfer values, returns of contributions, amounts transferred to other pension plans under pension transfer agreements and amounts transferred under the [Pension Benefits Division Act](#).

Statistical table 5. Changes in number of active members, retired members and survivors

Statistical table 5.1. Changes in number of active members

	Male	Female	Total
Number of active members (as at March 31, 2019)	139,411	178,743	318,154
Additions	13,936	18,529	32,465
Deletions ¹	8,270	10,682	18,952
Adjustments ²	0	-2	-2
Number of active members (as at March 31, 2020)	145,077	186,588	331,665

Notes:

1. Includes full return of contributions, immediate pensions, annual allowances paid, transfer values, deferred pensions chosen, deferred pensions locked in (if applicable), transfers out and deaths in service.
2. Data correction

Statistical table 5.2. Changes in number of retired members

	Male	Female	Total
Number of retired members (as at March 31, 2019)	118,065	106,896	224,961
Additions	4,423	5,591	10,014
Deletions	4,074	2,232	6,306
Number of retired members (as at March 31, 2020)	118,414	110,255	228,669

Note:

Adjustments for transactions completed after year-end with an effective date before March 31.

Statistical table 5.3. Changes in number of survivors

	Male	Female	Total
Number of survivors receiving benefits (as at March 31, 2019)	6,904	45,767	52,671
Additions	550	2,168	2,718
Deletions	368	2,998	3,366
Adjustments ¹	0	-1	-1
Number of survivors receiving benefits (as at March 31, 2020)	7,086	44,936	52,022

Note:

1. Data correction



Statistical table 5.4. Changes in number of children and students

	Male	Female	Total
Number of children and students receiving benefits (as at March 31, 2019)	518	567	1,085
Additions	82	105	187
Deletions	91	107	198
Number of children and students receiving benefits (as at March 31, 2020)	509	565	1,074

Statistical table 6. Number of members who transferred pensionable service, by age of member and number of years of service at termination

As at March 31, 2020

Years of pensionable service	Age at termination						
	Under 30	30 to 34	35 to 39	40 to 44	45 to 49	50 to 55	Total
Under 5	189	163	110	64	51	41	618
5 to 9	40	133	119	86	72	11	461
10 to 14	2	54	133	118	106	8	421
15 to 19	0	0	23	63	67	8	161
20 to 24	0	0	0	4	37	11	52
25 to 29	0	0	0	0	11	8	19
30 to 35	0	0	0	0	0	0	0
Overall total	231	350	385	335	344	87	1,732
Total female	115	162	208	155	193	41	874
Total male	116	188	177	180	151	46	858



Statistical table 7. Supplementary Death Benefit participants and benefits paid

Statistical table 7.1. Active participants¹
(Fiscal year ended March 31)

Year	Male	Female	Total
2020	143,627	185,256	328,883
2019	138,348	177,604	315,952
2018	132,291	169,940	302,231

Statistical table 7.2. Retired participants²
(Fiscal year ended March 31)

Year	Male	Female	Total
2020	98,984	93,713	192,697
2019	98,223	90,328	188,551
2018	97,698	86,914	184,612

Statistical table 7.3. Supplementary Death Benefits paid
(Fiscal year ended March 31)

Year	Male	Female	Total	Amount paid
2020	3,012	1,588	4,600	\$192,235,800
2019	3,030	1,497	4,527	\$185,503,518
2018	3,038	1,481	4,519	\$181,302,900

Notes:

1. Certain Crown corporations and public boards are excluded from participating in the Supplementary Death Benefit.
2. Participation in the Supplementary Death Benefit is optional for retired members.



Account transaction statements

[Public Service Superannuation Account](#)

[Public Service Pension Fund Account](#)

[Retirement Compensation Arrangements Accounts](#)

[Supplementary Death Benefit Account](#)



Public Service Superannuation Account

Before April 2000, all pension transactions accumulated in relation to the pension plan were accounted for, and recorded in, the Public Service Superannuation Account in the Public Accounts of Canada.

The Public Service Superannuation Account does not consist of investments such as cash or marketable securities. It is used to record transactions such as contributions, benefit payments, interest, administrative expenses and other charges that pertain to service accrued before April 1, 2000.

The interest is credited quarterly at rates calculated as though the net cash flows were invested quarterly in 20-year Government of Canada bonds issued at prescribed rates and held to maturity.

Public Service Superannuation Account transaction statement Fiscal year ended March 31 (in dollars)

	2020	2019
Opening balance	\$93,700,183,799	\$92,536,360,415
Receipts and other credits		
Member contributions		
Government employees	826,359	970,947
Retired employees	3,311,300	4,560,109
Public service corporation employees	46,425	102,235
Employer contributions		
Government	3,461,289	4,597,075
Public service corporations	22,384	30,348
Actuarial adjustment	0	3,107,000,000
Transfers from other pension funds	70,680	811,542
Interest	3,410,432,517	3,592,782,645
Other	0	655
Total receipts and other credits	\$3,418,170,954	\$6,710,855,556



	2020	2019
Payments and other charges		
Annuities	5,512,288,490	5,455,468,734
Minimum benefits	13,821,878	14,876,476
Pension division payments	14,494,277	16,527,961
Pension transfer value payments	11,887,896	10,226,553
Return of contributions		
Government employees	37,214	158,122
Public service corporation employees	1,813	0
Transfers to other pension funds	2,749,315	3,567,649
Administrative expenses	46,890,327	46,206,677
Total payments and other charges	\$5,602,171,210	\$5,547,032,172
Closing balance	\$91,516,183,543	\$93,700,183,799

The above account transaction statement is unaudited.

Public Service Pension Fund Account

All pension transactions related to service accrued since April 1, 2000, are recorded in the Public Service Pension Fund in the Public Accounts of Canada. An amount equal to contributions in excess of benefit payments and government organizations' administrative expenses is transferred regularly to the PSPIB for investment. The balance in the Public Service Pension Fund at year-end represents net contributions transferable to the PSPIB.

The treatment of any actuarial surplus or deficit in the fund is outlined in the financial statements of the public service pension plan, which are included in this report.

The *Public Service Superannuation Act* requires that any actuarial deficit be dealt with by transferring equal instalments to the pension fund over a period of up to 15 years, starting in the year in which the actuarial report is tabled in Parliament.



Public Service Pension Fund account transaction statement
Fiscal year ended March 31
(in dollars)

	2020	2019
Opening balance	\$16,598,579	\$314,775,347
Receipts and other credits		
Member contributions		
Government employees	2,409,721,286	2,376,806,578
Retired employees	52,795,966	51,260,689
Public service corporation employees	192,703,710	199,311,621
Employer contributions		
Government	2,397,195,812	2,375,589,814
Public service corporations	182,668,152	194,603,113
Transfers from other pension funds	67,132,149	56,599,226
Total receipts and other credits	\$5,302,217,075	\$5,254,171,041
Payments and other charges		
Annuities	2,528,738,856	2,255,301,448
Minimum benefits	17,749,633	18,908,212
Pension division payments	39,380,048	41,588,334
Pension transfer value payments	387,976,907	287,919,644
Return of contributions		
Government employees	14,346,409	11,147,567
Public service corporation employees	4,059,208	4,576,716
Transfers to other pension funds	48,103,462	42,850,913
Administrative expenses	56,895,258	51,730,323
Total payments and other charges	\$3,097,249,781	\$2,714,023,157
Receipts and other credits, less payments and other charges	2,204,967,294	2,540,147,884
Transfers to PSPIB	(2,197,350,958)	(2,838,324,652)
Closing balance	\$24,214,915	\$16,598,579

The above account transaction statement is unaudited.



Retirement Compensation Arrangements Accounts

Supplementary benefits for certain federal public service employees are provided under the *Retirement Compensation Arrangements Regulations, No. 1*,ⁱ Parts I and II (public service portion), and the *Retirement Compensation Arrangements Regulations, No. 2*ⁱⁱ (Early Retirement Incentive Program). These regulations were established under the *Special Retirement Arrangements Act*ⁱⁱⁱ for the purpose of paying benefits and established the Retirement Compensation Arrangements for the payment of benefits.

Transactions pertaining to Retirement Compensation Arrangement No. 1 and Retirement Compensation Arrangement No. 2, such as contributions, benefits and interest credits, are recorded in the Retirement Compensation Arrangements Account in the Public Accounts of Canada. The Retirement Compensation Arrangements Account is credited with interest quarterly at the same rates as those credited to the Public Service Superannuation Account.

The Retirement Compensation Arrangements Account is registered with the Canada Revenue Agency. A transfer is made annually between the Retirement Compensation Arrangements Account and the Canada Revenue Agency either to remit a 50% refundable tax in respect of the net increase in the accounts (contributions and interest credits, less payments and other charges) or to receive a 50% tax reimbursement in respect of the net decrease in the accounts (payments and other charges, less contributions and interest credits).

Any actuarial shortfalls found between the balance and the actuarial liabilities in the Retirement Compensation Arrangements Account are credited to the Retirement Compensation Arrangements Account in equal instalments over a period of up to 15 years. These adjustments are based on triennial actuarial valuations.



Retirement Compensation Arrangement No. 1 Account

Retirement Compensation Arrangement No. 1 account transaction statement
Fiscal year ended March 31
(in dollars)

	2020	2019
Opening balance	\$1,265,638,829	\$1,241,175,803
Receipts and other credits		
Member contributions		
Government employees	17,690,955	10,658,710
Retired employees	344,102	549,149
Public service corporation employees	2,600,842	2,363,356
Employer contributions		
Government	66,025,001	33,859,345
Public service corporations	8,689,443	7,602,054
Transfer from other pension funds	216,870	55,091
Interest	47,240,725	48,511,115
Total receipts and other credits	\$142,807,938	\$103,598,820
Payments and other charges		
Annuities	56,408,899	49,076,877
Minimum benefits	855	165,060
Pension division payments	383,971	891,847
Pension transfer value payments	2,267,492	865,081
Return of contributions		
Government employees	35,279	3,271
Public service corporation employees	40,795	18,322
Transfers to other pension funds	816,795	238,368
Refundable tax	33,702,003	27,876,968
Total payments and other charges	\$93,656,089	\$79,135,794
Closing balance	\$1,314,790,678	\$1,265,638,829

The above account transaction statement is unaudited.



Retirement Compensation Arrangement No. 2 Account

Retirement Compensation Arrangement No. 2 account transaction statement
Fiscal year ended March 31
(in dollars)

	2020	2019
Opening balance	\$659,130,079	\$688,734,759
Receipts and other credits		
Government interest	23,374,139	26,271,701
Refundable tax	30,456,797	28,921,208
Total receipts and other credits	\$53,830,936	\$55,192,909
Payments and other charges		
Annuities	85,021,755	84,797,589
Total payments and other charges	\$85,021,755	\$84,797,589
Closing balance	\$627,939,260	\$659,130,079

The above account transaction statement is unaudited.

Supplementary Death Benefit Account

Supplementary Death Benefit account transaction statement
Fiscal year ended March 31
(in dollars)

	2020	2019
Opening balance	\$3,799,864,724	\$3,714,705,845
Receipts and other credits		
Contributions		
Members (government and public service corporation employees)	114,487,357	109,099,985
Government		
General	12,482,150	12,016,107
Single premium for \$10,000 benefit	3,193,021	3,131,353
Public service corporations	1,615,620	1,569,400
Interest	140,761,844	144,845,552
Total receipts and other credits	\$272,539,992	\$270,662,397



	2020	2019
Payments and other charges		
Benefit payments		
General ³	149,747,301	143,784,511
\$10,000 benefit ⁴	42,450,000	41,310,237
Other death benefit payments	38,499	408,770
Total payments and other charges	\$192,235,800	\$185,503,518
Closing balance	\$3,880,168,916	\$3,799,864,724

The above account transaction statement is unaudited.

^{3.} Benefits paid in respect of participants who, at the time of death, were employed in the public service or in receipt of an immediate annuity.

^{4.} Benefits of \$10,000 paid in respect of participants who, at the time of death, were employed in the public service or in receipt of an immediate annuity and on whose behalf a single premium for \$10,000 of death-benefit coverage has been made by the employer.



Glossary

actuarial valuation

An actuarial analysis that provides information on the financial condition of a pension plan.

administrative expenses

Expenses by government departments for the administration of the public service pension plan and for operating expenses incurred by the Public Sector Pension Investment Board to invest pension assets. Investment management fees are either paid directly by the Public Sector Pension Investment Board or offset against distributions received from the investments.

annual allowance

An annual benefit available to public service pension plan members who have more than 2 years of pensionable service, who retire before age 60 (Group 1) or before age 65 (Group 2), and who are not entitled to an immediate annuity. This benefit is a reduced pension that takes into account the early payment of a retirement pension. The earliest it becomes payable is at age 50 (Group 1) or at age 55 (Group 2).

benchmark rate of return

A standard against which rates of return can be measured, such as stock and bond market indexes developed by stock exchanges and investment managers.

Canada Pension Plan

A mandatory earnings-related pension plan, implemented on January 1, 1966, to provide basic retirement income to Canadians who work in all the provinces and territories except Quebec, which runs its own pension plan (see Québec Pension Plan).

child

For the purposes of the public service pension plan, the child of a plan member who is dependent for support at the time of the member's death. To be eligible for an allowance, a child must be under 18 years of age. Children between 18 and 25 may receive allowances if they are enrolled in school or another educational institution full-time and have attended continuously since the age of 18 or the date of the member's death, whichever occurs later.

Consumer Price Index

A measure of price changes published by Statistics Canada on a monthly basis. The Consumer Price Index measures the retail prices of about 300 goods and services, including food, housing, transportation, clothing and recreation. The index is weighted, meaning that it gives greater importance to price changes for some products than others (for example, more to housing than to entertainment), in an effort to reflect typical spending patterns. Increases in the Consumer Price Index are also referred to as “cost-of-living increases.”

defined benefit pension plan

A type of pension plan that offers eligible members a certain level of pension, which is usually based on their salary and years of service.

disability

A physical or mental impairment that prevents an individual from engaging in any employment for which the individual is reasonably suited by virtue of his or her education, training or experience and that can reasonably be expected to last for the rest of the individual’s life.

Group 1

Members of the public service pension plan who were participating in the plan on or before December 31, 2012.

Group 2

Members of the public service pension plan who began participating in the plan on or after January 1, 2013.

immediate pension

An annual benefit payable to public service plan members who retire at any time after reaching age 60 (Group 1) or age 65 (Group 2) and have at least 2 years of pensionable service, or after reaching age 55 (Group 1) or age 60 (Group 2) and have at least 30 years of pensionable service. In addition, an immediate pension, also known as an immediate annuity, is payable at any age to plan members who have at least 2 years of pensionable service and are retiring because of disability.

indexation

The automatic adjustment of pensions in pay or accrued pension benefits (deferred pensions) in accordance with changes in the Consumer Price Index.



minimum benefit

A benefit that is equal to the payment of a public service pension plan member's basic pension for a period of 5 years. If the plan member or his or her eligible surviving spouse or children have not received, in total, pension payments equal to 5 times the amount of the plan member's annual basic pension, the balance in the form of a lump-sum amount becomes payable to his or her designated beneficiary for the Supplementary Death Benefit or, if there is no beneficiary, to his or her estate.

net assets available for benefits

Assets that include receivables and other assets, and the fair value of the assets held by the Public Sector Pension Investment Board on behalf of the pension plan, net of Public Sector Pension Investment Board liabilities.

pensionable service

Periods of service credited to a member of the public service pension plan. This service includes any complete or partial periods of purchased service (for example, service buyback).

Public Sector Pension Investment Board

A Crown corporation established on April 1, 2000, under the *Public Sector Pension Investment Board Act*. The corporation's mandate is to invest in capital markets the amounts transferred to it since April 1, 2000, by the Government of Canada with respect to the public service pension plan. The Public Sector Pension Investment Board operates under the commercial name of [PSP Investments](#).

Québec Pension Plan

A pension plan similar to the Canada Pension Plan that covers individuals working in the province of Quebec. It is administered by Retraite Québec.

return of contributions

A benefit that is available to members who leave the public service with less than 2 years of pensionable service under the public service pension plan. It consists of their contributions plus interest, if applicable.



service buyback

A legally binding agreement to purchase a period of past service to increase a member's pensionable service under the federal public service pension plan. Past service can include eligible periods of employment, either in the public service or with another employer. Members can elect to purchase any eligible past service before they terminate employment.

Supplementary Death Benefit

A benefit, similar to a decreasing life insurance, that is equal to twice the annual salary of a public service plan member. Coverage decreases by 10% per year starting at age 66. A minimum amount of coverage (\$10,000) is provided at no cost to the plan member at age 65 for plan members entitled to an immediate annuity or an annual allowance payable within 30 days after termination of employment in the public service. This minimum coverage is maintained for life.

survivor

The person who, at the time of plan member's death, was married to the plan member before his or her retirement, or was cohabiting with the plan member in a conjugal relationship before retirement and for at least one year before the date of death.

survivor benefit

A pension benefit paid to the survivor of a plan member who has died.

transfer agreement

An agreement negotiated between the Government of Canada and an eligible employer to provide portability of accrued pension credits from one pension plan to another.

transfer value

A benefit option available to public service pension plan members who leave the public service before age 50 (Group 1) or before age 55 (Group 2) with at least 2 years of pensionable service. This benefit is the actuarial value of the plan member's accrued pension benefits. It must be transferred to another registered pension plan, to a retirement savings vehicle, or to a financial institution to purchase an annuity.

vested member

An employee who has at least 2 years of pensionable service, in other words, who has been a member of the public service pension plan for an uninterrupted period of 2 years.

year's maximum pensionable earnings

The maximum earnings on which contributions can be made to the Canada Pension Plan and the Québec Pension Plan during the year.

Note: Additional pension terminology is available at [Glossary - Pension](#)



Financial statements of the public service pension plan
for the fiscal year ended March 31, 2020



Statement of responsibility

Public Services and Procurement Canada (PSPC) and the Treasury Board of Canada Secretariat (the Secretariat) are responsible for preparing these financial statements in accordance with the stated accounting policies set out in Note 2 to the financial statements, which are based on Canadian accounting standards for pension plans, and on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with PSPC and the Secretariat. The Secretariat carries out responsibilities in respect of the overall management of the pension plan, while PSPC is responsible for the day-to-day administration of the pension plan and for maintaining the books of accounts. The information included in these financial statements is based on the management's best estimates and judgment, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, PSPC maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance as to the reliability of the financial information and to ensure that transactions are in accordance with the *Public Service Superannuation Act* (PSSA) and regulations, as well as the *Financial Administration Act* (FAA) and regulations.

Additional information is obtained as required, from the Public Sector Pension Investment Board (PSPIB) to meet accounting and reporting requirements. PSPIB maintains its own systems of financial management and internal control to account for the funds managed on behalf of the pension plan in accordance with the *Public Sector Pension Investment Board Act*, regulations and by-laws.

These financial statements have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.

Approved by:

Bill Matthews
Deputy Minister
Public Services and Procurement Canada

February 19, 2021

Peter Wallace
Secretary of the Treasury Board
Treasury Board of Canada Secretariat

February 19, 2021





Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

INDEPENDENT AUDITOR'S REPORT

To the President of the Treasury Board and the Minister of Public Services and Procurement

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the public service pension plan (the pension plan), which comprise the statement of financial position as at 31 March 2020, and the statement of changes in net assets available for benefits and statement of changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the pension plan as at 31 March 2020, and the changes in its 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

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the pension plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent



with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the stated accounting policies set out in Note 2 of the financial statements, which are based on Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 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 pension plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the pension plan to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the public service pension plan coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the *Public Service Superannuation Act* and regulations, the *Public Sector Pension Investment Board Act* and regulations, and the by-laws of the Public Sector Pension Investment Board.

In our opinion, the transactions of the public service pension plan that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

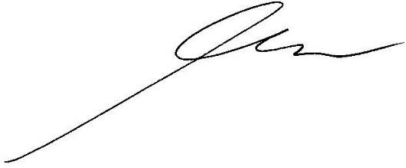
Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the public service pension plan's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the public service pension plan to comply with the specified authorities.



Auditor's Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Mélanie Cabana, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
19 February 2021



Financial statements

Statement of financial position (Canadian \$ millions)

	As at March 31, 2020	As at March 31, 2019
Assets		
Public Service Pension Fund (Note 4)	\$24	\$17
Investments (Note 5)	150,752	144,624
Contributions receivable		
From plan members (Note 8)	602	585
From employers (Note 8)	526	509
Other assets	237	140
Total assets	\$152,141	\$145,875
Liabilities		
Investment-related liabilities (Note 5)	\$15,762	\$12,298
Accounts payable and other liabilities	321	232
Borrowings (Note 5 and Note 9)	11,497	10,260
Net assets available for benefits	\$124,561	\$123,085
Pension obligations		
Funded (Note 12)	\$112,052	\$100,467
Unfunded (Note 12 and Note 20)	123,152	117,159
Total pension obligations	\$235,204	\$217,626
Deficit to be financed by the Government of Canada (Note 13)	\$(110,643)	\$(94,541)

Commitments (Note 23)

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



Financial statements (continued)

Statement of changes in net assets available for benefits
Year ended March 31 (Canadian \$ millions)

	2020	2019
Net assets available for benefits, beginning of year	\$123,085	\$112,276
Increase in net assets available for benefits		
Investment income, excluding changes in fair values of investment assets and investment liabilities (Note 14)	3,659	3,861
Changes in fair values of investment assets and investment liabilities, realized and unrealized gains and losses (Note 14)	0	5,098
Contributions		
From plan members (Note 15)	2,674	2,729
From employers (Note 15)	2,595	2,668
Transfers from other pension plans	67	56
Total increase in net assets available for benefits	\$8,995	\$14,412
Decrease in net assets available for benefits		
Changes in fair values of investment assets and investment liabilities, realized and unrealized gains and losses (Note 14)	\$3,561	\$0
Benefits paid with respect to service after March 31, 2000 (Note 17)	2,547	2,274
Refunds and transfers (Note 17)	494	388
Investment-related expenses (Note 18)	468	521
Administrative expenses (Note 19)	449	420
Total decrease in net assets available for benefits	\$7,519	\$3,603
Net increase in net assets available for benefits	\$1,476	\$10,809
Net assets available for benefits, end of year	\$124,561	\$123,085

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



Financial statements (continued)

Statement of changes in pension obligations Year ended March 31 (Canadian \$ millions)

	2020 Funded	2020 Unfunded	2020 Total	2019 Funded	2019 Unfunded	2019 Total
Pension obligations, beginning of year	\$100,467	\$117,159	\$217,626	\$93,030	\$114,603	\$207,633
Increase in pension obligations						
Interest on pension obligations	5,075	2,104	7,179	4,706	2,449	7,155
Benefits earned	5,109	0	5,109	4,843	0	4,843
Experience losses (Note 12)	769	194	963	122	310	432
Changes in actuarial assumptions: losses (Note 12)	3,662	9,297	12,959	532	5,354	5,886
Transfers from other pension plans	67	0	67	56	1	57
Total increase in pension obligations	\$14,682	\$11,595	\$26,277	\$10,259	\$8,114	\$18,373
Decrease in pension obligations						
Benefits paid (Note 17)	\$2,547	\$5,526	\$8,073	\$2,274	\$5,471	\$7,745
Refunds and transfers (Note 17)	494	29	523	388	31	419
Administrative expenses included in the service cost (Note 19 and Note 20)	56	47	103	52	46	98
Curtailment gains (Note 12)	0	0	0	108	10	118
Total decrease in pension obligations	\$3,097	\$5,602	\$8,699	\$2,822	\$5,558	\$8,380
Net increase in pension obligations	\$11,585	\$5,993	\$17,578	\$7,437	\$2,556	\$9,993
Pension obligations, end of year	\$112,052	\$123,152	\$235,204	\$100,467	\$117,159	\$217,626

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



1. Description of the public service pension plan

The public service pension plan (the pension plan), governed by the *Public Service Superannuation Act* (PSSA), provides pension benefits for federal public service employees. While the PSSA has been in effect since January 1, 1954, federal legislation has been providing pensions for public servants since 1870.

The main provisions of the pension plan are summarized below.

(A) General

The pension plan is a contributory defined benefit plan covering substantially all of the full-time and part-time employees of the federal public service, as well as certain public service corporations as defined in the PSSA, and territorial governments. Membership in the pension plan is compulsory for all eligible employees.

The Government of Canada (the government) is the sole sponsor of the pension plan. The President of the Treasury Board is the Minister responsible for the PSSA. The Treasury Board of Canada Secretariat (the Secretariat) is responsible for the management of the pension plan while Public Services and Procurement Canada (PSPC) provides the day-to-day administration of the pension plan and maintains the books of accounts. The Office of the Chief Actuary (OCA), an independent unit within the Office of the Superintendent of Financial Institutions (OSFI), performs periodic actuarial valuations of the pension plan.

Until April 1, 2000, separate invested funds were not set aside to provide for payment of pension benefits. Instead, transactions relating to the pension plan were recorded in the Public Service Superannuation Account (superannuation account) created by legislation in the accounts of Canada. Pursuant to the PSSA, as amended by the *Public Sector Pension Investment Board Act*, transactions relating to service since April 1, 2000, are now recorded in the Public Service Pension Fund (pension fund). An amount equal to contributions in excess of benefit payments and administrative costs is transferred regularly to the Public Sector Pension Investment Board (PSPIB) for investment. PSPIB is a Crown corporation whose statutory objectives are to manage the funds transferred to it for investment and to maximize investment returns without undue risk of loss, having regard to the funding, policies and requirements of the three main public sector pension plans (public service, Royal Canadian Mounted Police (RCMP) and Canadian Forces).

(B) Funding policy

The pension plan is funded from plan member and employer contributions, and from investment earnings. For the fiscal year, public service employees who were members of the pension plan on or before December 31, 2012 (Group 1) contributed 9.56% (9.83% in 2019) for the first 9 months and 9.53% (9.56% in 2019) for the last 3 months of pensionable earnings, up to the maximum covered by the Canada Pension Plan (CPP) or Québec Pension Plan (QPP), and 11.78% (12.13% in 2019) for the first 9 months and 11.72% (11.78% in 2019) for the last 3 months of pensionable earnings above that maximum.



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

The contribution rates for public service employees joining the pension plan on or after January 1, 2013 (Group 2) was set at 8.68% (8.77% in 2019) for the first 9 months and 8.69% (8.68% in 2019) for the last 3 months of pensionable earnings, up to the maximum covered by the CPP and QPP, and 10.18% (10.46% in 2019) for the first 9 months and 10.15% (10.18% in 2019) for the last 3 months of pensionable earnings above that maximum. The government's contribution is made monthly to provide for the cost (net of plan member contributions) of the benefits that have accrued in respect of that month at a rate determined by the President of the Treasury Board. The contribution rates are determined based on actuarial valuations for funding purposes, which are normally performed triennially.

The PSSA provides that all pension obligations arising from the pension plan be met by the government. The PSSA requires that any actuarial deficit in the pension fund be dealt with by transferring equal instalments to the pension fund over a period of up to 15 years, commencing in the year in which the actuarial report is tabled in Parliament. The PSSA also allows any surplus to be lowered by reducing employer and pension plan member contributions. In addition, if there is an amount considered to be a non-permitted surplus (refer to PSSA section 44.4(5) for the definition of non-permitted surplus) related to the pension fund, no further government pension contributions are permitted while pension plan member contributions under the pension fund may be reduced and amounts managed by PSPIB may be transferred to the government's Consolidated Revenue Fund (CRF).

(C) Benefits

The pension plan provides pension benefits based on the number of years of pensionable service up to a maximum of 35 years. Benefits are determined by a formula set out in the legislation; they are not based on the financial status of the pension plan. The basic benefit formula is 2% per year of pensionable service multiplied by the average of the 5 consecutive years of highest-paid service. To reflect the *Income Tax Act* restrictions on registered pension plan benefits, separate retirement compensation arrangements (RCAs) have been implemented to provide benefits that exceed the limits established in the *Income Tax Act*. Since the RCAs are covered by separate legislation, their account balances in the accounts of Canada are not consolidated in these financial statements; however, condensed information is presented in Note 21.

Pension benefits are coordinated with the CPP and QPP, and the resulting pension reduction factor for pension plan members reaching age 65, or earlier if totally and permanently disabled, has been lowered from a level of 0.7% for those turning age 65 in calendar year 2007 or earlier and to 0.625% for those turning age 65 in calendar year 2012 and later. Also, benefits are fully indexed to the increase in the Consumer Price Index.

Other benefits include survivor pensions, minimum benefits in the event of death, unreduced early retirement pensions, and disability pensions.



2. Significant accounting policies

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

(A) Basis of presentation

These financial statements present information on the pension plan on a going-concern basis. They are prepared to assist plan members and others in reviewing the activities of the pension plan for the year, not to portray the funding requirements of the pension plan.

These financial statements are prepared in Canadian dollars, the pension plan's functional currency, in accordance with the accounting policies stated below, which are based on Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Canada Handbook (Section 4600). Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the pension plan complies with International Financial Reporting Standards (IFRS) in Part I of the CPA Canada Handbook. To the extent that IFRS in Part I are inconsistent with Section 4600, Section 4600 takes precedence. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian accounting standards for pension plans.

PSPIB is a Crown corporation whose statutory objectives are to manage the funds transferred to it for investment and to maximize investment returns without undue risk of loss. PSPIB qualifies as an investment entity as defined under IFRS 10 Consolidated Financial Statements and forms part of the pension plan reporting entity. Pursuant to Section 4600, PSPIB's subsidiaries that are formed to hold investments or those that provide PSPIB with services that relate to its investment activities are consolidated since these entities are not considered investment assets. PSPIB's investment in subsidiaries, associates, and joint ventures that are considered investment assets are measured at fair value in accordance with Section 4600. Financial liabilities are also measured at fair value in accordance with Section 4600.

The financial statements for the year ended March 31, 2020, were authorized for issue by the signatories on February 19, 2021.

(B) Interests in other entities

Management, through the activities of PSPIB, assesses control, joint control and significant influence with respect to the investees disclosed in Note 6 as follows:

(I) Control and significant influence

It is determined that PSPIB has control over an investee when it is exposed, or has rights, to variable returns from its investment in an entity and has the ability to affect those returns through its power over the investee.



In certain cases, PSPIB does not have control over an investee but has the power to participate in the financial and operating policy decisions of the investee. In such cases, PSPIB determines that it has significant influence over the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by PSPIB's ownership interest, other contractual arrangements, or a combination thereof.

(II) Joint control

It is determined that PSPIB is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision-making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

(C) Financial instruments

(I) Classification

Financial assets representing investments are managed, together with related financial liabilities, according to the entity's business model to maximize the rate of return. The performance of such financial instruments is evaluated on a fair value basis and they are classified at fair value through profit or loss (FVTPL). They are described in detail in Note 5(A).

Borrowings, as described under Note 9, are financial liabilities that are designated to be measured at FVTPL since they are part of the portfolios of investments that are managed together and whose performance is evaluated on a fair value basis.

(II) Recognition

Financial assets and financial liabilities are recorded at the date upon which PSPIB becomes a party to the associated contractual provisions. In the case of traded financial assets, they are recorded as of the trade date.

(III) Initial and subsequent measurement

All financial assets and financial liabilities are recorded in the statement of financial position at fair value and continue to be measured as such on a recurring basis. After initial measurement, subsequent changes in the fair value of financial assets and financial liabilities classified at FVTPL are recorded in the statement of changes in net assets available for benefits.



(IV) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- ▶ The rights to receive cash flows from the asset have expired, or
- ▶ PSPIB has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party, and
- ▶ PSPIB has transferred substantially all the risks and rewards of the asset, or
- ▶ In cases where PSPIB has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

(D) Determination of fair value

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

At initial recognition, PSPIB evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets, alternative investments, over-the-counter (OTC) derivatives and certain fixed income securities. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 5.

(E) Foreign currency translation

Foreign currency transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities that are denominated in foreign currencies are translated at the functional currency rate of exchange prevailing at the end of the reporting period.



Foreign currency transaction gains and losses on all monetary assets and liabilities are included in investment income.

(F) Securities lending and securities borrowing and related collateral

PSPIB participates in securities lending and borrowing programs whereby it lends and borrows securities in order to enhance portfolio returns. Lending and borrowing transactions including related collateral under such programs do not transfer the risks or rewards of ownership of the securities to the counterparty. Consequently, PSPIB does not derecognize securities lent or pledged as collateral, or recognize securities borrowed or received as collateral. Cash collateral received is recognized as described in Note 5(A)(IX).

The securities lending and borrowing programs require collateral in cash, high-quality debt instruments or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending and borrowing programs. PSPIB and its counterparties are authorized to sell, repledge or otherwise use collateral held. The same securities or equivalent securities must be returned to the counterparty at the end of the contract, unless an event of default occurs.

(G) Securities sold under repurchase agreements and purchased under reverse repurchase agreements and related collateral

PSPIB is party to repurchase and reverse repurchase agreements. Such agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

Securities sold or purchased under the repurchase and reverse repurchase agreements respectively, including related collateral, are not derecognized or recognized as all risks and rewards of ownership related to such securities are not transferred. As such, in the case where PSPIB is the counterparty selling securities under such agreements, all income (loss) related to such securities continues to be reported in investment income and obligations to repurchase the securities sold are accounted for as investment-related liabilities.

The difference between the fair value of the securities sold and the repurchase price is recorded as interest expense within investment-related expenses. In the case where PSPIB is the counterparty purchasing securities under such agreements, no income (loss) related to such securities is recognized and obligations to resell the securities are accounted for as investment-related receivables. The difference between the fair value of the securities purchased and resale price is recorded in investment income.

Transactions under repurchase and reverse repurchase agreements involve pledging collateral consisting of cash or securities deemed acceptable by the counterparties. Collateral transactions are conducted under terms that are usual and customary in standard repurchase arrangements. Such terms require the relevant counterparty to pledge additional collateral based on the changes



in the fair value of the existing collateral pledged as well as the related securities sold or purchased. The counterparties are authorized to sell, repledge or otherwise use collateral held. The securities pledged as collateral must be returned to the relevant counterparty at the end of the contract, unless an event of default occurs.

(H) Offsetting of financial instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if PSPIB has a current legally enforceable right to offset the recognized amounts and the intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(I) Pension obligations

The present value of accrued pension benefits is calculated using the projected benefit method prorated on service, based on management's best estimate of streamed expected rates of return on invested funds for funded pension benefits, and the government's cost of borrowing derived from the yields on the actual zero-coupon yield curve for Government of Canada bonds, which reflect the timing of the expected future cash flows for unfunded pension benefits.

(J) Investment income

Investment income is made up of interest, dividends, gains (losses) on the disposal of financial assets and financial liabilities as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity. Dividends are recognized when the right to receive them has been obtained, generally on the ex-dividend date.

(K) Contributions

Contributions for current service are recorded in the year in which the related payroll costs are incurred. Contributions for past service that are receivable over a period in excess of 1 year are recorded at the estimated net present value of the contributions to be received.

(L) Benefits earned, benefits paid, and refunds and transfers

Benefits earned are accrued as employees render pensionable services.

The funded and unfunded benefits paid are recognized as a reduction of pension obligations when the payments are made. The funded benefits paid are recognized as a reduction of net assets available for benefits when the payments are made.

Benefit payments, refunds to former members and transfer payments to other plans are recorded in the period in which they are paid.



(M) Investment-related expenses

Investment-related expenses are made up of interest expense, as described in Note 5(A)(VII), transaction costs, external investment management fees and other (net).

Transaction costs are incremental costs directly attributable to the acquisition, due diligence, issue, or disposal of a financial asset or financial liability, and they are expensed as incurred.

External investment management fees are directly attributable to the external management of assets on behalf of PSPIB. These fees are paid directly by PSPIB and comprise base fees accrued as a percentage of the fair value of the assets managed externally and performance fees accrued as a function of various performance indicators. This excludes amounts not paid directly by PSPIB for certain pooled fund investments classified under alternative investments and for investments in private markets as outlined in Note 18.

(N) Significant accounting judgments, estimates and assumptions

In preparing the financial statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status of PSPIB as described in Note 2(A).

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets, certain fixed income securities and the pension obligations.

The main assumptions made by management regarding measurement of financial instruments are outlined in Note 5(C)(III), and those regarding the assessment of risk are outlined in Note 7.

The pension obligations are actuarially determined, and the actual experience may differ significantly from the assumptions used in the calculation of the pension obligations. The significant actuarial assumptions used in measuring the pension obligations are found in Note 12.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them. As further described in Note 24, such uncertainties were significant as at March 31, 2020, due to the substantial disruption of global economic activity as well as financial markets' volatility at the reporting date.

3. Current and future changes in accounting standards

Management has determined that there is no material impact on the financial statements arising from new standards, amendments and interpretations that have been issued by the IASB, but that are not yet effective.

4. Public Service Pension Fund

The government has a statutory obligation to pay benefits relating to the pension plan. This pension obligation is to plan members and their beneficiaries.



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

In 1999, the pension legislation was amended to allow the government to invest funds in order to provide for the pension obligations. This legislation created the PSPIB to manage and invest amounts that are transferred regularly to it from the CRF related to service since April 1, 2000. The transactions are recorded in the Public Service Pension Fund. The Public Service Pension Fund is merely a flow-through account. At year-end, the balance in the Public Service Pension Fund represents net contributions transferable to PSPIB. PSPIB investment assets and investment-related liabilities are reflected directly in the pension plan's financial statements.

In order for the government to track the transactions related to contributions, benefit payments, interest and transfers for service prior to April 1, 2000, the government established the superannuation account in the accounts of Canada. The superannuation account has no capacity to pay pensions and is not considered an asset of the pension plan. All cash receipts and disbursements go to or come from the CRF. The details of the transactions of the superannuation account are provided in Note 20.

5. Financial assets and financial liabilities

(A) Classes of financial assets and financial liabilities

Financial assets and financial liabilities are aggregated in the following table, in classes that reflect their respective exposure as well as investment sectors. Their fair values were as follows as at March 31 (\$ millions):

	2020	2019
Investments		
Public markets		
Canadian equity	\$2,444	\$2,466
Foreign equity	21,145	23,562
Private markets		
Real estate	21,646	20,450
Private equity	16,064	14,704
Infrastructure	16,312	14,605
Natural resources	7,595	5,460
Fixed income		
Cash and money market securities	3,520	8,650
Government and corporate bonds	22,839	19,075
Inflation-linked bonds	12,042	10,185
Private debt securities	12,684	11,368
Alternative investments	8,056	7,295
Total investments	\$144,347	\$137,820



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

	2020	2019
Investment-related assets		
Amounts receivable from pending trades	\$553	\$855
Interest receivable	427	362
Dividends receivable	116	104
Securities purchased under reverse repurchase agreements	3,284	4,338
Derivative-related assets	2,025	1,145
Total investment-related assets	\$6,405	\$6,804
Investments representing financial assets at FVTPL	\$150,752	\$144,624
Investment-related liabilities		
Amounts payable from pending trades	\$(739)	\$(695)
Interest payable	(69)	(50)
Securities sold short	(2,829)	(4,577)
Collateral payable	(2,437)	(2,188)
Securities sold under repurchase agreements	(6,390)	(4,089)
Derivative-related liabilities	(3,298)	(699)
Investment-related liabilities representing financial liabilities at FVTPL	\$(15,762)	\$(12,298)
Borrowings		
Capital market debt financing	\$(11,497)	\$(10,260)
Borrowings representing financial liabilities designated at FVTPL	\$(11,497)	\$(10,260)
Net investments	\$123,493	\$122,066

(I) Public markets

Public markets consist of Canadian and foreign investments in the following securities: common shares, American depository receipts, global depository receipts, participation notes, preferred shares, income trust units, exchange-traded funds units, pooled funds units, and securities convertible into common shares of publicly listed issuers.

Valuation techniques

Direct investments in Canadian and foreign equities are measured at fair value using quoted prices in active markets and are based on the most representative price within the bid-ask spread.

In the case of investments in pooled funds, fair value is measured using unit values obtained from each of the funds' administrators, which are derived from the fair value of the underlying investments in each pooled fund. PSPiB reviews the fair value received, and where necessary,



the impact of restrictions on the sale or redemption of such investments is taken into consideration.

(II) Private markets

Private markets consist of investments in real estate, private equity, infrastructure and natural resources.

Real estate investments are comprised of direct equity positions in various private entities, fund investments, as well as properties in the real estate sector. Real estate investments focus on partnerships, companies and properties operating mainly in the retirement and residential, office, retail and industrial sectors, as well as private funds invested in real estate assets. Real estate investments are presented net of all third-party financing.

Private equity investments are comprised of fund investments with similar objectives, co-investments in private entities as well as direct equity positions.

Infrastructure investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Infrastructure investments focus on entities engaged in the management, ownership or operation of assets in energy, transportation and other regulated businesses. Infrastructure investments are presented net of all third-party financing.

Natural resources investments are comprised of direct equity positions, fund investments and co-investments in various private entities. Natural resources investments focus on entities engaged in the management, ownership or operation of assets in timberlands, agriculture and upstream oil and gas. Natural resources investments are presented net of all third-party financing.

Valuation techniques

The process for fair value measurement of private markets investments is described in Note 5(C)(II) and the valuation techniques together with the significant inputs used are described in Note 5(C)(III).

(III) Fixed income

Fixed income consists of cash and money market securities, government and corporate bonds, inflation-linked bonds and private debt securities.

Cash and money market securities include instruments having a maximum term to maturity of 1 year, such as treasury bills, certificates of deposit and bankers' acceptances. A portion of such instruments has maturities of 90 days or less and is held to meet short term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value.

Government and corporate bonds include Canadian and foreign, federal, provincial, territorial and municipal bonds, floating rate notes, asset-backed term notes and mortgage-backed securities. Inflation-linked bonds are fixed income securities that earn inflation-adjusted returns.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

Private debt securities are fixed income securities of private companies held directly or through private funds. Such debt securities take the form of senior debt, mezzanine and distressed debt and primary and secondary investments in leveraged loans. Private debt securities also include third-party loans such as junior and senior debts, construction loans, bridge loans, income-participating loans, as well as other structured finance products in the real estate sector.

Valuation techniques

Treasury bills are valued based on prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations. Certificates of deposit and bankers' acceptances are recorded at cost plus accrued interest, which approximates their fair value given their short-term nature.

Fair values of government and most corporate bonds, inflation-linked bonds and mortgage-backed securities are based on prices obtained from third-party pricing sources. Such prices are determined using either an appropriate interest rate curve with a spread associated with the credit quality of the issuer or other generally accepted pricing methodologies.

The fair values of certain corporate bonds, private debt securities and asset-backed term notes are determined using valuation techniques. Such techniques, together with the significant inputs used, are described in Note 5(C)(III).

The fair value measurement of fund investments included as part of private debt securities is described in Note 5(C)(II).

(IV) Alternative investments

Alternative investments consist mainly of units of funds that hold a mix of equity, fixed income and derivative instruments as well as hedge funds.

Valuation techniques

The fair value of these investments is determined based on the fair values reported by the funds' administrators or general partners and reflects the fair value of the underlying equity, fixed income or derivative instruments, as applicable. PSPIB reviews the fair value received and, where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration.

(V) Amounts receivable and payable from pending trades

Amounts receivable from pending trades consist of proceeds on sales of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.

Amounts payable from pending trades consist of the cost of purchases of investments, excluding derivative financial instruments, which have been traded but remain unsettled at the end of the reporting period.



Valuation techniques

The fair value of amounts receivable and payable from pending trades reflects the value at which their underlying original sale or purchase transactions were undertaken.

(VI) Interest and dividends receivable

Interest and dividends are recorded at the amounts expected to be received at the end of the reporting period, which due to their short-term maturity, approximates fair value.

(VII) Interest payable

With respect to the borrowings described in Note 5(A)(XI), interest is accrued at the amount expected to be paid at the end of the reporting period, which approximates fair value.

(VIII) Securities sold short

Securities sold short reflect PSPIB's obligation to purchase securities pursuant to short selling transactions. In such transactions, PSPIB sells securities it does not own with an obligation to purchase similar securities on the market to cover its position.

Valuation techniques

Using quoted market prices that are based on the most representative price within the bid-ask spread, the fair value of securities sold short is measured using the same method as the similar long positions presented within public markets and fixed income.

(IX) Collateral payable

As part of securities lending and certain OTC derivative transactions, cash collateral is received and reinvested by PSPIB. PSPIB recognizes cash collateral received with a corresponding payable. The payable balance reflects the obligation of the transferee to return cash collateral to the transferor at the end of the transaction in the absence of an event of default by the transferor.

(X) Securities sold under repurchase agreements and purchased under reverse repurchase agreements

As described in Note 2(G), PSPIB is party to repurchase and reverse repurchase agreements.

Valuation techniques

Obligations to repurchase or resell the securities sold or purchased under such agreements are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value.

(XI) Borrowings under the capital market debt program

PSPIB's capital market debt program is described in Note 9(B).

Valuation techniques

Short-term promissory notes are recorded at cost plus accrued interest, which due to their short-term maturity, approximates fair value. The fair value of PSPIB's medium-term notes is



based on prices that are obtained from third-party pricing sources. Such prices are determined using an interest rate curve with a spread consistent with PSPIB's credit quality.

(B) Derivative-related assets and liabilities

Derivative financial instruments are financial contracts that are settled at a future date. The value of such instruments is derived from changes in the value of the underlying assets, interest or exchange rates. Derivative financial instruments do not, typically, require an initial net investment. In certain cases, they require an initial net investment that is less than what would be required to hold the underlying position directly. Derivative financial instruments can be listed or traded OTC. OTC instruments consist of those that are bilaterally negotiated and settled, and those that are cleared (OTC-cleared) by a central clearing party (CCP).

PSPIB uses derivative financial instruments to enhance returns or to replicate investments synthetically. Derivatives are also used to reduce the risk associated with existing investments.

PSPIB uses the following types of derivative financial instruments:

(I) Swaps

Swaps are transactions whereby two counterparties exchange cash flow streams with each other based on predetermined conditions that include a notional amount and a term. Swaps are used to increase returns or to adjust exposures of certain assets without directly purchasing or selling the underlying assets.

(II) Futures

Futures are standardized contracts to take or make delivery of an asset (buy or sell) at a predefined price and predefined future date. Futures are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

(III) Forwards

Forwards are contracts involving the sale by one party and the purchase by another party of a predefined amount of an underlying instrument, at a predefined price and at a predefined date in the future. Forwards are used to adjust exposures to specified assets without directly purchasing or selling the underlying assets.

(IV) Options

Options are contracts where the seller gives the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index, commodity, currency, interest rate, credit or other financial instrument, at an agreed-upon price stipulated in advance, either at a determined date or at any time before the predefined maturity date.

(V) Warrants and rights

Warrants are options to purchase an underlying asset which is in the form of a transferable security and which can be listed on an exchange or traded OTC.



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

Rights are securities giving shareholders entitlement to purchase new shares issued by a corporation at a predetermined price (normally less than the current market price) in proportion to the number of shares already owned. Rights are issued only for a short period of time, after which they expire.

Valuation techniques

(i) Determination of fair value of derivative financial instruments

Listed derivative financial instruments are recorded at fair value using quoted market prices that are based on the most representative price within the bid-ask spread. OTC-cleared derivatives are recorded at fair value using prices obtained from the CCP. OTC derivatives are valued using appropriate valuation techniques such as discounted cash flows. These techniques use significant inputs that are observable in the market such as current market yields.

(ii) Notional values and fair values of derivative-related assets and liabilities

Notional values of derivative financial instruments are not recorded as assets or liabilities as they represent the face amount of the contract. Except for credit derivatives, notional values do not represent the potential gain or loss associated with the market or credit risk of such transactions disclosed below. Rather, they serve as the basis upon which the cash flows and the fair value of the contracts are determined.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The following table summarizes the derivatives portfolio as at March 31 (\$ millions):

	2020			2019		
	Notional value	Fair value		Notional value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Equity and commodity derivatives						
Listed: Futures	\$1,953	\$0	\$0	\$2,528	\$0	\$0
Listed: Warrants and rights	1	0	0	1	1	0
Listed: Options: Purchased	2,757	99	0	3,724	124	0
Written	2,624	0	(48)	3,350	0	(57)
OTC						
Swaps	17,872	620	(2,254)	19,009	465	(137)
Options: Purchased	564	41	0	488	17	0
Written	711	0	(35)	393	0	(23)
Currency derivatives						
Listed: Futures	90	0	0	219	0	0
OTC						
Forwards	19,878	575	(353)	14,441	85	(38)
Swaps	4,560	70	(22)	4,787	13	(26)
Options: Purchased	2,269	51	0	4,679	38	0
Written	2,481	0	(49)	4,282	0	(35)
Interest rate derivatives						
Listed: Futures	3,000	0	0	8,102	0	0
Listed: Options: Purchased	24,069	41	0	34,811	25	0
Written	9,523	0	(32)	31,916	0	(20)
OTC						
Forwards	0	0	0	431	7	(12)
Swaps	4,974	108	(150)	18,573	178	(192)
Options: Purchased	29,830	414	0	39,273	191	0
Written	32,845	0	(351)	37,162	0	(152)
OTC-cleared						
Forwards	20,666	0	0	0	0	0
Swaps	77,933	0	0	40,536	0	0
Credit derivatives						
OTC						
Credit default swaps:						
Purchased	336	6	(4)	486	0	(7)
Written ¹	16	0	0	66	1	0
OTC-cleared						
Credit default swaps:						
Purchased	725	0	0	596	0	0
Total		\$2,025	\$(3,298)		\$1,145	\$(699)

1. PSPIB, through written credit default swaps, indirectly guarantees the underlying reference obligations. The maximum potential exposure is the notional amount of the written credit default swaps as shown in the table above.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

Total derivative-related assets and liabilities as at March 31 are comprised of (\$ millions):

	2020			2019		
	Notional value	Fair value		Notional value	Fair value	
		Assets	Liabilities		Assets	Liabilities
Listed derivatives	\$44,017	\$140	\$(80)	\$84,651	\$150	\$(77)
OTC derivatives	116,336	1,885	(3,218)	144,070	995	(622)
OTC-cleared derivatives	99,324	0	0	41,132	0	0
Total		\$2,025	\$(3,298)		\$1,145	\$(699)

The terms to maturity based on the notional value for the derivatives were as follows as at March 31 (\$ millions):

	2020	2019
Less than 3 months	\$125,895	\$68,548
3 to 12 months	66,286	118,146
Over 1 year	67,496	83,159

(C) Fair value hierarchy

(I) Classification

Financial assets and financial liabilities described under Note 5(A) are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- ▶ Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PSPIB can access at the end of the reporting period.
- ▶ Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
 - (i) quoted prices for similar assets or liabilities in active markets
 - (ii) quoted prices for identical or similar assets or liabilities in markets that are not active
 - (iii) inputs other than quoted prices that are observable for the asset or liability
 - (iv) market-corroborated inputs
- ▶ Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect PSPIB's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

period. PSPIB determines whether a transfer between levels has occurred and recognizes such transfers at the beginning of the reporting period.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2020, classified within the fair value hierarchy (\$ millions):

	Level 1	Level 2	Level 3	Total fair value
Investments				
Public markets				
Canadian equity	\$1,896	\$515	\$33	\$2,444
Foreign equity	19,180	1,090	875	21,145
Private markets				
Real estate	0	0	21,646	21,646
Private equity	0	0	16,064	16,064
Infrastructure	0	0	16,312	16,312
Natural resources	0	0	7,595	7,595
Fixed income				
Cash and money market securities	936	2,584	0	3,520
Government and corporate bonds	8,375	14,459	5	22,839
Inflation-linked bonds	11,758	284	0	12,042
Private debt securities	0	0	12,684	12,684
Alternative investments	0	1,901	6,155	8,056
Total investments	\$42,145	\$20,833	\$81,369	\$144,347
Investment-related assets				
Amounts receivable from pending trades	\$0	\$553	\$0	\$553
Interest receivable	0	427	0	427
Dividends receivable	0	116	0	116
Securities purchased under reverse repurchase agreements	0	3,284	0	3,284
Derivative-related assets	134	1,891	0	2,025
Total investment-related assets	\$134	\$6,271	\$0	\$6,405
Investments representing financial assets at FVTPL	\$42,279	\$27,104	\$81,369	\$150,752
Investment-related liabilities				
Amounts payable from pending trades	\$0	\$(739)	\$0	\$(739)
Interest payable	0	(69)	0	(69)
Securities sold short	(2,674)	(155)	0	(2,829)
Collateral payable	0	(2,437)	0	(2,437)
Securities sold under repurchase agreements	0	(6,390)	0	(6,390)
Derivative-related liabilities	(77)	(3,221)	0	(3,298)
Investment-related liabilities representing financial liabilities at FVTPL	\$(2,751)	\$(13,011)	\$0	\$(15,762)
Borrowings				
Capital market debt financing	\$0	\$(11,497)	\$0	\$(11,497)
Borrowings representing financial liabilities designated at FVTPL	\$0	\$(11,497)	\$0	\$(11,497)
Net investments	\$39,528	\$2,596	\$81,369	\$123,493



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The following table shows the fair value of financial assets and financial liabilities as at March 31, 2019, classified within the fair value hierarchy (\$ millions):

	Level 1	Level 2	Level 3	Total fair value
Investments				
Public markets				
Canadian equity	\$1,795	\$626	\$45	\$2,466
Foreign equity	20,761	1,584	1,217	23,562
Private markets				
Real estate	0	0	20,450	20,450
Private equity	0	0	14,704	14,704
Infrastructure	0	0	14,605	14,605
Natural resources	0	0	5,460	5,460
Fixed income				
Cash and money market securities	0	8,650	0	8,650
Government and corporate bonds	0	19,047	28	19,075
Inflation-linked bonds	0	10,185	0	10,185
Private debt securities	0	0	11,368	11,368
Alternative investments	0	1,543	5,752	7,295
Total investments	\$22,556	\$41,635	\$73,629	\$137,820
Investment-related assets				
Amounts receivable from pending trades	\$0	\$855	\$0	\$855
Interest receivable	0	362	0	362
Dividends receivable	0	104	0	104
Securities purchased under reverse repurchase agreements	0	4,338	0	4,338
Derivative-related assets	94	1,051	0	1,145
Total investment-related assets	\$94	\$6,710	\$0	\$6,804
Investments representing financial assets at FVTPL	\$22,650	\$48,345	\$73,629	\$144,624
Investment-related liabilities				
Amounts payable from pending trades	\$0	\$(695)	\$0	\$(695)
Interest payable	0	(50)	0	(50)
Securities sold short	(2,848)	(1,729)	0	(4,577)
Collateral payable	0	(2,188)	0	(2,188)
Securities sold under repurchase agreements	0	(4,089)	0	(4,089)
Derivative-related liabilities	(77)	(622)	0	(699)
Investment-related liabilities representing financial liabilities at FVTPL	\$(2,925)	\$(9,373)	\$0	\$(12,298)
Borrowings				
Capital market debt financing	\$0	\$(10,260)	\$0	\$(10,260)
Borrowings representing financial liabilities designated at FVTPL	\$0	\$(10,260)	\$0	\$(10,260)
Net investments	\$19,725	\$28,712	\$73,629	\$122,066



There were no significant transfers between Level 1 and Level 2 during the year ended March 31, 2020 (no significant transfers between Level 1 and Level 2 during the year ended March 31, 2019).

(II) Process for Level 3 fair value determination

The valuation process is monitored and governed by an internal valuation committee (VC). This committee is responsible for overseeing all aspects of fair value determination. This includes establishing valuation methodologies and procedures for each type of investment and ensuring they are complied with. Valuation methodologies established are based on widely recognized practices that are consistent with professional appraisal standards. Such standards include, among others, the *International Private Equity and Venture Capital Valuation Guidelines*, the *Canadian Uniform Standards of Professional Appraisal Practice* and the *Uniform Standards of Professional Appraisal Practice* in the United States of America.

The fair value of investments classified as Level 3 is determined at least annually. Quarterly, the fair value is reviewed and adjusted, as appropriate, to reflect the impact of any significant market or investment-specific events or circumstances. For each investment, the relevant valuation methodology is applied consistently over time as appropriate in the prevailing circumstances. The appropriateness of significant changes in valuation methodologies is reviewed by the VC.

In cases where the services of third-party appraisers are used, PSPIB ensures their independence and that valuation methods used are consistent with professional appraisal standards outlined above. In validating the work performed by appraisers, PSPIB ensures that the assumptions used correspond to financial information and forecasts of the underlying investment.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on audited financial statements received from the fund's general partner. In certain cases fair value is obtained from information provided by the fund's administrators and is reviewed by PSPIB to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

To reflect the impact of the market disruption described in Note 24 as at March 31, 2020, PSPIB used significant judgment in the determination of fair value of Level 3 investments, especially those in Private Markets. Where appropriate, adjustments were made based on public market trading comparables, investment specific characteristics as well as market conditions and uncertainties as at March 31, 2020.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

(III) Level 3 significant inputs

The following table outlines key information with respect to significant inputs related to financial assets and financial liabilities categorized within Level 3 as at March 31, 2020:

Financial assets and financial liabilities	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)			
Public markets								
Canadian equity	Direct investments	\$33	Net asset value method (NAV) ¹	n/a	n/a			
Foreign equity	Direct investments	\$875	NAV ¹	n/a	n/a			
Private markets								
Real estate	Direct and co-investments	\$20,428	Discounted cash flow (DCF)	Discount rate ^{2, 3}	2.90% to 20.00% (7.46%)			
				Terminal capitalization rate ^{2, 3}	3.95% to 10.25% (5.82%)			
			Direct capitalization	Capitalization rate ^{2, 4}	2.35% to 9.78% (4.88%)			
				Stabilized occupancy rate ^{4, 5}	67.50% to 100.00% (98.43%)			
				Sales comparison approach	Price per square foot ^{4, 5}	\$0.94 to \$1,895.16 (\$290.17)		
			NAV ¹	n/a	n/a			
			Transaction price	n/a	n/a			
			Fund investments	\$1,218	NAV ¹	n/a	n/a	
			Other private markets	Direct and co-investments	\$28,377	DCF	Discount rate ²	6.30% to 15.00% (8.20%)
							Market comparables	n/a
NAV ¹	n/a	n/a						
Transaction price	n/a	n/a						
Fund investments	\$11,594	NAV ¹	n/a	n/a				
Fixed income								
Corporate bonds	Asset-backed term notes	\$5	Third-party pricing ¹	n/a	n/a			
Private debt securities	Direct and co-investments	\$9,011	DCF	Discount rate ²	6.63% to 22.64% (11.86%)			
				NAV ¹	n/a	n/a		
			Transaction price	n/a	n/a			
			Fund investments	\$3,673	NAV ¹	n/a	n/a	
Alternative investments	Fund investments	\$6,155	NAV ¹	n/a	n/a			
Total		\$81,369						

1. In certain cases, fair value is determined by third parties where valuation information is not available to PSPIB.
2. An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3. An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4. There is no predictable direct relationship between this input and any other significant unobservable input.
5. An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The following table outlines key information with respect to significant inputs related to financial assets and financial liabilities categorized within Level 3 as at March 31, 2019:

Financial assets and financial liabilities	Type of investment	Fair value (\$ millions)	Significant valuation techniques	Significant unobservable inputs	Range (weighted average)				
Public markets									
Canadian equity	Direct investments	\$45	Net asset value method (NAV) ¹	n/a	n/a				
Foreign equity	Direct investments	\$1,217	NAV ¹	n/a	n/a				
Private markets									
Real estate	Direct and co-investments	\$19,117	Discounted cash flow (DCF)	Discount rate ^{2, 3}	4.10% to 20.00% (7.55%)				
				Terminal capitalization rate ^{2, 3}	4.25% to 10.25% (5.92%)				
				Direct capitalization	Capitalization rate ^{2, 4}	2.50% to 8.98% (5.57%)			
				Stabilized occupancy rate ^{4, 5}	93.00% to 100.00% (98.22%)				
				Sales comparison approach	Price per square foot ^{4, 5}	\$0.95 to \$2,057.93 (\$281.99)			
				NAV ¹	n/a	n/a			
				Transaction price	n/a	n/a			
				Fund investments	\$1,333	NAV ¹	n/a	n/a	
				Other private markets	Direct and co-investments	\$24,556	DCF	Discount rate ²	6.00% to 12.50% (8.79%)
								Market comparables	n/a
NAV ¹	n/a	n/a							
Transaction price	n/a	n/a							
Fund investments	\$10,213	NAV ¹	n/a	n/a					
Fixed income									
Corporate bonds	Convertible bonds	\$21	DCF	Discount rate ²	52.50%				
	Asset-backed term notes	\$7	Third-party pricing ¹	n/a	n/a				
Private debt securities	Direct and co-investments	\$7,846	DCF	Discount rate ²	5.54% to 18.76% (9.77%)				
				NAV ¹	n/a	n/a			
				Transaction price	n/a	n/a			
				Fund investments	\$3,522	NAV ¹	n/a	n/a	
Alternative investments	Fund investments	\$5,752	NAV ¹	n/a	n/a				
Total		\$73,629							

1. In certain cases, fair value is determined by third parties where valuation information is not available to PSPiB.
2. An increase (decrease) in this unobservable input, taken individually, generally results in a decrease (increase) in fair value.
3. An increase (decrease) in the discount rate is generally accompanied by an increase (decrease) of the terminal capitalization rate.
4. There is no predictable direct relationship between this input and any other significant unobservable input.
5. An increase (decrease) in this unobservable input, taken individually, generally results in an increase (decrease) in fair value.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

(IV) Level 3 reconciliation

The following table shows a reconciliation of all movements related to financial assets and financial liabilities categorized within Level 3 for the year ended March 31, 2020 (\$ millions):

	Opening balance	Purchases	Sales	Settlements	Realized gains	Unrealized gains (losses) ¹	Transfer in (out) of Level 3	Closing balance
Public markets	\$1,262	\$83	\$(644)	\$0	\$381	\$(174)	\$0	\$908
Private markets	55,219	14,119	(7,759)	0	2,735	(2,769)	72	61,617
Fixed income	11,396	5,690	(3,750)	(1)	83	(729)	0	12,689
Alternative investments	5,752	1,230	(897)	0	125	112	(167)	6,155
Total	\$73,629	\$21,122	\$(13,050)	\$(1)	\$3,324	\$(3,560)	\$(95)	\$81,369

1. Includes pension plan allocation adjustments.

As at March 31, 2019, an alternative investment of \$167 million in a non-listed fund that held listed securities was classified as Level 3 due to the nature of the contractual restrictions on the redemption of fund units. During the year ended March 31, 2020, the investment was transferred to Level 2 as the contractual restrictions were lifted. Additionally, as at March 31, 2019, a public market investment of \$72 million was classified as Level 1 and was transferred to Level 3 during the year ended March 31, 2020, as the investment became privately held.

The following table shows a reconciliation of all movements related to financial assets and financial liabilities categorized within Level 3 for the year ended March 31, 2019 (\$ millions):

	Opening balance	Purchases	Sales	Settlements	Realized gains	Unrealized gains (losses) ¹	Transfer out of Level 3	Closing balance
Public markets	\$1,374	\$403	\$(490)	\$0	\$312	\$(337)	\$0	\$1,262
Private markets	48,000	10,804	(6,882)	0	1,379	1,982	(64)	55,219
Fixed income	10,379	4,205	(3,272)	(43)	110	17	0	11,396
Alternative investments	5,138	639	(401)	0	32	344	0	5,752
Total	\$64,891	\$16,051	\$(11,045)	\$(43)	\$1,833	\$2,006	\$(64)	\$73,629

1. Includes pension plan allocation adjustments.

As at March 31, 2018, a private market investment was classified under Level 3 as its fair value was determined based on significant unobservable inputs. During the year ended



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

March 31, 2019, the investment was transferred to Level 1 as the related securities became publicly traded.

(V) Level 3 sensitivity analysis

In the course of measuring fair value of financial instruments classified as Level 3, valuation techniques used incorporate assumptions that are based on non-observable data. Significant assumptions used for each asset class are described in Note 5(C)(III). Although such assumptions reflect PSPIB's best judgment, with all other variables held constant, the use of reasonably possible alternative assumptions could yield different fair value measures representing, at a minimum, a 3% increase and 3% decrease as at March 31, 2020 (3% increase and 3% decrease as at March 31, 2019) in the fair value of financial instruments categorized as Level 3. This excludes fund investments where a sensitivity analysis is not possible given the underlying assumptions used are not available to PSPIB. In the case of fund investments, the fair value is determined as indicated in Note 5(C)(II).

(D) Collateral pledged and received

PSPIB is party to agreements that involve pledging and holding collateral, as outlined in Notes 2(F), 2(G) and 7(B)(I). The following table illustrates the fair values of the pension plan's allocated collateral, as well as the securities under the lending and borrowing programs and the securities under the repurchase and reverse repurchase agreements as at March 31 (\$ millions):

	2020	2019
Securities lending and borrowing		
Securities lent	\$481	\$5,805
Collateral held ¹	512	6,118
Securities borrowed	750	2,849
Collateral pledged ²	814	2,936
Securities repurchase and reverse repurchase agreements		
Securities sold under repurchase agreements	6,435	4,116
Collateral pledged	6,404	4,106
Securities purchased under reverse repurchase agreements	3,293	4,361
Collateral held ³	3,289	4,354
Derivative contracts		
Collateral pledged	2,106	665
Collateral held ⁴	280	404

1. The minimum fair value of cash collateral required is equal to 102% of the fair value of the securities lent, and in the case of securities collateral 105%. As part of collateral held, cash amounted to nil for the pension plan as at March 31, 2020 (\$2,167 million as at March 31, 2019) and securities amounted to \$512 million as at March 31, 2020 (\$3,951 million as at March 31, 2019). All cash collateral is reinvested.
2. The minimum fair value of collateral required is equal to 100% of the fair value of the securities borrowed.



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

3. The collateral received is in the form of securities of which \$2,079 million has been used in connection with short selling transactions as at March 31, 2020 (\$1,729 million as at March 31, 2019) and \$97 million has been used in connection with securities sold under repurchase agreements (\$12 million as at March 31, 2019).
4. As part of collateral held, cash amounted to \$33 million as at March 31, 2020 (\$6 million as at March 31, 2019) and securities amounted to \$247 million as at March 31, 2020 (\$398 million as at March 31, 2019). All cash collateral is reinvested.

6. Interest in other entities

(A) Subsidiaries, joint ventures and associates

In the normal course of business, investments in private markets are commonly held through investment entity subsidiaries formed by PSPIB. As at March 31, 2020, 111 investment entity subsidiaries were incorporated in North America, 15 in Europe, 15 in Oceania, 4 in Central and South America, 1 in Africa and 1 in Asia (108 in North America, 17 in Europe, 11 in Oceania, 4 in Central and South America, 1 in Africa and 1 in Asia as at March 31, 2019).

In addition, PSPIB controlled 84 investees directly or through its investment entity subsidiaries as at March 31, 2020 (81 investees as at March 31, 2019).

The following tables present, in descending order, the most significant investees held directly or indirectly by PSPIB where it has control, joint control or significant influence.

As at March 31, 2020:

Entity's name	Principal place of business	Ownership interest held by PSPIB (%)	Relationship to PSPIB
AviAlliance GmbH	Europe	100	Controlled investee
Revera Inc.	North America	100	Controlled investee
Kaingaroa Timberlands Limited	Oceania	56	Jointly controlled investee
Roadis Transportation Holding, S.L.U.	Global	100	Controlled investee
SEGRO European Logistics Partnership S.a.r.l.	Europe	50	Jointly controlled investee
Forth Ports Limited.	Europe	51	Jointly controlled investee
TDF S.A.S.	Europe	22	Associate
Big Box Properties	North America	49	Jointly controlled investee
Roccapina Fund, L.P.	North America	100	Controlled investee
American Wholesale Insurance Holding Company, LLC	North America	27	Associate



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

As at March 31, 2019:

Entity's name	Principal place of business	Ownership interest held by PSPIB (%)	Relationship to PSPIB
AviAlliance GmbH	Europe	100	Controlled investee
Revera Inc.	North America	100	Controlled investee
Kaingaroa Timberlands Ltd.	Oceania	56	Jointly controlled investee
Roadis Transportation B.V.	Global	100	Controlled investee
FirstLight Power Resources Holding Inc.	North America	100	Controlled investee
SEGRO European Logistics Partnership S.a.r.l.	Europe	50	Jointly controlled investee
Forth Ports Limited.	Europe	51	Jointly controlled investee
TDF S.A.S.	Europe	22	Associate
Roccapina Fund, L.P.	North America	100	Controlled investee
Big Box Properties	North America	49	Jointly controlled investee

In addition to the above, PSPIB consolidates wholly owned subsidiaries that solely provide it with services that relate to its investment activities. Such services consist of investment management and financing of private market investments within the context of PSPIB's capital market debt program described in Note 9(B).

(B) Structured entities

PSPIB holds interests in partnerships and funds mainly in the context of its investments in private markets. Given their nature, such entities commonly have the characteristics of a structured entity as defined by IFRS. These entities are held as investments and do not expose PSPIB to additional risks or returns compared to interests held in non-structured entities.

Information regarding structured entities is included, as applicable, within disclosures of investment risk management under Note 7, guarantees and indemnities under Note 22 and commitments under Note 23.

7. Investment risk management

PSPIB is required to act in the best interests of the contributors and beneficiaries under the pension plan and for maximizing returns without undue risk of loss. In pursuit of this objective, PSPIB established an Enterprise Risk Management Policy (ERM Policy). The ERM Policy provides a framework for identifying, evaluating, managing, mitigating, monitoring and reporting the investment and non-investment risks to which PSPIB is exposed.

As part of the overall ERM policy, the objective of the Investment Risk Management Policy (IRM Policy) is to support the management of risk inherent to the investment decision-making



process. The IRM Policy outlines a framework detailing how investment activities should comply with PSPIB's risk philosophy and align with the tolerance and limits of its risk appetite. The IRM Policy also supplements the Statement of Investment Policies, Standards and Procedures (SIP&P), whose objective is to effectively manage investment risks related to the implementation of PSPIB's various investment strategies. Investment risks include market, credit and liquidity risks.

(A) Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive the value, such as changes in market prices, changes caused by factors specific to the individual investment, volatility in share and commodity prices, interest rate, foreign exchange or other factors affecting similar securities traded in the market.

(I) Measurement of market risk

The absolute annualized volatility of the total portfolio is used as the primary measure of market risk. The absolute volatility is a statistical measure of the size of changes in investment returns of a given investment or portfolio of investments. It is used to illustrate the potential loss of value in an investment or portfolio of investments as a result of fluctuations in market prices.

PSPIB uses 7 years' worth of market returns scaled to a 12-month holding period to calculate the absolute volatility. For investments that are not actively traded, the calculation of the absolute volatility uses securities with similar risk attributes as a proxy.

The absolute volatility is statistically valid under normal market conditions. Although it includes losses from severe market events such as those described in Note 24, it does not solely measure such events. It also assumes that the future will behave in a pattern similar to the past. Consequently, if future market conditions differ significantly from those of the past, potential losses may differ from those originally estimated.

The following table shows the absolute volatility of the total portfolio expressed as a percentage of net investments as at March 31:

	2020 (%)	2019 (%)
Absolute volatility	9.2	7.3

Stress testing

Although the absolute volatility is a widely accepted risk measure, it is complemented by other risk measurement methodologies that provide greater insight on market risk. PSPIB uses stress testing and scenario analysis to examine the impact on financial results of abnormally large movements in risk factors. Such techniques are used to test a portfolio's sensitivity to various risk factors and key model assumptions. These methods also use historically stressed periods to evaluate



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

how a current portfolio reacts under such circumstances. Stress testing and scenario analysis are also deployed to assess new product performance.

(II) Interest rate risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of the pension plan's net asset values.

The terms to maturity of the classes of financial instruments, outlined in Note 5(A), with the most significant exposure to interest rate risk were as follows as at March 31, 2020 (\$ millions):

	Less than 1 year	1 to 5 years	5 to 10 years	Over 10 years	Other	Total
Cash and money market securities	\$0	\$0	\$0	\$0	\$3,520 ¹	\$3,520
Government and corporate bonds	674	12,997	4,143	4,026	999 ²	22,839
Inflation-linked bonds	0	4,341	4,615	3,086	0	12,042
Private debt securities	224	3,156	4,532	1,083	3,689 ³	12,684
Total fixed income	\$898	\$20,494	\$13,290	\$8,195	\$8,208	\$51,085

1. Due to their short-time maturity, these investments are not significantly exposed to interest rate risk.
2. Certain fixed income securities are not significantly exposed to interest rate risk as their prescribed rates are variable.
3. Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

The terms to maturity of the classes of financial instruments, outlined in Note 5(A), with the most significant exposure to interest rate risk were as follows as at March 31, 2019 (\$ millions):

	Less than 1 year	1 to 5 years	5 to 10 years	Over 10 years	Other	Total
Cash and money market securities	\$0	\$0	\$0	\$0	\$8,650 ¹	\$8,650
Government and corporate bonds	866	8,804	4,373	3,555	1,477 ²	19,075
Inflation-linked bonds	0	1,663	5,689	2,833	0	10,185
Private debt securities	61	1,853	4,366	1,514	3,574 ³	11,368
Total fixed income	\$927	\$12,320	\$14,428	\$7,902	\$13,701	\$49,278

1. Due to their short-time maturity, these investments are not significantly exposed to interest rate risk.
2. Certain fixed income securities are not significantly exposed to interest rate risk as their prescribed rates are variable.
3. Information in connection with the terms to maturity of fund and certain directly held investments included as part of private debt securities is not available.

All equity investments within Canadian equity, foreign equity, real estate, private equity, infrastructure and natural resources amounting to \$85,206 million as at March 31, 2020 (\$81,247 million as at March 31, 2019) do not have specified terms to maturity nor are they significantly exposed to interest rate risk.

Alternative investments described in Note 5(A)(IV), which amounted to \$8,056 million as at March 31, 2020 (\$7,295 million as at March 31, 2019), also have no specified terms to maturity. Certain of these investments, as well as reverse repurchase agreements and derivative contracts described in Notes 5(A)(X) and 5(B), respectively, are subject to interest rate risk exposures. These exposures are reflected in the absolute volatility calculation described in Note 7(A)(I).

The terms to maturity of PSPIB's capital market debt financing are disclosed in Note 9(B).

(III) Foreign currency risk

PSPIB is exposed to currency risk through holding of investments that is, direct and indirect holdings of securities, units in pooled funds and units in limited partnerships or, investment-related liabilities in various currencies. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of the investments. To mitigate this risk, PSPIB may take, through foreign forward contracts or cross currency swaps, positions in foreign currencies.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The underlying foreign currency exposures of net investments for the pension plan were as follows as at March 31 (\$ millions):

Currency	2020		2019	
	Fair value	% of total	Fair value	% of total
US dollar	\$70,965	67.1	\$63,350	63.6
Euro	13,701	13.0	14,841	14.9
Australian dollar	4,518	4.3	2,191	2.2
British pound	3,482	3.3	5,754	5.8
Japanese yen	2,545	2.4	2,020	2.0
Hong Kong dollar	1,705	1.6	1,873	1.9
Swiss franc	1,260	1.2	668	0.7
Mexican peso	1,160	1.1	1,751	1.8
Indian rupee	975	0.9	1,159	1.2
Brazilian real	960	0.9	1,164	1.2
Others	4,407	4.2	4,749	4.7
Total	\$105,678	100.0	\$99,520	100.0

As at March 31, 2020, PSPIB and its investment entity subsidiaries also had commitments, denominated in foreign currencies of \$18,111 million for the pension plan (US\$10,554 million, €1,451 million, £198 million, 16 million South African rand, 1,621 million Mexican pesos, 19,200 million Indian rupees, 36 million Danish kroner and 6 million Australian dollars) which were not included in the foreign currency exposure table above.

As at March 31, 2019, PSPIB and its investment entity subsidiaries also had commitments, denominated in foreign currencies of \$15,699 million for the pension plan (US\$9,923 million, €1,442 million, £75 million, 16 million South African rand, 2 million Brazilian reals, 9,849 million Colombian pesos, 1,927 million Mexican pesos and 12 million Australian dollars) which were not included in the foreign currency exposure table above.

(B) Credit risk

PSPIB is exposed to credit risk, which is the risk of non-performance of a debtor on whom PSPIB relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security or that the counterparty to a derivative contract, to a securities lending and borrowing transaction or to securities purchased under reverse repurchase agreements, is unable to meet its financial obligations.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with PSPIB. To perform this evaluation for public issuers and counterparties, PSPIB relies on four recognized credit rating agencies. A minimum of two credit ratings are used to classify each security. If the agencies disagree as to a security's credit quality, PSPIB uses the lowest of the available ratings. For private issuers, PSPIB assigns internal credit ratings to issuers and measures the combined risk profile against set targets. To assign risk ratings to issuers, PSPIB uses methodologies comparable to those used by recognized rating agencies.

As at March 31, 2020, the pension plan's maximum exposure to credit risk amounted to \$55 billion (\$54 billion as at March 31, 2019), of which private debt securities amounting to \$172 million (\$212 million as at March 31, 2019) were rated BBB and \$13 billion (\$12 billion as at March 31, 2019) were rated BB or below. The maximum credit risk amount is presented before collateral held and netting arrangements that do not qualify for offsetting under IFRS. The maximum credit exposure excludes guarantees disclosed in Note 22 as well as investments in funds classified as alternative investments in Note 5(A). Such funds hold fixed income securities among other types of instruments.

To monitor the evolution of credit risk, PSPIB periodically produces a concentration report by credit rating of credit-sensitive securities. The concentration of credit risk by credit rating was as follows as at March 31:

Credit rating	2020 (%)	2019 (%)
AAA to AA	58.6	48.4
A	12.5	23.6
BBB	1.9	2.3
BB or below	26.4	25.1
No rating ¹	0.6	0.6
Total	100.0	100.0

1. Includes securities for public issuers and counterparties that are either not rated by credit rating agencies or rated by a single credit rating agency.

(I) Counterparty risk

Counterparty risk represents the credit risk from current and potential exposure related to transactions involving derivative contracts, securities lending and borrowing as well as securities repurchase and reverse repurchase agreements. In order to minimize counterparty risk, PSPIB requires that counterparties provide adequate collateral and meet its credit rating requirements. PSPIB frequently monitors the credit rating of its counterparties as determined by recognized



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

credit rating agencies. With respect to derivative contracts, PSPIB has the ability to terminate all trades with most counterparties whose credit rating is downgraded below its requirements.

For OTC derivatives, PSPIB's policy also requires the use of the International Swaps and Derivatives Association (ISDA) Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables PSPIB to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires PSPIB to contribute further collateral when requested. All collateral transactions under the CSA are in cash, high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. Counterparties are generally authorized to sell, repledge or otherwise use collateral held. Similarly, in the case of OTC-cleared derivatives, collateral is required in cash, high quality debt instruments or securities and can be sold, repledged or otherwise used. PSPIB does not sell, repledge or otherwise use any collateral held in the form of securities but does reinvest all cash collateral, with respect to derivative contracts.

With respect to transactions involving securities lending and borrowing agreements as well as securities repurchase and reverse repurchase agreements, collateral requirements are in place to mitigate counterparty risk. Notes 2(F) and 2(G) describe collateral requirements in securities lending and borrowing programs as well as securities repurchase and reverse repurchase agreements.

Information in connection with collateral pledged by PSPIB and its counterparties is disclosed in Note 5(D).

In the case of the securities lending program, PSPIB's exposure to counterparty risk is further mitigated as the custodian of the securities lent assumes the risk that a counterparty will be unable to meet its obligations associated with the collateral requirements.

PSPIB is responsible for counterparty risk monitoring and mitigation as well as maintaining a comprehensive, disciplined, and enterprise-wide process for tracking and managing counterparty risk. As such, PSPIB measures counterparty risk on an ongoing basis, evaluates and tracks the creditworthiness of current counterparties and mitigates counterparty risk through collateral management.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

(II) Offsetting

PSPIB is subject to ISDA Master Agreements in relation to its OTC derivative financial instruments as described. Such agreements contain close-out netting provisions applicable only in the case of default. In certain cases, such agreements also allow for offsetting. In cases where the conditions for offsetting were met, financial instruments have been presented net in the statement of financial position. Securities repurchase and reverse repurchase agreements, described in Notes 2(G) and 5(D) are subject to similar arrangements; however, they are not offset as the conditions for offsetting are not met.

The following tables present the financial assets and liabilities described above (\$ millions):

Financial assets

	Gross amount of recognized financial assets	Less: gross amount of recognized financial liabilities set off	Net amount of financial assets presented in the statement of financial position	Less: related amounts not set off in the statement of financial position		Net
				Recognized financial liabilities	Collateral held and not recognized	
As at March 31, 2020						
Reverse repurchase agreements	\$3,284	\$0	\$3,284 ¹	\$2,599	\$683	\$2
OTC-derivatives	1,916	31	1,885 ²	1,654	224	7
Total	\$5,200	\$31	\$5,169	\$4,253	\$907	\$9
As at March 31, 2019						
Reverse repurchase agreements	\$4,338	\$0	\$4,338 ¹	\$2,823	\$1,514	\$1
OTC-derivatives	999	4	995 ²	553	388	54
Total	\$5,337	\$4	\$5,333	\$3,376	\$1,902	\$55

1. As described in Note 5(A)(X).

2. As described in Note 5(B).



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

Financial liabilities

	Gross amount of recognized financial liabilities	Less: gross amount of recognized financial assets set off	Net amount of financial liabilities presented in the statement of financial position	Less: related amounts not set off in the statement of financial position		Net
				Recognized financial assets	Collateral pledged and not derecognized	
As at March 31, 2020						
Repurchase agreements	\$6,390	\$0	\$6,390 ¹	\$2,599	\$3,788	\$3
OTC-derivatives	3,249	31	3,218 ²	1,638	1,525	55
Collateral payable	33	0	33 ³	16	1	16
Total	\$9,672	\$31	\$9,641	\$4,253	\$5,314	\$74
As at March 31, 2019						
Repurchase agreements	\$4,089	\$0	\$4,089 ¹	\$2,823	\$1,265	\$1
OTC-derivatives	626	4	622 ²	549	68	5
Collateral payable	5	0	5 ³	4	0	1
Total	\$4,720	\$4	\$4,716	\$3,376	\$1,333	\$7

1. As described in Note 5(A)(X).

2. As described in Note 5(B).

3. As described in Note 5(A)(IX). The balance consists of cash collateral received with respect to certain OTC derivative transactions and is included in Note 5(A) as part of collateral payable.

(C) Liquidity risk

Liquidity risk corresponds to the risk that PSPIB will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources. PSPIB's cash position is monitored on a daily basis. In general, investments in cash, money market securities, floating rate notes, bonds and public equities are expected to be highly liquid as they will be invested in securities that are actively traded. PSPIB utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. A liquidity report taking into consideration future forecasted cash flows is prepared and presented to PSPIB's senior management on a weekly basis. This ensures that sufficient cash reserves are available to meet forecasted cash outflows. Additionally, sufficient sources of liquidity are maintained for deployment in case of market disruption such as that described in Note 24.



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

PSPIB has the ability to raise additional capital through the use of its capital market debt program. This program allows PSPIB to issue short-term promissory notes and medium-term notes. Note 9(B) provides additional information on the usage of the capital market debt program. Furthermore, PSPIB maintains credit facilities for general corporate purposes. Note 9(A) provides additional information with respect to such credit facilities.

The terms to maturity of the notional amount of derivatives are disclosed in Note 5(B).

Financial liabilities

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2020 (\$ millions) and excluding the impact of guarantees and indemnities disclosed in Note 22:

	Less than 3 months	3 to 12 months	Over 1 year	Total
Non-derivative-related financial liabilities¹				
Amounts payable from pending trades	\$(739)	\$0	\$0	\$(739)
Interest payable	(24)	(45)	0	(69)
Securities sold short	(2,829)	0	0	(2,829)
Collateral payable	(36)	0	(2,401)	(2,437)
Securities sold under repurchase agreements	(5,643)	(747)	0	(6,390)
Capital market debt financing	(2,630)	(2,658)	(6,209)	(11,497)
Trade payable and other liabilities	(93)	(94)	(134)	(321)
Total	\$(11,994)	\$(3,544)	\$(8,744)	\$(24,282)

	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative-related financial instruments				
Derivative-related assets	1,398	366	261	2,025
Derivative-related liabilities ¹	(1,987)	(1,057)	(254)	(3,298)
Total	\$(589)	\$(691)	\$7	\$(1,273)

1. Liabilities are presented in the earliest period in which the counterparty can request payment.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The following tables present the fair value of non-derivative-related financial liabilities as well as derivative-related financial instruments, aggregated according to their maturities as at March 31, 2019 (\$ millions) and excluding the impact of guarantees and indemnities disclosed in Note 22:

	Less than 3 months	3 to 12 months	Over 1 year	Total
Non-derivative-related financial liabilities¹				
Amounts payable from pending trades	\$(695)	\$0	\$0	\$(695)
Interest payable	(48)	(2)	0	(50)
Securities sold short	(4,577)	0	0	(4,577)
Collateral payable	(2,188)	0	0	(2,188)
Securities sold under repurchase agreements	(4,089)	0	0	(4,089)
Capital market debt financing	(3,441)	(1,545)	(5,274)	(10,260)
Trade payable and other liabilities	(52)	(89)	(91)	(232)
Total	\$(15,090)	\$(1,636)	\$(5,365)	\$(22,091)

	Less than 3 months	3 to 12 months	Over 1 year	Total
Derivative-related financial instruments				
Derivative-related assets	479	403	263	1,145
Derivative-related liabilities ¹	(171)	(254)	(274)	(699)
Total	\$308	\$149	\$(11)	\$446

1. Liabilities are presented in the earliest period in which the counterparty can request payment.



8. Contributions receivable

The contributions receivable as at March 31 are as follows (\$ millions):

	2020	2019
Contributions receivable from plan members for past service	\$481	\$476
Other contributions receivable from plan members	121	109
Total contributions receivable from plan members	\$602	\$585
Contributions receivable from employers for past service	\$403	\$400
Other contributions receivable from employers	123	109
Total contributions receivable from employers	\$526	\$509
Total contributions receivable	\$1,128	\$1,094

9. Borrowings

(A) Credit facilities

PSPIB maintains a revolving credit facility in the amount of \$2 billion and a demand line of credit in the amount of \$1 billion (together “the credit facilities”).

The credit facilities are for general corporate purposes and are available in either Canadian or US currencies. Subject to customary terms and conditions, these credit facilities are available at variable interest rates such as the prime rate and the US base rate.

These credit facilities were not drawn upon as at March 31, 2020, and March 31, 2019.

(B) Capital market debt financing

PSPIB’s capital market debt program consists of the private placement of short-term promissory notes as well as medium-term notes issued by PSP Capital Inc., a wholly owned subsidiary of PSPIB. The capital raised is primarily used to finance private market investments. It is unconditionally and irrevocably guaranteed by PSPIB in accordance with its corporate leverage policy.

The maximum amount authorized by PSPIB’s Board of Directors for the capital market debt program is 10% of the net investments plus all recourse debt outstanding of PSPIB at the time of commitment to issuance. Under this limit, the short-term promissory note component cannot exceed \$12 billion for issuances in Canada and the United States combined.

PSPIB’s capital market debt financing was in compliance with the limits authorized by PSPIB’s Board of Directors during the years ended March 31, 2020, and March 31, 2019.



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

The following outlines the terms as well as the fair value of the notes issued under the capital market debt program allocated to the pension plan as at March 31 (\$ millions):

	2020		2019	
	Capital amounts payable at maturity	Fair value	Capital amounts payable at maturity	Fair value
Short-term Canadian dollar promissory notes, bearing interest between 0.97% and 1.87% and maturing within 27 and 364 days of issuance (between 1.79% and 2.20%, maturing within 56 and 365 days as at March 31, 2019)	\$236	\$236	\$474	\$471
Short-term US dollar promissory notes, bearing interest between 0.03% and 2.02% and maturing within 7 and 366 days of issuance (between 2.45% and 2.84% and maturing within 21 and 365 days as at March 31, 2019)	4,326	4,315	4,540	4,515
Medium-term notes Series 5, bearing interest of 3.03% per annum and maturing on October 22, 2020	727	737	688	702
Medium-term notes Series 7, bearing interest of 3.29% per annum and maturing on April 4, 2024	1,024	1,099	685	724
Medium-term notes Series 8, bearing interest of 1.34% per annum and maturing on August 18, 2021	859	866	908	900
Medium-term notes Series 9, bearing interest of 2.09% per annum and maturing on November 22, 2023	1,078	1,109	727	729
Medium-term notes Series 10, bearing interest of 1.73% per annum and maturing on June 21, 2022	1,214	1,234	1,272	1,265
Medium-term notes Series 11, bearing interest of 3.00% per annum and maturing on November 5, 2025	909	979	908	954
Medium-term notes Series 12, bearing interest of 2.05% per annum and maturing on January 15, 2030	909	922	0	0
Total	\$11,282	\$11,497	\$10,202	\$10,260

Unrealized losses in connection with borrowings amounted to \$372 million for the year ended March 31, 2020 (unrealized losses of \$137 million for the year ended March 31, 2019).



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

Interest expense, for the years ended March 31, was as follows (\$ millions):

	2020	2019
Short-term promissory notes	\$108	\$109
Medium-term notes	137	104
Total	\$245	\$213

(C) Reconciliation of liabilities arising from financing activities

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2020 (\$ millions):

	Opening balance	Proceeds from borrowings	Repayment of borrowings	Non-cash changes		Closing balance
				Foreign exchange losses	Fair value ¹ losses	
Capital market debt financing	\$10,260	\$19,202	\$(18,336)	\$260	\$111	\$11,497
Borrowings	\$10,260	\$19,202	\$(18,336)	\$260	\$111	\$11,497

1. Includes interest on short-term promissory notes, which added to cost approximates their fair value.

The following provides a reconciliation of liabilities arising from financing activities, including both changes arising from cash and non-cash changes for the year ended March 31, 2019 (\$ millions):

	Opening balance	Proceeds from borrowings	Repayment of borrowings	Non-cash changes		Closing balance
				Foreign exchange losses	Fair value ¹ losses	
Capital market debt financing	\$8,849	\$24,490	\$(23,225)	\$17	\$129	\$10,260
Borrowings	\$8,849	\$24,490	\$(23,225)	\$17	\$129	\$10,260

1. Includes interest on short-term promissory notes, which added to cost approximates their fair value.



10. Related party transactions

(A) Certain investees

Transactions between PSPIB and its unconsolidated subsidiaries, jointly controlled investees and associates or subsidiaries of such entities are related party transactions. PSPIB enters into investment transactions with such related parties in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 5(A) as well as guarantees, indemnities and commitments described under Notes 22 and 23, respectively. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets available for benefits as those with unrelated parties.

Transactions between PSPIB and its consolidated subsidiaries as well as related balances are eliminated upon consolidation and, therefore, are not disclosed in this note.

(B) Government-related entities

Since PSPIB is a Crown corporation, it is considered to be a government-related entity. Other entities that are controlled, jointly controlled or significantly influenced by the government are also considered government-related entities.

PSPIB may enter into investment transactions with government-related entities in the normal course of its business, more specifically, as part of private markets and certain fixed income investments described under Note 5(A). Such investment transactions are carried out on terms that are equivalent to those that may prevail in transactions with unrelated parties and are subject to the same internal processes. In this respect, transactions with such related parties have the same impact on the net assets available for benefits as those with unrelated parties.

Consequently, management is availing itself of the exemption under IAS 24 Related Parties from making specific disclosures on transactions and balances with such government-related entities.

11. Capital management

PSPIB manages the pension plan's investments. PSPIB's investment objectives are:

- ▶ To invest fund transfers in the best interests of the beneficiaries and contributors under the PSSA. The funds received are invested with a view of achieving a maximum rate of return, without undue risk of loss, having regard to the funding, policies and requirements of the pension plan established under the PSSA and the ability of the pension plan to meet its financial obligations. The funds are also invested in accordance with PSPIB's Investment Risk Management policy which is outlined in Note 7.
- ▶ To maintain an appropriate credit rating to achieve access to the capital markets at the lowest cost of capital. Through PSP Capital Inc. and its leverage policies, PSPIB has the ability to raise capital by issuing short-term promissory notes and medium-term notes. Note 9(B)



provides information on the capital market debt financing and Note 7(C) provides information on PSPIB's liquidity.

The pension plan's capital consists of the actuarial funding surplus or deficit determined regularly by the actuarial funding valuation prepared by the OCA. The purpose of this actuarial valuation is to determine the financial position of the pension plan by testing its ability to meet obligations to current plan members and their survivors. Using various assumptions, the OCA projects the future pension benefits to estimate the current value of the pension obligations on a funding basis, which is compared with the sum of: the investment assets held by PSPIB (net of investment-related liabilities and borrowings), including their projected earnings; and the discounted value of future plan member and government contributions, including future earnings on contributions. The result of this comparison is either an actuarial surplus or an actuarial deficit.

It is government policy that the obligations pertaining to service before April 1, 2000, are unfunded and are paid as they become due. For the obligations pertaining to service since April 1, 2000, the objective of managing the capital position of the pension plan is to ensure that the investments held by PSPIB are sufficient to meet the related future pension obligations.

12. Pension obligations

The OCA performs an actuarial valuation for accounting purposes as at March 31 of each fiscal year to measure and report the pension obligations, and to attribute the costs of the benefits to the period using the projected benefit method prorated on service. The actuarial valuation is based on the most recent triennial actuarial valuation for funding purposes in regard to the majority of the demographic assumptions. The other assumptions underlying the valuation are based on management's best estimates of expected long-term experience and short-term forecasts. The assumptions include estimates of discount rates, future inflation, returns on investments, general wage increases, workforce composition, retirement rates and mortality rates.

The discount rates used to measure the present value of the pension obligations are as follows:

- ▶ for funded pension benefits, the streamed expected rates of return on invested funds; and
- ▶ for unfunded pension benefits, the government's cost of borrowing derived from the yields on the actual zero-coupon yield curve for Government of Canada bonds which reflect the timing of the expected future cash flows.

Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The principal actuarial assumptions used in measuring the pension obligations were as follows as at March 31:

	2020 (%)	2019 (%)
Discount rates		
Funded pension benefits ¹	5.6	5.8
Unfunded pension benefits ²	1.2	1.8
Long-term rate of inflation	2.0	2.0
Long-term general wage increase	2.6	2.6

1. For funded pension benefits, the streamed discount rates used to measure the pension obligations are equivalent to the flat discount rates presented in the table. The ultimate discount rate is expected to reach 5.9% by 2035 (6.0% by 2030 in 2019).
2. For unfunded pension benefits, the discount rates disclosed in the table reflect the equivalent flat discount rate.

For the year ended March 31, 2020, the pension plan recorded net losses of \$13.92 billion (\$6.3 billion in 2019) related to losses due to changes in actuarial assumptions of \$12.96 billion (\$5.9 billion in 2019) and experience losses of \$0.96 billion (\$0.4 billion in 2019).

Curtailments

In 2020, there were no significant pension plan curtailments. In 2019, former employees of Atomic Energy of Canada Limited working at Canadian Nuclear Laboratories ceased active participation in the pension plan. The impact of this curtailment resulted in a one-time past service cost reduction of \$118 million, reducing the pension obligations for the funded and unfunded portions of the pension plan.

13. Deficit to be financed by the Government of Canada

The financial statement deficit does not impact the benefit payments to plan members because the government has a statutory obligation to pay the pension benefits it sponsors. Pursuant to pension legislation, the transactions for funded and unfunded pension benefits are tracked in the pension accounts in the accounts of Canada.

(A) Funded pension benefits

The pension plan is financed from employee and employer contributions, as well as from investment earnings. Funded pension benefits relate to post-March 2000 service that falls within the *Income Tax Act* limits, as an amount equal to contributions less benefit payments and other charges is invested by PSPIB. Funded pension benefits also include pre-2000 service purchased since April 1, 2000.



(B) Unfunded pension benefits

Unfunded pension benefits related to pre-April 2000 service are tracked in the pension plan superannuation account since no separate invested funds are maintained for this account (see Note 20). Employee and employer contributions for unfunded pension benefits are part of the CRF.

14. Investment income

The investment income of the pension plan is presented for each major class of financial assets and liabilities and is comprised of two categories: interest and dividends, and net unrealized and realized gains (losses). This presentation reflects the substance of the investment income generated by the underlying investments, whether directly held by PSPIB or by its investment entity subsidiaries.

The investment income of the pension plan is comprised of the following for the years ended March 31 (\$ millions):

	2020			2019		
	Interest and dividends	Change in fair value ¹	Total investment income	Interest and dividends	Change in fair value ¹	Total investment income
Public markets	\$725	\$(3,223) ²	\$(2,498)	\$769	\$(197) ²	\$572
Private markets						
Real estate	487	(1,004) ²	(517)	533	822 ²	1,355
Private equity	133	515 ²	648	358	1,668 ²	2,026
Infrastructure	485	687 ²	1,172	416	482 ²	898
Natural resources	134	(281) ²	(147)	168	311 ²	479
Fixed income	1,647	1,741²	3,388	1,594	1,070²	2,664
Alternative investments	4	300	304	6	384	390
Total before giving effect to investment-related assets and liabilities	\$3,615	\$(1,265)	\$2,350	\$3,844	\$4,540	\$8,384
Investment-related assets and liabilities	44	(1,872)	(1,828)	\$17	\$831	\$848
Capital market debt financing	0	(424)	(424)	\$0	\$(273)	\$(273)
Investment income	\$3,659	\$(3,561)	\$98	\$3,861	\$5,098	\$8,959

1. Change in fair value includes realized and unrealized gains (losses) as described in Note 2(J).
2. As described in Note 18, investment-related expenses of \$44 million were recovered by PSPIB's investment entity subsidiaries for the year ended March 31, 2020 (\$101 million was incurred for the year ended March 31, 2019). They are presented as part of investment-related expenses in accordance with Section 4600, while they are presented as part of investment income in PSPIB's financial statements prepared under IFRS.

15. Contributions

The contributions related to funded benefits for the years ended March 31 are as follows (\$ millions):

	2020	2019
From plan members		
Current service contributions	\$2,441	\$2,397
Past service contributions	233	332
Total plan member contributions	\$2,674	\$2,729
From employers		
Current service contributions	\$2,450	\$2,414
Past service contributions	145	254
Total employer contributions	\$2,595	\$2,668
Total plan member and employer contributions	\$5,269	\$5,397

16. Actuarial adjustment

The PSSA requires that any actuarial deficit be dealt with by transferring equal instalments to the pension fund over a period of up to 15 years, commencing in the year in which the actuarial report is tabled in Parliament.

No actuarial adjustment payment was made to the pension fund in the fiscal year ended March 31, 2020 (no actuarial adjustment payment in 2019) based on the triennial actuarial valuation of the pension plan as at March 31, 2017, that was tabled in Parliament on November 2, 2018. The next triennial actuarial valuation of the pension plan as at March 31, 2020, is expected to be tabled in Parliament in 2021.

17. Benefit payments and refunds and transfers

(A) Benefit payments

The value of benefit payments for funded benefits, for the years ended March 31, is as follows (\$ millions):

	2020	2019
Retirement benefit payments	\$2,317	\$2,063
Disability benefit pension payments	212	192
Death benefit payments ¹	18	19
Total benefit payments	\$2,547	\$2,274

1. Consist of minimum benefit payments and return of contribution payments at death.



(B) Refunds and transfers

The value of refunds and transfers for funded benefits, for the years ended March 31, is as follows (\$ millions):

	2020	2019
Payments with respect to division of pension benefits	\$39	\$42
Returns of contributions and transfer value payments	407	304
Transfers to other pension plans	48	42
Total refunds and transfers	\$494	\$388

18. Investment-related expenses

Investment-related expenses allocated to the pension plan are comprised of the following for the years ended March 31 (\$ millions):

	2020	2019
Interest expense	\$307	\$244
Transaction costs	124	93
External investment management fees ¹	37	20
Other (net) ²	0	164
Total	\$468	\$521

1. Consists of amounts incurred for investments in public markets that are paid directly by PSPIB. Other fees are paid by certain pooled fund investments classified under alternative investments which amounted to \$63 million for the year ended March 31, 2020 (\$172 million for the year ended March 31, 2019). Such fees are embedded in the fair value of the funds. Similarly, management fees related to investments in private markets and private debt securities are not paid directly by PSPIB. Such fees, which generally vary between 0.1% and 2.5% of the total invested and/or committed amount, totalled \$301 million for the year ended March 31, 2020 (\$240 million for the year ended March 31, 2019). Such fees are embedded in the fair value of investments.
2. Investment-related expenses of \$44 million were recovered by PSPIB's investment entity subsidiaries for the year ended March 31, 2020 (\$101 million was incurred for the year ended March 31, 2019). They are presented as part of investment-related expenses in accordance with Section 4600, while they are presented as part of investment income in PSPIB's financial statements prepared under IFRS.

19. Administrative expenses

The legislation provides for administrative expenses to be charged to the pension plan. The Treasury Board approves the administrative expenses chargeable to the pension plan.

PSPC, as the day-to-day administrator, recovers from the pension plan administrative expenses for the activities directly attributable to its administration. These costs include salaries and benefits, systems maintenance and development, accommodation, and other operating costs of administering the pension plan within the department.

Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

The Secretariat, as the program manager of the pension plan, provides policy interpretation support, information to plan members, financing and funding services and support to the Pension Advisory Committee, and charges its administrative costs to the pension plan.

Health Canada is reimbursed for the costs related to medical examinations required for members that elect to purchase prior service and for members who retire on medical grounds under the pension plan. These costs are included in the Secretariat's operations and maintenance costs charged to the pension plan.

The OCA provides actuarial valuation services. The costs related to these services are charged to the pension plan.

PSPIB's costs of operation are charged to the four plans for which PSPIB provides investment services, namely, the public service pension plan, the Canadian Forces pension plan, the Reserve Force pension plan and the Royal Canadian Mounted Police pension plan. PSPIB allocates the direct costs of investment activities, such as external investment management fees and custodial fees that are included in each pension plan's administrative expenses, based upon the net investments of each pension plan at the time the expense was incurred.

In 2020, 72.7% of PSPIB's costs of operation were allocated to the public service pension plan (72.6% in 2019) as plan-related administrative expenses, such as salaries and employee benefits, operations and maintenance, professional and consulting fees, and other operating fees.

Administrative expenses, for the years ended March 31, consist of the following (\$ millions):

	2020	2019
PSPC		
Salaries and employee benefits	\$65	\$61
Professional and consulting fees	15	13
Operations and maintenance	10	11
Other	7	6
Total	\$97	\$91
The Secretariat		
Salaries and employee benefits	\$4	\$4
Operations and maintenance	2	2
Total	\$6	\$6
OCA		
Actuarial fees	\$0	\$1
Total for government departments (included in the service cost)	\$103	\$98
PSPIB		
Salaries and employee benefits	\$231	\$211
Operations and maintenance	73	74
Professional and consulting fees	64	56



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

Other	25	27
Total	\$393	\$368
Total administrative expenses¹	\$496	\$466

1. Administrative expenses related to the funded service for 2020 totalled \$449 million (\$420 million in 2019).

20. Superannuation account

A separate superannuation account has been established in the accounts of Canada in accordance with the PSSA and is not consolidated in the pension plan financial statements. In order for the government to track transactions made through the CRF, the superannuation account records contributions, benefit payments, interest and transfers that pertain to service before April 1, 2000. The superannuation account does not contain separate invested funds; rather, it is credited with notional interest as though net cash flows were invested quarterly in 20-year Government of Canada bonds issued at prescribed rates and held to maturity.

The following summarizes the financial position of the superannuation account and contributions receivable for service before April 1, 2000, as at March 31 (\$ millions):

	2020	2019
Balance of account		
Superannuation account	\$91,516	\$93,700
Contributions receivable from plan members for past service	12	16
Contributions receivable from employers for past service	10	14
Subtotal	\$91,538	\$93,730
Pension obligation ¹	\$123,152	\$117,159
Shortfall of the balance of the account over the pension obligation	\$(31,614)	\$(23,429)

1. The pension obligation is consolidated in the pension plan's financial statements. The actuarial assumptions used to measure the pension obligation related to the superannuation account are included in Note 12.

The PSSA requires that any actuarial shortfall resulting from a lower balance in the superannuation account than the actuarial liability, based on the actuarial valuation for funding purposes, be addressed by increasing the superannuation account in equal instalments over a period of up to 15 years.

The PSSA also allows the surplus, based on the actuarial valuation for funding purposes, to be reduced by decreasing the superannuation account over a period of up to 15 years; however, if the balance of the superannuation account exceeds 110% of the amount required to meet the cost of the benefits payable, the surplus amount must be reduced by decreasing the superannuation account annually over a period of up to 15 years.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

For the year ended March 31, 2020, no adjustment was made to the superannuation account (an adjustment of \$3,107 million in 2019) to cover actuarial deficiencies.

The following summarizes the transactions in the superannuation account for unfunded pension benefits for the years ended March 31 (\$ millions):

	2020	2019
Opening balance	\$93,700	\$92,536
Increase		
Contributions by plan members	\$4	\$6
Contributions by employers	3	5
Actuarial adjustment	0	3,107
Interest income	3,411	3,593
Transfers from other pension plans	0	1
Total increase	\$3,418	\$6,712
Decrease		
Benefits paid	\$5,526	\$5,471
Refunds and transfers	29	31
Administrative expenses	47	46
Total decrease	\$5,602	\$5,548
Closing balance	\$91,516	\$93,700

21. Retirement compensation arrangements

Retirement compensation arrangements (RCAs) have been established under the authority of the *Special Retirement Arrangements Act* to provide supplementary pension benefits to certain plan members. Since these arrangements are covered by separate legislation, the balance of the RCAs and the related pension obligations are not consolidated in the financial statements of the pension plan.

RCA No. 1 provides for benefits in excess of those permitted under the *Income Tax Act* restrictions for registered pension plans.

RCA No. 2 provides pension benefits to federal public service employees who were declared surplus as a result of a 3-year Early Retirement Incentive program that ended on March 31, 1998. The cost of RCA No. 2 is assumed entirely by the government.

Pursuant to the legislation, transactions pertaining to both RCA No. 1 and RCA No. 2, such as contributions, benefits, and interest credits, are recorded in the RCA accounts, which are maintained in the accounts of Canada. The legislation also requires that the RCA accounts be credited with interest quarterly at the same rates as those credited to the superannuation account.



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

The RCAs are registered with the Canada Revenue Agency (CRA), and a transfer is made annually between the RCA accounts and the CRA either to remit a 50% refundable tax in respect of the net increase in the accounts (contributions and interest credits less payments and other charges) or to receive a 50% tax reimbursement in respect of the net decrease in the accounts (payments and other charges less contributions and interest credits).

The following summarizes the financial position of RCA No. 1 and RCA No. 2 as at March 31 (\$ millions):

	2020	2019
Balance of the accounts		
RCA accounts	\$1,943	\$1,925
Refundable tax receivable	1,941	1,937
Contributions receivable from plan members for past service	1	1
Contributions receivable from employers for past service	1	1
Subtotal	\$3,886	\$3,864
Pension obligations	\$4,415	\$3,833
Excess (Shortfall) of the balance of the accounts over the pension obligations	\$(529)	\$31

The actuarial assumptions used to value the pension obligations pertaining to the RCA accounts are consistent in all respects with those used for the superannuation account.

The following summarizes the transactions in RCA No. 1 and RCA No. 2 for the years ended March 31 (\$ millions):

	2020	2019
Opening balance	\$3,864	\$3,869
Increase		
Contributions by plan members	\$21	\$14
Contributions by employers	75	41
Interest income	71	75
Net change in contributions receivable for past service	0	1
Increase in refundable tax receivable	4	(1)
Total increase	\$171	\$130
Decrease		
Benefits paid	\$142	\$134
Refunds and transfers	3	2



Notes to the financial statements
For the fiscal year ended March 31, 2020 (Canadian \$)

	2020	2019
Refundable tax remittance	4	(1)
Total decrease	\$149	\$135
Closing balance	\$3,886	\$3,864

Actuarial shortfalls found between the balance in the RCA accounts and the actuarial liabilities are credited to the RCA accounts in equal instalments over a period of up to 15 years.

Adjustments to fund deficiencies are based on triennial actuarial valuations. For the year ended March 31, 2020, no adjustment was made to RCA No. 1 (no adjustment in 2019), and no adjustment was made to RCA No. 2 (no adjustment in 2019) to cover actuarial deficiencies.

22. Guarantees and indemnities

PSPIB provides indemnification to its directors, its officers, its vice-presidents and to certain PSPIB representatives who are asked to serve on boards of directors (or like bodies) or investment advisory boards (or like bodies) of entities in which PSPIB or its investment entity subsidiaries have made an investment or have a financial interest. As a result, but subject to the *Public Sector Pension Investment Board Act*, PSPIB may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, PSPIB has not received any claims or made any payment for such indemnities.

In certain cases, PSPIB also provides indemnification to third parties in the normal course of business. As a result, PSPIB may be required to indemnify such third parties in connection with the performance of their contractual obligations. To date, PSPIB has not received any claims nor made any payments for such indemnities.

PSPIB unconditionally and irrevocably guarantees all credit facilities, as well as short-term promissory notes and medium-term notes issued by PSP Capital Inc., as described in Note 9.

In certain investment transactions, PSPIB and its investment entity subsidiaries provided guarantees, indemnifications or issued letters of credit to third parties, the most significant of which are as follows:

- ▶ As at March 31, 2020, and March 31, 2019, PSPIB and its investment entity subsidiaries agreed to guarantee and, in some cases, provide indemnification for the performance of certain investees under contractual agreements. The majority of these agreements are borrowing arrangements. In the event a default occurs under such agreements, which is of limited recourse in certain cases, PSPIB or its investment entity subsidiaries could assume obligations of up to \$2,802 million as at March 31, 2020 (\$2,602 million as at March 31, 2019), of which \$2,038 million has been allocated to the pension plan



Notes to the financial statements

For the fiscal year ended March 31, 2020 (Canadian \$)

(\$1,891 million as at March 31, 2019) plus applicable interest and other related costs. The arrangements mature between April 2020 and November 2029 as of March 31, 2020 (between July 2019 and November 2029 as of March 31, 2019).

- ▶ Additionally, PSPIB and its investment entity subsidiaries issued letters of credit totalling \$89 million as at March 31, 2020 (\$54 million as at March 31, 2019), of which \$65 million has been allocated to the pension plan (\$39 million as at March 31, 2019) in relation to investment transactions.

23. Commitments

PSPIB and its investment entity subsidiaries have committed to enter into investment transactions, which will be funded over the next several years in accordance with agreed terms and conditions. The portion of PSPIB's commitments that would be assumed by the pension plan is as follows as at March 31 (\$ millions):

	2020	2019
Real estate	\$2,566	\$1,774
Private equity	9,472	7,482
Infrastructure	2,146	1,943
Natural resources	193	304
Private debt securities	2,765	3,009
Alternative investments	1,230	1,507
Total	\$18,372	\$16,019

Funding in connection with the above commitments can be called upon at various dates extending until 2035 as at March 31, 2020 (until 2035 as at March 31, 2019).



24. Subsequent events

COVID-19 pandemic

In March 2020, the World Health Organization classified the outbreak of COVID-19 disease as a global pandemic.

The COVID-19 pandemic led to additional measurement uncertainty in the preparation of the financial statements of the pension plan given the declining economic situation that prevailed at and after year-end. The measurement of pension obligations and the investments held by PSPIB as at March 31, 2020, as well as the return on investments for the year, reflect the impacts resulting from the COVID-19 pandemic to the extent known at the reporting date.

The COVID-19 pandemic is expected to continue to have significant impacts on domestic and international equity markets and fixed income yields for the near term. Management continues to monitor developments in equity and fixed income markets generally and specifically in connection with PSPIB's portfolio.

The full potential impact of the COVID-19 pandemic on the pension plan's future financial statements is unknown at this time, as it will depend on future developments that are uncertain and which may significantly impact the fair value of PSPIB's portfolio and the actuarial assumptions used to measure pension obligations.



Endnotes

- i. *Retirement Compensation Arrangements Regulations, No. 1*, <https://laws-lois.justice.gc.ca/eng/regulations/SOR-94-785/page-1.html>
- ii. *Retirement Compensation Arrangements Regulations, No. 2*, <https://laws-lois.justice.gc.ca/eng/regulations/SOR-95-169/index.html>
- iii. *Special Retirement Arrangements Act*, <https://laws-lois.justice.gc.ca/eng/acts/S-15.2/index.html>

