Provincial Judges Pension Plan

2200 – 200 King St. West
Toronto, ON M5H 3X6

September 16, 2022

Marc Rondeau,
Associate Deputy Minister
Centre for Public Sector Labour Relations and Compensation
Treasury Board Secretariat
315 Front Street West, 6th Floor
Toronto, ON M7A 0B8

Dear Mr. Rondeau:

Re: Provincial Judges Pension Board Annual Report

On behalf of the Provincial Judges Pension Board and in accordance with Ontario Regulation 290/13, I am pleased to provide the Report of the Provincial Judges Pension Board for the period April 1, 2021 to December 31, 2021.

As you know the Board's fiscal year end was amended in 2021 to adopt a calendar year. Consequently, this report covers the 9-month period ending December 31, 2021.

The Board completed its review and approved the report at its regular Quarterly Meeting on September 14, 2022. I am attaching the final version in satisfaction of our obligations as a provincial agency.

I am confident that this submission meets all requirements within the Agencies & Appointments Directive, and I would be happy to respond to any questions or areas requiring further clarification should any arise.

Respectfully submitted,

D.A. Oakley

D.A. Oakley
Chair

Enclosure

c. Sarah O'Callaghan, Treasury Board Secretariat
Karen Elstone, Treasury Board Secretariat

ANNUAL REPORT

PROVINCIAL JUDGES' PENSION BOARD

FOR THE PERIOD
APRIL 1, 2021 – DECEMBER 31, 2021

Contents

MESSAGE FROM THE CHAIR

Throughout 2021 the Provincial Judges' Pension Board (PJPB or the Board) continued shaping its new governance structures and processes to best support our fiduciary and other responsibilities in respect of both the Plan's administration and investment of the funds. Building trusted relationships with each of our stakeholders is critical to our success, and the Board's shared commitment to the principles of transparency and accountability has underpinned our approach so far. Over the past 9 months the process has been demanding, taking longer than initially expected, but we appreciate that these are necessary discussions involving complex issues and relationships. We are investing time today to develop a collective understanding of roles and responsibilities among stakeholders to ensure that we continue to act in the best interests of the Plan's beneficiaries long into the future.

Perhaps the most obvious development for the PJPB in 2021 was the change to our fiscal year end from March 31st to December 31st. The change was prompted by a request from the Office of the Auditor General during the prior year's audit. PJPB supported the change since it would streamline the Plan's financial reporting process, making it more cost effective with no adverse effect on the Plan's beneficiaries. The change was formalized in November 2021 when the Sponsor amended the Plan provisions to adopt the December 31st fiscal year end. Going forward our financial statements will be prepared annually as at the calendar year end.

We remained focused on finalizing a long-term Investment Management Agreement (IMA) with Investment Management Corporation of Ontario (IMCO), but it is important that the Plan's investment policies are aligned with the Board's tolerance for risk and developed with input from both the membership and the Plan Sponsor, Treasury Board Secretariat (TBS). Final adoption of the Plan's key policies, the Strategic Asset Allocation (SAA) and Statement of Investment Policies and Procedures (SIPP), has taken somewhat longer than originally expected due in part to important consultations between TBS, the Association of Ontario Judges (AOJ), and the Board. We are committed to getting this part of our governance obligations right and with the buy-in from our key stakeholders so we can make a smooth transition to the new funding environment and navigate an increasingly complex global financial environment.

Covid continued to shape the global workplace and the PJPB's operations. During the reporting period the Board was able to avoid any disruption by conducting all its regular meetings through video conferencing. Both Ontario Pension Board (OPB) and IMCO, the two service agents, maintained their service levels, and continued to support the Board effectively in a "work from home" environment. In fact, OPB was able to successfully create and securely distribute just under 290 personalized digital annual pension statements to each active member of the Plan. The pandemic has certainly underscored the need to continue to shift toward digital communications and service delivery.

The last Board member of the newly constituted five-member Board, as recommended by the AOJ, was appointed in January 2021 and, over the balance of the year, the fully constituted Board was able to make sound progress implementing the Plan's governance framework. Most notably, the Board was able to approve its Enterprise Risk Management (ERM) Framework and its Communication Policy. Adoption of the ERM Framework was a critical accomplishment for the Board since we were able to fulfill our commitment within the Business Plan in response to the Minister's expectations within the mandate letter for 2021. Communications is a significant activity for any pension plan and is also part of an effective pension governance system. Defining the Board's expectations for delivery of the communications program within the policy is a major step toward delivering consistent, high-quality information to the membership and stakeholders as well as clearly delegating certain responsibilities to our service providers, where appropriate.

It has been my distinct pleasure to serve as PJPB Chair over the last 9 months. I especially want to thank my Board colleagues. Your passion, stewardship, and desire to share your expertise have helped to create the conditions for an excellent pension governance program. I also want to acknowledge the AOJ - your keen interest in pensions and insightful feedback have been invaluable in developing member communications and pension policy. On behalf of the Board, I likewise want to acknowledge the professionalism and support provided every day by the capable staff at Ontario Pension Board, Treasury Board Secretariat and the Investment Management Corporation of Ontario. Once again, there is still more work to do to complete the transition to a fully operational fund and I look forward to new initiatives and accomplishments in the coming year.

D. A. Oakley

Deborah A. (Debbie) Oakley
Chair, Provincial Judges Pension Board

September 14, 2022

THE YEAR IN REVIEW

Throughout 2021 the Board's priority was to establish a sound governance framework for the administration of the Plan. Our steady progress over that period has been marked by the several achievements, including:

Documenting the Governance Framework

The Service Level Agreement (SLA) between the PJPB, TBS and OPB documents the administrative roles and responsibilities of each party and is a critical component of the Plan's governance framework. Final adoption of the SLA has been affected by on-going discussions between the PJPB, TBS and the Association of Ontario Judges (AOJ). Discussion is focused on the AOJ's role in the implementation of the redesigned Plan and whether the government has additional obligations to consult with them, either directly or under the Remuneration Commission process.

While PJPB does not have a direct role in the Remuneration Commission process, the Board is actively contributing by providing our insights, as the Plan's Administrator, on the governance and operational requirements of the Plan. Given the complexity of the discussions, work on the agreements, including the SLA with OPB and the SAA within the Investment Management Agreement (IMA) with IMCO, was suspended in December 2021 until TBS and the AOJ reach a resolution.

In the meantime, the Board has remunerated OPB for performing the expanded services under plan redesign, at the rates proposed in the most recent draft of the SLA. Similarly, IMCO has also been remunerated according to the IMA which became effective in March of 2020 and has enabled investment in low-risk money market instruments until the Board can adopt a longer-term investment strategy.

Annual Pension Statement

Much of 2021 was focused on the development and deployment of the Plan's inaugural Annual Pension Statement (APS). Delivery of the first ever APS was a key strategic objective for the Board in 2021. The APS represented the fulfillment of a commitment made by the Board and served to strengthen its credibility in front of its stakeholders.

The project was undertaken for a number of reasons: 1) Communicating pension as part of overall remuneration will help members understand the program's value and promote greater transparency between the Board, its stakeholders and members; 2) Production of the APS helps members gain control of a significant work-related asset and share accountability for their retirement outcomes; and 3) Improving communication with the membership helps position the Board as a trusted advisor and helps achieve higher levels of client satisfaction.

APS delivery was also completed using a digital format requested by the Board and favoured by the AOJ and TBS. While there were challenges, special steps were taken to ensure the security of members' personal information and as a result there were no privacy incidents. Additionally, the Board is proud of the fact that project delivery was the result of extensive collaboration between the Board, the AOJ, and the Office of the Chief Justice and it was delivered on time and within budget.

A follow-up member satisfaction survey was completed in 2022 and confirmed the encouraging feedback the Board was receiving through informal channels. With the development of the underlying calculation tools and template communications, the Board is positioned to deliver a high-quality on-going APS program.

Enterprise Risk Management Framework

The Board committed to documenting and then implementing its ERM framework as a means of understanding and managing its risks as a pension administrator and provincial agency. The Board worked diligently throughout 2021 to develop an ERM Framework that conformed to the Ontario Public Service (OPS) ERM Directive. By September there was consensus among the Board members regarding governance structure, including roles and responsibilities, the approach, and principles outlined to identify, assess, monitor and report on key risks. The ERM Framework was adopted by resolution at the September, 2021 quarterly Board meeting.

In the following quarter OPB began reporting on key risks noted in the risk registry and seeking Board feedback on the reporting process. For example, the risks will be reported initially on a quarterly basis, but the Board will need to consider whether that frequency is appropriate for the Plan's experience. Regardless, any exceptions (e.g., new risks, large variation in risk assessment) will be reported as soon as the event is triggered.

We expect the Framework will continue to evolve and mature over time as risk management is implemented, and the Board will be able to use the results to assess performance, make adjustments as needed and track progress for future annual reports.

Communication Policy

Communications is a significant activity for any pension plan and is part of an effective pension governance system. With the expansion of the Board's mandate to include responsibility for communication, the Board identified development of a communication policy as a priority for the 2021/2022 plan year. The policy was adopted by the Board at its regular Quarterly Meeting on December 8, 2021.

The Communication Policy provides important basic guidance to OPB management and staff, as our agent, regarding the Board's vision for how it wants to interact with the membership and stakeholders. It defines which communication responsibilities it is delegating to OPB and designates a list of documents that can be provided to members and stakeholders on request without having to consult the Board.

By approving the Policy, the Board adopted a basic communications governance framework to support efficient day-to-day operations. This is accomplished by confirming responsibilities that it is delegating to OPB and by approving a list of Plan documents that can be provided to members and stakeholders on request without seeking Board approval each time. This was an important achievement for the Board that will allow more time to focus on its strategic role and responsibilities.

OPERATIONAL PERFORMANCE

Delivery of Pensions

In 2021 PJPB continued delivering high-quality cost-effective services to the Plan's membership. By the end of the year 343 beneficiaries were receiving either a pension or survivor allowance from the PJPP and 284 full time sitting judges.

In the nine months ending December 31, 2021 the Board conducted three regular quarterly meetings to consider regular business (e.g., approval of pension payments, operational updates) and special approvals mostly related to governance and redesign implementation. An additional 10 working meetings were convened to consider special business related to the implementation or facilitate briefings with key stakeholders. The number of meetings were down from the prior reporting period, but still reflects increased demands as the Board continued to refine its new governance structure and processes.

The Board monitors its service providers through regular reporting on pending and outstanding work at its regular meetings. The Board also relies on the quarterly presentation of the PJPP Call Activity Report to assess telephone service delivery performance. These reports facilitate Board oversight of service delivery relative to commitments within the service agreements.

The PJPB met or exceeded its client service standards over the period of this report: no application for pension or other benefit from the Plan, or pension estimates, took longer than 60 days in total to process.

Once again there were no requests for adjudication or appeals of decisions made during the reporting period.

At its regular quarterly meetings, PJPB reviewed and approved 19 new annual pensions and survivor allowances, all under the new plan provisions that require calculation of the three-tiered pension benefit entitlement. In the reporting period ending December 31, 2021, there was one application for lump sum payment in respect of a family law settlement, and the Board also approved 3 refunds of contributions on resignation.

The corresponding annual value of new pensions and survivor allowances approved by the Board for payment was $3.485 million. All pension payments commenced on time and within service commitments.

Annual Cost of Living Adjustments

The Plan provides for annual cost of living increases calculated using two different methods. Depending on the judge's eligibility, they may receive either a Consumer Price Index (CPI) adjustment every January 1st or an adjustment based on the Industrial Aggregate Index (IAI)(Canada) given to sitting judges each April 1st. These payments are approved each year by the Board and there are usually two adjustments made in the fiscal year. The PJPB only made the IAI payment adjustment during the reporting period.

In October 2021, the Board made escalation adjustments to 142 pensions and survivor allowances to reflect the annual IAI salary adjustments under the Framework Agreement on Judges' Remuneration. Effective April 1st, pensions for affected retired provincial judges or their survivors were increased by 7.00%.

In addition to the immediate effect on pensions and survivor allowances in pay, the change required recalculation of 9 new pensions for individuals retiring after April 1st effective date and 99 earning limits for judges continuing to serve in retirement. In total 250 personalized notifications explaining the changes were delivered to affected members.

This year the salary adjustments were communicated to PJPB later than previous years; however, the adjusted pensions and retroactive amounts were paid as expected on October 22, 2021.

Sensitivity of Judges Data

Personal information belonging to sitting and retired judges is extremely sensitive and if accidentally disclosed could have a serious effect on the privacy and personal safety of the individual judge. The Board recognizes the special circumstances that apply to judges and requires that OPB ensure personal information is adequately secured, and especially prior to transmission by mail or electronic means. Member communications containing personal information (e.g., Annual Pension Statement) have been deployed according to OPB's well-established privacy and disaster recovery policies, as a result the Board was able to successfully mitigate the risks associated with a privacy breach.

FINANCIAL PERFORMANCE

Since its inception, the Provincial Judges' Pension Plan (PJPP or the Plan) has operated as an unfunded Plan, with contributions held by, and pension payments made from the Province's Consolidated Revenue Fund (the CRF). With the Fund redesign in 2020, two components of the Plan, the Registered Pension Plan ("RPP") and the Retirement Compensation Arrangement ("RCA") became funded pension arrangements, with assets being held and invested under newly created trusts. In effect, the funds became entities separate from the Province and require financial statements, which are audited by the Auditor General of Ontario. The third component of the Plan, the Supplementary Plan (SUPP) is funded from the Province's CRF.

The RPP's assets continue to be invested in Canadian Treasury Bills until the Board can formally adopt its strategic asset allocation. The strategy is consistent with the interim provisions established within the Board's IMA. The purpose of the approach is to maintain safety and liquidity until the strategic asset allocation can be implemented. As expected, Fund returns are reflective of the conservative strategy.

Regular member contributions equal to 7% of salary continued to flow into the RPP and RCA during the reporting period. Member contributions that exceed the maximum amount permitted for an RPP are remitted to the RCA. Province contributed just under $3M per month to the RCA as combined special funding and member matching payments. Fifty percent of these payments, along with the member contributions are sent to a Refundable Tax Account with the Canada Revenue Agency. No money is currently being contributed to the Supplemental Pension Plan by the Province.

An initial actuarial valuation was prepared for the Provincial Judges Registered Pension Plan as at January 1, 2020, for the purpose of establishing the Plan's contribution requirements in accordance with the Income Tax Act, until the next actuarial valuation is performed. The valuation was filed with Canada Revenue Agency (CRA) and the actuary's recommendations for employer contributions to the Plan were approved.

Since then, the Board has adopted the practice of preparing annual valuations to monitor the funding framework of the Plan on a regular basis. However, the Plan's lack of invested assets meant an appropriate discount rate could not be established for use in the valuation. Setting a realistic discount rate is vital to achieving the long-term financial health of the Plan and the Board necessarily deferred preparation of the valuation into 2022.

Under the provisions of the *Income Tax Act* a plan valuation report must be filed with CRA within 4 years of the most recently filed valuation, unless there's a plan amendment affecting funding. The Board does not intend to file a valuation in respect of the 2021 fiscal year but will need to file a valuation with Canada Revenue Agency by December 31, 2023.

The Board is responsible for the administration of the Plan and investment of its funds but has no employees to carry out its responsibilities. Both OPB and IMCO have personnel, facilities, systems, and processes in place to administer all aspects of a pension plan and fund. OPB and IMCO have been named to play key roles in supporting the Board and are providing defined services to the Board on a cost recovery basis. Plan expenses related to RPP and RCA administration are paid from the respective funds. Expenses relating to the SUP are paid directly by the Province.

OPB is compensated on a fixed fee basis for managing the day-to-day pension administration services required to maintain the Plan's operations. The SLA between PJPB, OPB and TBS, considers the possibility that OPB may be asked to perform additional services in addition to those specified in the agreement. Recent examples include the data validation project and the Annual Pension Statement. These additional expenses may appear as additional expense allocated among the Funds.

MANDATE ACHIEVEMENTS

The Minister's mandate letter was received in September of 2020. The Board was asked to focus on the following four priorities:

I. Continue development of governance and operations structure and processes that support and measure effective administration and performance of the redesigned Plan and its funds.

Comments

Part of the PJPB's expanded mandate was to take responsibility for plan communications with members, pensioners, and survivors. Among the Board's priorities for the 2021/2022 plan year was a commitment to establish a communication policy. The PJPB's Communication Policy was approved at its Quarterly Meeting in December 2021.

This is a new responsibility for the PJPB, so the policy was needed to provide important basic guidance to OPB management and staff on the Board's vision for how it wants to interact with the PJPP membership and stakeholders. OPB proposed the policy to establish a basic communications governance framework that supports more efficient day to day operations through a reduction in process complexity. OPB specifically asked the Board to confirm the responsibilities that it was prepared to delegate at this time and to approve a list of plan documents that can be provided to members and stakeholders on request.

The policy documents the current state of the Board's Communication program. Over time, the Board will need to reevaluate the policy to address more complex issues emerging from the increased use of digital delivery.

II. Provide effective oversight of the operational, strategic, legal, and financial risks encountered by PJPB and the PJPP, including managing and mitigating any impacts or associated risks of the COVID 19 pandemic.

Comments

In September, 2021 the PJPB achieved another important milestone by adopting its Enterprise Risk Management Framework. The framework further defines its governance structure including, roles and responsibilities, the processes and principles outlined to identify, assess, monitor, and report on key risks.

Our approach to creating an effective ERM framework for the Board is now aligned with the OPS ERM Directive and informed by international standards for risk management such as COSO and ISO-3100. The Framework describes key principles, processes and responsibilities that will guide the Board to ensure that the most critical risks are identified, prioritized, and addressed.

The framework is expected to support the Board governance by:

- Contributing to the achievement of the Boards' objectives and improving performance;
- Making risk management an integral part of decision-making and business practices;
- Providing greater risk oversight;
- Demonstrating commitment to integrity and ethics; and
- Enforcing accountability.

The Framework will continue to evolve and mature over time as risk management is implemented and will represent Board's strong commitment to ERM implementation, alignment, and integration.

III. Provide strong governance in respect of the Investment Management Corporation of Ontario's (IMCO) role in managing assets the PJPB is accountable for.

Comments

PJPB's relationship with IMCO is defined within the IMA that took effect March 17, 2020. At that time the Board adopted an interim schedule of permitted investments and restrictions to be in place until a strategic asset allocation could be established with the input of the fully represented Board. As a result, the assets were invested in Canadian Treasury Bills to maintain safety and liquidity and there was no change by the end of the fiscal year. Governance structures and processes needed to oversee IMCO's role in managing the assets exist and are sufficient for the time being while discussions between the Sponsor and the AOJ concerning implementation issues continued through 2021. The Board will need to reassess its approach to investment governance once the new strategic asset allocation is adopted.

IV. Deliver superior client service to help members understand their pension entitlements, rights, and responsibilities under the PJPP, this includes development and implementation of an annual pension statement for sitting judges.

Comments

An Annual Pension Statement (APS) is an important communication tool that provides pension plan members with personalized information about their plan and their current and future entitlements. In Ontario, more than 2 million members of provincially registered pension plans routinely receive an APS as required by law. Among the PJPB's priorities for the 2021 fiscal year was a commitment to introduce an Annual Pension Statement program for active members of the PJPP.

Over the years the Board had strongly supported a proposed initiative that would give PJPP members access to information about their pension entitlements in the form of a regular statement. In September of 2021, publication and delivery of 286 APS's and accompanying guides, to sitting judges across the province of Ontario was completed by OPB on behalf of the PJPB. This was a significant milestone for the PJPB since it marked not only the inaugural production of an APS, but also the first-time personalized PJPP pension information would be securely delivered using a digital format.

After the deployment The Board received very positive feedback from both the recipients and stakeholders, not only on the product but also on the consultation process, which we believe has helped solidify relations with our stakeholders. An anonymous follow up survey of the membership yielded consistent results and seemed to support earlier client reactions.

BOARD OF DIRECTORS

Appointee	Date First Appointed	Current Term Expiry Date	Total Remuneration[1] in Fiscal year	Per Diem Remuneration Rate[2]	Expenses
Deborah Anne Oakley, Chair	October 22, 2009	March 12, 2023	$31,225	$350	N/A
Elizabeth Boyd, Member	April 10, 2013	December 10, 2023	$2,575	$200	N/A
Gus Gatzios, Member	February 27, 2020	February 27, 2023	$1,425	$200	N/A
Kevin Adolphe, Member	April 16, 2020	April 16, 2023	$10,375	$200	N/A
Justice Thomas McKay, Member	January 7, 2021	January 7, 2024	$N/A[3]	$200	N/A

[1] Fiscal Year end was amended in 2021 to December 31st., Remuneration is reported for the 9 month period ending December 31, 2021.
[2] Remuneration rate is set according to Schedule A to the Agencies and Appointments Directive. An increase from Level 1 to Level 2 became effective July 7, 2021 to reflect the Board's additional responsibilities under its expanded mandate.
[3] As a sitting Judge, Justice McKay is not eligible to receive the per diem remuneration for his work on the Board.

FINANCIAL STATEMENTS – April 1, 2021 to December 31, 2021 Appendix I

Provincial Judges’ Pension Plan

Financial Statements

For the nine months ended December 31, 2021

Management's Responsibility for Financial Reporting

The financial statements of the Provincial Judges' Pension Plan ("PJPP") have been prepared by management, which is responsible for the integrity and fairness of the data presented. The accounting policies followed in the preparation of these financial statements are in accordance with Canadian accounting standards for pension plans. Of necessity, many amounts in the financial statements must be based on the best estimates and judgment of management with appropriate consideration as to materiality.

Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets are safeguarded against unauthorized use or disposition, and proper records are maintained. The system includes careful hiring and training of staff, the establishment of an organizational structure that provides for a well-defined division of responsibilities and the communication of policies and guidelines of business conduct throughout the PJPP.

The Provincial Judges Pension Board (the "PJPB") is ultimately responsible for the financial statements of the PJPP. The PJPB reviews the financial statements in detail with management and the Office of the Auditor General of Ontario before such statements are approved. The PJPB meets with management and the Office of the Auditor General of Ontario to review the scope and timing of audits, to review their findings and suggestions for improvements in internal control, and to satisfy themselves that their responsibilities and those of management have been properly discharged.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian accounting standards for pension plans. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Mark A Henry
Director, Managed Plans
Ontario Pension Board

June 8, 2022

Armand de Kemp
Vice President, Finance
Ontario Pension Board

June 8, 2022

Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To the Provincial Judges Pension Board and to the President of the Treasury Board

Opinion

I have audited the financial statements of the Provincial Judges' Pension Plan (the Plan), which comprise the statements of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits and the statements of changes in pension obligations for the nine months then ended, and notes to the financial statements, including a summary of significant accounting policies (together, "the financial statements").

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2021, and the changes in its net assets available for benefits and the changes in its pension obligations for the nine months 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 Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of these 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 Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Plan either intends to cease operations, or has no realistic alternative but to do so.

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

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15ᵉ étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Toronto, Ontario
June 8, 2022

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Statements of Financial Position

	December 31, 2021			March 31, 2021		
(in thousands of dollars)	RPP	RCA	SUPP	RPP	RCA	SUPP
Assets						
Cash	$ 1,810	$ 11,495	$ 55	$ 2,522	$ 2,654	$ 33
Investments (Note 5)	404,695	-	-	411,550	-	-
Contributions receivable						
Members	488	25	-	557	26	-
Province	687	-	-	763	-	-
Other receivables	90	155	1,703	41	61	1,583
Refundable tax asset (Note 6)	-	28,192	-	-	22,103	-
Total assets	**407,770**	**39,867**	**1,758**	**415,433**	**24,844**	**1,616**
Liabilities						
Accounts payable	334	279	-	54	13	-
Total liabilities	**334**	**279**	**-**	**54**	**13**	**-**
Net assets available for benefits	**407,436**	**39,588**	**1,758**	**415,379**	**24,831**	**1,616**
Pension obligation (Note 13)	505,690	480,633	485,383	488,401	468,561	461,097
Deficit	**$ (98,254)**	**$ (441,045)**	**$ (483,625)**	**$ (73,022)**	**$ (433,730)**	**$ (459,481)**

See accompanying notes

Approved on behalf of the Board:

D.A. Oakley

Chair

Elizabeth Boyd

Member

Statements of Changes in Net Assets Available for Benefits

	9 months ended December 31, 2021			12 months ended March 31, 2021		
(in thousands of dollars)	RPP	RCA	SUPP	RPP	RCA	SUPP
Increase in net assets						
Investment income (Note 7)	$ 533	$ -	$ -	$ 1,138	$ -	$ -
Bank interest income	-	40	-	-	5	-
Contributions						
Members current service	4,006	551	-	5,146	526	-
Province matching payments	-	551	-	-	526	-
Province funding payments	4,008	26,165	15,327	5,142	34,371	20,474
Increase in net assets	**8,547**	**27,307**	**15,327**	**11,426**	**35,428**	**20,474**
Decrease in net assets						
Benefits paid	15,317	11,981	15,159	20,280	15,269	18,880
Termination payments	519	7	26	-	-	-
Pension administration expenses (Note 8)	563	562	-	366	367	-
Investment management expenses (Note 9)	91	-	-	137	-	-
Decrease in net assets	**16,490**	**12,550**	**15,185**	**20,783**	**15,636**	**18,880**
Increase (decrease) in net assets for the period	**(7,943)**	**14,757**	**142**	**(9,357)**	**19,792**	**1,594**
Net assets, at beginning of the period	**415,379**	**24,831**	**1,616**	**424,736**	**5,039**	**22**
Net assets, at end of the period	**$ 407,436**	**$ 39,588**	**$ 1,758**	**$ 415,379**	**$ 24,831**	**$ 1,616**

See accompanying notes

Statements of Changes in Pension Obligations

(in thousands of dollars)	9 months ended December 31, 2021 RPP	RCA	SUPP	12 months ended March 31, 2021 RPP	RCA	SUPP
Pension obligations, at beginning of the period	**$ 488,401**	**$ 468,561**	**$ 461,097**	**$ 449,909**	**$ 412,314**	**$ 412,693**
Increase in pension obligations						
Service accrual	14,322	15,962	17,148	17,020	18,504	19,180
Interest cost	9,509	9,176	9,011	9,862	9,106	9,083
Net impact of change in assumptions	6,523	6,895	7,712	31,890	43,906	39,021
Other experience losses	2,771	-	5,600	-	-	-
Increase in pension obligations	**33,125**	**32,033**	**39,471**	**58,772**	**71,516**	**67,284**
Decrease in pension obligations						
Benefits paid	15,836	11,988	15,185	20,280	15,269	18,880
Other experience gain	-	7,973	-	-	-	-
Decrease in pension obligations	**15,836**	**19,961**	**15,185**	**20,280**	**15,269**	**18,880**
Net increase in pension obligations	**17,289**	**12,072**	**24,286**	**38,492**	**56,247**	**48,404**
Pension obligations, at end of the period	**$ 505,690**	**$ 480,633**	**$ 485,383**	**$ 488,401**	**$ 468,561**	**$ 461,097**

See accompanying notes

Notes to the Financial Statements December 31, 2021

Note 1: Description of the Provincial Judges Pension Plan

On January 1, 2020, Ontario Regulation 290/13 ("Regulation") was amended to split the Provincial Judges' Pension Plan ("PJPP" or the "Plan") into three different parts: a Registered Pension Plan Trust ("RPP"), a Retirement Compensation Arrangement Trust ("RCA") and a Supplemental Pension Account ("SUPP"). The PJPP is included as an employee future benefit liability within the consolidated financial statements of the Province of Ontario ("Province" or "Plan Sponsor"). The RPP, RCA, and SUPP are not subject to the reporting requirements under the Ontario Pension Benefits Act and Regulations.

The Government of Ontario is the sponsor of all three parts of the Plan. The Provincial Judges Pension Board ("the Board") is the administrator of the RPP and RCA for the purposes of the *Income Tax Act (Canada) R.S.C. 1985* ("Income Tax Act"). The Board oversees the administration of the PJPP and, in accordance with applicable law, the pensions, survivor allowances and refunds. The Board is also the trustee of the RPP and RCA.

The primary purpose of the Plan is to provide eligible judges with pension in the form of periodic payments following their retirement from full-time service as judges.

RPP

The RPP is registered for income tax purposes and provides for pension benefits up to the limit permitted under the Income Tax Act.

RCA

The RCA pension plan provides supplementary pension benefits to members whose earnings result in a pension that exceeds the maximum pension permitted under the Income Tax Act for the RPP subject to maximums also under the Income Tax Act.

SUPP

The SUPP supplements the pensions of members whose salaries and benefits provided by the above two components are above the maximum prescribed by the Income Tax Act. The Ontario Minister of Finance ("Minister") is the custodian of the SUPP. Any assets of the SUPP are held within the Consolidated Revenue Fund of the Province of Ontario. A right under this part of the PJPP to a supplemental pension or supplemental survivor allowance is only in respect of service on or after January 1, 1992.

Note 2: Administration of the Plan

The Ontario Pension Board ("OPB") has been jointly selected by the Minister and the Provincial Judges Pension Board to assist the Board in carrying out its responsibilities and assist the

Government of Ontario in carrying out its pension administration responsibilities in respect of the Plan.

The *Investment Management Corporation of Ontario Act, 2015* created the Investment Management Corporation of Ontario ("IMCO"), an entity providing investment management and select advisory services to participating organizations in Ontario's broader public sector with the ownership of the investment assets remaining with the participants. The investment management agreement between IMCO and the Board for the management of the RPP and RCA assets was effective March 17, 2020. On March 26, 2020 IMCO began managing the RPP assets.

As of December 31, 2021, no assets were held with IMCO for the RCA.

The Board retains responsibility for setting the investment strategy and target asset mix for the RPP's and RCA's investments.

Note 3: Description of the Plan

The following is a brief description of the Plan provided for general purposes only. For more complete information, reference should be made to the Regulation.

Funding Policy

The RPP and RCA are a contributory defined benefit pension plan covering eligible judges (members) of the Ontario Court of Justice. They are partially funded by contributions from members, deducted from their salaries and remitted by the Province. The RPP does not require matching contributions from the Province. The RCA requires matching contributions from the Province. The benefits and contribution rates are set, and may be amended, by the Plan Sponsor through an Order-in-Council.

Contributions

Each judge is required to contribute 7% of their salary into the RPP and RCA, by way of deduction from the judge's salary, up to the earlier occurrence of either meeting their basic service requirement or attaining 70 years of age.

The Minister ensures that, in respect of each calendar year of service, the portion of each judge's pension contributions that exceeds the dollar limit for pension plan contributions under the Income Tax Act is contributed to the RCA.

The Province shall contribute an amount at least equal to the RCA contribution of each judge.

The amount to be contributed in a year shall be based on an actuarial valuation and be subject to the limits set out in the Income Tax Act and its regulations.

Pension Payments

A pension payment is available based on the age and the number of years of full-time service for which a member has credit upon ceasing to hold office and is based on the salary of a full-time judge of the highest judicial rank held by the member while in office. The member is entitled to these payments during their lifetime. These payments are sourced from the three components as follows:

RPP

An amount equal to 2% of the judge's average salary, indexed in accordance with the federal Income Tax Regulations, for their final three years of service multiplied by the judge's years of service up to the defined benefit limit or maximum benefit limit.

RCA

An amount equal to 2% of the judge's average salary, indexed in accordance with the federal Income Tax Regulations, for their final three years of service multiplied by the judge's years of service without regard to the defined benefit limit or maximum benefit limit, reduced by the RPP amount.

SUPP

An amount payable to the judge if the pension determined without regard to the defined benefit limit or maximum benefit limit is greater than the amount that is actually paid to the judge under the RPP and RCA plans.

Disability Pension Payments

A disability pension is available at age 65 for members with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness. The annual amount of the pension is the amount that would be payable if the judge had continued in office on a full-time basis until the judge attained 75 years of age and if the pension were determined without regard to the defined benefit limit or maximum benefit limit, reduced by the amount that is actually payable to the judge under the RPP and RCA.

Survivor Allowances

A survivor allowance equal to 60% of the qualifying judge's pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education or disability criteria defined by the Regulation.

Death Benefits

A death refund can be payable to the personal representative of a member where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the member's contributions to the Plan plus interest, less entitlements already paid out.

Termination Payments

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of their contributions to the Plan plus interest.

Escalation of Benefits from the Plan

Judges Retired Before June 1, 2007

The annual inflationary increase for judges who retired before June 1, 2007 is based on changes in the Average Weekly Earnings published by Statistics Canada and subject to a maximum of 7% in any one year and is effective on April 1st every year. In addition, the pensions are adjusted based on the salary increases of sitting judges as recommended by the Provincial Judges Remuneration Commission.

Judges Retired on or After June 1, 2007

The annual inflationary increase for judges who were appointed before June 1, 2007, who retired on or after June 1, 2007 and elected to be paid under the plan provisions effective on that date is based on changes in the Consumer Price Index and is effective on January 1st every year. The same annual inflationary increase is applicable upon retirement for those judges appointed to office on or after June 1, 2007.

Note 4: Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in accordance with Canadian accounting standards for pension plans.

In accordance with Section 4600, "Pension Plans", of the CPA Canada Handbook – Accounting, Canadian Accounting Standards for Private Enterprises in Part II of the CPA Canada Handbook – Accounting have been chosen for accounting policies that do not relate to the investment portfolio or pension obligations to the extent that those standards do not conflict with the requirements of Section 4600.

On November 15, 2021, Ontario Regulation 769/21 amended the establishing Regulation of the Plan to change the fiscal year-end date of the Plan from March 31 to December 31. The first financial reporting period after the amendment was for the nine months ending December 31, 2021. The comparative amounts in these financial statements reflect the 12 months ended March 31, 2021.

Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for pension plans 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 on the statements of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates. The most significant estimate affecting the financial statements relates to the determination of pension obligations (see Note 13).

Investments

Cash

Cash is held directly by both IMCO (as part of the investment portfolio in a custodian account) and by OPB.

Valuation

Investments are stated at their fair values, including accrued income. Fair value is 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.

Fair value of financial instruments is determined as follows:

i. Cash and cash held at custodian is recorded at cost, which approximates fair value.

ii. Short-term investments are recorded at cost plus accrued interest, which approximates fair value.

Investment Income

Investment transactions are recorded on the trade date. Interest is recognized on an accrual basis when earned. Investment income includes fair value changes. Fair value changes represent both realized and unrealized gains and losses. Realized gains or losses are recognized when OPB has transferred to the purchaser the significant risks and rewards of ownership of the investment, the purchaser has made a substantial commitment demonstrating its intent to honour its obligation, and the collection of any consideration is reasonably assured.

Investment Management Expenses

Investment management fees, transaction costs and other investment-related fees are expensed as incurred.

Contributions

Contributions due at the year-end are recorded as a receivable. Transfers into the Plan, if any, are recorded after cash is received. Sponsor contributions to the Plan are made in accordance with the funding requirements as specified by the most recently filed actuarial funding valuation. The PJPP is not subject to Ontario's *Pension Benefits Act* and, as such, there is no minimum required funding contribution by the Province.

Retirement Pension Benefits

Retirement pension payments, commuted value transfers, refunds to former members, and transfers to other pension plans are recorded when paid.

Operating And Investment Expenses

Operating and investment expenses applicable to the RPP and RCA are paid by their respective trusts. All expenses applicable to the SUPP are paid by the Province.

Income Tax Status

The RPP and RCA are registered pension plans, as defined by the Income Tax Act and, accordingly, are not subject to income taxes.

Pension Obligation

Pension obligations are determined based on an actuarial valuation prepared by an independent firm of actuaries using an actuarial valuation report prepared for funding purposes. This valuation uses the projected benefit cost method pro-rated based on service and management's best estimate of various economic and demographic assumptions. The year-end valuation of pension obligations is based on data extrapolated to the current financial statement year-end date.

Note 5: Investments

The RPP's investments managed by IMCO consist of the following:

For the period ended	December 31, 2021		March 31, 2021	
(in thousands of dollars)	Cost	Fair Value	Cost	Fair Value
Cash at custodian	$ 1,841	$ 1,841	$ 358	$ 358
Short-term investments				
Canadian treasury bills	402,854	402,854	411,192	411,192
Total investments	**$ 404,695**	**$ 404,695**	**$ 411,550**	**$ 411,550**

Investment Asset Mix

The investment management agreement between IMCO and the Provincial Judges Pension Board dated, and effective March 17, 2020, includes a schedule of permitted investments and restrictions to be in place until a Statement of Investment Policies and Procedures has been approved.

Permitted investments include treasury bills issued by the Federal Government of Canada, Canadian provincial treasury bills and promissory notes, and debt issued by agencies guaranteed by the Federal Government of Canada.

Additionally, the following specific investment restrictions apply:

- Fund weighted average maturity limit: 180 days
- Individual security maximum term to maturity: less than 365 days
- Maximum allocation to single agency guaranteed by the Federal Government: 20% of assets at market value
- Minimum allocation to Federal Government of Canada treasury bills: 40% of assets at market value

Fair Value Hierarchy

Canadian accounting standards for pension plans require disclosure of a three-level hierarchy for fair value measurements based on the transparency of inputs to the valuation of an asset or liability as of the financial statement date. The three levels are defined as follows:

Level 1: Fair value is based on quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities generally include equity securities traded in an active exchange market.

Level 2: Fair value is based on observable inputs other than Level 1 prices, such as quoted market prices for similar (but not identical) assets or liabilities in active markets, quoted market prices for identical assets or liabilities in markets that are not active, and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes mutual and pooled funds; hedge funds; Government of Canada, provincial and other government bonds; Canadian corporate bonds; and certain derivative contracts.

Level 3: Fair value is based on non-observable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This category generally includes investments in real estate properties, infrastructure and private equity, and securities that have liquidity restrictions.

All investments held as of December 31, 2021 and March 31, 2021 are Level 2 investments. There were no transfers between levels during the period ended December 31, 2021 and year ended March 31, 2021.

Note 6: Refundable Tax Asset

Contributions made to the RCA, as well as investment income and net capital gains earned within the RCA, net of distributions, are taxed at a 50% rate under the Income Tax Act. New contributions are taxable at the time the contribution is made. Investment returns earned within the RCA component are assessed as at December 31 each year. The remitted tax amounts are held by the Canada Revenue Agency as a non-interest-bearing deposit. These tax amounts are refundable when distributions are made from the RCA component of the Plan to the beneficiaries of the retirement compensation arrangement.

Note 7: Investment Income

Investment income is made up of the following:

For the period ended (in thousands of dollars)	**December 31, 2021** **RPP**	**March 31, 2021** **RPP**
Interest income	$ 466	$ 1,136
Realized gains	67	2
Total investment income	**$ 533**	**$ 1,138**

Note 8: Pension Administration Expenses

The following is a summary of the expenses incurred by the Plan related to services provided by the Ontario Pension Board.

For the period ended		**December 31, 2021**			**March 31, 2021**	
(in thousands of dollars)	**RPP**	**RCA**	**SUPP**	**RPP**	**RCA**	**SUPP**
Pension administration and IT	$ 493	$ 492	$ 377	$ 267	$ 267	$ 199
Insurance	23	23	23	39	39	39
Actuarial fees	17	17	17	22	23	19
Legal expenses	27	27	27	33	33	33
IT external services	-	-	-	1	1	1
Pension payroll processing charges	2	2	2	4	4	4
Other professional services	1	1	1	-	-	-
Expenses paid by the Province[1]	-	-	(447)	-	-	(295)
Total pension administration expenses	**$ 563**	**$ 562**	**$ -**	**$ 366**	**$ 367**	**$ -**

[1] The SUPP administration expenses are fully paid by the Province.

Note 9: Investment Management Expenses

The following is a summary of the expenses incurred by the Plan related to services provided by IMCO. The RPP pays its share of IMCO's expenses on a cost recovery basis. These costs are funded through cash held in custody with CIBC Mellon.

For the period ended (in thousands of dollars)	**December 31, 2021** **RPP**	**March 31, 2021** **RPP**
Management fees	$ 50	$ 71
Implementation fees	22	39
Custodial fees	19	27
Total investment management expenses	**$ 91**	**$ 137**

Note 10: Risk Management

The Plan is subject to financial risks as a result of its investing activities that could impact its cash flows, income, and assets available to meet benefit obligations. These risks include market risk (including interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The Plan will manage these risks in accordance with the investment management agreement. These risks have not changed from the prior year.

Market Risk

Market risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market factors. Market risk is comprised of the following:

(i) **Interest rate risk** – Interest rate risk refers to the effect on the fair value of the Plan's assets and liabilities due to fluctuations in market interest rates. The value of the Plan's investments is affected by changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates and inflation.

(ii) **Foreign currency risk** – Foreign currency exposure arises from the Plan holding foreign currency denominated investments and entering into contracts that provide exposure to currencies other than the Canadian dollar. Fluctuations in the value of the Canadian dollar against these foreign currencies can have an impact on the fair value of investments. As at December 31, 2021 and March 31, 2021, the RPP's investments and funds are all in Canadian dollars and therefore not exposed to foreign currency risk.

(iii) **Other price risk** – Other price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices other than those arising from foreign currency or interest rate risk, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. As at December 31, 2021 and March 31, 2021, the RPP's investments are all in Government of Canada treasury bills and therefore have little exposure to other price risk.

Credit Risk

The Plan is exposed to credit risk through the risk of loss arising from an issuer defaulting on its obligations, or the risk of a market decline resulting from the issuer's deterioration in credit quality. As at December 31, 2021 and March 31, 2021, the Plan's greatest credit exposure is with the Government of Canada in the form of treasury bills.

Liquidity Risk

Liquidity risk is the risk that the Plan has insufficient cash flows to meet its pension obligations and operating expenses as they become due. The typical cash requirements of the Plan are in the form of monthly retirement benefit payments as well as periodic termination and other benefit payments and expenses. As at December 31, 2021 and March 31, 2021, the Plan's investments are held in Government of Canada treasury bills which are highly liquid.

Note 11: Collateral

As of December 31, 2021 and March 31, 2021, the RPP had no collateral pledged or received and no security lending agreements.

Note 12: Commitments and Guarantees

As of December 31, 2021 and March 31, 2021, the Plan had no commitments or guarantees.

Note 13: Pension Obligation

Funding Valuation

An actuarial valuation was prepared for the RPP as at January 1, 2020 by Aon, the Plan's appointed actuary, for the primary purpose of establishing contribution requirements in accordance with the Income Tax Act. The valuation was prepared in accordance with Ontario Regulation 290/13. The valuation was prepared based on data as at March 31, 2019 with liabilities and current service cost calculated as of March 31, 2019 and extrapolated to January 1, 2020. The next actuarial valuation will be performed no later than December 31, 2023.

The valuation determined the maximum eligible contribution to the RPP under the Income Tax Act. The RPP is not subject to the provisions of the Pension Benefits Act. As such, there is no minimum required contribution to the RPP. The valuation was prepared using the projected unit credit cost method. For the initial valuation, the liabilities were determined using a discount rate equal to the Ontario Financing Authority's 20-year borrowing rate as at March 31, 2019. As at January 1, 2020, the liability associated with the RPP was $426,891,000.

Significant assumptions used in the RPP's actuarial funding valuation were as follows:

Assumptions	January 1, 2020
Economic Assumptions	
Increase in Consumer Price Index (Inflation)	1.40% per year
Increase in Income Tax Act maximum pension limit	2.15% per year
Increase in pensionable earnings	2.40% per year
Discount rate	3.10% per year
Productivity increases	0.75% per year
Expenses	No allowance for expenses
Demographic Assumptions	
Mortality table	2004 Public Sector Canadian Pensioners' Mortality Table with generational projection using mortality improvement scale MI 2017

Financial Statement Valuation

For the purposes of these financial statements, Aon, the Plan's actuary, used the member data as at December 31, 2020 on the basis of the accounting methodology required by the CPA Canada Handbook – Accounting, Section 4600 and extrapolated those liabilities to December 31, 2021. The obligations were determined using the projected unit credit prorated on service method. The total RPP, RCA, and SUPP pension obligations under this method for pension benefits payable under the Plan was $1,471,706,000 (March 31, 2021 – $1,418,059,000). This obligation is allocated and presented for each component of the Plan in the statements of financial position.

Significant assumptions used in the financial statement valuation for the Plan are shown below. The discount rate has been set based on the average of the 20-year and 30-year Ontario Financing Authority borrowing rate for December 2021. The inflation rate has been determined based on the difference in yields between long-term Government of Canada nominal and real return bonds for December 2021.

Assumptions	December 31, 2021	March 31, 2021
Economic Assumptions		
Increase in Consumer Price Index (Inflation)	1.80% per year	1.70% per year
Increase in Income Tax Act maximum pension limit	2.55% per year	2.45% per year
Increase in salaries	2.80% per year	2.70% per year
Nominal discount rate	2.60% per year	2.60% per year
Demographic Assumptions		
Mortality table	2004 Public Sector Canadian Pensioners' Mortality Table with generational projection using mortality improvement scale MI-2017.	

Note 14: Related Party Transactions

The Government of Ontario is the sponsor of the Plan.

As the Plan administrator, the Board is assisted by the OPB in carrying out its responsibilities. OPB administers payroll and benefits for Plan members. The OPB also assists the Government of Ontario in carrying out its responsibilities in respect of the SUPP.

IMCO manages the RPP's investment assets (see notes 2 and 9).

Note 15: Capital Management

The Plan defines its capital as the funding surpluses or deficits determined periodically through the funding valuations prepared by the independent actuary. The actuary's funding valuation is used to measure the long-term health of the Plan. The Plan Sponsor determines the level of funding payments. Any resulting deficit is guaranteed by the Plan Sponsor. There have been no changes in what the Plan considers to be its capital and there have been no significant changes to the Plan's capital management objectives, policies, and processes in the period.