2021 Annual Report

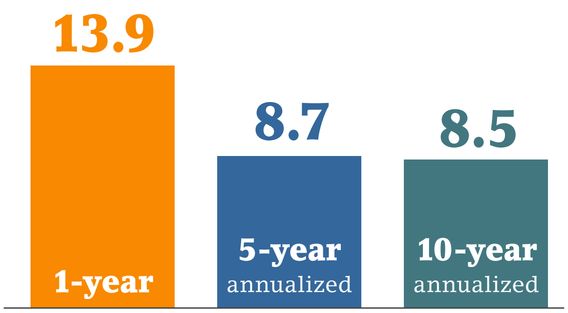
Peace of mind in retirement

WorkSafe BC

worksafe.pensionsbc.ca

Plan highlights

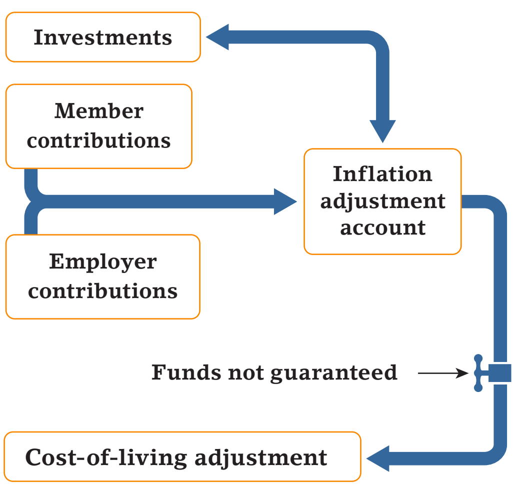
Rates of return (%)



Change in net assets ($ millions)

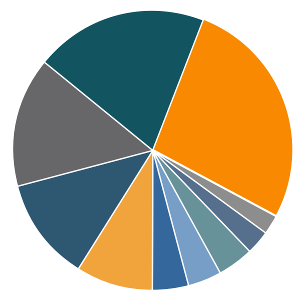
	$2,276.3	**Net assets, April 1, 2020**
+	321.2	Investment income
+	42.6	Contributions
–	69.6	Benefits payments
–	6.9	Investment and administration costs
	$2,563.6	**Net assets, March 31, 2021**

Cost-of-living adjustment in action



Investment holdings

- **27%** Bonds
- **20%** Global equities
- **15%** Real estate
- **12%** Infrastructure and renewable resources (IRR)
- **9%** Private equity
- **4%** Canadian equities
- **4%** Emerging market equities
- **4%** Private debt
- **3%** Mortgages
- **2%** Short-term



$2.6 billion

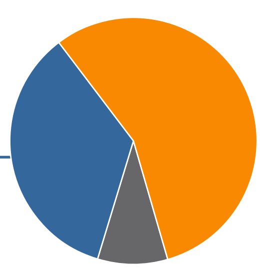
Membership

Member ratio

1.5 : 1.0

Active : Retired

Members, by type



56% Active

35% Retired

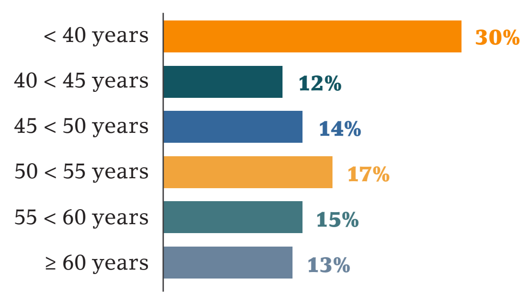
9% Inactive

Pensions in pay

$29,041 Average

$24,847 Median

Active members, by age



Contents

A message from your Pension Committee

After a year of global uncertainty, the WorkSafeBC Pension Plan continues to stand strong and provide stability and peace of mind to members. The most recent financial checkup of the plan shows that it is well funded and members' lifetime pensions are secure. WorkSafeBC pensions will remain solid, sustainable and reliable well into the future.

Healthy and strong

Our most important job as the Pension Committee is to safeguard the plan's long-term financial health and ability to pay pensions. The best tool for doing that is the actuarial valuation. Every three years, an independent actuary assesses the financial position of the plan. Provincial legislation requires the actuary to consider the plan from two perspectives: going concern and solvency.

The going-concern valuation assumes the plan will continue into the future at least as long as the lifetime of all current members, while the solvency valuation measures the ability to pay out pensions if the plan had to shut down on the valuation date. Both showed the plan is healthy and can pay all current and future pensions.

What this means for members

Members' contribution rates will not increase because of this valuation.

The valuation results showed the plan has a surplus (its assets exceed its liabilities). Where the plan has a surplus, the plan rules allow WorkSafeBC to use the accessible going-concern excess (which is about $331 million of the surplus) to reduce contributions. WorkSafeBC will be using approximately $11.2 million of that excess each year until the next valuation, due as of December 31, 2022, to keep contributions in the basic account for members and WorkSafeBC at current rates and cover the expected cost of benefits accruing.

For more details on the 2019 valuation, see the Valuation section of this report.

Reliable and secure

The plan's prudent and disciplined approach to investments has built a strong foundation to help the plan weather the current challenges in the global investment environment and provide pension security over the long term.

British Columbia Investment Management Corporation is dedicated to efficiently delivering the highest return at a given level of risk, and the plan's financial performance remains strong.

Dependable and prepared

As your Pension Committee, we are professional, responsible and proactive. We work to ensure the health of the plan. Members can depend on their WorkSafeBC pension to provide them with a stable income throughout their retirement.

This year the plan decided to change its valuation review date to December 31, 2019, from March 31, 2020, to mitigate the impacts of market volatility and interest rate changes at March 31, 2020.

Looking ahead to 2022 and beyond, we remain committed to focusing on plan value, maintaining sustainability and helping members prepare for their future with confidence.

Membership

Who's in the plan?

Membership in the WorkSafeBC Pension Plan is divided into four groups:

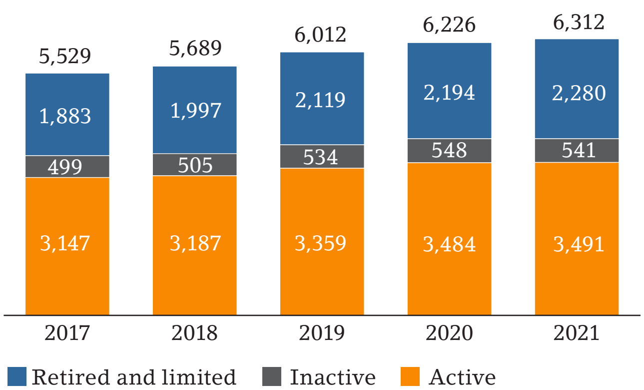
Active Currently contributing to the plan, on an approved leave of absence or receiving benefits from an approved long-term disability plan—there are 3,491 active members in the plan

Inactive Not currently contributing; have ended their employment but left their contributions in the plan—there are 541 inactive members in the plan

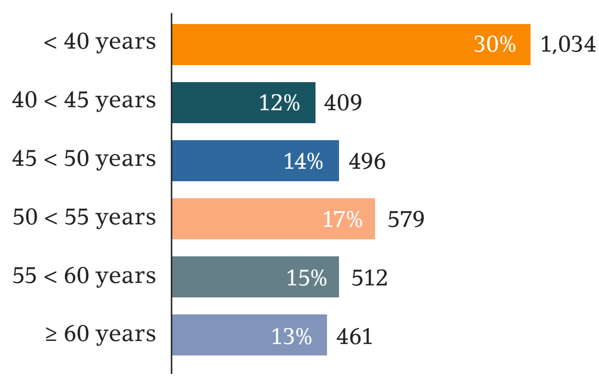
Retired Currently receiving a pension; this includes those receiving a survivor's pension—there are 2,280 retired members in the plan

Limited A plan member's former spouse who has the right to a portion of the plan member's pension and applies to become a limited member after a separation or divorce—these members are included in the retired member total if they are receiving a pension

Number of members
as at March 31

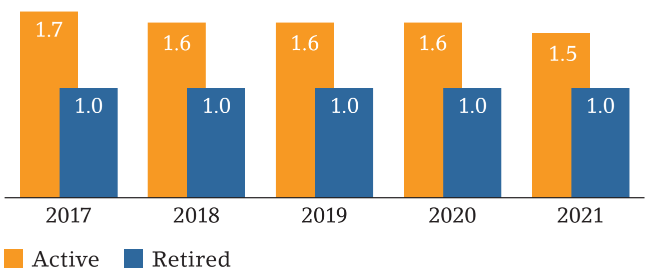


Active members, by age
as at March 31, 2021



Knowing the number of plan members approaching retirement helps the Pension Committee understand how retired membership numbers might change in coming years. The ratio of active to retired members has declined over the past five years. This trend is expected to continue as more baby boomers reach retirement age.

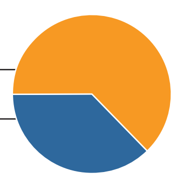
Ratio of active to retired members
as at March 31



The gender makeup of active members is also important as the average female has a longer life expectancy than the average male and so will likely draw their pension for longer.

Active members, by gender
as at March 31, 2021

Female	2,184	63%
Male	1,307	37%



Plan details

How the plan benefits work

Basic lifetime pension

The basic lifetime pension is based on a formula using a member's years of pensionable service in the plan, the average of their highest five years of pensionable salary and their age at retirement. The basic lifetime pension is paid from the plan's basic account. The plan is pre-funded, which means enough money is set aside through contributions and investments to pay the lifetime pension now and into the future. Once the member makes their first contribution, they are entitled to a pension at the earliest retirement age. The plan provides the option of a survivor's benefit. It also provides pensionable and contributory service for members receiving long-term disability benefits; these members will continue to accumulate service as if they were still working and are not required to pay their monthly pension contributions to the plan.

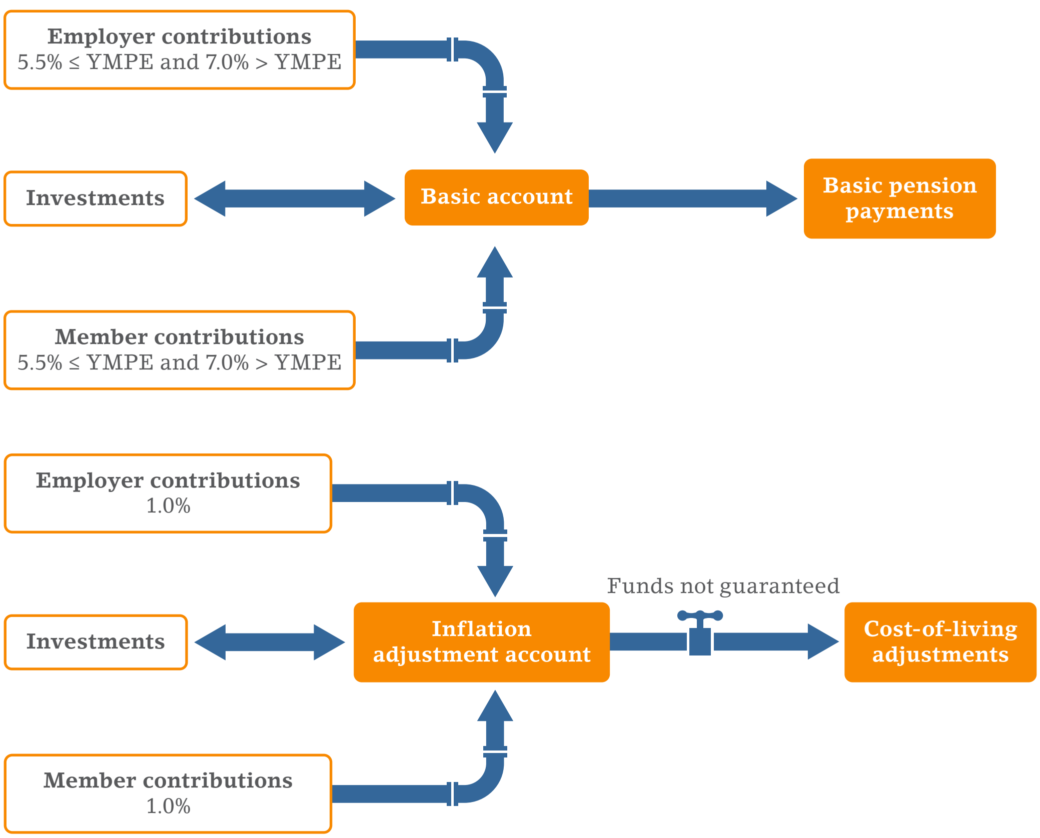
Cost-of-living adjustments

Cost-of-living adjustments (COLAs) are designed to help maintain the value of retired members' pensions against the rising cost of living. COLAs are granted only if sufficient money is available in the inflation adjustment account (which is funded by member and employer contributions). If sufficient money is available, a COLA is applied to retired members' pensions on a yearly basis. The amount of the adjustment is based on changes in the Canadian consumer price index. In 2021, retired members received a COLA of 0.5 per cent. We regularly monitor the plan's ability to continue providing COLAs. While future increases are not guaranteed, once granted, they become part of retired members' basic lifetime pension.

How contributions work

Both members and WorkSafeBC pay contributions to fund future pensions. Members contribute through automatic salary deductions. When members end employment, retire or reach 35 years of pensionable service, they no longer contribute.

Both members and WorkSafeBC each contribute 6.5 per cent of salary up to and including the year's maximum pensionable earnings (YMPE), which was $61,600 in 2021, and 8.0 per cent of salary above that amount. YMPE is set annually by the federal government and determines the maximum salary for which Canada Pension Plan contributions must be made. These rates include contributions to the basic account (which pays pension benefits) and the inflation adjustment account (which pays non-guaranteed COLAs).



By the numbers

Benefits and contributions

Pensions overview
year ended March 31

	New pension	Pension terminations	Pensions at end of year	($ millions) Basic pensions paid	Inflation supplements paid	Total
2021	**116**	**30**	**2,280**	**$56.2**	**$8.5**	**$64.7**
2020	122	47	2,194	53.7	8.0	61.7
2019	150	28	2,119	50.0	7.1	57.1
2018	141	27	1,997	46.4	6.4	52.8
2017	155	23	1,883	42.3	6.0	48.3

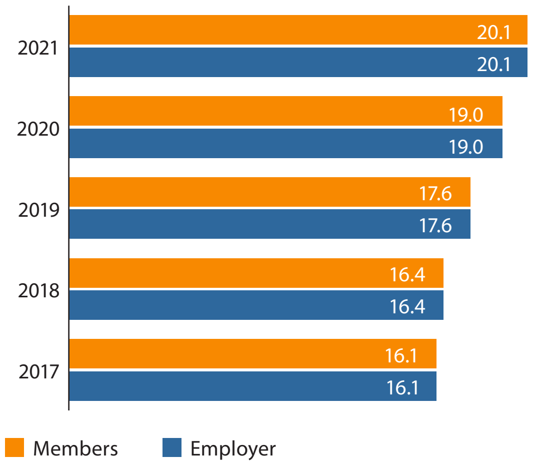
New pensions, by age and years of service
year ended March 31

Years of service	Age at retirement < 55	55 < 60	60 < 65	≥ 65	Total	Average annual Salary base	Pension	Median annual pension	Present value of pensions Average	Total ($ millions)
< 10	—	8	4	5	17	$85,300	$10,500	$7,800	$202,000	$3.4
10 < 15	—	4	9	8	21	77,800	13,900	13,900	273,000	5.7
15 < 20	—	2	3	7	12	90,300	24,000	21,500	490,000	5.9
20 < 25	—	3	6	3	12	90,800	36,300	39,200	660,000	7.9
25 < 30	—	7	12	5	24	92,400	44,600	45,300	923,000	22.2
30 < 35	—	9	10	5	24	95,500	55,900	59,100	1,130,000	27.1
≥ 35	—	1	2	3	6	93,800	48,300	54,300	1,060,000	6.4
Total	**0**	**34**	**46**	**36**	**116**					**$78.6**
Average of all pensions						**$89,100**	**$33,600**	**$30,600**	**$682,000**	
Average years of service		**21**	**23**	**20**	**22**					
Average age					**62**					

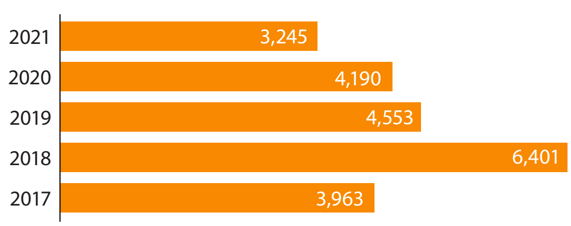
New pensions, by type
year ended March 31

	Regular	Pre-retirement limited member	Post-retirement limited member	Long-term disability	Deferred	Survivor	Total
2021	**88**	**3**	**2**	**11**	**10**	**2**	**116**
2020	96	0	0	14	11	1	122
2019	114	3	0	16	15	2	150
2018	105	1	0	17	12	6	141
2017	117	6	1	17	13	1	155

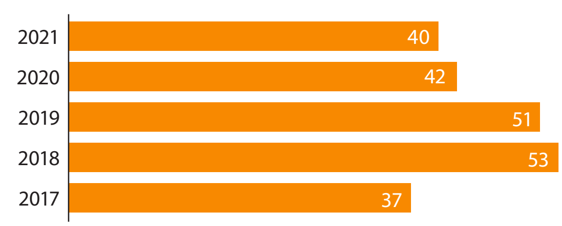
Contributions ($ millions)
year ended March 31



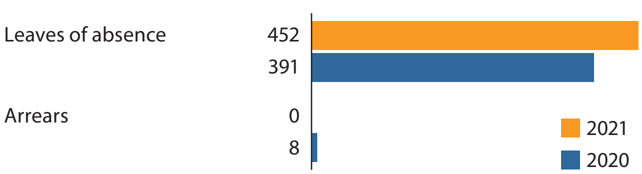
Termination and refund benefits paid, by value
($ thousands)
year ended March 31



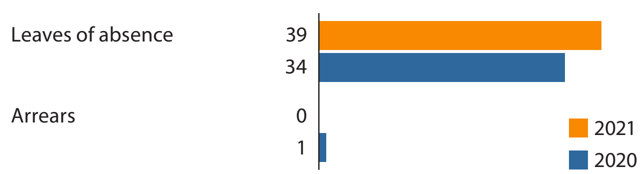
Termination and refund benefits paid, by number
year ended March 31



Purchases, by value ($ thousands)
year ended March 31



Purchases, by number
year ended March 31



Valuation

The plan is in a healthy position

At least once every three years, an independent actuary assesses the financial position of the plan. (An actuary is a specialist in financial modelling, the principles of probability and risk management.) The actuarial valuation completed as at December 31, 2019, confirmed the plan is in a strong and healthy position.

For the WorkSafeBC Pension Plan, BC's *Pension Benefits Standards Act* prescribes the valuation of the plan's assets from two perspectives: going concern and solvency.

The going-concern valuation (which assumes the plan will continue into the future at least as long as the lifetime of all current members) showed the plan's funded ratio is 128 per cent with an actuarial surplus of $404 million in the basic account.

The solvency valuation (which measures the plan's ability to pay out pensions in the unlikely event of it shutting down on the valuation date) showed the plan's funded ratio is 104.6 per cent.

The next valuation will be prepared as at December 31, 2022.

Investment results

Strong performance

The plan's fiscal year ending March 31, 2021, was historically eventful in capital markets. With the outbreak of COVID-19, the global economy experienced significant disruptions and extreme volatility as market prices deteriorated and then rebounded with support from unprecedented fiscal and monetary stimulus.

Despite these extraordinary events, the plan's investment portfolio remained secure. Although British Columbia Investment Management Corporation (BCI) could not have predicted the catalyst for the market downturn, it had been prepared for a downturn for some time. When the markets fell in early 2020, the plan was in a strong financial position, with ample liquidity, and was not forced to sell assets. Over the year, the plan's assets increased to $2.6 billion from $2.3 billion in March 2020, driven in large part by the one-year return of 13.9 per cent.

Strong long-term returns underscore the financial health and stability of the plan. Over the five-year period ending March 31, 2021, the plan's investment portfolio performed well above its actuarial return objective of 5.3 per cent.

BCI kept ahead of the surging public equity market during the period while avoiding highly speculative and lower-quality investments. Public market investments outperformed benchmarks for the one-year and five-year periods. Public equities returned 40.4 per cent against a 37.6 per cent benchmark over the year, and 12.7 per cent against a benchmark of 12.3 per cent over five years. BCI's strategy of internalizing public equity asset management away from high-cost external managers and pursuing high-conviction strategies contributed to outperformance.

Fixed income returned 4.4 per cent against a 4.2 per cent benchmark over the year, and 3.4 per cent against the benchmark of 3.0 per cent over five years. The plan's fixed income portfolio benefited from favourable central bank policies.

While the plan's investment portfolio returned 13.9 per cent on a one-year basis, it did not achieve its benchmark return of 16.1 per cent. The underperformance was largely driven by differences between private market returns and their respective benchmarks, which do not fully reflect the extreme market volatility experienced in the period. In the case of private equity, the benchmark includes global public market returns, which are valued on a daily basis, while private market investments are valued less frequently (e.g., quarterly and annually).

Private equity returned 10.6 per cent over the one-year period, underperforming the benchmark return of 38.5 per cent due to the price appreciation in public markets discussed above. Private equity assets typically have an investment horizon spanning five years or more, and therefore it is more appropriate to focus on longer-term performance. Over the five-year period, private equity returned a strong 16.8 per cent, outperforming the benchmark of 14.6 per cent.

Real estate, and particularly commercial real estate, was the hardest-hit market during the pandemic as social distancing measures directly affected commercial leasing activity. Over the one-year period, real estate returned 3.9 per cent against a benchmark of 6.2 per cent. Over the five-year period, real estate returns were 6.0 per cent against a benchmark of 5.8 per cent.

The plan's real estate investments have always maintained a low exposure to retail. In the past year, the plan increased its exposure to warehouse and e-commerce properties, which benefited from the accelerated shift to e-commerce during the COVID-19 pandemic. In the first quarter of 2021, the real estate sector saw increased activity as markets stabilized in reaction to vaccine developments and rollouts.

Infrastructure and renewable resources (IRR) returned 5.9 per cent against a benchmark of 7.0 per cent over one year, and 8.8 per cent against the benchmark of 7.0 per cent over five years. IRR investments have the longest horizon within the plan's portfolio, and BCI's focus on investing with caution has ensured a stable portfolio that weathered the events of 2020.

Responsible investing

Responsible investing is an integral part of the plan's investment approach. The plan and BCI believe that assessing and managing opportunities and risk over the long term is the cornerstone of responsible investing, and fundamental to meeting the mandate to grow and protect the value of the plan. Taking environmental, social and governance (ESG) matters into account enables us, as investors, to better understand the opportunities, and manage and mitigate the risks associated with long-term investments. BCI and the plan believe that companies that employ robust ESG practices are better positioned to generate long-term value for investors than are similar companies with less favourable practices.

ESG considerations are integrated into BCI's investment analysis, decisions and processes. As an active owner, BCI monitors ESG factors and engages with companies to raise awareness that good corporate governance is the overarching framework for effectively managing opportunities and risks. BCI uses its influence as a shareholder to encourage companies to manage and report on ESG practices.

It is important to the plan that BCI collaborate with like-minded investors and organizations. BCI is a signatory to the Principles for Responsible Investment (PRI), an international network of investors coordinated by the United Nations that share the goal of incorporating ESG elements into the processes and activities of institutional investors. BCI and the plan's approach to responsible investing are aligned with PRI, which provides a set of principles for institutional investors to consider as they integrate ESG factors into their investment processes and analysis, ownership activities and interactions with long-term investors. As part of this commitment, BCI takes part in an annual PRI assessment to measure its progress against meeting the PRI principles.

In addition, the plan supports BCI in responsible investing as a member of the steering committee for the 30% Club, which advocates for companies to enhance gender diversity at board and senior management levels, and the Sustainability Accounting Standards Board, which has a mandate to promote standards of sustainability reporting.

Climate change is a concern for the plan, plan members and global investors. BCI's Climate Action Plan is informed by scientific consensus and helps keep members' pensions secure. It also ensures that BCI can capitalize on investment opportunities arising from the transition to a lower-carbon economy, while managing the associated physical and investment risks.

BCI collaborates with a number of other organizations to advance its objectives in mitigating climate change risks. These include the International Corporate Governance Network, CDP (formerly Carbon Disclosure Project) and Investor Network on Climate Risk.

BCI is also a signatory to Climate Action 100+. This investor-organized initiative encourages the world's largest corporate greenhouse gas emitters to take meaningful action to curb their emissions. BCI leads, co-leads or serves in a supporting role in engaging with 10 North American companies in the oil and gas, mining and utility sectors.

In 2020, Gordon J. Fyfe, the CEO/CIO of BCI, issued a joint statement along with the seven other CEOs of Canada's leading pension plan investment managers. Together as the "Maple 8," they called on companies and investors to provide consistent and complete ESG information to strengthen investment decision making and better manage their collective ESG risk exposures.

Market outlook

The global economic recovery continues to progress as vaccinations increase and economies are able to reopen safely. Regional differences in recovery have emerged due to both the timing and severity of the pandemic's impact as well as the speed at which governments have been able to implement vaccination programs. Monetary policy continues to support economic growth with stimulus packages, and while longer-term bond yields have risen, they have not posed a significant headwind to markets. Government spending will continue to play a significant role in the recovery. In particular, the $1.9 trillion U.S. stimulus bill passed in March 2021 as well as the European Union recovery fund will help support global growth.

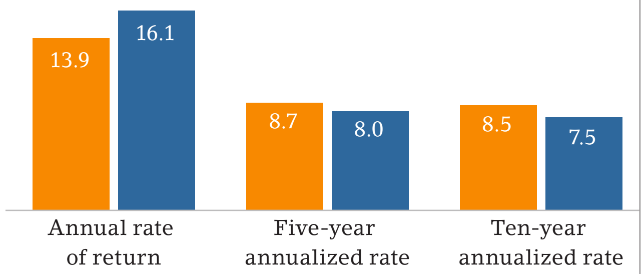
Plan investment details (graphs, charts and tables)

Investment performance—market value rates of return
for the year ended March 31, 2021

(All values %)	Year	Investment returns	Performance benchmark[1]
Annual rates	**2021**	**13.9**	**16.1**
	2020	3.5	1.3
	2019	6.5	6.0
	2018	8.2	6.7
	2017	11.7	10.7
Five-year annualized rates	**2021**	**8.7**	**8.0**
	2020	5.9	4.9
Ten-year annualized rates	**2021**	**8.5**	**7.5**
	2020	8.0	6.8

1 Benchmarks are standards to compare against actual investment returns.

Rate of return vs. benchmarks[1] (%)
year ended March 31, 2021



1 Benchmarks are standards to compare against actual investment returns

Investment asset mix and performance (%)
as at March 31, 2021

(All values %)	Approved range	Target asset mix	Asset mix market value	Rate of return	Performance benchmark
Short-term	0-10	2	2.3	(3.6)	0.2
Mortgages	0-10	5	3.3	4.0	0.6
Bonds	10-30	23	22.3	2.0	1.6
Corporate bonds	0-10	5	5.0	15.1	14.5
Private debt	0-10	4	3.5	10.9	14.9
Combined fixed income	**15-50**	**39**	**36.4**	**4.4**	**4.2**
Canadian equities	0-15	3	3.7	44.9	44.2
Global equities	10-35	17	20.1	39.2	35.9
Emerging markets	3-15	4	3.6	42.3	39.9
Combined public equity	**20-60**	**24**	**27.4**	**40.4**	**37.6**
Private equity	**3-15**	**8**	**9.4**	**10.6**	**38.5**
Real estate	**10-25**	**16**	**14.8**	**3.9**	**6.2**
IRR[1]	**5-16**	**13**	**11.9**	**5.9**	**7.0**
Other			**0.1**	**n/a**	**n/a**
Total portfolio		**100**	**100.0**	**13.9**	**16.1**

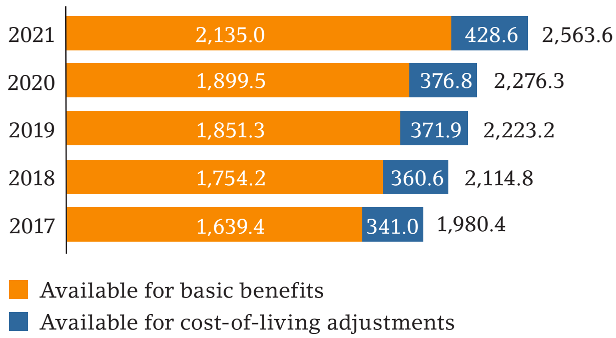
1 Infrastructure and renewable resources

Investment portfolio[1]
as at March 31, 2021

	Market value ($ thousands)	Asset mix (%)
Short-term		
Money market	$ 57,898	2.3
Government bonds (1–5 years)	—	0.0
	57,898	**2.3**
Bonds		
Canadian bonds universe	571,374	22.3
Corporate	127,662	5.0
	699,036	**27.3**
Mortgages	**84,245**	**3.3**
Private debt	**89,834**	**3.5**
Canadian equities	**93,757**	**3.7**
Global equities		
United States	125,411	4.9
Global	332,594	13.0
Europe	23,846	0.9
Asia	32,819	1.3
	514,670	**20.1**
Emerging markets equities	**92,999**	**3.6**
Real estate	**380,723**	**14.8**
Private equity and IRR[2]		
Private equity	240,705	9.4
IRR[2]	306,153	11.9
	546,858	**21.3**
Other	**2,606**	**0.1**
Total investments	**$2,562,626**	**100.0**
2020 comparison	$2,275,513	

1 Asset classifications vary from the financial statements for the purpose of performance reporting
2 Infrastructure and renewable resources

Net assets available for benefits ($ millions)
as at March 31



Five-year financial summary ($ thousands)
year ended December 31

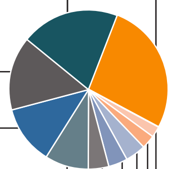
	2021	2020	2019	2018	2017
Increase in assets					
Investment income	**$ 321,176**	$ 82,131	$ 140,147	$ 165,432	$ 212,105
Contributions					
Members	**20,118**	19,042	17,641	16,388	16,074
Employers	**20,109**	19,039	17,609	16,380	16,104
Transfers from other plans	**2,401**	4,854	595	2,231	1,199
Total increase in assets	**363,804**	125,066	175,992	200,431	245,482
Decrease in assets					
Pension benefits	**67,984**	65,858	61,620	59,233	52,277
Transfers to other plans	**1,685**	1,038	1,206	967	539
Investment and administration costs	**6,879**	5,065	4,752	5,800	4,192
Total decrease in assets	**76,548**	71,961	67,578	66,000	57,008
Increase (decrease) in net assets	**287,256**	53,105	108,414	134,431	188,474
Net assets available for benefits at beginning of year	**2,276,344**	2,223,239	2,114,825	1,980,394	1,791,920
Net assets available for benefits at end of year	**$2,563,600**	$2,276,344	$2,223,239	$2,114,825	$1,980,394
Investment and administration costs as a percentage of net assets (%)[1]					
Investment management[1, 2]	**0.35**	0.37	0.28	0.33	0.24
Benefits administration	**0.06**	0.05	0.06	0.06	0.06

1 Investment costs as a percentage of net assets include certain external investment management costs totalling $3.3 million (2020—$4.6 million; 2019—$2.4 million; 2018—$2.1 million; 2017—$1.4 million) that are netted against investment income and are not included in investment and administration costs in the financial statements.

2 Investment costs as a percentage of net assets exclude external indirect investment management costs netted against investment income on the statement of changes in net assets available for benefits. This is consistent with current industry practice; including these costs increases investment management costs as a percentage of net assets by 27 basis points in the 2021 fiscal year. External indirect investment management costs include limited partnership costs incurred within investments held in private equity, infrastructure and global real estate asset classes.

Investment holdings[1] ($ millions)
as at March 31, 2021

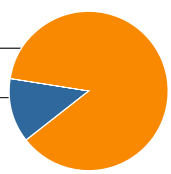
Bonds	$699.0	27%
Global equities	$514.7	20%
Real estate	$380.7	15%
IRR[2]	$306.2	12%
Private equity	$240.7	9%
Canadian equities	$93.8	4%
Emerging markets equities	$93.0	4%
Private debt	$89.8	4%
Mortgages	$84.2	3%
Short-term	$57.9	2%



1 Asset classifications vary from the financial statements for the purpose of performance reporting
2 Infrastructure and renewable resources

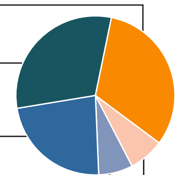
Infrastructure and renewable resources ($ millions)
as at March 31, 2021

Infrastructure	$266.3	87%
Renewable resources	$39.9	13%



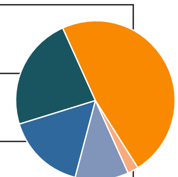
Real estate, by type (%)
as at March 31, 2021

Residential	32
Office	31
Industrial	23
Retail	7
Other	7

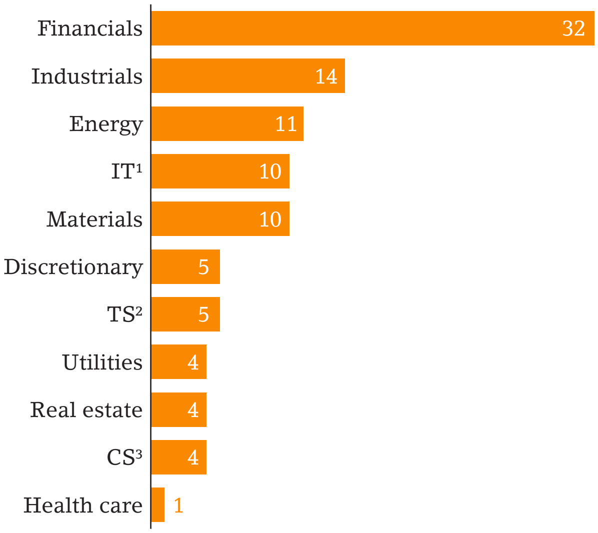


Real estate, by location (%)
as at March 31, 2021

International	48
Ontario	23
British Columbia	16
Alberta	11
Rest of Canada	2

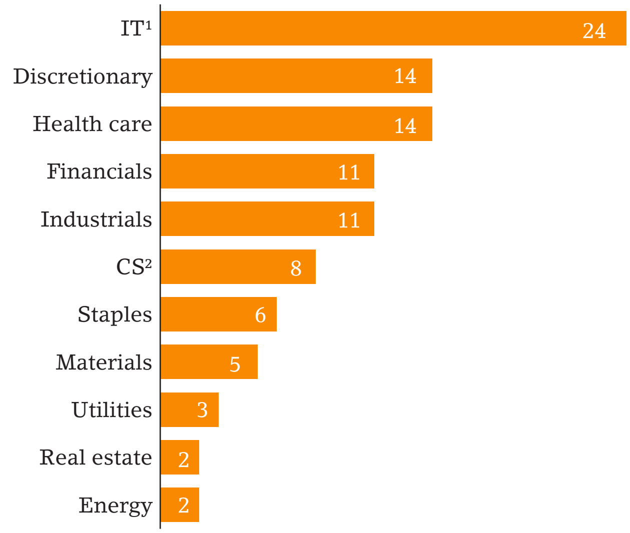


Canadian equities, by sector (%)
as at March 31, 2021



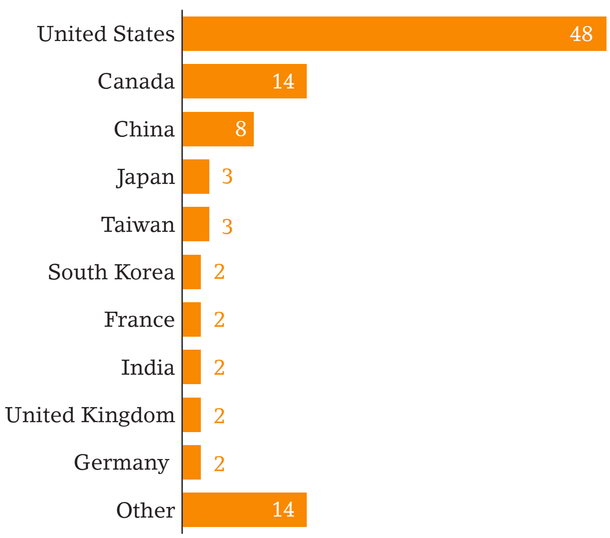
1 Information technologies
2 Telecommunication services
3 Consumer staples

Global equities, by sector (%)
as at March 31, 2021



1 Information technologies
2 Communication services

Equities, by country (% of public equity)
as at March 31, 2021



Governance, agents and plan updates

Who we are

Pension Committee

The WorkSafeBC Board of Directors is responsible for appointing members of the Pension Committee. Among other duties, the Pension Committee assists WorkSafeBC in administering the plan, with a particular focus on investment and fund management.

The plan has three committee members: Wendy Strugnell (employer representative), Paul Martin (independent representative) and Jason Lin (member representative).

The WorkSafeBC Board of Directors appointed Jason Lin to the Pension Plan Pension Committee effective April 27, 2021. Jason joined WorkSafeBC in July 2008. Since then, he has worked in Claims, Purchasing, Finance and Assessments. He started his current role as assessment officer in October 2013, and has completed the WorkSafeBC Leadership Development program. Jason is a certified management accountant and holds a bachelor degree in economics.

James Morrison stepped down as of December 31, 2020, and on behalf of the board, we would like to thank him for 15 years of contribution as a member representative and an observer.

Wendy Strugnell
(employer representative)

Paul Martin
(independent representative)

Jason Lin
(member representative)

Agents

British Columbia Investment Management Corporation
British Columbia Investment Management Corporation (BCI) is a leading provider of investment management services to British Columbia's public sector and one of the largest asset managers in Canada. With its global outlook, BCI seeks investment opportunities that convert savings into productive capital to meet its clients' risk and return requirements over time. BCI offers investment options across a range of asset classes: fixed income, mortgages, public and private equity, real estate, infrastructure and renewable resources.

British Columbia Pension Corporation
British Columbia Pension Corporation is one of the largest pension benefit administrators in Canada, serving public sector pension plans in BC. It provides plan information to members and employers, manages contributions and member records, and pays pension benefits. British Columbia Pension Corporation also provides policy, financial and communication services to the committee.

Eckler Ltd.
Serving as the plan's independent actuary, Eckler Ltd. conducts an actuarial valuation on the plan's funding every three years and supports the Pension Committee and the WorkSafeBC Board of Directors in their decision making, as appropriate.

Plan rule changes

Valuation review date

On November 18, 2020, the WorkSafeBC Board of Directors amended the plan rules to change the valuation review date to December 31, 2019, from March 31, 2020.

Gender-neutral language

An additional amendment replaced gender-specific terms with gender-neutral terms. It also replaced "pregnancy leave" with "maternity leave" to ensure we are consistent with the *Employment Standards Act*.

Reciprocal transfers and periods of reduced pay

An outdated provision regarding the transfer of locked-in pension credits under a reciprocal transfer agreement was removed, as well as reference to "periods of reduced pay."

Pension Committee

Text was updated to provide clarity about the Pension Committee.

Financial statements

BC PENSION
CORPORATION

September 15, 2021

Re: WorkSafeBC Pension Plan

Administrative Agent's Responsibility for Financial Reporting

The financial statements of the WorkSafeBC Pension Plan were prepared by British Columbia Pension Corporation, the Plan's administrative agent, in accordance with Canadian accounting standards for pension plans. The WorkSafeBC Pension Plan Pension Committee is responsible for approving the financial statements of the Plan.

Pension Corporation prepares the financial statements and is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting policies consistent with Canadian accounting standards for pension plans. In discharging its responsibility, Pension Corporation maintains a system of internal controls designed to provide reasonable assurance that transactions are properly authorized, reliable financial records are maintained, and assets are adequately safeguarded, ensuring the fair presentation of the financial statements. Pension Corporation has assessed that the Plan will continue as a going concern and ensured that other financial information contained in the *WorkSafeBC Pension Plan Annual Report* is consistent with these financial statements.

The WorkSafeBC Board of Directors appointed Eckler Ltd. as the independent consulting actuary for the Plan. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practice. The results of the valuation are included in the financial statements.

The WorkSafeBC Board of Directors appointed KPMG LLP as the independent auditor to the Plan. The role of the auditor is to perform an independent audit of the Plan's financial statements in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the independent auditor's report attached to these financial statements.

Trevor Fedyna, CPA, CGA, C. Dir.
Vice-president, Strategy and Insights,
and Chief Financial Officer
British Columbia Pension Corporation

Allan Chen, CPA, CA
Controller, Financial Services
British Columbia Pension Corporation

Executive Offices
Mail: PO Box 9460
Victoria, BC V8W 9V8
Phone: 250 387-8201
Fax: 250 953-0429
bcpensioncorp.ca

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Members of the WorkSafeBC Pension Plan

Opinion

We have audited the financial statements of the WorkSafeBC Pension Plan (the "Plan"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued 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 Plan as at March 31, 2021, and the changes in its net assets available for benefits and the changes in its accrued pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

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

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

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditors' report thereon, included in the annual report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian 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 management either intends to liquidate the Plan or 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.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the 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.

- 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

Vancouver, Canada
September 15, 2021

Statement of Financial Position

($ thousands)

As at March 31	Note		2021		2020
Assets					
Investments	3a	$	**2,544,661**	$	2,287,679
Directly held derivatives	3b		**16,002**		2,576
Contributions receivable			**2,941**		2,802
Interest receivable			**2,844**		84
Due from sale of investments			-		7,226
Other			**18**		7
Cash			**12**		3
Total assets			**2,566,478**		**2,300,377**
Liabilities					
Directly held derivatives	3b		**620**		21,721
Accounts payable and accrued expenses			**755**		906
Taxes payable			**729**		722
Payable for purchase of investments			**774**		684
Total liabilities			**2,878**		24,033
Net assets available for benefits		**$**	**2,563,600**	**$**	**2,276,344**
Accrued pension obligations					
Accrued basic pension obligations	4a	$	**1,571,760**	$	1,398,637
Non-guaranteed pension obligations	4b		**428,628**		376,818
Accrued pension obligations			**2,000,388**		1,775,455
Surplus					
Funding surplus	5a		**451,517**		481,397
Measurement differences between funding and accounting positions	5a		**111,695**		19,492
Surplus			**563,212**		500,889
Accrued pension obligations and surplus		**$**	**2,563,600**	**$**	**2,276,344**

All accompanying notes are an integral part of the financial statements including:
Commitments (note 14)

Approved by the WorkSafeBC Pension Plan:

Wendy Strugnell
Committee member
WorkSafeBC Pension Plan Pension Committee

Jason Lin
Committee member
WorkSafeBC Pension Plan Pension Committee

Paul Martin
Committee member
WorkSafeBC Pension Plan Pension Committee

WORKSAFEBC PENSION PLAN

Statement of changes in net assets available for benefits

($ thousands)

For the year ended March 31	Note	Basic account	Inflation adjustment account	Supplemental benefits account	Totals 2021	Totals 2020
Increase in assets						
Investment income	8	$ 268,319	$ 52,858	$ -	**$ 321,177**	$ 82,131
Contributions						
Member	9	17,231	2,850	28	**20,109**	19,039
Employer	9	16,311	2,852	955	**20,118**	19,042
		33,542	5,702	983	**40,227**	38,081
Transfers from other plans		1,985	415	-	**2,400**	4,854
Total increase in assets		303,846	58,975	983	**363,804**	125,066
Decrease in assets						
Benefits	10	65,406	1,595	983	**67,984**	65,858
Investment and administration	11	5,978	902	-	**6,880**	5,065
Transfers to other plans		820	864	-	**1,684**	1,038
Total decrease in assets		72,204	3,361	983	**76,548**	71,961
Increase in net assets before transfers		231,642	55,614	-	287,256	53,105
Account transfers	12	3,804	(3,804)	-	-	-
Increase in net assets		**$ 235,446**	**$ 51,810**	**-**	**$ 287,256**	**$ 53,105**
Net assets available for benefits at beginning of year		$ 1,899,526	$ 376,818	-	**$ 2,276,344**	$ 2,223,239
Net assets available for benefits at end of year		**$ 2,134,972**	**$ 428,628**	**-**	**$ 2,563,600**	**$ 2,276,344**

The accompanying notes are an integral part of the financial statements.

WORKSAFEBC PENSION PLAN

Statement of changes in accrued pension obligations

($ thousands)

For the year ended March 31	Note		2021		2020
Increase in accrued pension obligations					
Interest on accrued pension obligations		$	**77,966**	$	74,731
Benefits accrued			**48,438**		49,047
Provision for adverse deviations	4a		**121,128**		-
Account transfers	12		**3,804**		12,865
Total increase in accrued pension obligations			**251,336**		136,643
Decrease in accrued pension obligations					
Changes in actuarial assumptions	4a		**6,842**		-
Experience gains	4a		**2,713**		-
Benefits paid			**68,658**		65,882
Total decrease in accrued pension obligations			**78,213**		65,882
Net increase in accrued pension obligations			**173,123**		70,761
Accrued basic pension obligations at beginning of year			**1,398,637**		1,327,876
Accrued basic pension obligations at end of year	4a		**1,571,760**		1,398,637
Non-guaraneteed pension obligations					
Increase in non-guaranteed pension obligations	4b		**51,810**		4,944
Non-guaranteed pension obligations at beginning of year			**376,818**		371,874
Non-guaranteed pension obligations at end of year	4b		**428,628**		376,818
Total accrued pension obligations		$	**2,000,388**	$	**1,775,455**

The accompanying notes are an integral part of the financial statements.

1. DESCRIPTION OF THE WORKSAFEBC PENSION PLAN

The following description of the WorkSafeBC Pension Plan (Plan) is a summary provided for general information only. For more information, please refer to the WorkSafeBC Pension Plan Rules.

a) General

The Plan is a contributory defined benefit pension plan, established in 1941 under the authority of the *Workmen's Compensation Act Amendment Act*. Effective September 30, 2015, the WorkSafeBC Board of Directors modernized the plan rules, including a name change. It was formerly the Workers' Compensation Board Superannuation Plan.

The Plan is registered with the Superintendent of Pensions, who administers and enforces the *Pension Benefits Standards Act* (PBSA). PBSA governs employment pension plans registered in British Columbia that have active, inactive and retired members.

Effective December 31, 2019, funding rules under the PBSA were amended. The most significant change which impacts the liability figures of the Plan, is that the discount rate for funding is now determined on a best estimate basis and a mandated provision for adverse deviation is applied on top. Previously the discount rate included a margin for adverse deviation determined by the plan actuary in consultation with WorkSafeBC.

Membership in the Plan is open to all eligible employees of WorkSafeBC.

b) Roles and responsibilities

WorkSafeBC is fully responsible for the management of the Plan, including the investment of assets and administration of the Plan. The WorkSafeBC Board of Directors appoints members to the WorkSafeBC Pension Plan Pension Committee (Pension Committee). There are three committee members, one representing WorkSafeBC as the employer, one representing plan members and one to provide an independent perspective.

British Columbia Pension Corporation (Pension Corporation) provides benefit administration services as an agent of WorkSafeBC.

British Columbia Investment Management Corporation (BCI) provides investment management services, including the valuation of investments, as an agent of WorkSafeBC.

c) Funding

Contributions and investment earnings fund plan benefits. Contributions are made by active members of the Plan and WorkSafeBC. The determination of the value of the benefits and required contributions is based on periodic actuarial valuations for funding purposes.

WorkSafeBC's funding policy is intended to secure the pension benefit obligation and achieve long-term stability in contribution rates for both WorkSafeBC and members.

($ thousands except as otherwise noted)

1. DESCRIPTION OF THE WORKSAFEBC PENSION PLAN (CONTINUED)

d) Contributions

Basic Account

Members contribute to the Basic Account 5.5% of salaries, up to and including the Canada Pension Plan (CPP) Year's Maximum Pensionable Earnings (YMPE) (2021: $61,600; 2020: $58,700 dollars), and 7.0% of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account.

WorkSafeBC contributes to the Basic Account 5.5% of salaries, up to and including YMPE, and 7.0% of salaries above YMPE, less amounts allocated to the Supplemental Benefits Account.

Inflation Adjustment Account (IAA)

Members and WorkSafeBC each contribute 1.0% of salaries to the IAA.

e) Pension benefits

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits

- at age 65;
- at age 60, with at least two years contributory service; or
- at age 55 or older, with age plus years of contributory service totalling 90 or more.

Other retiring members have a reduction formula applied to their pensions.

The defined basic plan benefit is integrated with the CPP. As a result, the Plan provides an unreduced benefit of 1.3% of pensionable earnings up to YMPE and 2.0% of pensionable earnings over YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's highest five-year average annual salary (HAS).

The Plan provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.7% of the lesser of YMPE or HAS for each year of pensionable service.

Future cost-of-living adjustments are not guaranteed but may be provided each January 1 according to the cost-of-living adjustment provisions of the Plan. These cost-of-living adjustments are based on the annual increase in the Canada consumer price index (CPI) as at the previous September 30, subject to the availability of funds in the IAA and reduced for the CPI decrease, if any, in the prior years.

1. DESCRIPTION OF THE WORKSAFEBC PENSION PLAN (CONTINUED)

f) Termination and portability benefits

Terminating members who have not yet reached the earliest retirement age, may choose

- a deferred pension, or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in retirement vehicle or similar tax-sheltered plan.

Terminating members may also choose to leave monies on deposit in anticipation of future re-employment with WorkSafeBC.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer contributory and pensionable service to another pension plan.

g) Other benefits

All WorkSafeBC employees are covered by the WorkSafeBC long-term disability plan; therefore, plan members are not eligible for a disability benefit under the Plan.

A death benefit may be available to a surviving spouse or designated beneficiary upon the death of an active member. Depending on eligibility requirements, the benefit may be paid in the form of a survivor pension or lump-sum payment.

Supplemental benefits are funded from the Supplemental Benefits Account.

h) Tax registration

The Plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada) (Tax Act) (registration number 0314146), except for any supplemental benefits, which are funded in addition to the RPP. The Plan is not subject to income taxes but is subject to indirect taxes, including British Columbia provincial sales tax (PST) and Canadian federal goods and services tax (GST). The Plan receives a 33% rebate of GST paid.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements are prepared on the going-concern basis in accordance with Canadian accounting standards for pension plans, Part IV of the *Chartered Professional Accountants of Canada Handbook* (CPA Canada Handbook), and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employer and members.

Accounting standards for private enterprises in Part II of the CPA Canada Handbook have been chosen for accounting policies that do not relate to the Plan's investment portfolio or accrued pension obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Accrued pension obligations

Accrued pension obligations are determined based on an actuarial valuation prepared by an independent actuarial consulting firm. The Plan actuary is Eckler Ltd. The valuation of accrued pension obligations is based on data extrapolated to the financial statement date. The valuation uses the projected benefit method pro-rated on service, that incorporates the independent actuary's estimate of various economic and demographic non-economic assumptions. These assumptions are the same as those used in the determination of the actuarial position of the Plan for funding purposes.

d) Investment income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder and income from directly held investments. The current period change in fair value includes realized and unrealized gains and losses that are included in investment income.

Within the pools, dividends are accrued on the ex-dividend date and interest is recognized on an accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

e) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing exchange rates on the year-end date. Income and expenses are translated into Canadian dollars at the prevailing exchange rates on the dates of the transactions. The realized and unrealized gains and losses arising from these translations are included within the current period change in fair value in investment income.

f) 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, disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of increases and decreases in assets and liabilities during the period. Significant areas requiring the use of management estimates relate to the valuation of investments based on unobservable inputs, as further described in note 7, and the calculation of the accrued pension obligation of the Basic Account for accounting and funding purposes as further described in notes 4 and 5. Actual results could differ materially from these estimates.

($ thousands except as otherwise noted)

3. INVESTMENTS

a) Investments

Fair value of investment holdings			2021			2020
	Basic account	Inflation adjustment account	Total	Basic account	Inflation adjustment account	Total
Short-term	$ **48,425**	$ **9,600**	$ **58,025**	$ 42,522	$ 8,382	$ 50,904
Bonds	**655,944**	**130,040**	**785,984**	589,461	116,199	705,660
Canadian equities	**78,245**	**15,512**	**93,757**	53,809	10,607	64,416
Global equities	**429,518**	**85,152**	**514,670**	357,274	70,430	427,704
Emerging markets equities	**77,612**	**15,387**	**92,999**	85,459	16,845	102,304
Mortgages	**69,021**	**13,684**	**82,705**	67,871	13,379	81,250
Real estate	**313,736**	**62,198**	**375,934**	293,682	57,893	351,575
Private equity	**200,872**	**39,822**	**240,694**	182,542	35,984	218,526
IRR*	**250,276**	**49,617**	**299,893**	238,354	46,986	285,340
	$ 2,123,649	**$ 421,012**	**$ 2,544,661**	**$ 1,910,974**	**$ 376,705**	**$ 2,287,679**

Plan investments consist primarily of direct ownership in units of pooled investment portfolios. Each unit gives its holder a proportionate share in the value of the net assets of the pooled investment fund. The Basic Account and IAA are combined for investment management purposes.

One or more pooled investment portfolios exist for different types of investments, such as short-term investments; bonds; Canadian, global and emerging markets equities; mortgages; real estate; private equity; and infrastructure and renewable resources. While the purpose of each fund is to invest in a particular type of investment, at any time, given the timing of trading activities, the fund may hold a certain amount of cash, short-term investments, accrued interest income and net accounts receivable or payable from outstanding sales and purchases of investments.

Short-term investments consist of Canadian and U.S. money market securities such as treasury bills with maturities of 15 months or less, and short-term bonds with one- to five-year terms. Short-term investments are valued using current market yields.

Bonds consist of government bonds, investment grade and non-investment grade corporate bonds, and debentures. Bonds are valued based on current market yields and, in some cases, quoted market prices. Equities consist primarily of publicly traded shares and are valued based on quoted market prices on the primary exchanges on which they are traded.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. The mortgages are secured by real estate and are valued using current market yields. Real estate investments consist mainly of diversified Canadian and U.S. income-producing properties. Real estate investments are valued quarterly by external investment managers and, at least once every 10 to 18 months, by accredited independent appraisers to establish current market values.

($ thousands except as otherwise noted)

3. INVESTMENTS (CONTINUED)

a) Investments (continued)

Private equity consists mainly of equity investments made outside the structure of public markets. Private equity is valued annually based on audited financial statements from external investment managers using a market-based approach or discounted cash flows.

Infrastructure and renewable resources consist of privately owned and managed infrastructure assets, as well as timber, agriculture and other renewable assets. Infrastructure and renewable resources investments are valued annually using a market-based approach or net asset value method.

b) Derivatives

Derivatives contracts are directly and indirectly held by the Plan. The details of these contracts are as follows:

Fair value of derivative contracts	2021		2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Directly held				
Foreign currency forwards	$ 16,002	$ (620)	$ 2,576	$ (21,721)
	$ 16,002	$ (620)	$ 2,576	$ (21,721)
Indirectly held in pooled investment portfolios				
Foreign currency forwards	$ 5,679	$ (141)	$ 124	$ (7,396)
Options	2,034	(1,927)	2,256	(2,105)
Futures	-	-	-	-
Interest rate swaps	235	(846)	52	(3,040)
Total return swaps	4,068	(3,658)	8,019	(41,231)
	$ 12,016	$ (6,572)	$ 10,451	$ (53,772)
Total derivatives	$ 28,018	$ (7,192)	$ 13,027	$ (75,493)
Derivatives by investment asset classification				
Bonds	$ 7,694	$ (228)	$ 174	$ (11,491)
Canadian equities	297	(254)	1,808	(3,069)
Global equities	5,817	(3,915)	840	(2,986)
Emerging markets equities	1,174	(2,255)	7,680	(40,322)
Mortgages	1,632	(91)	148	(2,185)
Real estate	5,045	(259)	435	(8,046)
Private equity	-	-	-	-
Infrastructure and renewable resources	6,359	(190)	1,942	(7,394)
Total derivatives	$ 28,018	$ (7,192)	$ 13,027	$ (75,493)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Derivative contracts consist of foreign currency forward contracts, options, futures, interest rate swaps and total return swaps held directly by the Plan or indirectly through various pooled investment portfolios. Directly held and indirectly held derivative contracts are reflected at fair value based on expected settlement amounts at the date of the Statement of Financial Position. Directly held derivatives are disclosed on the face of the Statement of Financial Position, while indirectly held derivatives are included in investments.

A foreign currency forward contract is a privately negotiated contractual obligation to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Foreign currency forward contracts are held by the Plan to manage exposure to foreign currency risk.

Options are contracts that give the buyer the right, but not the obligation, to buy or sell a certain security or index at an agreed-upon price on or before a specified date. Futures contracts are exchange-traded contractual obligations to take or make delivery of an asset at a predefined price and date in the future. Options and futures are held for synthetic indexing, a modern technique used to replicate the performance of a security or index without directly purchasing or selling the underlying assets and for risk control.

An interest rate swap is an agreement between two counterparties in which one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps usually involve the exchange of a fixed interest rate for a floating interest rate, or vice versa, to reduce or increase exposure to fluctuations in interest rates or to obtain a marginally lower interest rate than would have been possible without the swap.

A total return swap is a swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, including both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index or basket of equity securities. Interest rate swaps and total return swaps are held indirectly through various pooled investment portfolios for synthetic indexing purposes and for risk control.

Derivative transactions are supported with collateral to mitigate counterparty credit risk. A single net fair value amount is used to determine the value of collateral with each counterparty. Collateral approximately equal to the positive fair value of each derivative contract has been provided by counterparties, and collateral approximately equal to the negative fair value of each derivative contract has been delivered to counterparties. Acceptable forms of collateral are Canadian federal or provincial bonds, and U.S. federal government treasury bills and bonds.

The notional value of derivatives is the total value of a position, how much value a position controls, or an agreed-upon amount in a contract.

($ thousands except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Notional value of derivatives			2021	2020
Term to maturity	Within 1 year	1 to 5 years	Total	Total
Derivatives by type of contract				
Foreign currency forwards	$ 634,530	$ 5,293	$ 639,823	$ 498,493
Futures	9,761	-	9,761	-
Options	9,048	-	9,048	4,888
Interest rate swaps	21,547	89,128	110,675	202,192
Total return swaps	327,920	5,999	333,919	405,199
	$ 1,002,806	$ 100,420	$ 1,103,226	$ 1,110,772
Derivatives by investment asset classification				
Bonds	$ 209,725	$ -	$ 209,725	$ 168,957
Canadian equities	22,936	5,492	28,428	41,683
Global equities	290,920	74,821	365,741	471,881
Emerging markets equities	69,991	16,696	86,687	98,823
Mortgages	48,618	-	48,618	37,141
Real estate	177,911	3,411	181,322	128,050
Private equity	-	-	-	-
IRR*	182,705	-	182,705	164,237
	$ 1,002,806	$ 100,420	$ 1,103,226	$ 1,110,772

* Infrastructure and renewable resources

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

a) Basic Account

In accordance with PBSA, an actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in note 5a.

Canada Revenue Agency (CRA) sets maximum limits on the amount of pension plan income that can be paid to a pension recipient from the registered funds of a pension plan. Any portion of a pension that exceeds the CRA limits is called a supplemental benefit. As part of the actuarial valuation, the actuary calculates values for accounting purposes for Basic Account assets as at the financial statement date and for pension liabilities accrued to the financial statement date. For this purpose, supplemental benefits are recognized, in contrast to their exclusion in the valuation for funding purposes as described in note 5a.

Also for accounting purposes, the full impact of investment fair value changes is reflected in the financial statements as at the financial statement date compared with the deferral and amortization of fair value gains or losses in the valuation for funding purposes. The liability for accrued basic pension obligation at the valuation date is determined using the projected benefit method pro-rated on service.

($ thousands except as otherwise noted)

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (CONTINUED)

a) Basic Account (continued)

The latest full actuarial valuation was prepared as at December 31, 2019, by Eckler Ltd. This valuation calculated the liability for accrued basic pension obligations for financial statement purposes to be $1,474,675.

Between valuations, an estimate of the actuarial position is required. This estimate, called an extrapolation, has been made to March 31, 2021, using the following long-term actuarial assumptions:

• Annual investment return	5.65% best estimate basis (2017: 5.65% with an implicit margin)
• Explicit provision for adverse deviation	8.35% (2017: n/a)
• Annual salary escalation rate	2.75% (2017: 2.75%)

The extrapolation calculated the liability for accrued basic obligations to be $1,571,760 (2020: $1,398,637).

The accrued basic obligation shown in the 2020 financial statements of $1,398,637 was extrapolated from March 31, 2017 valuation. After reflecting the December 31, 2019 valuation, the accrued basic obligation increases to $1,505,070 as of March 31, 2020. The increase is a combination of a decrease of $6,842, due to changes in assumptions, primarily the mortality assumption, a decrease of $2,713 as a result of experience gains and an increase of $115,988 due to adding the provision for adverse deviations. This latter amount increases to $121,128 as of March 31, 2021.

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings, changes in the PfAD, and the incidence of retirements, withdrawals and changes in other factors may vary significantly from the long-term assumptions used in the extrapolation. In the event of a major change to the Plan, a new valuation or review of assumptions may be required.

The next full actuarial valuation will be carried out as at December 31, 2022, with the results included in the March 31, 2024, financial statements.

Actuarial liabilities are also affected by changes in the assumed investment return. Based on the actuarial valuation completed as at December 31, 2019, a reduction in the investment return assumption from 5.65% to 5.40% would have increased the March 31, 2021, liability for accrued basic obligations of $1,571,760 by $48,335 or 3.08%. Changes to assumptions included in the actuarial valuation are interrelated, and the cumulative impact of changed assumptions may be offsetting.

b) Inflation Adjustment Account, non-guaranteed pension obligations

No unfunded liability exists for the IAA since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. There is no minimum level of inflation adjustment required to be paid under the pension plan rules, nor is there any plan provision to fund the IAA to any minimum level of future potential inflation adjustments (note 5b). The accrued non-guaranteed pension obligation is therefore equal to the net assets available for benefits in the IAA, $428,628 (2020: $376,818). The net increase of $51,810 (2020: $4,944) in the IAA balance consists of employee and employer contributions, investment income and net transfers reduced by payments out of the account. (See note 12 for details on amounts transferred.)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

The Basic Account is the account from which the defined basic benefits of the Plan are paid. In accordance with PBSA, an actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan. For this purpose, the Plan's actuary values both accrued assets and accrued pension obligations to the financial statement date. The actuary assesses the adequacy of the current funding using the projected benefit method pro-rated on service.

The Basic Account is also the account from which any cost-of-living adjustments granted to retired members are paid. Future cost-of-living adjustments are not guaranteed within the Plan provisions and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits (note 5b). As cost-of-living adjustments are granted, the Basic Account receives from the IAA the present value funding necessary for the cost-of-living adjustments granted. Therefore, accrued basic pension obligations for valuation purposes include the liability for all cost-of-living adjustments granted to the date of the valuation, but not for as-yet-unknown future cost-of-living adjustments.

Under PBSA, a solvency valuation is required as part of the full actuarial valuation. As at December 31, 2019, the plan solvency valuation as calculated by the actuary and based on the market value of assets resulted in a solvency surplus of $86,581.

Actuarial valuation

As at December 31, 2019, the actuarial valuation for funding purposes on a going-concern basis indicated an actuarial surplus of $404,422.

($ thousands except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

An estimate of the actuarial position of the Plan for funding purposes has been made to March 31, 2021, using the following long-term actuarial assumptions:

- Annual investment return — 5.65% best estimate basis (2017: 5.65% with an implicit margin)
- Explicit provision for adverse deviation — 8.35% (2017: n/a)
- Annual salary escalation rate — 2.75% (2017: 2.75%)

This estimate, called an extrapolation, produced an estimated funding surplus of $451,517 at March 31, 2021 (2020: $481,397) as follows:

Funding extrapolation	2021	2020
Net assets available for basic pension benefits	$ 2,134,972	$ 1,899,526
Actuarial asset value adjustment	(130,464)	(34,221)
Smoothed assets for basic pension benefits	2,004,508	1,865,305
Actuarial liability for accrued basic pension benefits	(1,552,991)	(1,383,908)
Actuarial surplus	**$ 451,517**	**$ 481,397**

Changes in the extrapolated actuarial surplus	2021	2020
Actuarial surplus, beginning of year	$ 481,397	$ 474,325
Change in liability for accrued basic pension benefits	(169,083)	(70,584)
Change in smoothed assets for basic pension benefits	139,203	77,656
Actuarial surplus, end of year	**$ 451,517**	**$ 481,397**

Extrapolations may not be reliable indicators of the next valuation results, nor do they necessarily reflect the overall trend of results. Between valuations, various factors, including actual wage increases, investment earnings, and the incidence of retirements and withdrawals, may vary significantly from the long-term assumptions used in the extrapolation.

Measurement difference between funding and accounting positions

The primary components of the measurement differences between the extrapolated actuarial surplus and the financial statement accounting surplus are as follows:

Measurement difference between funding and accounting positions	2021	2020
Actuarial funding surplus	$ 451,517	$ 481,397
Actuarial asset value adjustment	130,464	34,221
Difference in CRA maximums	(18,769)	(14,729)
Measurement difference between funding and accounting positions	111,695	19,492
Surplus for financial statement purposes	**$ 563,212**	**$ 500,889**

($ thousands except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES (CONTINUED)

a) Basic Account (continued)

Actuarial asset value adjustment

For the purposes of determining the actuarial funding surplus, the actuarial value of net assets available for benefits is determined on an adjusted value basis that smooths the difference between the actual investment return and the expected return based on a long-term real return rate over a five-year period.

The funding policy requires that the value of the assets be smoothed within a certain corridor. In the 2019 valuation, the corridor required that the smoothed value be no more than 110% and no less than 90% of the market value of the assets. The smoothed value of the assets at March 31, 2021, was 93.9% of the market value of the assets (2020: 98.2%).

The following schedule indicates the year the components of the actuarial asset value adjustment will be recognized in the actuarial position on a funding basis. The amounts are based on that proportion of the total fund related to the Basic Account assets.

Actuarial asset value adjustment	2021	2020
2021	$ -	$ 28,202
2022	**39,586**	8,489
2023	**31,810**	697
2024	**27,954**	(3,167)
2025	**31,114**	-
Total adjustment	**$ 130,464**	**$ 34,221**

Difference in Canada Revenue Agency maximums

CRA sets maximum limits on the amount of pension plan income that can be paid to a pension recipient from the registered funds of a pension plan. Any portion of a pension that exceeds the CRA limits is called a supplemental benefit. The calculation of the accrued pension obligation liability for financial statement purposes recognizes supplemental benefits, but they are excluded in the calculation of the pension liability for funding purposes.

b) Inflation Adjustment Account

No unfunded liability exists for the IAA, since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. As cost-of-living adjustments are granted to retired members, full funding for the granted cost-of-living adjustment, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of cost-of-living adjustment required to be paid under the pension plan rules, nor is there any Plan provision to fund the IAA to any minimum level for future potential cost-of-living adjustments.

The Pension Committee monitors the performance of the IAA.

6. FINANCIAL RISK MANAGEMENT

The WorkSafeBC Board of Directors approves the long-term asset mix policy for investment assets through its Statement of Investment Policies and Procedures (SIPP) and oversees the management of these assets through BCI, the investment management agent for the WorkSafeBC Board of Directors. The SIPP requires diversification of investments among asset classes, sets guidelines on investment categories, and limits the exposure to individual investments and counterparties.

Significant risks are regularly monitored and managed by BCI, and actions are taken when appropriate, according to the Plan's SIPP. In addition, these risks are reviewed periodically with the WorkSafeBC Board of Directors. Such risks include liquidity risk, as well as other financial risks, which comprise currency risk, interest rate risk, other price risk and credit risk.

Financial risks are disclosed on a unit-of-account basis (note 6b), which represents the legal ownership of securities held, and at the underlying securities level (note 6c), which provides additional insight to other risks that may impact the financial instruments of the Plan. Both forms of disclosure provide valuable perspectives into financial risks that may directly or indirectly impact the financial statements and the funded status of the Plan. These two forms of risk disclosure are not additive to each other.

a) Liquidity risk

Liquidity risk is the risk of not being able to meet the Plan's cash requirements in a timely and cost-effective manner. Expenditures relate primarily to pensions, termination and refund benefits, and investment and administration costs. The Plan's approach to mitigating liquidity risk is to forecast its cash requirements over the near and long term to determine whether sufficient funds are available.

The Plan's primary source of liquidity is income generated from the Plan's investments, and employer and employee contributions. Investments are primarily held in pooled funds, and the securities held are traded in active markets and can be readily sold, and where the pooled fund units can thereby be redeemed to fund cash requirements. Accounts payable of $755 (2020: $906) and payable for purchase of investments of $774 (2020: $684) are generally due within one month. Derivatives payable of $620 (2020: $21,721) are due within the next fiscal year.

($ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Financial risks on a unit-of-account basis

Plan investments consist primarily of direct ownership in units of pooled investment portfolios. Each unit gives its holder a proportionate interest in the value of the net assets of the respective pooled investment fund. The unit-of-account for the majority of the Plan's investments is the units of the pooled investment funds.

Investments by unit-of-account	2021	%	2020	%
Pooled investment fund units	$ 2,544,459	100.0	$ 2,249,733	98.4
Directly held equity	-	0.0	27,735	1.2
Directly held debt	202	0.0	10,211	0.4
Investments	**$ 2,544,661**	**100.0**	**$ 2,287,679**	**100.0**

Market risk is the risk that the fair values of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Market risk consists of currency, interest rate and other price risk.

Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the fund will fluctuate due to changes in foreign exchange rates. The Plan holds primarily Canadian dollar denominated investment pooled fund units and is exposed to currency risk through holdings of small amounts of foreign currency denominated private equity, agricultural, bond and debt investments. See note 6c for currency exposure related to underlying securities.

Foreign denominated investments held as a percentage of the fund	2021	%	2020	%
United States	$ 13,487	0.5	$ 56,094	2.5
Australia	4,501	0.2	4,108	0.2
Investments	**$ 17,988**	**0.7**	**$ 60,202**	**2.7**

As at March 31, 2021, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets available for benefits would have decreased or increased by approximately $1,799 (2020: $6,020).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of plan investment will change as a result of future fluctuations in market interest rates. The majority of the Plan's investment assets are non-interest bearing and not subject to interest rate risk. See note 6c for interest rate risk related to underlying securities.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Financial risks on a unit-of-account basis (continued)

Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument, its issuer, or factors affecting all similar financial instruments traded in the market. The Plan's investments are subject to other price risk through its public equity investments and private market investments, including equity in real estate companies, held directly and through pooled investment portfolios. This risk is managed by diversifying investments across asset classes based on criteria established in the SIPP.

As at March 31, 2021, if the pooled investment fund unit and directly held equity prices increased or decreased by 10%, with all other factors remaining constant, net assets available for benefits would have increased or decreased by approximately $254,446 (2020: $227,747).

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation continues and remains dynamic with various cities and countries around the world responding in different ways to address the outbreak. As a result of the COVID-19 pandemic, global financial markets have experienced significant volatility. Given the extent of the crisis, it is difficult to estimate the ultimate impact or duration of the volatility on the Plan.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into, resulting in a financial loss to the Plan. The majority of the Plan's investments are held in securities that are not subject to credit risk. See note 6c for credit risk related to underlying securities.

Credit exposure exists for members' and employers' contributions receivable $2,941 (2020: $2,802), interest receivable $2,844 (2020: $84), for the derivatives $16,002 (2020: $2,576), other $18 (2020: $7) and for the due from sale of investments of $nil (2020: $7,226).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds

Pooled investment funds exist for different types of investments, such as short-term investments; bonds; Canadian, global and emerging equities; mortgages; real estate; private equity; and infrastructure and renewable resources. Examining the risks of the underlying securities contained in pooled investment funds provides additional disclosure to assess the overall financial risks of the plan investments. Viewing the financial risks of underlying securities is an alternative way of disclosing financial risks from the unit-of-account basis in note 6b.These risks are not considered additive to the financial risks already disclosed in note 6b.

Market risks are reduced through asset class diversification, diversification within each asset class and credit quality requirements on investments.

Currency risk

Currency exposure arises from foreign currency denominated investments held directly and from underlying investments held indirectly in pooled investment funds. BCI has currency exposure management programs under which it enters into economic hedges of foreign currency exposure through the use of forward foreign currency contracts.

($ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

The Plan's total currency exposure, the impact of economic hedging activities and its net exposure, as at March 31, are as follows:

Fair value of foreign denominated investment holdings

(Cdn dollar equivalent)	Total exposure	Economic hedging	Net exposure	% of total
			2021	
United States	$ 952,687	$ 520,616	$ 432,071	63%
Euro countries	142,874	35,548	107,326	15%
Asia-Pacific, excluding Japan	112,146	35,670	76,476	11%
Other Europe	28,050	3	28,047	4%
Other	25,709	-	25,709	4%
United Kingdom	59,230	44,378	14,852	2%
Japan	9,839	3,608	6,231	1%
	$ 1,330,535	$ 639,823	$ 690,712	100%
			2020	
United States	$ 685,703	$ 407,124	$ 278,579	56%
Asia-Pacific, excluding Japan	110,034	33,336	76,698	16%
Euro countries	91,534	28,918	62,616	13%
Other	28,500	76	28,424	6%
Japan	27,001	-	27,001	5%
Other Europe	24,255	2,430	21,825	4%
United Kingdom	25,692	26,609	(917)	0%
	$ 992,719	$ 498,493	$ 494,226	100%

The net foreign currency exposure of the Plan's underlying investments represents 27% (2020: 22%) of its total investments.

Interest rate risk

The Plan's pooled investment funds hold interest-bearing financial instruments in short-term investments, bonds and mortgages. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and interest rate swaps, and general diversification by security type and geographic region.

($ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

The terms to contractual maturity of interest-bearing financial instruments held directly and through pooled investment portfolios, as at March 31, are as follows:

Terms to maturity of interest-bearing financial instruments

	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Effective yield to maturity
			2021			
Short-term	$ 57,814	$ -	$ 211	$ -	$ 58,025	0.15%
Bonds	59,381	272,439	230,927	223,237	785,984	2.16%
Mortgages	14,963	53,736	14,006	-	82,705	2.32%
Debt	-	-	202	-	202	4.80%
	$ 132,158	$ 326,175	$ 245,346	$ 223,237	$ 926,916	
			2020			
Short-term	$ 44,484	$ 6,420	$ -	$ -	$ 50,904	0.43%
Bonds	43,655	261,464	194,520	206,021	705,660	2.30%
Mortgages*	42,377	29,865	9,008	-	81,250	3.56%
Debt	-	-	10,211	-	10,211	5.66%
	$ 130,516	$ 297,749	$ 213,739	$ 206,021	$ 848,025	

* Yield based on mortgages in the fixed term mortage fund. Other mortgage funds contain variable

As at March 31, 2021, if the prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, the fair value of interest-bearing financial instruments and net assets available for benefits would have decreased or increased by approximately $53,370 (2020: $52,389).

Other price risk

Other price risk associated with the underlying investments held in pooled investment funds is consistent with that described earlier in note 6b, which describes financial risks on a unit-of-account basis.

($ thousands except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Financial risks of underlying securities held through pooled investment funds (continued)

Credit risk

The Plan's underlying investment assets held in pooled investment funds attract credit risk. This is the risk that a loss may occur from the failure of another party to perform according to the terms of a contract. It is also the risk of losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the market value of the debtors' obligations. Credit risk is managed by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties, and maximum concentration limits with given counterparties.

Credit risk ratings on financial instruments (short-term investments, bonds, mortgages and debt) held directly and through pooled investment portfolios are as follows:

Credit rating of financial instruments		2021			2020	
AAA/AA	$	**367,234**	**40%**	$	367,903	44%
A		**179,598**	**19%**		206,632	24%
BBB		**116,500**	**13%**		86,058	10%
Non-investment grade		**65,040**	**7%**		87,961	10%
		728,372	**79%**		748,554	88%
Unrated		**198,544**	**21%**		99,471	12%
	$	**926,916**	**100%**	$	**848,025**	**100%**

The ratings used are defined by Standard & Poor's rating agency. Obligations rated AAA/AA have the highest rating assigned. The lender's capacity to meet its financial commitment on the obligation is very strong. Bonds rated A, BBB or non-investment grade are weaker, with the BBB rating denoting an obligation with adequate protection parameters and a non-investment grade rating denoting major ongoing uncertainties or exposure to adverse business, financial or economic conditions that could lead to the debtor's inadequate capacity to meet its financial commitment on the obligation. Unrated financial instruments consist mainly of mortgages secured by real estate and corporate bonds.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

Fair value measurements of the investment assets and liabilities are based on inputs from one or more levels of a fair value hierarchy. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities. The three levels of the fair value hierarchy are as follows:

Level 1

Inputs that are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3

Inputs that are not based on observable market data.

($ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value hierarchy (continued)

Plan investments are carried at fair value in the financial statements. The following table details the classification of the Plan's investments based on the fair value hierarchy as at March 31.

Fair value hierarchy	Level 1	Level 2	Level 3	Total
		2021		
Pooled fund units	$ 58,025	$ 1,624,147	$ 862,287	$ 2,544,459
Directly held debt	-	-	202	202
Investments	**$ 58,025**	**$ 1,624,147**	**$ 862,489**	**$ 2,544,661**
Derivatives	**$ -**	**$ 15,382**	**$ -**	**$ 15,382**
		2020		
Pooled fund units	$ 44,470	$ 1,463,795	$ 741,468	$ 2,249,733
Directly held equity	-	-	27,735	27,735
Directly held debt	-	-	10,211	10,211
Investments	**$ 44,470**	**$ 1,463,795**	**$ 779,414**	**$ 2,287,679**
Derivatives	**$ -**	**$ (19,145)**	**$ -**	**$ (19,145)**

During 2021 and 2020, there were no significant transfers of investments between levels.

($ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value hierarchy (continued)

The following table reconciles the Plan's level 3 fair value measurements.

Level 3 fair value hierarchy	Pooled fund units	Direct equity	Direct debt	Total
		2021		
Balance, beginning of year	$ 741,468	$ 27,735	$ 10,211	$ 779,414
Net gain included in investment income	25,744	(2,661)	(626)	22,457
Purchases	1,252,419	12,571	149	1,265,139
Sales	(1,157,344)	(37,645)	(9,532)	(1,204,521)
Balance, end of year	**$ 862,287**	**$ -**	**$ 202**	**$ 862,489**
Total unrealized gain included in investment income	$ 15,275	$ (11,614)	$ (734)	$ 2,927
		2020		
Balance, beginning of year	$ 529,749	$ 25,667	$ 4,410	$ 559,826
Net gain included in investment income	78,014	2,238	389	80,641
Purchases	207,561	14,189	5,448	227,198
Sales	(73,856)	(14,359)	(36)	(88,251)
Balance, end of year	**$ 741,468**	**$ 27,735**	**$ 10,211**	**$ 779,414**
Total unrealized gain included in investment income	$ 51,867	$ 2,238	$ 392	$ 54,497

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Valuation models

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

BCI uses widely recognized valuation methods for determining the fair value of common and less complex financial instruments such as investments in pooled funds, where fair value is based on the underlying net asset value of the respective pooled fund as determined by the underlying fund manager. Observable prices and model inputs are usually available in the market for listed equity and debt securities, simple derivatives such as forward or future currency contracts, and pooled funds.

The availability of observable market prices and model inputs reduces the need for management judgment and estimation, and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the financial instrument and is subject to change based on specific events and general conditions in the financial markets.

For more complex financial instruments, such as direct private equity investments held by the Plan, BCI uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates, or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of judgment and estimation in the determination of fair value. BCI's judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows of the financial instrument being valued, determination of the probability of counterparty default and prepayments, and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that BCI believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Plan and the counterparties where appropriate.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Valuation framework

BCI has an established framework with respect to the measurement of fair values of financial instruments. Where possible, for direct private equity investments held by the Plan, external independent valuation specialists are engaged annually to assist in the determination of fair value. In those circumstances where BCI relies on the third-party manager for the determination of fair value, BCI reviews the appropriateness of such valuations using audited financial statements of the underlying investments, where available, and other information from the underlying third-party manager or other sources.

In addition, BCI applies the following specific controls in relation to the determination of fair values:

- Verification of observable pricing inputs
- Appraisal of domestic real estate properties once every 10 to 18 months by accredited independent appraisers
- Analysis and investigation of significant valuation movements
- Review of unobservable inputs and valuation adjustments

When third-party information such as broker quotes or pricing services is used to measure fair value, BCI assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations are appropriate. This includes:

- Verifying that the broker or pricing service is approved by BCI for use in pricing the relevant type of financial instrument
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions
- Understanding how fair value has been determined using quotes when a number of quotes for the same financial instruments have been obtained
- Understanding how prices for similar financial instruments used to measure fair value have been adjusted to reflect the characteristics of the financial instrument subject to measurement

($ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Significant unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Significant unobservable inputs used in measuring fair value

Description	Fair value	Valuation technique	Unobservable input	Amount / range	Sensitivity to change in significant unobservable input
			2021		
					The estimated fair value would increase if:
Pooled fund units	$ 862,287	Net asset value	Net asset value	$ 862,287	The net asset value increased
Direct debt	202	Discounted cash flows	Discount rate	4.8%	The discount rate decreased
			2020		
					The estimated fair value would increase if:
Pooled fund units	$ 741,468	Net asset value	Net asset value	$ 741,468	The net asset value increased
Direct private equity	$ 20,013	Discounted cash flows	Discount rate	11.6%	The discount rate decreased
Direct private agriculture investments	$ 7,722	Net asset value	Net asset value	$ 7,722	The net asset value increased
Direct debt	$ 10,211	Discounted cash flows	Discount rate	4.8% - 17.0%	The discount rate decreased

Net asset value

Net asset value is determined by BCI based on the fair value of assets less liabilities. Such investments are closed funds with significant restrictions on redemptions, and accordingly, BCI is unable to dispose of the pooled fund investment until the maturity, or wind-up and liquidation, of the respective pooled fund. In such cases, it is the Plan's policy to categorize the pooled fund investment as level 3 within the fair value hierarchy.

($ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

d) Significant unobservable inputs used in measuring fair value (continued)

Discount rate

This represents the discount rate applied to the expected future cash flows of the direct private equity and direct debt investments. For the discount rates used, the underlying investment manager assesses both the risk premium and the appropriate risk-free rate based on the economic environment in which the investee entity operates. The discount rate is adjusted for such matters as liquidity differences, credit and market factors. The estimated future cash flows are then discounted using the discount rate determined. Cash flows used in the discounted cash flow model are based on projected cash flows or earnings of the respective investee entity.

e) Effects of unobservable input on fair value measurement

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in level 3, changing one or more of the assumptions used for a reasonable alternative assumption could have the following effects on net assets attributable to holders of redeemable units.

The pooled fund units, direct private agriculture investments and direct debt investments were valued based on information received from BCI, the manager of the respective investments. The fair value of these investments fluctuates in response to changes to specific assumptions for these particular investments, as determined by BCI. The favourable and unfavourable effects of reasonable alternative assumptions for the valuation of pooled fund units, direct private agriculture investments and direct debt investments have been calculated by adjusting the respective underlying net asset value by 10%.

Effects of unobservable input on level 3 fair value measurements

	2021		2020	
	Favourable	Unfavourable	Favourable	Unfavourable
Pooled fund units	$ 86,229	$ (86,229)	$ 74,147	$ (74,147)
Direct private equity	-	-	1,386	(1,386)
Direct private agriculture investments	-	-	772	(772)
Direct debt	20	(20)	1,021	(1,021)
	$ 86,249	$ (86,249)	$ 77,326	$ (77,326)

($ thousands except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

e) Effects of unobservable input on fair value measurement (continued)

For direct private equity investments, BCI engages third-party independent valuators to estimate the fair market value. The valuators produce comprehensive reports for each applicable investment. The favourable and unfavourable effects of reasonable alternative assumptions for the valuation of direct investments have been calculated by recalibrating the model values using unobservable inputs based on the upper and lower threshold of the respective investment's range of possible estimates.

f) Financial instruments not measured at fair value

The carrying value of members' contributions receivable, employer's contributions receivable, due from sale of investments, accounts payable, accrued expenses and payable for purchase of investments approximate their fair value given their short-term nature. These financial instruments are classified as level 2 in the fair value hierarchy because, while prices are available, there is no active market for these instruments.

8. INVESTMENT INCOME

			2021			2020
	Income allocation	Change in fair value	Total	Income allocation	Change in fair value	Total
Short-term	$ 242	$ (2,564)	$ (2,322)	$ 899	$ 1,785	$ 2,684
Bonds	14,839	12,145	26,984	18,551	6,017	24,568
Canadian equities	2,182	26,990	29,172	6,761	(10,554)	(3,793)
Global equities	7,899	153,172	161,071	10,388	(29,418)	(19,030)
Emerging markets equities	1,694	34,767	36,461	2,820	(9,499)	(6,679)
Mortgages	3,131	(4,162)	(1,031)	2,280	4,200	6,480
Real estate	6,571	(3,232)	3,339	21,689	2,884	24,573
Private equity	7,423	16,695	24,118	14,672	30,823	45,495
IRR*	2,168	5,382	7,550	15,994	9,072	25,066
	46,149	239,193	285,342	94,054	5,310	99,364
Directly held derivatives	-	35,835	35,835	-	(17,233)	(17,233)
	$ 46,149	$ 275,028	$ 321,177	$ 94,054	$ (11,923)	$ 82,131

* Infrastructure and renewable resources

Investment income represents realized and unrealized pooled investment portfolio income attributable to the Plan as a unit holder, and income from directly held investments. Income allocation is composed of interest, dividends and other investment payments. Change in fair value is composed of realized gains and losses on the disposal of investments and derivatives, and unrealized gains and losses on investments and derivatives held at year-end. All income earned within a pooled investment portfolio is reinvested within the portfolio.

($ thousands except as otherwise noted)

9. CONTRIBUTIONS

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
		2021		
Member contributions				
Regular	$ 17,040	$ 2,820	$ 28	$ 19,888
Past service purchases	191	30	-	221
	17,231	2,850	28	20,109
Employer contributions				
Regular	16,113	2,820	955	19,888
Past service purchases	198	32	-	230
	16,311	2,852	955	20,118
	33,542	5,702	983	40,227
		2020		
Member contributions				
Regular	$ 16,124	$ 2,696	$ 21	$ 18,841
Past service purchases	170	28	-	198
	16,294	2,724	21	19,039
Employer contributions				
Regular	15,269	2,688	884	18,841
Past service purchases	173	28	-	201
	15,442	2,716	884	19,042
	$ 31,736	$ 5,440	$ 905	$ 38,081

Member and employer contributions are as defined under the pension plan rules. Members' past service purchases are voluntary contributions.

($ thousands except as otherwise noted)

10. BENEFITS

	Basic account	Inflation adjustment account	Supplemental benefits account	Total
2021				
Regular pension benefits	$ 55,300	$ -	$ 890	$ 56,190
Indexing – regular pension benefits	8,456	-	93	8,549
Termination and refund benefits	1,214	1,071	-	2,285
Death benefit payments	436	524	-	960
	$ 65,406	$ 1,595	$ 983	$ 67,984
2020				
Regular pension benefits	$ 52,866	$ -	$ 817	$ 53,683
Indexing – regular pension benefits	7,905	-	79	7,984
Termination and refund benefits	885	1,039	-	1,924
Death benefit payments	1,623	644	-	2,267
	$ 63,279	$ 1,683	$ 896	$ 65,858

11. INVESTMENT AND ADMINISTRATION COSTS

	2021	2020
Investment management	$ 5,432	$ 3,838
Benefit administration	1,150	1,054
Actuarial	202	90
Professional services	58	8
Audit	28	28
Board remuneration and expenses	6	6
Pension workshops for members	4	41
	$ 6,880	$ 5,065

Investment management costs represent amounts charged to recover internal and external management costs incurred by BCI, except those external management fees related to investments managed by an underlying external manager, where management fees are embedded in the net assets of the respective investment. Underlying external investment fees of $3,283 (2020: $4,661) were netted against investment income.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by Pension Corporation. These costs are approved by WorkSafeBC.

Separate from the Plan, WorkSafeBC pays directly for the medical plan and extended health care premiums for retired members and their dependants. For the year ended March 31, 2021, this amounted to $2,498 (2020: $3,454).

($ thousands except as otherwise noted)

12. ACCOUNT TRANSFERS

	2021		2020	
	Basic account	Inflation adjustment account	Basic account	Inflation adjustment account
Indexing supplements	$ 3,390	$ (3,390)	$ 12,361	$ (12,361)
Indexing of deferred pensions	414	(414)	504	(504)
	$ 3,804	$ (3,804)	$ 12,865	$ (12,865)

The IAA is a separate account maintained for funding current and future cost-of-living adjustments. The IAA is funded through a portion of ongoing employer and member contributions, and investment income earned.

Cost-of-living adjusted pension payments are made from the Basic Account. Each year, if members' pension payments are adjusted for the current cost-of-living adjustment, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current cost-of-living adjustment. As at January 1, 2021, retired members received a cost-of-living adjustment of 0.5% (2020: 1.9%).

When a deferred pension commences, the present value of the cost-of-living adjustments during the deferral period is transferred from the IAA to the Basic Account. Approximately $5,635 (2020: $6,182) of the current IAA balance is for cost-of-living adjustments already granted for deferred pensions but not yet transferred to the Basic Account.

13. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account funds certain pension benefits that exceed the *Income Tax Act* limits for registered pension plans. The Supplemental Benefits Account is funded from current contributions that would otherwise be basic employer and employee contributions.

14. COMMITMENTS

The Plan participates in private equity, international real estate, mortgages, and infrastructure and renewable resource pools. As at March 31, 2021, the Plan's share of commitments for future investment contracts in these pools over the next several years is approximately $328,520 (2020: $358,436).

15. CAPITAL DISCLOSURES

Capital is defined as the funded status (surplus or deficit) of the Plan as determined by the actuary. The Plan's objective for managing capital is to ensure that the assets of the Plan are invested prudently and effectively, and with contributions adequate to meet the obligations of the Plan. Management of the Plan's funded status is achieved by adjusting member and employer contribution rates through implementation of the SIPP, which affects the earnings of the Plan, and, in the case of the IAA, by changing the benefits paid. The investment performance of the plan assets is reviewed by the Pension Committee on a periodic basis and compared to relevant industry benchmarks. Benefit entitlement is based on the pension plan rules. Funding deficits must be funded over a period not to exceed 15 years. The Plan is also subject to solvency funding requirements. A solvency deficiency must be funded over a period not to exceed five years.

An actuarial valuation must be prepared at least once every three years. The latest actuarial valuation for funding purposes was prepared as at December 31, 2019 and has two components: the Basic Account non-indexed benefits and, by considering the valuation of the entire Plan, the non-guaranteed IAA. The next full actuarial valuation will be carried out as at December 31, 2022, with the results included in the March 31, 2023, financial statements.

16. PRIOR YEAR COMPARATIVES

The prior year comparatives have been reclassified to conform to the current year presentation.

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This publication is produced by BC Pension Corporation on behalf of the WorkSafeBC Pension Plan.
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