

**Pension Investment Committee
Province of Newfoundland and Labrador
Pooled Pension Fund**

2019 Annual Report

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**PENSION INVESTMENT COMMITTEE
PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED
PENSION FUND**

Honourable Siobhan Coady
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Coady:

As the Chair of the Pension Investment Committee (PIC), I am pleased to submit the 2019 Activity Report for the Committee. In accordance with the **Transparency and Accountability Act**, the PIC is a category 3 government entity and is required to prepare an annual activity report to present information on its activities of the preceding year. This report was prepared under the direction of the PIC and the PIC is accountable for the results contained herein. This Report covers the third year of the Committee's 2017-2019 Activity Plan.

The PIC of the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) has been overseeing the management of the Fund since its inception in 1981. Throughout that period, the performance of the Fund has contributed to slowing the growth in the unfunded liabilities of the participating pension plans sponsored by government.

Canadian and global financial markets were quite strong in 2019. The 18.9% overall rate of return earned by the Fund surpassed the benchmark rate of return for the Fund, and continued to have a favourable impact on the long-term investment goals established by the PIC.

Sincerely,



Denise Hanrahan
Chair

1.0 Overview

Pursuant to section 14 of the **Pensions Funding Act**, the Lieutenant Governor in Council established the Pension Investment Committee (PIC). The PIC advises the Minister of Finance, as Trustee, on the operation and the investment of the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund). The Fund was originally established to finance benefits under the five Government sponsored pension plans; however, as a result of Government's pension reform initiative, the assets of the Public Service Pension Plan and the Teachers' Pension Plan were carved out of the Fund in 2015 and 2016, respectively. The Fund is currently comprised of the assets of the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

Responsibilities of the PIC include the review of all the financial activities of the Fund; the development, review and implementation of Fund objectives and investment strategies; and the recommendations for the appointment of investment consultants, a custodian and investment managers as required.

Pension Investment Committee (as of December 31, 2019)	
Government Representatives:	
Denise Hanrahan, Chairperson	Deputy Minister of Finance
Theresa Heffernan, Vice-Chair	Assistant Deputy Minister, Financial Planning and Benefits Administration, Department of Finance
Janice Butt	Director, Pensions and Debt Management
Employee Representatives:	
Bert Blundon	Newfoundland and Labrador Association of Public and Private Employees
Wanda Lee Mercer	House of Assembly
Nick Cashin	Royal Newfoundland Constabulary Association

2.0 Key Statistics

As of December 31, 2019, total Fund assets were \$211.2 million and the total unfunded liability was \$330.1 million. This compares to assets of \$197.3 million and an unfunded liability of \$318.3 million as of December 31, 2018.

As detailed in the following table, Fund participation was 1,774 members as of December 31, 2019.

Fund Participation as of December 31, 2019				
	Uniformed Services Pension Plan	Members of the House of Assembly Pension Plan	Provincial Court Judges' Pension Plan	Total
Active Members	674	40	18	732
Deferred Members	38	5	0	43
Pensioners	935	55	9	999
Total	1,647	100	27	1,774

The following table illustrates contributions to and payments from the Fund for the year ended December 31, 2019.

2019 Contributions and Payments				
	Uniformed Services Pension Plan (000s)	Members of the House of Assembly Pension Plan (000s)	Provincial Court Judges' Pension Plan (000s)	Total
Contributions:				
Contributions from Active Members	\$5,619	\$400	\$307	\$6,326
Regular Employer Contributions	\$4,663	\$400	\$252	\$5,315
Total Contributions:	\$10,282	\$800	\$559	\$11,641
Payments:				
Pension Benefit Payments	\$29,290	\$1,471	\$402	\$31,163
Refunds to Members	\$933	\$274	\$0	\$1,207
Administrative Expenses	\$965	\$211	\$80	\$1,256
Total Payments:	\$31,188	\$1,956	\$482	\$33,626

3.0 Highlights and Partnerships

The Fund was established as a vehicle to invest employee and employer pension plan contributions in the capital markets with a long term goal to achieve investment returns on those contributions sufficient to meet the cost of the pension obligations as they become due. As the obligations of the participating pension plans are not fully funded, any excess returns achieved in the portfolio will slow the growth in the unfunded portion.

3.1 Discount Rate

In evaluating the long term pension obligations of the Province at December 31, 2019, the Province's actuary used long term annual interest rates ranging from 5.90% to 6.00% to discount the obligations. The discount rate is based on the expected real rate of return for the fund's assets based on the current asset mix plus an assumption for long term inflation. In determining the cash flow requirements of the plans over the valuation period, the actuary assumes that the assets will achieve a similar rate of return. The PIC is mandated to develop and implement an investment strategy with the primary objective of securing the promised pension benefits at a manageable cost to both government and employees. The long term average targeted rate of return is currently 4.25% + Consumer Price Index (CPI).

3.2 Asset Mix

The PIC has implemented an asset mix policy and selected investment managers with a view to achieving annual investment returns that exceed the annual returns earned by the relevant capital market indices. It is anticipated that this investment strategy will result in a long term return that

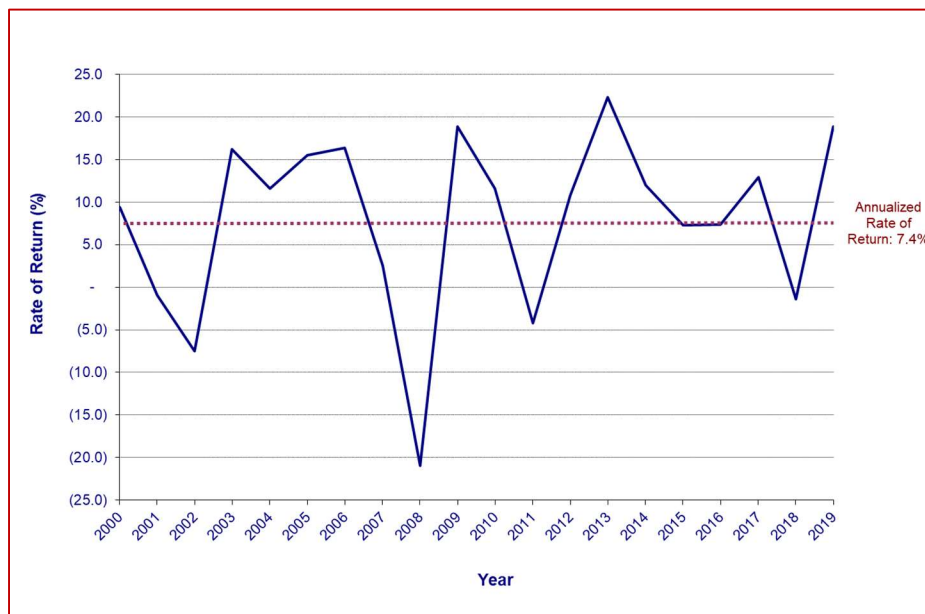
exceeds the actuarial discount rate. The table below outlines the asset mix as of December 31, 2019.

<i>Asset Mix</i>	<i>Actual (%)</i>		<i>Policy (%)</i>	
	2019	2018	Target	Range
Canadian Equities	24	26	25	20-30
Global Equities	56	54	55	50-60
Canadian Bonds	20	20	20	15-25

3.3 Annual Rates of Return

The asset mix strategy as of December 31, 2019 of 80% equities and 20% fixed income was adopted based on the plans' going concern funded ratio and the need to manage the growth of the unfunded liabilities. While returns in excess of the discount rate will not be achievable every year, the Fund's annualized rate of return over the past 20 years is 7.4%. This is higher than the discount rate range of 5.90% to 6.00% used in the most recent actuarial valuations. The Fund's annualized return over 10 years is 9.5% versus the policy benchmark of 8.8%, and over 5 years the Fund returned 8.8% versus the policy benchmark return of 8.2%. The following graph illustrates the variability in annual rates of return over the past 20 years.

Annual Rates of Return (2000 – 2019)



3.4 2019 Performance

Strong returns in both Canadian and global equity markets, as well as favourable returns in the Canadian bond markets, resulted in a strong overall rate of return for the Fund. The Fund's total return in 2019 was 18.9%, which was 0.2% ahead of the benchmark return of 18.7%. The Fund's outperformance of the benchmark policy was due mainly to the impact of the security selection of the investment managers selected by the PIC.

The Canadian equity category posted a return of 19.4%, which was slightly lower than its benchmark index of 22.9%. Global equity returns were also quite strong, posting a return of 23.9% for the year, exceeding the market index return of 20.9%. Canadian bonds matched the benchmark index, achieving a 6.9% return for the year.

The Fund's annual investment results for the five years ending December 31, 2015 to 2019 are presented in the following table.

Investment Performance	Annual Returns (%)				
	2019	2018	2017	2016	2015
Total Fund	18.9	-1.4	12.9	7.4	7.3
Policy Benchmark Return*	18.7	-2.7	11.4	9.9	4.9
Canadian Equities	19.4	-7.5	8.7	19.8	-4.2
S&P/TSX Composite Index	22.9	-8.9	9.1	21.1	-8.3
Global Equities	23.9	0.6	20.6	2.1	17.5
MSCI All Country World Index	20.9	-0.7	16.4	4.7	17.7
Canadian Bonds	6.9	1.5	2.9	3.5	3.2
FTSE TMX Bond Universe Index	6.9	1.4	2.5	1.7	3.5

*Policy Benchmark Return is defined as the rate of return which would have been earned had the fund been invested in securities identical to the various indices.

4.0 2019 Objective and Results

The Pooled Pension Fund was established to invest employee and employer pension contributions not required to pay benefits, in the capital markets with the long term goal to achieve investment returns on those contributions to satisfy the pension obligations. As the assets in the fund are not sufficient to meet the value of the obligations, it is critical that the investment strategy of the fund focus on achieving excess returns within an acceptable level of risk. Any excess returns will slow the growth of the unfunded liability.

Part of the mandate of the PIC is to develop an active investment strategy with the primary long term goal of achieving investment returns that exceed passive or index-like returns in the various sectors of the financial markets. This strategy is implemented by the Committee through the selection of investment managers whose investment style is designed to add value over the relevant market indices over a four year time horizon.

In its 2017-19 Activity Plan, the PIC therefore developed an annual objective focused on the responsible management of the fund, with the aim of earning annual returns in excess of the market index for the relevant category of investments. The results are as follows:

Objective: By December 31, 2019 the PIC will have prudently managed the Newfoundland and Labrador Pooled Pension Fund.

Indicators and Summary of Results:

- Developed, reviewed and/or implemented Fund objectives and investment strategies with a view of earning annual returns in excess of the market index for the relevant category of investments (i.e. S&P TSX Composite Index; MSCI ACWI Index; and the FTSE TMX Bond Universe Index(which has replaced the DEX Universe Bond Index)

The objectives of the Fund are long term in nature and are reviewed upon the completion of triennial actuarial valuations of the plans participating in the Fund. The PIC continues to work towards changing the asset mix in order to reduce the investment risk level of the Fund. The PIC is currently reviewing all available options to revise the current investment strategy, and in June 2019, agreed to recommend to the Minister of Finance that a contract for investment management and investment consulting services be awarded to Russell Investments.

- Reviewed the financial activities of the Fund and advised the responsible Minister as appropriate

The financial activities of the Fund were reviewed by the PIC. However, there was no need to implement new or change the existing initiatives for the Fund during 2019.

- Recommended appointments of investment consultants, a custodian and investment managers, as required

On February 25, 2019, the Department of Finance issued a Request for Proposals for Investment Management and Investment Consulting Services for the Province of Newfoundland and Labrador Pooled Pension Fund. Subsequent to the review and evaluation of the proposals, the PIC sought Ministerial approval to award the contract to Russell Investments. In June 2020, an investment management and investment consulting services agreement was signed with Russell Investments.

5.0 Opportunities and Challenges

As a result of Government's pension reform initiative and the subsequent separation of the Public Service Pension Plan (PSPP) and the Teachers' Pension Plan (TPP), the Fund has been left with limited resources dedicated to the administration and investment process. Until September 30, 2017, the assets of the Fund were combined with the assets of the PSPP and TPP for investment management invoicing purposes. As of October 1, 2017, the Fund was facing a significant increase in investment management fees due to the lower asset base. As well, the 2017 Asset-Liability Study conducted by Russell Investments, the investment consultant for the Fund at that time, recommended changes to the asset mix in order to reduce the investment risk level of the Fund. Connected to this issue is the expectation of a future market correction which could also have a negative impact on the assets of the Fund. In June 2020, an investment management and investment consulting agreement was signed with Russell Investments. It is expected that once transition from the current investment managers to Russell Investments is completed, a new Asset-Liability Study will be conducted. The PIC will continue to look for efficiencies to minimize costs being charged to the Newfoundland and Labrador Pooled Pension Fund.

During 2020, the PIC will therefore continue to oversee the management of the Newfoundland and Labrador Pooled Pension Fund, pursuant to its mandate.

6.0 Contact Information

Pension Investment Committee

c/o Department of Finance
Main Floor, East Block
Confederation Building
P.O. Box 8700
St. John's, NL
A1B 4J6

Telephone: 1(709) 729-3931
Fax: 1(709) 729-6790

Pensions Inquiries Email: pensions@gov.nl.ca

Websites:

<https://www.gov.nl.ca/fin/>

<https://www.gov.nl.ca/fin/pensions/>

**Audited Financial Statements
for the Province of Newfoundland and Labrador Pooled Pension Fund
for the Year Ending December 31, 2019**

**PROVINCE OF NEWFOUNDLAND AND LABRADOR
POOLED PENSION FUND**

FINANCIAL STATEMENTS

DECEMBER 31, 2019



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the Trustee
Province of Newfoundland and Labrador
Pooled Pension Fund
St. John's, Newfoundland and Labrador

Opinion

I have audited the financial statements of the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and the changes in its net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

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

Other Information

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

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

Independent Auditor's Report (cont.)

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (cont.)

- 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 Fund'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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



SANDRA RUSSELL, CPA, CA
Deputy Auditor General

July 21, 2020
St. John's, Newfoundland and Labrador

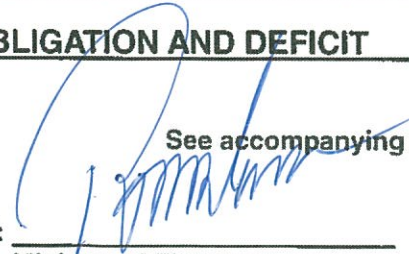
**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF FINANCIAL POSITION**

As at December 31

	2019	2018
	(000's)	(000's) Restated (Note 13)
ASSETS		
Investments (Note 2)		
Short-term notes and deposits	\$ 3,253	\$ 5,155
Bonds and debentures	41,646	38,972
Equities - Canadian	47,726	45,190
- Foreign	117,534	106,977
	<u>210,159</u>	<u>196,294</u>
Receivables		
Employee contributions	121	92
Employer contributions	120	91
Accrued investment income	768	787
Accounts receivable	207	116
Due from the Province of Newfoundland and Labrador	-	141
	<u>1,216</u>	<u>1,227</u>
Cash	<u>2,611</u>	<u>1,620</u>
	<u>213,986</u>	<u>199,141</u>
LIABILITIES		
Accounts payable and accrued liabilities	247	537
Due to the Province of Newfoundland and Labrador	491	-
Due to other Pension Plans	2,072	1,345
	<u>2,810</u>	<u>1,882</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 211,176</u>	<u>\$ 197,259</u>
ACCRUED BENEFITS OBLIGATION AND DEFICIT		
Accrued benefits obligation	\$ 541,269	\$ 515,573
Deficit	(330,093)	(318,314)
ACCRUED BENEFITS OBLIGATION AND DEFICIT	<u>\$ 211,176</u>	<u>\$ 197,259</u>

See accompanying notes

Signed on behalf of the Fund:


Minister of Finance
and President of Treasury Board
Trustee

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

For the Year Ended December 31

2019

2018

	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	Total (000's)	Total (000's) Restated (Note 13)
Increase (decrease) in net assets from:					
Investments (Note 3)					
Investment income	\$ 2,509	\$ 531	\$ 211	\$ 3,251	\$ 3,079
Gain on sale of investments	7,128	1,507	600	9,235	3,902
Current period change in market value of investments	18,073	3,821	1,522	23,416	(9,363)
	27,710	5,859	2,333	35,902	(2,382)
Contributions (Note 12)					
Employee	5,619	400	307	6,326	6,622
Employer (Note 9)	4,663	400	252	5,315	5,266
	37,992	6,659	2,892	47,543	9,506
Other changes in net assets					
Pension payments	(29,290)	(1,471)	(402)	(31,163)	(30,214)
Refund of contributions with interest	(933)	(274)	-	(1,207)	(353)
Administrative costs (Note 6)	(965)	(211)	(80)	(1,256)	(1,198)
	(31,188)	(1,956)	(482)	(33,626)	(31,765)
Total increase (decrease) in net assets	6,804	4,703	2,410	13,917	(22,259)
Net assets available for benefits, beginning of period	161,358	25,009	10,892	197,259	219,518
Net assets available for benefits, end of period	\$ 168,162	\$ 29,712	\$ 13,302	\$ 211,176	\$ 197,259

See accompanying notes

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
STATEMENT OF CHANGES IN PENSION OBLIGATIONS**

For the Year Ended December 31

2019

2018

	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	Total (000's)	Total (000's)
Accrued benefits obligation at beginning of period	\$ 478,746	\$ 27,295	\$ 9,532	\$ 515,573	\$ 526,498
Increase (decrease) in accrued benefits obligation					
Interest on accrued benefits	29,297	1,648	584	31,529	32,266
Benefits accrued	10,275	746	547	11,568	11,849
Impact of changes in actuarial assumptions	12,486	231	324	13,041	(7,385)
Impact of experience gains and losses	-	1,928	-	1,928	(16,477)
Benefits paid	(30,223)	(1,745)	(402)	(32,370)	(31,178)
Total increase (decrease) in accrued benefits obligation	21,835	2,808	1,053	25,696	(10,925)
Accrued benefits obligation, end of period	\$ 500,581	\$ 30,103	\$ 10,585	\$ 541,269	\$ 515,573

See accompanying notes

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Authority and description

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created July 1, 1980, under the authority of the Pensions Funding Act (the Act) for the purpose of providing for the funding of pension plans sponsored solely by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the Act states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

The following pension plans participate in the Fund: Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

(a) Uniformed Services Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the Income Tax Act (Canada), and a Supplementary Plan, which provides benefits in excess of the Income Tax Act (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 9.95% of the Canada Pension Plan (CPP) basic exemption, plus 8.15% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 9.95% of the employee's salary in excess of the YMPE.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after April 1, 1967.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Authority and description (cont.)

(a) Uniformed Services Pension Plan (cont.)

(iii) Accrued service pensions (cont.)

Employees may retire with an unreduced pension with 25 years of pensionable service.

Vested employees who have reached age 55 may retire with an actuarially reduced pension.

(iv) Disability pensions

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

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service 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. For grandfathered members, who died before January 1, 1997, the survivor pension is 55% of the member's accrued service pension.

(vi) 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.

(vii) Termination benefits

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

Authority and description (cont.)

(b) Members of the House of Assembly Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan for Members of the House of Assembly (MHAs). Members may elect not to participate in the Plan for their first term.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the Income Tax Act (Canada), and a Supplementary Plan, which provides benefits in excess of the Income Tax Act (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Member contributions

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the Income Tax Act (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43rd General Assembly and after twenty years of service if elected since that time.

On December 22, 2009, the Province amended the Members of the House of Assembly Retiring Allowances Act. This amendment provided that for Members elected prior to January 1, 2010, their pensionable salary effective July 1, 2007, would be equal to 81.2% of the salary authorized to be paid to an MHA under section 11(1) of the House of Assembly Accountability, Integrity and Administration Act. The pensionable salary for Members elected after December 31, 2009, would be the salary authorized under subsection 11(1) of the House of Assembly Accountability, Integrity and Administration Act.

(iii) Calculation of allowances on retirement

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance as follows:

For Members elected for the first time before or during the 43rd General Assembly, the percentage is calculated at 5% for each of the first ten years, 4% for each of the next five years, 2.5% for each of the next two years and 2% for each year of other service. Ministers receive an additional allowance calculated similarly and based on service and salary as a Minister (excluding Member's salary).

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Authority and description (cont.)

(b) Members of the House of Assembly Pension Plan (cont.)

(iii) Calculation of allowances on retirement (cont.)

For Members elected for the first time after the 43rd General Assembly and prior to January 1, 2010, the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2% for each year of other service.

On December 22, 2009, the Province amended the Members of the House of Assembly Retiring Allowances Act. These amendments provided for a new benefit accrual rate and new eligibility criteria for Members first elected to the House of Assembly after December 31, 2009 (and before November 30, 2015). The annual accrual benefit rate for the new Member would be 3.5% to a maximum of 20 years service. The new Member would have to reach age 55 before being eligible for an unreduced pension. A new Member who retires between the ages of 50 and 54 would be eligible for a pension that would be reduced by 6% for each year that the Member is under the age of 55.

On December 7, 2017, the Province amended the Members of the House of Assembly Retiring Allowances Act. These amendments provided for a new benefit accrual rate and new eligibility criteria for Members first elected to the House of Assembly on or after November 30, 2015. The annual accrual benefit rate for the new Member would be 2.5% to a maximum of 20 years of service. The new Member would have to reach age 60 before being eligible for an unreduced pension.

These allowances are paid as follows:

Under the Registered Plan the allowance is the product of 2% of MHA's and minister's salary for the best three calendar years. When a Member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the Member's average YMPE times years of service between January 1, 1998, and December 31, 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the Income Tax Act (Canada).

Where the calculated allowance does exceed the maximum allowable benefit as determined under the Income Tax Act (Canada), a vested Member who is no longer an MHA or a minister can receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. When a Member reaches age 65, the amount of the supplementary allowance is reduced by 0.6% of the Member's average YMPE times years of service after April 1, 1967 (service between January 1, 1998 and December 31, 2004 excluded).

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Authority and description (cont.)

(b) Members of the House of Assembly Pension Plan (cont.)

(iv) Disability allowance

A disability allowance equal to the amount of the registered allowance the Member would have been eligible to receive at 65 years of age is available if a Member becomes permanently disabled. Additional supplementary benefits are also available on disability.

(v) Survivor benefits

A survivor benefit equal to 60% of the Member's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(vi) Pre-retirement death benefits

If a Member dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the Member's entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan Member's estate.

(vii) Termination benefits

A Member who is no longer an MHA or a minister and who has been elected to only one general assembly or who has less than five years of service may elect to receive a refund of his or her contributions with interest.

A vested Member who is no longer an MHA or a minister may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, or receive a deferred registered allowance. Also, the Member may receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred supplementary allowance.

(viii) Purchase of Service and Reciprocal Transfers

On December 7, 2017, the Province amended the Members of the House of Assembly Retiring Allowances Act. For members first elected on or after November 30, 2015, these amendments included the elimination of a member's ability to purchase pensionable service within the Members of the House of Assembly Pension Plan (MHAPP); or to transfer service to the MHAPP from any of the pension plans identified within the Act.

Authority and description (cont.)

(c) Provincial Court Judges' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after April 1, 2002, and to a judge who elected on or before April 1, 2002, to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the Income Tax Act (Canada), and a Supplementary Plan, which provides benefits in excess of the Income Tax Act (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the Income Tax Act (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid to a vested judge on normal retirement is the product of 3.33% of his or her annual salary immediately prior to ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years.

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary immediately prior to ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the Income Tax Act (Canada). The remaining allowance is paid from the Supplementary Plan.

Normal retirement date is the first day of the month following the judge's 65th birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Authority and description (cont.)

(c) Provincial Court Judges' Pension Plan (cont.)

(v) Pre-retirement death benefits

If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement. Where a survivor pension is not payable, the commuted value of the entitlement is paid to the deceased judge's estate.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

(vii) Indexing

Effective October 1, 2002, and each October 1 thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall 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 allowance or survivor benefit.

1. Summary of significant accounting policies

Outlined below are the significant accounting policies followed.

(a) Basis of Presentation

The Fund's management prepares financial statements in accordance with the requirements of the Chartered Professional Accountants Canada (CPA Canada) Handbook Section 4600 - Pension Plans. This standard is the basis for Canadian accounting standards for pension plans. The recognition and measurement of the Fund's assets and liabilities are consistent with the requirement of CPA Canada Handbook Section 4600.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Summary of significant accounting policies (cont.)

(a) Basis of Presentation (cont.)

CPA Canada Handbook Section 4600 requires that in selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, a pension plan shall comply on a consistent basis with either International Financial Reporting Standards in Part I of the CPA Canada Handbook, or Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook, to the extent that those standards do not conflict with the requirements of Section 4600. The Fund has chosen to comply, on a consistent basis, with the Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook, hereafter referred to as "ASPEs".

(b) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(c) Measurement uncertainty

The preparation of the financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and items reported on the statement of financial position and the statement of changes in net assets available for benefits at the date of the financial statements. The major estimates used by management in preparing the financial statements relate to the valuations and classification of investments, as well as assumptions used in the calculation of pension obligations. Actual results could differ from these estimates, and the impact of any such differences will be recorded in future periods.

(d) Investments

The Fund's investments are held in pooled funds and consist of the following major assets classes: public equities, interest bearing investments such as treasury bills, bonds and mortgages.

Pooled funds are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

Investments are classified as held-for-trading. All investment transactions are recorded at the point upon which the risks and rewards of ownership are transferred. Purchases and sales of publicly traded investments are recorded as of the trade date and are stated at fair value as at year-end. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Summary of significant accounting policies (cont.)

(d) Investments (cont.)

Short-term notes and deposits are valued at book value which approximates market value.

Bonds and debentures are valued at the mean or the average price at the valuation date.

Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on the valuation date, the price of the last board lot traded price is quoted.

(e) Investment income

Investment income is allocated proportionately to the pension plans under the Fund based on the asset value held in the pension plan account.

Investment income (loss) is reflected in investment activities and includes the following:

- (i) Dividend income which is recognized as of the date of record for North American equities, and as of the date of receipt for non-North American equities.
- (ii) Bank interest and interest on bonds and debentures, short-term notes and deposits.
- (iii) Foreign exchange gains and losses.
- (iv) Gains and losses that have been realized on disposal of investments.
- (v) Unrealized gains and losses which reflect the change in fair value of investments held at the end of the year.

(f) Accrued pension benefits and accrued benefits obligation

The value of accrued pension benefits is based on a projected accrued benefits method actuarial valuation prepared triennially by an independent firm of actuaries. This accrued benefits obligation is measured in accordance with accepted actuarial methods, using actuarial assumptions and methods adopted by the Province for the purpose of establishing the long-term funding requirements. The actuarial valuation included in the financial statements is consistent with the valuation for funding purposes. In between valuations, the value of accrued benefits is extrapolated annually from these valuations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Summary of significant accounting policies (cont.)

(g) 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 market value of the investment.

(h) Surplus/deficit

For financial statement reporting, the surplus/deficit of the Plans are based on the difference between the fair value of the Plans' net assets available for benefits and the Plans' accrued benefits obligation. For funding purposes, the Plans' surplus/deficit is based on the difference between the Plans' value of net assets and the actuarial value of the Plans' accrued benefits obligation.

(i) Contributions

Contributions from employers and members due to the Plans at the end of the year are recorded on an accrual basis. A receivable for service purchases that include, but are not limited to leaves of absence, periods of reduced accrual and transfer from other pension plans has been accrued based on an analysis of outstanding requests for service purchases on hand at year end. The value of these unprocessed requests has been estimated by the Fund's actuary based on the history of similar requests.

(j) 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. Accrued benefits from members are recorded as part of the accrued pension obligation.

(k) 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 and disability pension adjudication. External investment management expenses represent payments to the investment managers. These are allocated between the plans 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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

1. Summary of significant accounting policies (cont.)

(l) Cash

Cash includes cash on hand and balances with banks and investment managers.

2. Investments

(a) Investment portfolio

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

	As at December 31, 2019			As at December 31, 2018		
	Assets (000's)	%	Cost (000's)	Assets (000's)	%	Cost (000's)
Money Market	\$ 3,253	1.5	\$ 3,253	\$ 5,155	2.6	\$ 5,155
Fixed Income Canadian	41,646	19.8	42,700	38,972	19.9	41,246
Equities						
Canadian	47,726	22.7	45,221	45,190	23.0	47,400
US	72,197	34.4	50,101	66,112	33.7	54,652
Global	45,337	21.6	31,346	40,865	20.8	33,710
Total	\$ 210,159	100	\$ 172,621	\$ 196,294	100	\$ 182,163

(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: Fair value is based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 primarily includes publicly listed investments.
- Level 2: Fair value is based on valuation methods that make use of inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Level 2 primarily includes fixed income securities not actively traded on a public exchange, public equities not traded in an active market and investments in pooled funds.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

2. Investments (cont.)

(b) Fair value measurement (cont.)

- Level 3: Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. Level 3 primarily includes private market investments such as real estate, valued based on discounted future cash flow models which reflect assumptions that a market participant would use when valuing such an asset or liability.

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

As at December 31, 2019	Level 1	Level 2	Level 3	Total
	(000's)	(000's)	(000's)	(000's)
Money Market				
Canadian	\$ -	\$ 3,240	\$ -	\$ 3,240
US	-	13	-	13
Fixed Income				
Canadian	-	41,646	-	41,646
Equities				
Canadian	-	47,726	-	47,726
US	-	72,197	-	72,197
Global	-	45,337	-	45,337
Total	\$ -	\$ 210,159	\$ -	\$ 210,159

As at December 31, 2018	Level 1	Level 2	Level 3	Total
	(000's)	(000's)	(000's)	(000's)
Money Market				
Canadian	\$ -	\$ 5,155	\$ -	\$ 5,155
Fixed Income				
Canadian	-	38,972	-	38,972
Equities				
Canadian	-	45,190	-	45,190
US	-	66,112	-	66,112
Global	37	40,828	-	40,865
Total	\$ 37	\$ 196,257	\$ -	\$ 196,294

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

2. Investments (cont.)

(b) Fair value measurement (cont.)

During the year, there have been no transfers of amounts between Level 1, Level 2, and Level 3.

The following table shows the changes in the fair value measurement in Level 3 of the fair value hierarchy:

	(000's)
Fair value, December 31, 2018	\$ -
Transfers	-
Acquisitions	-
Dispositions	-
Realized gain/loss	-
Net change in unrealized gain/loss	-
Fair value, December 31, 2019	\$ -

3. Investment income (loss)

(a) Investment income (loss) for the year ended December 31 is as follows:

	2019	2018
	(000's)	(000's) Restated (Note 13)
Interest income	\$ 1,319	\$ 1,314
Dividend income	1,932	1,760
Security lending income	-	5
	3,251	3,079
Gain on sale of investments	9,235	3,902
Current period change in market value of investments	23,416	(9,363)
Investment income (loss)	\$ 35,902	\$ (2,382)

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

3. Investment income (loss) (cont.)

(b) Investment income (loss) by asset mix, for the year ended December 31 is as follows:

	Investment income (000's)	Gain on sale of investments (000's)	Current period change in market value of investments (000's)	2019 Total (000's)	2018 Total (000's) Restated (Note 13)
Canadian equities	1,341	2,496	4,715	8,552	\$ (3,647)
Foreign equities	591	6,539	17,481	24,611	591
Bonds and debentures	1,254	200	1,220	2,674	598
Short term notes & deposits	65	-	-	65	76
Total	3,251	9,235	23,416	35,902	\$ (2,382)

(c) Investment returns

The Fund's investment returns gross of fees are shown by asset class in the table below.

	2019 (%)	2018 (%)
Total portfolio (loss) return	18.94	(1.44)
Canadian equity	19.36	(7.47)
Global equity	23.91	0.57
Fixed income	6.86	1.54

The Fund's net (loss) return after all investment management costs for the year ended December 31, 2019, was 18.67% (2018 – (1.77%)).

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
 December 31, 2019

4. 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 Fund to credit and liquidity risks, interest rate volatility, and market risks including foreign exchange and market price fluctuations and volatility. The Fund has policies and operating procedures that establish an asset mix among equity and fixed income and require diversification of investments within categories, and set limits on the size of exposure to individual investment and counterparties. Trustee oversight, procedures and compliance functions are incorporated into Fund processes to achieve consistent controls and mitigate operational risk.

(a) Interest rate risk

Interest rate risk refers to the fact that the Fund'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 Fund's assets and cash flows related to the Fund's liabilities. The fixed income portfolio has guidelines on concentration, duration and distribution which are designed to partially mitigate the risks of interest rate volatility.

The fair value of the Fund 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 interest bearing investments, based upon the contractual maturity of these securities, as at December 31 are as follows:

	2019	2018
	(%)	(%)
Within 1 year	10.3	9.3
Short (1 - 5 years)	32.5	34.4
Medium (5 - 10 years)	21.6	21.9
Long (10+ years)	35.6	34.4
Total	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 Fund's fixed income investments by approximately \$3.22 million or 7.7% (2018 - \$2.87 million or 7.4%).

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
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4. Investment risk management (cont.)

(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. All changes in market conditions will directly result in an increase (decrease) in net assets available for benefits. Market price risk is managed by the Fund through the construction of a diversified portfolio of instruments traded on various markets and across various industries. If equity market indices (S&P/TSX and MSCI ACWI and their sectors) declined by 10% and all other variables are held constant, the potential loss to the Fund would be approximately \$16.5 million, or 7.85% (2018 - \$15.2 million or 7.75%).

(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 Fund's exposure in two ways: by sector (government versus corporate) and by credit quality.

The Fund is exposed to credit risk from the following interest earning investments, classified by sector as at December 31:

	2019	2018
	(%)	(%)
Federal government	26.3	26.1
Provincial government	32.9	32.4
Corporate	29.5	29.5
Other	11.3	12.0
Total	100.0	100.0

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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4. Investment risk management (cont.)

(c) Credit risk (cont.)

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

	2019	2018
	(%)	(%)
AAA to A-	77.3	75.7
BBB to BBB-	11.0	11.8
BB+ and below	0.5	0.7
Not rated	11.2	11.8
Total	100.0	100.0

(d) Foreign currency risk

Foreign currency exposure arises through holdings of securities and units in pooled funds 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 Fund does not take an active approach, such as currency hedging to managing this risk, but rather the currency risk is managed through the diversified nature of the overall portfolio. In addition, the investment managers of the Fund are given flexibility through their mandate to periodically hedge currency for opportunistic or defensive purposes.

The Fund's unhedged currency exposure from net investment assets as at December 31 is summarized in the following table:

	2019	2018
	(%)	(%)
Canadian dollar	43.2	46.3
US dollar	34.2	33.5
Euro	6.5	3.5
Other Asia/Pacific currencies	5.9	6.3
British Pound	3.4	3.1
Other European currencies	3.1	4.1
Japanese yen	2.9	2.2
Other currencies *	0.8	1.0
Total	100.0	100.0

* Other currencies include Africa, Middle East and Latin America

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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December 31, 2019

4. Investment risk management (cont.)

(d) Foreign currency risk (cont.)

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 \$12.0 million, or 5.67% (2018 - \$10.6 million, or 5.37%).

(e) Liquidity risk

Liquidity risk corresponds to the Fund's ability to meet its financial obligations as they come due with sufficient and readily available cash resources. Cash obligations are fulfilled from contributions to the Fund, cash income of the Fund and planned dispositions of Fund assets as required. Cash requirements of the Fund are reviewed on an ongoing basis to provide for the orderly availability of resources to meet the financial obligations. In general, the Fund'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.

5. Capital management

The capital of the Fund is defined as the net assets available for benefits. The Fund was established as a vehicle to invest employee and employer pension plan contributions in the capital markets with a long-term goal to achieve investment returns. The main objective of the Fund is to secure promised pension obligations as they come due, and the secondary objective is to minimize employer long-term contributions and manage the variability of employer contributions.

The Fund is sponsored by the Government of Newfoundland and Labrador, represented by the Minister of Finance who is Trustee of the Fund. The Trustee has appointed the Pension Investment Committee (PIC) to review, monitor, administer and supervise all investment activities of the Fund.

Portfolio Management

The Fund utilizes external investment management firms to invest the assets of the Fund. Each investment manager is selected through a disciplined process to ensure a good fit with the investment structure and objectives of the Fund. As at December 31, 2019, the external investment fund management group was comprised of the following firms:

Beutel, Goodman & Company Ltd.
Connor, Clark & Lunn Investment Management Ltd.
Phillips, Hager & North Investment Management Ltd.
T. Rowe Price
Wellington Management Company, LLP

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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December 31, 2019

5. Capital management (cont.)

In addition, CIBC Mellon Global Securities Services provides all custodial and administrative services for the Fund, and Russell Investments provides investment counseling services to the Fund.

The long-term asset mix policy of the Fund is as follows:

Canadian equity	25%
Global equities	55%
Fixed income	20%

The asset mix policy was adopted after evaluating the potential impact of alternative policies on benefit security and employer contributions. Factors evaluated included the Plans' going-concern and solvency funded ratios, demographics, cash flow requirements, actuarial assumptions, benefit levels, and liquidity requirements. The expected real return of the Fund's investment policy is 4.25% annualized over the long term.

6. Administrative costs

Administrative costs are direct costs of the Department of Finance, Pensions and Debt Management Division and are allocated to the various pension plans based on the previous month's equity balance related to the total Fund. Any direct costs related to a specific plan are charged accordingly. Administrative costs for the year ended December 31 were comprised as follows:

	2019	2018
	(000's)	(000's) Restated (Note 13)
Investment management fees	\$ 555	\$ 620
Custodian fees	9	16
Investment consulting fees	6	21
Actuarial consulting fees	115	53
	685	710
Salaries and benefits	538	421
Computer charges	4	1
Other expenses	29	65
Medical and professional fees	-	1
	\$ 1,256	\$ 1,198

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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7. Accrued benefits obligation

Actuarial assumptions

The actuarial assumptions used in determining the value of the accrued benefits obligation of \$541.3 million reflect management's best estimate of future economic events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, salary escalation and the inflation rate. The discount rate is based on the target asset mix and expected real returns for each asset class. The inflation rate is derived from the Bank of Canada's long term investment range. The salary escalation rate incorporates the inflation rate assumption and long term expectation of growth in real wages. A summary of the primary economic assumptions as at December 31 is as follows:

	USPP		MHAPP		PCJPP	
	2019	2018	2019	2018	2019	2018
Discount Rate	6.00%	6.25%	5.9%	6.15%	5.9%	6.15%
Salary escalation	0-3.50%	0-3.75%	0-3%*	0-3%*	3.00%	3.25%
Inflation rate	2.00%	2.25%	2.00%	2.25%	2.00%	2.25%

* Salary escalation for the MHAPP is 0% for 3 years and 3.00% thereafter.

8. Actuarial valuations

Triennial actuarial valuations were performed by the actuarial consulting firm of Morneau Shepell up to December 31, 2017. Morneau Shepell was replaced as the actuary of the Fund in February 2019 by Eckler. Eckler used the plan valuations of the prior actuary to perform the actuarial extrapolations used in these financial statements. Eckler commenced performing new valuations for these plans starting with the actuarial valuation of the MHAPP for December 31, 2018. Relevant reporting dates for the various plans (to be completed by Eckler) are summarized below.

Pension Plan	Effective date of valuation used to determine pension obligation	Date of next required valuation
Uniformed Services	December 31, 2017	December 31, 2020
Members of the House of Assembly	December 31, 2018	December 31, 2021
Provincial Court Judges'	December 31, 2016	December 31, 2019

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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9. Funding policy

In accordance with legislation, the Province's funding requirement is to match the employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract.

Also, the Province is requested to pay into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

10. Related party transactions

The following related party investments were held by the Fund as at December 31, 2019:

Description	Cost (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures - Series maturing October 17, 2046	\$ 141	\$ 152
	\$ 141	\$ 152

11. Pensioner and refund payroll

All plans, with the exception of the Provincial Court Judges' Pension Plan, provide for disability pensions payable in the event the plan member is certified to be totally and permanently disabled. As well, should an employee die in service, there is provision for the payment of the employee's entitlement to the estate. The following tables summarize disability pension payments and the payments to employees' estates upon pre-retirement death.

Disability Pensions (\$000's)

Plan	Uniformed Services	Members of the House of Assembly	Provincial Court Judges
2019	1,202	*	-
2018	1,186	*	-

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11. Pensioner and refund payroll (cont.)

Payments on Pre-Retirement Death (\$000's)

Plan	Uniformed Services	Members of the House of Assembly	Provincial Court Judges'
2019	-	-	-
2018	-	-	-

* Figure not shown to protect confidentiality

12. Contributions

	Uniformed Services	Members of the House of Assembly	Provincial Court Judges'	Total
December 2019 (\$000's)				
Employee				
Current	4,576	400	306	5,282
Past Service	556	-	1	557
Reciprocal transfer	487	-	-	487
	5,619	400	307	6,326
Employer				
Current Service	4,561	400	252	5,213
Past Service	102	-	-	102
	4,663	400	252	5,315

	Uniformed Services	Members of the House of Assembly	Provincial Court Judges'	Total
December 2018 (\$000's)				
Employee				
Current	4,529	386	456	5,371
Past Service	1,143	-	16	1,159
Reciprocal transfer	92	-	-	92
	5,764	386	472	6,622
Employer				
Current Service	4,517	288	344	5,149
Past Service	117	-	-	117
	4,634	288	344	5,266

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13. Prior year restatements

During the year, it was determined that some of the prior years' transactions impacting net assets available for benefits were previously recorded incorrectly. As a result, as at December 31, 2017, Due from the Province of Newfoundland and Labrador and Net assets available for benefits were both understated by \$267,000. Net assets available for benefits as at December 31, 2017 was revised to correct the misstatements.

Net assets available for benefits as at December 31, 2018 were understated by \$878,000 due to the following items being revised to correct misstatements:

- Cash was understated by \$693,000,
- Due from the Province of Newfoundland and Labrador was understated by \$566,000,
- Due to Other Plans was understated by \$328,000, and
- Accounts Payable was understated by \$53,000.

The total decrease in net assets for the year ended December 31, 2018 was overstated by \$611,000 due to the following items being revised to correct misstatements:

- revenue resulting from a gain on sale of investments was understated by \$348,000,
- Administrative costs were understated by \$348,000, and
- Refunds of Contributions with Interest was overstated by \$611,000.

14. Subsequent events

Subsequent to year-end, there had been a significant deterioration to global equity markets as well as declining bond yields in connection with COVID-19. Eckler, the Fund's actuary, completed the accounting valuation of the accrued benefit obligation and benefit accrual as at December 31, 2018 on June 10, 2020. Eckler had noted that at that time it was too soon to know the impact on the underlying actuarial assumptions and any other effects related to COVID-19. Therefore, these effects will be reflected in the results of future valuations. Also, from January 1, 2020 through June 30, 2020, the value of the Fund's investment portfolio had remained relatively stable overall.