

**Provincial Judges' Pension Plan**  
**Financial Statements**  
For the Year Ended March 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.



**Mark A Henry**  
*Director, Managed Plans*  
*Ontario Pension Board*

June 7, 2021



**Armand de Kemp**  
*Vice President, Finance*  
*Ontario Pension Board*

June 7, 2021



## 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 March 31, 2021, and the statements of changes in net assets available for benefits and the statements of changes in pension obligations for the year 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 March 31, 2021, and the changes in its net assets available for benefits and the 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 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.

## **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 7, 2021

Susan Klein, CPA, CA, LPA  
Assistant Auditor General

# Provincial Judges' Pension Plan

## Statements of Financial Position

As at March 31 (in thousands of dollars)	2021			2020		
	RPP	RCA	SUPP	RPP	RCA	SUPP
<b>Assets</b>						
Cash	\$ 2,522	\$ 2,654	\$ 33	\$ 5,779	\$ 676	\$ 2
Investments (Note 5)	411,550	-	-	417,820	-	-
Contributions receivable						
Members	557	26	-	500	41	-
Province	763	-	-	686	-	-
Other receivables	41	61	1,583	6	7	20
Refundable tax asset (Note 6)	-	22,103	-	-	4,371	-
<b>Total assets</b>	<b>415,433</b>	<b>24,844</b>	<b>1,616</b>	<b>424,791</b>	<b>5,095</b>	<b>22</b>
<b>Liabilities</b>						
Accounts payable	54	13	-	55	56	-
<b>Total liabilities</b>	<b>54</b>	<b>13</b>	<b>-</b>	<b>55</b>	<b>56</b>	<b>-</b>
<b>Net assets available for benefits</b>	<b>415,379</b>	<b>24,831</b>	<b>1,616</b>	<b>424,736</b>	<b>5,039</b>	<b>22</b>
Pension obligation (Note 13)	488,401	468,561	461,097	449,909	412,314	412,693
<b>Deficit</b>	<b>\$ (73,022)</b>	<b>\$ (433,730)</b>	<b>\$ (459,481)</b>	<b>\$ (25,173)</b>	<b>\$ (407,275)</b>	<b>\$ (412,671)</b>

See accompanying notes

Approved on behalf of the Board:



Chair



Member

# Provincial Judges' Pension Plan

## Statements of Changes in Net Assets Available for Benefits

For the period ended March 31 <i>(in thousands of dollars)</i>	12 months ended			3 months ended		
	RPP 2021	RCA 2021	SUPP 2021	RPP 2020	RCA 2020	SUPP 2020
<b>Increase in net assets</b>						
Investment income (Note 7)	\$ 1,138	\$ -	\$ -	\$ 29	\$ -	\$ -
Bank interest income	-	5	-	-	5	-
Contributions						
Members current service	5,146	526	-	1,434	119	-
Province matching payments	-	526	-	-	119	-
Province funding payments - ongoing	5,142	34,371	20,474	1,439	8,545	4,638
Province funding payments - initial	-	-	-	426,891	-	-
<b>Increase in net assets</b>	<b>11,426</b>	<b>35,428</b>	<b>20,474</b>	<b>429,793</b>	<b>8,788</b>	<b>4,638</b>
<b>Decrease in net assets</b>						
Benefits paid	20,280	15,269	18,880	5,007	3,699	4,616
Pension administration expenses (Note 8)	366	367	-	50	50	-
Investment management expenses (Note 9)	137	-	-	-	-	-
<b>Decrease in net assets</b>	<b>20,783</b>	<b>15,636</b>	<b>18,880</b>	<b>5,057</b>	<b>3,749</b>	<b>4,616</b>
<b>Increase (decrease) in net assets for the period</b>	<b>(9,357)</b>	<b>19,792</b>	<b>1,594</b>	<b>424,736</b>	<b>5,039</b>	<b>22</b>
<b>Net assets, at beginning of the period</b>	<b>424,736</b>	<b>5,039</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets, at end of the period</b>	<b>\$ 415,379</b>	<b>\$ 24,831</b>	<b>\$ 1,616</b>	<b>\$ 424,736</b>	<b>\$ 5,039</b>	<b>\$ 22</b>

*See accompanying notes*

## Provincial Judges' Pension Plan

### Statements of Changes in Pension Obligations

For the period ended March 31 (in thousands of dollars)	12 months ended			3 months ended		
	RPP 2021	RCA 2021	SUPP 2021	RPP 2020	RCA 2020	SUPP 2020
<b>Pension obligations, at beginning of the period</b>	\$ 449,909	\$ 412,314	\$ 412,693	\$ 426,891	\$ 399,241	\$ 396,365
<b>Increase in pension obligations</b>						
Service accrual	17,020	18,504	19,180	3,780	4,163	4,471
Interest cost	9,862	9,106	9,083	3,304	3,096	3,071
Net impact of change in assumptions	31,890	43,906	39,021	20,941	9,513	13,402
<b>Increase in pension obligations</b>	<b>58,772</b>	<b>71,516</b>	<b>67,284</b>	<b>28,025</b>	<b>16,772</b>	<b>20,944</b>
<b>Decrease in pension obligations</b>						
Benefits paid	20,280	15,269	18,880	5,007	3,699	4,616
<b>Decrease in pension obligations</b>	<b>20,280</b>	<b>15,269</b>	<b>18,880</b>	<b>5,007</b>	<b>3,699</b>	<b>4,616</b>
<b>Net increase in pension obligations</b>	<b>38,492</b>	<b>56,247</b>	<b>48,404</b>	<b>23,018</b>	<b>13,073</b>	<b>16,328</b>
<b>Pension obligations, at end of the period</b>	<b>488,401</b>	<b>468,561</b>	<b>461,097</b>	<b>\$ 449,909</b>	<b>\$ 412,314</b>	<b>\$ 412,693</b>

See accompanying notes

# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

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### 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"). The RPP, RCA, and SUPP are not subject to the reporting requirements under the Ontario Pension Benefits Act and Regulations.

The Government of Ontario (the "Plan Sponsor") 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, in respect of the pensions, survivor allowances and refunds.

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.

#### 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 March 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.



# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

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### 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.

# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

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### **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 1<sup>st</sup> 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 1<sup>st</sup> 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.

The first period-end after the January 1, 2020 plan amendment was for three months ending March 31, 2020. The comparative amounts in these financial statements reflect this shorter period.

### **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).

# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

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### 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.

# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

### Note 5: Investments

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

For the period ended March 31 (in thousands of dollars)	2021 RPP		2020 RPP	
	Cost	Fair Value	Cost	Fair Value
<b>Cash at custodian</b>	\$ 358	\$ 358	\$ 89	\$ 89
<b>Short-term investments</b>				
Canadian treasury bills	411,192	411,192	417,731	417,731
<b>Total investments</b>	<b>\$ 411,550</b>	<b>\$ 411,550</b>	<b>\$ 417,820</b>	<b>\$ 417,820</b>

#### Investment asset mix

The investment management agreement between IMCO and 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 Canadian Federal Government.

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 March 31, 2021 and 2020 are Level 2 investments. There were no transfers between levels during the year ended March 31, 2021 or three months ended March 31, 2020.

# Provincial Judges' Pension Plan Notes to the Financial Statements

## 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 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)	2021 RPP	2020 RPP
Interest income	\$ 1,136	\$ 29
Realized gains	2	-
<b>Total investment income</b>	<b>\$ 1,138</b>	<b>\$ 29</b>

### Note 8: Pension Administration Expenses

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

For the year ended March 31 (in thousands of dollars)	2021			2020		
	RPP	RCA	SUPP	RPP	RCA	SUPP
Pension administration and IT	\$ 267	\$ 267	\$ 199	\$ 49	\$ 49	\$ 1
Insurance	39	39	39	-	-	-
Actuarial fees	22	23	19	-	-	-
Legal expenses	33	33	33	-	-	-
IT external services	1	1	1	-	-	-
Pension payroll processing charges	4	4	4	1	1	-
Expenses paid by the Province <sup>1</sup>	-	-	(295)	-	-	(1)
	<b>\$ 366</b>	<b>\$ 367</b>	<b>\$ -</b>	<b>\$ 50</b>	<b>\$ 50</b>	<b>\$ -</b>

<sup>1</sup> The SUPP administration expenses are fully paid by the Province.

# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

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### Note 9: Investment Management Expenses

The investment management agreement between IMCO and the Board was effective March 17, 2020. On March 26, 2020 IMCO began managing the RPP assets. 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 <i>(in thousands of dollars)</i>	2021 RPP	2020 RPP
Management fees	\$ 71	\$ -
Implementation fees	39	-
Custodial fees	27	-
<b>Total investment management expenses</b>	<b>\$ 137</b>	<b>\$ -</b>

### 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.

#### 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 March 31, 2021 and 2020 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 March 31, 2021 and 2020, 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 March 31, 2021 and 2020, the Plan's greatest credit exposure is with the Government of Canada in the form of treasury bills.

# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

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### 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 March 31, 2021 and 2020, the Plan's investments are held in Government of Canada treasury bills which are highly liquid.

### Note 11: Collateral

As of March 31, 2021 and 2020 the RPP had no collateral pledged or received and no security lending agreements.

### Note 12: Commitments and Guarantees

As of March 31, 2021, and 2020 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 based on data as at December 31, 2020.

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:

	January 1, 2020
<b>Economic Assumptions</b>	
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
<b>Demographic Assumptions</b>	
Mortality table	2004 Public Sector Canadian Pensioners' Mortality Table with generational projection using mortality improvement scale MI 2017

# Provincial Judges' Pension Plan Notes to the Financial Statements

## March 31, 2021

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### Financial Statement Valuation

For the purposes of these financial statements, Aon, the Plan's actuary, used the extrapolated funding valuation as at January 1, 2020 on the basis of the accounting methodology required by the CPA Canada Handbook – Accounting, Section 4600 and extrapolated those liabilities to March 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 \$1,418,059,000 (March 31, 2020 – \$1,274,916,000). 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 at March 2021. The inflation rate has been determined based on the difference in yields between long-term Government of Canada nominal and real return bonds at March 2021.

	March 31, 2021	March 31, 2020
<b>Economic Assumptions</b>		
Increase in Consumer Price Index (inflation)	1.70% per year	0.80% per year
Increase in Income Tax Act maximum pension limit	2.45% per year	1.55% per year
Increase in salaries	2.70% per year	1.80% per year
Nominal discount rate	2.60% per year	2.20% per year

### Demographic Assumptions

Mortality table	2004 Public Sector Canadian Pensioners' Mortality Table with generational projection using mortality improvement scale MI-2017.	
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### 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.

Starting on March 26, 2020, IMCO began managing the RPP's investment assets. The investment related expenses incurred are presented on the statement of changes in net assets available for benefits.

### 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 Province. 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 year.