WINNIPEG SCHOOL DIVISION

Financial Statements of

THE WINNIPEG SCHOOL DIVISION PENSION FUND FOR EMPLOYEES OTHER THAN TEACHERS

And Independent Auditor’s Report thereon

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of The Winnipeg School Division

Opinion

We have audited the financial statements of The Winnipeg School Division Pension Fund for Employees Other Than Teachers (the "Entity"), which comprise the statement of financial position as at end of December 31, 2022, statement of changes in net assets available for benefits for the year then ended, statement of changes in pension obligations for the year then ended and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at end of December 31, 2022, and its changes in net assets available for benefits, and its changes in pension obligation for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

June 30, 2023

THE WINNIPEG SCHOOL DIVISION
PENSION FUND FOR EMPLOYEES OTHER THAN TEACHERS
(As constituted under By-law No. 1017)
Statement of Financial Position

December 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Cash	$ 1,933,766	$ 2,931,969
Accounts receivable	2,342,815	–
Due from related parties (note 3)	18,681	–
	4,295,262	2,931,969
Investments:		
Equity, pooled bond, and alternative investments (schedule 1):		
Equity investments	212,116,895	253,980,131
Pooled bond	49,131,596	56,637,298
Alternative investments	178,036,920	155,746,056
	439,285,411	466,363,485
Total assets	$ 443,580,673	$ 469,295,454
Liabilities		
Accounts payable	$ 648,331	$ 650,931
Net assets available for benefits	442,932,342	468,644,523
Actuarial value of pension obligation (note 5)	442,783,549	417,900,263
Excess of net assets available for benefits over pension obligation	$ 148,793	$ 50,744,260

See accompanying notes to financial statements.

THE WINNIPEG SCHOOL DIVISION
PENSION FUND FOR EMPLOYEES OTHER THAN TEACHERS
(As constituted under By-law No. 1017)
Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Additions:		
Contributions:		
School Division	$ 8,146,691	$ 7,595,058
Employees - regular	7,247,945	6,757,169
Employees - buybacks	146,086	2,266
	15,540,722	14,354,493
Income (loss) from investments:		
Interest	46,238	518,283
Dividends	13,528,390	10,838,667
Current period change in fair value of investments	–	42,414,878
Gain (loss) on disposal	(1,133,187)	477,325
Unrealized foreign exchange gain (loss)	533,900	(723,900)
	28,516,063	67,879,746
Deductions:		
Current period decrease in fair value of investments	27,941,728	–
Retirement pension payments	21,033,376	20,256,654
Termination benefit payments	2,360,739	2,263,747
Investment management fees	2,272,058	1,690,865
Administration fees	129,355	118,853
Audit fees	26,508	19,378
Actuarial fees	371,886	298,595
Fund management and administration fees (note 3)	92,594	64,356
	54,228,244	24,712,448
Net addition	(25,712,181)	43,167,298
Net assets available for benefits, beginning of year	468,644,523	425,477,225
Net assets available for benefits, end of year	$ 442,932,342	$ 468,644,523

See accompanying notes to financial statements.

THE WINNIPEG SCHOOL DIVISION
PENSION FUND FOR EMPLOYEES OTHER THAN TEACHERS
(As constituted under By-law No. 1017)
Statement of Changes in Pension Obligations

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Actuarial value of pension obligations, beginning of year	$ 417,900,263	$ 404,856,466
Benefits accrued	13,725,630	12,989,545
Benefits paid	(23,394,115)	(22,520,401)
Interest accrued on benefits	23,751,296	23,005,235
Effect of actual experience	(2,307,382)	(306,144)
Effect of changes in actuarial assumptions	13,107,857	(124,438)
Actuarial value of pension obligations, end of year	$ 442,783,549	$ 417,900,263

See accompanying notes to financial statements.

1. Pension Fund description:

The Winnipeg School Division Pension Fund for Employees Other than Teachers (the "Fund") is a defined benefit pension plan for permanent full-time employees who have been employed in the service of The Winnipeg School Division (the "Division") for at least three consecutive months and permanent part-time employees who have completed either two years of service with the Division and have earned 25 percent of maximum Canada Pension Fund pensionable earnings for two consecutive years or who have chosen to join the Fund on a voluntary basis after three months of continuous employment. The Fund was created by By-law 196 of The Winnipeg School Division (replaced by By-law 1017 on January 1, 1992) and is subject to the applicable regulations.

The Fund is administered by a Pension Fund Committee consisting of Trustees of the Division, union representatives and members of administration.

Employees eligible for The Winnipeg School Division Pension Fund for Employees Other Than Teachers are required to contribute a percentage of earnings of 8.1% of their pensionable salary and 9.5% of their excess pensionable salary. The following details the history of the employee contributions over the last 10 years.

Year	Pensionable salary	Excess pensionable salary
2009 to 2011	7.00%	8.20%
2012	7.40%	8.70%
2013	7.80%	9.10%
2014 to 2022	8.10%	9.50%

The Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

2. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans. In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, the Fund has chosen to comply on a consistent basis with Canadian accounting standards for private enterprises.

2. Significant accounting policies (continued):

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity, independent of the Division. Only the net assets of the Fund and obligations to the members eligible to participate in the Fund have been included in these financial statements. These financial statements do not portray the funding requirements of the Fund or the benefit security of the individual plan members.

The financial statements of the Fund have been prepared to assist in meeting the requirements of the Pension Commission of Manitoba.

(b) Investments:

(i) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Fund measures fair value of investments using quoted prices in an active market. The Fund used closing market prices as a practical expedient for fair value measurement.

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

Fair values of investments are determined as follows:

Cash and short-term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

Fixed income and equity investments are valued at year end quoted closing prices.

Pooled fund investments are valued at their year end net asset value per unit as reported by the managers of such funds.

2. Significant accounting policies (continued):

Alternative investments are recorded at fair value determined by the Fund's investment manager. A number of valuation methodologies are considered in arriving at the fair value of unquoted investments, including internal or external valuation models, which may include discounted cash flow analyses. The most appropriate methodology to determine fair value is chosen on an investment by investment basis. Any control, size, liquidity or other discounts or premiums on the investment are considered by the investment manager in their determination of fair value.

(ii) Income recognition:

Income from investments is recorded on an accrual basis. Dividend income is recognized at the time a security trades on an ex-dividend basis. Interest income is based on the number of days the investment is held during the period.

(c) Financial instruments:

(i) Initial measurement:

Financial instruments are measured at fair value on origination or acquisition, adjusted by, in the case of financial instruments that will not be subsequently measured at fair value, financing fees and transaction costs. All other financing fees and transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

(ii) Subsequent to initial recognition:

Investments are measured at fair value without any adjustment for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in the statement of changes in net assets available for benefits in the period incurred. Other financial instruments are measured at amortized cost.

(d) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year end rates of exchange. Gains and losses arising from translation are included in unrealized foreign exchange gain (loss).

Foreign currency denominated transactions are translated into Canadian dollars at the rates of exchange in effect on the dates of the related transactions.

2. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts during the year. Actual results could differ from those estimates.

(f) Income taxes:

The Fund is a Registered Pension Trust as defined in the *Income Tax Act* and is not subject to income taxes.

3. Related party transactions:

Fund investments are managed by the Sinking Fund Trustees of The Winnipeg School Division and day to day administration of the Fund is performed by The Winnipeg School Division and Ellement Consulting Group. Fund management and administration fees contain the fee incurred during 2022 to Winnipeg School Division of $79,138 (2021 - $54,224), being the exchange amount agreed to by the parties.

The Fund has accounts receivable of $18,681 (2021 - nil) due from other funds.

4. Financial instruments and risk management:

Despite the uncertainty as to the outcome and ultimate effects of the pandemic, the Plan has fully maintained its valuation governance processes relying on its investment managers in providing their best estimate of the impact that the COVID-19 pandemic has had on the valuations of its investments as of the date of these financial statements. The Plan is monitoring developments relating to COVID-19 and continuing to assess through the performance reporting by the Plan’s investment manager the ongoing impact on the Plan’s investments.

(a) Fair value measurement:

The fair value of investments is disclosed in schedule 1 and described in note 2(c). The fair value of all other financial assets and liabilities approximates their carrying value due to the short-term nature of these instruments.

4. Financial instruments and risk management (continued):

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Due to the COVID-19 pandemic, financial markets experienced exceptional volatility in 2021. The Plan's exposure across all risk parameters including market, credit and liquidity remained within all risk limits set out in the Plan's Statement of Investment Policies and Procedures.

The following is a summary of the Fund's investments using the fair value hierarchy as at December 31, 2022:

As at December 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Foreign equities	$ 130,923,697	$ –	$ –	$ 130,923,697
Canadian equities	81,229,710	–	–	81,229,710
Bonds	–	76,347,781	–	76,347,781
Cash and cash equivalents	1,982,613	–	–	1,982,613
Real estate investments	–	–	45,538,917	45,538,917
Infrastructure	–	–	65,238,910	65,238,910
Mortgages	–	–	38,023,783	38,023,783
	$ 214,136,020	$ 76,347,781	$148,801,610	$ 439,285,411

As at December 31, 2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Foreign equities	$ 152,301,498	$ –	$ –	$ 152,301,498
Canadian equities	100,386,762	–	–	100,386,762
Bonds	–	84,127,942	–	84,127,942
Cash and cash equivalents	1,292,365	–	–	1,292,365
Real estate investments	–	–	41,306,149	41,306,149
Infrastructure	–	–	47,999,700	47,999,700
Mortgages	–	–	38,949,069	38,949,069
	$ 253,980,625	$ 84,127,942	$128,254,918	$ 466,363,485

4. Financial instruments and risk management (continued):

At December 31, 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3.

(b) Market risk:

(i) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities.

The value of the Fund's assets is affected by short-term changes in nominal interest rates and equity markets. The Fund has invested approximately 11 percent (2021 - 18 percent) of its investments in fixed income securities as at December 31, 2022. To properly manage the Fund's interest rate risk, appropriate guidelines on the weighting and duration for bonds and other fixed income investments are set and monitored. The Fund holds fixed income securities directly and in-directly through pooled funds.

An increase/decrease of 100 basis points in interest rates will impact fixed income investments by an increase/decrease of $491,316 (2021 - $841,279).

(ii) Foreign currency risk:

Foreign currency exposure arises from the Fund holding investments denominated in currencies other than the Canadian dollar. Fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. The Fund and its investment managers have the ability to utilize derivative instruments to mitigate foreign currency risk, subject to the approval of the Fund's Sinking Fund Committee. The Fund is exposed to fluctuations in the U.S. dollar and European currencies, notably the Euro and British pound sterling.

4. Financial instruments and risk management (continued):

The Fund's exposure to foreign currencies converted to Canadian dollars is shown below:

As at December 31, 2022	Actual currency exposure	%
Canadian	$ 285,647,744	65.03
U.S. dollar	86,615,728	19.72
Euro	28,492,060	6.49
Other currencies	17,698,809	4.03
Japanese yen	9,316,496	2.12
Pound sterling	11,514,574	2.61
	$ 439,285,411	100.0

A 10 percent increase or decrease in global exchange rates would result in a change in unrealized gains of $15,363,767 (2021 - $17,554,253).

(iii) Other price risk:

The Fund's investments in equities are sensitive to market fluctuations.

To properly manage the Fund's other price risk, appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks are set and monitored. A decline of 10 percent in equity values will impact the Fund's equity investments by an approximate loss of $21,211,690 (2021 - $25,398,013).

(c) Credit risk:

The Fund's fixed income investments are primarily in Canadian-issued instruments and are diversified among federal, provincial, corporate and other issuers. There were no significant concentrations of credit risk in the portfolio in either 2022 or 2021. The Fund's foreign investments in equities are well-diversified mainly among U.S. and EAFE economies.

Credit risk associated with contributions and other receivables is minimized due to their nature. Contributions are collected from participating members through the payroll process. No provision for doubtful contributions and other receivables has been recorded in either 2022 or 2021.

4. Financial instruments and risk management (continued):

(d) Liquidity risk:

Approximately $212 million (2021 - $254 million) of the Fund's investments are in liquid securities traded in public markets. These include all U.S. and global equities and the majority of Canadian equities, which is approximately 48 percent (2021 - 54 percent) of the Fund assets and is all exchange traded. The diversity of the Fund's portfolio should ensure that liquidity is available for benefit payments.

The remaining terms to contractual maturity of the Fund's bond and mortgage portfolio at December 31 are as follows:

	2022	2021
Less than one year	$ 11,043,799	$ 10,262,683
One to five years	60,626,948	50,881,646
Five to ten years	24,650,864	35,667,151
After ten years	18,455,875	25,360,007
Total fair value	$ 114,777,486	$ 122,171,487

5. Pension obligations:

As at December 31, 2022, the actuarial value of pension obligations was $442,783,549 (2021 - $417,900,263), based on an extrapolation of the full actuarial valuation from December 31, 2022. Since there is no intention of extinguishing the pension obligations in the near term, the obligations are calculated by using the going concern actuarial basis. The actuarial cost method was used by Ellement Consulting Group, the actuary, to determine the actuarial value of pension obligations and the required current service contributions. The next actuarial valuation of the Plan will be completed as at December 31, 2022.

Four significant long-term actuarial assumptions used in the valuation were:

(a) the liability discount rate was assumed to be 5.50 percent (2021 - 5.75 percent);

(b) the asset rate of return was assumed to be 6.00 percent (2021 - 6.10 percent);

(c) inflation rate was assumed to be 2 percent (2021 - 2.00 percent); and

(d) the salary escalation rate, including inflation, was assumed to be 2.50 percent (2021 - 2.75 percent), with an additional merit rate applied based on age of the member.

5. Pension obligations (continued):

The actuarial valuation as at December 31, 2022, indicates a going concern surplus of $3,543,395 (2021 - $10,511,846), as well as a solvency deficiency of $10,068,037 (2021 - $129,188,256). Both the going concern and the solvency unfunded liability is calculated utilizing the average market value of assets for the last five fiscal years which resulted in an increase of $3,394,602 (2021 - reduction of $40,236,318) from the net assets available for benefits as disclosed in the statement of financial position.

The assumptions used in determining the actuarial value of pension obligations are going concern assumptions adopted by the Committee and were developed by reference to expected long-term market conditions. As underlying conditions change over time, going concern assumptions adopted by the Committee may also change, which could cause a material change in the actuarial value of pension obligations.

The actuarial valuation is prepared in accordance with the recommendations of Canadian accounting standards for pension plans and Canadian accounting standards for private enterprises using a discount rate equivalent to the current yield on high-quality long term corporate bond and other assumptions that represent management's best estimate of future events.

The solvency deficiency is based on the assumption that the pension plan being evaluated ceases to operate on the date the valuation is being made and assesses whether or not the pension plan's assets are sufficient to provide for all the accrued benefits at the valuation date. Should the plan's solvency liabilities be greater than its assets, the solvency deficiency must be funded over a five year period. Under Regulation 81/2010 of the Act, public sector pension plans now have the option of electing to be exempt from the "solvency" and "transfer deficiency" provisions of the Act. This means that solvency deficiencies as determined by the pension plan's solvency valuation would no longer need to be funded over the next five years. The Fund has received the solvency exemption under the Regulation.

THE WINNIPEG SCHOOL DIVISION
PENSION FUND FOR EMPLOYEES OTHER THAN TEACHERS
Equity, Pooled Bond and Alternative Investments

Year ended December 31, 2022 with comparative information for 2021

	Number of units	2022 Fair value	2021 Fair value
Equity investments:			
Burgundy EAFE Fund	805,988	$ 29,946,418	$ 34,881,750
Leith Wheeler Canadian Equity	1,427,586	79,418,008	99,618,612
MAWER EAFE	1,830,234	29,644,126	36,291,784
TD Emerald Pooled U.S. Fund	1,594,636	73,108,343	83,187,985
Total equity investments		212,116,895	253,980,131
Pooled bond:			
RPIA Strategic Income Plus	956,119	9,420,738	9,915,973
TD Emerald Canadian Core Plus Bond	4,449,296	39,710,858	46,721,325
Total pooled bond investments		49,131,596	56,637,298
Alternative investments:			
Brookfield Super-Core Infrastructure	47,390,286	65,238,910	47,999,700
RPIA Alt-Global Bond Fund	1,578,963	14,847,787	14,706,074
RPIA Select Opportunities	642,877	10,252,034	10,188,782
TD Greystone Mortgage Fund	3,133,075	40,546,068	40,639,333
TD Greystone Real Estate Fund Inc.	241,021	47,152,121	42,212,167
Total alternative investments		178,036,920	155,746,056
Total equity, pooled bond and alternative investments		$ 439,285,411	$ 466,363,485