2023
ANNUAL REPORT

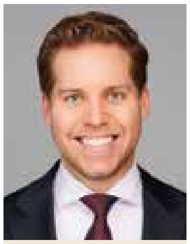
TRAF

Teachers' Retirement Allowances Fund

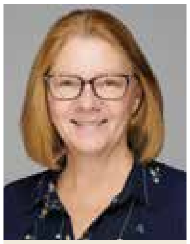
Mission Statement

We commit ourselves to:

- Manage the funds entrusted to our care in a prudent and professional manner;
- Provide caring and responsive service to our members; and
- Provide timely and accurate information to stakeholders.



MICHAEL KURTAS
Associate Portfolio Manager



ARLENE LABOSSIERE
Teacher Records Specialist

The *Brenda Venuto Award for Outstanding Member Service* recognizes TRAF employees who exemplify the commitment to outstanding service that became the standard under Brenda Venuto's leadership during her 36-year career with TRAF. The award was established in 2018 to mark the occasion of Brenda's retirement.

In 2023, there were two recipients: Michael Kurtas, Associate Portfolio Manager, and Arlene Labossiere, Teacher Records Specialist. Colleagues noted that Michael has a strong work ethic and positive attitude. Michael consistently holds himself to a high standard, producing research and recommendations that are thorough and precise. In her 16-year career leading up to her retirement in February 2024, Arlene reviewed countless monthly data batches, processed records at term finalization and prepared member files for benefit calculations. She also maintained close relationships with school divisions to ensure she and the Member Records team received the most accurate member data in a timely manner.

We congratulate Michael and Arlene on receiving the *Brenda Venuto Award for Outstanding Member Service,* a well-deserved achievement.

TRAF's office is located at The Forks, a national historic site and traditional meeting place at the junction of the Red and Assiniboine Rivers.

We acknowledge and respect that we are on Treaty 1 Territory, part of the traditional lands of many First Nations and the homeland of the Métis Nation. We further recognize that we serve the teachers of Manitoba who live and work on Treaties 1, 2, 3, 4 and 5 Territory and in communities that are signatories to Treaties 6 and 10.

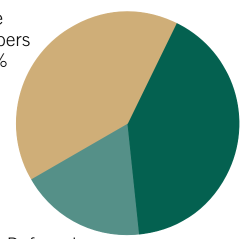
CONTENTS

Overview

The Teachers' Retirement Allowances Fund (TRAF) administers the defined benefit pension plan for public school teachers in Manitoba. In 2023, 533 new pensions were processed, bringing the total number of retired members to 16,768. TRAF also manages the assets that support the plan, which, as at December 31, 2023, stood at $8.6 billion.

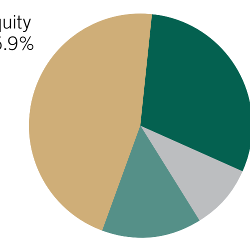
MEMBERSHIP

	2023	2022
Active Members	**16,547**	16,346
Retired Members	**16,768**	16,520
Deferred Members	**7,407**	7,421
Total	**40,722**	40,287



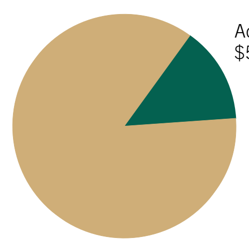
ASSET ALLOCATION

	Target (%)	Actual (%)
Fixed Income	**30.0**	30.0
Equity	**46.0**	45.9
Real Estate	**14.0**	14.5
Infrastructure	**10.0**	9.6
Total	**100.0**	100.0

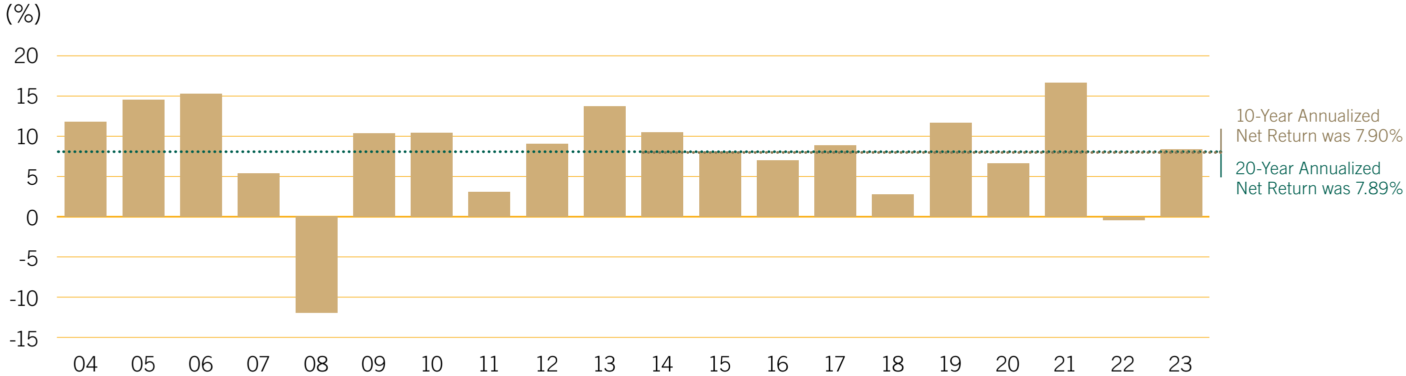


EXPENSE METRICS

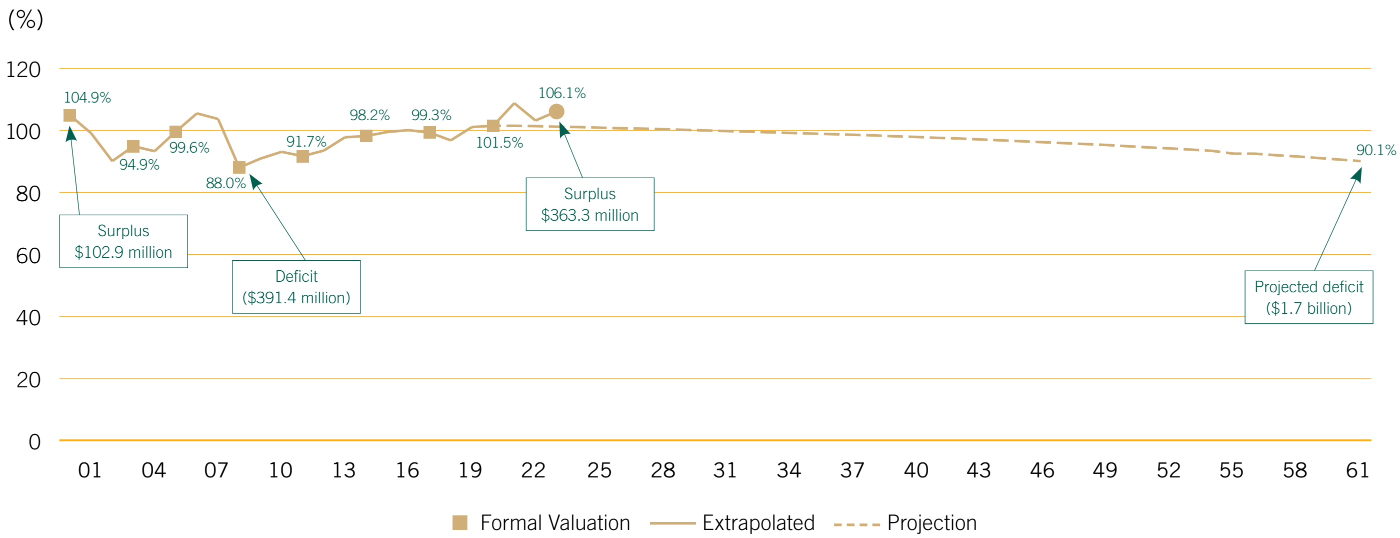
	2023	2022
Administrative Cost per Member	**$ 155**	$ 151
Investment Costs per $100 of Assets	**$ 0.39**	$ 0.38



NET INVESTMENT RETURN

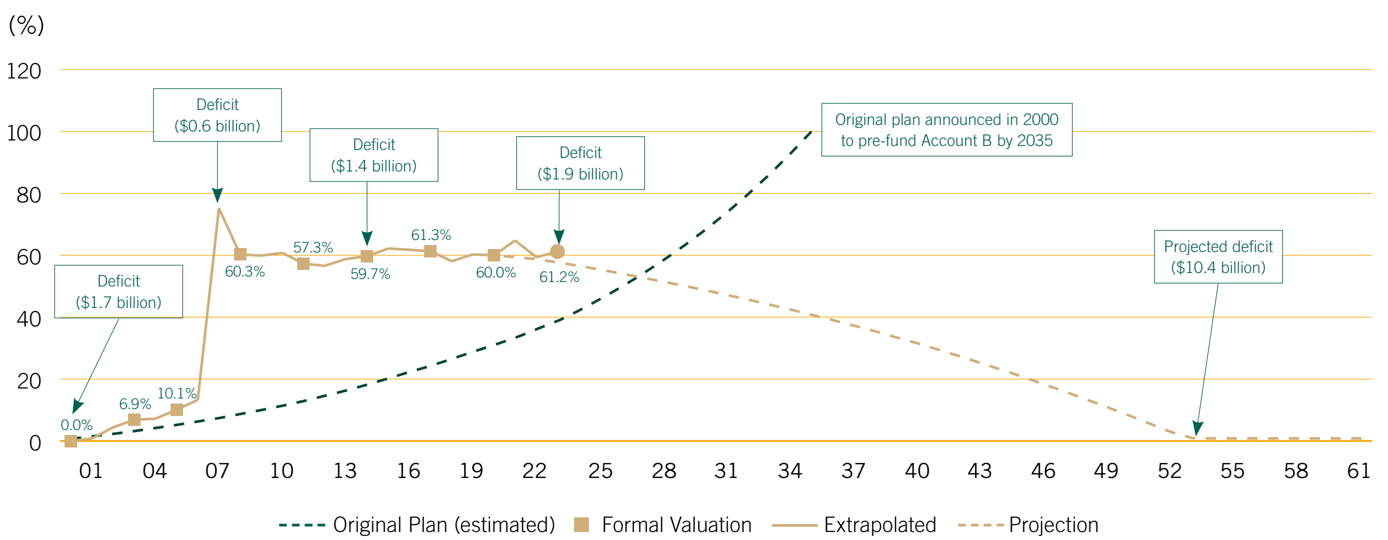


ACCOUNT A STATUS – HISTORICAL & PROJECTED[1]



[1] Includes accrued and future assets and liabilities, but excludes the Pension Adjustment Account.

ACCOUNT B STATUS – HISTORICAL & PROJECTED[1]



[1] Includes only accrued assets and liabilities for both base pensions and cost of living adjustments. Assumes that the Province of Manitoba will continue to make contributions to Account B in an amount equal to the aggregate member contributions to Account A. Currently, contributions to Account B are made at the discretion of the Province of Manitoba. This funding arrangement will revert to pay-as-you-go when Account B is depleted, which is projected to occur in 2053.

Message from the Chair

While the TRAF pension plan continues to be administered on an efficient and cost-effective basis, the sustainability issues remain. The Board is therefore continuing its efforts to fully inform members and stakeholders of the issues so that the corrective action required will be based on a solid understanding of the prior decisions that have brought us to the current situation.

BRYTON MOEN | CHAIR

SUSTAINABILITY

The Board continues to focus on the long-term sustainability of the plan. This is required to fulfill our fiduciary duty to members.

There are two general ways for a pension plan to be funded – one is to "pre-fund" the future benefit. Under this model, a plan is designed to always have on hand the funds required to support all pension amounts earned to date. In other words, the plan is – by design – sustainable. Absent unforeseen events, the current assets, together with the expected investment return, will be adequate to fund the future pension payments. This is how the members' 50% share of the TRAF plan (represented by Account A) is funded. As such, this account is generally considered sustainable.

The other way to fund a pension plan is known as "pay-as-you-go." Under this model, the pension liabilities are not funded in advance. Rather, the sponsor pays the pensions as they become due. In the case of TRAF, the 50% share that is the responsibility of the Province of Manitoba (represented by Account B) is structurally designed under the legislation governing the plan to be pay-as-you-go. In the Board's view, this may not be sustainable as the unfunded liability is projected to increase to over $10 billion within the next 30 years. At minimum, the odds of future funding challenges are materially higher under the pay-as-you-go model.

However, even if the stakeholders are comfortable with funding a $10 billion liability on a pay-as-you-go basis (which is projected to require contributions from the Province of almost $50 million per month in 2053), that would not be fiscally prudent. The reason is that any unfunded liability in Account B is the economic equivalent of a loan from TRAF with an interest rate equal to the expected return on assets held in Account A. That rate is typically higher than the Province's cost of funds (i.e., the rate at which the Province can borrow funds). Accordingly, it is a more expensive loan. It is somewhat similar to paying a high credit card interest rate when less expensive financing may be readily available.

Given this reality, the benefits of pre-funding have been recognized and acted on by virtually every other public sector pension plan in Canada. Where necessary, plan sponsors will consider borrowing funds at a lower rate to pay off the higher interest debt. Indeed, in 2000, the Province of Manitoba introduced a plan to do this. The stated objective was to pre-fund Account B by 2035. The plan was actually accelerated, with the funded ratio of Account B reaching 75% in 2007. As with any long-term strategy, it was acknowledged that there will be ups and downs, in this case related to the annual investment returns achieved. In some years, the return will be less than the borrowing costs. This was recognized and expressly stated by the Province of Manitoba at the time the funding program was launched. Notwithstanding the possibility (or even likelihood) of periodic losses over the long term, the Province was confident that the cost of borrowing would, in aggregate, be lower than the corresponding investment return.

We believe that this was a correct approach in 2007, and remains a correct approach today. In addition to general capital market assumptions (both in 2007 and now), under which a globally diversified, multi-asset portfolio is expected to outperform provincial borrowing costs, TRAF has the actual experience of the $1.5 billion that was borrowed by the Province in 2007. At the end of 2023, it is estimated that the net contribution, after borrowing costs, was in excess of $500 million. In other words, the investment earnings credited to the Province's account on the borrowed funds exceeded the assumed borrowing costs by over $500 million. That is meaningful.

However, the Province paused the structured program to fund Account B in 2007 concurrent with the financial crisis, and it has not been reactivated (other than two ad hoc contributions in 2015 and 2023). The funded ratio of Account B has accordingly declined to approximately 60% and, as mentioned above, this decline is projected to accelerate and hit nil by 2053. The shortfall will increase from about $1.9 billion today to over $10 billion by 2053. Given this situation, the Board has been consistently encouraging the Province to take action and reactivate the structured funding program. We believe that it makes sense for all stakeholders, and time is of the essence.

The Board is encouraged by recent developments. Specifically, the Province has in place a working group to review the issues around provincially funded pension plans, including TRAF. We are aware that in 2023 the working group engaged an external actuary to assist with its consideration of the issues and desired course of action. We also had a productive briefing session with the Minister of Education and Early Childhood Learning, the Honourable Nello Altomare, on December 19, 2023. We are confident that the issues are well understood, and serious consideration will be given to the Board's suggestions around the benefits of pre-funding Account B. We expect that the working group will reach a similar conclusion regarding the benefits of borrowing to pre-fund the Province's existing pension obligations.

The Board will continue to actively pursue this important matter and report on the developments.

BOARD MEMBERSHIP

We had some turnover on the Board in 2023. Specifically, The Manitoba Teachers' Society (MTS) made two changes to its nominees, with Nathan Martindale succeeding James Bedford as Vice Chair of the Board, and Lillian Klausen replacing Tammy Hodgins-Rector. Mr. Bedford served as Vice Chair of the Board for approximately four years, and chaired both the Governance and Human Resources Committees. His departure generally coincided with the conclusion of his time as President of MTS. We very much enjoyed and appreciated Mr. Bedford's thoughtful and balanced approach to all issues considered by the Board. Ms. Hodgins-Rector served on the Board since early 2015 and brought the perspective of an active teacher to the Board's deliberations. Ms. Hodgins-Rector also served on the Governance and Audit and Risk Committees. Her practical observations and insights on how members would likely see things were always welcomed.

We look forward to getting to know Mr. Martindale and Ms. Klausen better, and benefiting from their respective talents and experiences.

As reported last year, *The Teachers' Pensions Act* (TPA) was amended in 2022 to increase the number of Board members from seven to nine. One of the additional members was to be appointed from a list of nominees submitted by the Retired Teachers' Association of Manitoba (RTAM). Dave Najduch was nominated by RTAM and appointed to the Board on June 7, 2023. We welcome Mr. Najduch to the Board and look forward to his contributions.

While the ninth seat on the Board remained open at the end of 2023, I am pleased to report that, effective April 10, 2024, the Province appointed Mr. Bedford to this position. The Board welcomes Mr. Bedford back to the Board and looks forward to his future contributions.

COMMITTEE MEMBERSHIP

As a result of the above changes on the Board, as well as a general desire to rotate membership, the Board adjusted committee assignments in 2023. Mr. Martindale is now the Chair of the Governance Committee, and Glen Anderson has assumed this role for the Human Resources Committee. Myrna Wiebe continues as Chair of the Investment Committee, and Brenda Tobac similarly continues in that role for the Audit and Risk Committee. Please refer to the "Governance" section of this report for information on our committees and the members that serve on such committees.

As the Board increasingly relies on recommendations from the committees, we appreciate the crucial time and effort that all members put into the work of these committees.

COMPENSATION

Last year, I reported that the Board, on the recommendation of the Human Resources Committee, engaged Global Governance Advisors to review both the incentive compensation program as well as the compensation outcomes for the President & Chief Executive Officer. This is important, as compensation is a key factor in the recruitment, retention and motivation of the individuals required for organizational success. TRAF's approach is to provide competitive base salaries along with reasonable incentive compensation opportunities upon the achievement of well-defined and pre-determined performance objectives. While plan performance has been strong and the Board believes that the program has been successful since its launch in 2016, an independent assessment was desired. This review was substantially completed by the Human Resources Committee in 2023, and a report to the Board, together with certain recommendations, was made in early 2024. While it was concluded that the incentive compensation program is in line with industry standards, some minor adjustments were made. It was also agreed that the Human Resources Committee would review the program no less frequently than every four years and, if considered necessary or desirable, arrange for an independent external review.

Please refer to the "Compensation" section of this report for additional details on the incentive compensation program.

ACKNOWLEDGMENTS

On behalf of the Board, I extend our gratitude to TRAF staff for their expertise and commitment to their work. TRAF's success is a result of the collective efforts of all involved. Everyone – from Board members, committee members, management and staff – contributes in meaningful ways. These efforts are noticed and appreciated.

Bryton Moen
Chair

Message from the President & CEO

TRAF delivered strong investment results in 2023. Notably, our investment return exceeded the actuarial rate for the eighth time in the last 10 years. The extrapolated funded status of Account A improved over the course of 2023 by approximately $176 million to a surplus of just over $363 million at the end of the year. Conversely, Account B continues to be an issue, with its deficit sitting at approximately $1.9 billion at the end of 2023.

JEFF NORTON | PRESIDENT & CHIEF EXECUTIVE OFFICER

INVESTMENT PERFORMANCE

After a rare negative absolute return year in 2022, our investment portfolio rebounded strongly in 2023, delivering a net return of 8.34%. This return is in line with our long-term net returns of 7.90% over 10 years and 7.89% over 20 years. We are very proud of this strong and consistent performance, but our focus is on continuing this into the future. While we are confident that our current portfolio is positioned to serve us well going forward, we will continue to refine this portfolio based on evolving market conditions.

FUNDED STATUS

The TRAF plan has two distinct components – Account A, the members' account, and Account B, the Province of Manitoba account. Each has its own funded status. Account A finished 2023 with a funded ratio of 106.1%, which is up from the last formal valuation as at January 1, 2021, when the level was 101.5%. We are generally pleased with Account A, as the funded ratio is within the Board's targeted range of 100% to 110%. In fact, the funded ratio of Account A is the highest it has been since it was established in 1963. However, this ratio is largely due to the strong long-term investment results discussed above. The continued reliance on excess investment returns will require careful consideration by the stakeholders following the next formal valuation, which is scheduled for 2024. Based on current assumptions, the funded ratio remains projected to trend lower absent higher member contributions or lower benefits.

Account B is funded to a much lower level. At the end of 2023, it was 61.2% funded on an accrued basis, which was roughly the same as at the beginning of 2021, when the level was 60.0%. As this is a material issue for the future of the plan, the Board has devoted significant time and attention to this situation. The Board recently commissioned a report from the plan actuary. While the primary message is consistent with the Board's recent communications, the report expands the discussion and presents a compelling case for the Province of Manitoba to address the growing funding shortfall on a timely basis. Further details of the plan actuary's conclusions are summarized in this annual report, and the full document can be accessed on our website.

MEMBER DEMOGRAPHICS

The TRAF pension plan was established in 1925, which makes it a "mature" pension plan. This maturity is reflected in the fact that TRAF now has more retired members drawing a pension than active members making contributions to the plan. Specifically, at the end of 2023, the 16,768 retired members outnumbered the 16,547 active members by 221. We project that this gap will increase over the long term.

While this situation is not necessarily problematic regarding the sustainability of the plan, it does cause us to be somewhat more conservative in our investment strategy. This is because it would be difficult to recover from any significant funding shortfalls through increases in the member contribution rate. This is an accepted limitation of a mature pension plan like TRAF. The investment strategy has to offer meaningful protection against material draw-downs. While we cannot eliminate this risk, we have structured our investment portfolio with this in mind. The primary strategy is an increasing amount of diversification.

MEMBER SERVICES

One of our top priorities is to provide our members with timely and accurate information. How we deliver this information evolves over time, largely as a result of technological advances such as the internet. While the internet and our website have facilitated the delivery of information previously sent by mail, member meetings were still in person. However, as you know, the pandemic required many in-person services to move online. This proved to be very efficient and this online option has remained. In 2023, our Member Services Specialists held 166 member meetings by Zoom. This represented just under 25% of all member meetings.

In addition to providing more flexibility for all members, this delivery method makes our services more accessible for those members who live greater distances from our office.

Our Member Services team continues to score very well on member surveys. In fact, 100% of members surveyed in 2023 after their appointment agreed or strongly agreed that our staff was very prepared, thoroughly answered their questions and explained things well. We will strive to maintain this perfect score in 2024 and beyond.

COST OF LIVING ADJUSTMENTS

The cost of living adjustment (COLA) to be granted on July 1, 2024, which is based on 2023 activity, has been determined to be 2.20%. The grant in 2023 was 1.50%. As you know, each of these grants is lower than the corresponding level of inflation.

The amount of COLA provided by TRAF is not directly related to inflation. The only connection to inflation is that the COLA amount cannot exceed the corresponding inflation. The COLA amount is largely determined by member contribution amounts and the investment earnings on the assets in the Pension Adjustment Account.

As previously reported, we currently project that future COLA will be less than 1% per annum. This projection is not impacted by the level of inflation. Accordingly, if future inflation averages over 1%, we can confirm with a high degree of certainty that TRAF pensions will lose purchasing power over time. The amount of such loss will be a function of inflation, but the general situation should not be a surprise to any member. We encourage all members considering retirement to carefully factor in this reality. To assist, we developed various models and presented them in the Spring 2022 newsletters, which we encourage all members to read.

ACKNOWLEDGMENTS

I would like to acknowledge the tremendous commitment and dedication of our employees who work hard to make TRAF a successful organization. As we continue to grow, and the issues that we face become increasingly complex, our staff always rises to the occasion and provides the information and guidance that our members and stakeholders require.

As we enter our 99th year of operation, TRAF is well positioned to build on our track record of success.

Finally, we acknowledge your interest in reading this report. While this report is comprehensive and covers all relevant issues, we encourage you to contact us if you have any specific questions.

Jeff Norton
President & Chief Executive Officer

Governance

Although day-to-day operations are carried out by staff under the direction of the President & CEO, the TRAF Board is ultimately responsible for governing the organization by, among other things, developing internal policies and managing external relations with stakeholders. In 2023, the Board continued to promote action by the Province of Manitoba to address the sustainability of the plan.

ANNUAL BRIEFING SESSION

While the Board is not responsible for policy decisions regarding contribution rates or benefit levels, it does play an important role in communicating timely and accurate information to support the decision-making process. To this end, the Board has developed a formal process to ensure that this occurs on a structured basis each year.

On December 19, 2023, the Chair and the Vice Chair, together with members of TRAF's management and the plan actuary, met with representatives of The Manitoba Teachers' Society (MTS) and the Province, including the Minister of Education and Early Childhood Learning and the Deputy Minister of Finance. The meeting focused on the current status of the plan, with a particular focus on the funding of Account B.

STRATEGIC PLAN

Under its Terms of Reference, the Board is responsible for the overall strategic direction of the organization and addressing all matters of policy. This includes developing TRAF's strategic initiatives and documenting them in a strategic plan. In 2023, the Board worked with management to develop an updated strategic plan for the next three years (2024 to 2026).

The strategic plan describes the overall objectives and specific action items for each key area, including sustainability, governance, risk management, stakeholder relations and member services. We look forward to reporting on these initiatives as they are completed over the next three years.

BOARD MEMBERS

DAVE NAJDUCH • BRENDA TOBAC • GLEN ANDERSON • BRYTON MOEN, Chair • NATHAN MARTINDALE, Vice Chair • MYRNA WIEBE • NIKE BELLO • LILLIAN KLAUSEN

BOARD COMMITTEES

Governance Committee

The Governance Committee (GC) regularly evaluates TRAF's governance structure, including the related policies and procedures, and makes recommendations for improvements to the Board. The GC also periodically arranges for TRAF's governance practices to be benchmarked against industry standards.

Members

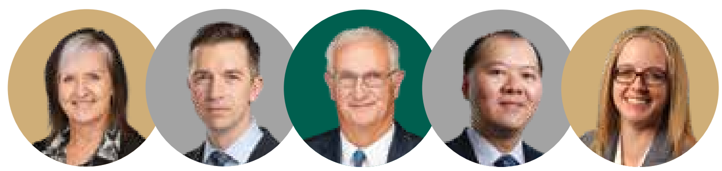
- Nathan Martindale, Chair
- Brenda Tobac
- Myrna Wiebe
- Bryton Moen, Ex-officio Member

Investment Committee

The Investment Committee assists the Board in maintaining the Statement of Investment Policies & Procedures, setting asset allocation and performance benchmarks, overseeing the selection of investment managers and monitoring investment performance.

Members

- Myrna Wiebe, Chair
- Silvester Komlodi, Provincial Representative[1]
- Glen Anderson, Teacher Representative
- Shiu-Yik Au, External Member[1]
- Debbie Rehn Doyle, External Member[1]

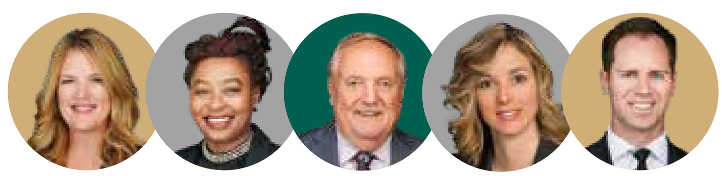


Audit and Risk Committee

The Audit and Risk Committee assists the Board in discharging its oversight responsibilities related to the quality and integrity of financial reporting and enterprise risk management, including internal controls and fraud detection and prevention.

Members

- Brenda Tobac, Chair
- Nike Bello
- Dave Najduch
- Lauren Tolton, External Member[1]
- Bryton Moen, Ex-officio Member



Human Resources Committee

The Human Resources Committee (HRC) assists the Board in maintaining and managing the employment relationship with the President & Chief Executive Officer (CEO) and regularly reviewing the incentive compensation program. The HRC also works directly with the CEO on broader human resources issues such as succession planning.

Members

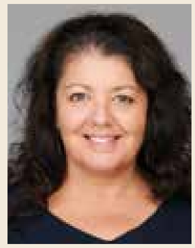
- Glen Anderson, Chair
- Bryton Moen
- Lillian Klausen

[1] These individuals are not on the Board but serve on the noted committees alongside Board members.

NEW BOARD AND COMMITTEE MEMBERS

NATHAN MARTINDALE
BOARD VICE CHAIR

Nathan Martindale is the President of The Manitoba Teachers' Society (MTS). He previously served as the Vice President of MTS and as the Vice President and President of the Winnipeg Teachers' Association. Before that, he taught in the Winnipeg School Division. He was appointed Vice Chair of the Board on July 5, 2023. Mr. Martindale also serves as Chair of the Governance Committee.

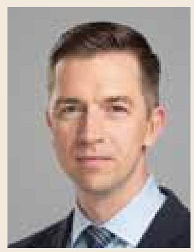


LILLIAN KLAUSEN
BOARD MEMBER

Lillian Klausen is the President of the Éducatrices et éducateurs francophones du Manitoba. Ms. Klausen serves on The Manitoba Teachers' Society Group Benefits Standing Committee and the Manitoba Public School Employees Benefits Trust Committee. She was appointed to the Board as a nominee of MTS on June 7, 2023.

DAVE NAJDUCH
BOARD MEMBER

Dave Najduch is a former President of the Winnipeg Teachers' Association and had a 38-year teaching career in Birtle, Manitoba and the Winnipeg School Division before retiring in 2019. He was appointed to the Board as a nominee of the Retired Teachers' Association of Manitoba on June 7, 2023.



SILVESTER KOMLODI
INVESTMENT COMMITTEE MEMBER

Silvester Komlodi became the Deputy Minister of the Department of Finance on March 27, 2023, and was appointed Acting Deputy Minister of Intergovernmental Affairs on September 5, 2023. He joined the Investment Committee on March 31, 2023.

BOARD MEMBER EDUCATION

While Board members bring knowledge and experience to their position on the Board from their professional backgrounds, TRAF is committed to ensuring that all Board members are provided with educational opportunities to acquire new skills and expand their knowledge in areas that are particularly important when overseeing TRAF's operations.

TRAF has a Board Member Education Policy to assist Board members in developing an education plan and identifying relevant external educational opportunities. In addition, staff conducts regular internal education sessions for the Board, including an in-depth orientation session when new Board members are appointed or when they join a new committee. Also, in 2023, the Governance Committee arranged for a governance professional to present to the Board on key considerations and challenges within pension governance, meeting effectiveness, decision-making and overall board culture.

WHISTLEBLOWER DISCLOSURE

TRAF is subject to *The Public Interest Disclosure (Whistleblower Protection) Act*. Among other obligations, TRAF is required to report any disclosures made under this legislation. No disclosures were made in 2023.

MEETING ATTENDANCE

The table below shows the number of meetings attended by each Board and committee member in 2023 relative to the total number of meetings that could have been attended. Aggregate Board and committee attendance in 2023 was 95.8%, up from 92.4% in 2022.

Board Members	Appointed	Board	Joint Board and Investment Committee	Governance Committee	Audit and Risk Committee	Human Resources Committee
Bryton Moen	January 17, 2018	6 of 6	3 of 4	n/a	n/a	5 of 5
Nathan Martindale[1,2]	July 5, 2023	3 of 3	2 of 2	n/a	n/a	n/a
Glen Anderson[2,3]	April 30, 2014	6 of 6	4 of 4	n/a	n/a	5 of 5
Myrna Wiebe[1]	January 17, 2018	6 of 6	4 of 4	n/a	n/a	n/a
Brenda Tobac	January 17, 2018	6 of 6	4 of 4	2 of 2	3 of 3	n/a
Nike Bello	January 17, 2018	6 of 6	4 of 4	n/a	3 of 3	n/a
Lillian Klausen[2,4]	June 7, 2023	4 of 4	2 of 2	n/a	n/a	2 of 2
Dave Najduch[5,6]	June 7, 2023	4 of 4	2 of 2	n/a	2 of 2	n/a
James Bedford[2,7]	December 4, 2019	2 of 2	2 of 2	2 of 2	1 of 1	2 of 2
Tammy Hodgins-Rector[2,8]	January 1, 2015	2 of 2	0 of 2	1 of 2	n/a	n/a
Committee Members						
Silvester Komlodi	March 31, 2023	n/a	2 of 3	n/a	n/a	n/a
Shiu-Yik Au	February 24, 2020	n/a	4 of 4	n/a	n/a	n/a
Debbie Rehn Doyle	January 1, 2021	n/a	4 of 4	n/a	n/a	n/a
Lauren Tolton	June 15, 2020	n/a	n/a	n/a	3 of 3	n/a
Don Delisle[9]	May 20, 2021	n/a	1 of 1	n/a	n/a	n/a

1 Appointed to the Governance Committee on September 25, 2023.
2 MTS nominee.
3 Glen Anderson previously served on the Board from October 17, 2001, to August 2, 2011.
4 Appointed to the Human Resources Committee on September 25, 2023.
5 RTAM nominee.
6 Appointed to the Audit and Risk Committee on September 25, 2023.
7 Ceased as a Board member on June 7, 2023.
8 Ceased as a Board member on July 5, 2023.
9 Ceased as a member of the Investment Committee on March 31, 2023.

MANAGEMENT

KAELY ZETTEL, General Counsel & Corporate Secretary • JENNIFER RYAN, Vice President, Communications & Human Resources • BRAD PROKOP, Chief Operating Officer • JEFF NORTON, President & Chief Executive Officer • GRAEME HAY, Chief Investment Officer • JEREMY TATARYN, Vice President, Finance • DAVID ASSELSTINE, Executive Vice President, Chief Risk Officer

Member Services

Consistent with our prior projections, the number of retired members continues to exceed the number of active members. With 533 new pensions processed during 2023, the total number of retired members ended the year at 16,768 while our active membership count was at 16,547. As illustrated in the chart at the bottom of this page, the demographic shift is expected to continue.

BRAD PROKOP | CHIEF OPERATING OFFICER

MEMBERSHIP

Active Members	**16,547**	40.6%
Retired Members	**16,768**	41.2%
Deferred Members	**7,407**	18.2%
Total	**40,722**	100.0%

Active Members
Members who accrued pensionable service in December 2023.

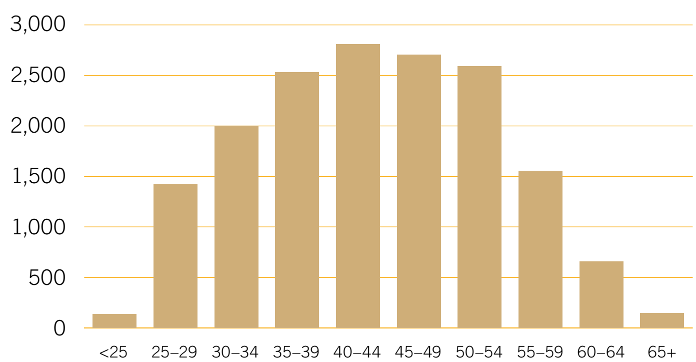
Retired Members
Members or beneficiaries who received a pension payment in December 2023.

Deferred Members
Inactive members who have contributions remaining in the plan and who are or will become entitled to a benefit.

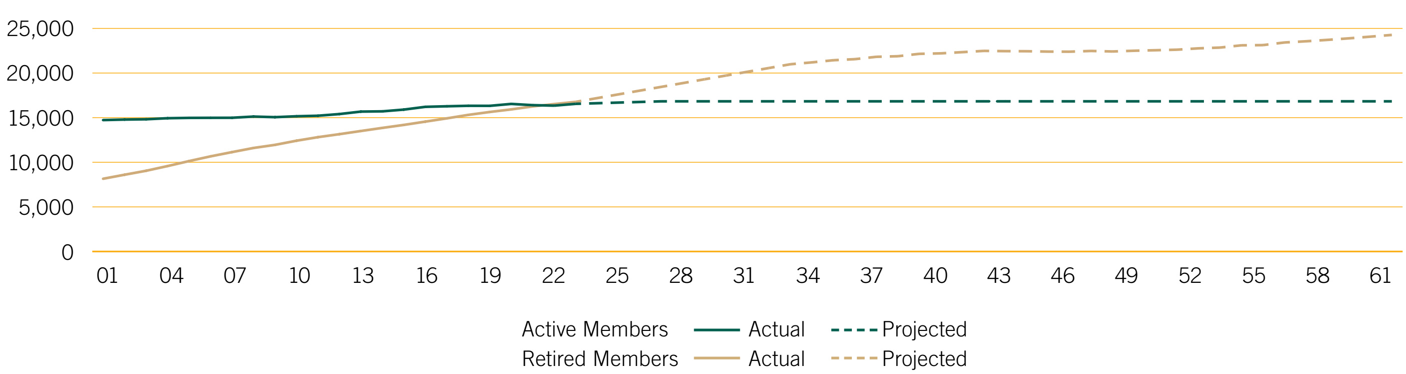
ACTIVE MEMBERS

There were 880 members who joined TRAF during 2023, bringing the total number of active members to 16,547. The average age was 43.4 years. There are 2,355 members age 55 or older who are eligible to retire during 2024.

AGE DISTRIBUTION



MEMBERSHIP TRENDS



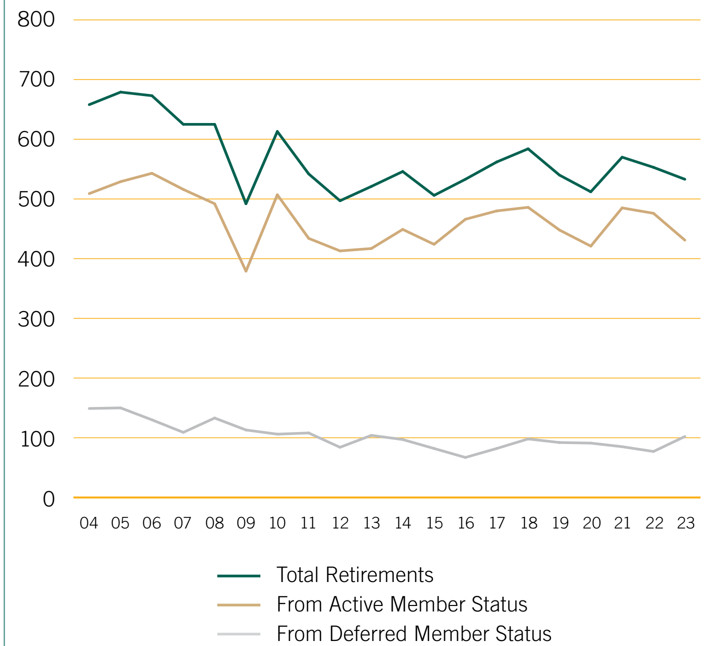
2023 RETIREMENTS

TRAF processed 533 new retirements (active and deferred) during 2023, a decrease of 20 (3.6%) compared to 2022. As is typical, a large number of retirements (56%) occurred at the end of June. The most common plan option selected by retiring members was Plan C – Full to Last Survivor (41%). In addition, approximately 20% of retiring members opted to integrate their TRAF pension with one or both of Canada Pension Plan and Old Age Security benefits.

The average age of new retirees (excluding deferred members) was 59.6 years, a slight decrease from 60.0 years in 2022. The average monthly pension granted to such retirees was $3,362, representing a $30 (0.9%) decrease from $3,392 in 2022. On average, the income replacement ratio (i.e., annual pension as a percentage of annualized salary immediately prior to retirement) was 41%.

New retirees are expected to receive their pension for an average of 31 years (longer than their average length of service of 26.2 years), with their beneficiaries continuing to receive the benefit for an additional 4.5 years on average.

RETIREMENT TRENDS



NEW RETIREMENTS

	2023	2022
From Active Member Status	**431**	476
From Deferred Member Status	**102**	77
Total	**533**	553

NEW RETIREE PROFILE[1]

	2023	2022
Average Age (years)	**59.6**	60.0
Average Service (years)	**26.2**	26.5
Average Monthly Pension	**$ 3,362**	$ 3,392
Average Income Replacement Ratio (%)	**41**	40
Average Projected Years on Pension (excluding beneficiaries)	**31**	30

[1] Reflects profile of retirees commencing retirement in the year indicated. Includes retirements from active member status only.

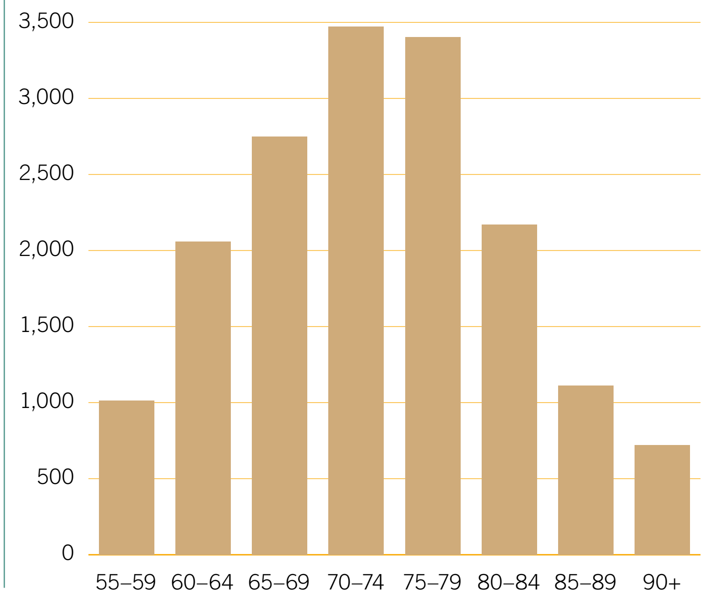
RETIRED MEMBERS

There were 16,768 retired members as at December 31, 2023, an increase of 248 (1.5%) over 2022. The average age of all retired members was 73.6 years, up from 73.3 years in 2022. The average monthly pension was $2,587, representing an increase of $54 (2.1%) from $2,533 in 2022. In 2023, cost of living adjustments represented approximately 14.0% of total pension payments.

There were 30 retired members (including beneficiaries of deceased members) age 100 or older. Our oldest member is age 112 and has been receiving a pension for over 52 years.

As for residency, 2,322 (13.8%) of pension recipients live outside of Manitoba and 205 (1.2%) of this group live outside of Canada.

AGE DISTRIBUTION



PENSIONS IN PAY

	2023	2022
Retired Members	**14,966**	14,771
Deceased Retired Members with Survivor Pensions in Pay	**1,462**	1,396
Deceased Retired Members with Other Benefits in Pay	**340**	353
Total	**16,768**	16,520

RETIREE PROFILE[1]

	2023	2022
Average Age (years)	**73.6**	73.3
Average Monthly Pension	**$ 2,587**	$ 2,533

[1] Reflects profile of all retirees, not only those commencing retirement in the year indicated.

DEFERRED MEMBERS

At December 31, 2023, there were 7,407 deferred members. TRAF processed benefits, including pensions, refunds and service transfers, for 269 deferred members during 2023.

We are continuing to establish contact with members who have not maintained current contact details with TRAF. Currently, we do not have contact information for 2,754 (37%) of our deferred members.

These members have an increased risk of missing pension payments as, without up-to-date contact information, TRAF is not able to provide information regarding the pension plan and member entitlements. We encourage all members who have not yet registered for Online Services to do so as soon as possible to mitigate this risk.

INFORMATION DELIVERY

During 2023, 25,372 pension estimates were calculated. Of these, 23,626 (93%) were generated by members directly through Online Services. There were 18 seminars conducted in 2023, of which five were held in person. A total of 669 members registered for these seminars and seminar recordings were viewed 2,207 times through Online Services.

There were 743 member appointments in 2023 (compared to 668 in 2022).

INFORMATION DELIVERY

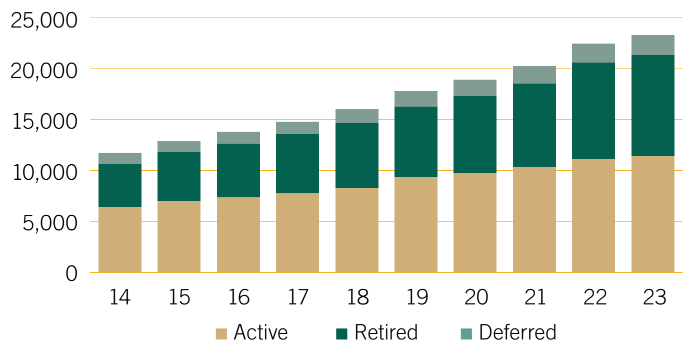
		2023		2022
Pension Estimates				
Staff-generated		**1,746**		1,677
Member-generated		**23,626**		20,192
Total		**25,372**		21,869
	Number	**Registrants**	Number	Registrants
Seminars				
In Person	**5**	**149**	0	0
Video Conference	**13**	**520**	13	652
Total	**18**	**669**	13	652
Appointments				
In Person		**508**		253
Video Conference		**166**		266
Phone		**69**		149
Total		**743**		668

ONLINE SERVICES

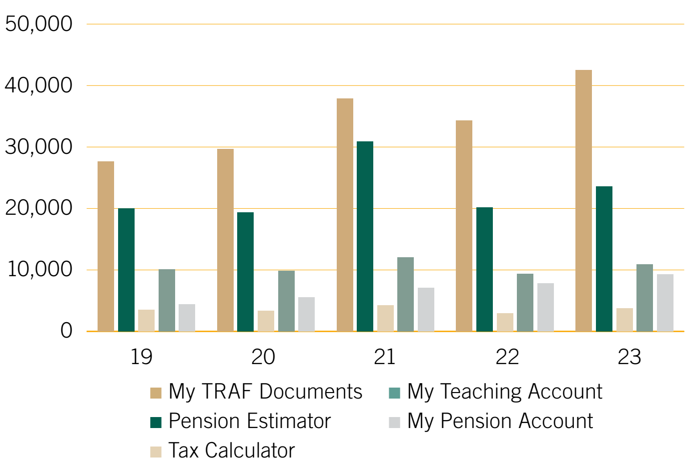
In 2023, a total of 1,088 new members registered for Online Services, bringing the total number of registrants to 23,293 (57%) as at December 31, 2023. The Pension Estimator and "My TRAF Documents" continue to be the most popular features.

We cannot overstate the importance of registering for Online Services and keeping your contact information up to date. Out-of-date contact information can create issues if there is a gap between cessation of employment and commencement of pension. These individuals represent our deferred members, and there are currently over 2,700 for whom we have no current contact information. In a number of recent situations, members were eligible to commence their pension at age 55 but didn't as they did not contact us to apply for their pension, and we could not locate them. Members we were unable to contact forfeited pension payments. We encourage all members to register for Online Services to help prevent this situation from occurring.

REGISTRATIONS

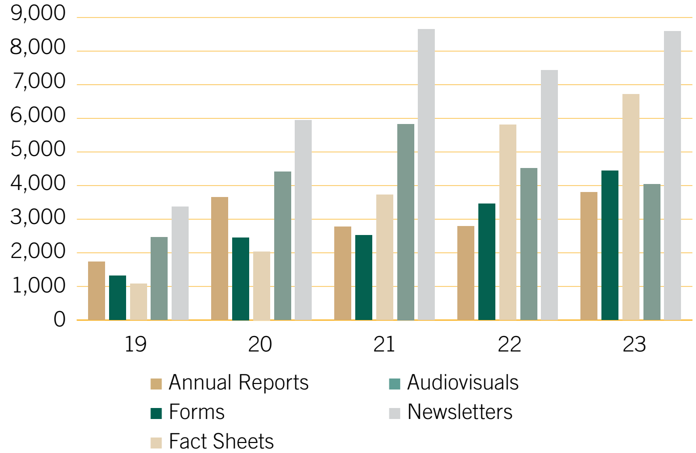


TOP 5 FEATURES



WEBSITE

TOP 5 FEATURES



ADDITIONAL VOLUNTARY CONTRIBUTIONS

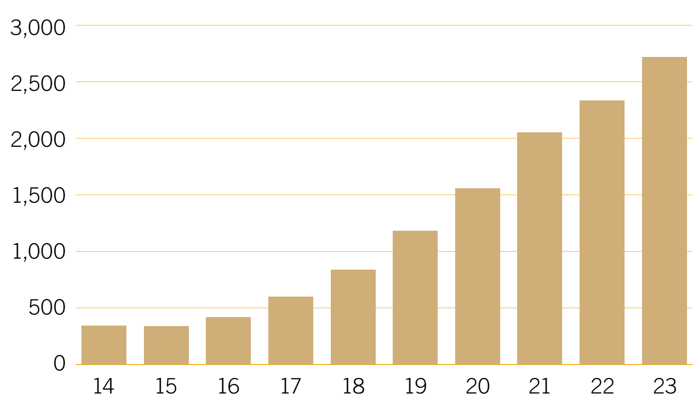
The Teachers' Pensions Act (TPA) permits members to make contributions beyond the required amounts, subject to the limits imposed by the *Income Tax Act*. These are referred to as additional voluntary contributions (AVCs). These accounts are similar to a separate retirement savings vehicle and are credited with TRAF's net rate of return (positive or negative).

The balance in an AVC account can be converted to an annuity at retirement, used to purchase eligible service, withdrawn as cash or transferred to another registered retirement savings vehicle in the name of the member. AVCs are deducted from the member's salary and remitted to TRAF by the employer.

During 2023, 133 members made AVCs totalling $345,800. As at December 31, 2023, there were 240 AVC accounts with an aggregate balance of $2,717,000. While we have seen a material increase in AVC accounts over the past five years, utilization remains low. We encourage all active members to explore this opportunity.

AVC ACCOUNT BALANCE

($ thousands)



ADMINISTRATIVE EXPENSES

Our objective is to deliver a high level of service on a cost-effective basis. All costs are managed within the Board-approved budget, which sets the expenditures required to achieve our objectives.

All expenses incurred are allocated between those related to administrative activities and those related to investment activities. As in prior years, we have excluded pension interest costs of $546,000 (2022 – $522,000) as they are generally offset by investment earnings on funds TRAF has set aside to support the pension amounts to be paid to TRAF employees in the future.

The table below sets out our administrative-related expenses for 2023, with data from 2022 included for comparison. The expenses include the amortization of previously capitalized expenditures. An analysis of our investment-related expenses can be found in the "Investments" section of this report.

TRAF's administrative costs increased in 2023 by $207,000 (4.2%) as compared to 2022. The change is primarily due to increased salaries and benefits.

As TRAF had a total of 33,315 active and retired members at the end of 2023, the administrative cost per member was $155, which represents a $4 (2.6%) increase from the 2022 amount of $151 per member. Please refer to the "20-Year Data Summary" section of this report for information on our administrative cost per member since 2004.

Based on an independent analysis in 2023 of available information regarding other public sector pension plans in both Manitoba and other provinces, Cortex Consulting Inc. concluded that TRAF's administrative costs continue to be reasonable.

ADMINISTRATIVE EXPENSE SUMMARY

($ thousands)	2023	2022	Change $	Change %
Salaries and Benefits	**$ 3,377**	$ 3,201	176	5.5
Office and Administration	**1,646**	1,544	102	6.6
Actuarial Fees	**251**	288	(37)	(12.8)
Audit Fees	**29**	28	1	3.6
Custody and Banking	**19**	19	0	0.0
Communications	**59**	48	11	22.9
Travel	**30**	17	13	76.5
Professional Fees	**12**	63	(51)	(81.0)
Board and Committees	**58**	51	7	13.7
Recoveries	**(319)**	(304)	(15)	4.9
Total	**$ 5,162**	$ 4,955	$ 207	4.2%
Administrative Cost per Member	**$ 155**	$ 151	$ 4	2.6%

Funded Status – Accounts A & B

The funded ratio of Account A was estimated to be 106.1% as at January 1, 2024. This is an improvement over the actuarial valuation as at January 1, 2021, when it was 101.5%. The funded ratio of Account B was estimated to be 61.2%, which is also higher than the 60.0% level as at January 1, 2021. The funded status of both Account A and Account B will be updated in the next comprehensive actuarial valuation, which will be completed in 2024.

This section of the report outlines the structure of the primary accounts within TRAF, namely Account A, the Pension Adjustment Account (PAA), Account B, the MTS Account and the MSBA Account. These accounts collectively comprise the TRAF pension plan.

Following a description of the structure of each account, this section will focus on the two main accounts, namely Account A and Account B. Specifically, we will summarize the activity in each of these accounts in 2023 and detail the current and projected funded status of each. Similar information regarding the activity in, and funded status of, the other three accounts (PAA, MTS Account and MSBA Account) is set out in the sections that follow.

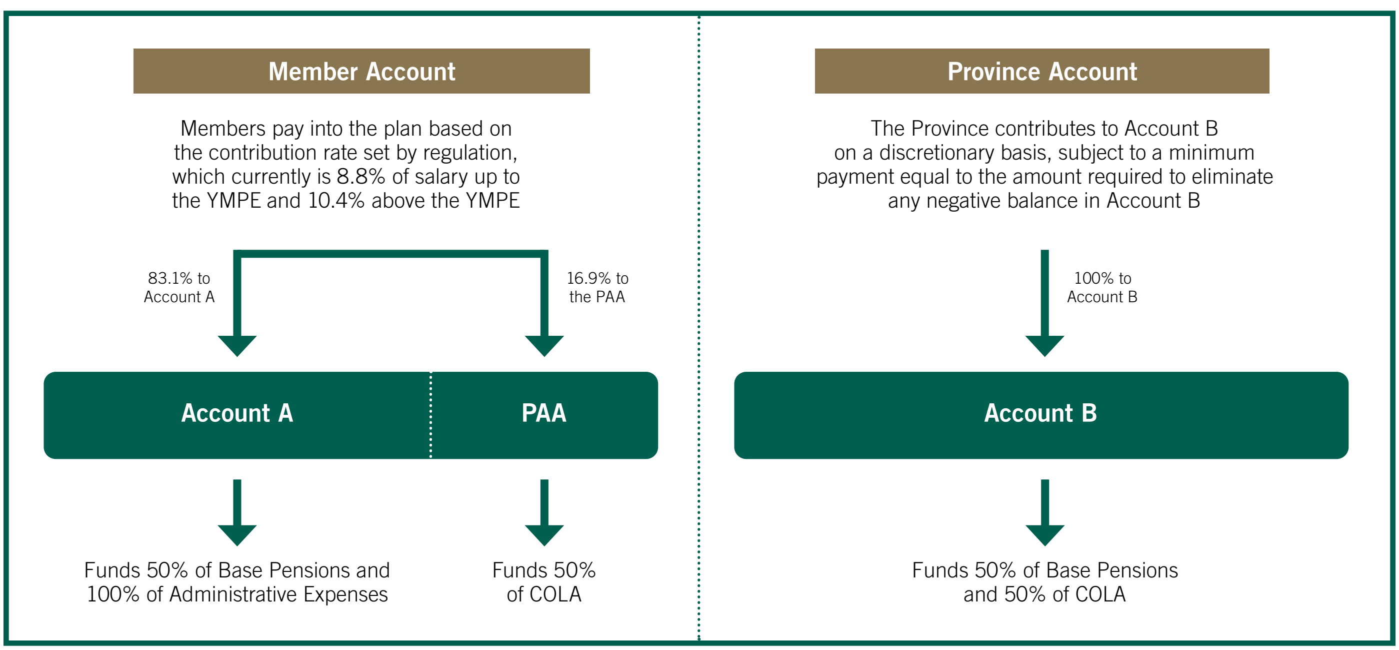


Illustration excludes The Manitoba Teachers' Society Account and the Manitoba School Boards Association Account.
See the "MTS & MSBA Accounts" section for information on these accounts.

ACCOUNT STRUCTURE

Account A / Pension Adjustment Account

Account A is the "member account." It is structured as a pre-funded account and is financially responsible for 50% of the pension obligations under the plan. This includes both base pensions and cost of living adjustments. Pursuant to the provisions of *The Teachers' Pensions Act* (TPA), Account A is also responsible for 100% of the administrative costs incurred to operate the pension plan.

Contributions received from members are deposited to the credit of Account A. TRAF's member contribution rate history is set out in the table below. Currently, 83.1% of member contributions is allocated towards basic benefits and 16.9% is allocated to a sub-account known as the Pension Adjustment Account (PAA) to support cost of living adjustments. The PAA is discussed in the "Cost of Living Adjustments" section of this report.

While Account A initially pays 100% of all monthly pension benefits, it recovers 50% of such amounts from Account B in the following month.

Account B

Account B is the "Province account." It is financially responsible for 50% of the pension obligations under the plan. This includes both base pensions and cost of living adjustments. Under the TPA, the Province is required to ensure that Account B does not maintain a negative balance. In addition, the TPA permits the Province to make discretionary contributions to Account B in excess of the required minimums.

MTS & MSBA Accounts

There are two additional accounts administered by TRAF for certain employees of The Manitoba Teachers' Society (MTS) and Manitoba School Boards Association (MSBA). Details on these accounts, including their funded status, are set out on page 35 of this report.

MEMBER CONTRIBUTION RATE HISTORY

Period	Contribution Rate[1]
July 1, 1925 – December 31, 1929	1% of salary
January 1, 1930 – August 31, 1939	2% of salary
September 1, 1939 – August 31, 1948	4% of salary
September 1, 1948 – August 31, 1963	5% of salary
September 1, 1963 – December 31, 1965	6% of salary
January 1, 1966[2] – August 31, 1977	4.4% of salary up to YMPE[3]; 6.0% of salary in excess of YMPE
September 1, 1977 – August 31, 1980	5.1% of salary up to YMPE; 7.0% of salary in excess of YMPE
September 1, 1980 – August 31, 2005	5.7% of salary up to YMPE; 7.3% of salary in excess of YMPE
September 1, 2005 – August 31, 2012	6.8% of salary up to YMPE; 8.4% of salary in excess of YMPE
September 1, 2012 – August 31, 2013	7.3% of salary up to YMPE; 8.9% of salary in excess of YMPE
September 1, 2013 – August 31, 2014	7.8% of salary up to YMPE; 9.4% of salary in excess of YMPE
September 1, 2014 – August 31, 2015	8.3% of salary up to YMPE; 9.9% of salary in excess of YMPE
September 1, 2015 – current	8.8% of salary up to YMPE; 10.4% of salary in excess of YMPE

[1] Contributions are not required on salary above the maximum salary for which a benefit can be accrued under the *Income Tax Act*. For 2024, this amount is $201,050. Members receiving disability benefits are also not required to contribute.

[2] The contribution rate was reduced effective January 1, 1966, concurrent with the commencement of the Canada Pension Plan.

[3] The year's maximum pensionable earnings (YMPE) as defined under the Canada Pension Plan. For 2024, this amount is $68,500.

ACCOUNT ACTIVITY

The cash flow activity for Account A and Account B is illustrated in the tables below.

Regarding Account A, it is noted that contributions from the members ($133.5 million) and transfers from the Province via Account B ($256.4 million), representing $389.9 million in aggregate, were less than the total pension payments of $502.4 million. This resulted in negative cash flow of $112.5 million. This amount, together with net other payments and administrative expenses, was offset by net investment returns of $472.5 million, which resulted in net asset growth in Account A of $340.5 million.

ACCOUNT A ACTIVITY[1]

($ millions)		2023	2022
Balance at Beginning of Year		**$ 5,234.5**	$ 5,444.2
Add:	Member Contributions	**133.5**	133.0
	Transfers from Account B (reimbursement for 50% of pension and other net payments)	**256.4**	246.9
	Net Investment Return	**472.5**	(87.2)
Total Additions		**862.4**	292.7
Deduct:	Pension Payments	**(502.4)**	(481.3)
	Net Other Payments (e.g., refunds, reciprocal transfers)	**(13.5)**	(15.3)
	Administrative Expenses	**(6.0)**	(5.8)
Total Deductions		**(521.9)**	(502.4)
Balance at End of Year		**$ 5,575.0**	$ 5,234.5

[1] Includes the Pension Adjustment Account.

Regarding Account B, the transfers to Account A to fund the Province's share of pension payments ($256.4 million) were higher than the contributions from the Province of Manitoba ($181.9 million). This resulted in negative cash flow of $74.5 million. This amount was offset by net investment returns of $255.3 million, which resulted in net asset growth in Account B of $180.8 million. It is noted that the Province of Manitoba contributions of $181.9 million includes an additional one-time, ad hoc contribution of $50 million that the Province of Manitoba made on August 25, 2023. No administrative expenses were charged to Account B as the TPA provides for all administrative expenses to be borne by Account A.

ACCOUNT B ACTIVITY

($ millions)		2023	2022
Balance at Beginning of Year		**$ 2,815.1**	$ 2,975.0
Add:	Province of Manitoba Contributions	**181.9**	132.8
	Net Investment Return	**255.3**	(45.8)
Total Additions		**437.2**	87.0
Deduct:	Transfers to Account A (reimbursement for 50% of pension and net other payments)	**(256.4)**	(246.9)
	Administrative Expenses	**–**	–
Total Deductions		**(256.4)**	(246.9)
Balance at End of Year		**$ 2,995.9**	$ 2,815.1

ACTUARIAL VALUATIONS

Actuarial valuations are necessary to assess the long-term sustainability of a defined benefit pension plan. They serve as decision-making tools for plan sponsors and stakeholders. A defined benefit pension plan has financial commitments that will be fulfilled many years in the future. For example, based on our current projections, new retirees are expected to collect their pensions for approximately 31 years on average. As they will not make contributions during this period, the plan should be structured to have sufficient assets to make those payments as they become due.

An actuarial valuation determines the value of all plan assets and liabilities as of a specific date. If the plan assets exceed liabilities, the plan has a "surplus." If the liabilities are higher, the plan has an "unfunded liability" (also referred to as a "deficit").

A plan actuary has been appointed under the TPA to prepare an actuarial valuation at least every three years as required under Manitoba pension legislation. The most recent valuation was completed as at January 1, 2021. The next valuation is scheduled to be completed in 2024 and will determine the funded status of the plan as at January 1, 2024.

In order to assess the sustainability of the plan, the plan actuary also prepares a long-term projection of the funded status. The projection valuation takes into consideration the evolving demographic composition of the plan membership and includes the impact of new entrants into the plan over the projection period. The plan actuary has prepared a projection valuation of Account A since 2006, which has proven to be an effective tool used to make policy decisions such as assessing the adequacy of the member contribution rate.

While we had previously conducted various analyses of Account B, the plan actuary has prepared a projection valuation of Account B since 2015. An updated projection valuation was last prepared in 2021, and the next one will be prepared in 2024.

Valuation Assumptions

In conducting an actuarial valuation or when projecting the funded status over the long term, many future events must be assumed or predicted. Among others, these assumptions include:

- How long members will teach
- What level of salary increases they will receive
- When they will retire
- How long they will live
- How much TRAF will earn on its investments

While it is expected that the actual experience will, over the long term, be close to that assumed, differences will occur. Accordingly, a valuation should be considered as a guide, not a definitive statement.

The January 1, 2021, valuations of Account A and Account B included numerous assumptions regarding both economic and non-economic items. The table at the bottom of this page outlines the primary economic assumptions used in the 2021 valuation, together with those used in 2018 for comparison purposes. Changes in these economic assumptions could, in aggregate, materially change the current and projected funded status. For example, the table at the top of the next page illustrates the estimated impact that a movement in the discount rate of 0.25% would have had on the total funded ratio of Account A, excluding the PAA, as at January 1, 2021.

PRIMARY ECONOMIC ASSUMPTIONS[1]

(%)	**2021 Valuation**	2018 Valuation
Discount Rate	**5.50**	5.75
Inflation	**2.00**	2.00
Cost of Living Adjustments	**0.90**	0.95
General Salary Increases	**2.00 for five years, 2.50 thereafter**	2.50
Salary Increases for Seniority and Education	**0.50 to 5.50**	0.50 to 5.50
YMPE Increases[2]	**2.50**	2.50

1 All rates are per annum.
2 The year's maximum pensionable earnings (YMPE) as defined under the Canada Pension Plan. For 2024, this amount is $68,500.

Discount Rate	Account A Funded Ratio Impact
5.75%	+3.8%
5.50%	Current Assumption
5.25%	-3.8%

The primary non-economic assumptions relate to the incidence of mortality, retirement and termination (i.e., cessation of employment for reasons other than death or retirement). Each of these assumptions is based on an experience study conducted by the plan actuary. In addition, an assumption regarding new plan members is required in order to project the funded status of each account. The assumption used is that each active member who leaves the plan for any reason will be replaced on a one-to-one basis. The demographic profile of the members expected to join the plan is assumed to be the same as that of the new members over the three-year period immediately prior to the valuation date.

Investment Returns

In assessing our valuation results, it should be noted that TRAF does not "smooth" investment returns. Smoothing is a permitted, but not mandatory, actuarial practice of recognizing investment gains and losses over multiple years rather than fully recognizing them in the period of occurrence. By not smoothing, we provide an accurate presentation of our financial position as at the valuation date.

FUNDING POLICY

It is generally considered best practice for a defined benefit pension plan to have a written policy regarding the desired funding of the plan. Among other things, a funding policy can establish, in advance, the required or permitted action in the event that the funded ratio of the plan falls outside of the targeted range established by the policy.

The intention of the Board's funding and sustainability policy is to establish a framework for the sound financial management of the pension benefits provided by the plan. The policy establishes a targeted funded ratio range of 100% to 110%. It also sets out the specific action the Board and plan actuary will take when the plan's funded ratio falls outside of the targeted range. In general terms, the policy advocates timely action to address deficits and to avoid the use of temporary surpluses to improve benefits.

The policy acknowledges that plan amendments that would impact the funding of the plan – namely the adjustment of contributions or benefits – are not within the authority of the Board. Plan amendments are under the control of the Province of Manitoba as plan sponsor. As such, the Board policy focuses on the role of the Board in providing relevant and timely information to the plan sponsor and other plan stakeholders so they can make informed decisions regarding plan funding and benefit design. The Board will also work in conjunction with the plan actuary to provide plan amendment options that could be considered to address plan funding when appropriate.

ACCOUNT A

In order to monitor the funded status of Account A in non-valuation years, TRAF's in-house actuarial staff produces quarterly extrapolations of the funded status. An extrapolation incorporates actual investment results, contributions received and benefits paid since the last formal valuation. The limitations are that the plan's actual experience with respect to mortality, retirement, termination and salary levels since the date of the last valuation will not be accounted for until the next formal funding valuation (i.e., the extrapolation will continue to rely on assumptions for these variables). The impact of these variables can only be determined once the plan actuary has analyzed the plan member data in connection with a formal funding valuation. In addition, an extrapolation does not account for any potential changes in the assumptions from those used in the last actuarial valuation.

The following table provides an extrapolation of the Account A funded status to January 1, 2024.

EXTRAPOLATION OF ACCOUNT A FUNDED STATUS TO JANUARY 1, 2024[1]

($ millions)	Accrued	Future	Total
Assets	$ 5,136.0[2]	$ 1,215.0	$ 6,351.0
Liabilities	4,512.7	1,475.0	5,987.7
Surplus/(Deficit)	$ 623.3	$ (260.0)	$ 363.3
Funded Ratio	113.8%	82.4%	106.1%

[1] Excludes the Pension Adjustment Account.

[2] This amount includes the Net Assets Available for Benefits (excluding the Pension Adjustment Account) and the present value of certain annual payments to be received from the Province of Manitoba on account of historical amendments made to *The Teachers' Pensions Act*. The future payments from the Province had a present value of $30.5 million as at January 1, 2024. This amount is not carried as an asset on the Statement of Financial Position.

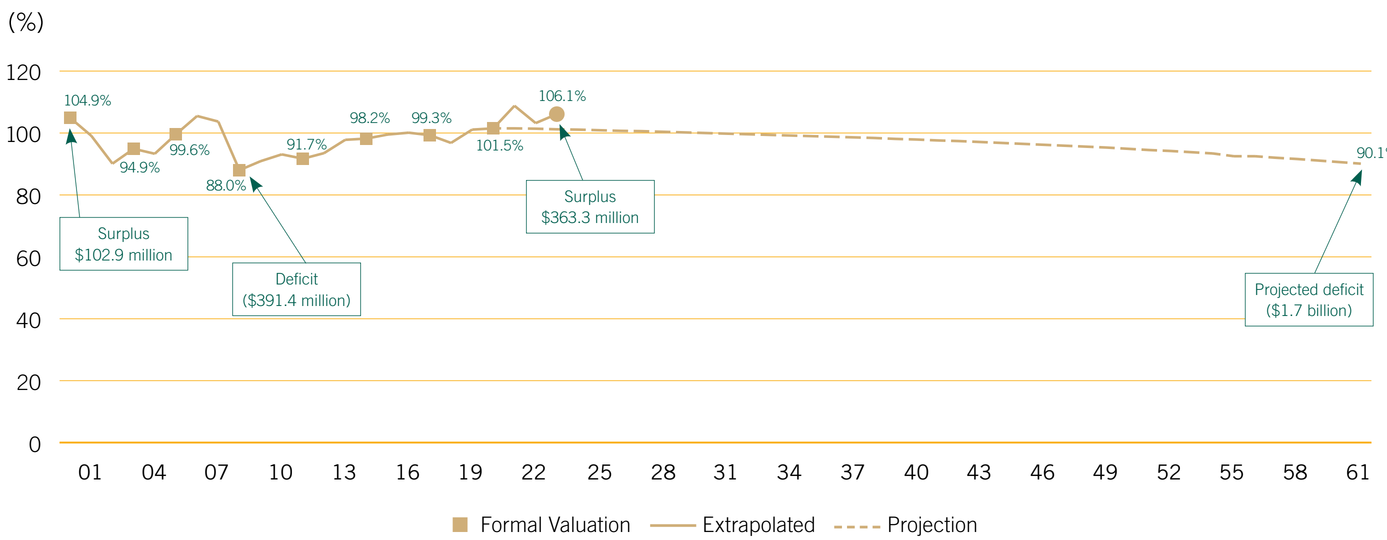
Based on this extrapolation, the total funded ratio has increased from 101.5% as at January 1, 2021 (the last valuation date), to 106.1% as at January 1, 2024. This increase is primarily due to net annualized investment earnings of approximately 7.96% from 2021 to 2023, which was greater than the assumed rate of 5.50%.

Trend and Projection

In order to identify trends, it can also be useful to look at the historical funding valuation results. Accordingly, we have set out in the graph below the funded status of Account A since 2001, and the projection to 2061. The data to 2021 is based on the results of actuarial valuations that are generally prepared every third year. As indicated by the dashed line in the graph, the total funded ratio of Account A is projected to decrease to 90.1% by January 1, 2061. However, it is noted that the projected funded ratio is based on various assumptions. While we expect our long-term experience to be close to these assumptions, deviations will occur.

This is highlighted by the historical funded ratios (the solid line in the graph), which illustrates that the actual plan experience is inevitably different than that assumed. For example, the 12% loss on investments that TRAF realized in 2008 during the financial crisis was the primary reason that the funded ratio declined from an estimated 103.7% as at January 1, 2008, to 88.0% as at January 1, 2009, representing a 15.7% decline. While this adverse situation materially impacted the funded status of Account A, by the end of 2023, the funded ratio had recovered to 106.1% through the combination of investment returns that exceeded our assumption and member contribution rate increases.

ACCOUNT A STATUS – HISTORICAL & PROJECTED[1]



[1] Includes accrued and future assets and liabilities, but excludes the Pension Adjustment Account.

Next Steps – Account A

Following the completion of the formal valuation as at January 1, 2021, the plan actuary opined that, as the annual net return of 5.62% required to achieve a funded ratio of 100% over the next 20 years was within a reasonable range of possible outcomes, it was not necessary to increase the member contribution rate prior to the next scheduled funding valuation (January 1, 2024) and that it is reasonable to assume that the current funding levels are adequate to provide for the current level of benefits. The plan actuary did, however, state that if the objective is to achieve a funded ratio of up to 110% (the upper target limit in the funding policy), then an increase in member contributions should be considered.

In addition to assessing the desirability of an increase to the member contribution rate in the near term, in an effort to move closer to 110% funding over the long term, the Province and MTS should also discuss and ideally agree on the maximum member contribution rate that would be acceptable. If an adequate level of funding for Account A is not projected to be achieved through investment returns and acceptable member contribution rate increases, the Province and MTS should consider how benefit levels could be adjusted in the future to achieve an adequate level of funding.

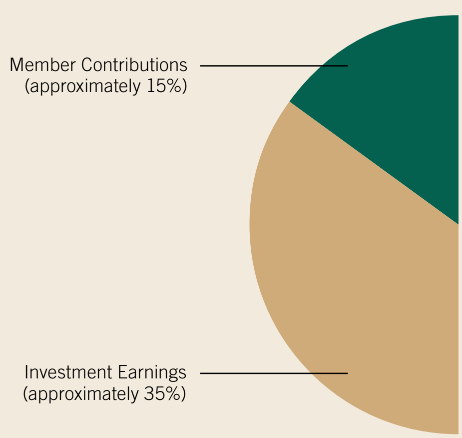
SOURCE OF PENSION FUNDS

A significant advantage of defined benefit pension plans like TRAF is the long-term compounding of investment returns on contributions. The contributions that are automatically deducted from active members' pay cheques are deposited in Account A (the member account), where they are systematically invested in a globally diversified portfolio on a cost-effective basis. Over time, this provides meaningful benefits.

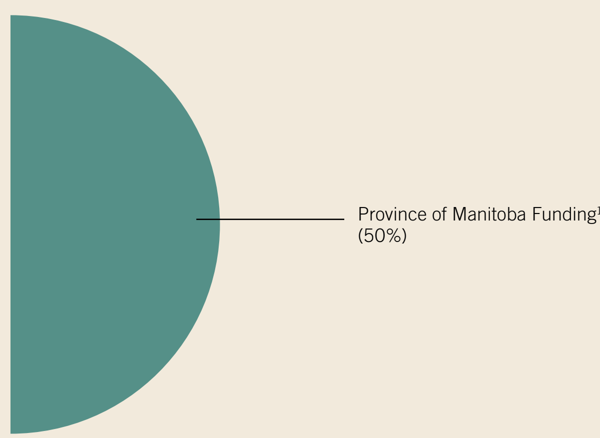
As illustrated in the diagram below, approximately 70% of the increase in Account A assets is attributable to investment earnings. The other 30% comes from member contributions. When combined with the 50% match from the Province of Manitoba (through Account B), this means that members generally contribute about $15 for every $100 that they draw out of the plan during retirement.

This data highlights the power of mandatory contributions and compounding of investment returns over the long term.

Account A (Member Account)



Account B (Province Account)



[1] Inclusive of investment returns on amounts held in Account B.

ACCOUNT B

In order to monitor the funded status of Account B in non-valuation years, TRAF's in-house actuarial staff produces quarterly extrapolations of the funded status. An extrapolation incorporates actual investment results, contributions received and benefits paid since the last formal valuation. The limitations are that the plan's actual experience with respect to mortality, retirement, termination and salary levels since the date of the last valuation will not be accounted for until the next formal funding valuation (i.e., the extrapolation will continue to rely on assumptions for these variables). The impact of these variables can only be determined once the plan actuary has analyzed the plan member data in connection with a formal funding valuation. In addition, an extrapolation does not account for any potential changes in the assumptions from those used in the last actuarial valuation.

The table below provides an extrapolation of the Account B funded status to January 1, 2024.

Based on this extrapolation, the accrued funded ratio has increased from 60.0% as at January 1, 2021, to 61.2% as at January 1, 2024. While investment returns were greater than assumed, they were largely offset by negative cash flow resulting from benefit payments exceeding contributions to Account B. The funded ratio improvement was largely due to a $50 million one-time, ad hoc contribution made by the Province of Manitoba on August 23, 2023.

EXTRAPOLATION OF ACCOUNT B FUNDED STATUS TO JANUARY 1, 2024[1]

($ millions)	Accrued	Future	Total
Assets	$ 2,995.9	$ 1,463.0[2]	$ 4,458.9
Liabilities	4,893.0	1,629.0	6,522.0
Surplus/(Deficit)	$ (1,897.1)	$ (166.0)	$ (2,063.1)
Funded Ratio	61.2%	89.8%	68.4%

[1] Includes cost of living adjustments.

[2] Assumes that the Province of Manitoba will continue to make contributions to Account B in an amount equal to the aggregate member contributions to Account A. Currently, contributions to Account B are made at the discretion of the Province of Manitoba. This funding arrangement will revert to pay-as-you-go when Account B is depleted, which is projected to occur in 2053.

Trend and Projection

The graph on the following page illustrates the funded status of Account B since 2001, and the projection to 2061. We have focused on the accrued position of Account B to illustrate the change in partial pre-funding of Account B over time.

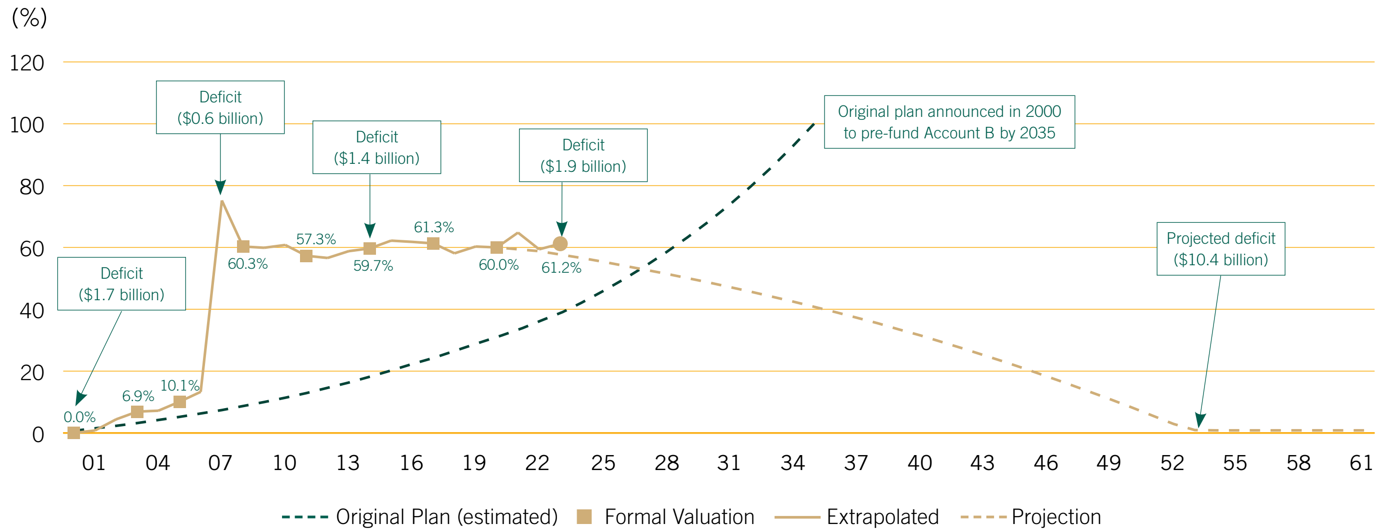
The green dashed line represents the original plan announced by the Province of Manitoba on June 26, 2000, to pre-fund Account B over 35 years. This was to be achieved by matching the required contributions from members joining the plan on or after April 1, 2000, and continuing to make pension payments from general reserves. It was also contemplated that the Province may make additional ad hoc contributions to accelerate the pre-funding of Account B.

The tan solid line reflects the actual results, which are significantly different from (and currently better than) the original plan announced in 2000.

Of particular note is a $1.5 billion ad hoc contribution in 2007, which improved the accrued funded ratio from approximately 13% as at January 1, 2007, to an estimated 75% as at January 1, 2008. While this contribution materially improved the funded status, the Province also changed their funding practices in October 2007. Specifically, the Province ceased making contributions into the plan equal to both the contributions of members joining the plan on or after April 1, 2000, and its share of the pensions paid. Instead, the Province commenced making regular contributions in an amount equal to the aggregate member contributions to Account A. Given the maturity of the plan, this resulted in lower contributions by the Province. This change in funding practice, which has continued and is also assumed to continue during the projection period, is the primary reason for the expected decline in the projected Account B funded ratio.

As indicated by the tan dashed line in the graph, we estimate that the funded ratio will decline to 0% over the next 30 years. This equates to a projected deficit of approximately $10.4 billion by the end of 2053. The funded ratio is expected to decline because the future investment income will not be sufficient to offset negative cash flows resulting from benefit payments exceeding contributions to Account B.

ACCOUNT B STATUS – HISTORICAL & PROJECTED[1]



[1] Includes only accrued assets and liabilities for both base pensions and cost of living adjustments. Assumes that the Province of Manitoba will continue to make contributions to Account B in an amount equal to the aggregate member contributions to Account A. Currently, contributions to Account B are made at the discretion of the Province of Manitoba. This funding arrangement will revert to pay-as-you-go when Account B is depleted, which is projected to occur in 2053.

Next Steps – Account B

The plan actuary determined that the funded ratio of Account B is expected to decline to 0% in 2053 if all actuarial assumptions are realized and the current funding practices of the Province continue. Unlike Account A, a meaningful and sustained reversal of this downward trend is extremely unlikely to occur through strong investment returns alone. Based on modelling as at January 1, 2021 (the date of the most recent funding valuation), TRAF would need to earn approximately 9.35% annually over the following 20 years to get Account B to full funding. The probability of this occurring is approximately 3%. Accordingly, the plan actuary noted that additional contributions to Account B should be considered if the Province wants to avoid the depletion of the assets in Account B, or if there is a desire to bring Account B to a fully funded status. Detailed information regarding the current and projected funded status of Account B, including the recent report from Aon (see next page), has been provided to both the Province and MTS. TRAF has also provided several funding options to eliminate the Account B deficit. For example, the Province could make a lump sum contribution now to eliminate the deficit. At the end of 2023, the required contribution would have been approximately $1.9 billion. Alternatively, the Province could make additional contributions over a set number of years. For example, the deficit could be amortized over 40 years if the Province made additional contributions of approximately $117 million each year (in addition to continuing to match member required contributions). The Board will maintain its practice of regularly projecting the funded status of Account B and communicating the results and funding alternatives to our members and stakeholders.

ACCOUNT B FUNDING ANALYSIS REPORT

AON

STEVE WINDSOR I FELLOW, CANADIAN INSTITUTE OF ACTUARIES

In 2022, the Board engaged Steve Windsor of Aon to conduct an analysis on the funding of Account B by the Province of Manitoba. The purpose of the analysis was to examine, among other items, the Province's current funding practice and the implications for its projected future cash outlays and the funded status of Account B.

While the key findings are reproduced in this annual report, they should be read in conjunction with the complete report, which is available on our website. There are a number of underlying assumptions and other information that should be considered and understood in connection with the subject matter of the report.

Aon's key findings were summarized as follows[1]:

- The Province's pension obligation under TRAF, according to the last actuarial valuation performed effective January 1, 2021 indicated a $1.770 billion unfunded liability, or a funded ratio of 60%. Under the Province's current funding practice, the assets in Account B will be depleted in 2053, at which point the Province's financing will shift to pay-as-you-go.
- As a result, the Province's funding will double at that time, from $270 million in 2052 to $568 million in 2053, and these costs, relative to the Province's projected future education budget, will increase from 4.9% in 2052 to over 10% in 2053.
- Over the same period, the Province's defined benefit pension expense will increase from $244 million for the fiscal year ending March 31, 2021 to approximately $870 million for the fiscal year ending March 31, 2054.
- To avoid the depletion of Account B assets and significant increases in the Province's funding future requirements, the Province should introduce a strategy for addressing the unfunded pension liability and increase its funding of Account B immediately.
- There are many options for addressing the unfunded pension liability. This report has illustrated a few of these many options – full funding immediately or amortizing the unfunded pension liability over some future period. The Province could also target a funding level less than 100%. However, as illustrated with the 80% funding scenario, there is a risk this may simply delay the long-term funding issue.
- Issuing debt to finance the plan's deficit could be financially attractive if the cost of debt is less than the expected return on assets (for financial statement reporting) and less than the returns earned by Account B in the future.
- Most government pension plans in Canada are subject to provincial legislative funding standards or are required to be pre-funded by members and employers, thereby providing benefit security to their plan members. There is no requirement for the Province to pre-fund its pension liability in Account B, as provided by section 4.5(2)(c) of the Regulation to The Pension Benefits Act, Manitoba. Only Quebec is similar in that it also does not require pre-funding the province's pension liabilities, although contributions are made to a sinking fund for this purpose.
- The Province's funded ratio for Account B is less than the funding levels of government obligations for teachers' pensions in every other province.
- There is a clear impetus for the Province to exhibit financial responsibility by pre-funding its pension liabilities now to avoid drastic funding increases in the future, and to bring TRAF more in line with other teachers' pension plans across the country.

[1] See page 34 of the Aon report of August 8, 2022, entitled "Account B Funding Analysis."

CASH FLOWS

When the pay-as-you-go model was adopted in 1963, TRAF's investments were almost exclusively bonds issued by either federal, provincial and municipal governments or corporate entities. As such, there was no significant financial advantage from the perspective of the Province, as plan sponsor, to pre-fund the pension obligations. However, as the TRAF investment portfolio has been diversified over the years into asset classes other than bonds, including public equity, private equity, real estate and infrastructure, the realized (and expected) investment return has generally exceeded the interest rate on provincial debt. As such, by not pre-funding all of its liabilities, the Province forgoes the opportunity of fully participating in the benefits of a professionally managed, low-cost, globally diversified investment portfolio. While the pursuit of such return obviously involves risks, these risks can be significantly mitigated by the long-term investment horizon of a defined benefit plan such as TRAF.

In recognition of this, the Province established a reserve account in 2001 (which was referred to as the Province of Manitoba Trust Account). Advance funding into this account permitted the Province to benefit from the same professionally managed, low-cost, diversified investment portfolio that previously applied only to the assets in Account A. We believe that this has provided an economic advantage to the Province.

By way of illustration, we can look at the experience of the Province when it contributed an additional $1.5 billion in 2007. At that time, TRAF had an expected annual return of 6.25% net of investment fees. In 2008, the first calendar year following this contribution, the fund lost approximately 12%. However, at the end of 2023, the net 16-year return for the fund (years 2008 to 2023 inclusive) was 6.96%, exceeding the expectations in 2007 despite the occurrence of the global financial crisis and the COVID-19 pandemic. If we assume that the Province's cost of debt was 5% in 2007, the positive impact of borrowing and investing $1.5 billion was $516 million at the end of 2023.

While past performance is no guarantee of future performance, the overall sustainability of the TRAF plan is premised in large part on the achievement – over the long term – of the plan's expected return, which at the end of 2023 was 5.50% per annum. As mentioned earlier, to the extent that it remains unfunded, the amount of the outstanding liabilities of Account B operates in substance like a loan from TRAF to the Province at an interest rate equal to the discount rate. It is assumed that the Province could issue long-term debt at a lower rate in the market.

The grey line on the graph on the following page illustrates the pay-as-you-go funding cash flow requirements for Account B from 1963 to 2023, and the projected pay-as-you-go cash flow requirements from 2024 to 2061. By way of comparison, the tan area shows the actual and projected member contributions to pre-fund Account A over the same time periods.

While each funding model (pay-as-you-go and pre-funding) is intended to pay for approximately 50% of the benefits provided by the plan, the cash flows under each model evolve in a very different manner. From 1963 to 1994, the pay-as-you-go contributions to Account B were less than the pre-funding member contributions. This was expected as TRAF was a relatively "young" pension plan. For example, in 1963, there were approximately 10 active members for each retired member (an active-to-retired ratio of 10 to 1). As the plan matured, the pay-as-you-go contributions to Account B exceeded the required member contributions. This first occurred in 1995 and is projected to continue indefinitely. The active-to-retired ratio had declined to just under 2.5 to 1 in 1995 and is now approximately 1 to 1. This trend is expected to continue as our retired membership is expected to increase at a faster rate than our active members.

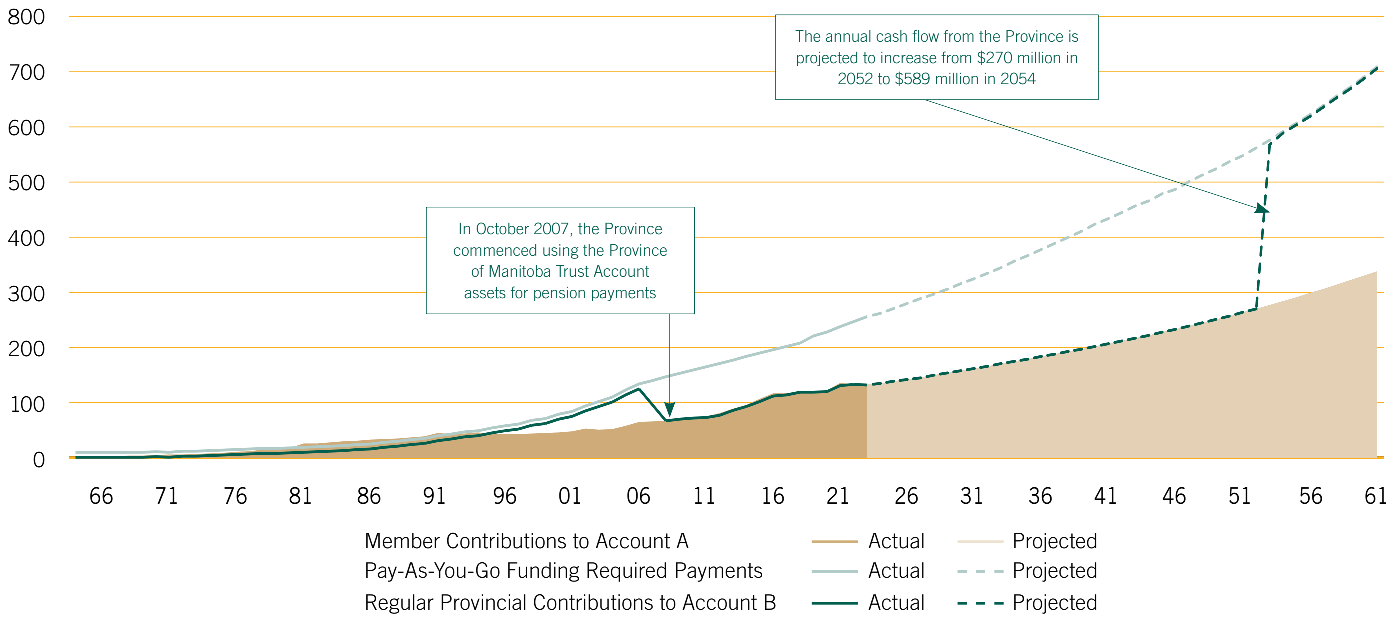
The dark green line on the graph illustrates the historical regular contributions from the Province to Account B from 1963 to 2023 (solid portion) and the projected contributions from 2024 to 2061 based on the current funding model (dashed portion). The grey and dark green lines diverge because, beginning in October 2007, the Province commenced using assets in Account B to fund its pay-as-you-go funding requirements. Concurrently, the Province commenced making contributions to Account B in an amount equal to the aggregate member contributions to Account A. The combination of these changes has resulted in negative cash flow in Account B as benefit payments exceed member contributions. The gap for 2023 was approximately $74 million (with contributions of $182 million and transfers to Account A of $256 million to fund the Province's 50% share of pensions paid).

The difference is being funded from the current balance in Account B, which at the end of 2023 was just under $3.0 billion. As the plan continues to mature, the projected gap in cash flow requirements is expected to increase over time.

Once the annual cash flow shortfall exceeds the investment earnings on the assets in Account B, which is expected to occur by 2030, the assets in Account B will decline and are projected to be fully depleted in 2053. At that time, the current model of Account B assets subsidizing the pay-as-you-go obligations will end. As a result, the Province will no longer be able to rely on Account B assets to fund a portion of its pension obligations, and the required payments by the Province are projected to increase from approximately $270 million in 2052 to approximately $589 million in 2054.

CASH FLOWS TO ACCOUNT A & ACCOUNT B – HISTORICAL & PROJECTED[1,2]

($ millions)



1 Includes regular contributions to the Province of Manitoba Trust Account prior to December 15, 2018. Excludes discretionary ad hoc contributions commencing in 2001.

2 Assumes that the current contribution structure of matching member contributions will continue until Account B is depleted in 2053, and that pay-as-you-go amounts will be contributed thereafter.

TOTAL PLAN FUNDED STATUS SUMMARY

The tables below summarize the funded status of Account A, the PAA and Account B as at January 1, 2024.

ACCOUNT A FUNDED STATUS[1]

($ millions)	Accrued	Future	Total
Assets	$ 5,136.0[2]	$ 1,215.0	$ 6,351.0
Liabilities	4,512.7	1,475.0	5,987.7
Surplus/(Deficit)	$ 623.3	$ (260.0)	$ 363.3
Funded Ratio	113.8%	82.4%	106.1%

[1] Excludes the Pension Adjustment Account.

[2] This amount includes the Net Assets Available for Benefits (excluding the Pension Adjustment Account) and the present value of certain annual payments to be received from the Province of Manitoba on account of historical amendments made to *The Teachers' Pensions Act*. The future payments from the Province had a present value of $30.5 million as at January 1, 2024. This amount is not carried as an asset on the Statement of Financial Position.

PENSION ADJUSTMENT ACCOUNT FUNDED STATUS

($ millions)	Accrued	Future	Total
Assets	$ 469.7	$ 248.0	$ 717.7
Liabilities	469.7[1]	248.0	717.7
Surplus/(Deficit)	$ –	$ –	$ –
Funded Ratio	100.0%	100.0%	100.0%

[1] As the assets can only be used to support cost of living adjustments, the liabilities under the Pension Adjustment Account have been assumed to be equal to the assets.

ACCOUNT B FUNDED STATUS[1]

($ millions)	Accrued	Future	Total
Assets	$ 2,995.9	$ 1,463.0[2]	$ 4,458.9
Liabilities	4,893.0	1,629.0	6,522.0
Surplus/(Deficit)	$ (1,897.1)	$ (166.0)	$ (2,063.1)
Funded Ratio	61.2%	89.8%	68.4%

[1] Includes cost of living adjustments.

[2] Assumes that the Province of Manitoba will continue to make contributions to Account B in an amount equal to the aggregate member contributions to Account A. Currently, contributions to Account B are made at the discretion of the Province of Manitoba. This funding arrangement will revert to pay-as-you-go when Account B is depleted, which is projected to occur in 2053.

TOTAL PLAN FUNDED STATUS AS AT JANUARY 1, 2024[1]

($ millions)	Accrued	Future	Total
Assets	$ 8,601.6	$ 2,926.0[2]	$ 11,527.6
Liabilities	9,875.4	3,352.0	13,227.4
Surplus/(Deficit)	$ (1,273.8)	$ (426.0)	$ (1,699.8)
Funded Ratio	87.1%	87.3%	87.1%

[1] Includes cost of living adjustments.

[2] Assumes that the Province of Manitoba will continue to make contributions to Account B in an amount equal to the aggregate member contributions to Account A. Currently, contributions to Account B are made at the discretion of the Province of Manitoba. This funding arrangement will revert to pay-as-you-go when Account B is depleted, which is projected to occur in 2053.

The actuarial valuations for Account A, the Pension Adjustment Account and Account B are available through Online Services.

Cost of Living Adjustments

Based on the status of the Pension Adjustment Account at the end of 2023, TRAF is able to grant a COLA of 2.20% effective July 1, 2024. The interest rate credited to the Pension Adjustment Account is the average total fund net return for the prior three years. This was 8.11% for 2023.

TRAF grants cost of living adjustments (COLA) to the extent that they can be funded by a designated account known as the Pension Adjustment Account (PAA). The PAA was established in 1977 as a sub-account of Account A for the purpose of financing one-half of the COLA granted to retired members. The Province finances the other half of the COLA through Account B as pension payments are made.

FUNDING THE PAA

The PAA was allocated 16.9% of all member contributions in 2023. In total, these contributions amounted to $22.4 million. The percentage of member contributions allocated to the PAA will increase to 17.0% on September 1, 2025. This is the final scheduled increase under the legislation.

In addition to member contributions, the PAA receives interest on the funds in the account. The interest rate credited to the PAA is based on the average of the total fund net rate of return for the current year and the prior two years. The interest rate credited in each year is used as part of the formula to determine the COLA to be granted in the following year. Accordingly, the interest rate of 8.11% credited in 2023 was a factor in determining the COLA to be granted effective July 1, 2024.

TOTAL FUND NET RATE OF RETURN[1]

2021	16.56%
2022	-0.49%
2023	8.27%
Average (PAA interest rate)	8.11%

[1] Net of investment and administrative costs as prescribed in the *Pension Benefits Regulation.*

DETERMINING THE COLA

Once the assets in the PAA available for COLA have been determined, the plan actuary conducts a valuation to determine the current liabilities for all prior COLA. Liabilities are valued based on a discount rate determined by the plan actuary and accepted by the Board. The current discount rate for the PAA is 4.00%. If such liabilities are less than the assets in the PAA, the resulting surplus will be used to support a further COLA. The plan actuary will determine the maximum amount of COLA that the surplus in the PAA can support on the portion of pensions funded from Account A. COLA is then applied on July 1 to both the base pension (assuming the single life option), as well as all previously granted COLA. Accordingly, the COLA grant from the PAA is “matched” by Account B. Members who have been receiving pension payments for less than 18 months as of July 1 will receive a pro-rated COLA. Beneficiaries of deceased members receive an adjustment to their payments equal to two-thirds of the COLA granted.

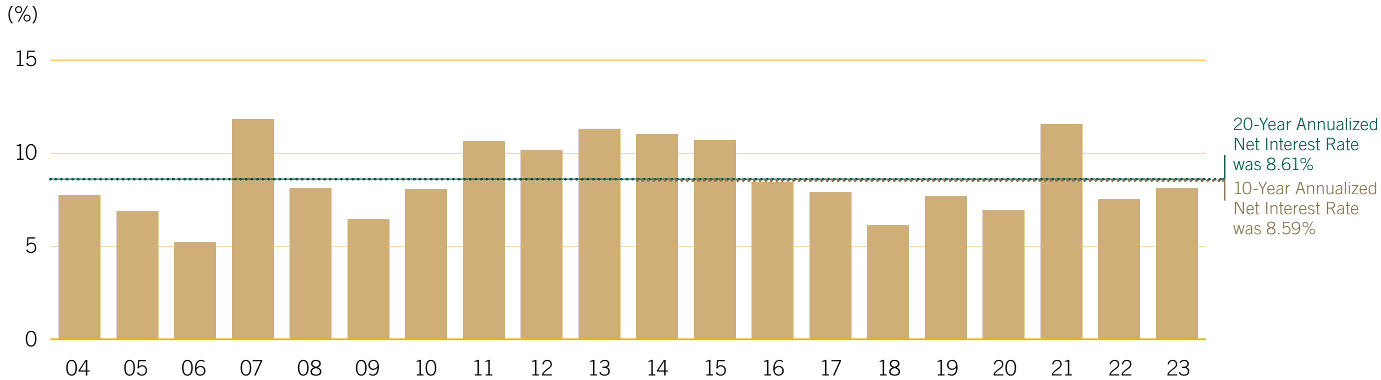
As the COLA grant is based on a single life option, members who have selected a different form of pension (i.e., one with a survivor benefit) will generally receive a higher percentage increase to their pension.

PENSION ADJUSTMENT ACCOUNT – INTEREST RATE

For 2006 and prior years, the PAA interest rate was based on the annual fixed income return

For the years 2007 to 2016 inclusive, the PAA interest rate was based on a formula incorporating the greater of the fixed income return and total fund return, averaged over three years

For 2017 and future years, the PAA interest rate is based on the total fund return, averaged over three years



LIMITS ON COLA

COLA is limited to the lesser of:

- The maximum percentage the PAA can support, and
- The full increase in CPI.

COLA can never be negative.

2023 COLA

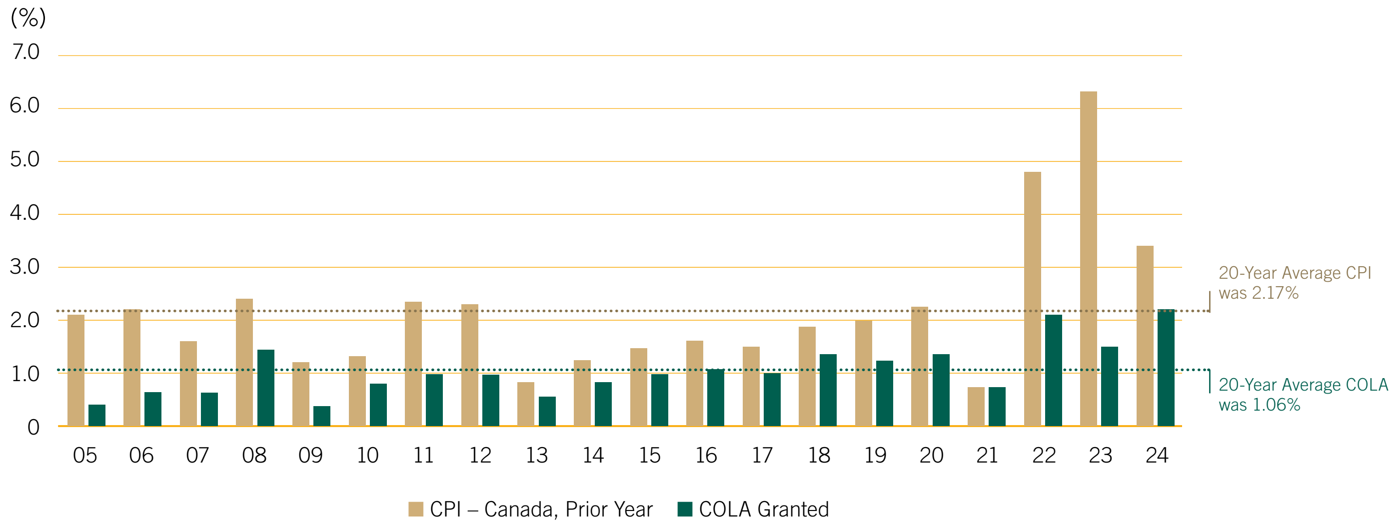
The plan actuary determined that there was an actuarial surplus in the PAA of $51.3 million available to support COLA of 1.50% effective July 1, 2023. Since the relevant increase in CPI for 2022 was 6.32%, the COLA was not impacted by the 100% CPI cap.

In 2023, total COLA payments from the PAA were $35.0 million. Given the matching payments from Account B, the aggregate COLA paid in 2023 was approximately $70.0 million and represented approximately 14.0% of our total pension payments.

PAA ACTIVITY

($ millions)		2023	2022
Balance at Beginning of Year		**$ 446.7**	$ 424.6
Add:	Member Contributions	**22.4**	22.2
	Net Investment Return	**35.6**	31.7
Total Additions		**58.0**	53.9
Deduct:	Pension Payments (50% of total COLA)	**(35.0)**	(31.8)
Balance at End of Year		**$ 469.7**	$ 446.7

CPI – COLA COMPARISON



2024 COLA

The plan actuary determined that there was an actuarial surplus in the PAA of $71.6 million available to support COLA of 2.20% effective July 1, 2024. Since the relevant increase in CPI for 2023 was 3.40%, the COLA will not be impacted by the 100% CPI cap.

As annual pension payments increased to $502.4 million in 2023, the 2024 COLA will increase the aggregate pension payroll by approximately $11.1 million per annum.

FUTURE COLA

Given the number of variables involved, it is difficult to predict the amount of future COLA. Members are cautioned that there is no certainty of a COLA in any given year and the long-run average COLA could be significantly below the corresponding increase in CPI. The projection valuation of the PAA completed in 2021 suggests that COLA averaging approximately 0.91% over the long term could be granted under the current plan structure, subject to annual fluctuations and the fact that the COLA granted in any given year cannot exceed the 100% of CPI limit prescribed in the TPA. However, future COLA is not guaranteed and is generally not pre-funded.

The actuarial valuations for the PAA are available through Online Services.

MTS & MSBA Accounts

The MTS Account continues to be adequately pre-funded with a funded ratio of 119.3%. Conversely, the MSBA Account is currently funded on a pay-as-you-go basis. This situation was expected to occur and is appropriate as MSBA has no active members in the plan.

Certain employees of The Manitoba Teachers' Society (MTS) and Manitoba School Boards Association (MSBA) participate in the TRAF pension plan. MTS and MSBA are responsible for the employer portion of the pension obligations for their respective employees. Under *The Teachers' Pensions Act*, MTS and MSBA are each required, under certain circumstances, to make contributions in order to pre-fund such obligations. These funds are held in separate accounts and are invested in the same manner as the other funds administered by TRAF.

The tables below set out the cash flow activity of each of these accounts during 2023, as well as the funded status of each account at the end of 2023 (accrued assets and liabilities only). Similar data for 2022 is included for information purposes.

MTS ACCOUNT ACTIVITY & FUNDED STATUS

($ thousands)		2023	2022
Balance at Beginning of Year		**$ 10,404**	$ 10,797
Add:	Employer Contributions	**340**	361
	Net Investment Return	**934**	(173)
Total Additions		**1,274**	188
Deduct:	Pension Payments	**(578)**	(581)
Balance at End of Year		**$ 11,100**	$ 10,404
Pension Liabilities		**9,302**	9,020
Surplus/(Deficit)		**$ 1,798**	$ 1,384
Funded Ratio		**119.3%**	115.3%

MSBA ACCOUNT ACTIVITY & FUNDED STATUS

($ thousands)		2023	2022
Balance at Beginning of Year		**$ 4**	$ 4
Add:	Employer Contributions	**27**	30
	Net Investment Return	**0**	0
Total Additions		**27**	30
Deduct:	Pension Payments	**(26)**	(30)
Balance at End of Year		**$ 5**	$ 4
Pension Liabilities		**89**	117
Surplus/(Deficit)		**$ (84)**	$ (113)
Funded Ratio		**5.6%**	3.4%

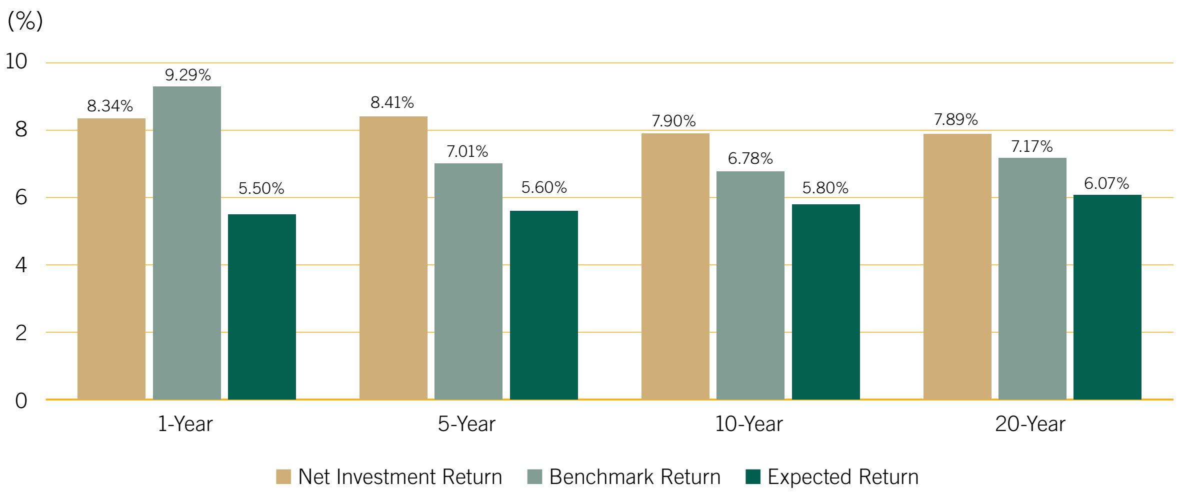
The actuarial valuations for the MTS and MSBA Accounts are available through Online Services.

Investments

TRAF maintains a broadly diversified, professionally managed global investment portfolio which, at the end of 2023, was valued at approximately $8.6 billion. In 2023, this portfolio generated a positive return of 8.34% net of investment expenses. Over the past five years, the annualized return was 8.41% net of investment expenses, which exceeded the plan's annualized expected return over this period of 5.60%.

GRAEME HAY | CHIEF INVESTMENT OFFICER

COMPARATIVE INVESTMENT RETURN



INVESTMENT STRATEGY

The asset allocation of the plan is set out in the Statement of Investment Policies & Procedures (SIP&P). In addition to the target asset allocation, the SIP&P addresses other key matters such as investment beliefs and objectives, permitted types of investments and various other parameters intended to control investment risk and support the long-term sustainability of the plan. The Board regularly reviews the SIP&P and considers any changes recommended by the Investment Committee.

In doing so, the Board needs to balance the pursuit of higher investment returns with the level of risk that is suitable for the circumstances of the plan. While this review process takes place at least annually, many of the portfolio adjustments take several years to implement.

TRAF last undertook a broad asset allocation study, commonly referred to as an asset liability modelling (ALM) study, in 2021. The study evaluated the expected long-term risk and return of the current portfolio and how that may impact the plan's funded status going forward. Consistent with our recent asset allocation adjustments, the study pointed to better long-term risk-adjusted returns being achievable with an increase in the plan's allocations to certain private market asset classes, such as private debt, private equity, infrastructure and global real estate, offset by reductions in various types of fixed income. By the end of 2023, we neared our long-term target weights in several private market asset classes, while maintaining the sizable allocations in traditional liquid asset classes.

TRAF's investment strategy takes into account how we can effectively implement the plan's desired asset allocation. This involves finding the right balance between diversification, active portfolio management and investment costs. While not an exhaustive list, compared to individual investors and some other institutional investors, we believe TRAF has several comparative advantages in implementing its investment strategy:

- TRAF is focused on the pension promise to current and future generations of Manitoba teachers. As a result, we have a much longer investment horizon than most investors, allowing us to withstand short-term volatility and compound returns over long periods of time.
- Contributions into the plan from members and the Province of Manitoba are generally stable, allowing us to anticipate the plan's ongoing cash needs and undertake investments in less liquid private market asset classes. These investments account for over 40% of the plan's portfolio and have delivered higher returns than corresponding public market asset classes over the long term.
- As a top 50 pension plan in Canada by assets under management, we are generally able to use our size to negotiate favourable fee arrangements, as fees tend to decline with scale. In some cases, we have partnered with other like-minded investors to negotiate lower fees.
- We have the staff, governance processes and reputation to undertake co-investments with trusted partners on a low- or no-fee basis. Such co-investments currently account for approximately 7% of the plan's total assets.
- We can attract and retain dedicated staff with experience executing large, diversified, multi-asset class investment programs. In addition to our staff, we are able to leverage the hundreds of staff employed at the external investment managers we engage, who undertake investment opportunities on our behalf and play a key role in managing the investment and operational risks inherent in an investment program of our size and complexity.

INVESTMENT OBJECTIVES

The general investment objective is to obtain the highest rate of return that is consistent with the risk parameters set out in the SIP&P. For the year, the portfolio achieved a total return of 8.34% net of investment fees, compared to the benchmark's return of 9.29%. This return is well above the plan's long-term discount rate of 5.50%, which resulted in an improved funded status for Account A and Account B. While below our benchmark for the year, returns outperformed our benchmark over longer periods, with the plan having generated 0.72% in additional annualized return over 20 years.

Recognizing that investment returns may be volatile from year to year, the Board has established two longer-term return objectives, which assist members and stakeholders in evaluating our investment performance. We have set out below our results against these objectives for the period ended December 31, 2023.

1. Have the rolling five-year return exceed the benchmark return net of all investment-related fees and expenses.

   Achieved. The 8.41% net return for the five-year period ended December 31, 2023, was above the benchmark return of 7.01%.

2. Have the rolling five-year return achieve the expected rate of return assumed in the most recent actuarial valuation of the fund net of all investment-related fees and expenses.

   Achieved. The most recent actuarial valuation report of the fund was as at January 1, 2021, and the expected rate of return was assumed to be 5.50% net of investment-related fees and expenses. The net rate of return for the fund for the five-year period ended December 31, 2023, was 8.41%.

RESPONSIBLE INVESTING

As a fiduciary, TRAF is held to high standards of investment behaviour. Our general investment beliefs are set out in the SIP&P and are further outlined in the plan's Responsible Investing policy, which is available on our website. While we do not exclude investments based on any single factor or circumstance, the policy specifically recognizes our belief that entities that are mindful of, and responsive to, environmental, social and governance (ESG) matters will generally perform better over the long term.

The Responsible Investing policy also outlines how TRAF integrates ESG factors into its investment activities, given the fact that TRAF does not typically invest in individual securities directly, but rather delegates these decisions to external investment managers. As explained in the policy, TRAF incorporates ESG factors in investment activities as follows:

- Assessing the ESG policies and procedures of our external investment managers
- Assessing and monitoring ESG risks with respect to co-investments
- Requiring our external investment managers to maintain documented procedures of their shareholder proxy voting practices
- Actively participating in various organizations that serve to promote the implementation of ESG principles

It is TRAF's belief that, through these efforts, we can use our position as a global investor to advance a more comprehensive consideration of ESG factors in investment decisions. While the application of ESG principles will vary depending on the situation, we are making progress in our efforts. In 2023, we completed an engagement with one of our investment managers, providing constructive feedback on their latest ESG policy efforts. Our partnership with organizations focused on ESG also paid dividends. For example, through our membership in the Canadian Coalition for Good Governance (CCGG), TRAF supported the recent engagement of 30 Canadian issuers, collectively representing 10% of the total market capitalization of the S&P/TSX Composite Index.

INTERNAL INVESTMENT COMMITTEE

In order to administer TRAF's investment portfolio on an efficient and timely basis, the Board has delegated various matters to the Chief Executive Officer (CEO). The CEO has, in turn, established an Internal Investment Committee (Internal IC) to strengthen our internal processes for exercising delegated authority and certain other matters. Specifically, under its Terms of Reference, the Internal IC must approve various items, including:

- Recommendations to be presented to the statutory Investment Committee
- Investments to be made under delegated authority, including co-investments

BENCHMARK REVIEW

During 2023, the Board engaged an independent consultant to assist with assessing each of the applicable benchmarks for suitability and reasonableness, taking into account industry standards and the fact that suitability of particular benchmarks may change over time. As a result of this review, the following adjustments were made effective January 1, 2024.

ASSET CLASS	FORMER BENCHMARK	NEW BENCHMARK
Real Estate Debt	60% FTSE Canada Short-Term Bond Index and 40% FTSE Canada Mid-Term Bond Index +0.5%	60% FTSE Canada Short-Term Bond Index and 40% FTSE Canada Mid-Term Bond Index +1%
Private Equity	MSCI World Index +2%	MSCI World Index +2.5%
Global Real Estate	NCREIF Fund Index – Open End Diversified Core Equity	NCREIF Fund Index – Open End Diversified Core Equity +2%

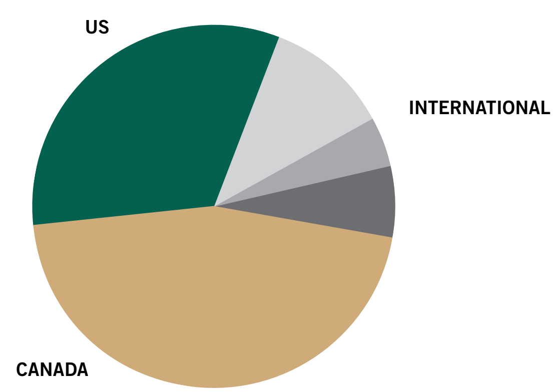
ASSET ALLOCATION AND BENCHMARKS

AS AT JANUARY 1, 2024		Target	Actual	
Asset Class	**Benchmark**	**(%)**	**(%)**	**($ millions)**
FIXED INCOME				
Cash & Short-Term	FTSE Canada 91-Day T-Bill Index	2.0	2.1	183.0[1]
Universe Bonds	FTSE Canada Universe Bond Index	7.0	7.5	646.7
Long-Term Bonds	FTSE Canada Long-Term Overall Bond Index	7.0	6.9	588.9
Real Estate Debt	60% FTSE Canada Short-Term Bond Index and 40% FTSE Canada Mid-Term Bond Index +1%	8.0	8.2	706.1
Private Debt	Morningstar LSTA US Leveraged Loan 100 Index +2%	6.0	5.3	454.6
TOTAL FIXED INCOME		**30.0**	**30.0**	**2,579.3**
EQUITY				
Canadian	S&P/TSX 10% Capped Composite Index	7.0	7.1	605.9
Canadian Low Volatility	MSCI Canada Minimum Volatility Index	2.0	1.8	154.9
US	S&P 500	7.0	7.1	613.3
International	MSCI All Country World (ex US) Index	8.0	8.0	686.9
Global	MSCI All Country World Index	7.0	7.0	599.2
Global Low Volatility	MSCI All Country World Minimum Volatility Index	5.0	4.9	423.2
Private	MSCI World Index +2.5%	10.0	10.0	860.0
TOTAL EQUITY		**46.0**	**45.9**	**3,943.4**
REAL ESTATE				
Canadian	MSCI/REALPAC Canada Quarterly Property Fund Index	10.0	10.7	918.7
Global	NCREIF Fund Index – Open End Diversified Core Equity +2%	4.0	3.8	323.4
TOTAL REAL ESTATE		**14.0**	**14.5**	**1,242.1**
INFRASTRUCTURE				
Global	CPI +4%	10.0	9.6	825.7
TOTAL INFRASTRUCTURE		**10.0**	**9.6**	**825.7**
TOTAL PORTFOLIO		**100.0**	**100.0**	**8,590.5**

[1] Includes cash held by external investment managers. Cash available for disbursement was $169.6 million.

REGION

	Actual (%)
CANADA	**45.8**
US	**32.3**
INTERNATIONAL	**21.9**
Europe	11.2
Asia Pacific	4.5
Emerging Markets	6.2
TOTAL	**100.0**



DETAILED PERFORMANCE

In determining the net returns presented below, all investment-related expenses, including investment manager fees directly attributable to each asset class, as well as a proportional allocation of staff salaries, benefits and other investment-related expenses, have been accounted for in determining the net returns presented.

ANNUALIZED PERFORMANCE SUMMARY[1]

NET RETURNS (%)	1-Year	5-Year	10-Year	20-Year
TOTAL FUND	**8.34**	**8.41**	**7.90**	**7.89**
Benchmark	9.29	7.01	6.78	7.17
Net Excess Return	-0.95	1.40	1.12	0.72
FIXED INCOME	**7.52**	**3.90**	**4.15**	**5.10**
Benchmark	7.97	2.61	3.31	4.60
Net Excess Return	-0.45	1.29	0.84	0.50
Cash & Short-Term	**4.93**	**1.87**	**1.42**	**1.81**
Benchmark	4.71	1.83	1.31	1.69
Net Excess Return	0.22	0.04	0.11	0.12
Universe Bonds	**7.03**	**1.67**	**2.60**	**4.07**
Benchmark	6.69	1.30	2.42	3.78
Net Excess Return	0.34	0.37	0.18	0.29
Long-Term Bonds	**9.61**	**0.70**	**3.27**	**–**
Benchmark	9.51	0.63	3.30	–
Net Excess Return	0.10	0.07	-0.03	–
Real Estate Debt	**6.98**	**4.73**	**4.73**	**5.29**
Benchmark	6.03	2.11	2.56	4.05
Net Excess Return	0.95	2.62	2.17	1.24
Private Debt	**9.80**	**10.75**	**–**	**–**
Benchmark	12.10	8.46	–	–
Net Excess Return	-2.30	2.29	–	–
EQUITY	**12.61**	**11.85**	**10.54**	**9.07**
Benchmark	16.10	10.66	9.41	8.52
Net Excess Return	-3.49	1.19	1.13	0.55
Canadian	**11.62**	**11.12**	**7.16**	**7.87**
Benchmark	11.75	11.30	7.62	7.79
Net Excess Return	-0.13	-0.18	-0.46	0.08
Canadian Low Volatility	**8.07**	**–**	**–**	**–**
Benchmark	11.60	–	–	–
Net Excess Return	-3.53	–	–	–
US	**22.63**	**13.24**	**12.52**	**9.84**
Benchmark	22.90	15.27	14.37	9.90
Net Excess Return	-0.27	-2.03	-1.85	-0.06
International	**16.05**	**8.14**	**7.02**	**6.00**
Benchmark	12.51	6.33	6.24	5.65
Net Excess Return	3.54	1.81	0.78	0.35
Global	**21.56**	**14.51**	**–**	**–**
Benchmark	18.92	10.94	–	–
Net Excess Return	2.64	3.57	–	–
Global Low Volatility	**10.31**	**–**	**–**	**–**
Benchmark	4.22	–	–	–
Net Excess Return	6.09	–	–	–
Private[2]	**0.46**	**15.01**	**18.31**	**–**
Benchmark	22.47	14.03	13.36	–
Net Excess Return	-22.01	0.98	4.95	–
REAL ESTATE	**-1.50**	**6.35**	**6.97**	**9.73**
Benchmark	-5.87	4.99	6.08	8.89
Net Excess Return	4.37	1.36	0.89	0.84
Canadian	**-0.03**	**5.47**	**6.53**	**9.51**
Benchmark	-2.66	5.46	6.31	9.01
Net Excess Return	2.63	0.01	0.22	0.50
Global	**-5.77**	**11.27**	**–**	**–**
Benchmark	-15.07	4.69	–	–
Net Excess Return	9.30	6.58	–	–
INFRASTRUCTURE[3]	**5.81**	**9.18**	**9.37**	**–**
Benchmark	7.12	7.53	7.09	–
Net Excess Return	-1.31	1.65	2.28	–

1 Benchmark return reflects the designated benchmarks used during the relevant time period.

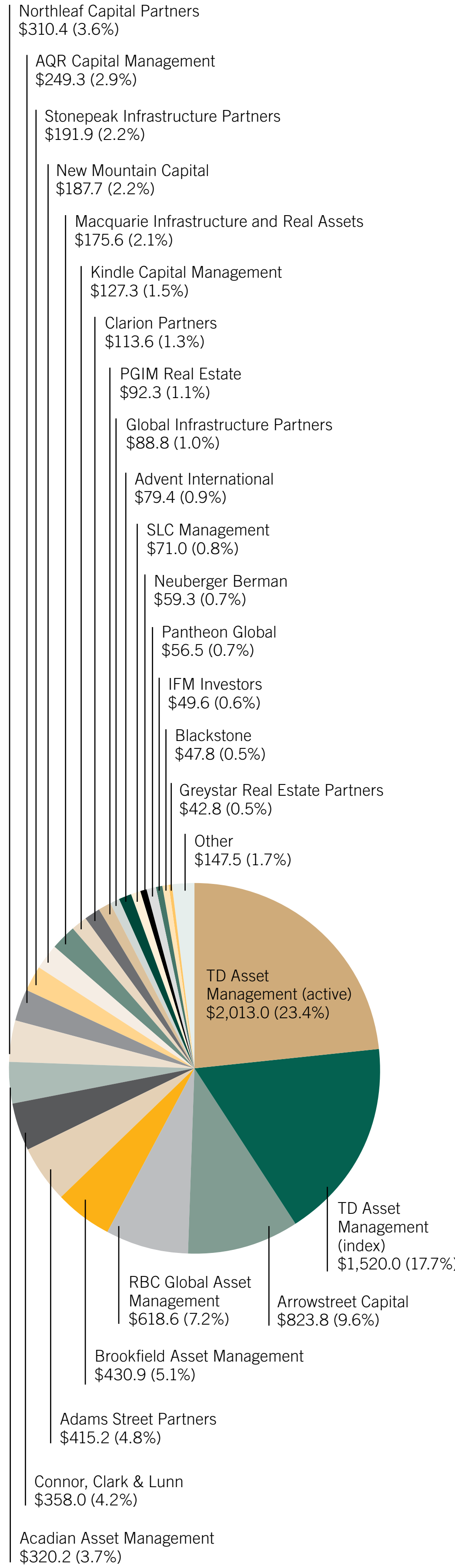
2 Prior to 2006, Private Equity returns were incorporated into Canadian Equity returns.

3 Prior to 2008, Infrastructure returns were incorporated into Private Equity returns.

INVESTMENT MANAGERS

	AMOUNT MANAGED ($ millions)	(%)
FIXED INCOME	**2,579.3**	**30.0**
Cash & Short-Term[1]	**183.0**	**2.1**
TD Asset Management	149.0	1.7
Other	34.0	0.4
Universe Bonds	**646.7**	**7.5**
TD Asset Management	358.1	4.2
RBC Global Asset Management	288.6	3.3
Long-Term Bonds	**588.9**	**6.9**
TD Asset Management[2]	517.9	6.1
SLC Management	71.0	0.8
Real Estate Debt	**706.1**	**8.2**
TD Asset Management	587.2	6.8
Brookfield Asset Management	73.2	0.9
Blackstone	45.7	0.5
Private Debt	**454.6**	**5.3**
Northleaf Capital Partners	189.5	2.2
New Mountain Capital	112.7	1.3
Adams Street Partners	71.7	0.8
Neuberger Berman	59.3	0.7
Other	21.4	0.3
EQUITY	**3,943.4**	**45.9**
Canadian	**760.8**	**8.9**
RBC Global Asset Management	330.0	3.9
Connor, Clark & Lunn	251.5	2.9
TD Asset Management[2]	179.3	2.1
US	**613.3**	**7.1**
TD Asset Management[2]	613.3	7.1
International	**686.9**	**8.0**
Arrowstreet Capital[3]	209.5	2.4
TD Asset Management[2]	209.5	2.4
Acadian Asset Management	161.4	1.9
Connor, Clark & Lunn	106.5	1.3
Global	**1,022.4**	**11.9**
Arrowstreet Capital[3]	614.3	7.2
AQR Capital Management	249.3	2.9
Acadian Asset Management	158.8	1.8
Private	**860.0**	**10.0**
Adams Street Partners	343.5	4.0
Northleaf Capital Partners	120.9	1.4
Brookfield Asset Management	112.0	1.3
Advent International	79.4	0.9
New Mountain Capital	75.0	0.9
Pantheon Global	56.5	0.7
Other	72.7	0.8
REAL ESTATE	**1,242.1**	**14.5**
Canadian	**918.7**	**10.7**
TD Asset Management	918.7	10.7
Global	**323.4**	**3.8**
Clarion Partners	113.6	1.3
PGIM Real Estate	92.3	1.1
Brookfield Asset Management	72.6	0.9
Greystar Real Estate Partners	42.8	0.5
Blackstone	2.1	0.0
INFRASTRUCTURE	**825.7**	**9.6**
Global		
Stonepeak Infrastructure Partners	191.9	2.2
Macquarie Infrastructure and Real Assets	175.6	2.1
Brookfield Asset Management	173.1	2.0
Kindle Capital Management	127.3	1.5
Global Investment Partners	88.8	1.0
IFM Investors	49.6	0.6
Other	19.4	0.2
TOTAL	**8,590.5**	**100.0**

[1] Includes cash held by external investment managers.
[2] Index mandate.
[3] Extension strategies.



ASSET CLASS COMMENTARIES

TRAF's assets are divided into four primary asset classes – fixed income, equity, real estate and infrastructure. In this section, we will comment on the structure and performance of each.

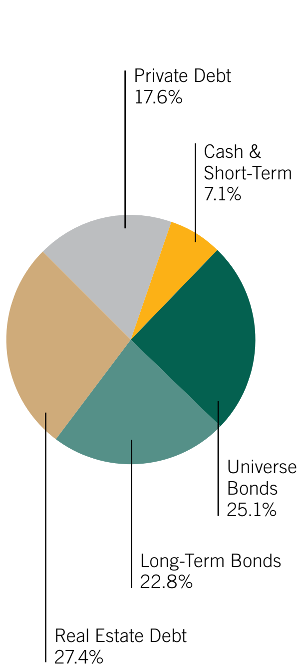
Fixed Income

Our fixed income portfolio includes investments in cash and other short-term instruments, investment-grade public bonds, real estate debt and private debt. Fixed income is generally not expected to achieve a rate of return at or above the plan's discount rate. However, it does serve as an important source of liquidity and diversifies the risk of more economically sensitive asset classes. In times of market stress, we expect the portfolio's allocations to government and high-quality corporate bonds to provide more stable returns, allowing the plan to effectively rebalance into more severely impacted asset classes.

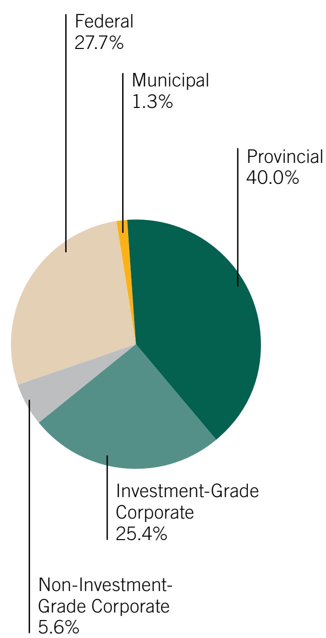
Fixed income markets continued to digest the impact of higher policy rates through much of the year. However, by the fourth quarter, the US Federal Reserve indicated that interest rate cuts might begin in 2024. To that point, fixed income and equity markets had been anticipating a recession, which is commonly the result of high policy rates. News of future rate cuts caused a sharp decline in bond yields from a peak of 4.24% on the Government of Canada 10-year bond in October to 3.11% by year-end. After experiencing some of the worst returns ever for bonds in 2022, the decline in yields in the fourth quarter of 2023 generated the best quarterly return for Canadian bonds since 1989. For the year, the FTSE Canada Universe Bond Index, representing all investment-grade bonds issued in Canada, returned 6.69%. Longer-term bonds, which are more sensitive to interest rate movements, returned 9.51% in 2023.

Other portions of our fixed income portfolio were affected by the level of interest rates in different ways. In recent years, we have increased our allocation to private debt. This portion of the fixed income portfolio involves lending to private companies. These loans carry floating interest rates and so, as the general level of interest rates remained high in the year, so did the income earned on this portfolio. High interest rates can also increase the risk of default as interest service costs account for a larger portion of a company's earnings. The overall

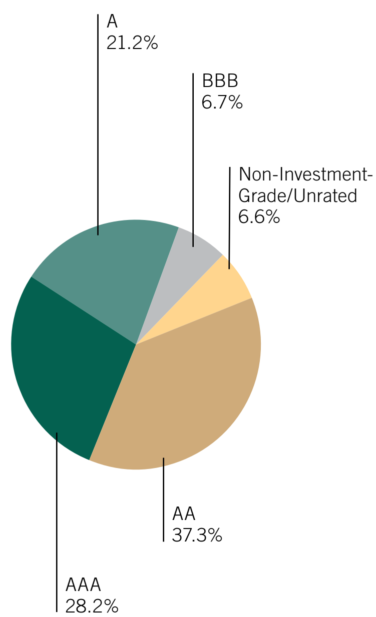
FIXED INCOME ASSET MIX



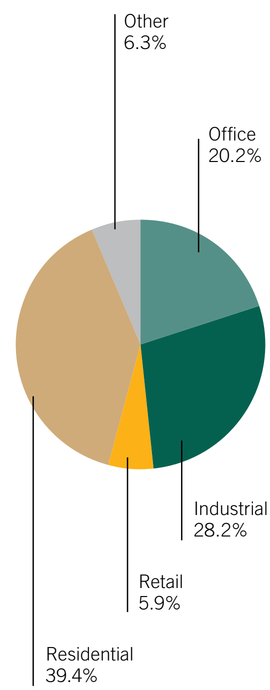
BONDS BY TYPE



BONDS BY RATING



REAL ESTATE DEBT BY SECTOR



resilience of the economy generally kept operating earnings well above interest costs and our portfolio did not experience any significant credit events.

The ability to deliver higher yields even in a rising rate environment has attracted a lot of capital to the private debt market in recent years. We also believe the asset class has a number of attractive characteristics. However, it is important to remain mindful that such loans are generally considered below investment grade and could experience a higher level of defaults in an economic downturn. Though it is hard to predict when the next downturn may occur, we have sought to further diversify our private debt portfolio across investment managers and individual loans so that any company-specific issues would be less impactful. As of the end of the year, private debt returned 9.80%. Since we established our private debt allocation in 2016, it has ranked as our best-performing fixed income sub-asset class.

The real estate debt portfolio did not achieve the same level of absolute returns as our other fixed income portfolios; however, it outperformed its benchmark by 0.95%. This portfolio largely consists of senior mortgages secured by high-quality Canadian real estate. Mortgages typically have fixed interest rates. They also tend to be shorter in duration. This serves to protect value in rising rate environments, as had occurred in 2022. As rates fell in 2023, returns from this portfolio remained strong on the Canadian portion of the portfolio. The portfolio also includes allocations to debt backed by non-Canadian real estate. Weakness in US real estate markets, particularly select investments tied to the office sector, detracted from the portfolio's performance in the year, but have been additive over longer periods.

Overall, our target fixed income allocation has remained unchanged compared to the prior year at 30% of total plan assets. With the general increase in the level of interest rates since 2021, we took the opportunity to modestly increase our allocation to long bonds by 1%, offset by an equal reduction in our universe bond portfolio. We are also in the process of shifting some exposure from real estate debt to private debt. This is based on a general view that private debt offers somewhat higher risk-adjusted returns than real estate debt. At the same time, we are purposefully managing the plan's overall exposure to less liquid investments. Further adjustments to our fixed income portfolio will depend on an in-depth review of our fixed income portfolio, which will take place in 2024.

Through the TD Greystone Real Estate Fund, TRAF owns a portion of the iconic Toronto hotel, the Fairmont Royal York. The hotel is currently undergoing a number of retrofits as it works towards obtaining Canada Green Building Council's Zero Carbon Building certification.

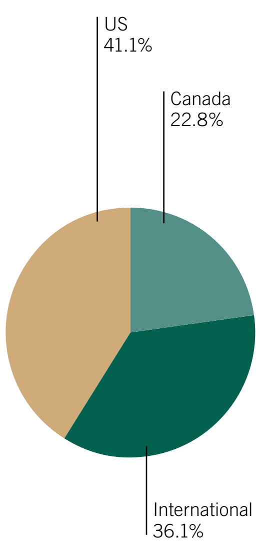
Equity

Public equities give investors a share of the long-term earnings as owners of a business. Recall that public equity returns were negative in 2022 across all geographies, as higher interest rates negatively affected valuations. This generally set up the possibility of higher returns in 2023. Early in the year, stocks tied to innovations in artificial intelligence sparked a rally that continued through much of the year. Some of the biggest winners were US stocks, particularly a small group of stocks dubbed the "Magnificent Seven" for their extraordinary growth and influence on market returns. Largely consisting of information technology companies, these stocks achieved a total return of 14.69% in the year or almost two-thirds of the 22.90% return earned on the S&P 500. These stocks now make up 29% of the index.

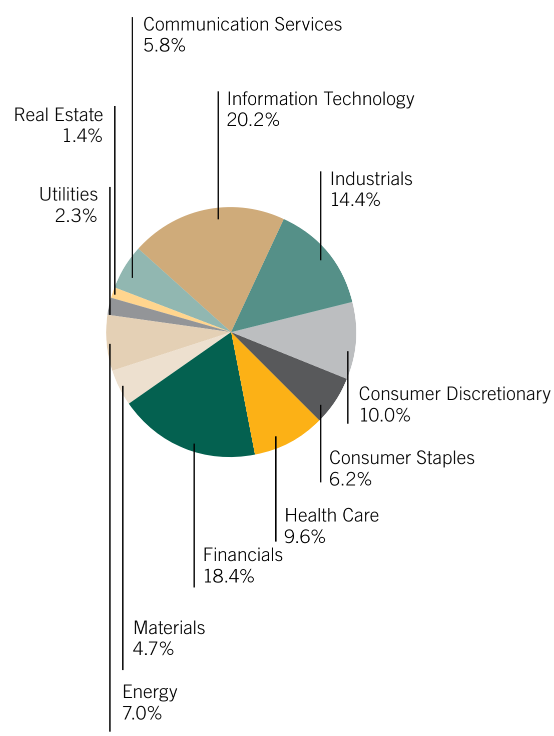
The concentration of the US market and hence global equities in general in this relatively small group of large cap stocks had a notable impact on investors' individual performance in 2023. The median return among the large cap US equity investment manager universe was nearly 3% lower than the S&P 500, demonstrating that the average US manager had difficulty positioning their portfolios when the market was heavily influenced by a few names. In global equities, where there is a greater breadth of stocks to choose from, investment managers generally performed better, though the median manager still underperformed the MSCI All-Country World Index by over 1%.

In general, we do not want the performance of our portfolio to be impacted, positively or negatively, by our weight in a few stocks. We seek to be diversified and capture the full breadth of returns by investing in public equities. We use a greater degree of active management, where an investment manager chooses which stocks to own and how to weight them relative to a benchmark, when there is a greater breadth of stocks to choose from. In certain instances, where we have high conviction in an investment manager's ability to select both attractive and unattractive stocks, we have used extension strategies, which allow for selling stocks short with the intention of buying these stocks back at a lower price. Where the probability of underperformance from active management is highest, such is often the case in US stocks, our portfolio is passively managed, whereby we seek to replicate the return of an index by holding all stocks at market weights. As a result of this strategy, our portfolio had a weight in the Magnificent Seven very similar

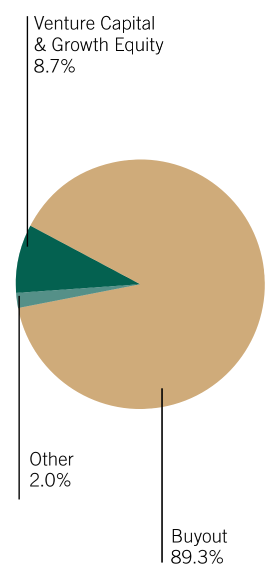
TOTAL EQUITY BY REGION



TOTAL EQUITY BY SECTOR



PRIVATE EQUITY BY INVESTMENT TYPE



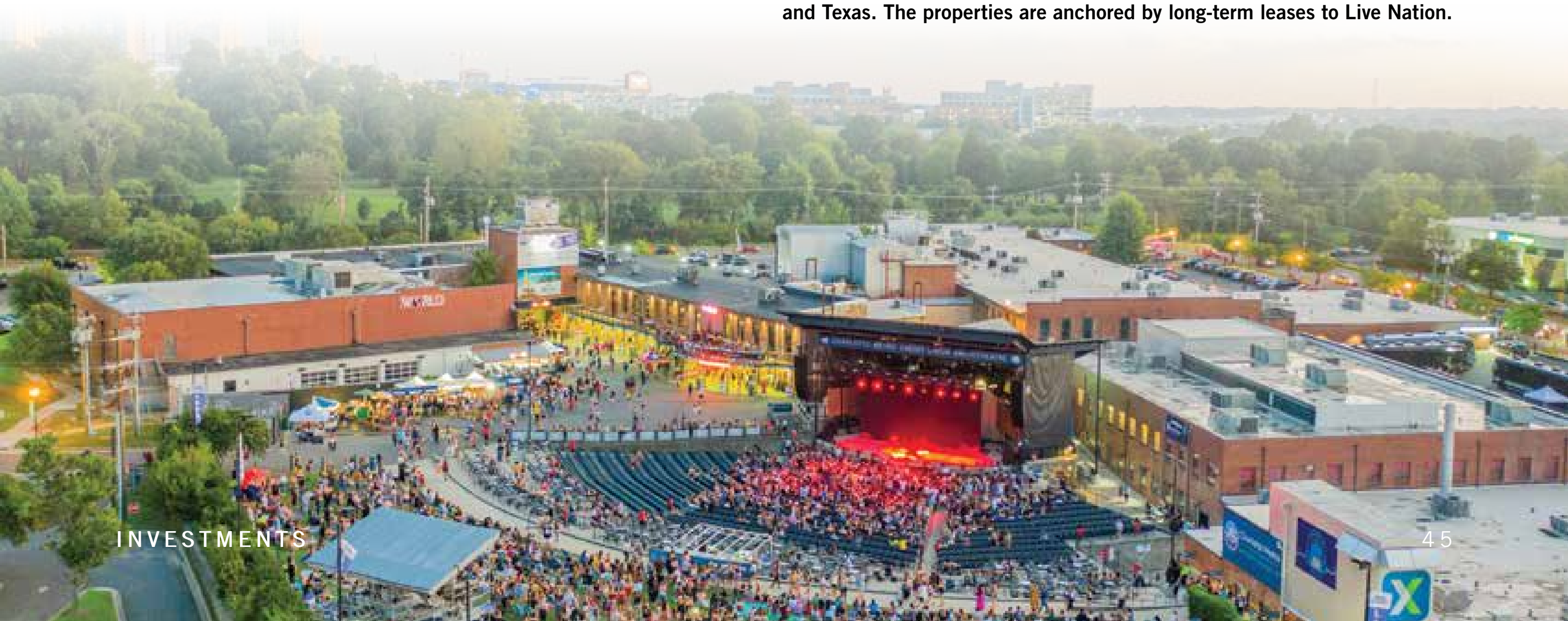
to that of the benchmark. At the same time, we were able to generate outperformance across our total public equity portfolio through active stock selection in less followed names. Proving the success of this strategy, our outperformance was strongest in global markets in 2023, where we use the greatest degree of active management. For instance, our global equity portfolio outperformed its benchmark by 2.64% in 2023 and 3.57% on an annualized basis over the past five years.

Across all asset classes, our private equity portfolio had the most significant impact on our performance relative to the plan's benchmark. The private equity portfolio generated an annual return of 0.46% compared to our benchmark's return of 22.47%. This degree of underperformance offsets the positive value added across all other asset classes in the year. To a degree, this reflects the challenges of benchmarking private equity. TRAF, like most of our peers, uses a global benchmark of public equities and then applies a premium to account for the additional illiquidity and other risks of investing in the private equity asset class. While we think this provides a reasonable measure of our returns over the long term, it is subject to a fair degree of noise in the short term. As is common practice, our private equity returns are also lagged by one quarter, whereby we take the valuations received across our private equity portfolio as of the end of September and adjust this for any cash flows received prior to the end of the year to arrive at our year-end private equity valuations. As a result, our portfolio will not fully reflect the market valuation on equities until the next quarter. In 2023, there was a surge in public equity prices in the fourth quarter, totalling 9.64% for our private equity benchmark. In such an environment, it would be difficult for our private equity portfolio's performance to keep pace with its benchmark. Over the longer term, however, private equity remains our strongest-performing asset class with a 10-year return of 18.31% and 4.95% in outperformance relative to its benchmark.

Though there may be some uplift in valuations early in 2024, we may experience further weakness in the private equity portfolio in the short term. The current interest rate environment has resulted in a significant reduction in the number of private equity transactions that are occurring. Since the recent high achieved in 2021, the total value of private equity deals completed in 2023 was down approximately 36%. Private equity managers seem to be waiting for lower interest rates and lower valuations before undertaking new transactions. On average, private equity managers are conservative in valuing portfolio companies prior to their sale. Thus, while few transactions are happening, private equity returns may trail public equities.

Over the long term, there remains reasons to be optimistic. There is currently US$1.6 trillion in outstanding private equity commitments looking to be deployed. Private equity funds typically have a limited time to deploy commitments from investors. In which case, deal activity should eventually rebound. In the meantime, our private equity managers are focused on growing revenue and improving operations of their portfolio companies, which will better prepare these businesses for when the exit window re-opens. The timing of a rebound is difficult to predict, so we are continuing to make new commitments, which will be deployed over the next several years as part of our plan of maintaining a long-term target weight of 10% to the asset class.

Through a real estate fund managed by Brookfield Asset Management, TRAF invested in a portfolio of two entertainment-focused mixed-use properties in North Carolina and Texas. The properties are anchored by long-term leases to Live Nation.



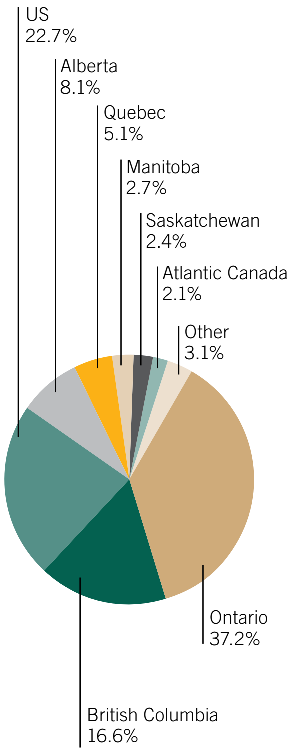
Real Estate

TRAF's real estate portfolio returned -1.50% versus the benchmark return of -5.87%. Real estate was the only major asset class to lose value during the year. To some degree, real estate returns are playing catch-up on forces that negatively impacted returns for other asset classes in 2022. As we noted in last year's annual report, real estate values reflect a long-term stream of rental income, similar to inflation-adjusted bonds. Thus, when interest rates move up as they did in 2023, the estimated value of future rental income in today's dollars is lower. This generally had a negative impact on the real estate asset class during the year.

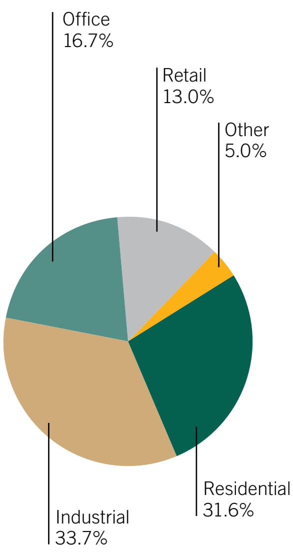
Though less significant than in prior years, there continued to be notable disparity in returns by sector. The office sector was the biggest laggard, with unlevered returns falling -4.2% in Canada and -20.9% in the US. Slow return-to-office trends, excess inventory and general downsizing of space has led to double-digit vacancy rates for the sector. At the opposite end, the retail sector showed positive total returns in Canada. And in the US, hotels were the only sector to deliver positive results.

Despite this market softness, our portfolio positioning protected value in 2023. In Canada, TD Asset Management, with which we have had a long relationship for real estate, outperformed by 2.63%. TD's selection of properties in the office and residential

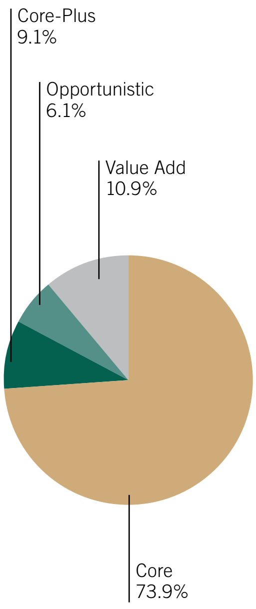
REAL ESTATE BY REGION



REAL ESTATE BY SECTOR



REAL ESTATE BY INVESTMENT TYPE



sectors were key drivers of their value add. In our global real estate portfolio, we have purposefully tilted our portfolio to sectors that we believe will deliver better risk-adjusted returns, namely the industrial and multi-family sectors. The office sector represents only 7% of our portfolio, compared to a weight of 18% in our benchmark in the NFI-ODCE.

In 2023, we conducted a formal review of our real estate and real estate debt portfolios. This review examined the investment objectives, strategy and risk controls that impact how we construct TRAF's real estate portfolio. This generally re-affirmed our approach of concentrating lower-risk core real estate investments in Canada. In the pursuit of improved risk-adjusted returns, we have undertaken core-plus and non-core strategies in our global real estate portfolio, where there is a much broader opportunity set of investment managers, geographies and strategies. Though this portion of the portfolio delivered weaker results in 2023, over the past five years we achieved a strong absolute return of 11.27% and 6.58% of excess return to our benchmark.

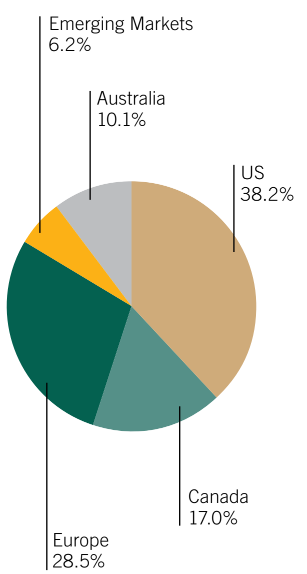
TRAF's real estate debt portfolio includes a loan held by the TD Greystone Mortgage Fund backed by The Grand on King, a multi-unit residential property located in Surrey, BC.

Infrastructure

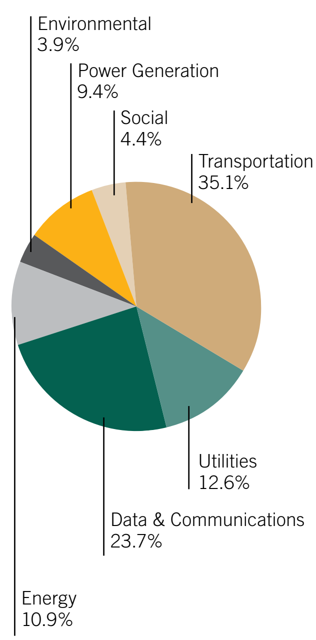
Our infrastructure portfolio delivered an absolute return above the plan's discount rate at 5.81% for the year, but underperformed its benchmark by -1.31%. Our underperformance was driven by a couple of factors. First, currency exposure had a somewhat more sizable impact on performance than in prior years. Our portfolio is diversified by geography, currency and sector. In most cases, we are achieving this level of diversification by accessing funds with a mandate to invest globally. However, these funds typically operate with the US dollar or the euro as their base currency. In fact, 83% of the portfolio is denominated in foreign currencies. The Canadian dollar appreciated across this basket of currencies by approximately 1.5% for the year, which negatively impacted our returns in Canadian dollars. A second notable factor was the impact of the portfolio's exposure to publicly listed infrastructure companies. In some cases, our infrastructure managers have positions in public companies as part of a plan to eventually exit a business to the public market. These securities, which represent 3.7% of our infrastructure portfolio, will generally be subject to more volatility from one quarter to the next than is often seen in private market valuations. Towards the end of the year, a few of these companies experienced share declines due to company-specific issues.

In 2021, we conducted a broad review of our infrastructure portfolio, similar to what was undertaken for real estate this year. This review pointed out that diversifying our roster of investment manager relationships to include managers that focus on smaller infrastructure businesses should be an area of focus going forward. As the infrastructure asset class has grown, capital has concentrated with a small list of large managers that are frequently raising funds in excess of US$20 billion. We have several relationships in this space; these managers have the ability to select the best investment opportunities across the globe and apply their sophisticated operational and financial capabilities to generate returns. However, this poses some challenges as investments need to be sold in the future with relatively fewer buyers that can pay, in some cases, billions to acquire these assets. Investment managers that target smaller infrastructure companies may have a longer list of interested buyers for equivalently performing assets. After an extensive search, we made a commitment to DIF Capital, a Netherlands-based infrastructure manager that invests globally. DIF also has a history of undertaking successful infrastructure investments in Canada. This was our first new infrastructure manager relationship since 2017.

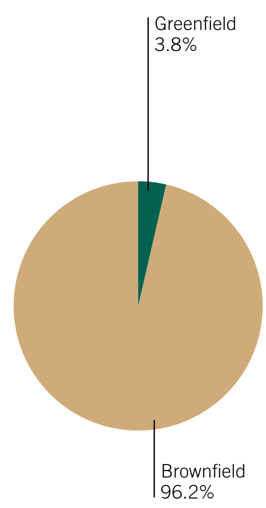
INFRASTRUCTURE BY REGION



INFRASTRUCTURE BY SECTOR



INFRASTRUCTURE BY INVESTMENT TYPE

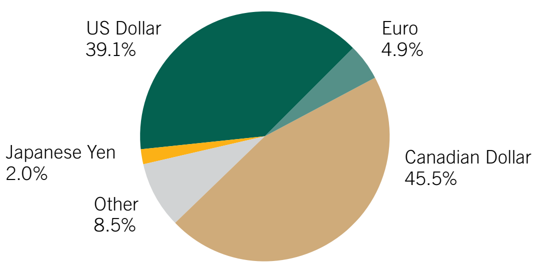


FOREIGN CURRENCY

After considering the relevant factors, including the plan's long investment horizon and desire for diversification, TRAF has adopted a policy not to hedge the foreign currency exposure related to its holdings.

At the end of 2023, approximately $4.7 billion (54.5%) of the plan's total holdings were denominated in a currency other than the Canadian dollar.

CURRENCY EXPOSURE



SECURITIES LENDING

TRAF has a securities lending program administered by our custodian, CIBC Mellon Global Securities Services. Under the program, we lend securities to borrowers approved by the custodian. The loans are secured by either cash or marketable securities. In 2023, TRAF earned approximately $0.8 million from the program.

RISK MANAGEMENT

Not all defined benefit pension plans are alike in their ability to tolerate risk. As a mature plan, with the ratio of active-to-retired members now approximately 1 to 1, TRAF's risk tolerance is generally lower than "younger" plans, where contribution rate increases would have more of an impact on the long-term funded status. As a result, our portfolio is generally structured to achieve returns with less volatility than many other defined benefit pension plans.

One of the primary strategies to reduce risk in our investment portfolio is maintaining an adequate level of diversification. TRAF's portfolio is diversified by asset class (and sectors within each asset class), geography, style of investment management, investment manager and individual securities. In addition, to the extent reasonably possible, private debt, private equity, real estate and infrastructure fund commitments are diversified by vintage year.

At the investment manager level, TD Asset Management continues to have the largest total allocation from TRAF, actively managing $2.0 billion (23.4% of our total portfolio) at the end of 2023. A further $1.5 billion (17.7% of our total portfolio) is held in passive mandates managed by TD Asset Management.

Our largest single company exposure at the end of 2023 was Microsoft, with a total value of $62 million. TRAF's largest co-investment is in Antares, a leading lender to middle-market companies, primarily in the US. Given the nature of this business, it is held as part of our private debt allocation. At the end of 2023, our holding in Antares was valued at $170 million. TRAF's largest real estate holding is Glenwood Industrial Estates, an industrial property located in Burnaby, British Columbia. Our partial interest in this property was valued at $47 million at the end of 2023, representing 3.8% of our total real estate holdings. The total number of holdings in the real estate portfolio was 2,946 at the end of 2023. This is a material increase from the 400 positions we held at the end of 2018, primarily due to our pooled fund investments outside of Canada. Our largest holding in the infrastructure asset class continues to be the 407 ETR, a toll road located north of Toronto, Ontario. At December 31, 2023, TRAF's exposure to this asset was $76 million.

We regularly monitor the plan's liquidity risk, specifically the balance between the plan's inflows and outflows of cash. On a monthly basis, TRAF receives pension contributions from members and the Province of Manitoba. Cash is also received on a periodic basis as our investments distribute income and, in certain cases, we receive proceeds of disposition when investments are sold. Cash outflows happen on a periodic basis as pensions are paid and capital commitments for private market investments are drawn.

Given the maturity of the plan, more cash typically comes out of the plan in any given month than is received, such that TRAF must maintain a balance in cash and other liquid investments. At the same time, given that pension payments are our primary cash outflows and are known with a degree of certainty in advance, TRAF is able to invest a meaningful amount of the portfolio in less-liquid investments, such as private debt, private equity, real estate and infrastructure, which are expected to earn strong risk-adjusted returns over the long term.

We continue to place an emphasis on assessing the operational risk associated with our external investment managers. We have focused on operational risk assessments for several years with such assessments forming a part of each investment recommendation brought forward to the Internal Investment Committee when we engage external investment managers or undertake co-investments. We have also completed operational assessments on all of our key existing relationships.

Through Brookfield Infrastructure Fund IV, TRAF has a stake in Constellation Solar, which operates a portfolio of hundreds of solar generation assets across many US states. The portfolio includes a number of community solar projects at schools, as shown here.

INVESTMENT COSTS

Our investment-related expenses for 2023 are set out in the table below, together with those of 2022 for comparison purposes.

Investment manager fees presented in the table below are those paid directly to investment managers (i.e., fees that are generally charged outside of an investment account, fund, partnership or similar vehicle) for each asset class. Both base fees and performance fees are included.

The expense summary excludes certain investment manager fees (both base fees and performance fees) and operating costs indirectly incurred by TRAF within various investment vehicles in which we have invested. However, all such fees and costs have been accounted for in determining the net investment returns presented in this report.

To determine our costs per $100 of invested assets, the total investment-related costs are divided by TRAF's average amount of invested assets throughout the year. Based on this methodology, our investment-related costs in 2023 were 39 basis points, or $0.39 per $100 of invested assets. This is a $0.01 increase over 2022. Expenses related to the Board and committees increased by $174,000 (328.3%), which reflects the expenses incurred in 2023 for external independent reviews of both the incentive compensation program and our investment performance benchmarks. Please refer to the "20-Year Data Summary" in this report for information on investment costs since 2004.

Based on publicly available reports and other sources of information, including an annual third-party survey that we participate in, TRAF's investment-related costs are in line with other plans of similar size and structure.

After accounting for these costs, TRAF's net investment return for 2023 was 8.34%. After the deduction of administrative expenses of $5,162,000 (outlined in the "Member Services" section of this report), the net plan return was 8.27%. Pursuant to applicable legislation, this rate of return is required to be used for a number of purposes, including the rate of return credited to each of the Pension Adjustment Account, the MTS Account and the MSBA Account.

INVESTMENT EXPENSE SUMMARY

($ thousands)	2023	2022	Change $	Change %
Investment Manager Base Fees	**$ 13,379**	$ 13,175	204	1.5
Investment Manager Performance Fees	**11,935**	11,330	605	5.3
Salaries and Benefits	**3,827**	3,669	158	4.3
Office and Administration	**849**	676	173	25.6
Actuarial Fees	**48**	48	–	0.0
Audit Fees	**43**	42	1	2.4
Custody and Banking	**530**	481	49	10.2
Communications	**26**	20	6	30.0
Travel	**26**	17	9	52.9
Professional Fees	**127**	148	(21)	(14.9)
Board and Committees	**227**	53	174	328.3
Portfolio Oversight[1]	**1,197**	852	345	40.5
Total	**$ 32,214**	$ 30,511	$ 1,703	5.6%
Investment Costs per $100 of Assets	**$ 0.39**	$ 0.38	$ 0.01	2.6%

[1] Includes items such as consulting fees for strategic initiatives at the overall portfolio level and due diligence activities in respect of sourcing new and monitoring existing investment managers. Staff travel expenses related to these activities are also included.

Portfolio Summary

ALL MARKET VALUES ARE IN $THOUSANDS AND INCLUDE CO-INVESTMENTS AS APPLICABLE

FIXED INCOME

CASH & SHORT-TERM

MANAGER	MARKET VALUE	%
TD Asset Management	148,982.3	81.4
Other[1]	34,056.1	18.6
	183,038.4	100.0

[1] Includes cash held by external investment managers.

TYPE	%
Treasury Bills	16
Corporate	74
Provincial	0
Cash	10
	100

UNIVERSE BONDS

MANAGER	MARKET VALUE	%
TD Asset Management	358,075.2	55.4
RBC Global Asset Management	288,664.2	44.6
	646,739.4	100.0

TYPE	%
Federal	37
Provincial	28
Corporate	29
Municipal	0
Other	6
	100

LONG-TERM BONDS

MANAGER	MARKET VALUE	%
TD Asset Management	517,897.2	88.0
SLC Management	70,956.3	12.0
	588,853.5	100.0

TYPE	%
Federal	17
Provincial	51
Corporate	29
Municipal	3
	100

REAL ESTATE DEBT

MANAGER	MARKET VALUE	%
TD Asset Management	587,195.6	83.1
Brookfield Asset Management	73,203.3	10.4
Blackstone	45,742.9	6.5
	706,141.8	100.0

REGION	%
Canada	86
US	10
Other	4
	100

SECTOR	%
Industrial	28
Office	20
Residential	40
Retail	6
Other	6
	100

PRIVATE DEBT

MANAGER	MARKET VALUE	%
Northleaf Capital Partners	189,484.8	41.7
New Mountain Capital	112,712.3	24.8
Adams Street Partners	71,647.7	15.8
Neuberger Berman	59,306.9	13.0
Penfund	21,405.7	4.7
	454,557.4	100.0

REGION	%
Canada	1
US	96
Europe	3
	100

INVESTMENT STRUCTURE	%
Fund	63
Direct (including Co-Investments)	37
	100

PUBLIC EQUITY

CANADIAN EQUITY

MANAGER	MARKET VALUE	%
RBC Global Asset Management	329,978.1	43.4
Connor, Clark & Lunn	251,505.7	33.0
TD Asset Management	179,330.8	23.6
	760,814.6	100.0

SECTOR	%
Consumer Discretionary	3
Consumer Staples	6
Energy	16
Financials	32
Health Care	0
Industrials	14
Information Technology	9
Materials	9
Real Estate	3
Telecommunication Services	4
Utilities	4
	100

US EQUITY

MANAGER	MARKET VALUE	%
TD Asset Management	613,309.7	100.0
	613,309.7	100.0

SECTOR	%
Consumer Discretionary	11
Consumer Staples	6
Energy	4
Financials	13
Health Care	13
Industrials	9
Information Technology	29
Materials	2
Real Estate	2
Telecommunication Services	9
Utilities	2
	100

PUBLIC EQUITY

INTERNATIONAL EQUITY

MANAGER	MARKET VALUE	%
TD Asset Management	209,543.7	30.5
Arrowstreet Capital	209,521.4	30.5
Acadian Asset Management	161,415.2	23.5
Connor, Clark & Lunn	106,463.7	15.5
	686,944.0	100.0

REGION	%
Europe (except UK)	37
UK	8
Asia Pacific (except Japan)	7
Japan	15
Emerging Markets	33
	100

SECTOR	%
Consumer Discretionary	14
Consumer Staples	6
Energy	8
Financials	19
Health Care	8
Industrials	13
Information Technology	18
Materials	5
Real Estate	1
Telecommunication Services	5
Utilities	3
	100

GLOBAL EQUITY

MANAGER	MARKET VALUE	%
Arrowstreet Capital	614,323.8	60.1
AQR Capital Management	249,236.0	24.4
Acadian Asset Management	158,808.7	15.5
	1,022,368.5	100.0

REGION	%
Canada	3
US	49
Europe (except UK)	16
UK	4
Asia Pacific (except Japan)	3
Japan	7
Emerging Markets	18
	100

SECTOR	%
Consumer Discretionary	12
Consumer Staples	9
Energy	6
Financials	18
Health Care	9
Industrials	8
Information Technology	23
Materials	2
Real Estate	1
Telecommunication Services	9
Utilities	3
	100

PRIVATE EQUITY

MANAGER	MARKET VALUE	%
Adams Street Partners	343,462.9	39.9
Northleaf Capital Partners	120,947.3	14.1
Brookfield Asset Management	111,964.2	13.0
Advent International	79,440.4	9.2
New Mountain Capital	75,039.2	8.7
Pantheon	56,536.5	6.6
TorQuest Partners	33,410.7	3.9
Clayton Dubilier & Rice	24,591.4	2.9
Other	14,616.0	1.7
	860,008.6	100.0

REGION	%
Canada	9
US	61
Europe	20
Emerging Markets	6
Other	4
	100

SECTOR	%
Consumer Discretionary	10
Consumer Staples	3
Energy	2
Financials	10
Health Care	19
Industrials	27
Information Technology	22
Materials	4
Real Estate	1
Telecommunication Services	2
Utilities	0
	100

INVESTMENT TYPE	%
Buyout	89
Venture Capital & Growth Equity	9
Other	2
	100

INVESTMENT STRUCTURE	%
Fund-of-Funds	37
Fund	53
Direct (including Co-Investments)	10
	100

REAL ESTATE

MANAGER	MARKET VALUE	%
TD Asset Management	918,657.1	74.0
Clarion Partners	113,618.5	9.2
PGIM Real Estate	92,275.7	7.4
Brookfield Asset Management	72,585.2	5.8
Greystar Real Estate Partners	42,786.2	3.4
Blackstone	2,118.0	0.2
	1,242,040.7	100.0

REGION	%
Canada	74
US	23
Other	3
	100

SECTOR	%
Industrial	34
Office	17
Residential	32
Retail	13
Other	4
	100

INVESTMENT TYPE	%
Core	74
Core-Plus	9
Value Add	11
Opportunistic	6
	100

INVESTMENT STRUCTURE	%
Fund	95
Direct (including Co-Investments)	5
	100

PORTFOLIO LOAN-TO-VALUE RATIO **33.9%**

INFRASTRUCTURE

MANAGER	MARKET VALUE	%
Stonepeak Infrastructure Partners	191,930.8	23.2
Macquarie Infrastructure and Real Assets	175,644.6	21.3
Brookfield Asset Management	173,137.9	21.0
Kindle Capital Management	127,350.5	15.4
Global Infrastructure Partners	88,758.6	10.8
IFM Investors	49,602.1	6.0
Other	19,256.5	2.3
	825,681.1	100.0

REGION	%
Canada	17
US	38
Europe	29
Australia	10
Emerging Markets	6
	100

SECTOR	%
Data & Communications	24
Energy	11
Environmental	4
Power Generation	9
Social	4
Transportation	35
Utilities	13
	100

INVESTMENT TYPE	%
Brownfield	96
Greenfield	4
	100

INVESTMENT STRUCTURE	%
Fund	60
Direct (including Co-Investments)	40
	100

PORTFOLIO LOAN-TO-VALUE RATIO **36.1%**

Compensation

BOARD AND COMMITTEE MEMBERS

Board members are appointed by the Lieutenant Governor in Council and are compensated for attendance at Board and committee meetings. Board members, other than the Chair, are also entitled to compensation for each day spent on TRAF business or at an approved conference or training event. The current rate is $200 per day or part day, with a limit of two days' preparation time for Board and committee meetings. The Board Chair receives a fixed amount per month.

In addition to Board members, the Investment Committee and the Audit and Risk Committee have non-Board members appointed by the Board. The compensation of such members is in the form of a fixed annual retainer in an amount set by the Board. *The Teachers' Pensions Act* (TPA) appoints the Deputy Minister of Finance (or designate) as a member of the Investment Committee without compensation.

The table below presents the Board and committee member compensation for 2023.

Name	Position(s)[1]	Compensation
Bryton Moen	Board Chair Human Resources Committee Member Governance Committee Member (Ex-officio) Audit and Risk Committee Member (Ex-officio)	$ 20,000
Nathan Martindale	Vice Chair Governance Committee Chair	2,400
Glen Anderson	Board Member Human Resources Committee Chair Investment Committee Member	3,800
Myrna Wiebe	Board Member Investment Committee Chair Governance Committee Member	5,200
Brenda Tobac	Board Member Audit and Risk Committee Chair Governance Committee Member	7,600
Nike Bello	Board Member Audit and Risk Committee Member	7,000
Lillian Klausen	Board Member Board Vice Chair Human Resources Committee Member	3,200
Dave Najduch	Board Member Audit and Risk Committee Member	2,600
James Bedford	Board Vice Chair Governance Committee Chair Human Resources Committee Chair Audit and Risk Committee Member	5,800
Tammy Hodgins-Rector	Board Member Investment Committee Observer Governance Committee Member	2,000
Silvester Komlodi	Investment Committee Member	n/a
Shiu-Yik Au	Investment Committee Member	6,000
Debbie Rehn Doyle	Investment Committee Member	6,000
Lauren Tolton	Audit and Risk Committee Member	6,000
Don Delisle	Investment Committee Member	n/a
Total		$ 77,600

[1] The persons indicated served in these roles for all or a portion of the 2023 calendar year.

MANAGEMENT & SENIOR INVESTMENT PERSONNEL

Background

Given the nature of the organization, TRAF is more likely to achieve its goals if it can attract, retain and motivate talented individuals to undertake the strategic initiatives and investment management activities that the organization has identified as being in the best long-term interests of the plan.

One of the primary tools to secure the required talent is a competitive compensation model. Effective January 1, 2016, the Board, in conjunction with the services of Global Governance Advisors (GGA), an independent compensation consulting firm, modified the compensation program by introducing incentive-based awards for management, senior investment professionals and other eligible employees as determined by the President & Chief Executive Officer (CEO).

In addition to competitive base salaries, the program consists of variable compensation in the form of annual short-term incentive plan (STIP) awards and, in the case of investment professionals and others who contribute to the investment program, long-term incentive plan (LTIP) awards. In addition, each TRAF employee is entitled to a comprehensive benefits package including, without limitation, participation in a defined benefit pension plan, health care, dental coverage, vision coverage, health spending account, group life insurance, long-term disability insurance and participation in an employee assistance program. The objective of the program is to arrive at a total compensation level for each employee that is fair and reasonable in the circumstances.

Governance

While the Board remains ultimately responsible for compensation matters, it has delegated the administration of the incentive compensation program to the Human Resources Committee (HRC). The HRC is also responsible for the structuring of CEO compensation. Compensation decisions for all other employees have been delegated by the Board to the CEO. While the HRC makes recommendations, all compensation amounts payable to the CEO require Board approval. The HRC also works directly with the CEO on broader human resource issues such as succession planning.

The HRC consists of three members of the Board, one of whom is designated as Chair. There are no external members on the HRC. To assist it in fulfilling its fiduciary duties, the HRC has the ability to engage compensation consultants or other experts.

Risk Management

One purpose of the incentive compensation program is to align the execution of the investment program with TRAF's investment objectives as set out in the Statement of Investment Policies & Procedures (SIP&P), which is approved by the Board on an annual basis. The primary objective of the SIP&P is to ensure that the plan's assets are invested in a prudent and effective manner that is aligned with the long-term objectives of the plan. In addition, the SIP&P establishes the investment risk appetite and provides specific controls and parameters for the execution of the investment program. TRAF's investment program must be administered in compliance with the SIP&P and in the best interests of the plan. The risk appetite or tolerance of the plan shall not be impacted or modified due to the availability of incentive compensation. The incentive compensation program is available on a discretionary basis and may be suspended or modified at the discretion of the Board.

Independent Review

The HRC facilitated an independent review of the incentive compensation program in 2023 by GGA. The review involved benchmarking TRAF's program against 14 pension plans of similar size and structure. In addition to comparing the features and metrics used in TRAF's program to those of the peer group, GGA also benchmarked the compensation structure and amounts for the CEO. GGA concluded that the overall design of TRAF's incentive compensation program was in general alignment with those of its peers. The HRC also concluded that the realized outcomes for the CEO were reasonable based on the market survey.

Under its Term of Reference, the HRC will conduct the next review of the incentive compensation program no later than in 2027.

INCENTIVE COMPENSATION PROGRAM

Incentive compensation is based on the achievement of well-defined, pre-determined and documented targets. To the extent that incentive compensation awards are based, in whole or in part, on investment performance, the total portfolio return, net of all investment-related fees and expenses, is used. The term 'net excess return' is the amount, expressed in basis points (bps), by which TRAF's net total portfolio return exceeds the return of the total portfolio benchmark established in the SIP&P.

Year-end fair values for illiquid investments such as private debt, private equity, real estate and infrastructure are used to calculate TRAF's net excess return. This differs from the returns presented in the "Investments" section of this report, which, due to the timing of available data at year end, use roll-forward estimates in accordance with TRAF's Investment Asset Valuation Handbook.

The annual net excess return target at the total plan level is 45 bps. At this level, 100% of the target award is earned. For 2023, 45 bps of net return over the benchmark would have equated to approximately $36 million in additional net assets. Participants can earn 200% of their target award if the annual net excess return reaches 75 bps (approximately $60 million in additional net assets) and 300% of their target award if 100 bps of net excess return (approximately $80 million in additional net assets) is achieved. Performance in between any two such targets is interpolated to arrive at the applicable percentage. There is no award for net excess returns at or below 0 bps and there is no incremental award for net excess returns above 100 bps in any calendar year. Over the first seven years of the program (2016 to 2022 inclusive), the average annual multiplier has been 134.3%.

INVESTMENT PERFORMANCE TARGETS

Net Excess Return (bps)	Multiplier
0	0%
45	100%
75	200%
100	300%

Incentive awards are subject to vesting provisions. To be eligible for a STIP award, the employee must be employed on December 31 of the relevant year. Since the results of investment decisions are often not evident for a number of years, LTIP awards are subject to a four-year vesting period. Employees who leave employment with TRAF for any reason on or before December 31 of the last year of the relevant measurement period, other than a bona fide retirement, shall forfeit any entitlement to an LTIP award.

In some cases, there is an overall maximum cap on incentive compensation for a participant, expressed as a percentage of base salary. While the exact nature and amount of any such maximum cap will depend on the circumstances, a cap will be higher than the sum of the target STIP and target LTIP amounts but generally lower than the sum of the maximum STIP and maximum LTIP amounts.

SHORT-TERM INCENTIVE PLAN (STIP)

Base Salary × Target STIP Grant (% of Base Salary) × [[STIP Qualitative Weight × STIP Qualitative Multiplier] + [STIP Investment Component Weight × STIP Investment Component Multiplier]] = STIP Payout (subject to Net Excess Return Test for 2025 and following)

STIP award targets are based on a defined percentage of base salary. The percentage generally increases with the seniority of the position, and for 2023, the target STIP grant ranged from 2.5% to 40% of base salary.

STIP awards are allocated between two components. The first component relates to pre-determined goals and objectives other than those related to investment performance. This is referred to as the qualitative component. The second component captures investment performance. The allocation depends on the nature of the position, with the investment performance component ranging from 0% for certain participants (generally those that are not directly involved in the investment program) to 75% for investment professionals. The STIP qualitative weight and the STIP investment component weight must add to 100% for each participant.

The qualitative component is based on personal goals and objectives that are set in advance of the relevant year. As part of the annual performance review process, a multiplier of 0% to 200% is applied based on an overall rating assigned to each participant. The STIP qualitative multiplier table below illustrates the rating and multiplier structure. Performance in between any two targets is interpolated to arrive at the applicable percentage.

STIP QUALITATIVE MULTIPLIER

Individual Rating (0 to 4 scale)	Multiplier
Below Expectations (rating of 2 or less)	0%
Meeting Expectations (rating of 3)	100%
Exceeding Expectations (rating of 4)	200%

The investment component is based on a combination of the one-year net excess return (25% weight) and trailing four-year net excess returns (75% weight). The four-year portion is based on the simple average of the applicable relative performance multiplier (from 0% to 300%) for each year of the measurement period.

While the STIP formula places a meaningful weight on the current year, it has a multi-year component to smooth annual payouts and align them with TRAF's long-term objectives. STIP amounts are paid in the year following that in which they are earned. The STIP payments made in 2023 were based on base salaries as of January 1, 2022, and TRAF's net total portfolio performance for the years 2019 to 2022 inclusive.

Excluding certain transitional provisions for new participants, the STIP investment performance multiplier over the past four years has ranged from 63.8% to 187.5%, with the average being 125.6% of target.

For measurement periods commencing on January 1, 2025, or later, the investment component of STIP payouts will also be subject to a net excess return test, which will prevent any incentive compensation from being paid in respect of a multi-year measurement period if the plan does not achieve a positive net excess return during such period on an annualized basis. While TRAF has achieved a positive net excess return in each four-year measurement period since the incentive compensation program commenced, this express provision was incorporated as a result of the independent review conducted in 2023.

LONG-TERM INCENTIVE PLAN (LTIP)

Base Salary	×	Target LTIP Grant (% of Base Salary)	×	LTIP Relative Performance Multiplier	×	LTIP Absolute Performance Multiplier	=	LTIP Payout (subject to Net Excess Return Test for 2025 and following)

LTIP award targets are based on a defined percentage of base salary. The percentage generally increases with the seniority of the position, and for 2023, the target LTIP grant ranged from 10% to 45% of base salary.

LTIP awards are based exclusively on investment performance over a four-year period, adjusted by both a relative performance multiplier (from 0% to 300%) and an absolute performance multiplier (from 0% to 100%).

The relative performance multiplier is based on the simple average of the applicable multiplier for each of the four years comprising the measurement period. Accordingly, the LTIP places equal weight on each of the four years in the measurement period. Over the first four years of LTIP payouts (2020 to 2023 inclusive), the relative performance multiplier has ranged from 85% to 150% of target, with the average being 117.5% of target.

The absolute performance multiplier serves to reduce an LTIP payout if, during the measurement period, TRAF did not achieve a net return equal to or greater than the plan's actuarial discount rate calculated on an annualized basis. If the net return is negative, all LTIP amounts are forfeited. A net return between 0% and the actuarial discount rate is interpolated to arrive at the applicable percentage. Accordingly, if TRAF earns an annualized net return of 4.5% during a measurement period, but the corresponding discount rate was 6.0%, each LTIP payment will be reduced by 25%. As TRAF has exceeded the discount rate during each four-year measurement period since the program was launched in 2016, the absolute performance multiplier has been 100% for each measurement period.

LTIP ABSOLUTE PERFORMANCE MULTIPLIER

Net Return (bps)	Multiplier
Negative	0%
Actuarial Rate (or greater)	100%

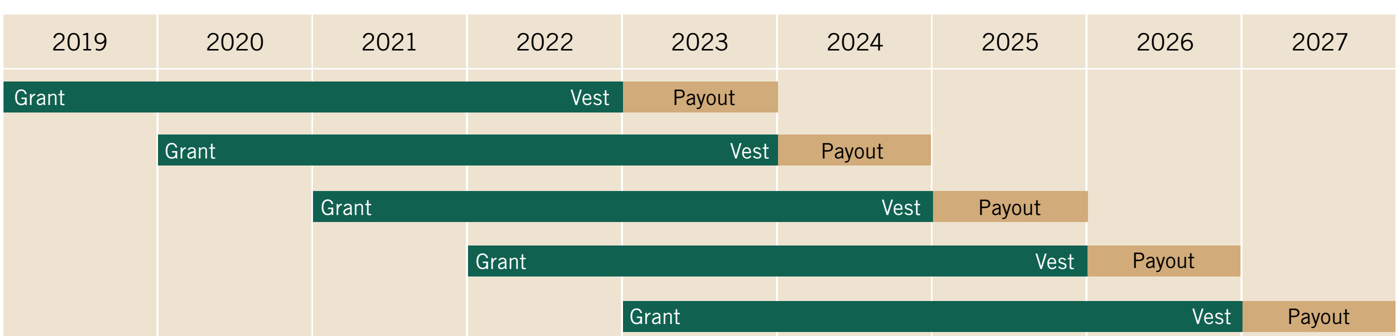
In summary, for an LTIP grant to result in a payout, the participant must meet the vesting rules and TRAF must:

- earn a positive net excess return in one or more of the four years in the measurement period; and
- achieve a positive net return over the measurement period on an annualized basis (regardless of the benchmark return).

LTIP amounts are paid in the year following that in which they are earned. The LTIP payments made in 2023 were based on base salaries as of January 1, 2019, and TRAF's net total portfolio performance for the years 2019 to 2022 inclusive.

For measurement periods commencing on January 1, 2025, or later, LTIP payouts will also be subject to a net excess return test, which will prevent any incentive compensation from being paid in respect of a multi-year measurement period if the plan does not achieve a positive net excess return during such period on an annualized basis. While TRAF has achieved a positive net excess return in each four-year measurement period since the incentive compensation program commenced, this express provision was incorporated as a result of the independent review conducted in 2023.

LTIP CYCLE TIMELINE



COMPENSATION TABLE

The table below presents the base salary, STIP amount, LTIP amount and other forms of cash compensation, either paid or deferred, for each member of management in respect of the years noted (other than amounts related to the return credited in respect of deferred compensation, which is separately disclosed).

Name and Principal Position(s)	Year	Base Salary	STIP	LTIP	Total
Jeff Norton	2023	$ 400,522	$ 302,366	$ 258,188	$ 961,076
President & Chief Executive Officer	2022	388,856	296,438	258,188	943,482
	2021	381,232	149,653	146,306	677,191
Graeme Hay	2023	$ 246,380	$ 129,612	$ 76,191	$ 452,183
Chief Investment Officer	2022	225,892	105,892	72,563	404,347
	2021	221,463	49,182	30,345	300,990
David Asselstine	2023	$ 261,779	$ n/a	$ n/a	$ 261,779
Executive Vice President	2022	254,154	n/a	n/a	254,154
Chief Risk Officer	2021	233,207	n/a	n/a	233,207
Brad Prokop	2023	$ 205,317	$ 39,000	$ n/a	$ 244,317
Chief Operating Officer	2022	194,353	37,040	n/a	231,393
	2021	184,585	32,089	n/a	216,674
Kaely Zettel	2023	$ 193,897	$ 37,775	$ 53,550	$ 285,222
General Counsel & Corporate Secretary	2022	188,249	37,034	52,500	277,783
Privacy Officer	2021	184,558	31,472	n/a	216,030
Jeremy Tataryn	2023	$ 168,280	$ 30,600	$ n/a	$ 198,880
Vice President, Finance	2022	152,493	30,000	n/a	182,493
	2021	169,541	n/a	n/a	169,541
Jennifer Ryan	2023	$ 120,549	$ 9,255	$ n/a	$ 129,804
Vice President, Communications	2022	110,018	n/a	n/a	110,018
& Human Resources	2021	101,131	n/a	n/a	101,131

PENSION PLAN

TRAF employees are members of the pension plan established under *The Civil Service Superannuation Act* (CSSA). The plan is a defined benefit pension plan that provides a lifetime pension calculated using pensionable salary which, in the case of TRAF, is base salary only (STIP and LTIP amounts are not pensionable) and years of pensionable service. When an employee's five-year average base salary for pension purposes exceeds the maximum salary for which a pension benefit can be earned under the *Income Tax Act* (ITA), an additional unregistered pension benefit is payable under the CSSA. As such, there is no limit to the base salary on which a pension benefit is earned by a TRAF employee. Pension contributions must be made on salary up to (but only up to) the maximum contribution limit permitted under the ITA. For 2023, this equated to a base salary of $259,311. Pursuant to the ITA, contributions are not permitted on salary above this amount.

DEFERRED COMPENSATION

Employees may elect to defer the receipt of incentive compensation as permitted under the ITA. For those employees who elect to participate in the deferral program, the deferred amount will increase or decrease in value over the deferral period based on TRAF's total net rate of return. This increases the alignment between TRAF and the participants. The table below provides a summary for each member of management who has voluntarily elected to participate in the deferred compensation program. All payments, including any increase in value based on the net rate of return, are treated as employment income in the year of payment.

Name	Year	Opening Balance	Amount Deferred	Total	Return Credited	Payments	Ending Balance
Jeff Norton	2023	$ 909,310	$ 560,554	$ 1,469,864	$ 122,587	$ 370,612	$1,221,839
	2022	736,997	554,626	1,291,623	(5,425)	376,888	909,310
	2021	819,020	295,959	1,114,979	185,309	563,291	736,997

THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

TRAF is subject to *The Public Sector Compensation Disclosure Act* (PSCDA). The PSCDA requires disclosure of annual compensation amounts paid to each employee who receives $85,000 or more in a calendar year. This disclosure for calendar year 2019 and following is available on TRAF's website. The amounts in the compensation table in our annual report will be different because, in the annual report, we disclose amounts earned in the year, regardless of whether such amounts are paid or deferred. This is the protocol that was adopted when TRAF commenced voluntary disclosure of management compensation in the 2007 Annual Report. The legal requirement for disclosures under the PSCDA requires deferred amounts to be disclosed based on the year in which they are paid, and also requires TRAF to include the return credited (positive or negative) on such amounts during the deferral period. In the annual report, the amount of return earned on deferred amounts each year (positive or negative) is separately disclosed in the table above. The return amount, while received by the employee and recorded by TRAF as compensation, is generally offset by investment earnings retained by TRAF (positive or negative) on the deferred amount.

20-Year Data Summary

AS AT DECEMBER 31 UNLESS OTHERWISE NOTED; NUMBERS MAY NOT ADD DUE TO ROUNDING

FINANCIAL DATA ($ millions)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Account A										
Increase in Assets										
Member Contributions	52.4	57.9	65.1	65.6	67.4	70.0	74.4	75.3	81.1	89.4
Provincial Contributions	105.9	113.2	124.6	129.0	134.9	141.3	147.1	157.1	161.4	167.7
Other Contributions (e.g., reciprocal transfers)	2.4	0.8	2.5	1.8	2.2	1.4	2.0	3.6	3.3	4.8
Total	**160.7**	**171.9**	**192.2**	**196.4**	**204.5**	**212.7**	**223.5**	**236.0**	**245.8**	**261.9**
Decrease in Assets										
Pension Payments	197.2	212.0	227.1	242.0	258.1	272.1	285.3	300.1	315.0	327.8
Other Payments (e.g., refunds, reciprocal transfers)	15.1	14.3	23.9	16.9	13.2	14.5	11.6	18.5	12.0	14.5
Administrative Expenses	3.6	4.0	3.9	3.2	3.2	3.4	3.8	3.8	3.8	3.4
Total	**215.9**	**230.3**	**254.9**	**262.1**	**274.5**	**290.0**	**300.7**	**322.4**	**330.8**	**345.7**
Net Increase (Decrease) before Investment Income	**(55.2)**	**(58.4)**	**(62.7)**	**(65.7)**	**(70.0)**	**(77.3)**	**(77.2)**	**(86.4)**	**(85.0)**	**(83.8)**
Investment Income[1]	234.7	317.9	360.3	134.0	(326.1)	267.9	255.2	87.7	255.4	393.2
Total Net Increase (Decrease)	**179.5**	**259.5**	**297.6**	**68.3**	**(396.1)**	**190.6**	**178.0**	**1.3**	**170.4**	**309.4**
Account B										
Increase in Assets										
Provincial Contributions[2]	105.9	161.6	174.2	1,660.2	58.5	69.8	74.1	73.7	77.4	85.9
Total	**105.9**	**161.6**	**174.2**	**1,660.2**	**58.5**	**69.8**	**74.1**	**73.7**	**77.4**	**85.9**
Decrease in Assets										
Transfers to Account A	105.9	113.2	124.6	129.0	134.9	141.3	147.1	157.1	161.4	167.7
Total	**105.9**	**113.2**	**124.6**	**129.0**	**134.9**	**141.3**	**147.1**	**157.1**	**161.4**	**167.7**
Net Increase (Decrease) before Investment Income	**0.0**	**48.4**	**49.6**	**1,531.2**	**(76.4)**	**(71.5)**	**(73.0)**	**(83.4)**	**(84.0)**	**(81.8)**
Investment Income[1]	16.6	26.9	39.5	40.0	(218.6)	133.0	172.5	51.8	148.8	239.8
Total Net Increase (Decrease)	**16.6**	**75.3**	**89.1**	**1,571.2**	**(295.0)**	**61.5**	**99.5**	**(31.6)**	**64.8**	**158.0**
Net Assets Available for Benefits										
Account A	2,189.3	2,448.8	2,746.4	2,814.8	2,418.7	2,609.3	2,787.3	2,788.6	2,958.9	3,268.4
Account B[3]	151.3	226.6	315.7	1,886.9	1,591.9	1,653.4	1,752.9	1,721.3	1,786.1	1,944.1
Total	**2,340.6**	**2,675.4**	**3,062.1**	**4,701.7**	**4,010.6**	**4,262.7**	**4,540.2**	**4,509.9**	**4,745.0**	**5,212.5**

1 Net of investment management fees.

2 Contributions made by the Province of Manitoba from general reserves.

3 Assumes amounts formerly held in the Province of Manitoba Trust Account (PMTA) formed part of the assets of Account B. PMTA assets were transferred to Account B and the PMTA ceased to exist effective December 15, 2018. In 2018, the assets available for benefits in Account B included a reduction of $18.1 million to reflect the amount owed by Account B to Account A.

MEMBERSHIP DATA	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Membership										
Active Members[1]	14,937	14,975	14,983	14,987	15,122	15,055	15,155	15,215	15,403	15,679
Retired Members	9,575	10,134	10,663	11,139	11,603	11,950	12,415	12,813	13,149	13,504
Deferred Members	7,185	7,417	6,259	6,019	6,283	6,523	6,478	6,898	6,996	6,953
Total	**31,697**	**32,526**	**31,905**	**32,145**	**33,008**	**33,528**	**34,048**	**34,926**	**35,548**	**36,136**
Active to Retired Ratio	**1.6:1**	**1.5:1**	**1.4:1**	**1.3:1**	**1.3:1**	**1.3:1**	**1.2:1**	**1.2:1**	**1.2:1**	**1.2:1**
New Retired Members										
From Active Member Status	509	529	543	516	492	379	507	434	413	417
From Deferred Member Status	149	150	130	109	133	113	106	108	84	104
Total	**658**	**679**	**673**	**625**	**625**	**492**	**613**	**542**	**497**	**521**
New Active Members	**874**	**897**	**910**	**826**	**964**	**833**	**852**	**850**	**888**	**928**
Disabled Members	**537**	**549**	**607**	**561**	**582**	**592**	**562**	**547**	**521**	**528**
Member Deaths										
Active and Deferred Members	22	26	53	61	24	49	73	48	23	21
Retired Members	229	206	225	244	250	240	299	313	309	208
Total	**251**	**232**	**278**	**305**	**274**	**289**	**372**	**361**	**332**	**229**
Administrative Cost per Member[2]	**$118**	**$131**	**$121**	**$114**	**$113**	**$117**	**$129**	**$121**	**$119**	**$101**

1 Data prior to 2009 as of July 31.

2 Based on active and retired members only (i.e., excluding deferred members).

FINANCIAL DATA ($ millions)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Account A										
Increase in Assets										
Member Contributions	96.2	106.6	117.1	117.9	120.9	120.4	121.5	136.2	133.0	133.5
Provincial Contributions	175.8	185.0	190.3	202.1	207.6	221.4	227.8	238.1	246.9	256.4
Other Contributions (e.g., reciprocal transfers)	4.7	3.8	3.6	3.3	6.4	3.8	3.9	4.2	4.9	4.6
Total	**276.7**	**295.4**	**311.0**	**323.3**	**334.9**	**345.6**	**353.2**	**378.5**	**384.8**	**394.5**
Decrease in Assets										
Pension Payments	341.3	355.2	371.5	388.6	406.8	425.3	443.7	461.3	481.3	502.4
Other Payments (e.g., refunds, reciprocal transfers)	17.0	19.2	15.3	20.2	17.6	24.1	17.1	21.8	20.2	18.1
Administrative Expenses	3.9	4.1	4.2	4.5	5.0	5.4	5.0	5.2	5.8	6.0
Total	**362.2**	**378.5**	**391.0**	**413.3**	**429.4**	**454.8**	**465.8**	**488.3**	**507.3**	**526.5**
Net Increase (Decrease) before Investment Income	**(85.5)**	**(83.1)**	**(80.0)**	**(90.0)**	**(94.5)**	**(109.2)**	**(112.6)**	**(109.8)**	**(122.5)**	**(132.0)**
Investment Income[1]	341.8	280.4	260.7	341.3	116.2	478.1	357.4	764.5	(87.2)	472.5
Total Net Increase (Decrease)	**256.3**	**197.3**	**180.7**	**251.3**	**21.7**	**368.9**	**244.8**	**654.7**	**(209.7)**	**340.5**
Account B										
Increase in Assets										
Provincial Contributions[2]	95.4	202.2	113.0	115.2	118.9	119.4	120.4	131.9	132.8	181.9
Total	**95.4**	**202.2**	**113.0**	**115.2**	**118.9**	**119.4**	**120.4**	**131.9**	**132.8**	**181.9**
Decrease in Assets										
Transfers to Account A[3]	175.8	185.0	190.3	202.1	207.6	221.4	227.8	238.1	246.9	256.4
Total	**175.8**	**185.0**	**190.3**	**202.1**	**207.6**	**221.4**	**227.8**	**238.1**	**246.9**	**256.4**
Net Increase (Decrease) before Investment Income	**(80.4)**	**17.2**	**(77.3)**	**(86.9)**	**(88.7)**	**(102.0)**	**(107.4)**	**(106.2)**	**(114.1)**	**(74.5)**
Investment Income[1]	201.4	164.6	150.0	201.5	63.3	274.6	200.3	425.0	(45.8)	255.3
Total Net Increase (Decrease)	**121.0**	**181.8**	**72.7**	**114.6**	**(25.4)**	**172.6**	**92.9**	**318.8**	**(159.9)**	**180.8**
Net Assets Available for Benefits										
Account A	3,524.7	3,722.0	3,902.7	4,154.0	4,175.8	4,544.7	4,789.5	5,444.2	5,234.5	5,575.0
Account B[4]	2,065.1	2,246.9	2,319.6	2,434.2	2,390.7	2,563.3	2,656.2	2,975.0	2,815.1	2,995.9
Total	**5,589.8**	**5,968.9**	**6,222.3**	**6,588.2**	**6,566.5**	**7,108.0**	**7,445.7**	**8,419.2**	**8,049.6**	**8,570.9**

1 Net of investment management fees.

2 Contributions made by the Province of Manitoba from general reserves.

3 The 2021 amount includes the impact of a $0.7 million prior period adjustment identified in 2021.

4 Assumes amounts formerly held in the Province of Manitoba Trust Account (PMTA) formed part of the assets of Account B. PMTA assets were transferred to Account B and the PMTA ceased to exist effective December 15, 2018. In 2018, the assets available for benefits in Account B included a reduction of $18.1 million to reflect the amount owed by Account B to Account A.

MEMBERSHIP DATA	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Membership										
Active Members	15,706	15,903	16,212	16,274	16,330	16,324	16,539	16,401	16,346	16,547
Retired Members	13,852	14,187	14,554	14,920	15,310	15,635	15,925	16,258	16,520	16,768
Deferred Members	7,048	7,029	7,002	7,018	7,017	6,971	7,046	7,199	7,421	7,407
Total	**36,606**	**37,119**	**37,768**	**38,212**	**38,657**	**38,930**	**39,510**	**39,858**	**40,287**	**40,722**
Active to Retired Ratio	**1.1:1**	**1.1:1**	**1.1:1**	**1.1:1**	**1.1:1**	**1.0:1**	**1.0:1**	**1.0:1**	**1.0:1**	**1.0:1**
New Retired Members										
From Active Member Status	449	424	466	480	486	448	421	485	476	431
From Deferred Member Status	97	82	67	82	98	92	91	85	77	102
Total	**546**	**506**	**533**	**562**	**584**	**540**	**512**	**570**	**553**	**533**
New Active Members	**810**	**837**	**946**	**816**	**818**	**764**	**833**	**829**	**778**	**880**
Disabled Members	**538**	**549**	**564**	**624**	**637**	**587**	**513**	**475**	**508**	**472**
Member Deaths										
Active and Deferred Members	12	23	12	20	19	32	22	22	22	21
Retired Members	258	232	241	247	285	281	290	313	338	339
Total	**270**	**255**	**253**	**267**	**304**	**313**	**312**	**335**	**360**	**360**
Administrative Cost per Member[1]	**$114**	**$117**	**$118**	**$126**	**$137**	**$148**	**$132**	**$137**	**$151**	**$155**

1 Based on active and retired members only (i.e., excluding deferred members).

INVESTMENT DATA[1]		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Investments ($ millions)											
Fixed Income	Cash & Short-Term	14.8	73.9	31.1	95.4	51.9	81.8	72.9	79.2	88.8	123.0
	Universe Bonds	608.8	620.9	715.3	1,012.1	625.9	528.7	506.3	550.1	500.0	505.3
	Long-Term Bonds	–	–	–	417.3	424.7	394.6	386.7	406.7	400.7	364.4
	Real Estate Debt	161.2	186.7	200.1	277.4	354.5	358.7	395.9	406.4	401.8	394.7
	High Yield Debt	42.8	56.6	56.4	61.5	70.6	206.2	226.2	252.8	261.8	259.1
	Private Debt	–	–	–	–	–	–	–	3.5	3.5	4.6
Equity	Canadian	753.8	768.3	857.5	980.2	734.1	785.9	828.8	692.6	747.3	855.3
	US	233.0	263.4	327.1	363.5	306.3	338.9	351.3	357.5	383.4	503.2
	International	193.1	251.5	321.3	750.3	531.6	663.2	715.7	559.6	630.7	753.5
	Global	–	–	–	–	–	–	–	–	–	–
	Private	54.3	110.3	162.4	195.6	249.4	253.2	302.3	378.4	418.5	478.4
Real Estate	Canadian	258.6	325.7	369.7	506.0	600.3	582.9	654.3	695.9	770.4	803.3
	Global	–	–	–	–	–	–	–	–	–	–
Infrastructure	Global	5.4	8.3	5.3	25.1	33.5	50.5	72.5	87.5	92.3	124.8
Total		**2,325.8**	**2,665.6**	**3,046.2**	**4,684.4**	**3,982.8**	**4,244.6**	**4,512.9**	**4,470.2**	**4,699.2**	**5,169.6**
Investment Performance (%)											
Net Rate of Return		11.82	14.54	15.31	5.40	(11.96)	10.35	10.40	3.06	9.04	13.74
Benchmark Return		10.55	13.16	13.69	5.21	(14.34)	14.44	10.45	3.00	9.81	12.94
Net Excess Return (%)		**1.27**	**1.38**	**1.62**	**0.19**	**2.38**	**(4.09)**	**(0.05)**	**0.06**	**(0.77)**	**0.80**
Net Excess Return ($ millions)		27.1	32.8	42.3	6.1	108.6	(158.7)	(2.1)	2.7	(34.5)	36.9
Administrative Costs (%)		n/a	n/a	n/a	n/a	n/a	n/a	0.08	0.07	0.08	0.06
Net Rate of Return after Administrative Costs (%)[2]		**11.82**	**14.54**	**15.31**	**5.40**	**(11.96)**	**10.35**	**10.32**	**2.99**	**8.96**	**13.68**

[1] Includes the Province of Manitoba Trust Account.

[2] For the years 2003 to 2007, the methodology for calculating the net rate of return was amended to reflect the methodology used for 2008 and following years.

VALUATION DATA[1]	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Account A[2]										
Surplus/(Deficit) ($ millions)	**(126.5)**	(180.0)	**(12.9)**	167.2	117.3	**(391.4)**	(306.5)	(242.4)	**(307.1)**	(249.6)
Funded Ratio (%)	**94.9**	93.3	**99.6**	105.5	103.7	**88.0**	90.9	93.1	**91.7**	93.5
Account B[3]										
Surplus/(Deficit) ($ millions)	**(1,815.0)**	(1,947.9)	**(2,022.1)**	(2,064.0)	(623.7)	**(1,049.6)**	(1,108.9)	(1,130.3)	**(1,282.7)**	(1,369.2)
Funded Ratio (%)	**6.9**	7.2	**10.1**	13.3	75.2	**60.3**	59.9	60.8	**57.3**	56.6
Key Assumptions										
Net Rate of Return (%)	**6.75**	6.75	**6.25**	6.25	6.25	**6.25**	6.25	6.25	**6.25**	6.25
Inflation (%)	**2.50**	2.50	**2.50**	2.50	2.50	**2.25**	2.25	2.25	**2.00**	2.00

[1] Valuation years in bold. Data as at January 1.

[2] Includes accrued and future assets and liabilities but excludes the Pension Adjustment Account.

[3] Includes only accrued assets and liabilities for both base pensions and cost of living adjustments. Assumes assets held in the Province of Manitoba Trust Account were assets of Account B.

COST OF LIVING ADJUSTMENTS (COLA) DATA										
Consumer Price Index (CPI) – Prior Year (%)	2.00	2.10	2.20	1.60	2.40	1.20	1.32	2.35	2.30	0.83
COLA Granted (%)	**0.54**	**0.40**	**0.64**	**0.63**	**1.44**	**0.37**	**0.80**	**0.98**	**0.97**	**0.55**
COLA Granted (% of CPI)	27.0	19.0	29.1	39.4	60.0	30.8	60.6	41.7	42.2	66.7
Restricted Surplus ($ millions)	–	–	–	–	–	–	–	–	4.8	9.0

INVESTMENT DATA[1]		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Investments ($ millions)											
Fixed Income	Cash & Short-Term	95.9	131.5	146.7	138.2	123.6	110.3	140.0	192.8	197.5	183.0
	Universe Bonds	560.7	629.7	642.8	695.4	583.7	605.4	679.5	814.8	644.4	646.7
	Long-Term Bonds	427.6	478.9	514.1	592.4	613.8	587.0	374.1	373.7	314.1	588.9
	Real Estate Debt	520.5	555.1	572.5	601.4	633.3	628.9	660.1	701.5	724.6	706.1
	High Yield Debt	272.2	256.2	292.8	245.9	153.0	141.5	140.6	150.1	1.8	–
	Private Debt	4.6	0.6	92.5	110.3	222.1	277.3	296.0	285.9	354.2	454.6
Equity	Canadian	919.1	854.7	934.4	897.9	747.1	801.3	887.3	928.7	724.8	760.8
	US	515.7	388.9	395.8	397.2	412.8	416.8	456.4	528.5	589.7	613.3
	International	765.1	691.0	606.2	727.0	750.6	698.8	763.8	819.1	739.9	687.0
	Global	–	367.6	392.7	505.0	444.3	867.6	876.1	1,023.9	951.9	1,022.4
	Private	556.6	610.9	547.6	502.7	513.1	492.1	662.9	848.3	848.3	860.0
Real Estate	Canadian	818.2	847.9	893.1	964.7	1,042.7	993.0	932.7	998.6	994.2	918.6
	Global	–	–	–	–	7.8	77.7	110.2	195.9	292.5	323.4
Infrastructure	Global	118.4	138.2	164.8	210.9	323.5	416.5	477.7	589.1	692.3	825.7
Total		**5,574.6**	**5,951.2**	**6,196.0**	**6,589.0**	**6,571.4**	**7,114.2**	**7,457.4**	**8,451.0**	**8,070.2**	**8,590.5**
Investment Performance (%)											
Net Rate of Return		10.49	8.04	6.99	8.88	2.74	11.66	6.60	16.62	(0.42)	8.34
Benchmark Return		10.22	6.05	7.54	9.14	0.07	13.50	7.92	10.42	(5.04)	9.29
Net Excess Return (%)		**0.27**	**1.99**	**(0.55)**	**(0.26)**	**2.67**	**(1.84)**	**(1.32)**	**6.20**	**4.62**	**(0.95)**
Net Excess Return ($ millions)		14.0	110.4	(32.4)	(15.9)	175.3	(119.0)	(91.0)	448.0	419.9	(75.6)
Administrative Costs (%)		0.07	0.06	0.06	0.06	0.07	0.07	0.07	0.06	0.07	0.07
Net Rate of Return after Administrative Costs (%)		**10.42**	**7.98**	**6.93**	**8.82**	**2.67**	**11.59**	**6.53**	**16.56**	**(0.49)**	**8.27**

1 Includes the Province of Manitoba Trust Account.

VALUATION DATA[1]	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Account A[2]										
Surplus/(Deficit) ($ millions)	(87.7)	**(77.4)**	(23.9)	6.5	**(34.7)**	(164.2)	55.3	**83.6**	557.4	186.8
Funded Ratio (%)	97.8	**98.2**	99.5	100.1	**99.3**	96.8	101.1	**101.5**	109.9	103.2
Account B[3]										
Surplus/(Deficit) ($ millions)	(1,362.5)	**(1,392.4)**	(1,364.5)	(1,435.9)	**(1,537.5)**	(1,721.4)	(1,687.3)	**(1,769.7)**	(1,618.0)	(1,926.9)
Funded Ratio (%)	58.8	**59.7**	62.2	61.8	**61.3**	58.1	60.3	**60.0**	64.8	59.4
Key Assumptions										
Net Rate of Return (%)	6.25	**6.00**	6.00	6.00	**5.75**	5.75	5.75	**5.50**	5.50	5.50
Inflation (%)	2.00	**2.00**	2.00	2.00	**2.00**	2.00	2.00	**2.00**	2.00	2.00

1 Valuation years in bold. Data as at January 1.

2 Includes accrued and future assets and liabilities but excludes the Pension Adjustment Account.

3 Includes only accrued assets and liabilities for both base pensions and cost of living adjustments. Assumes assets held in the Province of Manitoba Trust Account were assets of Account B.

COST OF LIVING ADJUSTMENTS (COLA) DATA	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Consumer Price Index (CPI) – Prior Year (%)	1.24	1.47	1.61	1.50	1.87	1.99	2.25	0.73	4.80	6.32
COLA Granted (%)	**0.83**	**0.98**	**1.07**	**1.00**	**1.35**	**1.23**	**1.35**	**0.73**	**2.10**	**1.50**
COLA Granted (% of CPI)	66.7	66.7	66.5	66.7	72.2	61.8	60.0	100.0	43.8	23.7
Restricted Surplus ($ millions)	11.4	20.5	28.0	22.4	16.8	11.2	5.6	–	–	–

Audited Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Teachers' Retirement Allowances Fund (the Fund) and all the information in this annual report are the responsibility of management. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans and, where necessary, include amounts which are based on the best estimates and judgment of management.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the internal control systems and practices necessary to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The firm of Aon has been appointed the independent consulting actuary to the Fund. The role of the actuary is to complete an actuarial valuation of the Fund in accordance with accepted actuarial practice. The results of the valuation and extrapolation thereof are included in the financial statements.

The Board is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit and Risk Committee meets with management as well as the external auditor to ensure that management is properly fulfilling its financial reporting and internal control responsibilities. The Audit and Risk Committee is comprised of four Board members and one external member. The Audit and Risk Committee provides its recommendations to the Board concerning approval. The Board is ultimately responsible for approving the financial statements.

The Fund's independent external auditor, the Auditor General of Manitoba, is responsible for auditing the financial statements and for issuing their report thereon. The Auditor General has full and unrestricted access to the Audit and Risk Committee.

Jeff Norton, LLM, CFA
President & CEO

Jeremy Tataryn, CPA, CA, CFA
Vice President, Finance

Winnipeg, Manitoba
April 15, 2024

Auditor General
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of the Teachers' Retirement Allowances Fund

Opinion

We have audited the financial statements of the Teachers' Retirement Allowances Fund (TRAF), which comprise the statement of financial position as at December 31, 2023, the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TRAF as at December 31, 2023, and the changes in its net assets available for benefits and the changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of TRAF in accordance with the ethical requirements in Canada that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing TRAF'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 TRAF or to cease operations, or there is no realistic alternative but to do so.

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

Office: 204. 945.3790 | 500-330 Portage Avenue | Winnipeg, Manitoba R3C 0C4 | **oag.mb.ca**

Auditor General
MANITOBA

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Auditor General
MANITOBA

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

Original signed by Tyson Shtykalo

Winnipeg, Manitoba
April 15, 2024

Tyson Shtykalo, CPA, CA
Auditor General

TEACHERS' RETIREMENT ALLOWANCES FUND
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

($ thousands)	2023					2022
	Account A	Account B	MTS Account	MSBA Account	**Total**	Total
Assets						
Investments, Note 3	$ 5,561,274	$ 3,018,119	$ 11,100	$ 5	**$ 8,590,498**	$ 8,070,231
Investment Income Receivable	5,398	–	–	–	**5,398**	4,850
Contributions and Other Receivables, Note 5	9,406	–	–	–	**9,406**	8,505
Due from/(to) Interfund Accounts	22,188	(22,188)	–	–	**–**	–
Cash	13,212	–	–	–	**13,212**	12,997
Capital Assets, Note 6	3,187	–	–	–	**3,187**	2,203
Prepaid Expenses	68	–	–	–	**68**	76
Total Assets	5,614,733	2,995,931	11,100	5	**8,621,769**	8,098,862
Liabilities						
Accrued Liabilities	23,853	–	–	–	**23,853**	23,598
Payable for Settlement of Outstanding Trades	525	–	–	–	**525**	320
Money Purchase Accounts, Note 9	5,009	–	–	–	**5,009**	4,694
Provision for Fund's Share of Employees' Pension Benefits, Note 11	10,339	–	–	–	**10,339**	10,215
Total Liabilities	39,726	–	–	–	**39,726**	38,827
Net Assets Available for Benefits	5,575,007	2,995,931	11,100	5	**8,582,043**	8,060,035
Pension Obligations, Note 17	4,982,398	4,892,930	9,302	89	**9,884,719**	9,576,017
Surplus/(Deficit)	$ 592,609	($ 1,896,999)	$ 1,798	($ 84)	**($ 1,302,676)**	($ 1,515,982)

The accompanying notes are a part of these financial statements.

On Behalf of the Board

Bryton Moen
Chair

Brenda Tobac
Board Member

TEACHERS' RETIREMENT ALLOWANCES FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED DECEMBER 31, 2023

($ thousands)					2023	2022
	Account A	Account B	MTS Account	MSBA Account	**Total**	Total
Increase in Assets						
Contributions	$ 133,522	$ 181,920	$ 340	$ 27	**$ 315,809**	$ 266,211
Transfer for Benefits Charged to Account B	256,368	(256,368)	–	–	**–**	–
Other Contributions, Note 12	4,575	–	–	–	**4,575**	4,942
Investment Income, Note 13	156,890	84,767	310	–	**241,967**	291,665
Change in Fair Value of Investments, Note 13	315,592	170,514	624	–	**486,730**	(424,832)
Total Increase in Assets	866,947	180,833	1,274	27	**1,049,081**	137,986
Decrease in Assets						
Benefits Paid	502,444	–	578	26	**503,048**	481,926
Refunds						
Termination	4,622	–	–	–	**4,622**	3,490
Death	6,791	–	–	–	**6,791**	7,581
Relationship Breakdown	2,648	–	–	–	**2,648**	3,564
Transfers under Reciprocal Agreements	3,937	–	–	–	**3,937**	5,613
Administrative Expenses, Note 15	6,027	–	–	–	**6,027**	5,781
Total Decrease in Assets	526,469	–	578	26	**527,073**	507,955
Increase (Decrease) in Net Assets for the Year	340,478	180,833	696	1	**522,008**	(369,969)
Net Assets Available for Benefits, Beginning of Year	5,234,529	2,815,098	10,404	4	**8,060,035**	8,430,004
Net Assets Available for Benefits, End of Year	$ 5,575,007	$ 2,995,931	$ 11,100	$ 5	**$ 8,582,043**	$ 8,060,035

The accompanying notes are a part of these financial statements.

TEACHERS' RETIREMENT ALLOWANCES FUND

STATEMENT OF CHANGES IN PENSION OBLIGATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

($ thousands)					**2023**	2022
	Account A	Account B	MTS Account	MSBA Account	**Total**	Total
Pension Obligations, Beginning of Year	$ 4,825,041	$ 4,741,839	$ 9,020	$ 117	**$ 9,576,017**	$ 9,271,830
Change in Assumptions	(26,280)	(26,280)	–	–	**(52,560)**	(17,696)
Experience Losses/(Gains)	(971)	(971)	–	(7)	**(1,949)**	(1,472)
	4,797,790	4,714,588	9,020	110	**9,521,508**	9,252,662
Interest	251,908	247,287	491	5	**499,691**	482,339
Benefits Accrued	194,843	189,354	369	–	**384,566**	343,192
Benefits Paid	(262,143)	(258,299)	(578)	(26)	**(521,046)**	(502,176)
Net Increase/(Decrease) in Pension Obligations	184,608	178,342	282	(21)	**363,211**	323,355
Pension Obligations, End of Year	$ 4,982,398	$ 4,892,930	$ 9,302	$ 89	**$ 9,884,719**	$ 9,576,017

The accompanying notes are a part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

1. DESCRIPTION OF PLAN

The Teachers' Retirement Allowances Fund Board (Board) was originally constituted under an act passed at the 1925 session of the Manitoba Legislature. The Board currently operates under the authority of *The Teachers' Pensions Act* (TPA). The Board is charged with responsibility for administering the TPA and functions as trustee of a fund maintained to provide defined benefit pensions to public school teachers in Manitoba. The following description of the Teachers' Retirement Allowances Fund (Fund) is a summary only. For more complete information, reference should be made to the TPA.

(A) ACCOUNT STRUCTURE

The TPA provides for two distinct and separate accounts in the Fund, known respectively as Account A and Account B.

Account A is a pre-funded account and is financially responsible for the members' share of the pension obligations as provided for in the TPA. Account A receives member contributions and investment income associated with the investment assets held by Account A. Account A initially funds 100% of the pension payments to members and receives a monthly reimbursement from Account B for approximately 50% of such payments. Account A is responsible for all the administrative expenses of the Fund.

As required by the TPA, separate sub-accounts are maintained within Account A for the Pension Adjustment Account (PAA) and Money Purchase Accounts held on behalf of eligible participants, Note 8 and Note 9.

Account B is financially responsible for the Province of Manitoba's (the Province's) share of the pension obligations. Each month, Account B reimburses Account A for approximately 50% of the pension payments to members made in the prior month.

The Fund maintains separate accounts for The Manitoba Teachers' Society (MTS) and the Manitoba School Boards Association (MSBA). Qualifying employees of these organizations are considered to be teachers for purposes of participating in the Fund. Employer obligations for benefits, in respect of these individuals, are funded through these separate accounts, Note 10.

The investment assets of each account are commingled in accordance with the Board-approved Statement of Investment Policies & Procedures (SIP&P).

(B) FUNDING

The TPA requires all members, except those receiving disability benefits in accordance with the TPA, to contribute to Account A on a basis related to their salary. Members currently contribute 8.8% on pensionable earnings up to the Canada Pension Plan's year's maximum pensionable earnings (YMPE) and 10.4% on pensionable earnings in excess of the YMPE up to the maximum pensionable earnings for which a defined benefit can be accrued under the *Income Tax Act*.

In accordance with the TPA, 83.1% of member contributions are used to fund basic benefits and 16.9% of member contributions are allocated to the PAA for the purpose of indexing benefits. Under the TPA, the amount allocated to the PAA is increased by 0.1% every five years until the percentage reaches 17%. The last scheduled increase will occur on September 1, 2025.

In accordance with the TPA, the Province may, but has no obligation to, pre-fund its pension obligations. In the event that there are not sufficient funds in Account B to satisfy the monthly pension obligations, the Province is statutorily required to fund the shortfall. Currently, the Province is making monthly contributions to Account B in an amount equal to the required contributions paid by members and credited to Account A.

(C) RETIREMENT PENSIONS

All members are eligible to commence their pension at age 55. Pensions must commence no later than the end of the calendar year the member turns age 71.

An unreduced lifetime pension is payable if the member retires at age 65 or later, at ages 60 to 64 with at least 10 years of qualifying service or at ages 55 to 59 if age plus qualifying service equal 80 or more.

An early retirement reduction will apply if the member does not meet one of the above conditions for an unreduced lifetime pension. If a member has 10 or more years of qualifying service, retires before age 60 and has age and qualifying service totalling less than 80, an early retirement reduction will apply for service after 1991. In addition, a bridging benefit will be payable to the earlier of age 65 or death. The value of the bridging benefit is the same actuarial value as the early retirement reduction.

If a member has less than 10 years of qualifying service, the pension will be adjusted to the actuarial equivalent of the pension payable at age 65. No bridging benefit is payable in this circumstance.

(D) REFUNDS

Due to the lock-in provisions provided for in the TPA, refunds are generally not available when a member ceases to be an active member of the Fund. In most instances, the value of the pension must remain in the Fund until such time that the member is eligible for and elects to receive a pension.

A refund is allowed if, as of the date the member ceases to be an active member of the Fund, the commuted value of the pension is below 20% of the YMPE or the annual accrued pension payment is below 4% of the YMPE.

(E) DEATH BENEFITS

i. Active members

Upon the death of an active member, a lump sum is payable to the spouse/partner, estate or beneficiary based on the commuted value of the deferred pension. The commuted value of the portion of the death benefit related to the pre-1985 pension must be at least equal to the member's pre-1985 contributions plus interest. A spouse/partner may elect to convert the lump sum benefit to a monthly annuity.

ii. Retired members

Upon the death of a member in receipt of a pension, pension benefits continue to be paid to a beneficiary where a guaranteed or survivor option has been selected. If the pension ends, but the contributions and interest accumulated at the pension effective date is greater than the pension paid out, the excess is payable to the estate or beneficiary.

(F) OTHER PROVISIONS

i. Service purchases

Purchase of past service and reinstatement of refunded service is allowed, pursuant to the terms and conditions contained in the TPA.

ii. Relationship breakdown

Where a marriage or common-law relationship has ended, the spouse/partner is generally entitled to up to 50% of the value of the pension earned during the period of relationship, pursuant to the terms and conditions contained in the TPA.

iii. Teaching while receiving a pension

A member who retires and returns to teach (excluding substitute teaching) within 90 calendar days of retirement is deemed not to have retired. The member must repay any pension benefits received and resume contributing to the Fund. Following the 90-day provision noted above, a retired member can return to teach and continue to receive a pension provided that such member does not teach for more than 120 days in any school year. For the purposes of this provision, teaching more than 50% of a day is considered to be a full day. Effective as of the 121st day of teaching in any school year, the member's pension is suspended and the member must resume contributing to the Fund. A member who has at least 15 years of qualifying service is entitled to commence the pension the month following attaining age 65 without terminating the teaching contract, and is thereafter no longer subject to the return-to-teach rules.

iv. Reciprocal transfer agreements

The TPA authorizes the transfer of pensionable service in accordance with the terms of a reciprocal transfer agreement between the participating organizations.

(G) COST OF LIVING ADJUSTMENTS

Pension amounts are adjusted annually by the lesser of the change in the Canada Consumer Price Index (December over December), or the amount actuarially available in the PAA to fund 50% of the cost of living adjustment (COLA).

(H) INCOME TAXES

The Fund is a Registered Pension Plan as defined in the *Income Tax Act* and is not subject to Canadian income taxes. The Fund's registration number is 0273698.

2. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PRESENTATION

The Fund's financial statements are prepared in accordance with the Canadian accounting standards for pension plans. The Fund has also selected Part II (Accounting Standards for Private Enterprises) of the CPA Canada Handbook for issues not directly addressed by these standards.

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

(B) REVENUE RECOGNITION

Investment income, including interest and dividend income, and contributions are recognized on the accrual basis.

(C) VALUATION OF INVESTMENTS

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund maintains an Investment Asset Valuation Handbook, which sets out the general principles and methodologies for establishing fair value. The general provisions for establishing fair value for each type of asset are provided below. In instances where there is insufficient information to establish fair value, the investment is recorded at the lower of cost and the estimated net realizable value.

i. Publicly traded equity investments

Publicly traded equity investments, which are not otherwise restricted or thinly traded, are valued at year-end market prices as listed on the appropriate stock exchange as provided by the Fund's custodian.

ii. Money market securities

Money market securities are valued at cost, which approximates fair value.

iii. Bonds and debentures

Bonds and debentures are valued at year-end market prices as provided by the Fund's custodian.

iv. Real estate debt

Real estate debt investments held through a fund are recorded at the estimated fair values as determined by the external manager. Adjustments to the carrying value are made when there is evidence of a change in the value as indicated by an assessment of the investment's operational results, forecasts and/or other developments during the year.

v. High yield debt

High yield debt, according to the characteristics of the specific debt instruments, is valued at year-end market prices as provided by the Fund's custodian.

vi. Private debt

Private debt investments held through a fund are recorded at the estimated fair values as determined by the external manager. Adjustments to the carrying value are made when there is evidence of a change in the value as indicated by an assessment of the investment's operational results, forecasts and/or other developments during the year.

vii. Private equity

Private equity investments held through a fund are recorded at the estimated fair values as determined by the external manager. Adjustments to the carrying value are made when there is evidence of a change in the value as indicated by an assessment of the investment's operational results, forecasts and/or other developments during the year.

viii. Real estate investments

Real estate investments are valued based on the most recent valuations or appraisals of the underlying properties net of any mortgage liabilities or other assets and liabilities associated with the investment. Real estate investments held through a fund are recorded at the estimated fair values as determined by the external manager. Adjustments to the carrying value are made when there is evidence of a change in the value as indicated by an assessment of the investment's operational results, forecasts and/or other developments during the year.

ix. Infrastructure investments

Infrastructure investments held through a fund are recorded at the estimated fair values as determined by the external manager. Adjustments to the carrying value are made when there is evidence of a change in the value as indicated by an assessment of the investment's operational results, forecasts and/or other developments during the year.

x. Pooled funds

Pooled fund values are provided by the external manager and are generally based on the value of the underlying investments as determined herein.

(D) USE OF ESTIMATES

In preparing these financial statements, management must make estimates and assumptions that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

(E) FOREIGN CURRENCY TRANSLATION

The market value of investments and cash balances denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates that are provided by the Fund's custodian. The resulting change is included in the current period change in fair value of investments.

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. Hedged foreign currency transactions are translated at rates of exchange established by the terms of the forward contracts. The foreign exchange on revenue and expense transactions is included in the net realized gain on the sale of investments, Note 13.

(F) FORWARD CONTRACTS

A forward contract is a contractual obligation to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate. Forward contracts are valued at the estimated amounts that the Fund would receive or pay to terminate the contracts at the reporting date, Note 7(A)iii. Realized and unrealized gains or losses on forward contracts are recognized with the current period change in fair value of investments.

(G) PROVISION FOR FUND'S SHARE OF EMPLOYEES' PENSION BENEFITS

Employees of the Fund are members of the pension plan established under *The Civil Service Superannuation Act*. The Fund accrues a liability for the employer's share of the employees' pension benefits, including future COLA, based on an actuarial report, Note 11.

(H) CAPITAL ASSETS

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives as follows, Note 6:

• Computer equipment	5 years
• Office equipment	10 years
• Pension administration system	20 years
• Leasehold improvements	20 years

3. INVESTMENTS AT FAIR VALUE

Assets held in Account A, Account B, the Money Purchase Accounts, the MTS Account and the MSBA Account are commingled for investment purposes.

The Fund measures fair values using the following fair value hierarchy that reflects the significant inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical investment.

Level 2: Valuation techniques based on observable inputs, either directly or indirectly (i.e., derived from prices). This category includes investments valued using quoted market prices in active markets for similar investments; quoted prices for identical or similar investments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all investments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the investment's valuation.

The following table presents the fair values using the fair value hierarchy that reflects the significant inputs used in making the measurements.

($ thousands)		**2023**		
	Level 1	Level 2	Level 3	**Total**
Fixed Income				
Cash & Short-Term	$ –	$ 183,038	$ –	**$ 183,038**
Universe Bonds	–	646,739	–	**646,739**
Long-Term Bonds	–	517,897	70,957	**588,854**
Real Estate Debt	–	587,196	118,946	**706,142**
High Yield Debt	–	–	–	**–**
Private Debt	–	–	454,557	**454,557**
Total	–	1,934,870	644,460	**2,579,330**
Equity				
Canadian	581,484	179,331	–	**760,815**
US	–	613,310	–	**613,310**
International	161,415	525,529	–	**686,944**
Global	408,044	614,324	–	**1,022,368**
Private	–	–	860,009	**860,009**
Total	1,150,943	1,932,494	860,009	**3,943,446**
Real Estate	–	–	1,242,041	**1,242,041**
Infrastructure	–	–	825,681	**825,681**
Total	$ 1,150,943	$ 3,867,364	$ 3,572,191	**$8,590,498**
Total (%)	13.40%	45.02%	41.58%	**100.00%**

The following table presents a reconciliation of investments measured at fair value using significant unobservable inputs (Level 3).

($ thousands) 2023	Long–Term Bonds	Real Estate Debt	High Yield Debt	Private Debt	Private Equity	Real Estate	Infrastructure	**Total**
Balance at Beginning of Year	$ 63,071	$ 102,054	$ 1,556	$ 354,255	$ 848,348	$ 1,286,678	$ 692,344	**$3,348,306**
Transfers In/(Out)	–	–	–	–	–	–	–	**–**
Purchases	2,181	43,115	–	83,667	104,099	61,178	131,630	**425,870**
Sales	–	(14,446)	(453)	(17,177)	(116,914)	(85,444)	(39,646)	**(274,080)**
Gains/(Losses)								
Realized	–	(504)	(167)	3	59,677	21,630	2,010	**82,649**
Unrealized	5,705	(11,273)	(936)	33,809	(35,201)	(42,001)	39,343	**(10,554)**
Balance at End of Year	$ 70,957	$ 118,946	$ –	$ 454,557	$ 860,009	$ 1,242,041	$ 825,681	**$3,572,191**

The following table presents the prior year's fair values using the fair value hierarchy that reflects the significant inputs used in making the measurements.

($ thousands) 2022	Level 1	Level 2	Level 3	Total
Fixed Income				
Cash & Short-Term	$ –	$ 197,499	$ –	$ 197,499
Universe Bonds	–	644,392	–	644,392
Long-Term Bonds	–	250,996	63,071	314,067
Real Estate Debt	–	622,591	102,054	724,645
High Yield Debt	–	203	1,556	1,759
Private Debt	–	–	354,255	354,255
Total	–	1,715,681	520,936	2,236,617
Equity				
Canadian	521,182	203,597	–	724,779
US	–	589,697	–	589,697
International	173,516	566,398	–	739,914
Global	360,874	590,980	–	951,854
Private	–	–	848,348	848,348
Total	1,055,572	1,950,672	848,348	3,854,592
Real Estate	–	–	1,286,678	1,286,678
Infrastructure	–	–	692,344	692,344
Total	$ 1,055,572	$ 3,666,353	$3,348,306	$ 8,070,231
Total (%)	13.08%	45.43%	41.49%	100.00%

4. INVESTMENTS GREATER THAN 2%

The following table presents a listing of all investments that have a fair value greater than 2% of the fair value itemized by the categories as prescribed by section 3.29 of the *Pension Benefits Regulation*.

($ thousands)	**2023**	
Pooled Funds		
TD Greystone Real Estate Fund	**$ 854,243**	**9.94%**
TD Emerald US Equity Index Fund	**613,310**	**7.14**
TD Greystone Mortgage Fund	**587,196**	**6.84**
TD Emerald Long Bond Broad Market Pooled Fund	**517,897**	**6.03**
Arrowstreet (Canada) Global All-Country Alpha Extension Fund I	**349,977**	**4.07**
PH&N Core Plus Bond Fund	**288,664**	**3.36**
Arrowstreet (Canada) ACWI Minimum Volatility Alpha Extension Fund I	**264,347**	**3.08**
TD Emerald International Equity Index Fund	**209,544**	**2.44**
Arrowstreet (Canada) International Developed Market ex US Alpha Extension Fund II	**209,521**	**2.44**
TD Emerald Canadian Equity Index Fund	**179,331**	**2.09**

($ thousands)	2022	
Pooled Funds		
TD Greystone Real Estate Fund	$ 932,083	11.55%
TD Greystone Mortgage Fund	622,592	7.71
TD Emerald US Equity Index Fund	589,697	7.31
Arrowstreet (Canada) Global All-Country Alpha Extension Fund I	325,416	4.03
PH&N Core Plus Bond Fund	268,462	3.33
Arrowstreet (Canada) ACWI Minimum Volatility Alpha Extension Fund I	265,564	3.29
Arrowstreet (Canada) International Developed Market ex US Alpha Extension Fund II	253,797	3.14
TD Emerald Long Bond Broad Market Pooled Fund	250,996	3.11
TD Emerald Canadian Equity Index Fund	203,597	2.52
TD Emerald International Equity Index Fund	200,869	2.49
TD Emerald Canadian Treasury Management Fund	161,939	2.01

5. CONTRIBUTIONS AND OTHER RECEIVABLES

($ thousands)	**2023**	2022
Member Contribution Receivables	**$ 9,313**	$ 8,418
Other Receivables	**93**	87
Total	**$ 9,406**	$ 8,505

6. CAPITAL ASSETS

($ thousands)			**2023**			2022
	Cost	Accumulated Amortization	**Net**	Cost	Accumulated Amortization	Net
Computer Equipment	$ 1,264	$ 1,004	**$ 260**	$ 1,101	$ 967	$ 134
Office Equipment	1,088	761	**327**	1,084	688	396
Pension Administration System	1,950	113	**1,837**	956	45	911
Leasehold Improvements	1,038	275	**763**	985	223	762
Total	$ 5,340	$ 2,153	**$ 3,187**	$ 4,126	$ 1,923	$ 2,203

7. RISK MANAGEMENT

The Fund follows a diversified asset allocation strategy designed to earn the required investment return at an acceptable level of risk. Some of the risks that the Fund is exposed to are as follows:

(A) MARKET RISK

Market risk consists of price risk, interest rate risk and foreign currency risk.

i. Price risk

Price risk is the risk that the value of an investment will fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. To mitigate the impact of price risk, the Fund invests in a diversified portfolio of investments based on the Board-approved SIP&P.

A decrease or increase of 10% in fair values of public equity, private equity and infrastructure investments, with all other variables held constant, will result in a loss or gain of $476,912,000 (2022 – $454,693,000).

ii. Interest rate risk

Interest rate risk refers to the effect on the market value of assets and liabilities due to fluctuations in interest rates. The value of the Fund's fixed income assets is directly affected by changes in nominal and real interest rates. Pension liabilities are exposed to fluctuations in long-term interest rates as well as expectations in salary escalation. The fixed income portfolio has guidelines on concentration and duration, which are designed to partially mitigate the risks of interest rate volatility.

Assuming a parallel change in the long and short-term yields, a 1% increase in interest rates would have the effect of decreasing the fair value of the Fund's fixed income investments by approximately 6.2% (2022 – 5.3%), which equates to a loss of approximately $149,424,000 (2022 – $108,075,000). Conversely, a 1% decrease in interest rates would have the effect of increasing the fair value of the Fund's fixed income investments by approximately 6.2% (2022 – 5.3%), which equates to a gain of approximately $149,424,000 (2022 – $108,075,000).

iii. Foreign currency risk

Foreign currency exposure results where investments are denominated in a foreign currency. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments.

The Fund's foreign currency exposure reported in Canadian dollars, net of hedging and including indirect foreign currency exposure of public equity pooled funds, is presented below:

($ thousands)		**2023**	
		Currency Exposure	
Canadian Dollar	**$**	**3,910,743**	**45.52%**
US Dollar		**3,357,410**	**39.08**
Euro		**420,981**	**4.90**
Japanese Yen		**174,394**	**2.03**
Chinese Yuan Renminbi		**126,104**	**1.47**
British Pound Sterling		**113,150**	**1.32**
New Taiwan Dollar		**83,426**	**0.97**
Swiss Franc		**53,980**	**0.63**
South Korean Won		**48,724**	**0.57**
Other		**301,586**	**3.51**
Total	**$**	**8,590,498**	**100.00%**

($ thousands)		2022	
		Currency Exposure	
Canadian Dollar	$	3,712,335	46.00%
US Dollar		3,004,216	37.23
Euro		367,976	4.56
Japanese Yen		202,005	2.50
Chinese Yuan Renminbi		131,072	1.62
British Pound Sterling		127,002	1.58
New Taiwan Dollar		70,493	0.87
Swiss Franc		65,605	0.81
Australian Dollar		61,220	0.76
Other		328,307	4.07
Total	$	8,070,231	100.00%

The foreign currency exposure as a percentage of total investments is 54.48% (2022 – 54.00%).

A 10% increase in the value of the Canadian dollar in relation to all other foreign currencies, with all other variables held constant, would result in an unrealized investment loss of $467,976,000 (2022 – $435,790,000). Conversely, a 10% decrease in the value of the Canadian dollar in relation to all other foreign currencies, with all other variables held constant, would result in an unrealized investment gain of $467,976,000 (2022 – $435,790,000).

(B) CREDIT RISK

Credit risk arises from the potential for an investee to fail or for a counterparty to default on its contractual obligations to the Fund. The Fund limits credit risk by dealing with counterparties that are considered to be of high quality relative to their obligations, by obtaining collateral where appropriate, through investment diversification and by setting and monitoring compliance with portfolio guidelines. With respect to individual corporate borrowers, the Fund has established investment policies that place limits on the exposure to any individual corporate entity.

At December 31, 2023, the Fund's maximum credit risk exposure related to bonds and debentures, real estate debt, high yield debt, private debt, short-term investments and cash totalling $2,579,330,000 (2022 – $2,236,617,000), contribution receivables of $9,406,000 (2022 – $8,505,000) and accrued investment income of $5,398,000 (2022 – $4,850,000) totalling $2,594,134,000 (2022 – $2,249,972,000).

The breakdown of the fixed income investment portfolio by credit rating from various ratings agencies is presented below:

($ thousands)	**2023**		2022	
Credit Rating				
AAA	**$ 344,758**	**13.37%**	$ 271,465	12.14%
AA	**458,028**	**17.76**	318,153	14.22
A	**258,057**	**10.00**	177,451	7.93
BBB	**81,404**	**3.15**	100,076	4.47
Below BBB (including unrated)	**532,784**	**20.66**	429,989	19.23
Subtotal	**1,675,031**	**64.94**	1,297,134	57.99
Cash & Short-Term	**198,157**	**7.68**	214,838	9.61
Real Estate Debt (unrated)	**706,142**	**27.38**	724,645	32.40
Total	**$ 2,579,330**	**100.00%**	$ 2,236,617	100.00%

All securities transactions are settled, upon delivery, by the Fund's custodian. The risk of default is considered minimal as delivery of securities sold is only made once the Fund's custodian has received payment. Payment is made on a purchase transaction once the securities have been received by the Fund's custodian.

Credit risk associated with contribution receivables is minimal due to their nature. Contributions are deducted from members through the payroll process and remitted by the respective school divisions. With respect to the recovery of pensions paid, as provided for under the TPA, the Fund has authority to transfer such amounts from the employer trust accounts and Account B. No provision for doubtful contribution receivables has been recorded in either 2022 or 2023.

(C) LIQUIDITY RISK

Liquidity risk is the risk of being unable to generate sufficient cash, or its equivalent, in a timely and cost-effective manner to meet commitments as they come due. The Fund is exposed to liquidity risk through its responsibility to pay benefits as required under the TPA, its obligation to settle hedging contracts as they come due and to fund its outstanding investment commitments as described in Note 14. The Fund mitigates liquidity risk by maintaining sufficient cash balances, holding various income-producing assets and limiting exposure to non-liquid asset classes.

The term to maturity and the related market values of fixed income investment assets are presented below:

($ thousands)	**2023**		2022	
Term to Maturity				
Less than One Year	**$ 392,376**	**15.21%**	$ 371,038	16.59%
One to Five Years	**453,988**	**17.60**	515,385	23.04
Over Five Years	**1,732,966**	**67.19**	1,350,194	60.37
Total	**$ 2,579,330**	**100.00%**	$ 2,236,617	100.00%

The Fund holds the above fixed income investments both directly and indirectly through pooled funds.

The Fund also holds publicly traded equities of approximately $1,151 million (2022 – $1,056 million) in segregated accounts (Level 1), which are listed on major recognized stock exchanges. These securities are convertible to cash.

(D) SECURITIES LENDING

The Fund has entered into a securities lending program through CIBC Mellon Global Securities Services and the Bank of New York Mellon (the lending agent). Under the program, the Fund will lend various securities in its possession to borrowers approved by the lending agent. As at December 31, 2023, a total of $320,133,548 (2022 – $480,786,812) in securities were on loan. The loans can be secured by either securities or cash collateral. The Fund has various risks under this program including borrower default and reinvestment risk. Borrower default occurs if the borrower fails to return the loaned securities. Borrower default risk is mitigated by joint and several indemnities provided by CIBC Mellon, CIBC Bank and Bank of New York Mellon. Borrower default risk is also mitigated by requiring the borrowers to provide collateral with an aggregate market value exceeding the aggregate market value of the loaned securities. Reinvestment risk occurs if the interest earned on any cash collateral is insufficient to cover the interest that is rebated to the borrower. Reinvestment risk is mitigated by the relatively short duration of the investment of the collateral and the short duration of the loans, the majority of which are done on an open or overnight basis.

8. PENSION ADJUSTMENT ACCOUNT

A separate sub-account known as the PAA has been established within Account A in accordance with the TPA. The PAA is allocated 16.9% of all member required contributions. The PAA is also credited with net investment income based on the formula prescribed by the TPA.

($ thousands)	**2023**	2022
Balance at Beginning of Year	**$ 446,652**	$ 424,608
Contributions	**22,406**	22,224
Net Investment Income	**35,665**	31,596
Benefits Paid	**(35,038)**	(31,776)
Balance at End of Year	**$ 469,685**	$ 446,652

Given that the present value of accrued pension adjustments for the PAA at December 31, 2023, was $469,660,000, there is an actuarial surplus in the PAA of $25,000 (2022 – $194,000). This surplus will be available to provide future COLA.

9. MONEY PURCHASE ACCOUNTS

Separate Money Purchase Accounts have been established for persons transferring money to the Fund in accordance with the TPA. The accounts earn the applicable rate of return of the Fund.

($ thousands)	**2023**	2022
Balance at Beginning of Year	**$ 4,694**	$ 5,378
Transfers In	**–**	–
Investment Income and Change in Fair Value of Investments, Note 13	**386**	(12)
Transfers Out	**(71)**	(672)
Balance at End of Year	**$ 5,009**	$ 4,694

10. EMPLOYER ACCOUNTS

The Fund maintains separate accounts for the employer obligation for pension benefits in respect of MTS and MSBA employees who are members of the Fund. The accounts receive the employer contributions and investment income and are charged with the employer share of pensions paid.

(A) THE MANITOBA TEACHERS' SOCIETY ACCOUNT

($ thousands)	2023	2022
Balance at Beginning of Year	**$ 10,404**	$ 10,797
Employer Contributions	**340**	361
Investment Income and Change in Fair Value of Investments, Note 13	**934**	(173)
Benefits Paid	**(578)**	(581)
Balance at End of Year	**$ 11,100**	$ 10,404

(B) MANITOBA SCHOOL BOARDS ASSOCIATION ACCOUNT

($ thousands)	2023	2022
Balance at Beginning of Year	**$ 4**	$ 4
Employer Contributions	**27**	30
Investment Income and Change in Fair Value of Investments, Note 13	**–**	–
Benefits Paid	**(26)**	(30)
Balance at End of Year	**$ 5**	$ 4

11. PROVISION FOR FUND'S SHARE OF EMPLOYEES' PENSION BENEFITS

Employees of the Fund are members of the pension plan established under *The Civil Service Superannuation Act*. The Fund accrues a liability for the employer's share of the employees' pension benefits, including future COLA, based on an actuarial report.

($ thousands)	**2023**	2022
Balance at Beginning of Year	**$ 10,215**	$ 9,689
Change in Assumptions/Experience	**(416)**	–
	9,799	9,689
Benefits Accrued	**388**	394
Interest Accrued on Benefits	**588**	556
Benefits Paid	**(436)**	(424)
Balance at End of Year	**$ 10,339**	$ 10,215

The valuation of the pension obligations as at December 31, 2022, was conducted by Ellement Consulting Group, consulting actuaries. The key actuarial assumptions were a rate of return of 6.00% (2021 – 5.75%), a rate of inflation of 2.00% (2021 – 2.00%), long-term general salary rate increases of 2.50% plus seniority, merit and promotion (SMP) increases (2021 – 3.50%) and post-retirement indexing at two-thirds of the inflation rate. The accrued benefit cost method with salary projection was used. The pension obligation has been extrapolated to December 31, 2023, using a formula provided by Ellement Consulting Group.

12. OTHER CONTRIBUTIONS

($ thousands)	**2023**	2022
Statutory Obligations of the Province	**$ 1,614**	$ 1,614
Transfers under Reciprocal Agreements	**2,961**	3,328
Total	**$ 4,575**	$ 4,942

13. INVESTMENT INCOME AND CHANGE IN FAIR VALUE OF INVESTMENTS

($ thousands)			2023			2022
	Investment Income	Change in Fair Value of Investments[1]	**Total**	Investment Income	Change in Fair Value of Investments[2]	Total
Fixed Income						
Cash & Short-Term	$ 8,283	$ (31)	**$ 8,252**	$ 2,741	$ 1,635	$ 4,376
Universe Bonds	22,657	23,786	**46,443**	21,228	(112,842)	(91,614)
Long-Term Bonds	19,268	22,518	**41,786**	12,000	(96,583)	(84,583)
Real Estate Debt	54,164	(3,587)	**50,577**	43,446	(28,930)	14,516
High Yield Debt	16	(929)	**(913)**	4,137	(13,238)	(9,101)
Private Debt	26,380	33,815	**60,195**	14,748	18,917	33,665
Equity						
Canadian	23,974	55,076	**79,050**	23,870	(55,568)	(31,698)
US	9,573	114,547	**124,120**	13,261	(92,029)	(78,768)
International	32,888	74,533	**107,421**	55,128	(106,340)	(51,212)
Global	44,823	121,258	**166,081**	85,759	(87,962)	(2,203)
Private	6,796	25,172	**31,968**	15,638	(2,839)	12,799
Real Estate	6,154	(20,361)	**(14,207)**	12,913	110,976	123,889
Infrastructure	18,549	41,191	**59,740**	16,593	39,933	56,526
Securities Lending	825	–	**825**	774	–	774
Gross Investment Income	274,350	486,988	**761,338**	322,236	(424,870)	(102,634)
Investment Expenses, Note 15	(32,255)	–	**(32,255)**	(30,545)	–	(30,545)
Total	$ 242,095	$ 486,988	**$ 729,083**	$ 291,691	$ (424,870)	$ (133,179)

By Account

($ thousands)			2023			2022
	Investment Income	Change in Fair Value of Investments[1]	**Total**	Investment Income	Change in Fair Value of Investments[2]	Total
Account A	$ 156,890	$ 315,592	**$ 472,482**	$ 190,866	$ (278,010)	$ (87,144)
Account B	84,767	170,514	**255,281**	100,421	(146,271)	(45,850)
Money Purchase Accounts	128	258	**386**	26	(38)	(12)
MTS Account	310	624	**934**	378	(551)	(173)
MSBA Account	–	–	**–**	–	–	–
Total	$ 242,095	$ 486,988	**$ 729,083**	$ 291,691	$ (424,870)	$ (133,179)

[1] Change in Fair Value includes realized gains of $166,672,000 and unrealized gains of $320,316,000.
[2] Change in Fair Value includes realized gains of $177,733,000 and unrealized losses of $602,603,000.

14. COMMITMENTS

Certain of the Fund's investments are made on the basis of an initial commitment of a defined dollar amount, which is then called for and advanced by the Fund in future years. The typical period over which such amounts may be called is five years from the date of commitment. As at December 31, 2023, the Fund had outstanding commitments as follows:

($ thousands)	**2023**	2022
Fixed Income	**$ 387,312**	$ 431,842
Private Equity	**490,682**	452,275
Real Estate	**175,509**	175,458
Infrastructure	**254,835**	310,397
Total	**$ 1,308,338**	$1,369,972

Of the amount outstanding as at December 31, 2023, $1,228,488,000 (2022 – $1,314,064,000) is related to commitments denominated in currencies other than the Canadian dollar and therefore the amount in Canadian dollar terms may increase or decrease depending on the exchange rate at the time the funds are drawn.

15. ADMINISTRATIVE AND INVESTMENT EXPENSES

($ thousands)			**2023**			2022
	Administrative Expenses	Investment Expenses	**Total**	Administrative Expenses	Investment Expenses	Total
Salaries and Benefits	$ 3,923	$ 3,868	**$ 7,791**	$ 3,723	$ 3,703	$ 7,426
Office and Administration	1,646	849	**2,495**	1,544	676	2,220
Actuarial Fees	251	48	**299**	288	48	336
Audit Fees	29	43	**72**	28	42	70
Custody and Banking	19	530	**549**	19	481	500
Communications	59	26	**85**	48	20	68
Travel	30	26	**56**	17	17	34
Professional Fees	12	127	**139**	63	148	211
Board and Committees	58	227	**285**	51	53	104
Portfolio Oversight	–	1,197	**1,197**	–	852	852
Subtotal	6,027	6,941	**12,968**	5,781	6,040	11,821
Investment Management Fees	–	25,314	**25,314**	–	24,505	24,505
Total	$ 6,027	$ 32,255	**$ 38,282**	$ 5,781	$ 30,545	$ 36,326

16. ACTUARIAL VALUATIONS

(A) BASIC BENEFITS (EXCLUDING PENSION ADJUSTMENTS)

The TPA requires that an actuarial valuation of the Fund be prepared at least every three years. The most recent actuarial valuation of the Fund was completed as at January 1, 2021, by Aon, consulting actuaries. This is a funding valuation that projects the plan's future benefit costs and compares them to the Fund's assets plus future contributions. The previous valuation occurred as at January 1, 2018. The projected unit credit actuarial cost method and the TRAF 2014 Generational Mortality Table with improvement scale MI-2017 were used (2018 also used the projected unit credit actuarial cost method and the TRAF 2014 Generational Mortality Table with improvement scale MI-2017).

The assumptions used in determining the actuarial value of benefits accrued for service to date for the Fund were developed by reference to expected long-term market conditions. The significant long-term actuarial assumptions used in the valuations were:

	January 1, 2021	January 1, 2018
Annual Rate of Return		
(a) Inflation Component	**2.00%**	2.00%
(b) Real Rate of Return	**3.50%**	3.75%
	5.50%	5.75%
Annual Salary Escalation Rates		
(a) General Increases:		
(i) Inflation Component	**2.00%**	2.00%
(ii) Productivity Component	**0% for the first five years and 0.50% thereafter**	0.50%
(b) The rates used for seniority, merit and promotional increases are related to the number of years of service and range from 0.50 to 5.50%. These rates also ranged from 0.50 to 5.50% in the 2018 valuation.		

i. Account A and Account B

The actuarial valuation of Account A (excluding the PAA) as at January 1, 2021, disclosed actuarial assets of $5,560,726,000 and actuarial liabilities of $5,477,130,000, resulting in a surplus of $83,596,000 (2018 – deficit of $34,673,000).

The summary results of the January 1, 2021, actuarial valuation for Account A are as follows:

($ thousands)	Accrued	Future	**Total**
Assets	$ 4,433,038	$ 1,127,688	**$ 5,560,726**
Liabilities	4,109,775	1,367,355	**5,477,130**
Surplus/(Deficit)	$ 323,263	$ (239,667)	**$ 83,596**

The surplus means that Account A is sufficiently funded to cover the cost of the accrued and projected future benefits for the current cohort of existing plan members as at January 1, 2021.

The actuarial valuation of Account B (excluding cost of living adjustments) as at January 1, 2021, disclosed actuarial assets of $3,397,529,000 and actuarial liabilities of $5,320,667,000, resulting in a deficit of $1,923,138,000 (2018 – deficit of $4,726,597,000).

The summary results of the January 1, 2021, actuarial valuation for Account B are as follows:

($ thousands)	Accrued	Future	**Total**
Assets	$ 2,269,841	$ 1,127,688	**$ 3,397,529**
Liabilities	4,039,493	1,281,174	**5,320,667**
Surplus/(Deficit)	$ (1,769,652)	$ (153,486)	**$ (1,923,138)**

The deficit means that Account B is not sufficiently funded to cover the cost of the accrued and projected future benefits for the current cohort of existing plan members as at January 1, 2021.

Pension liabilities are exposed to the long-term expectation of the real rate of return on the investments as well as expectations of inflation and salary escalation. Holding all other actuarial assumptions in the January 1, 2021, valuation constant, a 1% decrease in the long-term rate of return assumption would result in an increase of the Fund's accrued pension obligations of approximately 13.81% (or 18.10% for accrued and future liabilities). Conversely, a 1% increase in the long-term rate of return assumption would result in a similar decrease of the Fund's accrued pension obligations of approximately 13.81% (or 18.10% for accrued and future liabilities).

The January 1, 2021, actuarial valuation identified that, effective December 31, 2019, a prior period adjustment was required to increase both the assets of Account B and the extrapolated pension obligations of Account B by $708,000. This prior period adjustment has no impact on the deficit previously reported for Account B.

The next valuation of the Fund will occur no later than January 1, 2024.

ii. MTS Account

The actuarial valuation of the MTS Account as at January 1, 2021, disclosed actuarial assets of $9,539,000 and pension obligations of $8,507,000, resulting in a surplus of $1,032,000 (2018 – surplus of $662,000).

The January 1, 2021, actuarial valuation also identified that, effective December 31, 2019, a prior period adjustment was required to reduce both the assets of the MTS Account and the extrapolated pension obligations of the MTS Account by $708,000. This prior period adjustment has no impact on the surplus previously reported for the MTS Account.

iii. MSBA Account

The actuarial valuation of the MSBA Account as at January 1, 2021, disclosed actuarial assets of $3,000 and pension obligations of $181,000, resulting in a deficit of $178,000 (2018 – deficit of $165,000).

(B) PENSION ADJUSTMENTS (COST OF LIVING ADJUSTMENT)

The TPA requires that the PAA be actuarially valued each year to determine the amount available to fund 50% of any cost of living adjustment.

On March 19, 2024, Aon issued its valuation of the PAA as at December 31, 2023. The available surplus amount was calculated as $71,575,000 after the determination of experience gains and losses and the change of certain assumptions.

The assumption regarding the rate of interest to be earned on the PAA was 4.00% (2022 – 3.25%). Based on this report, the Board approved the payment of a 2.20% cost of living adjustment effective July 1, 2024, which reduced the available unrestricted surplus in the PAA by $71,550,000 to $25,000.

17. PENSION OBLIGATIONS

(A) BASIC BENEFITS (EXCLUDING PENSION ADJUSTMENTS)

The present value of pension obligations for Account A and Account B (excluding pension adjustments which are shown in Note 17(B) below), for service to January 1, 2021, was determined from the actuarial valuation referred to in Note 16. The liability for future service expected to be rendered after the valuation date is excluded. The present value of pension obligations has been extrapolated from January 1, 2021, to December 31, 2023, using a formula developed by the actuary. Under the formula, the cost of benefits accrued under Account A is estimated to be 109.9% for 2023 (2022 – 109.9%) of the amount of corresponding member contributions plus any funds transferred to Account A as a result of reciprocal transfers or the conversion of Money Purchase Accounts to annuities.

($ thousands)			**2023**	2022
	Account A Basic Benefits	Account B Basic Benefits	**Total**	Total
Estimated Actuarial Present Value of Pension Obligations for Service at Beginning of Year	$ 4,378,583	$ 4,295,381	**$ 8,673,964**	$ 8,414,083
Change in Assumptions	–	–	**–**	–
Experience Losses/(Gains)	–	–	**–**	–
	4,378,583	4,295,381	**8,673,964**	8,414,083
Interest	237,967	233,346	**471,313**	457,345
Benefits Accrued	123,293	117,804	**241,097**	240,549
Benefits Paid	(227,105)	(223,261)	**(450,366)**	(438,013)
Net Increase in Pension Obligations	134,155	127,889	**262,044**	259,881
Estimated Actuarial Present Value of Pension Obligations for Service at End of Year	$ 4,512,738	$ 4,423,270	**$ 8,936,008**	$ 8,673,964

(B) PENSION ADJUSTMENTS (COST OF LIVING ADJUSTMENT)

The present value of accrued pension adjustments for the PAA is based on the March 19, 2024, actuarial report referred to in Note 16(B). The present value of accrued cost of living benefits for Account B has been extrapolated on the same basis as the PAA.

($ thousands)			2023	2022
	Account A Sub-Account PAA	Account B Sub-Account Cost of Living	**Total**	Total
Estimated Actuarial Present Value of Accrued Pension Adjustments at Beginning of Year	$ 446,458	$ 446,458	**$ 892,916**	$ 848,858
Change in Assumptions	(26,280)	(26,280)	**(52,560)**	(17,696)
Experience Losses/(Gains)	(971)	(971)	**(1,942)**	(1,488)
	419,207	419,207	**838,414**	829,674
Interest	13,941	13,941	**27,882**	24,512
Benefits Accrued	71,550	71,550	**143,100**	102,282
Benefits Paid	(35,038)	(35,038)	**(70,076)**	(63,552)
Net Change in Accrued Pension Adjustments	50,453	50,453	**100,906**	63,242
Estimated Actuarial Present Value of Accrued Pension Obligations at End of Year	$ 469,660	$ 469,660	**$ 939,320**	$ 892,916

(C) COMBINED (BASIC BENEFITS AND PENSION ADJUSTMENTS)

The extrapolated value of pension obligations for Account A and Account B including pension adjustments as at December 31, 2023, is presented below.

($ thousands)			2023	2022
	Account A	Account B	**Total**	Total
Estimated Actuarial Present Value of Pension Obligations for Service at Beginning of Year	$ 4,825,041	$ 4,741,839	**$ 9,566,880**	$ 9,262,941
Change in Assumptions	(26,280)	(26,280)	**(52,560)**	(17,696)
Experience Losses/(Gains)	(971)	(971)	**(1,942)**	(1,488)
	4,797,790	4,714,588	**9,512,378**	9,243,757
Interest	251,908	247,287	**499,195**	481,857
Benefits Accrued	194,843	189,354	**384,197**	342,831
Benefits Paid	(262,143)	(258,299)	**(520,442)**	(501,565)
Net Increase in Pension Adjustments	184,608	178,342	**362,950**	323,123
Estimated Actuarial Present Value of Pension Obligations for Service at End of Year	$ 4,982,398	$ 4,892,930	**$ 9,875,328**	$ 9,566,880

18. CAPITAL DISCLOSURES

In the context of the Fund, capital is defined as the net assets available for benefits. Externally imposed capital requirements relate to the administration of the Fund in accordance with the applicable terms of the TPA, *The Pension Benefits Act* (Manitoba) and the *Income Tax Act*. The Fund has developed risk management strategies, as described in Note 7, to manage the net assets available for benefits. The Fund complied with the applicable externally imposed capital requirements during the year. Capital management strategies did not change during the year.

OUR STAFF

TRAF currently employs 46 staff members who work in areas related to pension administration, investment management and shared services. This relatively small group of people is responsible for providing service to over 40,000 members and overseeing approximately $8.6 billion in assets. Their commitment to excellence is evident every day.

Directory

BOARD

Bryton Moen, Chair
Nathan Martindale, Vice Chair
Glen Anderson
Myrna Wiebe
Brenda Tobac
Nike Bello
Lillian Klausen
Dave Najduch
James Bedford

INVESTMENT COMMITTEE

Myrna Wiebe, Chair
Silvester Komlodi, Provincial Representative
Glen Anderson, Teacher Representative
Shiu-Yik Au, External Member
Debbie Rehn Doyle, External Member

GOVERNANCE COMMITTEE

Nathan Martindale, Chair
Brenda Tobac
Myrna Wiebe
Bryton Moen, Ex-officio Member

AUDIT AND RISK COMMITTEE

Brenda Tobac, Chair
Nike Bello
Dave Najduch
Lauren Tolton, External Member
Bryton Moen, Ex-officio Member

HUMAN RESOURCES COMMITTEE

Glen Anderson, Chair
Bryton Moen
Lillian Klausen

MANAGEMENT

Jeff Norton, President & Chief Executive Officer
Graeme Hay, Chief Investment Officer
David Asselstine, Executive Vice President, Chief Risk Officer
Brad Prokop, Chief Operating Officer
Kaely Zettel, General Counsel & Corporate Secretary
Jeremy Tataryn, Vice President, Finance
Jennifer Ryan, Vice President, Communications & Human Resources

INTERNAL INVESTMENT COMMITTEE

Jeff Norton, Chair
Graeme Hay
David Asselstine
Russell Olivson

PRIVACY OFFICER

Kaely Zettel

ACTUARY

Steve Windsor, Aon

AUDITOR

Office of the Auditor General of Manitoba

CUSTODIAN

CIBC Mellon Global Securities Services

PERFORMANCE MEASUREMENT

BNY Mellon Asset Servicing

TRAF is subject to *The Freedom of Information and Protection of Privacy Act* (FIPPA). As such, certain of our records are available to the public on request, subject to compliance with certain procedures set out in, and payment of any applicable fees prescribed by, FIPPA.

This publication is available in alternate formats upon request.

Johnston Terminal, 330 – 25 Forks Market Road, Winnipeg, Manitoba R3C 4S8
Email: info@traf.mb.ca • Website: traf.mb.ca
Phone: 204-949-0048 • Toll-free: 1-800-782-0714 • Fax: 204-944-0361