TOGETHER THROUGH CHANGE

ATRF Alberta Teachers' Retirement Fund

2021 ANNUAL REPORT

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Cover photos: Top - Wendy and Geoff Parker (retired teachers)
Bottom - Band teacher Jennifer Mann

Established in 1939, the Alberta Teachers' Retirement Fund (ATRF) is an independent corporation governed by Alberta's *Teachers' Pension Plans Act*. From our office in Edmonton, Alberta, we are the trustee, administrator, and custodian of the pension assets of the Teachers' Pension Plan as well as the Private School Teachers' Pension Plan. This encompasses Alberta teachers employed in school jurisdictions and charter schools, as well as teachers employed by participating private schools.

Registered under the *Income Tax Act*, the plans are sponsored by the Government of Alberta (GOA) and the Alberta Teachers' Association (ATA) who are jointly responsible for changes to plan design, benefits, and funding arrangements.

MISSION

Working in partnership to secure your pension income.

MANDATE

ATRF's mandate is to:

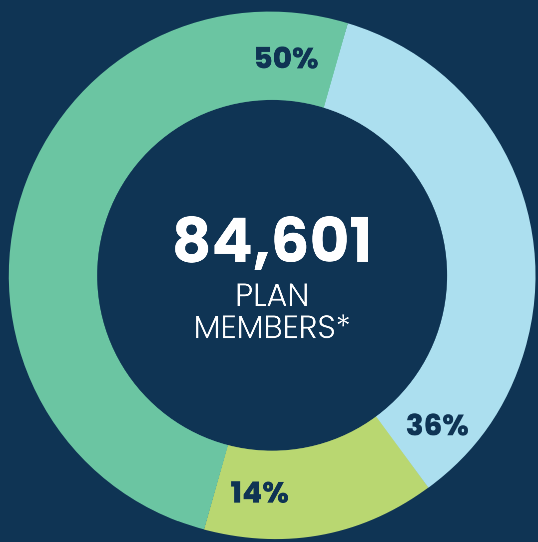
1. Deliver the benefits established by the plan sponsors.
2. Prudently invest the assets of the plans and set contribution rates with the objective of maintaining full funding over the long term at a cost and risk level acceptable to the sponsors.

CUSTOMER SERVICE STATEMENT

ATRF provides what you need the first time.

- We listen to understand your needs.
- We provide accurate and timely information and benefit payments.

2020-21 HIGHLIGHTS



42,186 Active and disabled plan members who accrue pensionable service

30,582 Retired plan members and survivors who are currently collecting a pension

11,833 Inactive members who are not accruing pensionable service and are not yet collecting a pension

*Of which 876 are in the Private School Teachers' Pension Plan

63 School Jurisdictions

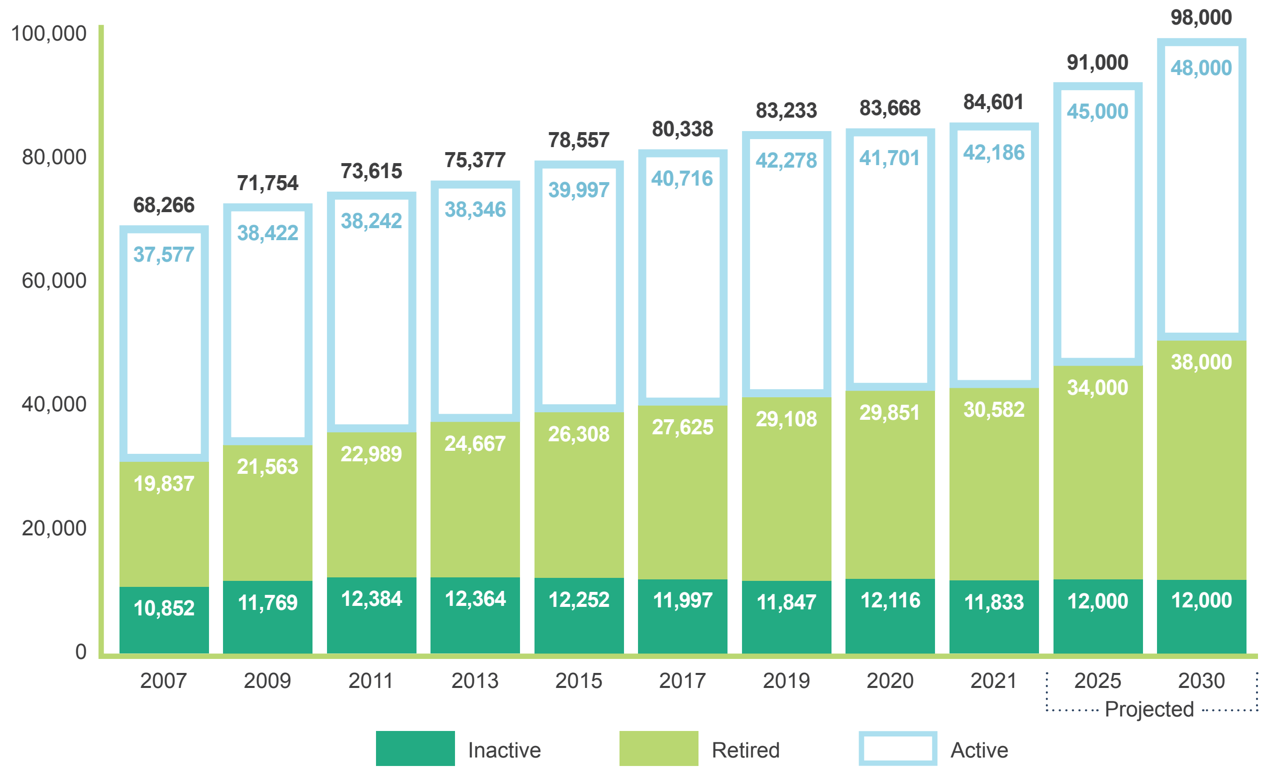
15* Charter Schools

13** Private Schools

5 Alberta Teachers' Association Locals

*2 new schools added this year
**1 new school added this year

Membership Over the Years



Membership grew by 1.1% over the past year, and it is estimated to reach almost 98,000 by 2030.

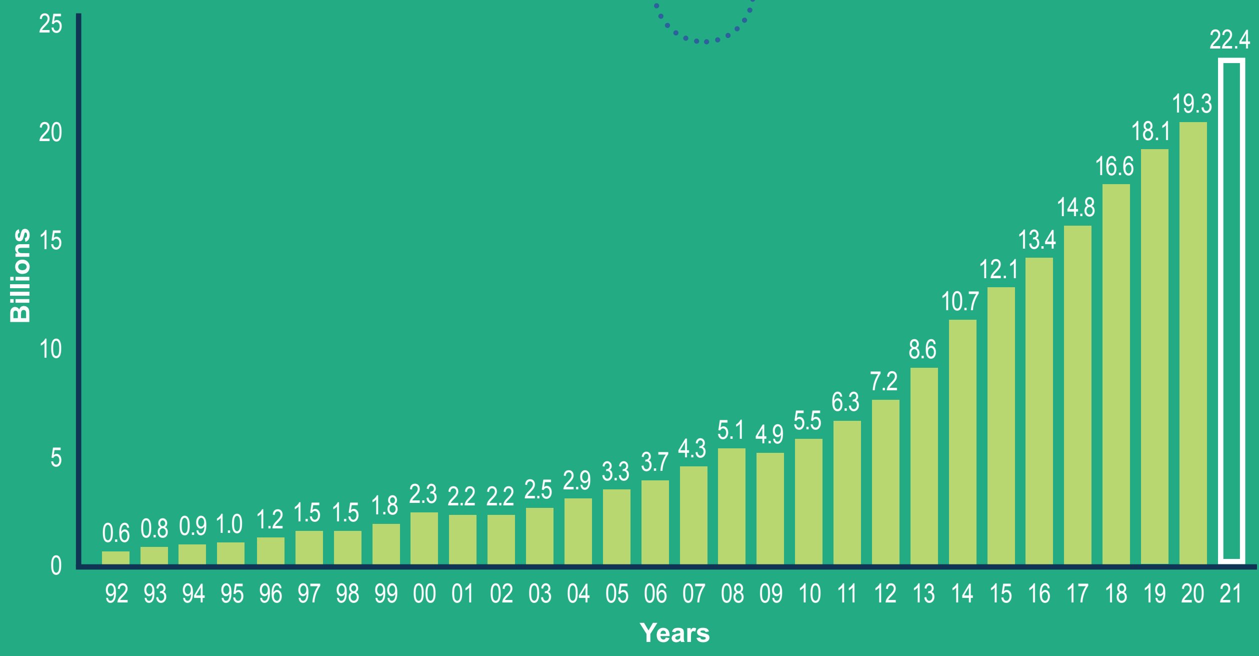
Plan Member Statistics

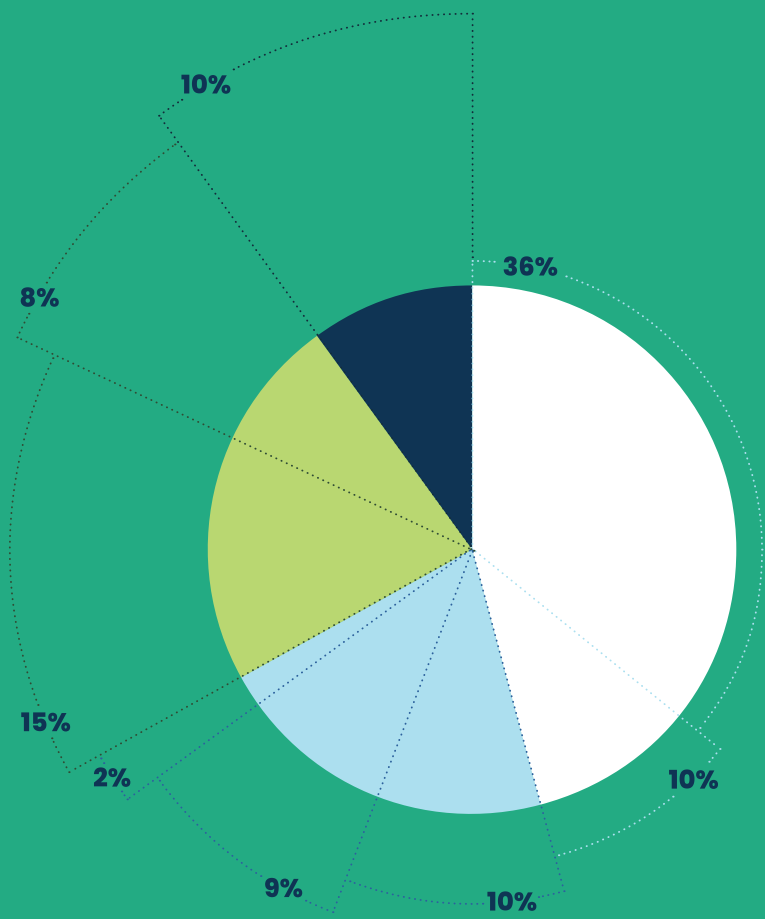
as at August 31

	2011	2016	2021
Active and disabled member average age	42.0	41.7	42.3
Active and disabled member average years of pensionable service	11.4	11.2	11.7
Retired member average age	69.0	68.4	72.5
New retired member average age	59.0	60.2	59.7
Average pensionable service of new retired members	25.4	25.2	25.3

Net Assets

*as at August 31 (Canadian $)**





Policy Asset Mix

as at August 31, 2021

46% **Return Enhancing**

- **36% - Global Equity**
- **10% - Private Equity**

21% **Fixed Income**

- **10% - Universe Bonds**
- **9% - Long-Term Bonds**
- **2% - Short-Term Bonds**

23% **Inflation Sensitive**

- **15% - Real Estate**
- **8% - Infrastructure**

10% **Absolute Return**

* All financial amounts presented in this report are measured in Canadian Dollars.

IN 2020-21

Total Contributions:

$799 Million

Total Benefits Paid:

$747 Million*

*An additional $494 Million was received from the Government of Alberta for benefits paid by ATRF relating to the pre-1992 period. Annual benefit payments combined total over $1.2 Billion.

PROVIDING EXCELLENT VALUE

Administrative cost of **$114** per member per year compared to **$167** average cost per member per year for a peer group of Canadian public sector pension organizations.

As a result of strong investment returns, prudent planning, and sound pension management, the ATRF Board has determined that the Teachers' Pension Plan is in a position to reduce contribution rates for this year. This is the fourth reduction since 2016 and will come into effect on September 1, 2022.

INTERESTING FACTS

Over the last 10 years, ATRF has moved up from spot

28 TO 19

on Benefits Canada's *Top 100 Canadian Pension Funds* which measures Canadian pension funds by asset size. **Over this period, ATRF's pension assets have grown by 316%.**

96%

of recipients receiving a monthly pension reside in either **Alberta or British Columbia**.

ATRF pays out

$88 Million

in pensions every month.

$34,790

is the average annual pension, an **increase of 1.8%** over last year.

The oldest plan member is **103 years old**, and has been receiving a pension for

45 YEARS.

BOARD CHAIR MESSAGE

SANDRA JOHNSTON

At ATRF, we have always been proud of the role we play in supporting teachers and ensuring their retirement savings are prudently managed. We've been through a lot together, and the relationship we've built with our members has never been stronger.

The past year was another year of upheaval at ATRF, and one of our highest priorities was to ensure we continued to work collaboratively with and provide excellent value to our sponsors, members, employers, and other stakeholders. I know they will be pleased to hear that again our organization has emerged vital, stable, and still focused on providing that excellent value.

We spent much of the last 12 months working to ensure we would be able to comply with legislative changes introduced in 2019 that require ATRF to transfer management of assets to the Alberta Investment Management Corporation (AIMCo) by December 31, 2021.Our focus was always on protecting the best interests of our plans and I am very proud of how well we did that.

ATRF will continue to serve as the trustee for the plans and will continue to manage the administration of our pensions. The ATRF Board will remain in control of determining how the pension fund is invested at a strategic level, as well as retaining ownership of the plans' assets.

To facilitate this change, our board was supported by the investment experts at ATRF as we developed a comprehensive investment policy. The policy was informed by our many years of experience managing the assets of the plans and will direct the way ATRF assets are invested by AIMCo. The policy provides essential strategic direction for investing ATRF assets that includes the levels of risk appropriate for our pension plans, and the asset allocations that will best serve our plans' needs.

We were also able to negotiate an investment management agreement with AIMCo that governs how AIMCo will fulfill its responsibility in implementing ATRF's investment policy. The agreement provides meaningful accountability measures, and a commitment to transparency regarding how our plans' assets are managed.

We worked tirelessly to achieve this agreement because the strategic direction provided by ATRF will be vitally important for the future of our plans. As pension managers, the direction we provide to AIMCo will ensure investments and the associated risks are managed in a way that suits the needs of our plans over the long term.

We will continue to work collaboratively with AIMCo within our new legislative framework to ensure the best possible outcomes for ATRF members, employers, and sponsors.

Strategic Planning

While completing the transition, the board also drafted a new strategic plan to ensure our organization is well positioned to fulfill our fiduciary duties post-transition.

Developing the plan involved a great deal of research on a diverse array of options for how best to serve our stakeholders.

In the end, this comprehensive study concluded ATRF has been focused on the right priorities, and it helped us establish a strategic direction that will guide our team as we move forward together with our sponsors, members, employers, and other stakeholders.

We are excited about the future envisioned in this plan. Our 80 years of experience working with teachers means we understand how best to ensure we provide excellent value for members and sponsors for years to come.

Another core responsibility of the ATRF Board is setting contribution rates. As a result of strong investment returns again last year, combined with prudent planning and careful expenditure management, our plans remain in a very strong position. For that reason the board has determined we are able to reduce total contribution rates for the Teachers' Pension Plan (TPP) by 2% of teachers' salaries effective September 1, 2022. Contribution rates for the Private School Teachers' Pension Plan (PSTPP) will remain the same next year as they were last year.

As we look back on the successes of last year, on behalf of the ATRF Board I would like to thank Karen Elgert whose term as a board member has now expired. She provided excellent guidance and invaluable contributions over the past 12 years, and we wish her continued success. I would also like to welcome our newest board member, Alexandria Matos, and look forward to working with her in the years ahead.

I would also like to thank the staff of ATRF for their efforts over the past year. Their dedication to members during these very challenging times resulted in another successful year for our plans.

Our members are at the heart of everything we do at ATRF. I would like to express our sincere appreciation for their continued support and encouragement throughout the year.

We have a lot to look forward to at ATRF. We look forward to continuing to serve our members, employers, and sponsors, providing the exceptional value they have come to expect from our organization.

Sandra Johnston
Board Chair

CEO MESSAGE

ROD MATHESON

The past two years have seen remarkable change at ATRF as a result of the pandemic and legislation that altered the way we manage our assets. At the same time, there has also been a reassuring level of continuity, along with a renewed sense of optimism about our future.

For over 80 years we've worked with Alberta teachers to ensure their pensions were expertly managed, and that teachers received the services they depend on when they need them. I am very proud to say that through this period of change we continue working closely with our members, sponsors, and other stakeholders to ensure we provide exceptional value.

Adjusting how we serve members during the pandemic helped us continue to focus our efforts on those areas where they are most needed and where we can provide the best service and support. The results of that work can be seen in our exceptionally high member service ratings.

Last year we surveyed our members on their experiences with ATRF, and 95% of them rated ATRF's My*Pension* online portal as good to excellent, 93% rated our website as good to excellent, 91% rated our communication materials as good to excellent, and 88% reported being satisfied or very satisfied by ATRF's services overall.

We spent much of last year working to conclude the complex transfer of management of our assets to AIMCo, as required by legislation. We made excellent progress in this regard, and were fully compliant with the legislation's December 31, 2021 deadline for this work to conclude.

Now that this change is complete, ATRF will continue to perform essential investment strategy and risk functions, so a specialized team has been retained at ATRF to carry out this important work. This group of experienced professionals will support the ATRF Board in establishing strategic policy and risk parameters for ATRF's investment portfolio, as well as overseeing AIMCo as they implement our investment policy.

Ongoing, careful monitoring of investment performance will take place to ensure ATRF's portfolio is managed in compliance with our investment policy, and that investments are performing as expected.

We were careful to maintain the expert knowledge that helped us achieve excellent investment returns last year – even while we were also managing the transition. We are very proud to report ATRF's investments returned 15.6% last year, surpassing our target of 13.8%. Our four-year returns of 9.6% are also above the target of 8.9%, and 10-year returns were 10.0%, above the target of 9.2%.

These strong results, along with prudent management, contributed to further improvement in our plans' funding status this year. The TPP's deficiency (the difference between the actuarial value of the plan's assets and liabilities) decreased again this year from $711 million to $322 million. The ratio of funding assets to funding liabilities increased to 98% from 96% last year.

One of the factors that contributes to the sound funding position of our plans is ATRF's mindful approach to expenditure management. We have a long history of ensuring every dollar spent will add value in serving our members, mitigate risks that might otherwise threaten our plans, and is necessary for us to be able to provide the functions required of us. We don't just try to reduce spending at the expense of effective investment or pension management, rather we focus on providing the services and security required of us in the most cost-effective way possible. That approach has served our organization, our members, and our sponsors well for many years, and will continue after the transition in our organization.

I would like to take this opportunity to express the appreciation of our entire organization to Derek Brodersen, ATRF's Chief Investment Officer who left the organization at the end of last year. The guidance and exceptional leadership provided by Mr. Brodersen over the past 24 years enabled ATRF's investment team to achieve significant growth in a way that strategically served our plans, and ensured that growth was carefully and appropriately managed.

I would also like to thank our remarkable ATRF team for their continued and ongoing dedication to our plans and our members. Their efforts and engagement make a real difference in the lives of our members.

Rod Matheson
Chief Executive Officer

ATRF EXECUTIVE LEADERSHIP TEAM

as at August 31

Rod Matheson
Chief Executive Officer

Derek Brodersen
Chief Investment Officer

Tina Antony
Vice President, General Counsel & Corporate Secretary

Marcie Chisholm
Vice President, People & Culture

Julie Joyal
Vice President, Pension Services

Myles Norton
Vice President, Finance

Gary Smith
Vice President, Fund Risk & Strategy

ATRF GOVERNANCE

ATRF provides services to Alberta teachers and employers on behalf of our plan sponsors (the Government of Alberta and the Alberta Teachers' Association) who need to know how their pension plans are governed and managed. Effective corporate governance helps to ensure ATRF's resources are focused on enhancing long-term value.

Sandra Johnston

Chair, ATRF Board

Committee Member: B22 Special Committee, Strategic Planning Special Committee, Audit and Finance Committee, Investment Committee, and Review Committee

Sandra joined the ATRF Board in 2012 and became Board Chair in July 2019. Sandra taught in the Peace River School Division before joining the teacher welfare executive staff of the Alberta Teachers' Association (ATA).

In addition to directing central and local collective bargaining and acting as the representative of the bargaining agent, Sandra was the ATA's pension expert. She has written and presented extensively on pensions and retirement issues for Alberta teachers.

Sandra holds a Master's of Education from the University of Calgary and has received her Institute of Corporate Directors Designation (ICD.D) from Rotman School of Management. She also has her Governance Professionals of Canada Designation (GPC.D).

Karen Elgert

Committee Member: Strategic Planning Special Committee, Investment Committee, Review Committee, and Chair of Human Resources and Compensation Committee

Karen is a District Principal in Wetaskiwin, Alberta, and has worked for the Wetaskiwin Regional Public School Division for more than 25 years. She currently oversees the Wetaskiwin Outreach and is responsible for Summer School. She has been active throughout her career with the local ATA, serving on EPC and NSC committees. Karen holds a BFA and B.Ed. from the University of Calgary and a M.Ed. from the University of Alberta. Karen joined ATRF in August of 2009.*

Greg Francis

Committee Member: Investment Committee, Review Committee, Vice-Chair of Human Resources and Compensation Committee, and Chair of Governance Committee

Greg joined the ATRF Board in March 2019. In his law career, he held roles as a Crown prosecutor, defence lawyer, and justice of the peace in the Provincial Court of Alberta. He served as General Counsel and Superintendent of Human Resources for the Calgary Board of Education and now provides arbitration and mediation services in labour relations matters.

Greg has served as Equity Ombudsperson for the Law Society of Alberta and as an arbitrator of labour relations disputes under the Alberta Labour Relations Code. He is also a member of the Board of Directors of the Old Trout Puppet Workshop.

Greg holds a Bachelor of Laws degree from the University of Calgary, and he was appointed Queen's Counsel in 2016.

*Karen's board term expired August 7, 2021.

Paul Haggis

Committee Member: Governance Committee, Investment Committee, Review Committee, and Chair of Audit and Finance Committee

Paul joined the ATRF Board in August 2019. He began his financial career in the banking sector, then joined Metropolitan Life, finishing as COO of Canadian operations. He also served as CEO of the Ontario Municipal Employees Retirement System (OMERS), was a founding director and interim CEO of the Public Sector Pension Investment Board (PSPIB), and was CEO of the Alberta Treasury Branches (ATB Financial).

Paul has retired as the Chair of the Alberta Enterprise Corporation. He was commissioned into the Royal Canadian Air Force Reserve in 1971 and retired as an Honorary Colonel in 1997. He is a Life Honorary Trustee of the Royal Ontario Museum and a recipient of the Queen's Golden Jubilee Medal.

Paul is a graduate of Western University and a Chartered Director (C. Dir) of the Directors College through DeGroote Business School at McMaster University.

Maria Holowinsky

Vice-Chair, ATRF Board

Committee Member: B22 Special Committee, Audit and Finance Committee, Governance Committee, Review Committee, and Chair of Investment Committee

Maria joined the ATRF Board in May 2017. Her last role before retirement was Director of Research for CWB Wealth Management. She was previously CEO of Adroit Investment Management, Edmonton’s largest independent investment counselling firm.

She has been a curriculum committee member and exam grader for the CFA Institute, and lecturer for the Institute of Chartered Accountants’ continuing education program. She has served on the Edmonton Economic Development Corporation Board as Director and Governance Chair, as well as Chair of the Edmonton Boxing Commission.

Currently, Maria serves on the Investment Committees of NAIT and Athabasca University, and is Vice-Chair of the University of Alberta Board Investment Committee. Maria holds a Bachelor of Economics from the University of Alberta, a Corporate Directors Designation (ICD.D) from Rotman School of Management, and is a Chartered Financial Analyst.

Brad Langdale

Committee Member: B22 Special Committee, Investment Committee, Review Committee, and Vice-Chair of Governance Committee

Brad joined the ATRF Board in December of 2019. He is currently a high school teacher with Parkland School Division in Spruce Grove, Alberta and teaches physics and general sciences. Brad has been active in his professional association, working for and representing his professional colleagues by serving on various committees.

Brad holds a Bachelor of Education from the University of Alberta. He is a 2019 Canadian Association of Physicists Excellence in High School Teaching award recipient.

Rafi G. Tahmazian

Committee Member: Human Resources and Compensation Committee, Review Committee, and Vice-Chair of Investment Committee

Rafi joined the ATRF Board in January 2020. He has worked in oil and gas, energy banking, and investment management, and is currently a Director and Senior Portfolio Manager with Canoe Financial. Rafi manages the Canoe Energy Class, Canoe Energy Income Class, and the Canoe Energy Alpha Fund.

Prior to joining Canoe, Rafi spent over a decade at First Energy Capital, a leading investment dealer that focuses on the energy industry; his finishing roles were Vice Chairman and Managing Director. He is currently on the Board of Directors for Canoe Financial LP, Artis Exploration Ltd, Aureus Energy Services Inc, Chance Oil and Gas Ltd, Topaz Energy Corporation, and Well Ventures Corporation.

Rafi holds a Bachelor of Arts in Economics from the University of Calgary.

Tim Wiles

Committee Member: Human Resources and Compensation Committee, Investment Committee, Review Committee, and Vice-Chair of Audit and Finance Committee

Tim joined the ATRF Board in March 2020. His last role before retirement was President and Chief Executive Officer of the Credit Union Deposit Guarantee Corporation. Prior to that, he spent almost 25 years with the Government of Alberta, the last seven years as Deputy Minister.

Tim spent most of that time in the Finance Ministry as Deputy Minister, Controller, and acting Chief Internal Auditor. He was also Deputy Minister in the Alberta government ministries of Education, and Seniors and Community Supports.

Tim served on several boards including the Public Service Pension Board, Alberta Capital Financing Authority, AIMCo, Credit Union Deposit Guarantee Corporation, and the Public Sector Accounting Board of the Association of Professional Accountants. Tim holds a Bachelor of Commerce degree from the University of Alberta and a chartered professional accountant designation.

COMMITTEES

Audit and Finance Committee

Responsible for the corporation's financial reporting, accounting systems and internal controls. The committee oversees and is responsible for ATRF's external audit, and recommends the approval of financial statements to the board. It also reviews ATRF's business plan, operating and capital budgets.

Governance Committee

Helps the board fulfill its governance responsibility by developing effective corporate governance principles, policies, standards, and practices. The committee facilitates appropriate and efficient board operations and acts as a resource for board chair and committee chair renewals, governance oversight and competency, and effectiveness evaluation.

Human Resources and Compensation Committee

Responsible for performing duties that enable the board to fulfill its oversight responsibilities in relation to ATRF's human resources and compensation matters including compensation design, risk and reward alignment, and succession planning.

Investment Committee

Approves investment policy, and is responsible for monitoring, analyzing, and determining strategic investment matters. The committee verifies that investment strategies are implemented, and that they comply with legislative and ATRF requirements. The committee also monitors and evaluates the performance and cost effectiveness of investment policies and strategies.

Review Committee

Hears plan members' cases to review administrative decisions made by ATRF staff. The committee consists of the entire board.

BOARD ATTENDANCE AND REMUNERATION

ATRF pays all board members an honorarium to compensate them for the experience, expertise, and time they commit to their work on behalf of our members and our sponsors.

Board members are also compensated for the extra work involved in chairing committees, and for their attendance at these important committee meetings.

The *Teachers' Pension Plans Act* provides that remuneration cannot be paid to board members who work for an employer covered by the plans, the GOA, or the ATA. Employers are reimbursed for time spent by certain board members.

To ensure compensation is fair and appropriate, ATRF engages an external consultant periodically to review remuneration for board members and assist in establishing levels of remuneration. The review is based on a survey of the compensation being paid by other, similar Canadian public sector pension investment and administration organizations.

In the past year, board remuneration was paid according to the following schedule:

	2020-21 ($)
Board Chair Retainer	25,000
Board Member Retainer	15,000
Committee Chair Retainer	4,000
Fee per Board or Committee Meeting (in excess of 4 hours)	1,200
Fee per Board or Committee Meeting (less than 4 hours)	800

Board members are also reimbursed for reasonable expenses for travel, meals, and accommodation as required to perform their duties.

ATRF BOARD MEETING ATTENDANCE/REMUNERATION

Board Member	Board Meetings	Committee Meetings[7]	Special Committee Meetings	Other (orientation, education, other meetings)	2020-21 Total Remuneration ($)[6]
Sandra Johnston[1]	11/11	12/12	11/11	5/5	74,200
Karen Elgert[2, 6]	11/11	12/12	4/4	5/5	–
Greg Francis[3]	10/11	15/16	–	5/5	46,200
Paul Haggis[4]	10/11	13/16	–	3/5	40,600
Maria Holowinsky[5]	11/11	16/16	7/7	5/5	53,000
Brad Langdale[6]	11/11	10/10	7/7	5/5	–
Rafi G. Tahmazian	10/11	12/12	–	4/5	37,400
Tim Wiles	11/11	18/18	–	5/5	45,400
Total	–	–	–	–	**296,800**

1 Board Chair.

2 Chair, Human Resources and Compensation Committee. Board term expired on Aug 7/21.

3 Chair, Governance Committee.

4 Chair, Audit and Finance Committee.

5 Chair, Investment Committee.

6 In accordance with legislation, no cash remuneration is paid to these members as they work for an employer or employer contributor. Employers are reimbursed for time spent by these board members. In 2020-21, the amount reimbursed was $33,353 in total.

7 Totals exclude ex-officio and guest attendance.

WHISTLEBLOWER DISCLOSURES

In compliance with Whistleblower legislation, ATRF has an established policy and program which provides all employees with the ability to confidentially report any failure to comply with our Code of Conduct. In 2020-21, there were no disclosures received.

ATRF STRATEGIC PLAN

ATRF remains focused on providing exceptional value to members and sponsors, and last year our board worked with ATRF leadership to develop a new strategic plan that will ensure that continues.

Developing the plan was a comprehensive and exhaustive process. We consulted with our actuary and our industry peers, explored a very broad range of options, considered extensive research from a number of jurisdictions, and we made sure that every reasonable option was considered.

At the end of the day, our strategic plan confirms who we are, what we're striving for, and why we do what we do. Our work continually brings us closer to that vision, and helps us deliver on our mandate.

Photo: Ashley Dunford and her daughter Brooklyn

WHY A STRATEGY?

1 **Strategy is about making *intentional* choices.**

2 **Every decision must recognize the complexity and changing nature of our external environment.**

3 **Our unique knowledge and expertise helps position our organization for success.**

4 **We have a strategy to guide us in effectively delivering on our mandate.**

HOW DO WE DO IT?

We provide vital services and so we must apply great care in every action we take. With a strong strategic plan, we help build a future and we take that responsibility very seriously.

Everything comes back to **ATRF'S mandate.**

DELIVER BENEFITS

Established by the plan sponsors.

INVEST ASSETS + SET CONTRIBUTION RATES

We do this prudently, maintaining full funding long term at an acceptable cost and risk level.

WHAT DO WE DO?

MANAGE THE PLAN

DELIVER PENSION BENEFITS

DESIGN INVESTMENT STRATEGY

BALANCE RISKS

DELIVER ACCURATE INFORMATION TO MEMBERS

OUR STRATEGIC IMPERATIVES

EXCELLENCE

In funding and investment strategy.

EXPERTISE

That builds trust, credibility, and partnerships.

EXPERIENCES

To meet diverse member needs.

EVOLUTION

Means we adapt, manage, and govern to thrive in a changing environment.

BUILDING A FUTURE

To achieve a vision ATRF is proud of and that delivers our vital services and the best experience for our members. We are:

A Partner You Can Trust

From hire to retire and beyond, ATRF is a trusted partner to members in their pension journey. We balance value drivers, diverse member expectations, and cost. Our members receive high-quality benefits and pension services that focus on their needs.

An Organization Evolving

We embrace diversity, inclusion, and innovation, which also helps us drive effectiveness and efficiency.

Performing Higher

We're a high-performing organization delivering plans that are risk-managed and fully funded.

Always Accountable

We provide crucial investment services and lead with accountability, shaping, driving, and overseeing the ATRF investment strategy with our funding-focused approach.

Developing a Strong Relationship with AIMCo

We share our expertise as we work constructively with AIMCo, who acts as our investment manager and implements ATRF's investment strategy and policies.

A Trusted Advisor

We understand the central role we play for our members, so we provide rich communication to stakeholders along with expert knowledge in all matters related to teacher pensions in Alberta.

MEMBER SERVICE

Photo: Wendy McKenzie (retired teacher), Beth McKenzie (active teacher) and Lucy (daughter and granddaughter)

WORKING TOGETHER THROUGH CHANGE TO SUPPORT OUR MEMBERS

At ATRF, our members have always been at the heart of everything we do. We look at member service as a partnership; as one of the ways we strengthen our relationship with our members, by listening carefully and working hard to meet our members' needs. We know members depend on our pension plans to ensure they can enjoy their well-deserved retirement years, and we take our responsibility to manage our plans and serve our members seriously.

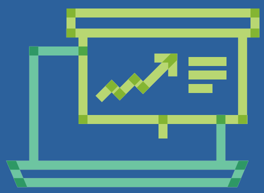
Our approach to member service is based on continual improvement, which means we constantly review our performance and the feedback we receive from members to find areas we can enhance. This past year we received particularly important feedback through our comprehensive member survey.

I would like to personally thank members for taking the time to share their input with us in that survey, and say how very proud I am of its exceptionally positive results. Detailed information about the responses is below, but at a high level I am pleased to report 88% of our members were satisfied or very satisfied with the services provided by our team at ATRF.

I am especially proud of these results considering we achieved these high levels of satisfaction during the COVID-19 pandemic, when we were serving members remotely. The staff at ATRF truly showed their dedication to our members and employers when they quickly worked together to determine the best ways to ensure uninterrupted service to members during the pandemic. We adjusted, innovated, and were able to ensure our members continued receiving our vital services despite the safety precautions that we took to protect our staff and members. As a result, members will be able to enjoy the benefits of new tools and service delivery models for years to come.

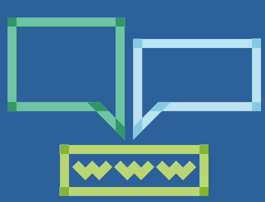
JULIE JOYAL
Vice President,
Pension Services

WORKING TOGETHER THROUGH CHANGE TO SUPPORT OUR MEMBERS (CONT'D)



We moved our informative member presentations online, for example, when we became unable to present to members in person. These sessions have been very well attended and we have received excellent feedback from members saying they appreciate the convenience of being able to attend these sessions from their home or classroom. We have already started expanding our webinar offerings so members can get even more helpful information that applies to their specific circumstances.

We also put in place secure email functionality, which makes it easier and more convenient for members to send us sensitive documentation quickly and securely. This functionality is a companion to our existing secure messaging in My*Pension*, our member portal. Our financial systems have been enhanced to make it more convenient, timely, and cost efficient for international retired members to receive their pension payments while living abroad.



The ATRF website has become one of the most important tools we use to communicate with our members, so this year we updated our website from top to bottom. We made the content easier to find, understand, and read on any device. We are also very proud to say we built the site to particularly high accessibility standards, meaning members with disabilities who may access our site differently than other members will still find it easy to use.

Our focus in all of this has been ensuring ATRF members and sponsors receive excellent value from ATRF. Our member-focused approach means we work on those things that will have the biggest impact on members, and ensure in doing that work we are efficient in keeping costs as low as possible. We believe members expect us to ensure their plans are managed carefully and effectively, and that is true of the projects we undertake at ATRF as well.

Last year was another year of remarkable turmoil and turbulence, but I am very pleased that we were able to work together through change, partnering with our members and employers to ensure their pensions are protected and well-managed.

I would like to thank the ATRF staff for their unending dedication to members and their creativity and professionalism. I would also like to express our thanks to our members, whose support throughout the past year has meant the world to all of us.

Julie Joyal
Vice President, Pension Services

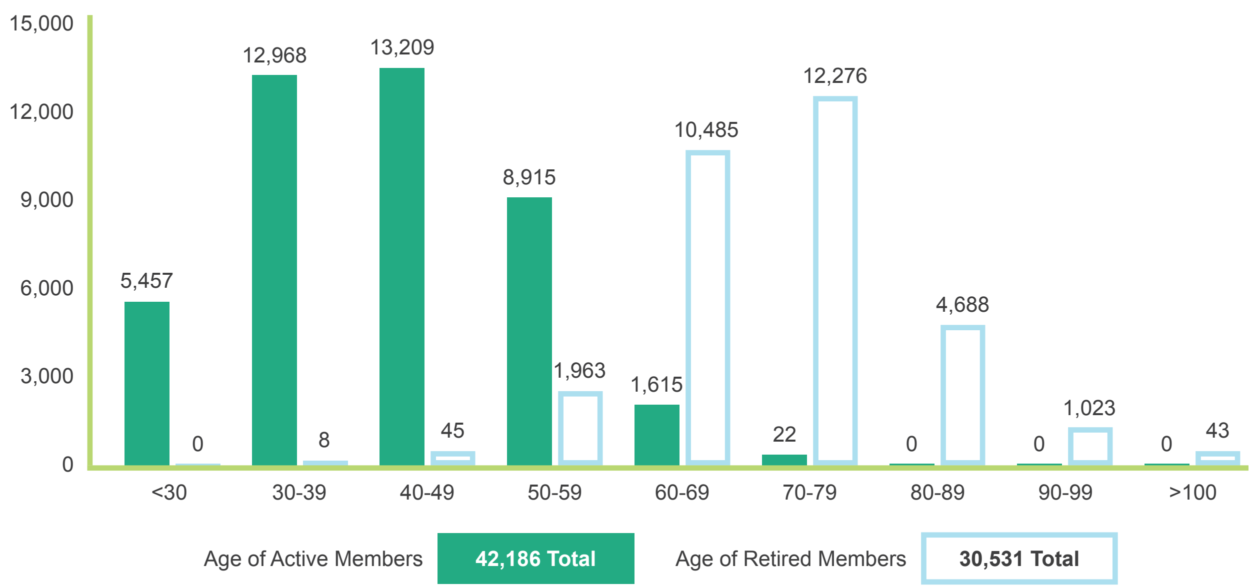
DIGITAL YEAR-AT-A-GLANCE

- A **23% increase** in secure messages sent to ATRF from plan members on My*Pension*.
- A **34% increase** in documents posted to plan members' accounts in My*Pension*.
- Over **273 benefit estimates** were completed on average per day on My*Pension*, an increase of nearly 19% over last year.
- 679 pension applications, 439 termination benefit applications, and 204 purchase applications were completed on My*Pension*. This is a **23% increase** in total applications on My*Pension* over last year.
- Plan members can now register for ATRF webinars and book appointments online with our pension counsellors using My*Pension*. In the 2020-21 school year, we delivered:
  – **8 pension presentations** at the virtual Teachers' Conventions, with a total of **1,915 attendees**, a **279% increase** in attendees over last year;
  – **20 online seminars** to a total of **978 attendees**; and
  – **11 ATRF webinars** to a total of **425 participants**.
- We increased our social media presence, and are now connecting with our members via Facebook and Twitter.

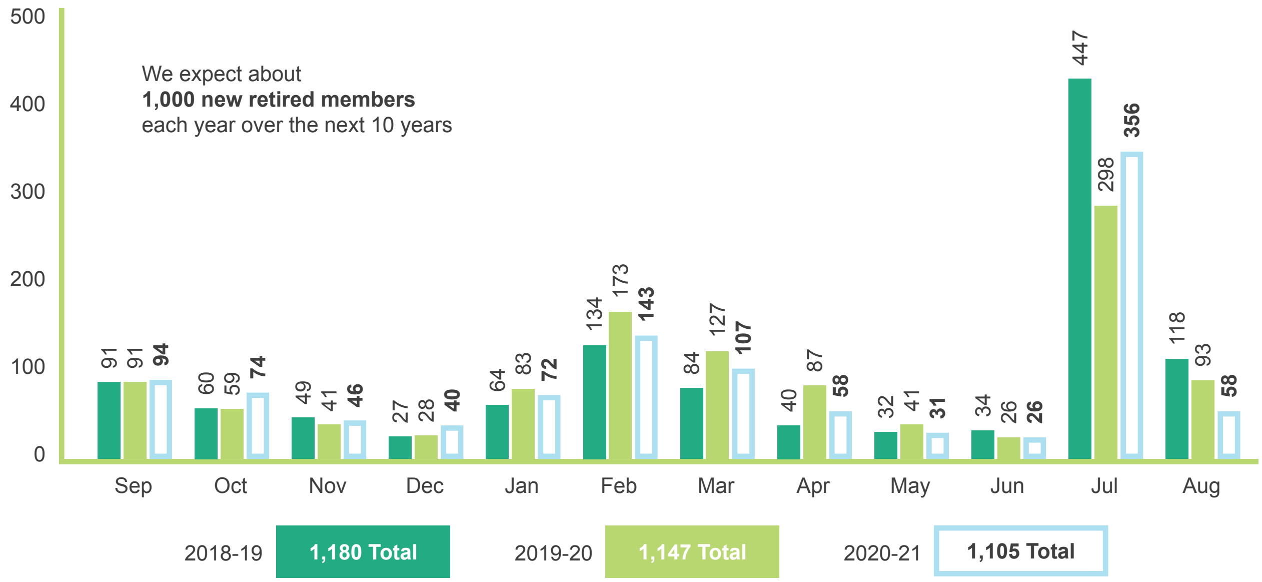
DEMOGRAPHIC PROFILE

Age of Active and Retired Members

as at August 31, 2021



Newly Retired Members



Service Levels

In the face of significant challenges posed by the COVID-19 pandemic, ATRF has maintained a skeleton crew in the office with the majority of staff working remotely to ensure members were supported without interruption while continuing to meet service level benchmarks that are amongst the best in the industry.

Service Provided	Benchmarks for 2020-21	Average Elapsed Time in 2020-21	% That Met or Exceeded Benchmark
Ongoing pension payments	On the third last business day of the month	All payments made on time	100%
Pension options package	Within 5 days of application	6 days	62%
Pension estimate	Within 5 days	3 days	86%
Termination benefit package	Within 7 days	6 days	69%
Termination benefit estimate	Within 5 days	2 days	89%
Purchase of service package	Within 10 days	12 days	61%
Purchase of service estimate	Within 5 days	3 days	84%
Written inquiries	Within 3 days	1 day	94%
Telephone inquiries	Within 1 day	1 day	100%

2021 PLAN MEMBER SURVEY RESULTS

Plan Member Satisfaction Remains High, According to 2021 ATRF Survey

A plan member survey completed in the spring shows satisfaction in our service remains high, with plan members finding value in our website, information materials, tools and services, and our online My*Pension* portal.

Our goal is to regularly assess how ATRF meets and responds to plan member information and service needs. We are encouraged to see very positive results on a number of fronts, and we are also armed with information we can use to further enhance services for our plan members.

ATRF had a high service satisfaction score of 88%.

A few other key results include:

- 93% of respondents rated the website as good or excellent.
- 95% rated our My*Pension* online services as good or excellent.
- 91% rated our communication materials as good or excellent.
- 87% rated level of customer service as good or excellent.

The 2021 plan member survey was emailed to 59,994 active, retired, and inactive members, and generated a very high response rate.

This valuable feedback will help us identify areas where we can enhance every teacher's experience with us in order to continue to provide exceptional value.

Key Results from New Retired Member Survey

Each of the 1,105 plan members who retired during the 2020-21 fiscal year received a new retired member survey. Thank you to everyone who participated as the feedback we receive is used to help us enhance our members' experience during the very important retirement process.

	2020	2021
Overall satisfaction with the retirement process	94%	93%
Overall customer service satisfaction	97%	94%

PLAN FUNDING

PLAN STRUCTURE AND FUNDING

The Teachers' Pension Plan and the Private School Teachers' Pension Plan have three unique funding arrangements and liability structures:

- **Teachers' Pension Plan Pre-1992:** A 2007 agreement between the Government of Alberta (GOA) and the ATA assigns government responsibility for liabilities associated with pensions for the period of service before September 1992.
- **Teachers' Pension Plan Post-1992:** The cost of pension benefits earned for service after August 1992 is shared equally between active plan members and the GOA. Funding deficiencies under the plan are amortized by additional contributions from active members and the GOA over a maximum 15-year period.
- **Private School Teachers' Pension Plan:** In 1995, legislation established a separate plan for private school teachers. The funding of this plan mirrors the post-1992 portion of the Teachers' Pension Plan, except the cost is shared between teachers and employers (private schools) instead of the GOA.

FUNDING OBJECTIVES

The ATRF Board has established a funding policy focused on sustainability to ensure the plans will be able to pay pensions to members and their beneficiaries, today and over the long term.

The primary funding objective is the **security of member benefits and affordability of contributions**, which are crucial elements of a plan's sustainability. This is achieved by doing regular funding assessments, with the goal of ensuring the plans are fully funded over the long term – meaning there will be enough money to pay current and expected pensions for all plan members.

The plan may not be fully funded every year depending on the economic and demographic environments. The funding assessments take this into account and target, with a high probability, for the funded ratio to remain above a sufficient level every year to deliver the benefits while also ensuring contributions do not increase to unaffordable levels.

The second funding objective is **keeping contribution rates stable**. The goal is to ensure contributions remain relatively stable from year-to-year, avoiding large up and down adjustments in pension deductions on teachers' pay.

The cost of the plans must also be sustainable over time, and should reflect the long-term view of the plans' assets and liabilities. This supports the third funding objective of **inter-generational equity**. This means that, to the extent possible, each generation of active members funds the benefits accruing for that generation of active members.

To achieve these funding objectives, various risk management tools are used. For example, the funding valuation uses an actuarially accepted practice of smoothing fund returns over a five-year period to 'even out' the impact from the volatility of market returns on the plans' funded status and contribution rates. This practice — called *asset smoothing* — produces a funding value of assets that can be higher or lower than the market value in any given year.

Funding Status as at August 31, 2021

ATRF regularly conducts actuarial funding studies to assess the value of the plans' liabilities compared to its assets and to ensure adequate funding. An actuarial valuation is a report on the health of the plans.

The funded status of the plans based on the most recent actuarial valuation as at August 31, 2021 is:

Teachers' Pension Plan Post-1992 Period

$ Billions

Funding Value of Assets	20.7
Funding Liabilities	21.0
Funding Deficiency	0.3
Funded Ratio	98%

Private School Teachers' Pension Plan

$ Millions

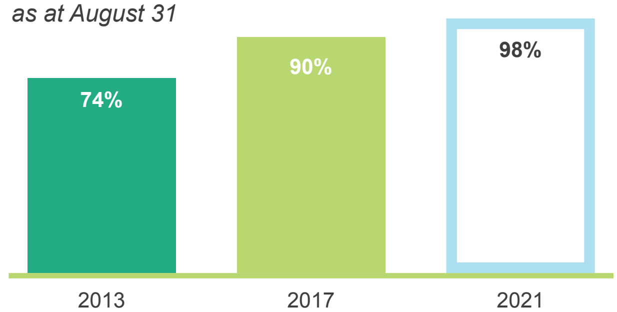
Funding Value of Assets	106.5
Funding Liabilities	99.9
Funding Surplus	6.6
Funded Ratio	107%

Based on these valuations, the funded status of the Teachers' Pension Plan (TPP) continues to prudently build towards being fully funded. The Private School Teachers' Pension Plan (PSTPP) is fully funded once again this year.

The plans' funding is calculated using actuarial assumptions and methods. The funding assumptions include margins (or cushions) to buffer against unfavourable results in the rates of return or other factors affecting the plans. The margin is one of the tools to help achieve our funding objectives of contribution stability and benefits being fully funded. Both plans have healthy margins at this time.

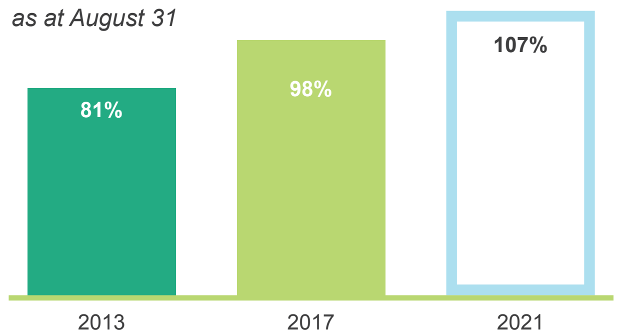
Teachers' Pension Plan Funded Ratios

as at August 31



Private School Teachers' Pension Plan Funded Ratios

as at August 31



MANAGEMENT OF FUNDED STATUS

Managing the plans' funded status requires making long-term decisions that maintain the health of the plans, with proactive measures in place in anticipation of future challenges.

There are three main levers for the management of funded status of any pension plan. One - the level and type of benefits offered - is the plan sponsors' decision. The ATRF board manages the two remaining levers to achieve long-term sustainability: funding policy and setting the contributions paid by teachers and government/employer (how the plans are funded); and the investment policy (how the assets are invested).

Contributions and investments provide capital with which to pay plan benefits as they become due and to fund the operations of ATRF.

At ATRF, we actively manage the plans' funded status by:

- performing funding scenarios analysis to minimize risks and set appropriate contribution rates; and
- regularly reviewing and updating the Statement of Investment Policies & Goals (SIP&G) to manage investment risk and balance/match the potential return with risk profile in line with the plans' risk appetite.

Management of Contribution Rates

ATRF regularly works with the plans' actuary to assess contribution rates as part of its broader accountability to manage plan sustainability and funding.

The ATRF Board carefully reviews a number of factors when determining the plans' contribution rates. We are pleased to announce that, for the fourth time since 2016, the board determined the total rates for the Teachers' Pension Plan will be reduced effective September 1, 2022 by 2% of salaries. Several considerations went into this decision, including:

- strong investment returns,
- prudent management that continues to build margins and reinforce the plan's long-term sustainability, and
- the determination that the plan will be able to continue to meet funding objectives of benefit security, intergenerational equity, and contribution rate stability and affordability.

Teachers' Pension Plan Contribution Rates

% of pensionable salary

	Current Rates	Sept 1, 2022
up to YMPE[1]	9.76	9.00
above YMPE	13.94	12.86
Total Teachers' Contribution	11.34	10.32
Total Government Contribution	10.87	9.89

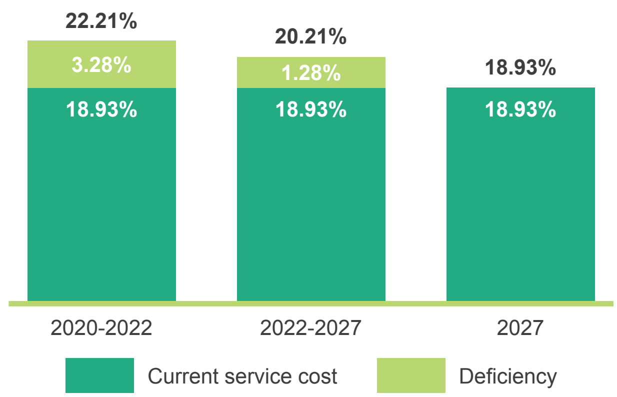
[1] YMPE: Yearly Maximum Pensionable Earnings used by the Canada Pension Plan ($64,900 in 2022)

Effective September 1, 2022, the total contribution rate for the TPP will be 20.21% of teacher salaries, consisting of a current service cost of 18.93% of salaries and total deficiency contributions of 1.28% of salaries. The deficiency contributions are planned to decrease according to the bar graph below.

Of course, these projections assume that all assumptions remain unchanged and will be realized as expected. Actual experience will vary and the actual results recognized in future actuarial valuations can be better or worse than these projections. Therefore, the rates illustrated below may vary.

Contribution Rates

Effective September 1



The rates for the Private School Teachers' Pension Plan remain adequate to fund the benefits and we are pleased to confirm the contribution rates will stay the same for the next school year (2022-23).

Private School Teachers' Pension Plan Contribution Rates

% of pensionable salary

	Current Rates
up to YMPE[1]	8.50
above YMPE	12.15
Total Teachers' Contribution	9.95
Total Employer Contribution	9.51

[1] YMPE: Yearly Maximum Pensionable Earnings used by the Canada Pension Plan ($64,900 in 2022)

Management of Investment Policy and Policy Asset Mix

In integration with the plans' funding policy, the investment policy establishes a policy asset mix that considers the plans' unique risk and liability profile.

Investment policy and the resultant policy asset mix is the single most driver for long-term investment performance. By prudently balancing the risks and long-term funding goals, ATRF is able to deliver returns at a risk level aligned with the plans' needs. By retaining the critical function of investment policy setting in house at ATRF, we are continuously fulfilling our duties overseeing what is the best for our members and sponsors.

Policy Asset Mix

as at August 31, 2021

	Policy at Aug 31, 2021	Long-term Target
Return Enhancing	**46.0%**	**45.0%**
Global Equity	36.0%	35.0%
Private Equity	10.0%	10.0%
Fixed Income	**21.0%**	**20.0%**
Universe Bonds	10.0%	9.0%
Long-term Bonds	9.0%	9.0%
Money Market	2.0%	2.0%
Inflation Sensitive	**23.0%**	**25.0%**
Real Estate	15.0%	15.0%
Infrastructure	8.0%	10.0%
Absolute Return	**10.0%**	**10.0%**
TOTAL PLAN	**100.0%**	**100.0%**

Refer to page 37 for details of the performance of each asset class and a description of the nature of assets in each class.

The board, in consultation with ATRF's actuary, considers a number of factors for the long-term sustainability of the plans.

Change in Plan Assumptions

Actuarial assumptions and methodologies are regularly reviewed to ensure they are reflecting the plans' experience and are adequate and sound for the plans' sustainable funding. An experience study was completed with ATRF's actuary last year to update the assumptions used in the funding valuation of our plans. The study looked at past results in relation to terminations, retirements, deaths, and other economic factors.

Plan Maturity

Pension plan maturity can be defined in different ways, but in very general terms a mature plan is one where there is a higher ratio of retired members compared to active members. Another measure of maturity is the proportion of retirees' liabilities to the total liabilities in the plan, with an increasing percentage of retirees' liabilities indicating a plan's increasing maturity.

Plan maturity presents a funding challenge, because a funding shock (such as investment losses, increased plan member longevity or lower expected returns) will be absorbed by a proportionately smaller number of members paying contributions.

Volatility of Investment Returns

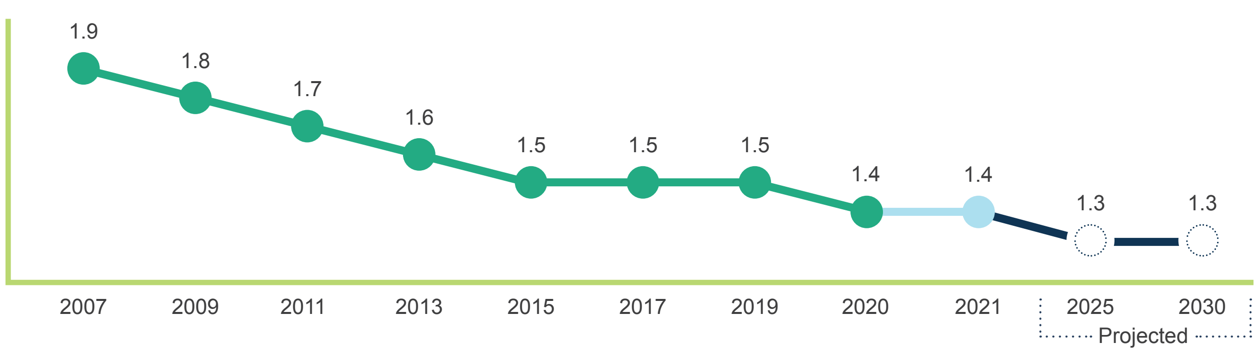
A key assumption in funding pension plans is that the fund will earn an average net investment return each year at least equal to the discount rate used to determine future funding requirements. Actual year-to-year investment returns can be quite volatile, and absent any adjustment could lead to frequent and significant contribution rate changes.

That's why at ATRF we've developed a strategy that carefully evaluates a number of factors to determine the investment risk levels that are appropriate to fund our plans.

It starts with an actuarial funding valuation that looks at investment results over five years rather than shorter terms results. This is the asset smoothing practice referred to previously, and it is used to reduce the impact of volatile market returns and other factors on the plans' funded status and contribution requirements.

While asset smoothing is effective in stabilizing contribution rates during short periods of market volatility, not achieving the assumed funding discount rate over the long term would still result in contribution rate increases.

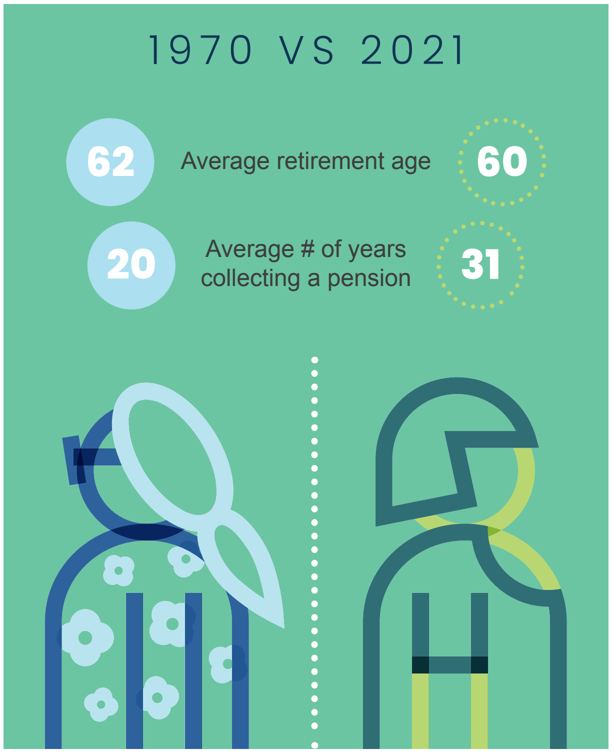
Active to Retired Member Ratio



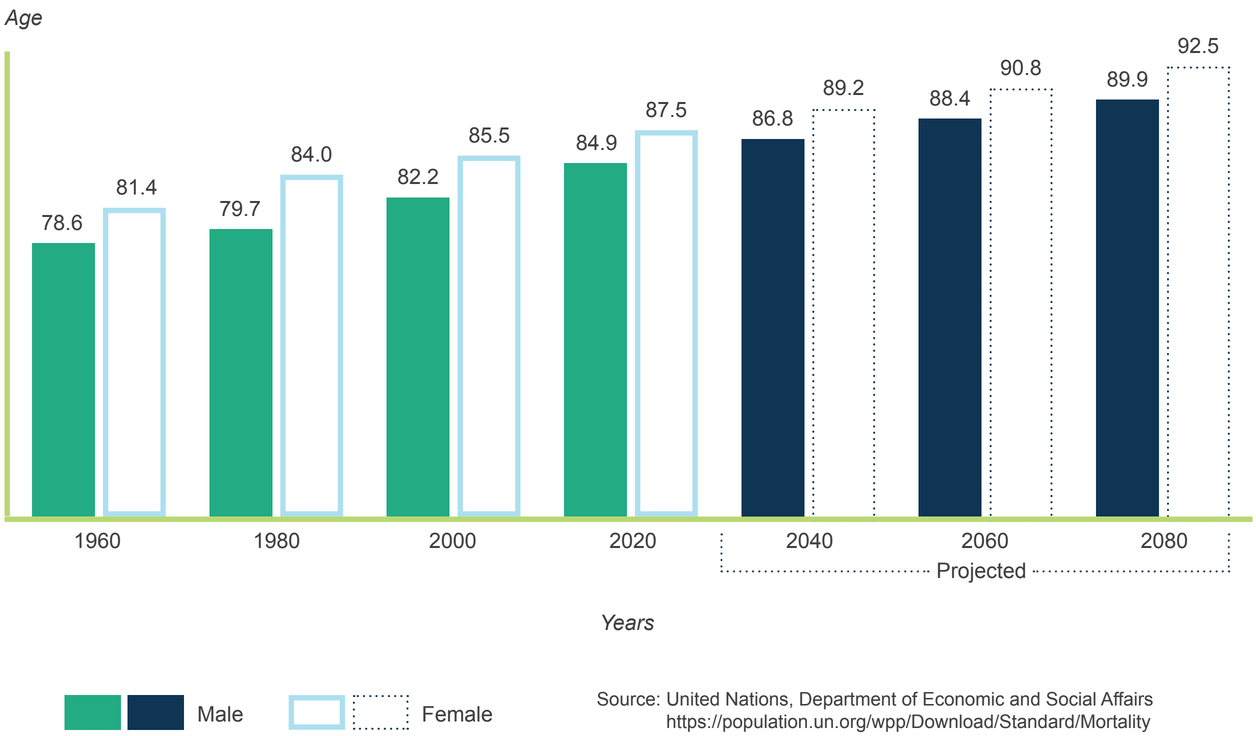
Plan Members' Increasing Longevity

Increased life expectancy presents a funding challenge for pension plans. It means pensions are paid for a longer period of time after retirement—and yet they still need to be funded with employer and employee contributions over a similar number of years in an average career. The last several decades have seen significant changes in retirement experiences. Teachers are living longer and retiring earlier. In the 1970s, the average teacher retired at age 62. They could expect to live and collect their lifetime pension for another 20 years on average. Now, the average teacher retires at age 60. They can expect to live and collect their lifetime pension for another 31 years on average.

A **one-year increase** in life expectancy **increases pension liabilities by 3 – 4%**



Life Expectancy



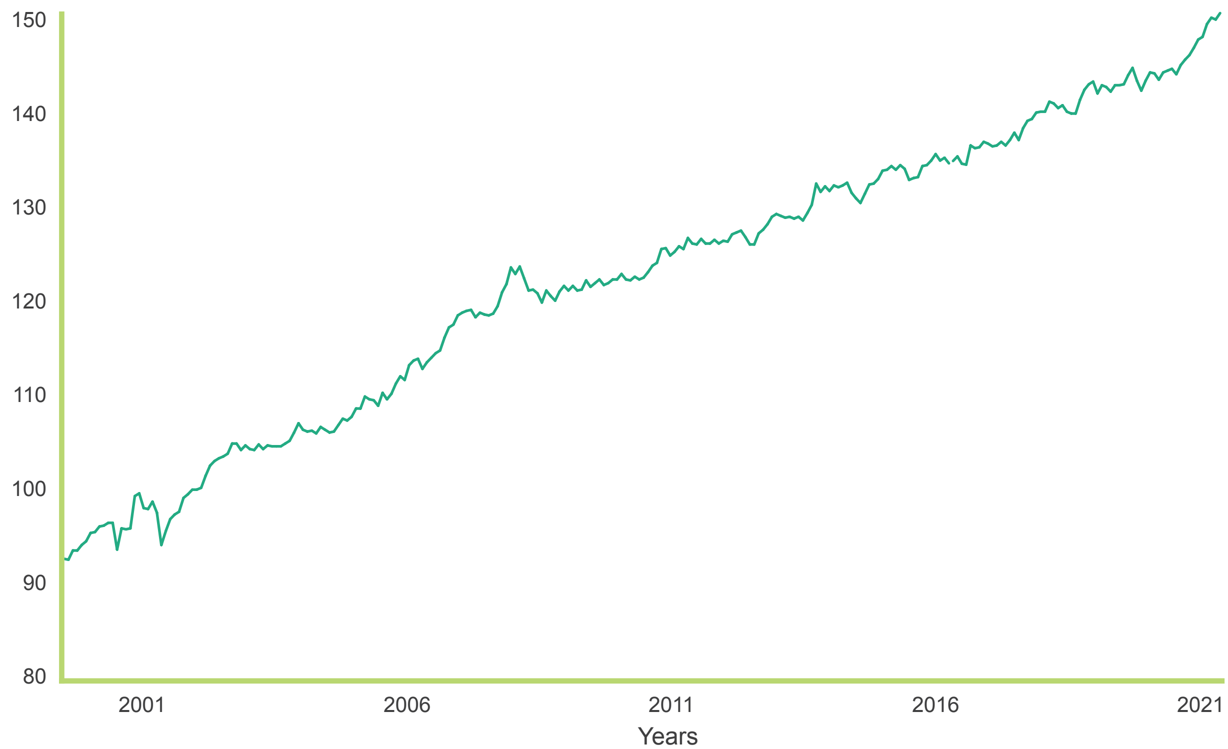
Source: United Nations, Department of Economic and Social Affairs
https://population.un.org/wpp/Download/Standard/Mortality

Rising Inflation

The plans have a provision to provide retired members with partial indexation on their pension to help limit the impact of an increased cost of living or inflation. In an increasingly inflationary environment, pensions would not keep up with the rising cost of goods and services without some form of indexation. The plans' funding valuation uses several actuarial assumptions including inflation to forecast future liabilities. If inflation is higher than what is assumed in the funding valuation then the plans' liabilities will increase, and may create a funding deficiency. That's one example where the margin (or cushion) for adverse experience is an effective and important tool to mitigate this risk.

Alberta Consumer Price Index

as at January 1



INVESTMENT MANAGEMENT

MESSAGE FROM THE VP, FUND RISK AND STRATEGY

The 2020-21 fiscal year saw the continuation of the rebound in asset prices that began the previous year. Corporate profitability soared, driven by unprecedented global monetary and fiscal stimulus and pent up demand. Strong profit growth and improved sentiment, which resulted from the relaxation of the most stringent COVID lockdowns and the introduction of effective vaccines, incited a scramble for assets. Equity and private asset prices surged, with those most damaged by COVID leading the charge. As the rebound took place in an environment still struggling with COVID-related labour shortages and commodity supply issues, consumer price inflation advanced more quickly than most expected. This caused bond yields to rise from the historically low levels seen at the beginning of the fiscal year.

GARY SMITH
Vice President,
Fund Risk and Strategy

Fund Performance

ATRF's portfolio performed extremely well. The total fund return was strong both on an absolute basis and relative to its benchmark. Such strong returns contribute to ATRF fulfilling its paramount duty to ensure the health of the plans' funded status, and to maintain the affordability and stability of contribution rates.

This year's results further bolster ATRF's long-term track record of strong investment results. All of us at ATRF are pleased and proud to finish what was the final full year of ATRF's investment management activities on this high note. The strong long-term results are a testament to the high quality of ATRF's investment management function over the years. ATRF is grateful to the many investment personnel who have contributed to this successful long-term track record.

Asset Management Transition

We are also pleased to be able to report these results in a year through which, in addition to managing the assets, ATRF's investment team had been working hard to fulfill the legislative requirement to transfer investment management activities to AIMCo by December 31, 2021. The transition of an over $21 billion portfolio of public and private assets located around the globe was a complex undertaking that required considerable attention and effort.

To accomplish this in a manner that best protected asset value, the transition was done in stages. Management of private assets (infrastructure, real estate, and private equity) was transitioned to AIMCo in February and March. The vast majority of ATRF's exposure in these asset classes remained to assets selected by ATRF staff prior to their transition. Public assets (fixed income, global equities, and absolute return) remained under direct ATRF management through the fiscal year, as did total portfolio management. The signing of the Investment Management Agreement with AIMCo shortly after the end of the fiscal year allowed for these remaining investment management functions to transition to AIMCo prior to the legislative deadline.

The Year Ahead

Inflation concerns have caused central banks to begin discussing the process for normalizing monetary policy. Some central banks, including the Bank of Canada, have begun to withdraw various crisis initiatives. Sadly, COVID is still very much a part of our world. These factors, along with the strong run in asset prices seen over the last few years, suggest returns may moderate in the year ahead and there may be more volatility.

Upon the completion of asset transition in October 2021, AIMCo assumed responsibility for the day-to-day investment decisions regarding all of ATRF's investment assets. AIMCo is charged with responding to opportunities in markets and for constructing a portfolio with a risk profile consistent with that identified in ATRF's investment policy. Yet ATRF remains responsible for setting that investment policy. Ultimately, it is the investment policy that is responsible for the bulk of long-term portfolio performance and for ensuring the sustainability and affordability of the plans. ATRF will also continuously monitor the actual investment portfolio and will engage with AIMCo to ensure the investment portfolio respects the spirit of the investment policy.

Gary Smith
Vice President, Fund Risk and Strategy

INVESTMENT PERFORMANCE RETURNS

In order to evaluate the success of our investment strategies, ATRF assesses its results relative to a set of board-approved benchmarks. The total fund benchmark return (13.8% for 2021) is calculated by aggregating the benchmark returns of each individual asset class and weighting them according to the fund's policy benchmark.

The following table presents ATRF's net returns for the year ended August 31, 2021 (i.e. the "one-year" return) along with returns over the four-year and 10-year time horizons on an asset class basis with aggregated benchmark returns over the same periods. With a proven record of superior returns, ATRF has consistently added value and contributed to the long-term sustainability of the plans.

Investment Performance Returns*

for the period ended August 31, 2021

	1 Year (%)		4 Years** (%)		10 Years (%)	
Asset Class	**ATRF**	**Benchmark**	**ATRF**	**Benchmark**	**ATRF**	**Benchmark**
Fixed Income	**(2.9)**	**(3.4)**	**4.1**	**3.9**	**4.1**	**4.0**
Universe Bonds	(1.3)	(1.7)	3.9	3.7	3.9	3.7
Long-term Bonds	(5.8)	(6.1)	4.9	4.8	5.0	5.2
Money Market	0.2	0.1	1.2	1.0	0.8	0.8
Return Enhancing	**30.2**	**28.2**	**13.1**	**13.5**	**13.5**	**13.2**
Global Equity	26.7	25.0	10.5	12.3	12.0	12.8
Private Equity	43.0	36.9	22.7	15.2	19.1	15.1
Inflation Sensitive	**8.8**	**8.2**	**10.6**	**6.2**	**10.6**	**6.0**
Real Estate	7.3	8.0	8.1	5.8	9.2	5.8
Infrastructure	11.0	8.6	16.0	6.9	13.5	6.4
Absolute Return	**7.9**	**2.6**	**4.1**	**4.7**	**–**	**–**
TOTAL PLAN	**15.6**	**13.8**	**9.6**	**8.9**	**10.0**	**9.2**

*Returns are net of fees.

**Four-year return is common industry practice. At ATRF, four-year return is also used to calculate executive compensation, please refer to page 52.

INVESTMENT PERFORMANCE BENCHMARKS

Benchmarks are a useful tool assessing allocation, risk, and return of investment portfolios. Setting the appropriate benchmarks for such an assessment requires the selection of benchmarks best aligned with the portfolio's risk profile, return requirement, and time horizon, among other factors. The asset class-specific benchmarks used at ATRF are carefully selected using these criteria and are approved by the board.

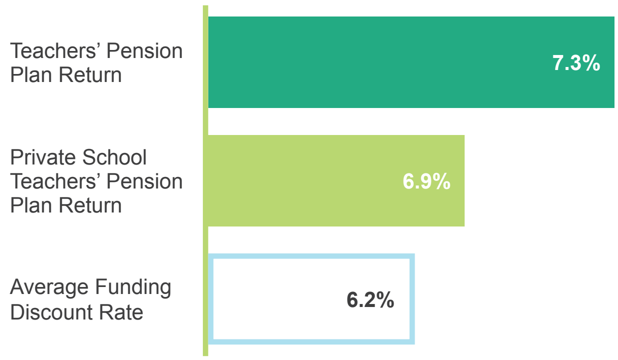
Asset Class	Benchmark
Universe Bonds	FTSE TMX Canada Universe Overall Bond Index
Long-term Bonds	FTSE TMX Canada Long Term Government Bond Index
Money Market	FTSE TMX Canada 30 Day T-Bill Index
Global Equity	Hybrid of 3 Indices: MSCI World (50%), S&P/TSX Composite (30%), MSCI Emerging Markets (20%)
Private Equity	MSCI World Index plus 2.0%
Real Estate	Customized IPD Global Property Fund Index
Infrastructure	Canadian CPI plus 4.50%
Absolute Return	FTSE TMX Canada 91 Day T-Bill Index plus 2.5%

LONG TERM INVESTMENT PERFORMANCE

As a defined benefit pension plan, we are long-term investors. Over the past four years and 10 years the fund has returned 9.6% and 10% respectively, exceeding the benchmark return for the same period.

In order to remain well-funded and keep contribution rates affordable over the long term, our investment return must at least equal the funding discount rate used in the funding valuation of the plans. Over a 15-year time period, the funding discount rate has been gradually reduced and averaged 6.2%. The return for the Teachers' Pension Plan has been 7.3%, and the return for the Private School Teachers' Pension Plan has been 6.9% over the same period.

15-Year Return vs Long-Term Funding Objective

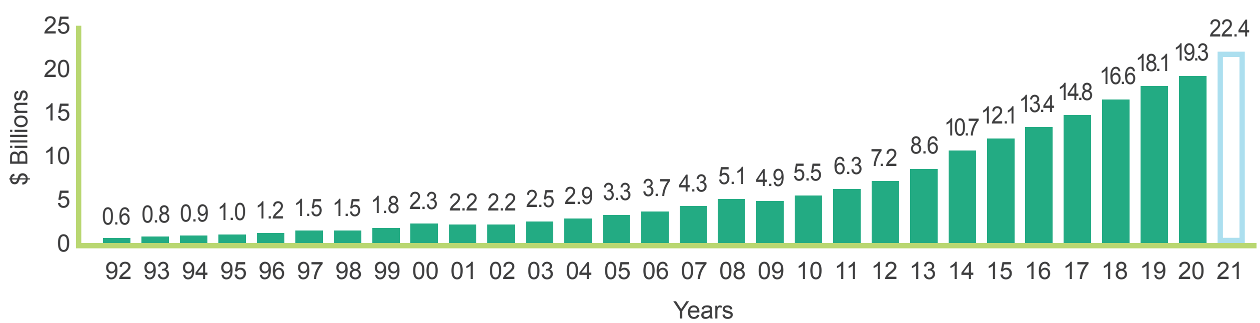


THE CONTRIBUTION OF INVESTMENT PERFORMANCE TO GROWTH OF NET ASSETS

As introduced in the 'Management of Funded Status' section on page 28, the plans' net assets represent the cumulative inflows from contributions and the investment portfolio less benefits paid to members and less the costs of operating ATRF.

Net Assets

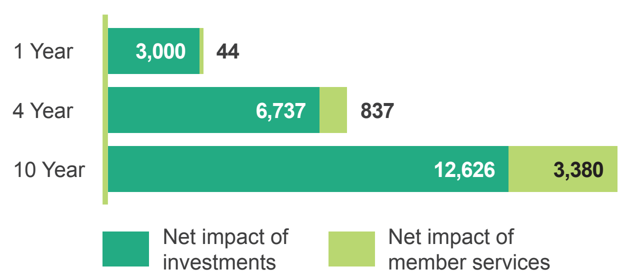
as at August 31



The following graph represents ATRF's cumulative growth in net assets available for benefits for the year ended August 31, 2021 (i.e. the "one-year" growth) and for the preceding cumulative time periods. Net impact of member services reflects total contributions less benefits paid less member service expenses, and net impact of investments reflects investment earnings net of investment expenses.

Growth in Net Assets Available for Benefits

$ Millions



ASSET CLASS DESCRIPTIONS

Return Enhancing Assets

Return enhancing assets are generally expected to provide the highest return over the long term, but reflect a higher risk profile than other assets in the plan. Return enhancing assets are the largest investment category in the fund, and include our public and private equity portfolios.

We diversify our public market equity portfolios by investment style, company size, and geography in order to mitigate risk. Over the fiscal year, some of these assets were managed by ATRF's internal investment team, while the majority were managed by external investment partners who have specific expertise in certain markets or investment types. Our private equity assets consist of a diversified combination of limited partnerships and direct investments. ATRF's private equity assets and investment personnel transitioned to AIMCo in March 2021.

Fixed Income Assets

Fixed income assets are typically among the lowest risk assets in the fund and are expected to provide lower but more stable returns than other asset categories over the long term. They are also a powerful diversifier that tends to perform well when return enhancing assets falter. ATRF's fixed income assets are diversified across short-, medium- and long-term maturity dates, and include both government and corporate issuers.

The majority of our fixed income assets were managed by our internal investment team over the fiscal year; however, a small proportion of these assets were outsourced to external managers who are focused on particular segments of the market.

Inflation Sensitive Assets

Inflation sensitive assets are included in the fund to provide returns that are at least partially correlated to inflation over the very long term. This characteristic provides a degree of long-term funding protection as pension benefits under the plans are 70% indexed to inflation. This asset category includes our real estate and infrastructure investments.

Our global real estate and infrastructure portfolios have been managed using a combination of internal and external investment managers. ATRF's infrastructure assets and investment personnel transitioned to AIMCo at the beginning of February 2021 while our real estate assets and investment personnel transitioned to AIMCo in March 2021.

Absolute Return Assets

Absolute return assets play an important role in diversifying risk by generating investment returns that are relatively stable and largely uncorrelated with more traditional assets such as equities. These assets are highly diversified, reflect a wide range of risk-return profiles, and include managed futures, hedge funds, and other multi-asset strategies. All of these strategies are managed by external investment partners.

MEMBER SERVICE AND INVESTMENT MANAGEMENT COSTS

Photo: Wendy and Geoff Parker (retired teachers)

INVESTMENT AND MEMBER SERVICE EXPENSES

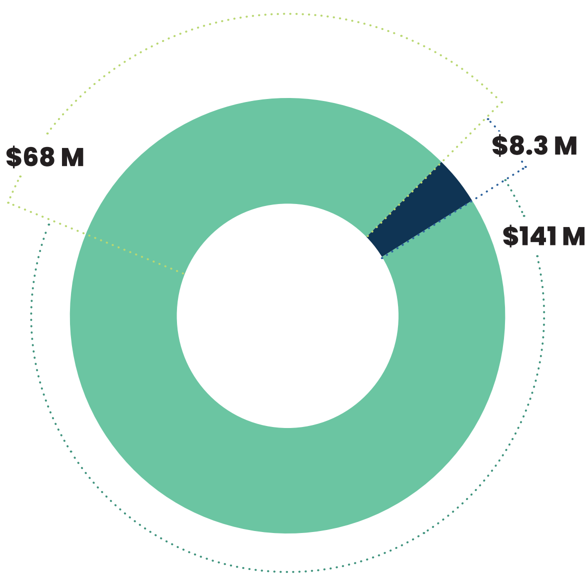
Managing Expenses to Provide Exceptional Value

ATRF is a true pension manager, responsible for all aspects of the plans' operations including strategic governance and plan funding, direct provision of pension-related services to plan members and employers, and managing the investment of the plans' assets.

Delivering on our mandate and service commitments requires expending resources on oversight and governance activities as Trustees of the plans, on asset and benefit administration, and on foundational strategic initiatives that will support the continued evolution of ATRF's services and governance activities. Along with internal expenditure controls, ATRF manages its costs with a focus on value-add to the plans and the stakeholders, with costs broadly grouped as relating to either Member Services or Investments.

Pursuant to legislation, ATRF is required to engage AIMCo as its sole investment manager and this year we began to transition management of certain assets to AIMCo. Following the transition of investment administration activities to AIMCo the critical functions of risk management, investment oversight, and strategy setting will remain at ATRF. Those functions enable us, as Trustees of the plans, to maintain the investment decisions that serve the best interests of our members and stakeholders. We continue to focus on adding value through cost-effective spending on all our internal operations and will strive to develop a similar focus in our new relationship with AIMCo.

Total plan expenses of ATRF's internal operations are detailed by functional category (page 45) and by allocation between investment expenses and member service expenses.



Total Expenses

2021: $217 Million | *2020: $155 Million*

Increase is driven by investment expenses.
See details on page 43.

$8.3 Million **Member Service Expenses**

$209 Million **Investment Expenses**

- **$141 Million**
  Investment Management Expenses
- **$68 Million**
  Performance Fees

Member Service Expenses

2021: $8.3 Million | *2020: $8.5 Million*

Member service expenses are stable and well managed.

Member services include all activities relating to the governance and administration of all aspects of the plans except for those relating to the investment assets.

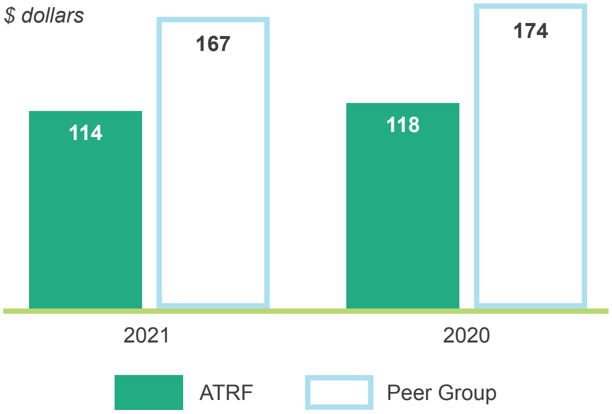
Governance of the pension-related aspects of the plans includes compliance and regulatory management, and management of funding and contribution, often in concert with actuarial consultants, to ensure the long-term health of the plans. Governance also includes extensive financial planning and pension market research that guides corporate strategy to best serve the members and stakeholders of the plans. Effective plan governance is a critical prerequisite to plan sustainability – the ultimate objective of ATRF and all stakeholders.

Plan administration includes services provided to members, pensioners and employers in communications, information management, benefit calculations and disbursements, member education, and support.

ATRF continuously adapts, innovates and streamlines its plan administration function to ensure we are able to provide the best value for dollar services while securing and supporting robust operations to manage risks such as protecting member information.

As we progress through our Project Lantern initiative we expect to further invest in our operations to ensure we continue to provide the level of services and secure delivery of benefits our stakeholders expect. While we anticipate some increase in costs, we are projecting most to be for a defined period and we will continue to have a cost profile that is lower than our industry benchmark.

Cost per Member



Cost per member is calculated using active and retired membership.

Our cost per member at **$114** continues to be lower than our budget and remains one of the lowest in the peer group of Canadian public sector pension organizations which averages at **$167**.

The COVID-19 pandemic has impacted ATRF in restricting certain functions and activities. While this has lessened certain costs incurred during the pandemic to-date, we anticipate that some of these cost reductions will continue into the 2021-22 year but that the reduction will not persist indefinitely.

Investment Expenses

***2021: $209 Million** | 2020: $147 Million*

Increase is driven by the growth of Assets Under Management (AUM) and performance fees as a result of strong performance of investments.

ATRF is an active pension manager that adopts a customized approach to meet the unique investment needs of our plans. Investment expenses include all expenses ATRF considers attributable to strategy, oversight and management of the plans' investment assets, including ATRF's internal costs and expenses paid to external managers.

Investment expenses can be classified as management expenses or performance fees. Management expenses are incurred in respect of the day-to-day provision of investment management and related supporting services. Performance fees are expenses incurred in respect of assets where returns delivered by the manager exceed the specified targets.

Management Expenses and Fees

***2021: $141 Million** | 2020: $122 Million*

Increase is primarily driven by the growth of AUM and initial transition costs.

ATRF Operations - Investment Management and Oversight Expenses

***2021: $26 Million** | 2020: $31 Million*

As trustee of the plans, ATRF incurs a variety of investment expenses related to the plans' assets, including costs relating to governance of strategic investment matters, such as setting investment policy and risk tolerance, monitoring the risk and performance of the total portfolio and the various investment managers' performance, and overseeing all parties involved with the management of the plan's investment assets. ATRF also provides direct investment management services in respect of directly held investments.

As disclosed in the Asset Management Transition section on page 36, ATRF transitioned a portion of assets to AIMCo partway through the year. ATRF incurred certain incremental costs as a result of the legislated transition for various matters including personnel transition costs, legal and other professional advice, and governance costs. ATRF also incurred "stranded costs" (previously contracted costs that provided no ongoing value) for such matters as investment-related software and data licences, excess premise costs, and various costs associated with diligence on potential investment transactions that were cancelled. The total of these costs for 2021 of $4.6 Million (2020: $0.3 Million) is included in ATRF's investment management expenses. These costs relate to the transition of approximately one third of the assets; the remaining two thirds transitioned in 2022. The final transition involves additional incremental expenses. Further, additional stranded costs will be incurred through 2022.

Since the requirement to transition management was announced, ATRF has consistently made choices in the best interest of the plans, including significant efforts to minimize portfolio impacts to performance, risks, and costs.

AIMCo Operations - Investment Management Expenses

***2021: $7.8 Million** | 2020: $nil*

ATRF transitioned its role as investment manager of three private asset portfolios to AIMCo during the year. AIMCo now performs the day-to-day operational activities involved with management of these plan assets, including investment management (against performance and risk targets provided by ATRF's SIP&G), and risk, performance, and accounting services. AIMCo provides investment management services to a number of clients, allocates its expenses to those clients according to its cost allocation methodology and then charges those expenses to its clients on a cost-recovery basis.

ATRF will continue to engage with AIMCo to develop effective value-for-cost management practices.

Third Party External Managers – Investment Management Fees

2021: $107 Million | *2020: $91 Million*

Increase is driven by the growth of AUM.

ATRF's approach to investment management involves the use of selected third-party managers where their expertise and focus can add net-value to the specific strategies within the overall portfolio while complying with appropriate risk tolerances. The added value of the net returns such managers can generate in combination with the diversity their investment strategies bring to the portfolio makes a significant contribution to the overall portfolio results.

During the year, ATRF transitioned its relationship with third party external managers with mandates in the three private asset portfolios to AIMCo who has maintained those same relationships through the fiscal year, charging the management fees to ATRF as a cost recovery.

Performance Expenses and Fees

2021: $68 Million | *2020: $25 Million*

Increase reflects strong performance of investments.

ATRF and AIMCo both employ a combination of short- and longer-term compensation mechanisms where certain key employees receive performance-related compensation either for direct or indirect contributions to performance of certain investment assets. AIMCo allocates these expenses to clients according to its cost allocation methodology and then charges those expenses to its clients on a cost-recovery basis.

Third-party external managers also charge performance-related fees according to the terms of their contracts with ATRF (and as transitioned to AIMCo). These terms typically reward managers for superior returns exceeding pre-determined thresholds. For private assets, the majority of fees (2021: $57 million, 2020: $21 million) represent carried interest where managers retain a portion of realized returns that exceed the agreed hurdle rate. For public assets, the fees (2021: $ nil, 2020: $0.5 million) are typically earned on the total earnings of the assets, including both realized and unrealized gains, net of expenses.

Performance expenses and fees are best assessed in the context of the related investment returns that drive the net value to the plans. In 2020-21, ATRF incurred performance fees of $68 million on $3,208 million in total investment returns. The performance fees were comprised of ATRF internal ($3.9 million), AIMCo internal ($1.4 million), and fees paid to external managers overseen by either ATRF or AIMCo ($62.5 million).

ATRF Operational Expenses Details

The following table presents ATRF's directly-managed operational expenses by functional category and by allocation between investment expenses and member service expenses. Investment operating expenses include internal costs of $4.6 million to support the mandated transition of assets to AIMCo. Member Service expenses for professional services includes $0.3 million for actuarial consultants that support the development of funding policies and strategy that ensures the long-term sustainability of the plans.

$ Thousands

	2021			2020		
	Investment	Member Service	Total	Investment	Member Service	Total
Salaries and benefits	$ 19,540	$ 6,212	$ 25,752	$ 17,620	$ 5,963	$ 23,583
Professional services	2,890	574	3,464	3,338	664	4,002
Premises and operations	2,475	879	3,354	2,111	1,041	3,152
Custodial and banking	1,780	60	1,840	1,562	38	1,600
Communications, research and travel	1,439	330	1,769	2,018	427	2,445
Transaction costs	1,187	-	1,187	3,999	-	3,999
Board and committees	357	239	596	484	326	810
Operating expenses	$ 29,668	$ 8,294	$ 37,962	$ 31,132	$ 8,459	$ 39,591

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE COMPENSATION PROGRAM

The Compensation Discussion & Analysis explains ATRF's approach to compensation, the various elements of our pay programs, and the remuneration paid to our executives.

Implications of 2020-2021

2020-2021 was a year of significant change for ATRF, as the board guided and management planned and executed the complex transition of asset management to AIMCo. ATRF's internal investment operation was wound down in stages as asset classes transferred to AIMCo for management prior to the legislated deadline of December 31, 2021.

The executive group includes leaders of internal investment management functions that had their positions abolished as a result of the cessation of investment management at ATRF. The compensation impacts of those position abolishments are outlined in the pages that follow.

On July 8, 2020, ATRF became subject to the *Reform of Agencies, Boards and Commissions Compensation Act* Regulation (the "RABCCA Regulation"). The regulation takes effect following a two-year transition period, or immediately for new recruits or those employees with position changes. The RABCCA Regulation prohibits incentive pay for all ATRF employees and sets out specific compensation limits for ATRF's designated officer, the CEO. As a result, ATRF has been planning for the wind-up of its incentive programs as of July 7, 2022, and the end of the transition period for the CEO.

During 2020-2021, the Human Resources and Compensation Committee ("HRCC") met six times, and in the course of these meetings and with support from management, developed and executed an action plan to address human capital and talent management implications related to asset management transition to AIMCo and the impacts of the RABCCA Regulation on ATRF.

The HRCC, with the support of management, will oversee a review of Total Rewards within the context of the RABCCA Regulation in preparation for roll-out by July of 2022. The Total Rewards framework will need to enable ATRF to attract and retain the leadership and specialized skillsets required to execute its strategic plan. This includes the ongoing investment strategy and risk team at ATRF to ensure that AIMCo is directed and monitored in implementing ATRF's investment strategy, and that the board is properly supported in delivering on its fiduciary responsibilities to the plans.

Future Focus

ATRF will need to focus on the following HR and compensation-related items as the organization implements its revised strategy:

- Completing the wind-up of incentive plans in compliance with the RABCCA Regulation;
- Designing and implementing the updated Total Rewards philosophy and framework for ATRF;
- Placement of the incumbent CEO into the RABCCA Regulation compensation framework by the end of the transition period, July 7, 2022;
- Updating compensation disclosure to reflect the change to executives as a result of the legislated transfer of asset management to AIMCo, and the change to Total Rewards due to the full implementation of the RABCCA Regulation;
- Succession planning and talent management of critical staff, including those required to manage the investment strategy and risk function remaining at ATRF; and
- Supporting the HR and compensation-related institutionalization of a working relationship with AIMCo, including how the investment strategy and risk team at ATRF may add value (e.g., managing risk and strategic asset allocation), and a new, fit-for-purpose organizational structure.

2020-2021 Performance Results and Related Pay Decisions

In making decisions about pay for performance in 2020-2021, the excellent results achieved by the organization through a period of significant change were reflected in incentive payments approved by the board for executives.

(Please see page 55 for more detail.)

2021 – 2022 Compensation Related Decision Making

With the asset management transition to AIMCo concluded, investment management positions have been abolished at ATRF including most of the executive positions included in this disclosure. The HRCC will need to update ATRF's compensation disclosure during the next fiscal year while it continues to oversee the organization's preparation for the end of the RABCCA Regulation transition period.

HUMAN RESOURCES AND COMPENSATION COMMITTEE

The Human Resources and Compensation Committee assists the board in fulfilling its oversight responsibilities in relation to human resources and compensation matters.

The HRCC is made up of four board members and the committee met six times during the 2020-21 fiscal year. In-camera sessions are held at the beginning and end of each meeting, without management present.

In 2020-21 the HRCC's key responsibilities included:

- Recommending compensation of the Chief Executive Officer and Chief Investment Officer and their direct reports to the board for approval;
- Reviewing human resource and compensation aspects of the business plan;
- Ensuring that the enterprise risk management framework appropriately considers human resource and compensation risks;
- Reviewing and approving incentive and supplementary pension plans;
- Ensuring emergency succession plans are in place for the Chief Executive Officer and key executive positions;
- Evaluating the impact of the RABCCA Regulation on ATRF's CEO compensation;
- Planning for the wind-up of ATRF incentive programs;
- Commencing the review of ATRF Total Rewards within the context of the RABCCA Regulation; and
- Refining the disclosure in the annual report related to compensation philosophy, incentive design, and the alignment to corporate performance and risk management.

ATRF's Total Rewards Philosophy

ATRF's HRCC and board will oversee the development of an updated approach to total rewards. This will include an updated Total Rewards Philosophy that complies with the regulatory framework, aligns to the new strategic plan, and serves to attract, retain, and engage the skilled employees required to deliver pension benefits, ensure the highest level of service and value to plan members and sponsors, and to ensure maximized returns on the plan assets in a sound, sustainable, and secure manner.

The legislated transfer of asset management to AIMCo has required the abolishment of internal investment management at ATRF, altering the organization's structure and changing the way that we deliver on our mandate to our members and our stakeholders. As the RABCCA Regulation takes effect in July of 2022, ATRF has new parameters to work within, including a prohibition on incentive pay, and specific total rewards limits for the CEO including salary, benefits, vacation, and pension.

The ATRF Board will continue to establish strategic policy and risk parameters for ATRF's investment portfolio, as well as ensure ATRF's oversight of AIMCo as they implement our investment policy. The investment strategy and risk team will support the board and its executive team in fulfilling ATRF's fiduciary responsibilities to plan members. There are strong competitive market pressures for this type of talent and ATRF must be able to provide compensation that is aligned with the competitive market. Compensation in the competitive market for this skill set typically includes variable pay in the form of short- and long-term incentives that are used to align individual compensation to the organization's and plan members' objectives. Further, the competitive market of comparator organizations for ATRF's CEO and other executive positions also typically includes variable pay as part of total compensation for the most senior roles.

With the RABCCA Regulation prohibition on variable pay, and the limits set by the Regulation on total rewards elements for the CEO, ATRF will need to establish other ways to remain competitive for qualified talent.

As ATRF has prepared for the wind-up of incentive programs effective the end of the RABCCA Regulation transition period on July 7, 2022, our approach to current year executive compensation has remained consistent with our long-established program objectives, to:

- Reward executives in a competitive market context so as to attract and retain high-quality professionals;
- Focus the Executive Team on achieving critical business and investment goals in the strategic plan;
- Align interests of the Executive Team with the best interests of the plans by encouraging and rewarding long-term performance. This shall be supported by promoting a pay for performance culture that seeks to preserve and protect beneficiaries' benefits;
- Reward the Executive Team for superior performance based on investment results as well as plan administration and member service results; and
- Total compensation will reflect the shared efforts of the Executive Team by rewarding for a culture of teamwork and collegiality throughout the organization. These efforts are reflected through the individual performance assessments conducted by the board as well as the CEO and CIO of their direct reports on an annual basis.

COMPENSATION PHILOSOPHY AND GOOD GOVERNANCE

A number of attributes in our compensation program to-date - incentive-related elements of which will come to an end in July 2022 - are intended to ensure good governance:

- **Compensation at risk** – A significant percentage of Total Direct Compensation is in the form of short- and long-term incentives ranging from targets of 39% for certain executives to 54% for the CEO and CIO.
- **Long-term time horizon** – A significant portion of executive compensation is linked to longer-term, value-added and absolute performance. We use a four-year horizon in our STIP and LTIP.
- **Pay for performance** – A large portion of variable executive compensation is linked to achieving "above median performance" against performance hurdles. "Above median performance" and performance hurdles are determined using a holistic approach that considers relevant external data sources, historical performance and risk of ATRF's fund, and the current investment strategy and portfolio asset mix.
- **Maximum payout caps** – STIP and LTIP payouts are capped at 200% and 300% of target respectively to ensure affordability and reasonableness.

- **Challenging, but reasonable investment return targets** – Performance benchmarks and value-add hurdle rates are reviewed regularly by the board and are set to reflect a median return expectation in the marketplace. Value-add hurdle rates are also set with reference to the competitive market, but also ATRF's risk appetite and investment strategy.
- **Threshold performance levels** – Our investment returns must meet or exceed our benchmark indexes before short- or long-term incentives are paid.
- **Oversight of peer group, compensation levels and design** – With regular oversight, the HRCC ensures continued alignment with our peer group, compensation levels, our business strategy, and competitive market practices.
- **Benefits and perquisites** – Benefits and perquisites are set at competitive levels, but are not intended to make up a significant portion of compensation.
- **Review of compensation risk** – The HRCC monitors risk inherent within our compensation program to discourage excessive risk-taking and align compensation with ATRF's business and investment strategies.
- **Competitive but cost-effective** – ATRF's compensation program is designed to pay competitively while supporting ATRF's objectives of securing the pensions of plan members through the cost-effective and efficient use of resources.

MANAGING RISK

We consider the implications of the risks associated with our compensation policies and practices, to ensure our current compensation program does not incent management behaviours outside ATRF's risk appetite. Compensation risk is managed by:

- Ensuring HRCC's independence from management, and retaining an external compensation advisor;
- Working within an enterprise-wide risk management framework, a robust code of conduct and ensuring that appropriate risk limits and controls are articulated in the Investment Policy;
- Establishing appropriate performance measures that align to the business strategy;
- Setting individual and team accountabilities for achieving objectives;
- Setting threshold levels of performance for all incentive plans and paying incentives only when threshold performance is achieved;
- Using appropriate payout curves and capping incentive pay;
- Including long-term performance measures (i.e. four-year rates of return) in the STIP and LTIP to align compensation with the time horizon of the fund; and
- Including non-investment performance measures in the incentive plan.

COMPARATOR GROUPS USED TO SET COMPETITIVE PAY

Our overall objective is to provide competitive compensation compared to organizations we compete with for the skills and expertise of investment-related and management professionals. For the roles where compensation is disclosed, compensation is benchmarked against other Canadian in-house pension funds and institutional investment organizations of similar size and complexity to ATRF.

Where available, this peer group is Canadian captive funds with assets under management in the range of $5B to $60B.

Within these comparator groups, we review compensation levels of comparable jobs, assess performance against benchmarks, as well as the relative size and investment-structure complexity of those peers.

The review of Total Rewards at ATRF that is currently underway will also include a review of the appropriate peer groups used to set competitive pay within the defined parameters established by ATRF's regulatory environment.

COMPENSATION PROCESS AND COMPENSATION CONSULTANTS

ATRF's compensation strategy and structure are regularly reviewed. Each year, the HRCC reviews and approves the comparator groups, overall base salary, and the annual performance measures, targets and weightings for the incentive plans, based on market conditions. Market data is provided to the HRCC by external sources. The HRCC uses the following decision-making process when setting executive compensation:

1. **Establish compensation philosophy, principles, and objectives.**
2. **Design compensation to align with compensation philosophy and competitive market.**
3. **Establish and calibrate performance objectives.**
4. **Assess impact of compensation through scenario analysis and forward and back testing.**
5. **Determine performance-based incentive awards.**

The decision-making process going forward will be revised to reflect the prohibition on variable pay under the RABCCA Regulation and will also include a step to ensure compliance with applicable compensation regulations.

COMPENSATION ELEMENTS

The current compensation structure for executives balances fixed and variable pay that is linked to long-term performance. The elements of the current executive compensation plan are provided below. The following table summarizes the type, nature and purpose of each element of our current compensation program.

Element	Intent	Plan Design	Variable with Performance
Base salary	Compensates for the day-to-day responsibilities of the role.	Set annually based on review of competitive market data.	Fixed (not variable)
Short-Term Incentive (ending July 7, 2022)	Annual plan that rewards for superior investment and non-investment performance.	Payouts are capped at 200% of target, based upon Corporate, Team, or value-add investment performance over a four-year period, weighted to Total Fund and/or Asset Class (where applicable), and Individual performance.	High variability
Long-Term Incentive (ending July 7, 2022)	Four-year plan intended to reward for superior and sustained investment performance aligned to the investment strategy and to help in retaining high performers.	Payouts are capped at 300% of target, based upon Total Fund value-add performance and absolute return performance over a four-year period.	High variability
Pension Benefits	Intended to attract and retain key employees and reward for their continued service.	Defined benefit pension based on 1.4% of salary up to Canada Pension Plan limit and 2% of salary for any excess up to *Income Tax Act* limit. For eligible roles, a supplemental benefit pension plan is provided in excess of capped pensionable salary and matches the formula in the defined benefit plan.	Low variability (will increase as salary level increases)
Benefits	Intended to attract and retain key employees.	Standard health and dental-care benefits, life insurance, illness, and long-term disability coverage.	Low variability
Perquisites	Intended to attract and retain select key employees.	Paid professional membership fees and car allowances.	Low variability

BASE SALARY

Base salaries are intended to be competitive with the market and are typically reviewed by the HRCC annually at the end of each fiscal year. Salaries are set based on an individual's primary duties and responsibilities, with consideration given to ATRF's market comparators. In 2020-2021, ATRF did not conduct of review of executive pay because of the RABCCA Regulation and Salary Restraint Regulation.

SHORT-TERM INCENTIVE PLAN (STIP)

ending July 7, 2022

The STIP was designed to attract, retain, and motivate high-quality people, and to provide competitive, performance-based opportunities based on market practices and ATRF's business strategy. Performance measures, targets, and weightings are approved annually by the HRCC. Corporate, team, fund, and portfolio benchmarks, as well as individual objectives, are established at the beginning of the year, and actual performance is evaluated at the end of the year.

Each participant's target incentive payment is calculated based on a percentage of salary. Based on actual performance against pre-approved objectives, payouts can range from zero to two times the target incentive amount.

Investment incentive payments include the achievement of the total fund and/or portfolio performance above established benchmarks. Consistent with ATRF's compensation objectives, payments are calculated based on long-term performance results over a four-year rolling average period. The STIP rewards participants for delivering target benchmark performance or better. Based on total fund and/or portfolio performance, actual payments can range from zero to two times the target incentive amount. The annual incentive plan has a threshold level of performance. If the threshold is not met, incentive payments are not made. The threshold, target, and maximum value-add hurdles are calibrated to account for ATRF's investment strategy and portfolio mix, which inherently accounts for ATRF's risk profile.

LONG-TERM INCENTIVE PLAN (LTIP)

ending July 7, 2022

The LTIP was designed to encourage and reward long-term performance, critical to ATRF's success; attract, retain, and motivate participants by providing additional compensation if investment performance goals are achieved; and, to align participant interests with pension plan interests. The LTIP has a four-year vesting period before a first payment is awarded to a plan participant. This is based on relative value-added performance above the benchmark portfolio, net of investment operating costs and is further modified by absolute fund performance. The threshold, target, and maximum value-add hurdles are calibrated to account for ATRF's investment strategy and portfolio mix, which inherently accounts for ATRF's risk profile.

All roles disclosed are participants in ATRF's Long-Term Incentive Plan. Participants receive a notional grant at the beginning of a four-year performance period. The grant is equal to the target award opportunity, and could increase or decrease based on final investment performance results relative to the benchmark portfolio, net of investment operating costs. At the end of the performance period, the four-year rolling average performance of the total fund is calculated. A multiplier is applied to the target plan award, based on the investment performance of the total fund after taking into account fees paid to external managers and internal investment costs as compared to specific benchmarks approved by the HRCC. The multiplier is capped at three times the value of the target award. Except for certain situations, an eligible employee must be actively employed as of the payment date in order to receive a payout.

PENSION AND BENEFITS

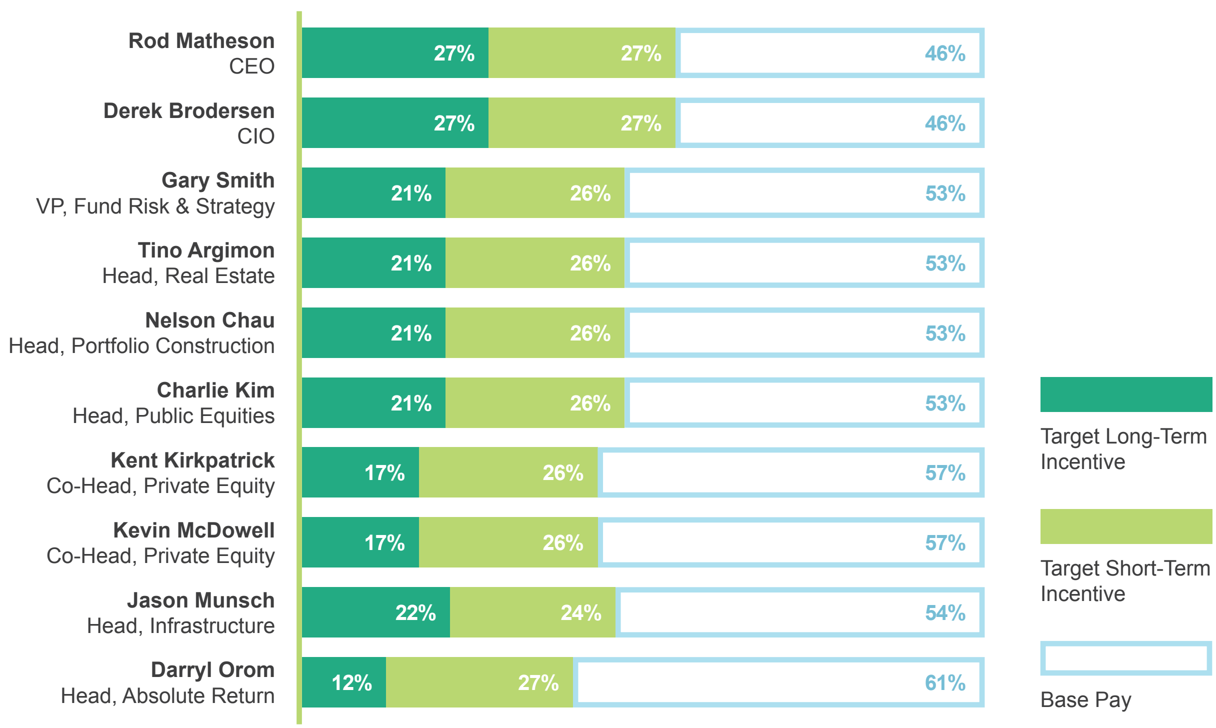
ATRF provides a competitive benefits program that includes pension benefits, health and dental-care benefits, life insurance, illness and long-term disability coverage, and professional development support and memberships.

All ATRF staff participate in the Local Authorities Pension Plan (LAPP). This is a defined benefit pension plan, and provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the Year's Maximum Pensionable Earnings under the Canada Pension Plan and 2.0% on the excess. Benefits under this plan are capped by pensionable salary reached at the maximum pension benefit limit allowed under the federal *Income Tax Act*.

Where earnings are in excess of this capped pensionable salary, a non-registered, unfunded Supplementary Employee Pension Plan (SEPP) provides for a pension equal to the pension formula under the LAPP, with no cap applied to pensionable salary, less the initial pension provided under the LAPP. Participation in the SEPP is limited to the CEO, CIO, Vice Presidents, and Asset Class Heads. For pensionable service before September 1, 2012, pensionable salary under the SEPP includes 50% of the actual annual incentive target-level amount paid under the annual incentive plan. For pensionable service after August 31, 2012, pensionable salary is limited to base salary paid.

TARGET TOTAL DIRECT COMPENSATION MIX

Provided below is an illustration of the Target Total Direct Compensation mix for disclosed executives at ATRF. Total Direct Compensation is made up of Base Salary, Short-Term Incentive, and Long-Term Incentive.



2020-21 PERFORMANCE AND ITS IMPACT ON COMPENSATION LEVELS

For the 2020-21 year, incentive plan compensation was paid in relation to the achievement of critical corporate strategic and team operational objectives; individual portfolio benchmarks; and the above-benchmark performance of the overall fund.

The overall ATRF Scorecard results were 162.65% or 1.6265x target.

ATRF's Scorecard included corporate objectives for 2020-21 and reflected strategic directions for the organization. The objectives included:

- Achieving and maintaining full funding over the long-term, while balancing cost and intergenerational equity amongst current and future members.

  The average funded ratio over the past four years, relative to expectations while remaining within the contribution rate limits as defined in our funding policy, is 96.21%, exceeding ATRF's target of 95.45%.

- Providing exceptional service and accurate, timely, and cost-effective benefits to plan members.

  ATRF exceeded most targets for member satisfaction, cost-per-member, and service levels, while continuing to make excellent progress on Project Lantern, a review and modernization of benefit administration and delivery systems and processes.

- Delivering outstanding investment management of the plans' assets.

  The total fund net rate of return over the 3.5-year period ended February 28, 2021 was 8.6%. This exceeded the benchmark return of 8.1%, resulting in 0.5% or $260 million in value add to the assets of the plan. The metric was measured over a 3.5-year period due to the transition of asset management to AIMCo that commenced in February 2021.

- Managing a high-performance organization that is well governed and well managed.

  ATRF planned for and executed the complex activities required to comply with the legislated transition of asset management to AIMCo. The organization achieved exceptional results and ensured that the best interests of the plans were protected.

  In addition to this critical deliverable, ATRF also delivered on a number of other initiatives including developing and implementing a new long-term strategic plan and launching a new website.

COMPENSATION OF THE CHIEF EXECUTIVE OFFICER

ATRF's HRCC worked with its independent advisor, Hugessen, and the CEO to create a set of individual objectives that reflected the key milestones for the CEO during the 2020-21 fiscal year. The ATRF Board measured the CEO's performance against those key milestones, and assessed his performance as exceeding expectations.

ATRF's CEO had the following payouts related to his performance:

($ dollars, audited)

	2020-21		2019-20	
Performance Measure	**Weight**	**Payout**	**Weight**	**Payout**
Total Fund Value Add Return	35%	$ 90,740	35%	$ 65,640
ATRF Scorecard Objectives	30%	102,470	40%	124,858
Individual Objectives	35%	139,650	25%	105,000
TOTAL PAYOUT		**$ 332,860**		**$ 295,498**

COMPENSATION

($ dollars, audited)

Compensation Element	2020-21 Compensation	2019-20 Compensation
Base Salary	$ 350,000	$ 350,000
Short-term Incentive	332,860	295,498
Long-term Incentive*	486,153	324,234
TOTAL DIRECT COMPENSATION	**$ 1,169,013**	**$ 969,732**

*Earned long-term incentives are paid upon vesting after a four-year period. For estimated future payouts, refer to the "Estimated Long-Term Incentive Awards" on page 59.

TOTAL COMPENSATION SUMMARY

The table on the next page represents disclosure of salary, incentive payments, value of SEPP benefits, and all other compensation earned for years ended August 31, 2021, 2020, and 2019 by ATRF's Chief Executive Officer, Chief Investment Officer, Vice President, Fund Risk & Strategy, and the Asset Class Heads - the most highly compensated senior investment professionals.

($ dollars, audited)

Name and Position	Fiscal Year	Salary[1]	Short-Term Incentive Plan (STIP)	Long-Term Incentive Plan (LTIP)[2]	SEPP[3]	All Other Compensation[4, 8]	Total Compensation
Rod Matheson Chief Executive Officer	2021	$ 350,000	$ 332,860	$ 486,153	$ 67,867	$ 50,767	$ 1,287,647
	2020	350,000	295,498	324,234	62,418	50,827	1,082,977
	2019	350,000	338,100	563,300	54,200	48,500	1,354,100
Derek Brodersen[7] Chief Investment Officer	2021	322,875	295,218	448,476	62,236	1,353,655	2,482,460
	2020	322,875	233,911	299,106	59,270	48,343	963,505
	2019	322,900	352,000	519,600	52,100	47,300	1,293,900
Gary Smith[5] Vice President, Fund Risk & Strategy	2021	270,000	207,135	217,611	33,837	38,429	767,012
	2020	270,000	188,463	145,133	33,037	37,820	674,453
	2019	270,000	216,400	-	19,300	36,400	542,100
Tino Argimon[6, 7] Head, Real Estate	2021	130,000	106,945	-	17,398	165,978	420,321
	2020	260,000	167,581	-	25,149	32,730	485,460
	2019	-	-	-	-	-	-
Nelson Chau[6, 7] Head, Portfolio Construction	2021	220,000	120,595	-	21,268	209,103	570,966
	2020	240,000	77,470	-	16,640	32,527	366,637
	2019	-	-	-	-	-	-
Charlie Kim[7, 8] Head, Public Equities	2021	260,000	105,138	238,908	34,902	736,121	1,375,069
	2020	260,000	89,256	160,573	34,723	38,114	582,666
	2019	260,000	109,400	257,500	29,200	36,600	692,700
Kent Kirkpatrick[7] Co-Head, Private Equity	2021	110,000	88,543	76,524	8,025	464,218	747,310
	2020	220,000	171,922	58,780	16,361	38,216	505,279
	2019	220,000	174,800	102,100	10,500	36,600	544,000
Kevin McDowell[7] Co-Head, Private Equity	2021	110,000	88,543	74,894	7,999	334,334	615,770
	2020	220,000	171,922	57,528	16,353	37,305	503,108
	2019	220,000	174,100	99,900	10,400	35,700	540,100
Jason Munsch[7] Head, Infrastructure	2021	85,417	70,293	63,575	5,155	483,919	708,359
	2020	205,000	164,813	50,025	10,938	37,010	467,786
	2019	205,000	166,800	82,400	6,400	35,200	495,800
Darryl Orom[7, 8] Head, Absolute Return Investments	2021	180,000	65,509	82,699	1,899	361,589	691,696
	2020	180,000	59,664	55,583	3,187	44,286	342,720
	2019	180,000	68,100	89,000	4,000	35,000	376,100

1 Salary is annual base pay as of the end of the fiscal year. Salary has been prorated to employee termination date, where it occurred prior to the end of the fiscal year. Salaries in 2020-21 remained static to comply with the external directive for salary restraint issued by the GOA for provincial agencies. As of fiscal 2019-20, compensation figures are reported as actuals, transitioning from rounded numbers reported in prior years.

2 Amounts shown represent LTIP awards incorporating business performance for the fiscal year. Incentive compensation is remunerated at the end of the four-year vesting period, and is paid in the following year it is earned. For further information on LTIP targets and awards, refer to “Estimated Long-Term Incentive Awards” table.

3 Amounts shown represent SEPP current service accruals in the plan. Pension benefits for SEPP are paid as the benefits come due. Accordingly, no pre-funding occurs with no assets set aside or placed into trust to meet future liabilities. SEPP financing costs are included in the pension expense as the present value of the accrued benefits of the SEPP. For further information on the present value of accrued benefits, refer to “SEPP Present Value of Accrued Benefits” table.

4 All other compensation consists of ATRF’s share of all employee benefits, contributions or payments made on behalf of employees, health plan coverage, statutory contributions, vacation payouts upon termination, pay in lieu of notice for terminated employees, and payout of vested long-term incentive upon termination. Investment management positions of CIO and Asset Class Heads were abolished at ATRF during the 2020-21 fiscal year. Outstanding LTIP grants of those employees vested as at their termination date and were paid as directed by the board.

5 Employment commenced September 2016. Mr. Smith was promoted to VP role May 2019.

6 Employment commenced November 2019 for Mr. Argimon and Mr. Chau.

7 Positions were abolished due to the legislated transfer of asset management to AIMCo.

8 Mr. Kim and Mr. Orom had one month of service in 2021-2022. Their salary, STIP, employer-paid benefits, and pension contributions for that period were $31,946 and $22,211 respectively and are included in the ‘All Other Compensation’ column, although the payments were made after the end of the fiscal year disclosure period.

ESTIMATED LONG-TERM INCENTIVE AWARDS

ATRF became subject to the RABCCA Regulation on July 8, 2020. Variable pay is prohibited under the RABCCA Regulation save a two-year transition period for existing staff. The Long-Term Incentive Plan will end at the conclusion of the transition period on July 7, 2022 and any outstanding grants will immediately vest and be paid as directed by the ATRF Board in 2022.

Due to the legislated transfer of investment management to AIMCo, Investment Management positions of CIO and Asset Class Head were abolished at ATRF. Outstanding LTIP grants of those employees vested as at their termination date and were paid as directed by the board, therefore, no estimated Long-Term Incentive Awards for those disclosed executives are included in the table on the next page.

The table on the next page shows the LTIP and estimated future payouts for the listed positions. The future value of the awards granted but not yet vested are estimated as at August 31, 2021, based on:

- Actual performance multipliers for fiscal years 2018-19, 2019-20, and the first half of 2020-2021, and as of March 1, 2021, proxy returns based on the previous rolling four-year average;
- Actual fund rates of return for fiscal years 2018-19, 2019-20, and the first half of 2020-2021, and as of March 1, 2021, proxy returns based on the previous rolling four-year average; and
- Effective March 1, 2021 until July 7, 2022, the board approved a change in performance measure from Total Fund to the ATRF Scorecard for the listed positions. Future values for the ATRF Scorecard are estimated at target of 1.5.

($ dollars, audited)

Name and Position	Fiscal Year of Grant	Award (Target Value)[1]	Maximum Value[2]	Estimated Future Values 2022[3]
Rod Matheson Chief Executive Officer	2021	$ 210,000	$ 630,000	$ 166,679
	2020	210,000	630,000	285,002
	2019	210,000	630,000	403,268
Derek Brodersen[5] Chief Investment Officer	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Gary Smith[4] Vice President, Fund Risk & Strategy	2021	108,000	324,000	85,721
	2020	108,000	324,000	146,573
	2019	94,000	282,000	180,510
Tino Argimon[5] Head, Real Estate	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Nelson Chau[5] Head, Portfolio Construction	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Charlie Kim[5] Head, Public Equities	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Kent Kirkpatrick[5] Co-Head, Private Equity	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Kevin McDowell[5] Co-Head, Private Equity	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Jason Munsch[5] Head, Infrastructure	2021	-	-	-
	2020	-	-	-
	2019	-	-	-
Darryl Orom[5] Head, Absolute Return Investments	2021	-	-	-
	2020	-	-	-
	2019	-	-	-

1 Represents the target value at the time of grant, assuming that the LTIP program is administered as designed. As ATRF is subject to the RABCCA Regulation, the plan will be administered with an end date of July 7, 2022. No award is payable if performance is below a threshold value-add hurdle.

2 Represents the maximum value payable at the end of the four-year vesting period, assuming that the LTIP program is administered as designed. As ATRF is subject to the RABCCA Regulation, the plan will be administered with an end date of July 7, 2022.

3 Estimated lump sum future value due to end of transition period of RABCCA Regulation on July 7, 2022. Estimated future values do not reflect the full four-year cycle and are pro-rated to July 7, 2022.

4 Promoted to VP role May 2019. Estimated awards for 2021 and 2022 are partially based on previous position.

5 Position was abolished due to the legislated transition of asset management to AIMCo. Outstanding LTIP grants vested on the employee's termination date and were paid as directed by the board.

SEPP PRESENT VALUE OF ACCRUED BENEFITS

The actuarial liabilities have been determined using the projected accrued benefit actuarial cost method pro-rated on service. This methodology measures the actuarial present value of future benefits based on projected average salary at the time of benefit commencement and which are directly related to service performed prior to the valuation date. The current service cost is also determined using the projected accrued benefit actuarial cost method, prorated on service.

The following table represents changes in the present value of accrued benefits in the year:

($ dollars, audited)

Name and Position	Present Value of Accrued Benefits at August 31, 2020	Current Service Accrual in Plan[1]	Interest Cost, Experience, and Assumption Changes	Present Value of Accrued Benefits at August 31, 2021[2]
Rod Matheson Chief Executive Officer	$ 393,629	$ 67,867	$ (30,230)	$ 431,266
Derek Brodersen Chief Investment Officer	1,306,951	62,236	94,913	1,464,100
Gary Smith Vice President, Fund Risk & Strategy	135,347	33,837	(21,770)	147,414
Tino Argimon Head, Real Estate	27,837	17,398	(501)	44,734
Nelson Chau Head, Portfolio Construction	18,562	21,268	(1,855)	37,975
Charlie Kim Head, Public Equities	418,820	34,902	(116,876)	336,846
Kent Kirkpatrick Co-Head, Private Equity	28,890	8,025	3,784	40,699
Kevin McDowell Co-Head, Private Equity	28,795	7,999	3,933	40,727
Jason Munsch Head, Infrastructure	22,270	5,155	(3,607)	23,818
Darryl Orom Head, Absolute Return Investments	7,597	1,899	7,057	16,553

[1] For positions that were abolished due to the legislated transfer of asset management to AIMCo, current service accrual is prorated to the employee's termination date, where applicable.

[2] For positions that were abolished due to the legislated transfer of asset management to AIMCo, present value of accrued benefits is prorated to the employee's termination date, where applicable.

SUCCESSION PLANNING

ATRF has short-term contingency plans and longer-term succession plans in place for the Chief Executive Officer and senior management. In identifying potential successors, the board and Chief Executive Officer consider ATRF's future business strategy, the core skills and experiences required to carry out this strategy, and the leadership abilities of individuals.

Due to the significant change to the ATRF organization as a result of the legislated transition of asset management to AIMCo, and in light of the RABCCA Regulation limits on compensation for the ATRF CEO, the committee and the board will be undertaking a fulsome review of the CEO succession plan in 2021-2022.

EXTERNAL CONSULTANTS

The HRCC is supported by independent, external human resources and compensation consultants that are retained by, and report directly to, the HRCC.

During the 2020-21 fiscal year, Hugessen Consulting was the HRCC's independent advisor. During that time, Hugessen assisted the HRCC in:

- Reviewing 2019-2020 executive and corporate performance results;
- Reviewing the CEO's 2020-21 performance goals;
- Reviewing ATRF's compensation disclosure;
- Addressing items related to the RABCCA Regulation, including performance measure changes to support incentive plan wrap-up; and
- Reviewing of the 2020-21 ATRF Scorecard objectives.

The HRCC reviews all fees, and the terms of consulting services provided by Hugessen; and, when making decisions, takes an independent view of all factors taking into consideration more than the information and recommendations provided by its compensation consultant or management.

The following table outlines the fees paid to Hugessen for the periods noted:

($ dollars, audited)

	Executive Compensation-Related Fees		All Other Fees	
Advisor	**2021**	**2020**	**2021**	**2020**
Hugessen Consulting	$118,944	$252,642	–	–

2021 FINANCIAL STATEMENTS

Photo: Karen Tang with students

MANAGEMENT RESPONSIBILITY

The financial statements of the Alberta Teachers' Retirement Fund Board and all information in the Annual Report are the responsibility of management, and have been approved by the board. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans. Where necessary, management has made informed judgments and estimates of the outcome of events and transactions, with due consideration to materiality. Financial and operating data presented in the Annual Report, where applicable, is consistent with the financial statements.

For the integrity of financial information included in this Annual Report, management relies on the organization's system of internal controls and supporting procedures. This system has been established to ensure within reasonable limits that assets are safeguarded, transactions are executed in accordance with management's authorization, and accounting records are properly maintained. Controls include high-quality standards for hiring and training employees, an organizational structure that provides a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines throughout the organization.

Ultimate responsibility for the financial statements rests with the board, which is assisted in its responsibilities by the staff and the Audit and Finance Committee. The Audit and Finance Committee of the board reviews the Auditor's Report and the financial statements, and recommends them for approval by the board. The Alberta Teachers' Retirement Fund Board's external auditor, the Auditor General, has conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as he considers necessary to express the opinion in his report. The Auditor General has full, unrestricted access to discuss the audit and related findings regarding the integrity of financial reporting, and the adequacy of internal control systems.

[Original signed by Rod Matheson]

Rod Matheson CPA, CMA, CFA, ICD.D
Chief Executive Officer

[Original signed by Myles Norton]

Myles Norton CPA, CMA, CFA
Vice President, Finance

INTERNAL CONTROLS OVER FINANCIAL REPORTING

ATRF business plans include action plans to enhance governance and management of internal control processes and systems. This is aimed to provide an appropriate level of due diligence and assurance in our internal controls, financial operations, reporting and information systems.

ATRF is not required by law or regulation to perform this annual evaluation. We have chosen to perform this evaluation and meet these standards as a part of our commitment to strong corporate governance and accountability.

The Chief Executive Officer and the Vice President, Finance are responsible for the design and maintenance of Internal Control over Financial Reporting, to provide reasonable assurance that it is reliable and that the preparation of the financial statements conforms with Canadian Accounting Standards for Pension Plans. They are also responsible for the design and maintenance of disclosure controls and procedures to provide reasonable assurance that all material information is gathered and reported to management on a timely basis.

We have completed the 2020-21 fiscal year evaluation of the effectiveness of our internal control over financial reporting and disclosure controls and procedures. Based upon the results of the evaluation, the Chief Executive Officer and Vice President, Finance have concluded that internal control over financial reporting and disclosure controls and procedures are properly designed and operated effectively throughout the year.

During the fiscal year, ATRF transferred management of its Private Investment assets and related control and reporting activities to AIMCo. ATRF performed various due-diligence activities and engaged with AIMCo's key stakeholders with responsibilities over financial reporting, risk management and internal controls. These activities and engagements provide ATRF with reasonable assurance that AIMCo's internal controls and disclosures regarding assets under management are reliable.

With the exception of the above change of controls regarding Private Investments to AIMCo, there was no significant changes were made in internal controls over financial reporting during the year ended August 31, 2021, that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT

Auditor General
OF ALBERTA

To the Alberta Teachers' Retirement Fund Board

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Teachers' Retirement Fund Board, which comprise the statement of financial position as at August 31, 2021, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alberta Teachers' Retirement Fund Board as at August 31, 2021, and the changes in net assets available for benefits and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

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

Other information

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

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing Alberta Teachers' Retirement Fund Board'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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alberta Teachers' Retirement Fund Board'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 Alberta Teachers' Retirement Fund Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Alberta Teachers' Retirement Fund Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]

W. Doug Wylie FCPA, FCMA, ICD.D
Auditor General

November 18, 2021
Edmonton, Alberta

ACTUARIES' OPINION

Aon has been engaged by the Alberta Teachers' Retirement Fund Board ("ATRF") to prepare actuarial valuations for the Teachers' Pension Plan and the Private School Teachers' Pension Plan (the "Plans") as at August 31, 2021. The purpose of these valuations is to determine the necessary actuarial information for financial statement reporting for the Plans in accordance with Section 4600 of the CPA Canada Handbook ("Section 4600").

Our valuations have been prepared based on:

- membership data provided by ATRF as at the most recent reported date by the respective employers, projected to August 31, 2021 and adjusted to reflect anticipated new hires as at September 1, 2021;
- asset data provided by ATRF as at August 31, 2021;
- assumptions that we understand have been adopted as ATRF management's best estimates; and
- actuarial cost methods and asset valuation methods that are in accordance Section 4600.

Based on the work we have performed, including conducting reasonability tests on the membership and asset data, we have concluded that, in our opinion:

- the data is sufficient and reliable for the purpose of the valuations;
- the assumptions adopted as best estimate by ATRF's management are appropriate for the purpose of the valuations;
- the actuarial cost methods and the asset valuation methods employed are appropriate for the purpose of the valuations; and
- the valuations conform with the requirements of Section 4600.

While the actuarial assumptions used to estimate the Plans' liabilities represent ATRF management's best estimate of future events and market conditions at August 31, 2021, the Plans' future experience will differ from the actuarial assumptions. Emerging experience differing from the assumptions will result in gains or losses that will be revealed in future valuations and will affect the financial position of the Plans.

Our opinions have been given, and our valuations have been performed, in accordance with accepted actuarial practice in Canada.

[Original signed by Brenda Prysko]

Brenda Prysko
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

[Original signed by Steve Windsor]

Steve Windsor
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

November 9, 2021

STATEMENT OF FINANCIAL POSITION

As at August 31 ($ Thousands)

	2021	2020
ASSETS		
Investments *(Note 3)*	$ 22,571,078	$ 20,041,210
Contributions receivable	16,165	17,319
Other assets	14,529	14,205
	22,601,772	20,072,734
LIABILITIES		
Investment related liabilities *(Note 3)*	210,331	729,949
Accounts payable and accrued liabilities *(Note 4)*	47,571	41,362
Other liabilities	2,210	3,191
	260,112	774,502
NET ASSETS AVAILABLE FOR BENEFITS *(Note 5)*	22,341,660	19,298,232
ACCRUED PENSION OBLIGATIONS *(Note 5)*	17,022,325	16,216,064
ACCOUNTING SURPLUS *(Note 5)*	**$ 5,319,335**	**$ 3,082,168**

The accompanying notes are part of these financial statements.

Approved by the ATRF Board

[Original signed by Sandra Johnston]

Sandra Johnston ICD.D, GPC.D
Chair

[Original signed by Tim Wiles]

Tim Wiles FCPA, FCA
Chair, Audit & Finance Committee

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended August 31 ($ Thousands)

	2021	2020
Net assets available for benefits, beginning of year	**$ 19,298,232**	**$ 18,136,022**
Investments		
Change in fair value of investments *(Note 6)*	2,802,398	763,293
Investment income *(Note 6)*	405,945	383,362
Investment expenses *(Note 7)*	(208,658)	(146,572)
Net Investments	2,999,685	1,000,083
Member services		
Contributions *(Note 8)*		
Teachers	403,406	422,379
The Province	381,680	397,937
Transfers from other plans	11,098	5,753
Private School Boards	2,709	2,755
	798,893	828,824
Member service expenses *(Note 7)*	(8,294)	(8,459)
Benefits paid *(Note 9)*	(746,856)	(658,238)
Net member services	43,743	162,127
Increase in net assets available for benefits	3,043,428	1,162,210
Net assets available for benefits, end of year	**$ 22,341,660**	**$ 19,298,232**

The accompanying notes are part of these financial statements.

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

For the Year Ended August 31 ($ Thousands)

	2021	2020
Accrued pension obligations, beginning of year	**$ 16,216,064**	**$ 14,687,924**
Increase (decrease) in accrued pension obligations		
Interest on accrued benefits *(Note 5)*	1,024,071	950,374
Benefits accrued *(Note 5)*	568,913	524,689
Changes in actuarial assumptions *(Note 5)*	175,877	819,564
Experience gains *(Note 5)*	(215,744)	(108,249)
Benefits paid *(Notes 5 and 9)*	(746,856)	(658,238)
	806,261	1,528,140
Accrued pension obligations, end of year *(Note 5)*	**$ 17,022,325**	**$ 16,216,064**

The accompanying notes are part of these financial statements.

Note 1 Description of ATRF and the plans

a) ATRF – nature of operations

The Alberta Teachers' Retirement Fund Board ("ATRF"), established in 1939, a corporation under the authority of the *Teachers' Pension Plans Act*, Chapter T-1, RSA 2000, is the trustee and administrator of the Teachers' Pension Plan and the Private School Teachers' Pension Plan (the "plans").

ATRF is responsible for establishing the plans' funding policy, setting contribution rates, establishing the Statement of Investment Policies & Goals ("SIP&G") for the plans' assets, and providing pension benefit administration services to the plan members and other stakeholders. The SIP&G describes policies that govern how ATRF's assets are to be invested. It defines the strategic asset allocation including well-defined asset categories, their performance benchmarks and risk profiles, and the long-term target proportion of total assets to be invested in each. The SIP&G also defines ATRF's tolerance for both total investment risk and for AIMCo's latitude in implementing these policies.

ATRF is governed by a board of directors. One-half of the board members are nominated by the Finance Minister of the Government of Alberta and one-half by the Alberta Teachers' Association.

The Reform of Agencies, Boards and Commissions and Government Enterprises Act, 2019 ("Bill 22") came into force on November 22, 2019, requiring ATRF to engage Alberta Investment Management Corporation ("AIMCo") as the exclusive provider of investment management services to ATRF in respect of the plans' assets, to enter into an investment management agreement with AIMCo by June 30, 2020 and to transition management of all assets to AIMCo by December 31, 2021. The transition of management of the plan's assets to AIMCo, along with transition of other operational resources and responsibilities began during the year ended August 31, 2021. Effective October 1, 2021, ATRF transitioned the responsibility for investment management of the plans' remaining assets to AIMCo.

b) The plans – general description

The plans are contributory defined benefit pension plans for all Alberta teachers employed in school jurisdictions and charter schools, as well as teachers employed by participating private schools. The plans are sponsored by the Government of Alberta and the Alberta Teachers' Association, as representatives of the plan members. These plan sponsors are responsible for plan design, benefits and funding arrangements, and share in plan gains and losses. Design of the plans' benefits is established by The *Teachers' and Private School Teachers' Pension Plan Regulation 203/1995, as amended* (the "Regulation").

The following descriptions of the plans and their key attributes are a summary only. Refer to the Regulation and the plans' text documents for a complete description of the plans' benefits and obligations. Unless otherwise stated, all terms not defined below have the meaning ascribed to them in the plans' documents.

Note 1 Description of ATRF and the plans (continued)

c) Obligations relating to the period before September 1992

The Teachers' Pension Plan's assets and obligations related to pensionable service after August 31, 1992 (the "post-1992 period") have been accounted for separately from the assets and obligations related to pensionable service prior to September 1, 1992 (the "pre-1992 period") and, accordingly, these financial statements and notes include only post-1992 period transactions of the Teachers' Pension Plan and transactions of the Private School Teachers' Pension Plan.

Effective September 1, 2009, the Province of Alberta (the "Province") assumed full responsibility for obligations related to the Teachers' Pension Plan pre-1992 period pensionable service and provides the required amounts to ATRF to pay the obligations on a monthly basis (Note 9).

d) Contributions

The determination of the value of the benefits and the required contributions for the plans is made on the basis of periodic actuarial valuations.

All teachers under contract with school jurisdictions and charter schools in Alberta are required to contribute to the Teachers' Pension Plan. Current service costs and related deficiencies are funded by equal contributions from the Province and the teachers. A component of the post-1992 contributions includes a cost-of-living adjustment ("COLA"), equating to 70% of the increase to the Alberta Consumer Price Index ("ACPI"). Teachers and the Province equally contribute to fund the COLA of 60% of the ACPI, with the additional COLA of 10% of the ACPI fully funded by the teachers.

Certain other designated organizations in Alberta also participate in the Teachers' Pension Plan under the same funding arrangements, except these organizations make the employer contributions rather than the Province.

Certain private schools participate in the Private School Teachers' Pension Plan. The structure for plan costs and related deficiencies are funded in equal contributions from the employers and the teachers. Similar to the Teachers' Pension Plan above, the teachers and the Province equally contribute to fund the COLA of 60% of the ACPI, with the additional COLA of 10% of the ACPI fully funded by the teachers.

Note 1 Description of ATRF and the plans (continued)

The contribution rates for fiscal years ended August 31 are as follows:

	Teachers' Pension Plan		Private School Teachers' Pension Plan	
	2021	2020	**2021**	2020
Up to YMPE[1]	9.76%	10.17%	8.50%	8.76%
Above YMPE	13.94%	14.52%	12.15%	12.52%
Total Teachers' Contribution	11.34%	11.92%	9.95%	10.27%
Total Government/Employer Contribution	10.87%	11.29%	9.51%	9.73%

[1] YMPE: Yearly Maximum Pensionable Earnings used by the Canada Pension Plan (2021: $61,600; 2020: $58,700)

e) Retirement pensions

Retirement pensions are based on the number of years of pensionable service and the average salary of the last highest five consecutive years. Pensions are payable to teachers who retire after completion of at least five years of pensionable service, with certain restrictions, and who have attained age 65. Unreduced pensions are also payable to teachers who have reached at least age 55 and the sum of their age and service equals at least 85. With certain restrictions, reduced pensions are payable to teachers who retire at or after age 55 with a minimum of five years of pensionable service.

f) Disability benefits

Teachers who are disabled after August 31, 1992 are credited with pensionable service while disabled. Teachers do not contribute to the plans while disabled.

g) Termination benefits

Refunds or commuted value transfers are available when a teacher ceases employment, subject to certain restrictions. Inactive members with a minimum of five years of pensionable service, subject to certain restrictions, have the option to defer their entitlement in the plans and receive a pension when they retire.

h) Death benefits

Death benefits are available upon the death of a teacher and may be available upon the death of a pensioner, depending on the pension option selected by the pensioner at the time of retirement. The benefit may take the form of a lump sum payment or a survivor pension.

i) Service purchases and transfers

Purchase of past service, such as substitute teaching service, employer-approved leaves, and reinstatement of refunded service is allowed on a basis that is cost neutral to the plans.

Note 1 Description of ATRF and the plans (continued)

The plans have Reciprocal Transfer Agreements with all other provincial teachers' pension plans, the Alberta public sector pension plans, and the Government of Canada Public Service Pension Plan. These agreements authorize the transfer of pensionable service and related obligations and assets in accordance with the terms of the reciprocal transfer agreement between the participating organizations.

j) COLA

Deferred pensions and pensions payable for the portion of pension earned after 1992 are increased each year by a COLA equal to 70% of the increase in the ACPI.

k) Income taxes

The plans are registered pension plans as defined in the *Income Tax Act* (registration number 0359125) and are not subject to income taxes in Canada. The plans may be subject to taxes in other jurisdictions where full tax exemptions are not available.

Note 2 Summary of Significant Accounting Policies

a) Basis of presentation

The statements present the aggregate financial position of the plans. These financial statements are prepared in accordance with Canadian accounting standards for pension plans. Section 4600 –Pension Plans, of the CPA Canada Handbook, prescribes accounting policies specific to investments and pension obligations. For accounting policies which do not relate to either investments or pension obligations, International Financial Reporting Standards ("IFRS") are applied. To the extent that IFRS are inconsistent with Section 4600, Section 4600 takes precedence.

All of the entities that ATRF has an ownership interest in, regardless of whether ATRF can control or exercise significant influence, are considered to be investment assets and are presented on a non-consolidated basis.

b) Valuation of investments

Investments, investment-related receivables, and investment-related liabilities are recognized on a trade date basis and are stated at fair value.

Fair value is the price at which an investment asset would be sold or investment liability transferred through an orderly transaction between market participants at the measurement date under current market conditions.

Note 2 Summary of Significant Accounting Policies (continued)

Fair values of investments, including those transferred into segregated accounts managed by AIMCo during the year as described in Note 3, are determined as follows:

CATEGORY	BASIS OF VALUATION
Money-market securities	Cost plus accrued interest approximates fair value due to the short-term nature of these securities.
Bonds and debentures	Closing quoted market price. Where quoted prices are not available, estimated values are calculated using discounted cash flows based on current market yields for comparable securities.
Public equity and REITS	Closing quoted market price. Where a market price is not available, market value is determined using appropriate valuation methods.
Private equity/Infrastructure	Private equity/Infrastructure investments are held through limited partnerships, investment funds, and/or other appropriate legal structures alongside our investment managers. Fair value is determined based on carrying values and other relevant information reported by the investment managers using accepted valuation methods and adjusted for any transactions during the interim period up to the reporting date of these financial statements.
Absolute return	Absolute return funds are recorded at fair value, as reported by the investment managers.
Real estate	Real estate investments are held directly, through limited partnerships, investment funds, and/or other appropriate legal structures alongside our investment managers. Fair value for direct investments is determined using independent appraisals conducted every year. Investments held through funds are valued using carrying values reported by the investment managers with similar accepted industry valuation methods.
Bond repurchase agreement	Bonds sold under repurchase agreement are recorded at cost plus accrued interest, which approximates fair value.
Derivatives	Market prices are used for exchange-traded derivatives. Where quoted market prices are not readily available, in the case of over-the-counter ("OTC") derivatives, appropriate valuation techniques are used to determine fair value.

Note 2 Summary of Significant Accounting Policies (continued)

i) FAIR VALUE HIERACHY

All financial instruments measured at fair value are categorized into one of the following three hierarchy levels. Each level reflects the availability of observable inputs which are used to determine fair values, based on financial information significant to the valuation measurement.

Level 1: Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value is based on market data other than quoted prices included in Level 1 that are observable either directly or indirectly.

Level 3: Fair value is based on inputs other than observable market data.

c) Investment income

Income is recognized as follows:

CATEGORY	BASIS OF RECOGNITION
Interest income	Accrual basis
Dividend income	Accrual basis on the ex-dividend date
Income from real estate, private equity, and infrastructure	Income includes distributions recognized as interest income, dividend income or other income, as appropriate
Realized gains and losses on investments	Difference between proceeds on disposal and the average cost
Unrealized gains and losses on investments	Change in the difference between estimated fair value and the average cost

d) Investment expenses

Investment expenses, including those relating to portfolio transaction costs (incremental costs attributable to the acquisition and disposition of investment assets or liabilities), investment personnel and operations, oversight and governance, are accrued and expensed in the fiscal period as incurred.

External investment performance fees are earned by AIMCo and other external investment managers for earning returns in excess of pre-determined thresholds. Fees earned by AIMCo and external managers in the fiscal period are expensed.

Note 2 Summary of Significant Accounting Policies (continued)

e) Foreign currency translation

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

f) Contributions

Contributions from the teachers, the Province and the employers are recorded on an accrual basis. Cash received from teachers for credited service and cash transfers from other pension plans are recorded when received.

g) Benefits

Pension benefits, termination benefits, and transfers to other plans are recorded in the period in which they are paid. Any benefit payment accruals not paid are reflected in accrued pension benefits.

h) Accrued pension obligations

The value of accrued pension obligations and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries annually as at August 31. The valuation uses the projected benefit method, pro-rated on service, and includes management's best estimate of various future events, as at the valuation date (Note 5).

i) Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives. Costs net of accumulated amortization are included with 'Other assets' on the Statement of Financial Position.

j) Use of estimates

The preparation of financial statements, in conformity with Canadian accounting standards for pension plans, requires management to make estimates and assumptions in circumstances where the actual values are unknown. Uncertainty in determination of the amount that is reported in the financial statements is known as measurement uncertainty.

Measurement uncertainty exists in the calculation of the plans' actuarial value of accrued benefits. Uncertainty arises because the plans' actual experience may differ significantly from assumptions used in the calculation of the plans' accrued benefits.

Significant estimates and assumptions are made in measuring the plans' private investments, which include considerations such as impacts of COVID-19. The values may differ significantly from the values that would have been used had a ready market existed for these investments.

Note 2 Summary of Significant Accounting Policies (continued)

k) Salaries and benefits

Details of executives' compensation are presented in the Compensation Discussion and Analysis section of the Annual Report.

ATRF participates in the Local Authorities Pension Plan, a defined benefit public sector pension plan, which meets the accounting requirements for treatment as a defined contribution plan. The employer contributions are recorded as an expense.

ATRF provides a Supplementary Employee Pension Plan (SEPP) to executives and certain eligible managers whose earnings exceed the pension benefit limit under the *Income Tax Act* regulations. Benefits are paid to these members as the benefits come due. No assets are earmarked, set aside, or placed into trust by ATRF for SEPP benefit payments. The pension benefit is recorded as an expense and as a liability.

l) Accounting surplus

For financial statement reporting purposes, the plans' surplus or deficiency is based on the difference between the fair value of the plans' net assets available for benefits and the accrued pension obligation.

Note 3 Investments

Pursuant to Bill 22, ATRF began to transition the responsibility for investment management of the plans' assets to AIMCo during the fiscal year. Management of the infrastructure assets transitioned effective February 1, 2021 and management of the private equity and real estate assets transitioned effective March 1, 2021. No investment gains or losses were realized in connection with the transitions.

The private assets transitioned to AIMCo's management are administered by AIMCo in separate accounts, segregated for administrative and custodial purposes from the multi-client investment pool structures that other AIMCo-managed assets are invested in. Additional capital invested in these asset classes post-transition may be invested in the same segregated accounts if they are related to transitioned assets or may be invested in appropriate multi-client investment pool structures.

Note 3 Investments (continued)

The following schedule summarizes the fair value of the plans' investments before allocating the market exposure related to derivative financial instruments. Investments assets and liabilities are presented within the fair value hierarchy as defined in Note 2 b).

($ Thousands)

	Fair Value			2021	2020
	Level 1	Level 2	Level 3	Total	Total
Fixed Income					
Cash	$ 185,969	$ –	$ –	$ 185,969	$ 128,515
Money-market securities	–	94,153	–	94,153	593,839
Bonds and debentures	–	4,036,342	92,506	4,128,848	4,067,204
	185,969	4,130,495	92,506	4,408,970	4,789,558
Equity					
Public	8,463,268	–	–	8,463,268	6,805,000
Private	–	–	2,732,983	2,732,983	2,099,945
	8,463,268	–	2,732,983	11,196,251	8,904,945
Absolute return	–	–	2,150,158	2,150,158	1,873,240
Real estate	10,023	–	2,698,699	2,708,722	2,665,451
Infrastructure	–	–	1,872,208	1,872,208	1,544,835
	10,023	–	4,570,907	4,580,930	4,210,286
Investment related assets					
Due from brokers	129,150	–	–	129,150	58,809
Accrued income	18,002	–	–	18,002	11,589
Unrealized gains and amounts receivable on derivative contracts	33,306	54,311	–	87,617	192,783
	180,458	54,311	–	234,769	263,181
INVESTMENT ASSETS	8,839,718	4,184,806	9,546,554	22,571,078	20,041,210
Investment related liabilities					
Due to brokers	80,022	–	–	80,022	50,175
Bond repurchase agreements	–	33,313	–	33,313	644,512
Unrealized losses and amounts payable on derivative contracts	8,436	88,560	–	96,996	35,262
INVESTMENT LIABILITIES	88,458	121,873	–	210,331	729,949
NET INVESTMENTS	$ 8,751,260	$ 4,062,933	$ 9,546,554	$ 22,360,747	$ 19,311,261

As at August 31, 2021, ATRF's investments in fixed income, public equity, and absolute return asset classes, including associated investment-related assets and liabilities, remained under direct investment management of ATRF, refer to Note 1 a).

Note 3 Investments (continued)

The following table represents a reconciliation of financial instruments included in Level 3 of the fair value hierarchy for the year ended August 31, 2021:

($ Thousands)

	Fair Value, August 31, 2020	Purchases	Sales	Realized Gain/(Loss)	Unrealized Gain/(Loss)	**Fair Value, August 31, 2021**
Bonds and debentures	$ 114,051	$ –	$ (22,098)	$ –	$ 553	$ 92,506
Private equity	2,099,945	906,390	(1,114,934)	328,899	512,683	2,732,983
Absolute return	1,873,240	213,661	(55,582)	(15,702)	134,541	2,150,158
Real estate	2,665,451	524,972	(617,385)	170,825	(45,164)	2,698,699
Infrastructure	1,544,835	350,096	(142,962)	31,555	88,684	1,872,208
	$ 8,297,522	$1,995,119	$(1,952,961)	$ 515,577	$ 691,297	$ 9,546,554

Note 4 Accounts Payable and Accrued Liabilities

($ Thousands)

	2021	2020
Accounts payable	$ 15,507	$ 14,244
Tax withholdings	13,872	13,271
Incentive plans payable	7,071	6,268
Supplementary Employee Pension Plan	5,542	6,056
Long-Term Incentive Plan	2,883	1,523
Contributions due to the Province	2,696	–
	$ 47,571	$ 41,362

Note 5 Accrued Pension Obligations

Pension obligations represent the value of accrued pension benefits payable in the future to members and are based on an actuarial valuation by an independent firm of actuaries. Separate valuations are performed for accounting purposes and for funding purposes. The accrued pension obligation for funding purposes was determined using the valuation methodology described in Note 5 d).

For accounting purposes, actuarial valuations of the plans were performed as at August 31, 2021 (and as at August 31, 2020). The accrued pension obligation reflected in the Statement of Financial Position represents the present value of the accrued pension obligations of $17,022 million (2020: $16,216 million), which was determined using the projected accrued benefit actuarial cost method prorated on service.

Note 5 Accrued Pension Obligations (continued)

a) Best-estimate valuations and assumptions

The assumptions used in the valuations are based on past experience, as analyzed by the plans' actuary, and management's best estimate of future events and involve rates of demographic change, such as rates of mortality, termination of membership and retirement, as well as economic parameters, such as rates of inflation, discount rates, and salary escalation rates.

The discount rate is equivalent to the long-term expected rate of return on invested assets.

The major long-term economic assumptions used in the best-estimate valuations are:

	2021	2020
Rate of return on invested assets (discount rate)	6.25%	6.35%
Rate of inflation	2.00%	2.00%
Real wage increases	0.75%	0.75%

b) Sensitivity of changes in major assumptions on best-estimate valuations

For illustrative purposes, the table below shows the impact of changes in major assumptions, holding all other assumptions constant:

	Teachers' Pension Plan		**Private School Teachers' Pension Plan**	
	0.5% decrease in rate of return on invested assets	0.5% increase in rate of inflation	0.5% decrease in rate of return on invested assets	0.5% increase in rate of inflation
Increase in current service costs (% of total teacher salaries)	2.0%	1.5%	2.1%	1.6%
Increase in accrued pension obligations	$1,408 million	$1,014 million	$7 million	$5 million

For accounting purposes, and using best-estimate financial statement valuation assumptions, as at August 31, 2021, the current service cost (excluding 0.2% for administrative expenses) as a percent of total teacher salaries for the Teachers' Pension Plan is 15.6% and for the Private School Teachers' Pension Plan is 16.0%. The financial statement valuation's current service cost may differ from the current service cost calculated using the funding valuation assumptions for funding purposes.

Note 5 Accrued Pension Obligations (continued)

c) Results based on valuations

For accounting purposes, the excess of net assets available for benefits against pension obligations results in the plans being an accounting surplus of $5,285 million for the post-1992 period of the Teachers' Pension Plan and an accounting surplus of $35 million for the Private School Teachers' Pension Plan as at August 31, 2021.

($ Thousands)

	2021			2020		
	Teachers' Pension Plan	**Private Teachers' Plan**	**TOTAL**	Teachers' Pension Plan	Private Teachers' Plan	TOTAL
Net assets at beginning of year	$19,199,969	$ 98,263	$19,298,232	$18,045,104	$ 90,918	$18,136,022
Investment earnings	3,192,007	16,336	3,208,343	1,140,907	5,748	1,146,655
Contributions	793,520	5,373	798,893	823,347	5,477	828,824
Investment and member service expenses	(215,847)	(1,105)	(216,952)	(154,254)	(777)	(155,031)
Benefits	(742,504)	(4,352)	(746,856)	(655,135)	(3,103)	(658,238)
Net assets at end of year	22,227,145	114,515	22,341,660	19,199,969	98,263	19,298,232
Accrued pension obligations at beginning of year	16,140,937	75,127	16,216,064	14,619,963	67,961	14,687,924
Interest on accrued benefits	1,019,297	4,774	1,024,071	945,921	4,453	950,374
Benefits accrued	564,463	4,450	568,913	520,480	4,209	524,689
Changes in actuarial assumptions	175,104	773	175,877	816,399	3,165	819,564
Experience gains	(214,921)	(823)	(215,744)	(106,691)	(1,558)	(108,249)
Benefits paid	(742,504)	(4,352)	(746,856)	(655,135)	(3,103)	(658,238)
Actuarial value of accrued pension obligations at end of year	16,942,376	79,949	17,022,325	16,140,937	75,127	16,216,064
Accounting surplus	$5,284,769	$ 34,566	$ 5,319,335	$ 3,059,032	$ 23,136	$ 3,082,168

The change in pension obligations is comprised of five components:

i) INTEREST ON ACCRUED BENEFITS

Pension obligations increase with interest as the present value of the valuation is evaluated one year later. The interest on accrued benefits is calculated using the rate of return on invested assets.

Note 5 Accrued Pension Obligations (continued)

ii) BENEFITS ACCRUED

Pension obligations increase with new service credited and additional benefits accumulated by plan members during the fiscal year.

iii) EXPERIENCE GAINS

Experience gains of $216 million (2020: Experience gains of $108 million) on accrued benefits are the result of actual experience from one valuation to the next being different than implied by the assumptions from the previous valuation. As the experience is more favorable than anticipated in the assumptions, this results in an experience gain. Experience gains decrease the pension obligations.

The following table provides details on the net gains on accrued benefits.

($ Thousands)

	TPP	PSTPP	Total
Short-term salary increase	$ (253,062)	$ (950)	$ (254,012)
COLA	(41,031)	(182)	(41,213)
Demographic	77,139	699	77,838
Other plan experience	2,033	(390)	1,643
Experience gains	$ (214,921)	$ (823)	$ (215,744)

iv) CHANGES IN ACTUARIAL ASSUMPTIONS

Pension obligations can increase or decrease if there are changes in actuarial assumptions used to evaluate the present value of benefits.

The assumption changes from August 31, 2020 to August 31, 2021 include changes to demographic and economic assumptions. The impact of the assumption changes on the accrued benefits is shown in the following table.

($ Thousands)

	TPP	PSTPP	Total
Demographic	$ (22,180)	$ (154)	$ (22,334)
Economic	197,284	927	198,211
Total assumption changes	$ 175,104	$ 773	$ 175,877

v) BENEFITS PAID

The pension obligations decrease with benefits paid from the plans during the fiscal year, as the funds are no longer required to be set aside to pay for those benefits.

Note 5 Accrued Pension Obligations (continued)

d) Valuation methodologies

ATRF engages an independent actuary to perform two different actuarial valuations of the plans: one for accounting purposes, which is performed in compliance with the prescribed accounting standards; the second for funding purposes, which is performed in compliance with the prescribed professional and regulatory standards, as discussed in the funding section of the Annual Report.

The plans' accounting surplus or deficiency includes the determination of assets on a fair value basis. However, for actuarial funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the plans' funded status. The funding valuation is calculated in accordance with actuarial standards on a going concern basis and is used to determine changes to contribution rates for future service in order to manage the plans' funding status. Both types of valuations have prescribed uses and are based on the same underlying plan member data, but the funding valuation differs by smoothing market returns over a five-year period and incorporating a margin for adverse deviation in the pension obligations and current service costs.

In accordance with the *Teachers' Pension Plans Act*, an actuarial funding valuation is required to be performed, at a minimum, every three years. The objective is to ensure that the plans are fully funded over the long term through the management of investments and contribution rates. Investments are based on an asset mix that is designed to enable the plans to meet their long-term funding requirement within an acceptable level of risk, consistent with the plans' investment and funding policies, which are approved by the board. The actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by August 31, 2027. For further information, refer to funding section of the Annual Report.

Note 6 Investment Earnings

The following is a summary of investment earnings by asset class:

($ Thousands)

	2021			2020		
	Investment Income	**Change in Fair Value[1]**	**Total**	Investment Income	Change in Fair Value[2]	Total
Fixed income						
Cash and money-market securities	$ 4,712	$ 30	$ 4,742	$ 11,236	$ (72)	$ 11,164
Bonds and debentures	85,454	(175,086)	(89,632)	70,814	156,235	227,049
Equity						
Public	141,679	1,655,160	1,796,839	158,266	281,705	439,971
Private	88,567	841,582	930,149	23,234	129,310	152,544
Absolute return	–	118,839	118,839	57	43,706	43,763
Real estate	53,054	125,661	178,715	61,818	68,331	130,149
Infrastructure	32,479	120,239	152,718	57,937	86,685	144,622
Derivatives	–	115,973	115,973	–	(2,607)	(2,607)
	$ 405,945	$ 2,802,398	$3,208,343	$ 383,362	$ 763,293	$1,146,655

[1] 2021 change in fair value includes a realized net gain of $1,415,708 and an unrealized net gain of $1,386,690.

[2] 2020 change in fair value includes a realized net gain of $462,258 and an unrealized net gain of $301,035.

Note 7 Investment and Member Service Expenses

a) Investment expenses

($ Thousands)

	2021	2020
ATRF		
Investment management and oversight	$ 25,721	$ 30,880
Investment performance	3,947	252
	29,668	31,132
AIMCo[1]		
Investment management	7,834	–
Investment performance	1,429	–
	9,263	–
Third party external managers[2]		
ATRF managed accounts		
Investment management fees	71,593	90,666
Investment performance fees	23,477	24,774
	95,070	115,440
AIMCo managed accounts cost recoveries		
Investment management fees	35,592	–
Investment performance fees	39,065	–
	74,657	–
	169,727	115,440
	$ 208,658	$ 146,572

[1] AIMCo charges investment expenses to ATRF on a cost-recovery basis. Amounts recovered include external administration costs, employee salaries, incentive and performance-related benefits, and overhead costs.

[2] ATRF engages external managers for several public and private asset mandates. When investment management for infrastructure assets, then private equity and real estate assets, was transitioned to AIMCo (effective February 1, 2021 and March 1, 2021, respectively), the associated private asset external manager arrangements were also transitioned to AIMCo.

b) Member service expenses

($ Thousands)

	2021	2020
ATRF internal benefit administration and oversight	$ 8,294	$ 8,459

Member service expenses include ATRF's direct costs for pension services such as salaries and benefits of pension team members, plan administration, actuarial services, technology, and governance and oversight costs. It also includes indirect costs for operations such as premises and other corporate operations.

Note 8 Contributions

($ Thousands)

	2021	2020
Teachers		
Current service	$ 326,792	$ 320,022
Current service additional 10% of COLA	13,046	17,547
Past service	4,529	4,773
Deficiency	59,039	80,037
	403,406	422,379
The Province		
Current service	323,806	319,810
Past service	2,394	2,032
Deficiency	55,480	76,095
	381,680	397,937
Transfers from other plans	11,098	5,753
Private School Boards		
Current service	2,699	2,739
Deficiency	10	16
	2,709	2,755
	$ 798,893	$ 828,824

Note 9 Benefits Paid

($ Thousands)

	2021	2020
Pension benefits	$ 564,012	$ 518,912
Termination benefits	169,039	130,008
Transfers to other plans	13,805	9,318
	$ 746,856	$ 658,238

During the year $494 million (2020: $489 million) was received from the Province and was distributed as benefits paid relating to the pre-1992 period.

Note 10 Investment Risk Management

The plans are exposed to certain financial risks as a result of investment activities. These risks include market risk, credit risk, and liquidity risk. ATRF manages financial risk through the SIP&G, which is approved by the board and reviewed at least once every fiscal year, and other related investment management policies. These policies contain risk limits and risk management provisions that govern investment decisions and have been designed to achieve the mandate of ATRF which is to prudently invest the assets of the plans and set contribution rates with the objective of maintaining full funding over the long term at a cost and risk level acceptable to the sponsors.

a) Market risk

Market risk is the risk that the fair value or future cash flows of an investment asset or investment liability will fluctuate because of changes in market factors such as foreign exchange rates, interest rates, equity, and commodity prices. ATRF mitigates market risk through diversification of investments across asset types, geography, and time horizons. Market risk is comprised of the following:

i) CURRENCY RISK

Currency risk is the risk that the value of foreign investments will be affected by changes in foreign currency exchange rates for Canadian dollars. The plans are exposed to currency risk through holdings of investment assets or liabilities in foreign currencies. The relative Canadian value or future cash flows of investments denominated in foreign currencies will change with a change in the price of Canadian dollar against other currencies.

Foreign investments in absolute return, real estate, and infrastructure are hedged with the aim of minimizing foreign currency exposure. ATRF permits portfolio managers to hedge foreign currency holdings to limit the plans' foreign currency exposure.

The plans' foreign currency exposure is as follows:

($ Thousands)

	2021				2020			
Currency	**Foreign Currency Exposure**	**Currency Derivatives**	**Net Foreign Currency Exposure**	**% of Total**	Foreign Currency Exposure	Currency Derivatives	Net Foreign Currency Exposure	% of Total
United States Dollar	$7,360,670	$(3,781,679)	$3,578,991	50%	$5,956,131	$(3,470,043)	$2,486,088	46%
Euro	1,636,952	(848,521)	788,431	11	1,296,616	(689,550)	607,066	11
Japanese Yen	262,352	298,804	561,156	8	165,003	307,682	472,685	9
Hong Kong Dollar	465,177	(49)	465,128	7	459,937	(57,536)	402,401	7
British Pound Sterling	752,204	(356,130)	396,074	6	759,556	(430,916)	328,640	6
Indian Rupee	264,670	–	264,670	4	192,664	–	192,664	4
Other	1,146,401	(77,497)	1,068,904	14	873,323	78,887	952,210	17
	$11,888,426	$(4,765,072)	$7,123,354	100%	$9,703,230	$(4,261,476)	$5,441,754	100%

The net foreign currency exposure of its underlying investments represents 32% (2020: 28%) of the plans' total investments.

Note 10 Investment Risk Management (continued)

After considering the effect of currency hedges, a 5% increase/decrease in the value of the Canadian dollar against all currencies, with all other variables held constant, would result in an approximate decrease/increase in the value of net foreign investments of $356 million as at August 31, 2021 (2020: $272 million).

ii) INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of an investment will fluctuate as a result of changes in market interest rates. The plans are exposed to interest rate risk through fixed-rate and floating-rate securities. There are also certain alternative investments which may have interest rate components exposing them to interest rate risk. Changes in interest rates affect fair values of fixed-rate securities and the cash flows of floating-rate securities. Increases in interest rates will generally decrease the fair value of fixed-rate securities and increase cash flow from floating-rate notes.

ATRF manages interest rate risk for investments by establishing a target asset mix that provides an appropriate mix between interest-sensitive investments and those subject to other risks. A portion of the interest-sensitive portfolio is actively managed, allowing managers to anticipate interest rate movements to mitigate or take advantage of interest rate changes.

Interest rate risk sensitivity

The following table presents the approximate increase/decrease in market value for the plans' interest rate sensitive investments, assuming a parallel 1% decrease/increase in interest rates, with all other variables held constant:

($ Thousands)

	2021			2020		
Term to Maturity	**Market Value**	**Change in Market Value**	**Market Value % of Total**	Market Value	Change in Market Value	Market Value % of Total
Less than 1 year	$ 149,179	$ 175	4%	$ 761,443	$ 1,758	16%
1-3 years	311,488	6,410	7	212,612	3,845	5
3-5 years	429,175	16,303	10	321,129	11,673	7
5-10 years	620,680	43,478	15	876,348	54,741	19
Greater than 10 years	2,619,954	421,091	62	2,375,460	382,126	51
Other[1]	92,525	–	2	114,051	–	2
	$4,223,001	$ 487,457	100%	$4,661,043	$ 454,143	100%

[1] Includes externally managed private debt investments and holdings for which term to maturity information is not available or modified duration could not be calculated.

The interest rate sensitive assets represent 19% (2020: 24%) of the plans' total investments.

Note 10 Investment Risk Management (continued)

iii) EQUITY PRICE RISK

Equity price risk is the risk that the fair value of an investment will fluctuate as a result of changes in equity market prices (other than those arising from interest-rate risk or currency risk), whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market.

The plans use geographic, sector, and entity specific analyses, and strategies such as diversification and derivative instruments to mitigate the overall impact of price risk.

A 10% increase/decrease in the value of the overall public equity market, with all other variables held constant, would result in an approximate increase/decrease in the value of public-market exposure of $880 million (2020: $694 million).

b) Credit risk

Credit risk is the potential of loss should a counterparty fail to meet its contractual obligations, or a reduction in the value of assets due to deteriorated credit quality of the counterparty, guarantor, or the collateral supporting the credit exposure. The plans are exposed to credit risk through investment in fixed income investments, securities lending, and balances receivable from sponsors and counterparties.

To mitigate this risk, investment restrictions within the plans have been set to limit the credit exposure to security issuers. Short-term investments require a rating of “R-1” or equivalent. Bonds or debentures require minimum ratings of “CCC” or equivalent in the externally managed portfolios and “BBB” for the portfolios managed internally. Unrated private debt investments are required to meet the rating criteria comparable to a “BBB” rating. Credit exposure to any single counterparty is limited to maximum amounts and minimum ratings as specified in the investment policies and guidelines.

As at August 31, 2021, fixed-income investments exposed to credit risk, by credit rating, are as follows:

($ Thousands)

	2021		2020	
	Market Value	**% of Total**	Market Value	% of Total
Investment grade (AAA to BBB-)	$ 4,120,342	98%	$ 4,526,674	97%
Speculative grade (BB+ or lower)	2,482	0	11,804	0
Unrated	100,177	2	122,565	3
	$ 4,223,001	100%	$ 4,661,043	100%

Note 10 Investment Risk Management (continued)

As at August 31, 2021, the plans have significant concentration of credit risk within fixed-income investments with the following issuers:

($ Thousands)

	2021		2020	
	Market Value	% of Total	Market Value	% of Total
Province of Ontario	$ 850,212	20%	$ 764,522	16%
Government of Canada	604,496	14	607,170	13
Province of Quebec	583,398	14	521,023	11

The plans are also exposed to risk through over-the-counter ("OTC") derivative transactions, arising from a default or insolvency of a counterparty.

The plans mitigate counterparty credit risk by using an internal credit-limit monitoring process, International Swaps and Derivatives Master Agreements ("ISDAs"), and/or Credit Support Annexes ("CSAs") with our counterparties. An ISDA allows for close-out netting privileges in the event of default, while a CSA enables the plans to realize upon any collateral placed with it in the case of default of the counterparty. As at August 31, 2021, the plans hold $nil million (2020: $11 million) of collateral to mitigate its credit risk exposure for forwards. The net credit exposure for forwards is $54 million (2020: $142 million).

The plans have exposure to OTC derivatives as follows:

($ Thousands)

	2021	2020
Forwards	$ 53,578	$ 152,576
Swaps	492	–
Options	241	5,440
	$ 54,311	$ 158,016

c) Liquidity risk

Liquidity risk is the risk of the plans being unable to generate sufficient cash in a timely and cost-effective manner to meet commitments and expenses as they become due. Consideration is given to the plans' financial liabilities, which include investment-related liabilities (Note 3), accrued pension obligations (Note 5), and contracts that give rise to commitments for future payments (Note 11).

Note 10 Investment Risk Management (continued)

The investment-related liabilities are due within one year as follows:

($ Thousands)

	2021	2020
Due to brokers	$ 80,022	$ 50,175
Derivative instruments	96,996	35,262
Bonds repurchase agreements	33,313	644,512
	$ 210,331	$ 729,949

Liquidity requirements of the plans are met through income generated from investments, employee and employer contributions which substantially exceed benefits payable, and by holding publicly traded liquid assets in active markets that are easily sold and converted to cash.

The following table presents the liquid assets at the year ended August 31:

($ Thousands)

	2021	2020
Cash	$ 185,969	$ 128,515
Money-market securities	94,153	593,839
Bonds and debentures	4,036,342	3,953,153
Public equities	8,463,268	6,805,000
	$ 12,779,732	$ 11,480,507

ATRF aims to ensure sufficient liquidity to meet the plans' obligations while maintaining the agility for suitable investment opportunities and/or rebalancing the investment portfolios to target levels.

Note 11 Commitments

The plans have committed to fund certain private investments over the next several years. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each commitment. As at August 31, 2021, the sum of these commitments equalled $1,706 million (2020: $1,672 million).

Note 12 Net Investment Returns And Related Benchmark Returns

Net investment returns and related benchmark returns for the plans for the years ended August 31 are as follows:

	2021	2020
Net investment return	15.6%	5.5%
Benchmark return	13.8%	7.3%

Investment return has been calculated using a time-weighted rate of return methodology in accordance with industry standard methods. Net investment return is net of investment costs and excludes plan member service costs $8.3 million or 0.04% (2020: $8.5 million or 0.04%).

The plans' benchmark return is a composite benchmark produced by aggregating returns from each policy asset class benchmark, using the plans' asset mix policy weights.

Note 13 Reclassification

Certain prior year figures have been reclassified for current year's presentation.

Note 14 Approval of Financial Statements

These financial statements were approved by the ATRF Board on November 18, 2021.

10-Year Financial and Statistical Review

Unaudited

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Financial position as at August 31 *($ Millions)*										
Investments										
Fixed income	4,409	4,790	4,701	4,277	3,640	3,040	3,249	2,981	2,629	2,464
Public equity	8,463	6,805	6,358	6,140	5,609	5,350	4,873	4,860	4,627	3,822
Private equity	2,733	2,100	1,883	1,538	1,398	1,196	1,146	855	592	359
Absolute return	2,150	1,873	1,672	1,511	1,340	1,280	1,298	865	–	–
Real estate	2,709	2,665	2,737	2,389	1,940	1,518	1,090	726	446	335
Infrastructure	1,872	1,545	1,260	1,076	952	947	544	405	278	187
Other investment assets/(liabilities)	25	(467)	(467)	(368)	(114)	30	(119)	30	15	24
Net investments	**22,361**	**19,311**	**18,144**	**16,563**	**14,765**	**13,361**	**12,081**	**10,722**	**8,587**	**7,191**
Contributions receivable	16	17	26	20	26	26	19	21	20	17
Other assets and liabilities	(35)	(30)	(34)	(32)	(23)	(30)	(31)	(26)	(26)	(14)
Net assets available for benefits	**22,342**	**19,298**	**18,136**	**16,551**	**14,768**	**13,357**	**12,069**	**10,717**	**8,581**	**7,194**
Actuarial value of accrued pension obligations	17,022	16,216	14,688	13,854	12,863	12,118	11,281	10,191	9,406	9,109
Surplus / (deficiency)	**5,320**	**3,082**	**3,448**	**2,697**	**1,905**	**1,239**	**788**	**526**	**(825)**	**(1,915)**
Change in net assets and pension obligations for the year ended August 31 *($ Millions)*										
Member service and investment operations										
Investment earnings	3,208	1,146	1,471	1,569	1,154	920	969	1,717	1,025	512
Contributions	799	829	844	871	849	882	843	824	692	596
Benefits paid	(747)	(658)	(558)	(509)	(459)	(421)	(378)	(337)	(291)	(221)
Investment & member service expenses	(217)	(155)	(172)	(147)	(134)	(94)	(81)	(68)	(39)	(28)
Increase in net assets	**3,043**	**1,162**	**1,585**	**1,784**	**1,410**	**1,287**	**1,353**	**2,136**	**1,387**	**859**
Increase in accrued pension obligations	806	1,528	834	992	744	837	1,091	784	298	814
Increase (decrease) in surplus	**2,237**	**(366)**	**751**	**792**	**666**	**450**	**262**	**1,352**	**1,089**	**45**
Funding:										
Discount rate										
Post-1992 TPP*	4.90%	5.15%	5.15%	5.20%	5.40%	6.00%	6.00%	6.25%	6.25%	6.75%
Private School TPP*	4.90%	5.00%	5.10%	5.30%	5.40%	6.00%	6.00%	6.25%	6.25%	6.75%
Funding shortfall/(surplus) *($ Millions)*										
Post-1992 TPP*	322	711	863	1,186	1,516	1,950	2,364	2,289	2,859	2,880
Private School TPP*	(7)	(2)	(2)	(2)	1	4	6	6	9	8
	315	709	861	1,184	1,517	1,954	2,370	2,295	2,868	2,888
Plan members										
Active	42,186	41,701	42,278	41,746	40,716	41,015	39,997	39,185	38,346	38,336
Inactive	11,833	12,116	11,847	11,758	11,997	12,102	12,252	12,411	12,364	12,404
Retired members	30,582	29,851	29,108	28,241	27,625	27,015	26,308	25,545	24,667	23,892
Number of new pensions	1,105	1,147	1,180	1,089	1,171	1,074	1,080	1,214	1,131	1,234
Member service costs (per member)	**$114**	**$118**	**$120**	**$111**	**$97**	**$90**	**$87**	**$87**	**$87**	**$82**
Benchmark	**$167**	**$174**	**$156**	**$150**	**$150**	**$149**	**$149**	**$153**	**$148**	**$145**
Post 1992 TPP* - year ended August 31										
Net investment returns	15.6%	5.5%	7.8%	9.6%	7.7%	6.7%	8.3%	18.9%	13.6%	7.5%
Benchmark	13.8%	7.3%	6.4%	8.5%	7.0%	6.6%	6.5%	18.4%	11.5%	6.3%

Note: Amounts relate to transactions of post-1992 Teachers' Pension Plan and of the Private School Teachers' Pension Plan.

* Teachers' Pension Plan (TPP)

Alberta Teachers' Retirement Fund

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