FORGING FORWARD **TOGETHER**

Provident[1]O REST ASSURED

ANNUAL REPORT **2019**

1,985
NEW PLAN MEMBERS IN 2019

921
NEW
PENSIONERS

GENDER PROFILE
ACTIVE MEMBERS

FEMALE 68%
MALE 32%

1.3
ACTIVE MEMBERS FOR ONE RETIREE

15.7%
NET INVESTMENT RETURN IN 2019

$59,294
AVERAGE PENSIONABLE EARNINGS OF ACTIVE MEMBERS

27,329
ACTIVE MEMBERS

6,942
INACTIVE MEMBERS

21,570
PENSIONERS

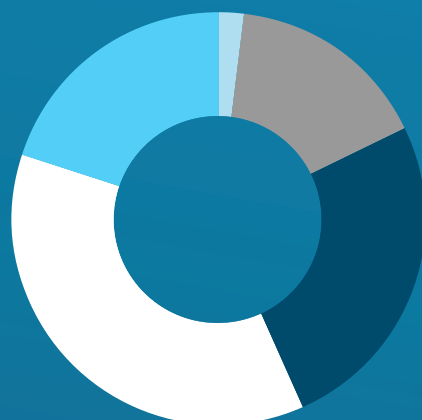
4 PENSIONERS
OVER 100 YEARS OLD

40
PARTICIPATING EMPLOYERS

$22,777
AVERAGE ANNUAL LIFETIME PENSION

102%
FUNDED RATIO

$10 BILLION
NET ASSETS AVAILABLE FOR BENEFITS



ACTIVE MEMBERS BY AGE

<25	2%
25–34	17%
35–44	26%
45–54	35%
>55	20%

AVERAGE AGE AT RETIREMENT
60

AVERAGE AGE OF PENSIONER
69

AVERAGE YEARS OF SERVICE AT RETIREMENT
25

AVERAGE AGE OF ACTIVE MEMBER
46

CONTRIBUTIONS VS PENSIONS PAID

$366 MILLION vs **$452 MILLION**

TABLE OF CONTENTS

LETTER FROM THE CEO

I'm pleased to share the impressive progress we made in 2019.

The implementation of our first Strategic Plan in 2018 set our course for the next three years. Our five strategic directions – to Enrich the Member Experience; to Attract, Develop, and Retain Talent; to Establish and Promote the Provident^{10} Brand; to Create a Scalable Organization; and to Build a Sustainable Pension Fund – have shaped our annual priorities and will continue to do so into 2020.

In 2019, we continued to meet our established service standards, improve system security and engagement with stakeholders, and started our internal control framework. We ensured our 2019 activities focused on supporting and moving these strategic directions forward.

This focus has resulted in real, positive progress in improving member service and building a solid, sustainable pension plan for our plan members and sponsors.

As we forged forward with a strong strategic direction, we also welcomed the appointment of Michel Malo, Chief Investment Officer to our team in 2019. Michel joined Provident^{10} in September after a national search, prompted by the departure of Natasha Trainor, our previous Chief Investment Officer. Natasha will be missed, and we wish her all the best.

I want to express my thanks to the Provident^{10} team for a successful 2019. I am proud of our accomplishments in the last year and your commitment to serving our members.

As we reflect on this past year, we also look to 2020. We are in the midst of an unprecedented time, both provincially and globally, that has required agility and teamwork to weather. I would like to acknowledge and thank our team for their ability to adapt and maintain member service in these uncertain and challenging times.

Chuck Bruce

CEO

LETTER FROM THE CHAIR AND VICE CHAIR OF THE BOARD

We are pleased to present to you the 2019 Provident^{10} Annual Report for the fiscal year ended December 31, 2019. It provides details on the financial health of the Public Service Pension Plan, and information about investment performance and Provident^{10}'s progress in achieving their corporate objectives.

The Public Service Pension Plan is governed by a joint governance structure. This framework ensures Plan Sponsors are equally represented and is a partnership between the Government of Newfoundland and Labrador and the representative unions.

It was another busy year for the Board. We worked with the Sponsor Body to approve the asset liability modelling study, and implementation has begun. Although full implementation by the Provident^{10} Investment Team will take time, we made great strides in 2019 moving toward the new strategic asset mix established by the asset liability modelling study.

We are proud of the efforts the entire team made as they continued to move our strategic initiatives forward. Provident^{10} continues to invest resources to enrich the member experience, improve information security, and build a sustainable pension plan. We can see the positive outcomes of these investments and look forward to continued success in the third year of our 2018-2020 Strategic Plan.

We are pleased to report that after an unpredictable 2018, the Public Service Pension Plan Fund exceeded the 6% policy benchmark in 2019, earning a rate of return of 15.68%. The Fund ended the year with a funded ratio of 102%.

Our Board of Directors experienced changes in membership in 2019. Last year, we welcomed Jennifer Dove, Donna Brewer, and Robert Cashin to the Board. Jennifer, Donna, and Robert have valuable knowledge and expertise to contribute to our organization and we are happy to have them aboard. We also said good-bye to Pamela Toope and Fred Murphy. Their contributions played a significant role in our success, for which we owe them many thanks.

Finally, we extend our thanks and appreciation to the Board and the Provident^{10} team for their support, dedication, and hard work throughout 2019. With their continued commitment, together we are building a solid, sustainable pension plan.

Bert Blundon
VICE CHAIR OF THE BOARD

Loyola Sullivan
CHAIR OF THE BOARD

SECTION
ONE

YEAR IN REVIEW

OUR PROGRESS

Working from a strong foundation laid in 2018, we made great strides moving our strategic initiatives forward in 2019. Here are the highlights:

- Completed year two of our 2018–2020 Strategic Plan
- Met our established service standards
- Introduced member surveys
- Continued improving system security
- Implemented the asset liability modelling study
- Started our Internal Control Framework
- Guided plan members through the transition period
- Continued working towards pensioner payroll transition
- Improved engagement with participating employers

ENRICHING THE MEMBER EXPERIENCE

OUR COMMITMENT TO OUR PLAN MEMBERS REMAINS A TOP PRIORITY FOR US. IN 2019, WE EXPANDED OUR EFFORTS TO ENRICH THE MEMBER EXPERIENCE BY COMMITTING TO AND MEETING ESTABLISHED SERVICE STANDARDS, RESOLVING OUTSTANDING TRANSACTIONS, AND INTRODUCING VEHICLES FOR PLAN MEMBER FEEDBACK.

SERVICE STANDARDS

Our service standards are goals we set with our Pension Administration team to help us measure plan member service. We strive to uphold the following service standards:

PROCESS	TARGET	ACHIEVEMENT
Respond to pension, termination, and refund requests	90% within 30 days	90%
Process plan member termination options	90% within 30 days	95%
Process survivor benefits	95% within 30 days	97%
Process purchase of service requests	90% within 90 days	78%
Phone answer rate	90%	91%
Phone responses	95% within two business days	87%
Written responses	95% within five business days	94%

These service standards keep us on track in responding to plan member enquiries as quickly as we can, while still ensuring plan members receive the quality of service and information they need.

In addition to working towards meeting our service standards, we have also been working diligently to resolve outstanding transactions. We resolved $44 million in outstanding transactions in 2019, including Government Money Purchase Plan (GMPP) transfers, purchase of service requests, reciprocal transfers, plan-to-plan transfers, and portability transfers. We are very pleased to report that by December 31, 2019, all outstanding legacy transactions were resolved.

Resolving these transactions was a top priority for us in 2019 and required the effort of our entire Pension Administration team. We look forward to fully dedicating ourselves to new requests in 2020.

MEMBER EXPERIENCE SURVEYS

We introduced two new tools to measure plan member experiences in 2019: (1) Members Matter online panel and (2) member experience surveys.

Members Matter is our online member panel. This panel was used to engage with active plan members, deferred plan members, and pensioners to provide feedback on matters relating to the Public Service Pension Plan (PSPP), Provident[10], and communications.

We also implemented telephony member experience surveys in January 2019. Plan members are asked to stay on the line following a call to complete a short three question survey on their experience and the service they received. In our first year using these telephone surveys, we have experienced excellent plan member feedback. We are excited to learn more from the telephone surveys so that we can keep improving our service.

TRANSITION PERIOD

When pension reform was introduced in 2014 and pension eligibility rules changed, part of the Pension Reform Agreement was a five-year transition period to allow for qualifying plan members to still retire under the pre-reform rules. The transition period began on January 1, 2015 and ended December 31, 2019.

We recognized that 2019 was an important year for Provident10 and for many of our plan members. We wanted to ensure that we provided plan members with the information they needed to make the right decisions for their pension and their retirement. Early in the year, we engaged with participating employers and unions to understand how we could work together to communicate with plan members. This engagement informed our communication plan.

In addition to our direct communication with plan members most likely to be affected by the transition period, we worked with participating employers and unions throughout the year, providing information and resources like webinars, posters, and a brochure that they could share with plan members to help answer questions and provide guidance on decisions related to pension reform.

The end of the transition period is a big milestone in the path laid out by pension reform. We are excited to have reached this milestone and look forward to moving forward with plan members post-transition.

EMPLOYER ENGAGEMENT

Our participating employers play a crucial role in connecting us with plan members. We work together to provide plan members with a great member experience, and continually work to keep participating employers informed about issues that impact plan members.

Through surveys, webinars, dedicated resources, retirement seminars, and emails, we engaged with employers regularly. In 2019, our engagement efforts were primarily focused on the end of the transition period and how we could help participating employers and plan members navigate the changes. We shared information with participating employers about process updates, backlog resolution, and the 2018 Annual Report. We also participated in 31 retirement sessions across the province, supporting eight employers, in five communities, and reaching 1,500 plan members. These are full-day sessions targeted at plan members who are planning to retire in the next two to three years. They help attendees plan for all aspects of their upcoming retirement, including how to read their pension statements and how to apply for retirement benefits.

SECURITY IMPROVEMENT PROGRAM

In 2019, cyber threats grew not only in volume, but also complexity. Organizations worldwide must respond and protect their data from hacking, malware, and phishing attacks now more than ever. As custodians of our plan members' personal and private information, Provident10 is ever mindful of our responsibility to ensure the safekeeping of our members' information.

Central to our information security platform is our Security Improvement Program (SIP). In 2019, we successfully completed year two of the three-year SIP, which included additional training and education for our staff, implementation of advanced network tools, and the introduction of internal phishing campaigns. The internal phishing campaigns mimicked current threats and were designed to test both our ability to identify malicious email, and then to follow security protocols. The results of these campaigns indicate that Provident10 staff are keenly aware of email threats, actively identify threats, and follow the appropriate security protocols.

PENSIONER PAYROLL

Since the beginning of this project, we committed to transferring our members' payroll provider in phases to ensure a smooth transition and minimal disruption. This phased approach has been underway since 2018. In 2019, we continued to work with the Government of Newfoundland and Labrador (Government) on planning the transition of our remaining pensioners to our new pension payroll provider. We expect to complete the transition in 2020. We look forward to completing the transition so all our plan members can be serviced by the same pension payroll provider and experience the expertise of a leader in pension payment services in Canada.

COMMUNITY INVOLVEMENT

Community is important to us at Provident10. In 2019, we gave back by hosting food drives for the Community Food Sharing Association and participating in the Terry Fox Run.

INTERNAL CONTROL FRAMEWORK

During 2019, we formally implemented an Internal Control Framework (ICF) for financial reporting and compliance. The ICF is the natural evolution of the internal control processes and policies established since Plan administration transitioned from Government to Provident10 in April 2017. An ICF is a robust program that enables organizations to manage and monitor the design and operating effectiveness of its system of internal controls. The ICF will further strengthen our ability to ensure the risks related to the stewardship of the Plan and its resources are adequately managed through effective internal controls. These activities support and augment the Board of Director's oversight role. A robust ICF program typically ensures:

- Proper and timely maintenance, monitoring, and evaluation of internal controls;
- Timely response and corrective actions when issues are identified; and
- A highly-effective, risk-based system of internal controls.

The ICF is integral in the progression of Provident10's Enterprise-wide Risk Management Framework (ERM) as the results of the ICF aid in informing the risk exposure and risk assessment of the ERM. While we focused on ICF for financial reporting and compliance internal controls in 2019, the ICF will continue to be implemented across all other non-financial operations and systems. As our Internal Control and Risk Management programs mature, ultimately, we aim to conform to the requirements of the Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission, known as COSO.

We are also developing our Internal Audit function, which will further strengthen our ability to monitor the effectiveness of our internal controls across our organization and identify opportunities for improvement. Leveraging the results of the ERM and ICF activities, Internal Audit will focus on higher risk areas, thereby enhancing Provident10's Internal Control and Risk Management programs.

WHAT'S IMPORTANT TO US?

Our pillars are the principles upon which Provident[10] was founded and will guide us as we work toward delivering best-in-class service and results.

HIGH STANDARDS

We set the quality bar high for ourselves because we know that our members rely on us for peace of mind.

TEAMWORK

Our success comes from a team approach. We always help and support each other because we'll get better outcomes for our members.

VISION

We are always thinking about tomorrow. Not only do we focus on success today, we look for smarter, better ways to succeed tomorrow.

CUSTOMER-FOCUSED

We are responsive and responsible to our members and stakeholders, so they can always trust us.

ACCOUNTABLE

Not only will we measure what we do, we will learn and act upon new understandings to always improve our level of service.

SECTION
TWO

ABOUT THE PLAN

THE FUNDING POLICY

Under the PSPP governance structure, the Sponsor Body is responsible for setting the Plan's benefit levels and contribution rates, while the Board is responsible for managing the Plan's assets and administering benefits. The PSPP Funding Policy is designed to guide the Plan to 100% funding by 2045 and lays out defined thresholds that must be met before the Sponsor Body can implement Plan design changes.

The Funding Policy sets minimum and maximum funded ratio levels at three-year intervals. This coincides with the regular three-year actuarial valuation filing period, as required by pension regulation. If the funded ratio falls below the minimum ratio identified in the Funding Policy, then the Sponsor Body must take corrective action to restore the funded ratio. If the funded ratio moves above the maximum ratio identified, then the Sponsor Body can make Plan changes such as adjusting contribution levels or the pension calculation formula.

ABOUT THE FUND

The main purpose of the PSPP is to provide members with steady and predictable income during retirement. To fulfill this pension promise to our members, the Provident10 Investment Team carefully manages the PSPP Fund, which is a pool of assets made up of contributions from members, matching contributions from employers, the investment earnings from those contributions, and the promissory note from Government.

The Fund is designed to meet its pension obligations to plan members and to ensure its long-term sustainability. Contributions are invested in a well diversified portfolio designed to achieve the optimal balance between risk and return. Provident10's investment objectives, strategy, beliefs, and asset allocation are described in the Plan's Statement of Investment Policies and Procedures (SIP&P). Other topics covered in the SIP&P include our governance structure, permitted investments, risk management, and monitoring procedures. The Board reviews the SIP&P annually in consultation with the Investment Committee and Investment Team.

ASSET MIX

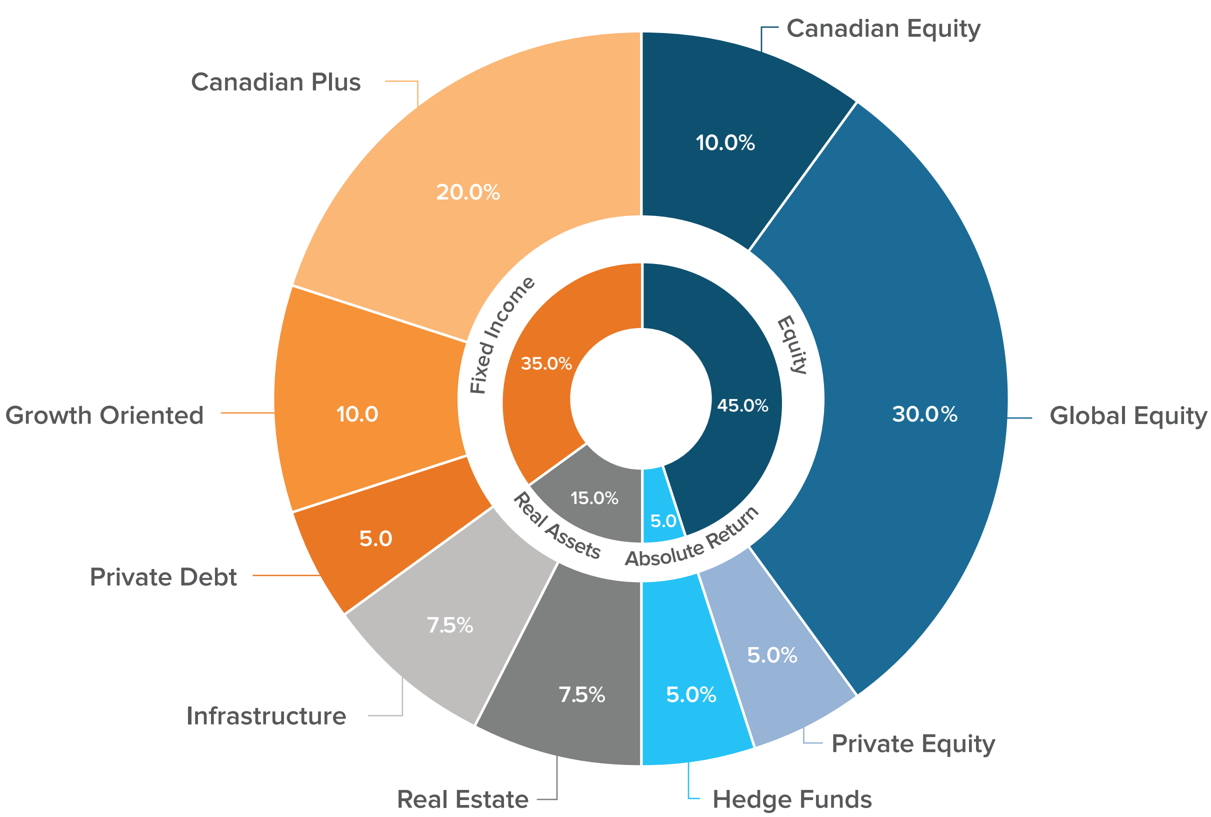
The most important aspect of the Provident10 investment portfolio is setting the proper strategic asset mix to provide investment returns that, over time, exceed the actuarial discount rate of 6%, which is the rate used to value the current cost of future pension obligations, improve the Plan's funded status, increase the probability of reaching full funding by 2045, and improve downside protection.

Last year's Annual Report provided in-depth detail of the asset liability modelling (ALM) study completed in 2018 which established the new strategic asset mix. To recap, the goal of the ALM study was to assist the Board and Sponsor Body in selecting the appropriate asset mix to achieve the Fund's investment objectives. Key drivers used to develop the new asset mix included return, risk, cost, and timeframe to implementation.

Two key changes included increased allocation to new non-traditional asset classes and increased diversification. Additional asset classes include private debt and growth-oriented fixed income. Improved diversification is brought about by the introduction of new types of investments and the optimization of existing asset classes to hold additional non-Canadian investments. Absolute return investments were also introduced to provide the portfolio greater stability in times of market turbulence.

NEW STRATEGIC ASSET MIX

TARGET ASSET ALLOCATION



Notes:

Canadian Plus includes core-plus fixed income and commercial mortgages.

Growth Oriented includes emerging market debt and multi-asset credit strategies.

Global Equity includes emerging market equity, global low volatility, and global small cap.

Over the next two to three years, the Investment Team, with the support of outside consultants and investment managers, will be repositioning the portfolio to implement these new asset classes. In addition, existing asset classes and investment managers will continue to be actively monitored, to ensure they are meeting the portfolio's objectives and expectations.

MARKET COMMENTARY[1]

What a difference a year makes. In 2018, most equity markets earned negative returns or, at best, low single digit returns. Fixed income markets, while mostly positive, also recorded low overall performance.

Markets in 2019 were pushed forward by dramatic and unexpected changes in Central Bank policy around the world. Where 2018 saw tightening, 2019 saw three consecutive reductions of the key interest rate by the Federal Reserve System and a new round of quantitative easing in Europe, where rates were already negative in many countries. As expected, this monetary easing flowed through to most financial assets.

The MSCI All-Country World Index (ACWI), an index that tracks the performance of stocks from around the globe, had a return of 26.9%—its best in a decade. Most countries that make up the Index experienced strong double-digit returns. The MSCI Emerging Market Index, while struggling for much of the year, saw a rebound in December of almost 6%, finishing the year at 18.5%.

The US equity markets, as measured by the S&P 500 Index—an index that represents mostly larger companies—earned a spectacular return of 31.49% in 2019, compared to a negative return of 4.38% the previous year. All sectors significantly contributed to this impressive total return for the year. Most impressive was the Technology sector —up over 50% for the year. The least performing sector was Energy, which delivered an increase of approximately 12%. Since the all-time low established on March 9, 2009, the S&P 500 Index is up an impressive, cumulative 378% or 15.5% compound average annualized return.

The Canadian equity market's total return for the year, as measured by the S&P/TSX Composite Index, a broad-based index, earned a respectable 22.9% following a negative return of 8.9% in 2018. The star performer for the year was Shopify, an e-commerce company, up 174%. On a sectorial basis, Information Technology, for the second year in a row, was the market leader with gains up 64.9%. Overall, 10 of the 11 sectors returned double digits. Alternately, a significant sell-off in cannabis stocks lead to a negative return of close to 11% for the Health sector.

The Bank of Canada did not follow the path of its Federal Reserve System US counterpart. Instead, it left its key interest rate unchanged at 1.75% throughout 2019. Yet, the FTSE Canada Universe Index still produced its strongest return in five years, managing to earn 6.9%. Longer term sub-indices returned low double digits, with the overall Long-Term Index earning an impressive 12.71%. Canadian Corporate bonds delivered a return of 14.41%. On the opposite end, 91-Day Treasury Bills earned 1.65%.

[1] Unless indicated, all returns are expressed in total return local currency basis

FUND PERFORMANCE

The expectations for the PSPP portfolio are comprised of two key performance objectives. The primary objective is to generate a long-term return on invested assets that exceeds the 6% discount rate. This is the rate currently used by the Plan actuary and established in the Funding Policy. The secondary objective is to outperform the return of the policy benchmark. This outperformance is considered added value and allows us to evaluate the effectiveness of the investment strategy and implementation at the total fund level. Moreover, the benchmarks are used to assess performance of individual asset classes and investment managers.

The major rebound that occurred in most asset classes in 2019 resulted in the PSPP earning a rate of return, net of management fees, of 15.68%. This compares to a return of 14.52% for the benchmark and substantially above the 6% discount rate—a value-add over the past 12 months of 1.16%. All asset classes reported positive returns. Specifically, Canadian and Global Equities earned returns in excess of 20%. Even in a historically low year, and sometimes negative returns, interest rates continued to increase, resulting in the Fixed Income portion of the portfolio generating close to 8% return.

Looking at longer time frames, the Fund also provided returns that exceeded the benchmark. Over the four-year period, the added value was 0.52%, while over the 10-year period, the Fund beat its benchmark by 0.71%.

FUNDING STATUS

IMPROVING THE PLAN'S FUNDED STATUS AND WORKING TOWARD FULL FUNDING IS A KEY FOCUS FOR THE BOARD AND A REQUIREMENT OF THE JOINT SPONSORSHIP AGREEMENT (JSA).

The favourable capital market conditions of 2019 resulted in the Fund adding over $1 billion to its total value, resulting in our invested assets reaching $7.6 billion. Including the Government's promissory note, the assets available for benefits increased to $10.1 billion. Over the same period, the Plan's liabilities grew to $9.9 billion.

The Fund ended the year with a funded ratio of 102%. This represents an increase of over 6% compared to last year's value of 94.1%. While highly encouraging, we must anticipate that over the coming years, with normal market fluctuations, the funding ratio will vary.

The important asset mix changes being implemented are intended to build a more robust investment portfolio to further raise the probability of being fully funded over the coming decades. Our investment approach, which is driven by a long-term focus, is nevertheless also oriented at successfully navigating the sometimes more volatile and unpredictable shorter-term market movements.

SECTION THREE

GOVERNANCE

PROVIDENT[10] OPERATES IN A JOINT TRUSTEE GOVERNANCE STRUCTURE THAT INCLUDES OUR BOARD OF DIRECTORS, THE SPONSOR BODY, AND THE EXECUTIVE LEADERSHIP TEAM.

BOARD OF DIRECTORS

The Board has overall responsibility for pension administration, corporation management, actuarial reporting, and investment management. It acts independently of the Sponsor Body and Executive Leadership Team and makes decisions in the best interest of plan beneficiaries. The Board also acts as the Board of Trustees for the PSPP Fund.

SPONSOR BODY

The Sponsor Body is responsible for oversight of the JSA. Their primary responsibility is to make decisions regarding plan benefits. They also approve the assumptions used in actuarial valuations and direct the level of risk appropriate for the Fund's asset mix.

EXECUTIVE LEADERSHIP TEAM

The CEO and Executive Leadership Team are responsible for all operational matters, implementing strategic plans and policies, and the general supervision of corporate affairs.

- **Chief Executive Officer – Chuck Bruce**
- **Chief Investment Officer – Michel Malo**
- **Vice President, Finance – Judith Bullen**
- **Vice President, Systems and Quality – Mark Stanford**
- **Vice President, Human Resources and Administration – Peter Head**

Our Executive Leadership Team is supported by a group of talented individuals who keep our plan members at the heart of their work, because plan members depend on us to be focused on their tomorrow.

For more information about Provident[10]'s governance structure, please visit provident10.ca/about/how-were-managed.

DIRECTORS' REMUNERATION AND MEETING ATTENDANCE

As per the Provident[10] Board of Directors Remuneration Policy, each Director is paid an annual honourarium and a per-meeting attendance allowance. Government and Union employees are not eligible for the per-meeting attendance allowance. The annual remuneration for directors is as follows:

- Chair – $5,000
- Vice-Chair – $2,500
- Director – $1,250
- Committee Chair – $1,250 (in addition to Director's annual remuneration)
- Remuneration of meeting
  - Half day – $250
  - Full day – $500

Directors are also reimbursed for reasonable travel expenses.

Meeting attendance and remuneration details for each Director are reported in the following table. The table includes attendance at duly constituted and ad hoc meetings. The Board Chair and Vice Chair are ex-officio, non-voting members of all committees.

OUR BOARD OF DIRECTORS

Top Row (L-R): Randell Earle, Bert Blundon, Emilian Groch, Mary Galway, Jennifer Dove, John Vivian
Bottom Row (L-R): Donna Brewer, Dawn Learning, Douglas Laing, Loyola Sullivan, Louise Poirier-Landry, Denise Hamilton, Michelle Jewer

Missing from photo: Robert Cashin

NAME	BOARD	AUDIT	INVESTMENT	G&HR	REMUNERATION
Loyola Sullivan Board Chair	8/8	6/6	4/4	6/6	$14,375.00
Bert Blundon Board Vice Chair	7/8	4/6	1/4	6/6	$5,875.00
Dawn Learning Chair of Investment Committee	6/8	-	2/4	6/6	$2,187.50
Denise Hamilton Chair of Audit and Finance Committee	8/8	6/6	-	6/6	$8,687.50
Donna Brewer[1]	3/3	-	-	-	$1,562.50
Douglas Laing	8/8	6/6	4/4	-	$7,000.00
Emilian Groch	7/8	5/6	4/4	-	$6,750.00
Fred Murphy[2]	2/7	-	-	-	$2,000.00
Jennifer Dove[3]	5/5	2/2	-	-	$3,437.50
John Vivian	7/8	-	3/4	4/6	$1,250.00
Louise Poirier-Landry	6/8	-	4/4	6/6	$6,500.00
Mary Galway	7/8	-	3/4	6/6	$6,750.00
Michelle Jewer	7/8	6/6	-	-	$1,250.00
Pamela Toope[4]	1/2	-	-	-	$625.00
Randell Earle Chair of Governance and Human Resources Committee	8/8	5/6	-	6/6	$9,750.00
Robert Cashin[5]	1/1	-	-	-	-
Nancy-Beth Foran (external investment expert)			4/4		$3,500.00
Will Small (external investment expert)			3/4		$3,250.00

[1] Appointed August 27, 2019
[2] Term ended December 4, 2019
[3] Appointed May 3, 2019
[4] Term ended May 3, 2019
[5] Term began December 4, 2019

EMPLOYEE COMPENSATION PROGRAM

Provident10 has a progressive compensation program developed in part by reviewing the compensation programs of comparable organizations. We compare our program using factors such as our industry, size, assets under management, regional demographics, and our ability to attract, retain, and reward talent. We subscribe to a pay-for-performance model, as each employee's compensation is tied to their annual performance review.

The compensation program is comprised of base salary and the short-term incentive program (STIP), a group insurance program, and membership in the PSPP. Base salary reviews are conducted annually with any adjustment determined consistent with benchmark data and success within the role. The variable pay STIP is assessed and paid annually. Payments are re-earned each year through successfully achieving annually defined individual and corporate objectives.

2019 SHORT-TERM INCENTIVE PLAN CORPORATE OBJECTIVE ACHIEVEMENT

The 2019 short-term incentive plan included seven corporate objectives. Our thanks to our team for their significant contributions to the overall achievement of these objectives.

CORPORATE OBJECTIVE	WEIGHTING	ACHIEVEMENT
1. a. Targeted Service Standards	12.5%	Met Target
1. b. Purchase of Service Standard	7.5%	Below Threshold
2. Outstanding Transaction Resolution	20%	Met Target
3. Pensioner Payroll Project Transition	15%	Met Target
4. Investment Policy Benchmark Performance	15%	Exceeded Target
5. Budget Performance	10%	Exceeded Target
6. Security Improvement Program	10%	Met Target
7. Communication Strategy	10%	Exceeded Target
TOTAL	100%	

1. In 2019, we continued to manage the service standards implemented in 2018. On average, targeted services standards were met in 2019.
2. All outstanding transactions have officially been resolved, meaning all outstanding transactions have been processed or are awaiting a plan member decision. This was a significant multi-year effort by our team.
3. In 2019, we continued to work with Government on the Pensioner Payroll Transition and expect the transition to be completed in 2020.
4. One objective for the Fund is to outperform a benchmark portfolio return after investment management fees over rolling four-year periods. The Fund outperformance has exceeded expectations as of December 31, 2019 for the policy benchmark investment objective.
5. We are held accountable to a Board-approved budget designed to support the achievement of our annual business plan while being financially responsible to the pension fund. In 2019, we achieved many of our stated objectives while remaining under budget for the year.
6. In 2019, we successfully completed year two of the current three-year Security Improvement Program.
7. We have exceeded our target in the delivery of an effective communication plan. In 2019, we executed a communication plan focused on end of pre-reform rules, plan members' telephony surveys, and participating employer engagement.

EXECUTIVE COMPENSATION REPORTING

Transparency and accountability are two of our most important principles. In maintaining these principles, we report compensation details for the Executive Leadership Team. The following summary includes the actual total cash compensation amounts on an individual basis for each executive position.

POSITION	YEAR	BASE SALARY	STIP	TOTAL CASH COMPENSATION
Chief Executive Officer	2019	$285,000.00	$85,500.00	$370,500.00
	2018	$285,000.00	$85,500.00	$370,500.00
Chief Investment Officer[1]	2019	$93,103.00	$40,000.00	$133,103.00
	2018	N/A	N/A	N/A
Chief Investment Officer[2]	2019	$64,706.00	N/A	$64,706.00
	2018	$178,285.00	$44,844.00	$223,129.00
Vice President Finance	2019	$176,880.00	$44,434.00	$221,314.00
	2018	$173,192.00	$41,917.00	$216,754.00
Vice President Systems and Quality	2019	$171,665.00	$43,127.00	$214,792.00
	2018	$168,098.00	$42,281.00	$210,379.00
Vice President Human Resources and Administration	2019	$163,247.00	$41,110.00	$204,357.00
	2018	$158,492.00	$39,912.00	$198,404.00

[1] Reported after September 9, 2019
[2] Reported up to May 10, 2019

Each executive participates in the corporate group insurance program and the PSPP.

FINANCIAL STATEMENTS OF

PROVIDENT10

FOR THE YEAR ENDED 31 DECEMBER 2019

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TD Place
140 Water St., Suite 1001
St. John's NL A1C 6H6
Canada
Tel 709-733-5000
Fax 709-733-5050

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Provident10

Opinion

We have audited the financial statements of Provident10 (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 Canadian accounting standards for not-for-profit organizations, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants
St. John's, Canada
June 17, 2020

PROVIDENT[10]

STATEMENT OF FINANCIAL POSITION
31 DECEMBER
WITH COMPARATIVE INFORMATION FOR 31 DECEMBER 2018

	2019 (000s)	2018 (000s)
Assets		
Current assets		
Cash	$ 1,844	$ 1,760
Receivable from Province of Newfoundland and Labrador	19	46
HST receivable	135	117
Prepaid expenses	256	260
Current portion of promissory note receivable (note 2)	44,777	42,243
	47,031	44,426
Capital assets (note 3)	1,317	1,624
Promissory note receivable (note 2)	2,411,911	2,456,688
Total assets	**2,460,259**	**2,502,738**
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,278	$ 1,043
Payable to Public Service Pension Plan (note 4)	777	1,279
Payable to Province of Newfoundland and Labrador (note 5)	532	464
Deferred tenant inducement	450	513
Straight-line rent	111	105
Current portion of promissory note payable (note 2)	44,777	42,243
	47,925	45,647
Other post-employment benefits liabilities (note 6)	423	403
Promissory note payable (note 2)	2,411,911	2,456,688
Total liabilities	**2,460,259**	**2,502,738**
Commitments (note 11)		
Subsequent events (note 12)		
Net assets	$ -	$ -

See accompanying notes to financial statements.

On behalf of the Board:

Director Original signed copies on file.

Director Original signed copies on file.

PROVIDENT[10]

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH COMPARATIVE FIGURES FOR THE YEAR ENDED 31 DECEMBER 2018

	2019	2018
	(000s)	(000s)
Revenue		
Management fees (note 9)	$ 9,468	$ 8,230
Interest	145,757	148,148
	155,225	156,378
Expenses		
Salaries and benefits	5,356	4,857
Professional services	1,076	684
Directors and committees	143	116
Postage and service charges	130	181
Interest	145,757	148,148
Amortization	285	273
Other operating expenses	2,478	2,119
Total expenses	**155,225**	**156,378**
Excess of revenue over expenses	$ -	$ -

See accompanying notes to financial statements.

PROVIDENT[10]

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH COMPARATIVE FIGURES FOR THE YEAR ENDED 31 DECEMBER 2018

	2019 (000s)	2018 (000s)
Cash provided by (used in):		
Operating activities		
Net earnings	$ -	$ -
Items not involving cash:		
Amortization of capital assets	348	335
Amortization of tenant inducement	(63)	(62)
Increase in other post-employment benefits liabilities	20	25
	305	298
Change in non-cash operating working capital:		
Decrease (increase) in receivable from Province of Newfoundland and Labrador	27	(6)
Increase in HST receivable	(18)	(126)
Decrease (increase) in prepaid expenses	4	(48)
Increase (decrease) in accounts payable and accrued liabilities	235	(591)
(Decrease) increase in payable to Public Service Pension Plan	(502)	358
Increase (decrease) in payable to Province of Newfoundland and Labrador	68	(443)
	119	(558)
Investing activities:		
Purchase of capital assets	(41)	(70)
Increase in straight-line rent	6	6
Proceeds on promissory note receivable	42,243	39,852
	42,208	39,788
Financing activities:		
Repayment of promissory note payable	(42,243)	(39,852)
	(42,243)	(39,852)
Increase (decrease) in cash	**84**	**(622)**
Cash, beginning of year	**1,760**	**2,382**
Cash, end of year	**$ 1,844**	**$ 1,760**

See accompanying notes to financial statements.

Provident[10], (the "Corporation"), is a not-for-profit organization incorporated on 31 March 2015 under the authority of Section 36.1 of the *Public Service Pensions Act* 1991 (the "Act"). The Corporation changed its name to Provident[10] from Public Service Pension Plan Corporation, effective 27 August 2017.

The purpose of the Corporation is to act as Trustee of the Public Service Pension Plan (the "Plan") and to serve as administrator of the Plan. The Corporation is bound, with the Board of Directors, to act in accordance with the Joint Sponsorship Agreement between Her Majesty in Right of Newfoundland and Labrador and the Association of Allied Health Professionals, the Canadian Union of Public Employees, the International Brotherhood of Electrical Workers, the Newfoundland and Labrador Association of Public and Private Employees, and the Registered Nurses' Union Newfoundland and Labrador (collectively the "Unions"). A service level agreement (the "Service Level Agreement") was signed between the Corporation and the Province of Newfoundland and Labrador (the "Province") to allow the Province to continue to administer the Plan for an interim period of 12 months. The agreement expired on 31 March 2017. The Province continues to provide limited administration services covered by this agreement for the disbursement of pension payments and refund of contributions, on an interim basis (note 9).

The Corporation operates under a cost recovery basis, as provided for in the Service Level Agreement. The Corporation is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant Accounting Policies

A) BASIS OF PRESENTATION

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants (CPA) Canada Handbook.

B) REVENUE RECOGNITION

Fee revenue is recognized as services are provided and collection is probable.

C) FINANCIAL INSTRUMENTS

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value. Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount the Corporation expects to realize by exercising its right to any collateral.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) FINANCIAL INSTRUMENTS (CONTINUED)

If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

D) USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include accounts payable and accrued liabilities and other post-employment benefits. Actual results could differ from these estimates.

E) CAPITAL ASSETS

Capital assets are recorded at cost and include amounts that are directly related to the acquisition design, construction, development, improvement, or betterment of the assets directly attributable to construction and development.

Assets under construction are not amortized until after substantial completion and the assets are put into service. The cost, less residual value, of capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements – Over the term of lease

Furniture, fixtures, and equipment – 5 years

Computer hardware – 3 years

Computer software – 3 years

Telephone system – 3 years

Capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the capital assets are less than their net book value.

F) OTHER POST-EMPLOYMENT BENEFITS LIABILITY

Under the collective agreement between the Newfoundland and Labrador Association of Public and Private Employees and the Corporation, employees identified on Schedule A of the Joint Sponsorship Agreement are eligible to participate in the Province's other post-employment benefits plan (the "OPEB Plan"). The OPEB Plan provides group life insurance and health care benefits on a cost shared basis to retired employees, should they continue to meet the Province's eligibility requirements. The associated employer portion of the costs for the Corporation's employees will be borne by the Corporation.

The obligation at the end of the year is determined based on the most recent actuarial valuation report prepared for accounting purposes. The measurement date of the obligation coincides with the Corporation's year end. The date of the most recent actuarial valuation of the obligation prepared for accounting purposes is 31 December 2019.

G) DEFERRED TENANT INDUCEMENTS

In 2016, the Corporation entered a ten-year lease for its corporate office. Under that agreement, the landlord funded renovations to the space as tenant inducements. These tenant inducements are deferred and amortized on a straight-line basis over the term of the related lease.

1. Significant Accounting Policies (continued)

H) Straight-Line Rent

Under the Corporation lease for its corporate office, there are increases in base rent over the term of the lease. The base rent cost over the full lease term, including free rent periods, have been determined and are amortized on a straight-line basis over the term of the related lease.

2. Promissory Note

The Province issued a $2.685 billion promissory note to the Corporation on 31 March 2015 as part of pension reform. The Plan has a right to receive the proceeds of the promissory note from the Province held by the Corporation. The note is receivable over 30 years in quarterly blended installments of principal and interest of $47 million. The promissory note bears interest of 6%. The payments will be made regardless of the funded status of the Plan. The promissory note is non-marketable.

As at 31 December 2019, the balance receivable is $2.457 billion (2018 - $2.499 billion).

Principal repayments of the promissory note receivable by the Province to the Corporation and by the promissory note payable by the Corporation to the Plan over the next five years (in thousands) are as follows:

2020	$44,777
2021	$47,464
2022	$50,312
2023	$53,331
2024	$56,530

3. Capital Assets

				2019	2018
	Cost (000s)	Accumulated Amortization (000s)		Net Book Value (000s)	Net Book Value (000s)
Leasehold improvements	$ 1,418	$ 394		$ 1,024	$ 1,157
Furniture, fixtures and equipment	529	286		243	345
Computer hardware	161	135		26	49
Computer software	113	92		21	54
Telephone system	58	55		3	19
	$ 2,279	$ 962		$ 1,317	$ 1,624

4. Payable to Public Service Pension Plan

Payable to the Plan represents total charges to the Plan plus HST less operating funding received.

The receivable is non-interest bearing and due when the invoice is rendered.

5. Payable to Province of Newfoundland and Labrador

Amounts payable to the Province are non-interest bearing and payable on receipt of invoice.

6. Other Post-Employment Benefits Liability

The obligation was calculated as at 31 December 2019 under Sections 3462 and 3463 of the CPA Canada Handbook – Accounting by the Corporation's actuary. In determining the liabilities under Section 3463 of the CPA Handbook, projected unit credit method prorated on service was used for the accounting valuation. The significant assumptions used were as follows:

	31 December 2018 accrued benefit liability and 2019 expense	31 December 2019 accrued benefit liability
Discount rate	3.90%	3.20%
General inflation	2.25%	2.00%
Salary increases	3.75%	3.50%
Health premium inflation/trend	6.0% decreasing by 0.15% annually to an ultimate rate of 4.50%	0.00% in 2018, 5.89% in 2019 decreasing linearly each year to an ultimate rate of 3.60% in 2040
Dependant life premium increases	2.25%	0.00% in 2018, 2.00% thereafter
Mortality	CPM – 2014 Public Sector with generational projection using scale CPM-B	CPM – 2014 Public Sector with generational projection using scale CPM-B
Termination	2014 Public Sector Experience Study, with annual sample rates: • Age 25: 16.48% • Age 30: 9.49% • Age 35: 7.13% • Age 40: 5.56% • Age 45: 4.61% • Age 50: 3.60% • Age 55: 0.00%	2014 Public Sector Experience Study, with annual sample rates: • Age 25: 16.48% • Age 30: 9.49% • Age 35: 7.13% • Age 40: 5.56% • Age 45: 4.61% • Age 50: 3.60% • Age 55: 0.00%
Disability	None	None

6. Other post-employment benefits liability (continued)

	31 December 2018 accrued benefit liability and 2019 expense	31 December 2019 accrued benefit liability
Retirement	**If eligible to retire before 1 January 2020:** 50% at the earlier of age 55 with 30 years' service or age 60 with 5 years' service. Remainder at the earlier of the 35 years' service or age 65. **If not, then:** 57.5% at the earlier age of 58 with 30 years' service or age 60 with 10 years' service. Remainder at the earlier of 35 years' service or age 65.	**If eligible to retire before 1 January 2020:** 50% at the earlier of age 55 with 30 years' service or age 60 with 5 years' service. Remainder at the earlier of 35 years' service or age 65. **If not, then:** 57.5% at the earlier age of 58 with 30 years' service or age 60 with 10 years' service. Remainder at the earlier of 35 years' service or age 65.
Spouse age difference	Females three years younger	Females three years younger
Members electing coverage benefits at retirement ("Participation Rate")	95%	95%
Coverage elected at retirement	65% Family	65% Family

The other post-employment benefits liability as at 31 December 2019 is calculated as follows:

		(000s)
Other post-employment benefits liability assumed by the Corporation as at 31 December 2018	$	403
Other post-employment benefits cost		21
Company payments		(1)
Other post-employment benefits liability as at 31 December 2019	$	423

7. Pension plan

Qualifying employees of the Corporation participate in the Plan, a multi-employer defined benefit pension plan, which provides pension benefits based on length of service and earnings.

Contributions to the Plan are required by both the employees and the employer. The Corporation's contributions range from 8.95% to 11.85% of pensionable earnings. Total employer contributions for 2019 were $359 thousand (2018 - $319 thousand) and are recognized in salaries and benefits expense in the statement of operations.

The Corporation is not responsible for any underfunded liability, nor does the Corporation have access to any surplus that may arise in the Plan.

8. Sick leave

Under the collective agreement, employees identified on Schedule A of the Joint Sponsorship Agreement and covered by the collective agreement were entitled to carry over accumulated sick leave balances. The estimated gross value of the sick leave balances is $303 thousand (2018 - $302 thousand). Sick leave balances are non-vesting and further accumulations are prohibited. No amount has been accrued in the financial statements for the potential liability.

9. Related party transactions

A) THE PROVINCE

The Province is related to the Corporation by its ability to appoint 6 of 14 members of the Corporation's Board of Directors.

The Corporation entered into the Service Level Agreement with the Province for management services to be provided on a cost recovery basis for an interim period. The Service Level Agreement with the Province expired on 31 March 2017. The Province continues to provide limited administration services for the disbursement of pension payments and refund of contributions, on an interim basis. The cost of the services in 2019 was $0.2 million (2018 - $0.4 million) and is based on an allocation of salaries and administrative costs.

Management fees earned of $ 0.1 million are from the Province of Newfoundland and Labrador.

B) THE PLAN

The Corporation is related to the Plan as the Board of Directors oversees the Plan and the Corporation. Management fees earned of $9.3 million (2018 - $8.2 million) are from the Plan based on a cost recovery basis.

10. Economic dependence and concentration of credit risk

The Corporation is economically dependent on the Plan by virtue of the cost recovery basis under which it operates.

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporation is exposed to a concentration of credit risk with respect to the receivable from the Plan. The Corporation has assessed the amount as fully collectible.

The Corporation is not exposed to any other significant financial risks.

11. Commitments

The Corporation is committed under the terms of its lease for office space to make the following minimum annual lease payments (in thousands):

2020	$592
2021	$592
2022	$592
2023	$592
2024	$592
Thereafter	$1,314
Total	**$4,274**

12. Subsequent event

Management has evaluated subsequent events for the Corporation through to 17 June 2020, the date the financial statements were available to be issued and has concluded that there were no subsequent event relevant for financial statement disclosure, except as discussed below.

Economic conditions

In January 2020, the World Health Organization declared the coronavirus a global health emergency and declared it as a global pandemic on 11 March 2020. This has presented many uncertainties which have reflected in the subsequent stock market volatility.

Equity markets have reacted with the biggest decline experienced in more than a decade. In response, both the U.S. Federal Reserve and the Bank of Canada quickly reduced their key interest rates by 50 basis points. At this time, governments and businesses around the world are introducing significant new measures to contain and control the spread of the coronavirus. The full impact of these circumstances on global growth and businesses will not be fully understood until more time has passed.

FINANCIAL STATEMENTS OF

PUBLIC SERVICE PENSION PLAN

FOR THE YEAR ENDED 31 DECEMBER 2019

KPMG LLP
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Canada
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Public Service Pension Plan

Opinion

We have audited the financial statements of Public Service Pension Plan (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued benefit obligation for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its changes in net assets available for benefits and its changes in accrued benefit obligation 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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity 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. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants
St. John's, Canada
June 17, 2020

PUBLIC SERVICE PENSION PLAN

STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2019
WITH COMPARATIVE INFORMATION FOR 31 DECEMBER 2018

	2019 (000s)	2018 (000s)
Assets		
Cash and cash equivalents	$ 176,158	$ 161,396
Accrued investment income	9,465	11,979
Outstanding transaction allowance (note 10)	-	35,000
Contributions receivable:		
Employee	6,392	6,759
Employer	6,392	6,759
Harmonized Sales Tax receivable	1,487	1,458
Receivable from Provident[10] (note 14)	388	942
Receivable from pending trades	13,742	1,408
Investments (note 4)	7,469,103	6,463,479
Promissory note receivable (note 13)	2,456,688	2,498,931
Total assets	**10,139,815**	**9,188,111**
Liabilities		
Accounts payable and accrued liabilities	5,366	4,931
Payable for pending trades	17,823	2,926
Refunds payable	13,602	8,130
Due to Province of Newfoundland and Labrador	791	619
	37,582	16,606
Net assets available for benefits	**10,102,233**	**9,171,505**
Accrued benefit obligation (note 9)	9,908,679	9,746,030
Commitments (note 15)		
Subsequent events (note 16)		
Surplus (Deficit)	**$ 193,554**	**$ (574,525)**

See accompanying notes to financial statements.

On behalf of the Board:

Director Original signed copies on file.

Director Original signed copies on file.

PUBLIC SERVICE PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2018

	2019 (000s)	2018 (000s)
Increase in net assets:		
Investment income (note 5a)	$ 195,159	$ 177,978
Gain on sale of investments (note 5b)	190,037	182,152
Current period change in market value of investments (note 5b)	694,951	(391,879)
Interest on promissory note (note 13)	145,757	148,148
	1,225,904	116,399
Contributions: (note 11)		
Employee	200,976	188,874
Employer	165,418	164,063
Current period change in outstanding transaction receivable (note 10)	(35,000)	(40,000)
	331,394	312,937
	1,557,298	429,336
Decrease in net assets:		
Pension payments (note 12)	(451,670)	(428,690)
Refund of contributions (note 12)	(143,057)	(137,512)
Administrative expenses (note 8)	(29,093)	(27,455)
Harmonized Sales Tax	(2,750)	(4,807)
	(626,570)	(598,464)
Increase (decrease) in net assets available for benefits	**930,728**	**(169,128)**
Net assets available for benefits, beginning of period	**9,171,505**	**9,340,633**
Net assets available for benefits, end of period	**$ 10,102,233**	**$ 9,171,505**

See accompanying notes to financial statements.

PUBLIC SERVICE PENSION PLAN

STATEMENT OF CHANGES IN ACCRUED BENEFIT OBLIGATION
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2018

	2019 (000s)	2018 (000s)
Actuarial present value of accrued benefit obligation, beginning of period	**$ 9,746,030**	**$ 9,736,884**
Change in actuarial assumptions (note 9)	(66,437)	-
Change in outstanding transaction allowance (note 10)	(44,000)	(46,000)
Interest accrued on benefits	573,248	570,642
Experience gain	-	(243,119)
Benefits accrued	294,565	293,825
Benefits paid	(594,727)	(566,202)
Actuarial present value of accrued benefit obligation, end of period	**$ 9,908,679**	**$ 9,746,030**

See accompanying notes to financial statements.

The Public Service Pension Plan (the "Plan") was established on 1 April 1967 by the *Public Service Pensions Act*. Amendments to the legislation have been made over the years, including the introduction of the replacement Act in 1991, the *Public Service Pensions Act*, 1991 (the "Act"). In 2014, an agreement was reached between Government and the five largest participating unions to reform the Plan. This included benefit and contribution changes, the issuance of a $2.685 billion Promissory Note by Government to the Plan, and introduced a jointly trusteed governance structure, which was formally recognized under the Joint Sponsorship Agreement.

In accordance with the Joint Sponsorship Agreement, the Act established the Public Service Pension Plan Corporation (the "Corporation" or "Provident10") as the Administrator of the Registered Plan and Trustee of the Public Service Pension Plan Fund (the "Fund"). The Fund was created 31 March 2015 under the authority of the Act when the assets of the Plan were separated from the Newfoundland and Labrador Pooled Pension Fund. The Corporation officially changed its name to Provident10 as of August 2017.

Under the Joint Sponsorship Agreement, which contains a detailed Funding Policy, any future actuarial surpluses or deficits in the Plan funding will be shared equally between Government and members of the Plan. In accordance with the Act, the participating Employers' current funding requirement is to match employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract.

On 2 April 2019, Bill 56, which repealed and replaced the *Public Service Pensions Act*, 1991, received royal assent. Specifically, the Bill, an Act respecting a pension plan for employees of the government of the province and others, allows for:

- "...Continue the Public Service Pension Plan Corporation, the Public Service Pension Plan, The Public Service Pension Plan Fund and the Public Service Supplementary Plan Account (Supplementary Plan);
- prescribe government's obligations to the pension plan and supplementary account;
- prescribe the obligations of employers to the pension plan; and
- provide for Provident10 as the Administrator of the Public Service Pension Plan and the Trustee of the Public Service Pension Plan Fund".

The Bill was proclaimed subsequent to year end, on 14 February 2020.

1. DESCRIPTION OF THE PLAN

A) GENERAL

The Plan is a contributory defined benefit pension plan covering full-time employees of the Province of Newfoundland and Labrador (the Province), the Legislature, various Crown corporations, agencies and commissions created by or under a statute of the Province, and Provident10.

The Plan is comprised of two components, a Registered Plan (registration number 0525360), which provides registered pension benefits allowable under the Income Tax Act (Canada) ("Income Tax Act"), and a Supplementary Plan, which provides benefits in excess of the Income Tax Act maximum benefit limits. Provident10 oversees the Registered Plan, and these financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included

1. DESCRIPTION OF THE PLAN (CONTINUED)

A) GENERAL (CONTINUED)

within the accounts of the Consolidated Revenue Fund of the Province.

The Plan is not subject to income tax, but is subject to indirect taxes including the Harmonized Sales Tax.

B) CONTRIBUTIONS

As of 1 January 2015, employee contributions are equal to 10.75% of the Canada Pension Plan (the "CPP") basic exemption, plus 8.95% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (the "YMPE") under the CPP, plus 11.85% of the employee's salary in excess of the YMPE, up to the maximum allowed under the Income Tax Act. Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Employers make matching contributions for current service.

C) PENSION AMOUNTS

A pension is available from the Registered Plan based on the number of years of pensionable service times 2% of the member's highest average earnings. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's highest average earnings up to the three-year average YMPE times years of pensionable service after 1 April 1967. The offset at age 65 is limited to a maximum of 35 years of service.

For the period from 1 April 1993 to 31 March 1996, certain participating employers were temporarily allowed to reduce their contributions to the Plan. In those cases, the accrual rate used to determine a member's pension is reduced proportionately from the standard 2% per year of service.

The highest average earnings in respect of service for years earned up to 31 December 2014 is the greater of:

i. the average of the member's pensionable earnings during any of the five calendar years, prior to 31 December 2014, which yield the highest average; and

ii. the average of the member's pensionable earnings during any of the six 12-month periods, prior to the date the member's participation ceases, which yield the highest average.

For service earned after 31 December 2014, the highest average earnings is the average of a member's pensionable earnings during any of the six 12-month periods, prior to the date the member's participation ceases, which yield the highest average.

For seasonal employees, the averaging periods used in the determination of the highest average earnings are limited to either the five-year period prior to 31 December 2014 or the six-year period immediately prior to the date the member's participation ceases.

The pension payable from the Registered Plan shall not exceed the maximum allowable benefit as determined under the Income Tax Act. Where the calculated amount exceeds the maximum allowable benefit as determined under the Income Tax Act, a member will receive a pension from the Supplementary

1. DESCRIPTION OF THE PLAN (CONTINUED)

C) PENSION AMOUNTS (CONTINUED)

Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on the number of years of pensionable service times 2% of the member's highest average earnings, subject to the previously noted reduction at age 65 and any reductions in the accrual rate applicable during the period from 1 April 1993 to 31 March 1996.

D) RETIREMENT DATES

Employees who will meet the early unreduced retirement provisions that existed prior to 1 January 2015 by 31 December 2019 or who have at least 30 years of service by 31 December 2019 will be grandparented under the early retirement rules that existed prior to 1 January 2015. In this case, employees can retire with an unreduced pension at age 55 if they have at least 30 years of service, or at age 60 if they have at least five years of service.

Following 31 December 2019, employees will be eligible to retire with an unreduced pension at age 58 if they have at least 30 years of service, age 60 if they have at least 10 years of service, or at age 65 if they have at least five years of service.

Employees can also retire with a reduced pension in certain circumstances. During the period to 31 December 2019, employees who are age 50 with at least 30 years of service or who are age 55 and whose age plus service total at least 85 may retire with a reduction of 0.5% for each month prior to age 55 or 60, respectively. After 31 December 2019, employees who are age 53 with at least 30 years of service or who are age 58 and whose age plus service total at least 88 may retire with a reduction of 0.5% for each month prior to age 58 or 60, respectively. In any case, an employee who has reached age 55 with at least five years of service may retire with an actuarially reduced pension.

E) DISABILITY PENSIONS

A disability pension equal to the accrued pension is available on permanent incapacity at any age, provided the member has a minimum of five years pensionable service.

F) SURVIVOR PENSIONS

A survivor pension of 60% of the member's accrued pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

G) PRE-RETIREMENT DEATH BENEFITS

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary, the commuted value of the employee's pension entitlement is paid to the employee's estate.

H) TERMINATION BENEFITS

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest if they have less than five years of pensionable service. If an employee has at least five years pensionable service, the employee may elect to receive either a deferred pension or commuted value transfer.

I) INDEXING

For persons in receipt of a pension or a survivor benefit as at 31 December 2014, each 1 October, the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year (as published by Statistics Canada), to a maximum of 1.2% of the annual pension or survivor benefit. For all others, pensions in respect of service that was earned up to 31 December 2014 will continue to be indexed in the same manner, but no guaranteed post-retirement indexing will be provided in respect of service credited in the Plan after 31 December 2014.

2. BASIS OF PREPARATION

A) BASIS OF PRESENTATION

The financial statements are prepared in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants (CPA) Canada Handbook.

In selecting or changing accounting policies that do not relate to its investment portfolio or accrued benefit obligation, Canadian accounting standards for pension plans require the Plan to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") in Part I of the CPA Canada Handbook, or Accounting Standards for Private Enterprises ("ASPE") in Part II of the Handbook. The Plan has chosen to comply on a consistent basis with IFRS.

B) FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in thousands of Canadian dollars unless otherwise noted. Canadian dollars is the Plan's functional currency.

C) USE OF ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation and classification of investments, as well as assumptions used in the calculation of accrued benefit obligation. Actual results could differ from these estimates and the impact of any such differences will be recorded in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

A) FINANCIAL ASSETS AND LIABILITIES

i. Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit and loss ("FVTPL") are recognized in the statement of financial position on the trade date, which is the date on which the Plan becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities at FVTPL are initially measured at fair value, with transaction costs recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A) FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

ii. Classification

Financial assets are required to be classified as measured at amortized cost, fair value through other comprehensive income or FVTPL according to the business model used for managing them and their contractual cash flow characteristics. Financial liabilities are classified as measured through amortized cost unless they are measured at FVTPL.

The Plan makes an assessment of the objective of a business model because this best reflects the way the business is managed and information is provided. Investments are managed, and their performance is evaluated on a fair value basis. As such, the Plan classifies all investments and derivative assets as FVTPL with changes in fair value being recognized in net investment income in the statement of changes in net assets available for benefits.

Financial assets at amortized cost include cash and cash equivalents, accrued investment income, outstanding transaction allowance, contributions receivable, receivable from pending trades, Harmonized Sales Tax receivable, receivable from Provident10, receivable from pending trades and Promissory note receivable. Financial liabilities at amortized cost include accounts payable and accrued liabilities, payable for pending trades, refunds payable and due to the Province of Newfoundland and Labrador.

iii. De-recognition

The Plan de-recognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain (loss) on sale of investments.

The Plan de-recognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Plan considers all liabilities, except for derivative contracts payable, to be non-derivative financial liabilities.

iv. Derivative financial instruments

Derivative financial instruments are recognized initially at fair value and attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and all changes are recognized immediately in the statement of changes in net assets available for benefits.

Financial assets and liabilities are offset and the net amount presented in the

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

iv. Derivative financial instruments (continued)

statement of net assets available for benefits when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

B. FAIR VALUE MEASUREMENT

As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's-length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's-length transactions between knowledgeable, willing parties (if available); reference to the current fair value of other instruments that are substantially the same; and discounted cash flow analyses.

All changes in fair value, other than interest and dividend income, and expense, are recognized in the statement of changes in net assets available for benefits as part of the change in market value of investments.

Fair values of investments are determined as follows:

Short-term notes, treasury bills and term deposits maturing within a year, and cash held by investment managers are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Bonds and debentures are valued at the closing mid-price at the valuation date.

Publicly traded equities are valued at year-end quoted closing prices where available. Where quoted prices are not available on the valuation date, estimated fair values are calculated using the last trade date.

The Plan investments in real estate are held by its wholly-owned subsidiary, Newvest Realty Corporation ("Newvest"). All real properties have been subject to valuations by qualified independent property appraisers using market-based assumptions in accordance with recognized valuation techniques. The valuation techniques used include the direct capitalized net operation income method and the discounted cash flow method unless the property was acquired in the year and only then would the cost be applied as the fair value. Recent real estate transactions with similar characteristics and location to the assets are also considered. The direct capitalization

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. FAIR VALUE MEASUREMENT (CONTINUED)

income method applies a capitalization rate of property's stabilized net operating income which incorporates allowances for vacancy, management fees and structural reserves for capital expenditures for the property.

Private equity and infrastructure investments are held through ownership in limited partnership arrangements. Fair value is determined by the general partner, using the most recent financial information obtained from the underlying investments and/or forecasts of future financial performance and then applying appropriate valuation techniques such as market comparables and/or discounted cash flows.

Pooled funds are valued at the unit values supplied by the pooled fund administrator which represent the Plan's proportionate share of underlying net assets at fair values.

Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at year-end quoted market prices where available. Where quoted prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Unrealized gains and losses on derivative financial instruments, net of premiums paid or received on options contracts, are included in derivative contracts investments.

The Plan holds private investments, such as non-traded pooled or closed funds, limited partnership interests, private placement bonds or equity investments. Private investment fund valuations are initially provided by the external fund managers, usually on a three-month lagging basis. Such valuations are then adjusted to reflect cash contributions and cash distributions between the valuation date and the reporting date, including marking to market any publicly-traded securities held by the underlying private investment.

C. INVESTMENT INCOME

Investment income is recorded on an accrual basis and includes interest income, dividends and other income.

Dividend income is recognized as of the date of record.

The net realized gain (loss) on sale of investments is the difference between proceeds received and the average cost of investments sold.

D. FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

Foreign currency differences arising on retranslation are recognized in the statement of changes in net assets available for benefits as a change in the market value of the investments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. CONTRIBUTIONS

Contributions from employers and members due to the Plan at the end of the year are recorded on an accrual basis. Service purchases that include, but are not limited to leaves of absence, periods of reduced accrual and transfer from other pension plans are recorded and service is credited when the signed contract to purchase is received.

F. BENEFITS

Benefit payments to retired members are recorded as they are due and paid, twice monthly. Commuted value payments and transfers to other pension plans are recorded when paid. Other refunds are recorded when authorized. Accrued benefits for members are recorded as part of the accrued pension obligation.

G. RECEIVABLE/PAYABLE FOR PENDING TRADES

For securities transactions, the fair value of receivable from pending trades and payable for pending trades approximate their carrying amounts due to their short-term nature.

H. ADMINISTRATIVE EXPENSES

Administrative expenses are incurred for direct pension administration and external investment management and are recorded on an accrual basis. Direct pension administration expenses represent expenses to provide direct services to Plan members and employers and include actuarial consulting, disability pension adjudication and professional fees. External investment management expenses represent payments to the investment managers. The administrative expenses include charges from the Corporation as well as charges from the Province under a service level agreement between the Corporation and the Province. Under the service level agreement, charges from the Province are allocated to the pension plans it administers on a pro-rata basis, based on the balance of the assets in the individual plans as a percentage of the total value of the combined plans. An allocation of salaries, overhead and administrative expenses is charged on a cost recovery basis.

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, balances with banks and investment managers, and highly liquid financial assets with maturities of three months or less that are subject to an insignificant risk of changes in their fair value and are used by the Plan in the management of shortterm commitments.

4. Investments and Derivatives

A. INVESTMENT PORTFOLIO

The fair value of investments relative to the cost is summarized in the following table:

	31 December 2019			31 December 2018		
	Assets (000s)	%	Cost (000s)	Assets (000s)	%	Cost (000s)
Fixed income	2,739,787	36.7	2,664,839	2,520,431	39.0	2,570,180
Equities						
Canadian	818,849	11.0	704,556	1,115,800	17.3	1,108,757
US	1,452,055	19.4	1,118,183	1,211,400	18.7	1,104,636
Global	927,185	12.3	859,319	767,046	11.8	811,312
Private equity	324,897	4.3	260,333	185,631	2.9	166,035
Infrastructure						
Private	304,181	4.1	258,435	183,537	2.8	177,101
Listed active	332,556	4.5	320,583	133,187	2.1	141,472
Listed passive	176,164	2.4	185,982	-	-	-
Real estate	393,410	5.3	313,790	346,594	5.4	297,909
Forwards	19	-	-	(421)	-	-
Futures	-	-	-	274	-	-
Total	$7,469,103	100.0	$6,686,020	$6,463,479	100.0	$6,377,402

B) FAIR VALUE MEASUREMENT

Financial instruments are classified according to the following fair value hierarchy that reflects the significance of inputs used in determining the fair values.

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - inputs for assets and liabilities that are not based on observable market data.

4. INVESTMENTS AND DERIVATIVES (CONTINUED)

B) FAIR VALUE MEASUREMENT (CONTINUED)

Investments based on the valuation level within the fair value hierarchy are as follows:

As at 31 December 2019	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)
Fixed income	-	2,739,787	-	2,739,787
Equities				
Canadian	790,297	28,552	-	818,849
US	1,450,344	1,711	-	1,452,055
Global	927,185	-	-	927,185
Private equity	-	-	324,897	324,897
Infrastructure				
Private	-	-	304,181	304,181
Listed active	-	332,556	-	332,556
Listed passive	-	176,164	-	176,164
Real estate	-	-	393,410	393,410
Forwards	19	-	-	19
	$ 3,167,845	$ 3,278,770	$ 1,022,488	$ 7,469,103

As at 31 December 2018	Level 1 (000s)	Level 2 (000s)	Level 3 (000s)	Total (000s)
Fixed income	-	2,520,431	-	2,520,431
Equities				
Canadian	1,095,655	20,145	-	1,115,800
US	1,210,586	814	-	1,211,400
Global	767,046	-	-	767,046
Private equity	-	-	185,631	185,631
Infrastructure				
Private	-	-	183,537	183,537
Listed active	-	133,187	-	133,187
Real estate	-	-	346,594	346,594
Forwards	(421)	-	-	(421)
Futures	274	-	-	274
	$ 3,073,140	$ 2,674,577	$ 715,762	$ 6,463,479

There have been no transfers between levels in any of the periods presented.

4. INVESTMENTS AND DERIVATIVES (CONTINUED)

B) FAIR VALUE MEASUREMENT (CONTINUED)

The following table reconciles the Plan's level 3 fair value measurements from period to period:

		(000s)
Fair value, 31 December 2017	$	343,566
Acquisitions		342,852
Dispositions		(9,507)
Realized gain (loss)		(2,099)
Change in unrealized gain (loss) on assets sold		(1,790)
Change in unrealized gain (loss) on assets held		42,740
Fair value, 31 December 2018	$	715,762
Fair value, 31 December 2018	$	715,762
Acquisitions		192,735
Dispositions		(1,223)
Realized gain (loss)		3
Change in unrealized gain (loss) on assets sold		-
Change in unrealized gain (loss) on assets held		115,211
Fair value, 31 December 2019	$	1,022,488

Level 3 financial instruments are valued using various methods. Real estate holdings are valued based on discounted cash flow analysis and direct capitalization income. The fair value of private equity and infrastructure holdings is determined by the general partner using the most recent financial information obtained from the underlying investments and/or forecasts of future financial performance and then applying appropriate valuation techniques such as market comparables and/or discounted cash flows.

4. Investments and Derivatives (continued)

B) FAIR VALUE MEASUREMENT (CONTINUED)

The following tables present information about significant unobservable inputs used at 31 December 2019 in measuring financial instruments categorized as Level 3 in the fair value hierarchy:

Description	Fair Value at 31 Dec 2019 (000s)	Valuation technique	Unobservable inputs
Private equity	324,897	Recent arm's length market transactions, earnings multiples of comparable publicly-traded companies and discounted cash flow analysis.	Information not available
Private infrastructure	304,181	Recent arm's length market transactions, earnings multiples of comparable publicly-traded companies and discounted cash flow analysis.	Information not available
Real estate	393,410	Discounted cash flow analysis and direct capitalization income method.	Capitalization rates

The following analysis illustrates the sensitivity of the Level 3 valuations to reasonably possible capitalization rate assumptions for real estate properties where reasonable possible alternative assumptions would change the fair value significantly.

	2019 (000s)	2018 (000s)
Real estate		
Minimum capitalization rate	3.70%	3.86%
Maximum capitalization rate	8.71%	8.24%
Increase of 25 basis points	$(23,700)	$(22,029)
Decrease of 25 basis points	$ 26,280	$24,367

4. Investments and derivatives (continued)

C) DERIVATIVES

Derivatives are financial contracts, the value of which is derived from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategies. The Plan uses such contracts to enhance investment returns and for managing exposure to foreign currency volatility.

Notional amounts of derivative contracts are the contract amounts used to calculate the cash flow to be exchanged. They represent the contractual amounts to which a rate or price is applied for computing the cash to be paid or received. Notional amounts are the basis on which the returns from and fair value of the contracts are determined. They are not recorded as financial assets or liabilities on the statement of financial position and change in net assets available for benefits. They are a common measure of volume of outstanding transactions but do not represent credit or market risk exposure.

The aggregate notional amounts and fair value of derivative contracts can fluctuate significantly.

Derivative contracts transacted on either regulated exchange market or in the over the counter market directly between two counterparts include the following:

Currency forwards

Currency forwards are contractual obligations to exchange one currency for another at a specified price or settlement at a predetermined future date. Forward contracts are used to manage the currency exposure of investments held in foreign currencies. The notional amount of a currency forward represents the contracted amount purchased or sold for settlement at a future date. The fair value is determined by the difference between the market value and the notional value upon settlement.

The following table sets out the notional values of the Plan's derivatives and their related assets and liabilities at 31 December:

	Notional amount (000s)	Fair value asset (000s)	Fair value liability (000s)	Fair value net (000s)
31 December 2019 Currency forwards	$ 12,821	$ (209)	$ 228	$ 19
31 December 2018 Currency forwards	28,340	713	(1,134)	(421)

4. INVESTMENTS AND DERIVATIVES (CONTINUED)

C) DERIVATIVES (CONTINUED)

ii. Futures

Futures are transacted in standard amounts on regulated exchanges and are subject to daily cash management.

Futures contracts are specifically used for reducing the cash exposure in the operating accounts. This is accomplished by converting cash exposure to capital markets exposure in accordance with the Plan's long-term asset mix.

D) SECURITIES LENDING

The Plan participates in a securities lending program whereby it lends securities to enhance portfolio returns. The securities lending program requires collateral in cash, high-quality debt instruments, or securities. Collateral transactions are conducted under terms that are usual and customary in standard securities lending programs. In the absence of an event of default, the same securities or equivalent securities must be returned to the counterparty at the end of the contract.

The fair values of the allocated securities and collateral associated with the securities lending program as at 31 December are as follows:

	2019 (000s)	2018 (000s)
Securities lent	$ 998,831	$ 979,937
Securities contractually receivable	1,056,496	1,025,550

5. Investment income (loss)

A) INVESTMENT INCOME (LOSS) IS AS FOLLOWS

	2019 (000s)	2018 (000s)
Dividend income	$ 111,811	$ 96,564
Interest income	81,322	78,936
Security lending income	1,984	2,468
Commission recapture income	42	10
	195,159	177,978
Gain on sale of investments	190,037	182,152
Current period change in market value of investments	694,951	(391,879)
	$ 1,080,147	$ (31,749)

B) INVESTMENT INCOME (LOSS) BY ASSET MIX FOR THE PERIOD ENDED 31 DECEMBER IS AS FOLLOWS

	Investment income (000s)	Gain (loss) on sale of investments (000s)	Current period change in market value of investments (000s)	2019 Total (000s)	2018 Total (000s)
Cash and cash equivalents	$ 3,727	$ (346)	$ (2,054)	$ 1,327	$ 6,846
Fixed income	78,365	5,937	124,696	208,998	29,604
Equities					
Canadian	24,831	81,797	107,250	213,878	(110,935)
US	21,017	83,718	227,109	331,844	61,786
Global	35,512	(1,968)	112,132	145,676	(69,339)
Private equity	-	-	44,967	44,967	14,272
Infrastructure					
Private	-	-	39,310	39,310	7,942
Listed	20,433	3,678	20,258	44,369	3,153
Passive	5,774	16,248	(9,818)	12,204	-
Real estate	5,500	-	30,935	36,435	26,167
Forwards	-	(297)	440	143	(353)
Futures	-	1,270	(274)	996	(892)
Total	$ 195,159	$ 190,037	$ 694,951	$ 1,080,147	$ (31,749)

Net income from derivatives, including realized and unrealized gains or losses is $1.1 million (2018 - net loss $1.2 million), while income from other assets, excluding dividend and interest income is $ 1.3 million (2018 - $2.7 million).

6. INVESTMENT RISK MANAGEMENT

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The use of financial instruments exposes the Plan to interest rate risk, market price risk, credit risk, foreign currency risk and liquidity risk. The Plan's Statement of Investment Policies and Procedures (SIP&P) outlines policies and operating procedures that establish a diversified asset mix consisting of investments in equity, fixed income, real estate, infrastructure and private equity. The asset mix policy requires diversification of investments within these categories and set limits on the size of exposure to individual investment and counterparties. Board of Trustee oversight, procedures, and compliance functions are incorporated into Plan processes to achieve consistent controls and mitigate operational risk.

A) INTEREST RATE RISK

Interest rate risk refers to the fact that the Plan's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension plan due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The fair value of the Plan is affected by short term changes in nominal interest rates. Pension liabilities are exposed to the long-term expectation of rate of return on the investments, as well as expectations of inflation and salary escalation.

The term to maturity classifications of public market interest-bearing investments, based upon the contractual maturity of these securities, are as follows:

	2019 (%)	2018 (%)
Within 1 year	10.6	8.5
Short (1 - 5 years)	24.9	29.3
Medium (5 - 10 years)	28.8	31.5
Long (10+ years)	35.7	30.7
	100.0	100.0

Assuming a parallel change in the long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the fair value of the Plan's fixed income investments by approximately $181.6 million or 7.71% (2018 - $162.0 million or 7.12%). A 1% decrease in interest rates would have resulted in an equal but opposite effect to the amounts shown.

6. Investment risk management (continued)

B) MARKET PRICE RISK

Market price risk is the risk of fluctuation in market values of investments from influences specific to a particular investment or from influences on the market as a whole. The Plan is exposed to changes in equity prices in Canadian and global markets. Equities comprise 49.8% of the market value of the Plan's total investments. Equity investments are diversified by geography, industry type and corporate entity. If equity market indices (S&P/TSX and MSCI ACWI) declined by 10%, and all other variables are held constant, the potential loss to the Plan would be approximately $370.6 million, or 4.98% of total investment assets (2018 - $322.7 million or 4.99%).

C) CREDIT RISK

Credit risk is the risk that the issuer of a debt security or counterparty to a contract is unable to fulfill its financial obligation and causes the other party to incur a loss.

Fixed income portfolio

Credit risk in the fixed income portfolio is monitored by evaluating the Plan's exposure in two ways: by sector (government versus corporate) and by credit quality.

The Plan is exposed to credit risk from the following interest earning investments, classified by sector as follows:

	2019 (%)	2018 (%)
Federal government	18.0	20.9
Provincial government	23.6	23.4
Municipal government	1.9	1.4
Corporate	53.8	51.4
Other	2.7	2.9
	100.0	100.0

The Plan's concentration risk by credit rating as at 31 December is as follows:

	2019 (%)	2018 (%)
AAA to A-	64.0	68.0
BBB to BBB-	22.7	18.6
BB+ and below	5.7	5.9
Not rated	7.6	7.5
Total	100.0	100.0

6. Investment risk management (continued)

C) CREDIT RISK (CONTINUED)

Real estate

Real estate investment managers manage risk through monthly monitoring of tenant performance and arrears. Tenant exposure is managed by limiting concentration to a specific economic sector and geographic area. Transactions that involve assuming a new tenant exposure are vetted by an appropriate due diligence and approval process.

Securities lending

The Plan lends securities for a fee to approved borrowers. High quality collateral is provided by borrowers to alleviate the credit risk. Regular reporting of the securities lending program ensure that its various components are continuously being monitored.

D) FOREIGN CURRENCY RISK

Foreign currency exposure arises through holdings of securities and other investments in non- Canadian assets. 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. The Plan's exposure to foreign currencies provides diversification benefits that should be assessed by asset class. Foreign currency positions arising from investments in fixed income, real estate or infrastructure are generally hedged, while investments in global public and private equity generally are not hedged. In addition, the investment managers of the Plan are given flexibility through their mandate to periodically hedge currency for opportunistic or defensive purposes. The Plan's currency exposure from public market investment assets is summarized in the following table:

	2019 (%)	2018 (%)
Canadian Dollar	47.3	55.5
US Dollar	34.3	30.0
Euro	5.8	4.1
Other Asia/Pacific currencies	4.6	4.1
British Pound	2.8	2.3
Japanese Yen	2.2	1.9
Other European currencies	2.1	1.4
Other currencies *	0.9	0.7
Total	100.0	100.0

* Other currencies include those from regions within Africa, the Middle East and Latin America

A 10% increase in the value of the Canadian dollar in relation to all other foreign currencies, with all other variables held constant, would result in an unrealized investment loss of $326.5 million, or 5.27% of public market investment assets (2018 - $250.1 million or 4.45%). A reduction in the value of the Canadian dollar of the same amount in relation to all other foreign currencies would result in an equal but opposite effect to the amounts shown.

6. Investment risk management (continued)

E) LIQUIDITY RISK

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they come due. Cash obligations are fulfilled from contributions to the Plan, cash income of the Plan and planned dispositions of Plan assets as required. Cash requirements of the Plan are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations. In general, the Plan's investments in cash and cash equivalents, debt and public equities are expected to be highly liquid and are invested in securities that are actively traded. Investments in private equity, infrastructure and real estate are considered highly illiquid due to their private nature and longer term to maturity.

7. Capital management

The capital of the Plan is defined as the net assets available for benefits. The Plan was established as a vehicle to invest employee and employer pension plan contributions with a long-term goal to achieve investment returns. The primary investment objective of the Plan is to meet its long-term funding requirements and pension payment obligations, and the secondary objective is to manage the volatility of the Plan's funded ratio.

The Plan is jointly sponsored by the Government of Newfoundland and Labrador and the five unions representing plan members. The Corporation's Board of Trustees, as Trustee of the Plan, is responsible to review, monitor, administer and supervise all investment activities of the Plan.

Portfolio management

The Plan utilizes external investment management firms to invest the assets of the Plan.

Each investment manager is selected through a disciplined process to ensure alignment with the investment structure and objectives of the Plan. In addition, external custodial and investment counseling advisory firms are engaged to support Plan management.

Asset mix policy

The long-term asset mix policy of the Plan, approved in January 2019, is as follows:

Equities	
Canadian Equity	10%
Global Equities	10%
Global Low Volatility	10%
Global Small Cap	5%
Emerging Markets	5%
Private Equity	5%
Fixed Income	
Canadian Core-Plus Bonds	15%
Commercial Mortgages	5%
Emerging Market Debt	5%
Multi Asset Credit	5%
Private Debt	5%
Real Assets	
Real Estate	7.5%
Global Infrastructure	7.5%
Absolute Return	
Hedge Funds	5%

The asset mix policy was adopted after evaluating the potential impact of alternative policies on the ability to achieve sufficient asset growth on a risk-controlled basis. Factors evaluated before adopting the asset mix policy included the Plan's going-concern funded ratio, demographics, cash-flow requirements, actuarial assumptions, prospective benefit improvements and liquidity requirements.

8. Administrative expenses

Administrative expenses include direct expenses incurred by the Plan, and administrative costs incurred by the Corporation and billed to the Plan. Administrative costs were as follows:

	2019 (000s)	2018 (000s)
Direct expenses:		
Investment management fees	$ 18,048	$ 17,592
Custodian and transaction fees	766	825
Investment consulting fees	312	292
Actuarial consulting fees	515	339
Other direct expenses	112	177
	19,753	19,225
Charges from Plan Administrator, Provident[10] (note 14)	9,340	8,230
	$ 29,093	$ 27,455

9. Accrued benefit obligation

The actuarial present value of the accrued benefit obligation is an estimate of the value of Plan benefits accrued to date for all active and inactive members including pensioners and survivors. As the experience of the Plan unfolds, and as underlying conditions change over time, the measured value of these benefits may change materially.

The Plan uses the triennial actuarial funding valuation as the basis for measuring the accrued benefit obligation, using various economic and demographic assumptions and based on membership data as at the valuation date. Extrapolations of the Plan's funding valuation are conducted annually to estimate the accrued benefit obligation. The most recent funding valuation was conducted at 31 December 2018.

The actuarial valuation calculates liabilities for each member on the basis of service earned to date and the employee's projected highest average salary at the expected date of retirement, or on the pension in pay, for retired members and survivors.

Salaries are assumed to increase over the long-term based on an assumed real rate increase (i.e. to increase in excess of the assumed inflation rate).

Demographic assumptions are used to estimate when future benefits are payable to members and beneficiaries, including assumptions about mortality rates, termination rates, and patterns of early retirement. Each of these assumptions is updated periodically, based on a review of the experience of the Plan and on the expectations of future trends.

9. Accrued benefit obligation (continued)

The major demographic assumptions used in the 2019 extrapolation have not changed from those used in the 2018 valuation. The economic assumptions used in 2019 have been updated to reflect a 0.25% reduction in the assumed level of annual inflation to 2.00%, with the same adjustments applied to the assumed rate of salary and YMPE escalation.

	As of 31 December 2019	As of 31 December 2018
Inflation	2.00% per annum	2.25% per annum
Post-retirement indexing (payable from age 65)	1.00% per annum	1.00% per annum
Salary escalation	3.50% per annum	3.75% per annum
Total rate of return on assets (i.e. Discount Rate)	6.00% per annum	6.00% per annum
YMPE escalation (as defined under the Canada Pension Plan)	2.75% per annum	3.00% per annum
Retirement rates	For members who are grandparented or who qualify for early unreduced retirement by 31 December 2019: » 50% at earliest age they are entitled to unreduced pension. » The remainder at their normal retirement age (the earlier of 65 or 55 with 35 years of service). For all other members: » 57.5% at the earliest age they are entitled to unreduced pension. » The remainder at normal retirement age (the earlier of 65 or age 58 with 35 years of service). Members who have already reached early unreduced retirement age are assumed to retire at their normal retirement age.	For members who are grandparented or who qualify for early unreduced retirement by 31 December 2019: » 50% at earliest age they are entitled to unreduced pension. » The remainder at their normal retirement age (the earlier of 65 or 55 with 35 years of service). For all other members: » 57.5% at the earliest age they are entitled to unreduced pension. » The remainder at normal retirement age (the earlier of 65 or age 58 with 35 years of service). Members who have already reached early unreduced retirement age are assumed to retire at their normal retirement age.
Mortality rates	CPM RPM 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 1.08 for males and 1.01 for females	CPM RPM 2014 Public (Sex Distinct) CPM Improvement Scale B Size adjustment factors of 1.08 for males and 1.01 for females

10. Outstanding transaction allowance

As of 31 December 2019, all of the remaining 1364 outstanding requests were processed. The impact of these unprocessed requests had been estimated by the Plan's actuary based on the history of requests processed and taking into consideration the type of the outstanding requests. During the year, the Plan removed the remaining estimated balance in the accrued benefit obligation of $44 million and the related receivable of $35 million which represented assets which were transferred to the Plan for pension buy back and transfers in from the Government Money Purchase Pension Plan or other reciprocal arrangements.

11. Contributions

	2019 (000s)	2018 (000s)
Employee:		
Current service	$ 162,239	$ 162,089
Past service	7,479	5,712
Reciprocal transfers	31,258	21,073
	$ 200,976	$ 188,874

	2019 (000s)	2018 (000s)
Employer:		
Current service	$ 162,202	$ 161,889
Past service	3,216	2,174
	$ 165,418	$ 164,063

12. Pension payments

		2019 (000s)		2018 (000s)
Retirement benefit payments	$	422,855	$	400,951
Disability benefit payments		28,815		27,739
	$	451,670	$	428,690

Refund of contributions

		2019 (000s)		2018 (000s)
Termination benefit payments	$	126,726	$	126,652
Transfers to other pension funds		9,334		5,564
Death benefit payments		6,997		5,296
	$	143,057	$	137,512

13. Promissory note

The Province issued a $2.685 billion promissory note to the Corporation on 31 March 2015 as part of pension reform. The Plan has a right to receive the proceeds of the promissory note from the Province held by the corporate trustee. The note is receivable over 30 years in quarterly blended installments of principal and interest of $47 million. The promissory note bears interest of 6%. The payments will be made, regardless of the funded status of the Plan. The promissory note is non-marketable. As at 31 December 2019, the balance receivable is $2.457 billion (2018 - $2.499 billion).

Principal repayments of the promissory note by the Province to the Corporation and by the Corporation to the Plan over the next five years (in thousands) are as follows:

2020	$44,777
2021	$47,464
2022	$50,312
2023	$53,331
2024	$56,530

14. RELATED PARTY TRANSACTIONS

A) FIXED INCOME INVESTMENTS

The following related party investments were held by the Plan as at 31 December:

Description	2019 Cost (000s)	2019 Market Value (000s)	2018 Cost (000s)	2018 Market Value (000s)
Province of Newfoundland and Labrador Debentures - Series maturing 2 June 2028	$ 3,597	$ 3,653	$ -	$ -
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2046	1,964	2,233	1,964	2,009
Province of Newfoundland and Labrador Debentures - Series 6Z maturing 2 June 2026	1,346	1,370	-	-
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2033	1,265	1,187	1,265	1,139
Newfoundland and Labrador Hydro Debentures - Series AF maturing 1 December 2045	649	739	-	-
Province of Newfoundland and Labrador Debentures - Series 7G maturing 2 June 2029	629	615	-	-
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2029	59	58	-	-
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2030	11	11	-	-
	$ 9,520	$ 9,866	$ 3,229	$ 3,148

B) REAL ESTATE INVESTMENTS

The Plan manages its real estate through Newvest Realty Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. All of the shares of Newvest Realty Corporation are held by the Plan. The Plan purchased the remaining shares from the Teachers' Pension Plan in June 2018.

C) PRIVATE EQUITY AND PRIVATE INFRASTRUCTURE INVESTMENTS

The Plan manages its private equity (and private infrastructure) investments through PSPP Neptune Corporation, a wholly-owned subsidiary incorporated under the provisions of the *Canada Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. All of the shares of PSPP Neptune Corporation are held by the Plan.

14. Related party transactions (continued)

D) PLAN ADMINISTRATION

The Corporation manages the Plan on a cost recovery basis. The cost of the services in 2019 totalled $9.3 million (2018 - $8.2 million) and included certain direct expenses as well as costs charged to the Corporation by the Province including administrative services under the Service Level Agreement, and services for disbursement of pension payments and refund of contributions.

15. Commitments

The Plan has committed to invest in certain private equity and infrastructure funds which may be funded in accordance with agreed upon conditions over the next several years. As at 31 December 2019, the unfunded portion of these commitments totalled $536.5 million (2018 - $727 million). This investment is made through PSPP Neptune Corporation, a wholly-owned subsidiary of the Plan.

In addition, the Plan has committed to invest in commercial mortgages which may be funded upon conditions over the next several years. As at 31 December 2019, the unfunded portion of these commitments totalled $12.6 million (2018 - $104 million). This investment is made through Greystone Mortgage Fund.

16. Subsequent events

A) PROCLAMATION OF PLAN TEXT

Subsequent to year end, on Friday, 14 February 2020, the *Public Service Pensions Act* (2019) was proclaimed by the Lieutenant Governor of Newfoundland and Labrador. This proclamation officially amends the *Public Service Pensions Act*, 2019 (PSPA 2019), and repeals the *Public Service Pensions Act* (1991). In conjunction with the proclamation of the PSPA 2019, the *Public Service Pensions Act* (1991) was repealed, and the benefit provisions of the Plan are now established in the PSPP Plan Text. This change does not impact the Plan's benefits, nor the obligations reported herein.

B) MARKET DOWNTURN

Management has evaluated subsequent events for the Plan through to 17 June 2020, the date the financial statements were available to be issued, and has concluded that there were no subsequent events relevant for financial statement disclosure, except as discussed below.

Economic conditions

In January 2020, the World Health Organization declared the coronavirus a global health emergency and declared it as a global pandemic on 11 March 2020. This has presented many uncertainties which have reflected in the subsequent stock market volatility. Equity markets have reacted with the biggest decline experienced in more than a decade. In response, both the U.S. Federal Reserve and the Bank of Canada quickly reduced their key interest rates by 50 basis points. At this time, governments and businesses around the world are introducing significant new measures to contain and control the spread of the coronavirus. The full impact of these circumstances on global growth and businesses will not be fully understood until more time has passed. The ultimate extent of the effect of this on the Plan is uncertain. As a result, Investment Managers have and will continually assess the performance of the portfolios and make investment decisions that are aligned with each of the Plan's respective mandates and the best interest of its unitholders.

Contact Us

TO LEARN MORE ABOUT PROVIDENT[10] AND THE PSPP, PLEASE VISIT PROVIDENT10.COM.

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