

Strength in Diversity

The Municipal Pension Plan 2025 Annual Report

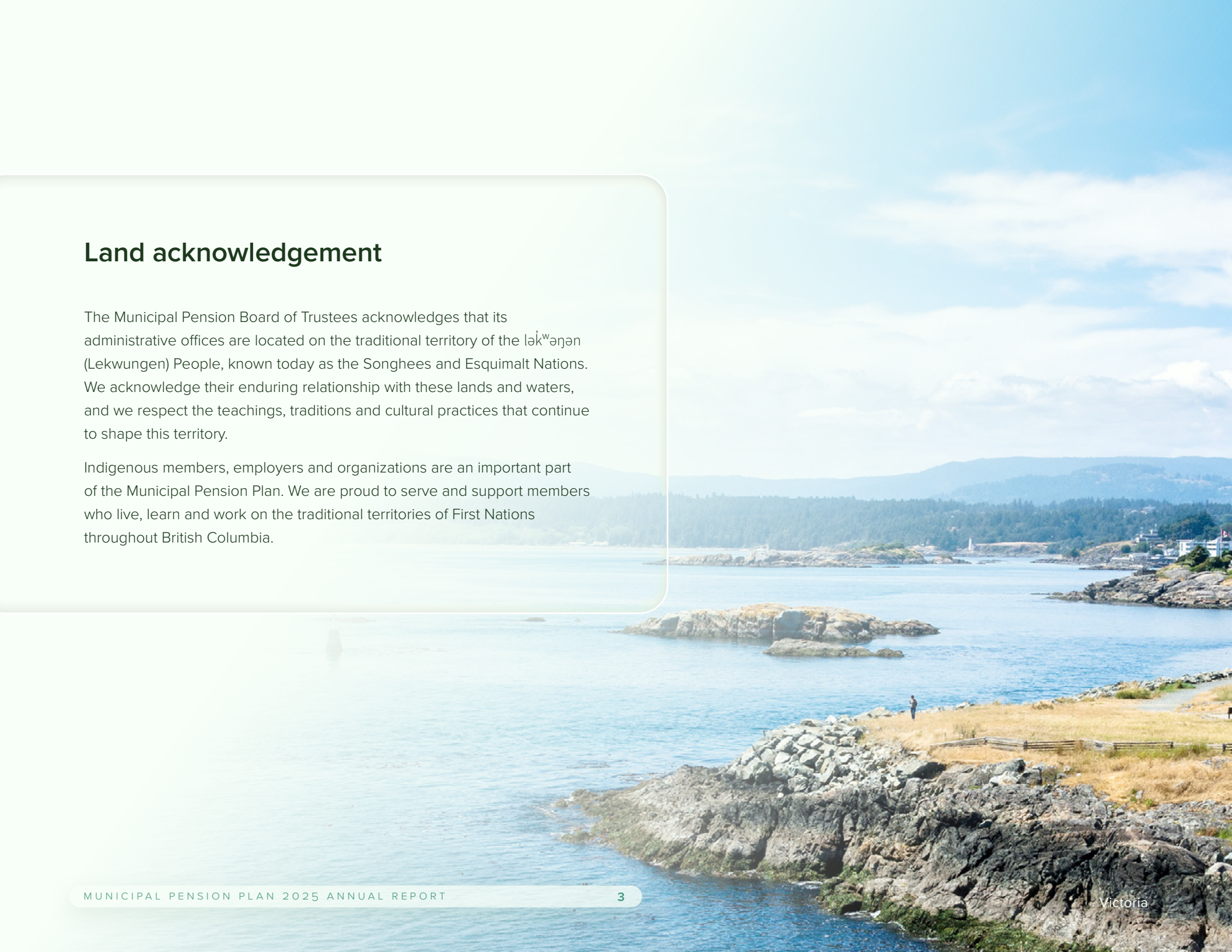
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Land acknowledgement

The Municipal Pension Board of Trustees acknowledges that its administrative offices are located on the traditional territory of the lək̓ʷəŋən (Lekwungen) People, known today as the Songhees and Esquimalt Nations. We acknowledge their enduring relationship with these lands and waters, and we respect the teachings, traditions and cultural practices that continue to shape this territory.

Indigenous members, employers and organizations are an important part of the Municipal Pension Plan. We are proud to serve and support members who live, learn and work on the traditional territories of First Nations throughout British Columbia.



Who we serve

The Municipal Pension Plan is the largest pension plan in British Columbia, delivering secure, reliable retirement income to almost 500,000 members. Established in 1939, the plan has grown into a province-wide network of over 1,000 ***participating employers***,¹ touching a vast number of communities. Our members are the people who keep these communities running—from health care professionals and municipal workers to those in school districts, colleges and social service organizations.

¹ Bold, italicized terms are included in the glossary. Select a hyperlinked term to view its definition, or see the [glossary](#) for all definitions.



Stewardship for the long term: A message from the board chair

As a leader of the Municipal Pension Board of Trustees, I see how the plan is powered by its diversity, in investments, employers and members, reaching every corner of our province. As a member of the pension plan for over 30 years, I am proud of its enduring strength and resilience.

The plan's strength is the result of deliberate, long-term planning. The board's role is to set long-term priorities that safeguard the plan's stability, support responsible growth and ensure the plan continues to meet the needs of members and employers across British Columbia—today and for generations to come.

Our assets grew from \$86.9 billion in 2024 to \$93.9 billion in 2025, driven by nearly \$6.8 billion in investment income, which equates to a 7.5 per cent investment return. This growth reflects the expertise and diversity of perspectives that guide our decisions, supporting thoughtful and resilient long-term planning and investment.

As *trustees*, we know that lasting success comes from looking beyond the short term and

embracing a spectrum of ideas, experiences and strategies. The plan is well positioned to grow responsibly and to adapt and innovate so it remains strong for decades to come.

Together, we're building a future that reflects the strength and wide reach of our membership across British Columbia. By being part of the plan, you're contributing to something bigger: a legacy of security and confidence for yourself and your loved ones. As a retired member myself, and with my son as an active member, I know first-hand the importance of that promise.

In this *Annual Report*, you'll discover how our strength in diversity shines through, making a meaningful difference for so many people. Thank you for taking the time to explore what we accomplished together in 2025.

It is a privilege to serve you and help ensure the secure retirement you've earned—a promise built on decades of trust and careful stewardship.

Donna Lommer

Chair 2026, vice-chair 2025,
Municipal Pension Board of Trustees



In this *Annual Report*, you'll discover how our strength in diversity shines through, making a meaningful difference for so many people.

Turning vision into action: A message from the executive director

As I reflect on my third year as executive director, I'm proud to lead a plan that has delivered retirement security to British Columbians for nearly 90 years.

Thoughtful strategic planning drives our success. Every three years, the board sets priorities to strengthen the plan's future. We've made significant progress on our 2023–2026 strategic plan, which focuses on leading in responsible investing, building on our size and enhancing pension plan awareness.

A key priority in the strategic plan is expanding membership to more eligible BC employers. This isn't just growth—it's strength through diversity. With over 1,000 employers across the province, our membership spans urban and rural communities and reflects the incredible range of roles that keep BC thriving—from social workers and health care professionals to municipal employees and beyond.

We are actively laying the operational stepping stones to support our plan growth initiatives. We see positive momentum as we talk to organizations about the opportunity to offer

their employees a **defined benefit** pension. It is so rewarding to be welcoming more British Columbians into the pension plan, knowing it means they will have a pension for life waiting for them when they retire.

As the Municipal Pension Plan inches closer to its 100-year anniversary, we are preparing for the next century. First and foremost, we will continue to be rooted in our purpose of providing pensions. Our 2027-2029 strategic plan prioritizes bold and innovative activities that ensure we remain resilient in the face of change. We are future-proofing the pension plan by preparing today for the challenges and opportunities of tomorrow. We invite you to review the new strategic plan on our website.

I think of the pension plan as a tree—rooted across the province and flourishing for countless members and employers. Its branches stretch outward to support generations to come.

Chelsea Kittleson

Executive director,
Municipal Pension Plan



As the Municipal Pension Plan inches closer to its 100-year anniversary, we are preparing for the next century.

“

It was important to me to get a job with a health care provider that offers a pension. Knowing that my job will have contributed to being able to afford my life once I am able to retire is reassuring. I've been offered many jobs, but the pension was a factor in staying where I am.”

Dena Leier
Member

“

I work in the Northern Health Authority, and my wife and I operate a small dairy farm. We have goats, chickens, pigs, rabbits, a market garden... Knowing that once I'm ready for retirement, I'll have a monthly pension that meets my financial needs takes the pressure off worrying about saving and provides a sense of security.”

Brad Leier
Member



Plan performance

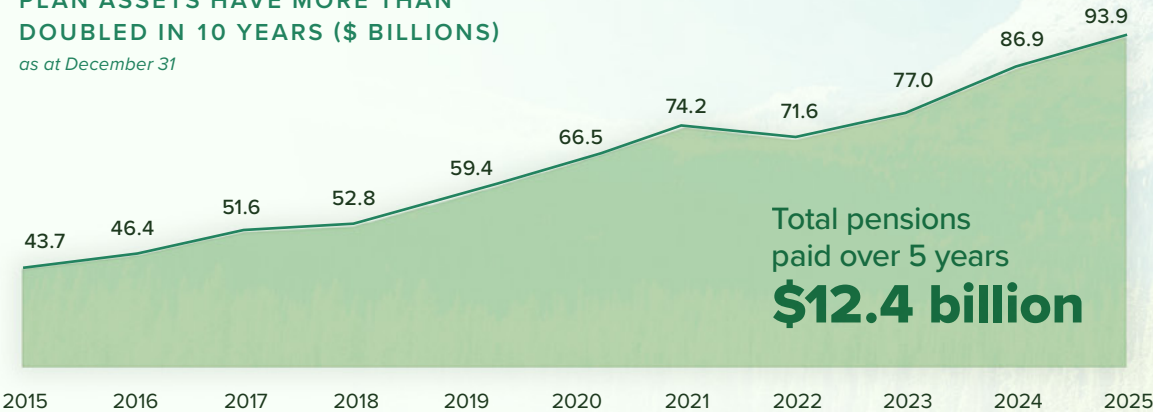
Creating value

MPP's strong **funding ratio** of 102.8 per cent shows the plan is well positioned to pay pensions for all its members. Backed by growing assets and a diversified investment strategy, the plan has delivered secure pensions for decades, including \$12.4 billion paid to members in just five years.

For more financial information, go to [Our approach to investing](#).

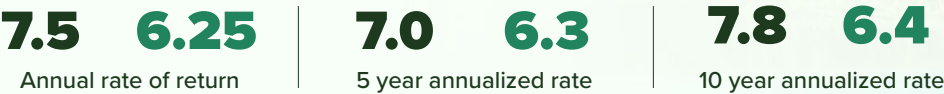
PLAN ASSETS HAVE MORE THAN DOUBLED IN 10 YEARS (\$ BILLIONS)

as at December 31



PORTFOLIO PERFORMANCE IS STRONG OVER TIME (%)

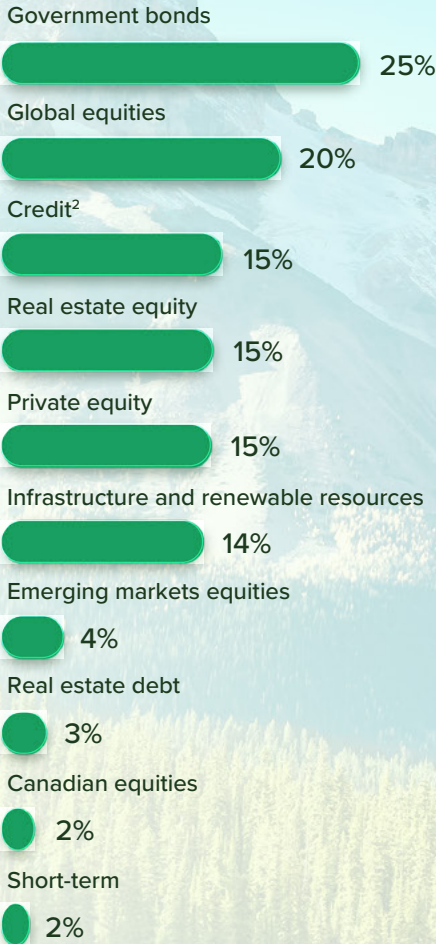
as at December 31



● Rate of return ● The expected rate of return assumed in the plan's actuarial valuation

DIVERSE HOLDINGS HELP MANAGE RISK¹

as at December 31, 2025



1 Not included is leverage of -15%.
2 Corporate bonds and private debt

Plan employers

Growing for generations

MPP employers benefit from stable, predictable costs, which helps them plan confidently for the future. Our employer community spans diverse sectors and organizations—from the longest serving to the newest, from the largest to the smallest, and from every corner of BC.

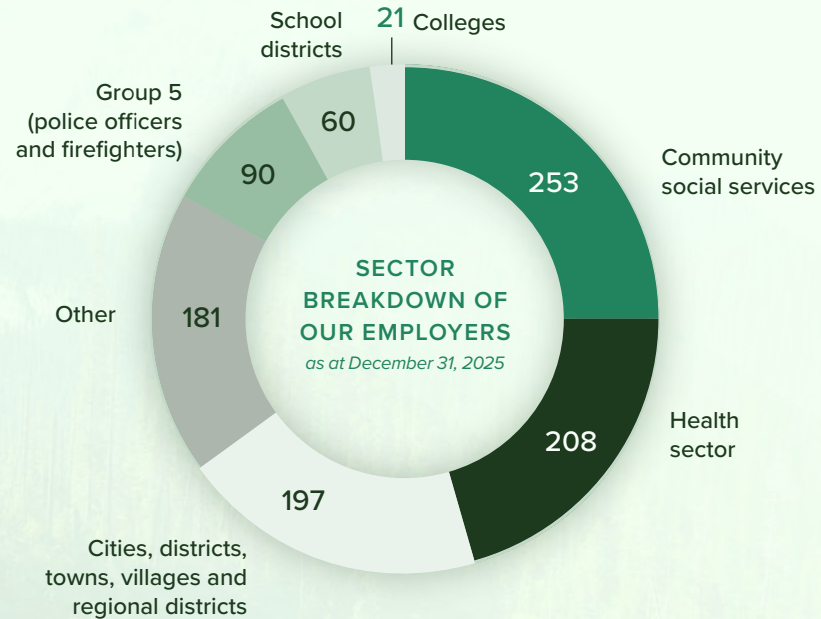
For more employer information, go to [Employers at a glance](#).

\$3.7 billion

in the rate stabilization account is set aside to help offset future contribution rate increases

Smallest employer
1 member

Largest employer
35,733 members



33
employers
joined MPP

2025

1,010
employers

7.3%
Growth
in employers
over 10 years

2015

941
employers

1939

MPP is established

Plan membership

Receiving a reliable, lifelong income

MPP's members span more than four generations—a province-wide community that includes new members starting their careers, active members building their futures and retired members relying on lifelong income. Together, they show the strength in our numbers and the large footprint the plan has across the province.

For more member information, go to [Members at a glance](#).

27,515

new members
in 2025

6,869

new members
retired in 2025

63 years

average age
of new retirees

2.1:1

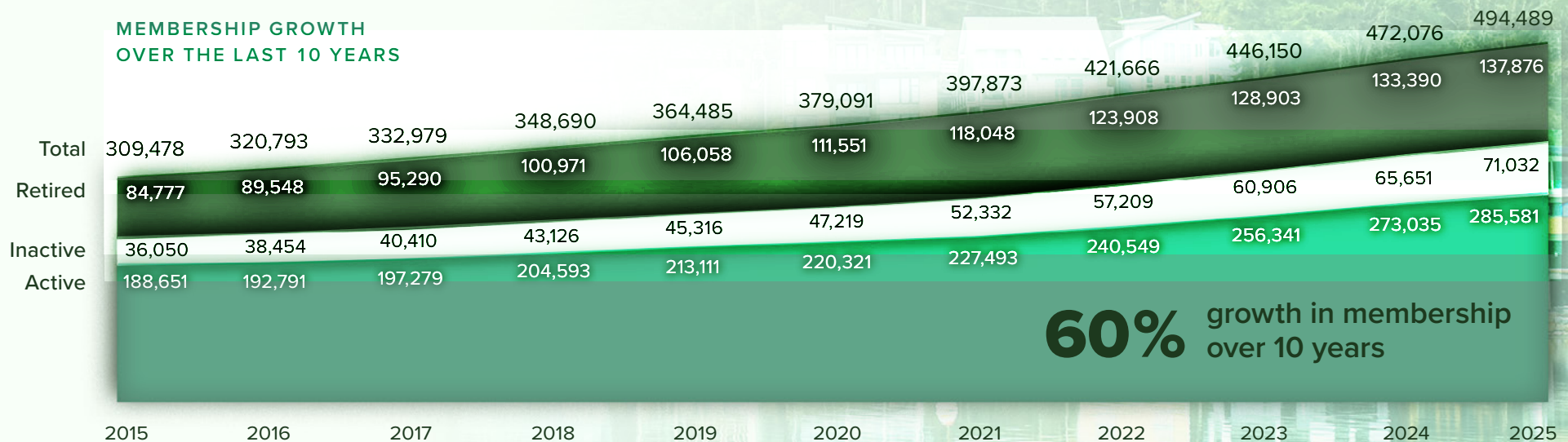
two contributing members for every
one member receiving a pension

\$23,600

average annual new
pension in 2025

45+ years

after retirement, some members
still benefit from a lifetime pension



60% growth in membership
over 10 years

“

Having a pension has always been a priority for me. I came to this country as a single parent after the age of 40. I needed to know I was planning well so that my pension would take care of me in my old days.”

Prabha Chawla

Retired member
Vancouver, BC

Five-year financial summary

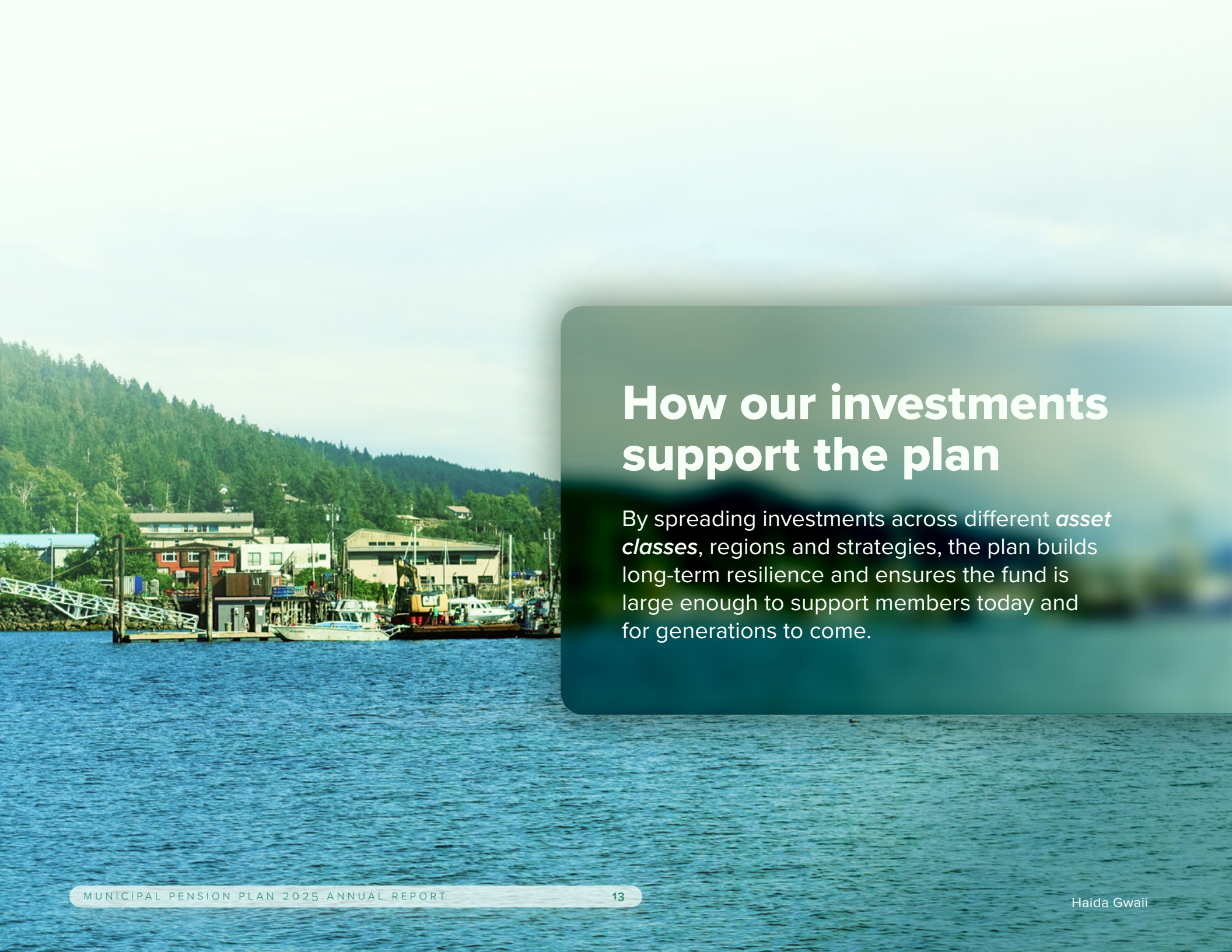
The summary is a high-level look at the plan's long-term trends. It highlights patterns in revenue, growth and sustainability over time.

For the year ended December 31 (\$ millions)

	2025	2024	2023	2022	2021
Increase (decrease) in assets					
Investment income (loss)	\$ 6,762	\$ 9,824	\$ 5,577	\$ (2,312)	\$ 7,789
Contributions					
Members	1,711	1,589	1,413	1,204	1,169
Employers	1,869	1,748	1,551	1,325	1,342
Transfers from other plans	23	35	29	71	21
Total increase in assets	10,365	13,196	8,570	288	10,321
Decrease in assets					
Benefit payments	3,014	2,866	2,694	2,565	2,342
Transfers to other plans	27	29	18	24	19
Retired member group benefits	116	118	136	102	143
Investment and administration costs ^{1,2}	283	274	256	211	132
Total decrease in assets	3,440	3,287	3,104	2,902	2,636
Increase (decrease) in net assets	6,925	9,909	5,466	(2,614)	7,685
Net assets available for benefits at beginning of year	86,926	77,017	71,551	74,165	66,480
Net assets available for benefits at end of year	\$ 93,851	\$ 86,926	\$ 77,017	\$ 71,551	\$ 74,165
Investment and administration costs as a percentage of net assets^{1,2}					
Investment management ^{1,2}	0.42%	0.40%	0.43%	0.43%	0.32%
Benefits administration	0.07%	0.08%	0.08%	0.08%	0.08%

1 Investment and administration costs as a percentage of net assets include external investment management costs netted against investment income of \$159.8 million (2024: \$119.3 million; 2023: \$122.5 million; 2022: \$148.3 million; 2021: \$102.5 million); they are not included in investment and administration costs in the financial statements.

2 Investment and administration costs as a percentage of net assets exclude external indirect investment management costs netted against investment income. This is consistent with current industry practice; including these costs using the budgeted amount would have increased investment management costs as a percentage of net assets by an estimated 45 basis points in 2025. External indirect investment management costs include limited partnership costs incurred within investments held in the private equity, infrastructure and real estate asset classes.



How our investments support the plan

By spreading investments across different *asset classes*, regions and strategies, the plan builds long-term resilience and ensures the fund is large enough to support members today and for generations to come.

Plan portfolio review

Total fund performance

The Municipal Pension Board of Trustees is responsible for overseeing an investment **portfolio** of \$93.9 billion on behalf of the Municipal Pension Plan beneficiaries. The board's primary objective is to ensure the pension plan is secure and stable over the long term so member pensions can be paid now and into the future. To meet that objective, the board approves the Statement of Investment Policies and Procedures which provides a framework for managing the plan's assets. The board delegates investment management duties to the plan's investment agent, BCI, and oversees BCI's performance in achieving this goal.

Our approach to investing

The board and BCI take a long-term approach to investing to ensure the plan is secure and sustainable for both current and future members. This is an important responsibility, because for every \$100 of pension **benefits** a plan member receives, about \$75 comes from investment returns. The plan’s overall framework for managing assets is governed by the Statement of Investment Policies and Procedures (SIPP). The SIPP is established and maintained by the board. BCI is responsible for applying the investment strategy and working toward the financial goals outlined in the SIPP. The board oversees and monitors BCI’s performance in carrying out this responsibility.

BCI’s goal is to meet or exceed the plan’s **investment return** objective. This is the long-term rate of return required to pay pensions while taking on an appropriate level of risk. To achieve this, the board and BCI have built a **diversified portfolio** that is invested in multiple asset types, industry sectors

and various global markets. Diversification is a key part of risk management, as it limits the impact on the whole portfolio during times of lower returns, such as a market downturn.

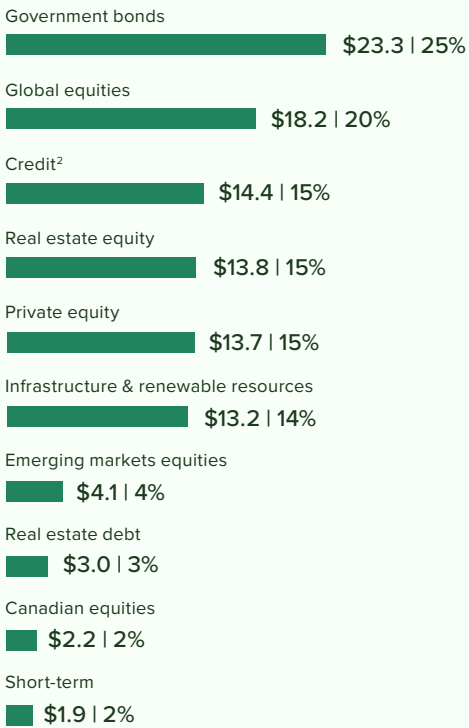
BCI’s active management approach grants investment teams the discretion to adjust portfolio positioning in response to evolving risk conditions and the market outlook. These decisions can be made to preserve capital or capture value-added opportunities.

Maintaining a healthy **liquidity** level is important for the plan and BCI. The plan’s liquidity level remains strong, which means the plan is secure and benefits will continue uninterrupted, even during periods of market stress or volatility. Additionally, BCI maintains disciplined liquidity management because market uncertainty can create opportunities to buy high-quality assets at attractive prices that support the plan’s long-term objectives.

This is an important responsibility, because for every \$100 of pension benefits a plan member receives, about \$75 comes from investment income.

MARKET VALUE OF INVESTMENT HOLDINGS¹ (\$ BILLIONS) | (%)

as at December 31, 2025



1 Not included is leverage of -15%

2 Corporate bonds and private debt

Performance and overall fund return

For the year ended December 31, 2025, the plan returned 7.5 per cent.¹ This is measured against the plan's return objective of 6.25 per cent and the 10.3 per cent **benchmark**.

The investment **return objective** is the expected rate of return assumed by the plan actuary in the **actuarial valuation** of the plan. Exceeding the return objective over the long term generally means the plan is in a strong financial position.

The benchmark is a standard set by the board to measure BCI's performance. While benchmarks serve as reliable guides over longer time periods, short-term volatility can cause temporary underperformance.

Over the year, overall fund performance was largely driven by public equities. Strong corporate earnings, rate cuts and stock market gains supported returns despite volatility. Relative performance was negatively impacted by real estate equity and private equity, both of which underperformed their respective benchmarks.

Real estate equity continued to face pressure as elevated long-term interest rates, macro uncertainty including trade tensions, and an uneven recovery across sectors and regions weighed on the value of the properties. While private equity has delivered strong long-term performance, returns over the past year lagged the public equity benchmark. The performance of the public equity benchmark was heavily driven by seven technology stocks and enthusiasm around artificial intelligence (AI).²

Over the past five years, the plan had an **annualized return** of 7.0 per cent, exceeding the 6.3 per cent return objective but falling short of the 7.6 per cent benchmark.

Over the past ten years, the plan had an annualized return of 7.8 per cent, exceeding the 6.4 per cent return objective but falling short of the 7.9 per cent benchmark.

In 2025, the plan's assets grew from \$86.9 billion to \$93.9 billion.

¹ Except as otherwise indicated, returns are time-weighted rates of return as at December 31, 2025. All returns are net of all costs and fees. An internal rate-of-return methodology is used to calculate returns for infrastructure and renewable resources, private equity and real estate equity. The assets and benchmarks are as at December 31, 2025. Benchmarks are presented on a time-weighted rate-of-return basis.

² The seven technology stocks are Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla.

Performance results (%)

Overall returns

2025

7.5

1-YEAR RETURN

6.25

EXPECTED RATE
OF RETURN

2020–2025

7.0

5-YEAR RETURN

6.3

EXPECTED RATE
OF RETURN

2015–2025

7.8

10-YEAR RETURN

6.4

EXPECTED RATE
OF RETURN

In 2025, the plan's assets grew from **\$86.9 billion** to **\$93.9 billion**.

Public markets

Fixed income and public equity

Within public markets, the plan is invested in fixed income (short-term money market securities, government and corporate bonds) and public equities (publicly traded stocks and strategies that aim to deliver returns similar to a broad stock market index).

Over the year, fixed income achieved a 3.9 per cent return, outperforming the 3.4 per cent benchmark. All fixed-income allocations posted positive returns, with credit being the strongest contributor to the plan’s overall performance. Fixed income’s five-year annualized return was 1.7 per cent, above the 0.9 per cent benchmark.

Public equities also delivered a strong one-year performance. The asset class returned 19.4 per cent, slightly above the 19.3 per cent benchmark. Its performance was supported by developed and emerging markets equity, both delivering double-digit returns. AI also remained a dominant investment theme throughout the year. Companies supplying AI infrastructure were especially high performing.

Over five years, public equities had an annualized return of 12.1 per cent, above the 11.6 per cent benchmark. This outperformance reflects the portfolio’s strategic diversification across Canadian, developed and emerging markets.

Performance results (%)

Fixed income

2025

3.9

1-YEAR RETURN

2020–2025

1.7

5-YEAR RETURN

Public equity

2025

19.4

1-YEAR RETURN

2020–2025

12.1

5-YEAR RETURN

Private equity

Private equity contributed positively to the plan's total fund return over both one- and five-year periods. BCI's growing share of direct investments—where the plan takes a significant ownership stake in companies and works closely with management to improve operations—has been a key driver of long-term value for the plan. The portfolio's positive returns were supported by strong business performance at several companies, particularly in sectors such as telecommunications infrastructure, beverage manufacturing and aerospace.

Over the past year, however, returns from private equity did not keep pace with the benchmark that is based on the performance of public equities. On a one-year basis, private equity achieved an 8.1 per cent return, below the 18.6 per cent benchmark. Higher borrowing costs and a slower pace of investment sales weighed on private equity returns across the industry during the year.

Soaring technology stocks continued to drive up the public equity benchmark that private equity is measured against.

Over five years, private equity posted an annualized return of 11.9 per cent, underperforming the 14.8 per cent benchmark. The portfolio continues to focus on delivering strong long-term returns and sustainable value creation.

Performance results (%)

Private equity

2025

8.1

1-YEAR RETURN

2020–2025

11.9

5-YEAR RETURN

Real estate

The global real estate market continued to face challenges this year due to economic uncertainty, including trade tensions and tariff concerns. However, the plan’s real estate portfolio is well positioned with diversified assets across regions and sectors.

Real estate equity returned -4.8 per cent over the year, reflecting a challenging market environment and underperforming the 6.8 per cent benchmark. Global real estate markets continued to stabilize as the year progressed, although the recovery remained uneven across sectors and regions. The portfolio continues to focus on high-conviction sectors with strong occupancy in residential, industrial, student housing and self-storage. Over five years, the asset class delivered a 1.8 per cent annualized return below the 6.8 per cent benchmark.

Real estate debt

Real estate debt outperformed on a one-year basis, returning 5.3 per cent against the 5.2 per cent benchmark. Real estate debt markets showed strong momentum in 2025 and continued to generate stable income from high-quality borrowers. New investments were directed toward high-conviction property sectors, which allowed the plan to navigate market challenges and capitalize on growth opportunities. Real estate debt’s five-year annualized return was 5.2 per cent, outperforming the 3.0 per cent benchmark.

Performance results (%)

Real estate equity

2025

-4.8

1-YEAR RETURN

2020–2025

1.8

5-YEAR RETURN

Real estate debt

2025

5.3

1-YEAR RETURN

2020–2025

5.2

5-YEAR RETURN

Infrastructure and renewable resources

Over the year, infrastructure and renewable resources (IRR) achieved a 7.4 per cent return, outperforming the 6.5 per cent benchmark. The plan benefited from diversified investments and stable cash flows in essential infrastructure assets like regulated utilities, timber, farmlands and digital infrastructure. Over five years, the asset class returned 8.8 per cent, outperforming the 6.5 per cent benchmark. The overall outlook for IRR remains positive in part due to growing electricity demand, expanding power grids and the transition to renewable energy.

Performance results (%)

Infrastructure and renewable resources

2025

7.4

1-YEAR RETURN

2020–2025

8.8

5-YEAR RETURN

Investment portfolio¹

The plan invests in different types of assets to manage risk, support steady returns, meet cash flow needs and stay resilient over the long term.

Leverage is used to help manage risk and returns.

Investments held as at December 31, 2025

	Market value (\$ millions)	Asset mix market value (%)
Short-term	1,876	2.0
Leverage	(13,960)	(14.9)
Bonds	23,322	24.9
Credit ¹	14,381	15.3
Canadian equities	2,178	2.3
Global equities	18,157	19.4
Emerging markets equities	4,137	4.4
Private equity	13,673	14.6
Real estate equity	13,862	14.8
Real estate debt	3,009	3.2
Infrastructure and renewable resources	13,168	14.0
Currency hedging	(22)	0.0
Cash and unsettled trades	10	0.0
Total investments	\$ 93,791	100.0
2024 comparison	\$ 86,864	

¹ Corporate bonds and private debt.

¹ Asset classifications vary from the financial statements for performance reporting.

The plan has a diversified portfolio. Holding diverse investments provides better protection if one type of asset generates lower returns in a given period.

Market value asset mix (%)

This table shows how the plan's assets are invested across different asset types within the approved investment strategy. It highlights how each asset performed over the year compared to the benchmark.

As at December 31, 2025

	Approved ranges	Target asset mix	Actual asset mix	Rate of return	Performance benchmark
Short-term	0–7	2	2.0	1.3	1.1
Bonds	11–30	22	24.9	2.1	2.1
Credit ¹	4–21	15	15.3	7.2	5.8
Total fixed income	25–47	39	42.2	3.9	3.4
Public equities	7–37	22	26.1	19.4	19.3
Private equity	10–20	16	14.6	8.1	18.6
Total equity	28–51	38	40.7	15.4	19.0
Real estate ²	15–29	23	18.0	(3.1)	6.5
Infrastructure and renewable resources	7–18	15	14.0	7.4	6.5
Total real assets	25–45	38	32.0	1.3	6.5
Other	0–5	0	0.0	—	—
Leverage	0–(20)	(15)	(14.9)	3.6	3.6
Total basic asset mix		100	100.0	7.5	10.3

¹ Corporate bonds and private debt.

² Real estate equity and real estate debt (mortgages).

Rates of return (%)

This table shows the plan's annual returns, as well as the annualized returns over 5 and 10 years. It shows that results can change from year to year, but returns are steady over the long term.

	Year	Rate of return	Performance benchmark
Annual rates	2025	7.5	10.3
	2024	12.4	15.5
	2023	7.7	11.7
	2022	(3.5)	(5.9)
	2021	11.5	7.8
Five-year annualized rates	2025	7.0	7.6
	2024	7.8	7.9
Ten-year annualized rates	2025	7.8	7.9
	2024	7.9	7.6

Net assets

The plan's assets have more than doubled over the last 10 years, increasing from \$43.7 billion to \$93.9 billion. This strong financial position ensures secure and sustainable pensions for current and future beneficiaries.

As at December 31 (\$ billions)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net assets available for basic benefits	37.7	39.8	43.6	44.5	49.9	55.5	61.2	58.4	64.3	73.2	79.2
Net assets available for inflation and other benefits	6.0	6.6	8.0	8.3	9.5	11.0	13.0	13.2	12.7	13.7	14.7
Total	43.7	46.4	51.6	52.8	59.4	66.5	74.2	71.6	77.0	86.9	93.9

How we are responsible investors

See how the board advances its goal of being a leading responsible investor—embracing diverse perspectives, strategies and investment practices that support the plan's financial health.



Responsible investing

Responsible investing is a key component of the plan's investment approach. BCI, as the investment agent, applies the plan's responsible investing practices and policies, which involve integrating environmental, social and governance (ESG) factors into investment decisions. BCI also seeks to encourage positive ESG performance in its portfolio companies through its stewardship approach.

The board and BCI believe that ESG integration is important in growing and protecting the value of the plan. ESG factors may be specific to a company, such as board composition, executive compensation and employee safety, or they can be widespread systemic factors like climate change.

The board's belief is that companies that manage ESG issues well are more likely to deliver good, risk-adjusted returns for plan members.

BCI's [ESG Strategy](#) focuses on four key actions to address the material factors to the plan's investments:

- **Integrate:** ESG analysis and risk management are part of investment processes and decisions.
- **Influence:** Through engagement and advocacy, BCI seeks to influence the companies it invests in, their partners and other participants in capital markets.
- **Invest:** BCI actively seeks ESG-related investment opportunities that help improve long-term outcomes for clients.
- **Insight:** An understanding of emerging trends and insights across all ESG activities is used to continually adapt and improve our strategies, processes and approaches.

CONFLICT-AFFECTED INVESTMENTS

This year, the Investment committee reviewed BCI's due diligence processes for conflict-affected investments and took part in education regarding geopolitical risk, conflict-affected investments and defence technologies. This included discussion of enhanced due diligence expectations and how to manage systemic risks associated with conflict-affected regions. Follow-up analysis and discussion continued throughout the year.

BCI's approach to stewardship

BCI's stewardship approach supports positive ESG performance in its portfolio companies through global policy advocacy, proxy voting and engagement. BCI's annual [Stewardship Report](#) outlines key engagement activities, priorities and outcomes.

Policy advocacy

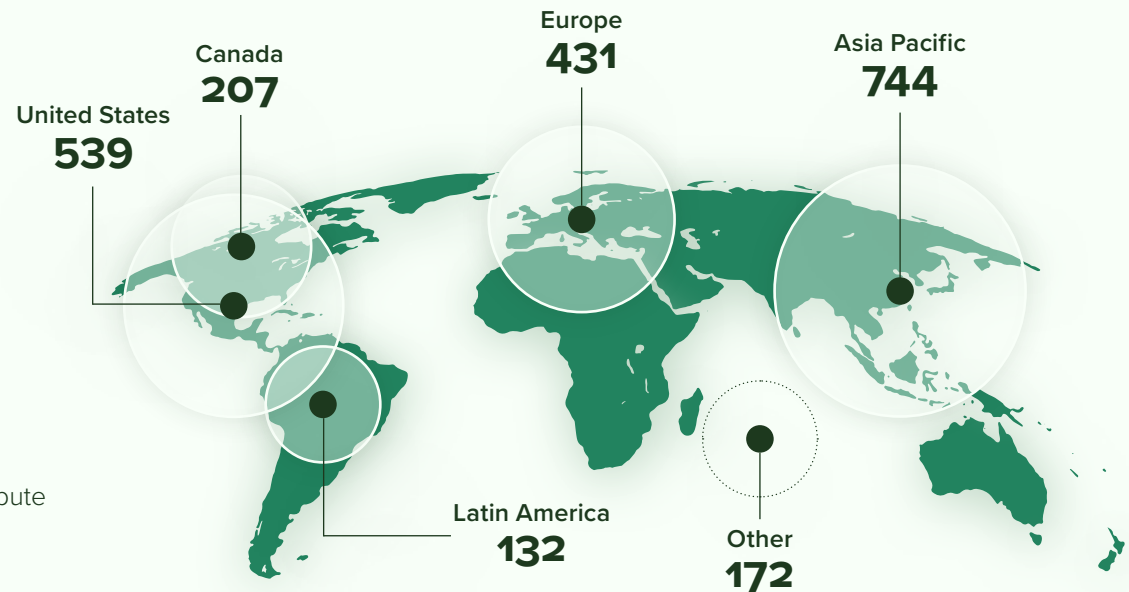
BCI engages at the policy and market levels to strengthen the investment landscape. By advocating for policy changes that incorporate ESG principles into regulatory frameworks, they contribute to greater policy certainty within global capital markets.

BCI also participates in collaborative initiatives with like-minded investors and engages with regulators to promote robust ESG disclosure standards and practices that benefit the plan's investments.

Proxy voting

BCI uses proxy voting as a tool to encourage ESG improvements through board and management accountability. A full record of BCI's votes and rationale can be found through a [searchable database](#) on their website.

BCI voted at 2,225 global meetings during the 2025 proxy season.



Unless otherwise stated, proxy voting data and activities are from January 1 to June 30, 2025.

2025 Proxy Season Summary

Voted on
29,182 agenda items

Voted against or withheld votes from
32% director nominees

Voted in
52 countries

Voted on
1,017 shareholder proposals

Voted against management in
26% of cases

Supported
48% of shareholder proposals

Direct and collaborative engagement

BCI engages with public and private companies on a broad range of ESG topics. Some interactions consist of targeted outreach on a specific, material ESG issue, while others involve multiple topics and milestones.

- Priority One: Climate change—physical and transition risk
- Priority Two: Responsible artificial intelligence
- Priority Three: Human capital management

For more information and ESG case studies, please see [Stewardship Report](#).

PRIORITY ONE

Climate Change - Physical and Transition Risk

Climate change is widely expected to have large-scale economic impacts, both directly (physical risk) through flooding, drought, and other extreme weather events, and indirectly (transition risk) through regulatory measures to limit greenhouse gas emissions and promote low carbon technologies. Physical and transition risks are inextricably linked: as physical risk increases, so too does transition risk.

WHY IT MATTERS

Physical and transition risks can significantly impact asset valuations, increase operational costs, and create disruptions in supply chains. Uncertainty in the regulatory environment creates material financial exposures and the possibility of stranded assets.

PRIORITY TWO

Responsible Artificial Intelligence

Artificial intelligence (AI) offers significant opportunities and complexities for companies, enabling business model transformation, increased efficiency, and enhanced strategic decision making. However, AI also presents risks and challenges that require understanding and management. Investors expect companies to navigate these challenges while maximizing the benefits of AI integration in a responsible manner.

WHY IT MATTERS

Responsible AI adoption can drive competitive advantages and operational efficiency, but poor AI governance can create regulatory, cybersecurity, reputational, legal, and operational risk that materially impact company valuations and access to capital.

PRIORITY THREE

Human Capital Management

Effective human capital management is essential for long-term corporate sustainability and value creation through workforce development, employee engagement, and safety protocols. The overarching goal of BCI's engagement is to urge companies to effectively address risks associated with human rights, employee health and safety, and poor labour practices in their supply chains, activities, and operations.

WHY IT MATTERS

Poor human capital management and/or a lack of compliance with labour standards can lead to operational disruptions, regulatory fines, reputational damage, and talent retention issues—all of which can directly impact a company's productivity and profitability.

Addressing climate change

The board believes climate change creates both investment opportunities and long-term risks for the plan. It can affect many parts of the economy at the same time, so it is a system-wide risk we need to manage carefully.

Although the timing and extent of climate change impacts are uncertain, the board works with BCI to address climate-related risks and opportunities through investor stewardship, portfolio monitoring, and advocating for appropriate public policies.

In 2022, the plan set a goal to reach a net-zero portfolio by 2050, compared to 2020 levels. A net-zero portfolio means that the greenhouse gas emissions attributable to our investments (known as financed emissions) are reduced to net zero by 2050 or sooner, in line with the Paris Agreement.

We have also set an interim target to reduce the carbon intensity of our portfolio by 55 per cent by 2030, compared to 2020 levels. This target is informed by scientific pathways for how emissions need to fall across the economy. Our net-zero goal seeks to support global efforts to limit the rise in average temperatures to 1.5°C and to help drive real-world emissions reductions. Achieving this goal depends on governments implementing clear and consistent climate policies, but taking these steps now helps the plan manage climate-related risk and protect its investments over the long term.

The plan's goal aligns with BCI's commitment to implement its Climate Action Plan.

To learn more about BCI's ESG and Climate Action Plan activities, visit bci.ca/esg and [BCI's Corporate Annual Report](#).

For information on the board's responsible investing approach, go to mpp.pensionsbc.ca/responsible-investing.

Climate-related disclosures

2025 highlights

Our total portfolio carbon footprint has decreased by 58¹ per cent since 2020, surpassing our interim goal of a 55 per cent decrease by 2030, five years ahead of schedule.

This is a meaningful achievement for the plan, and one we are pleased to report. At the same time, the board sees this as a milestone within a continuing set of initiatives. Sustained progress toward our 2050 net-zero goal requires ongoing management. The board will continue to work with BCI to pursue the plan’s climate strategy.

The board has continued to prioritize climate-related risks and opportunities. In the board's strategic plan for 2023-2026, we set an objective to be a leading responsible investor. We are acting on that priority by working collaboratively with BCI and others toward our goal of a net-zero portfolio by 2050, driving informed responsible investing strategies to promote plan sustainability, participating in responsible investing standard setting, implementing ongoing training for trustees, and ensuring transparency of our climate action initiatives.

We set the investment policy and coordinate with BCI to ensure the actions to support our climate strategy align with our fiduciary duty to invest the fund in the best financial interest of beneficiaries. As we track climate change responses and impacts on markets through BCI reporting, we see an opportunity within the portfolio to support our long-term pension security goals and reduce the emissions financed by our investment activity. As described in the following Appendix, the board sets investment policy and procedures, including those relating to responsible investing, and engages BCI to implement these policies. The board, through its Investment Committee, receives robust reporting from and monitors the performance of BCI throughout the year.

The plan’s total exposure to climate-related investment opportunities reached \$4.4 billion, and the board received updates on the progress BCI is making toward encouraging the adoption of mature transition plans by the most carbon-intensive investments in the portfolio. For more details, please refer to our complete climate-related disclosure on pages 60 to 69.

¹ The percent reduction is calculated based on unrounded values. For methodology details, see [Metrics and targets](#).

PORTFOLIO CARBON FOOTPRINT (TONNES CO₂E/\$ MILLION)^{1,2}

MPP total portfolio carbon footprint (tCO ₂ e/\$M EVIC) ²	
F2020	85
F2021	67
F2022	66
F2023	66
F2024	43
F2025	36
F2030 target	38

¹ Applies to the covered market value of in-scope investments in the portfolio as at December 31 each year. The trend in carbon intensity reductions will not be linear year over year and could be influenced by factors such as changing asset values and improving data quality and completeness.

² Total carbon emissions for a portfolio normalized by the market value of covered in-scope investments in the portfolio, expressed in Metric tonnes CO₂e/\$M CAD invested as of December 31.

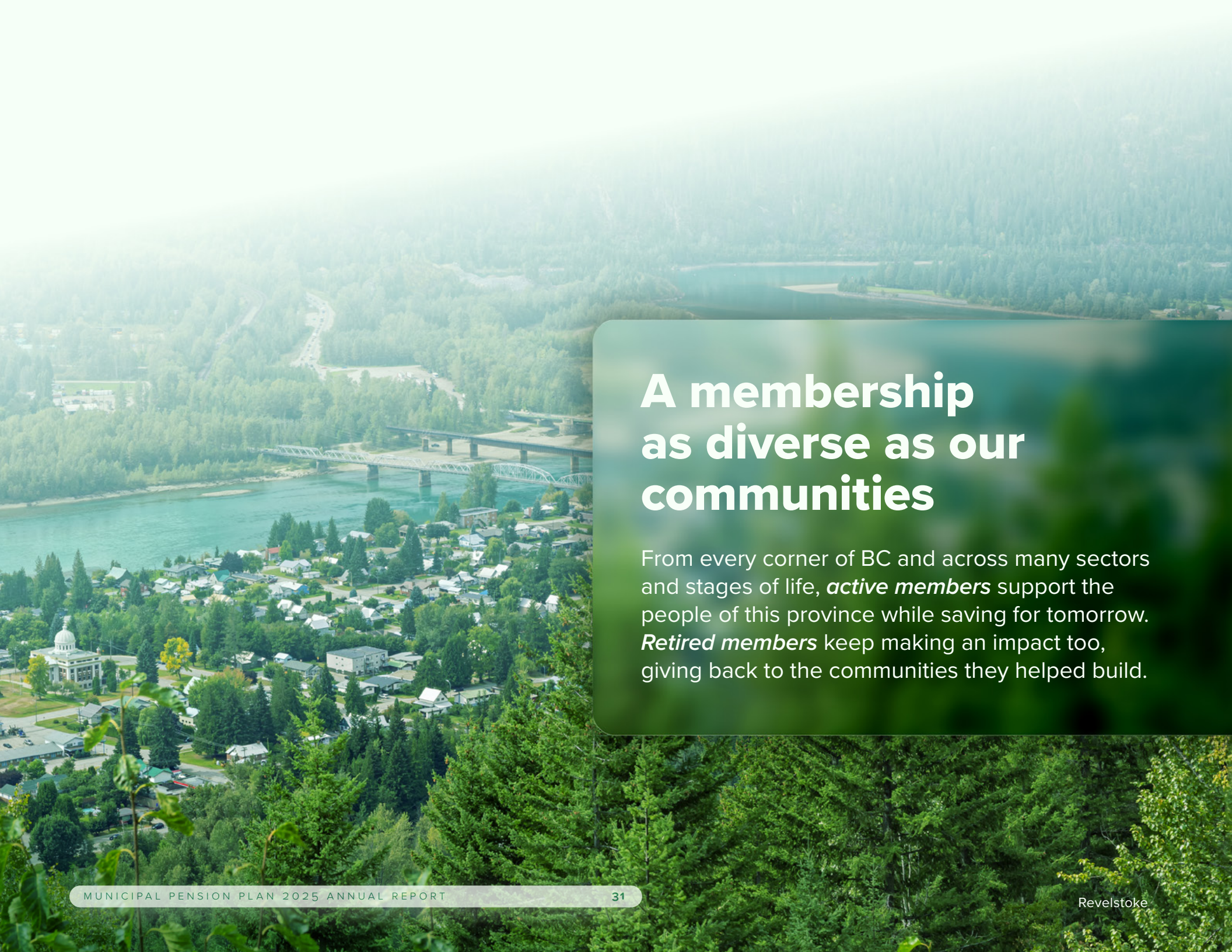


“

The pension was a factor in accepting this job, it gives me a sense of security for my future. I know I am going to have stability when I retire.”

Dasha Ivanenko

Member
Abbotsford, BC

An aerial photograph of a town nestled in a valley, with a large river flowing through it. A bridge spans the river, and a large building with a dome is visible in the foreground. The background is filled with dense green forests and mountains.

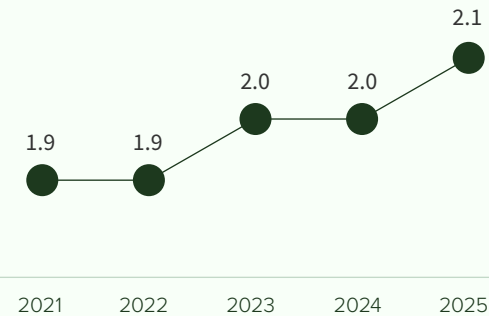
A membership as diverse as our communities

From every corner of BC and across many sectors and stages of life, *active members* support the people of this province while saving for tomorrow. *Retired members* keep making an impact too, giving back to the communities they helped build.

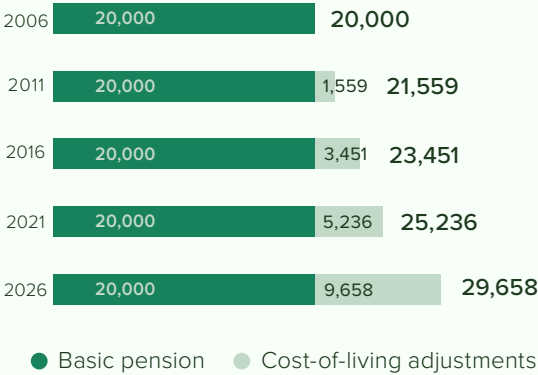
Members at a glance

With close to 500,000 active, inactive and retired members, the plan reflects the rich diversity of British Columbia. Members come from every corner of the province and represent an extraordinary range of roles—health care professionals; municipal workers in cities, towns, villages and regions; educators in schools and colleges; and thousands of people supporting communities through social service organizations. They span nearly a century in age, from 18 to over 100, each at a unique point in their pension journey. And when they retire, most remain in BC, strengthening local economies and communities through their spending, volunteering and ongoing contributions.

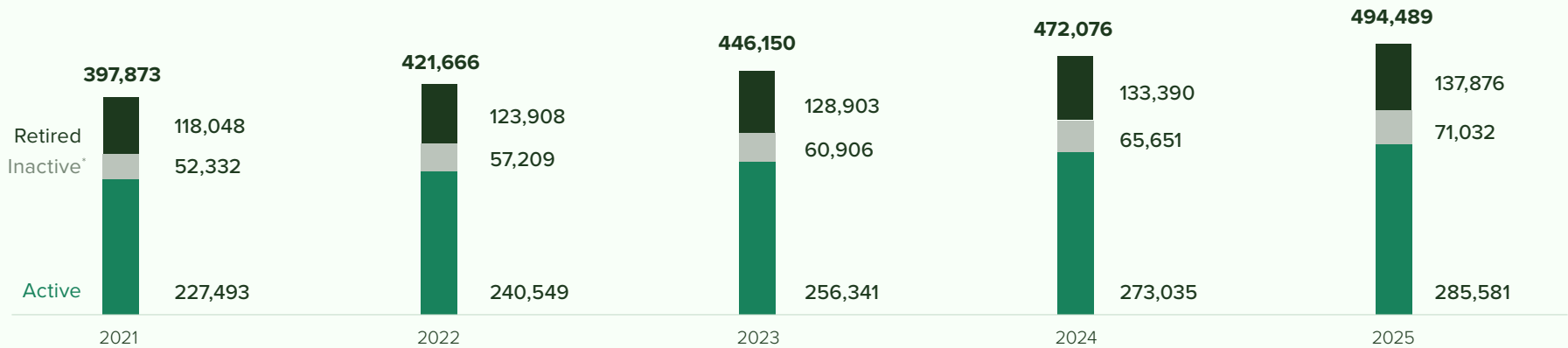
RATIO OF ACTIVE TO RETIRED MEMBERS
as at December 31



BASIC PENSIONS PLUS COLA GRANTED (\$)



NUMBER OF MEMBERS
as at December 31



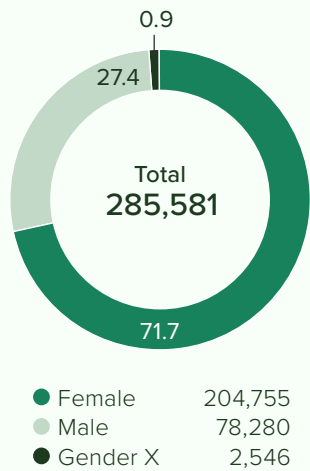
* Vested members are included within the inactive member category.

Active members

Active members are those currently contributing to the plan, on an approved leave of absence or receiving benefits from an approved long-term disability group plan.

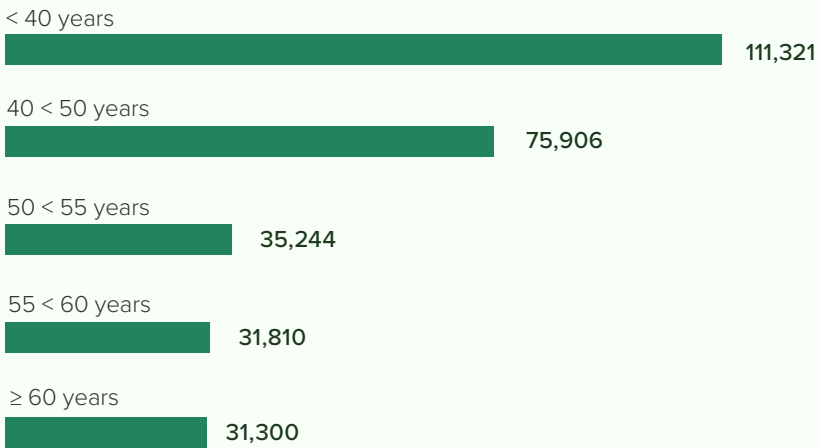
ACTIVE MEMBERS BY GENDER

as at December 31, 2025



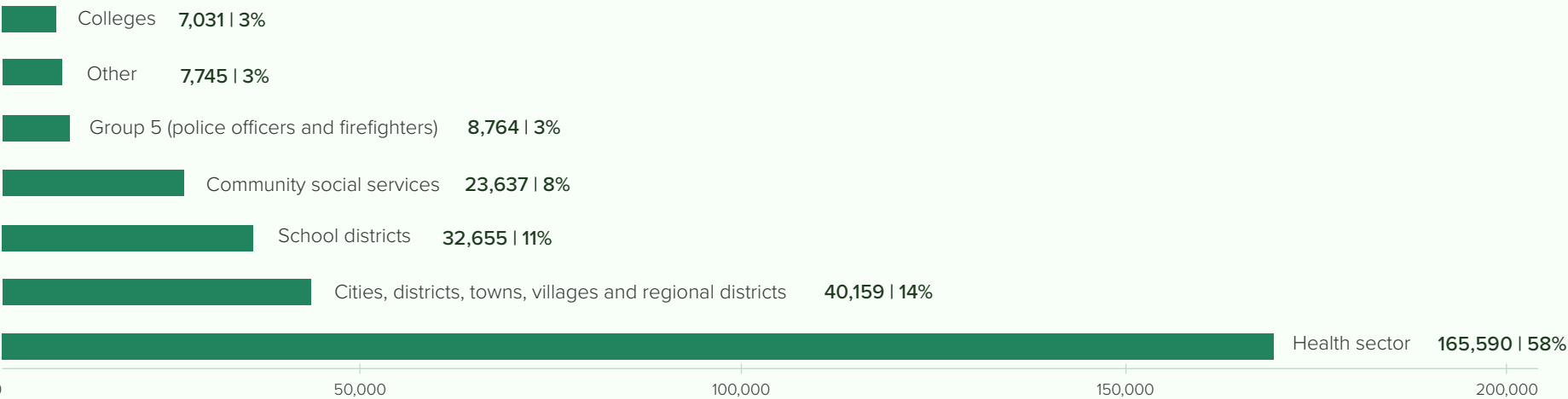
ACTIVE MEMBERS BY AGE

as at December 31, 2025



ACTIVE MEMBERS BY SECTOR (%)

as at December 31, 2025



Retired members

Retired members are those receiving a pension, including a survivor pension. Members receiving disability benefits from the plan are also counted in this group.

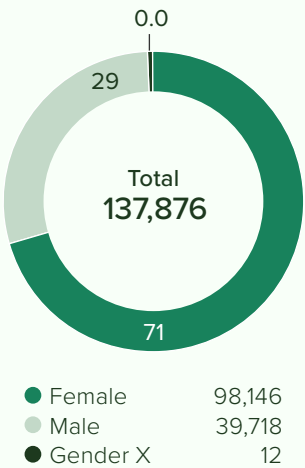
Inactive members

Members in this group have ended their employment with a plan employer but have chosen to leave their contributions in the plan and are therefore entitled to receive a benefit from the plan in the future. They may return to work for a plan employer, make contributions and accrue additional service.

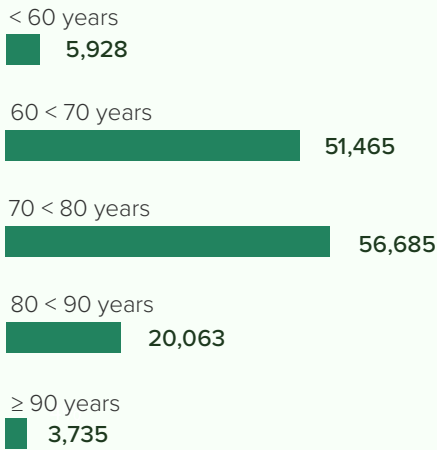
Limited members

Former spouses of plan members fall into this category. Limited members are entitled to a portion of the plan member’s pension. A person must apply to become a limited member, unlike other membership types, which have automatic enrolment. Limited members are included in the retired members total if they are receiving a pension.

RETIRED MEMBERS BY GENDER (%)
as at December 31, 2025



RETIRED MEMBERS BY AGE
as at December 31, 2025



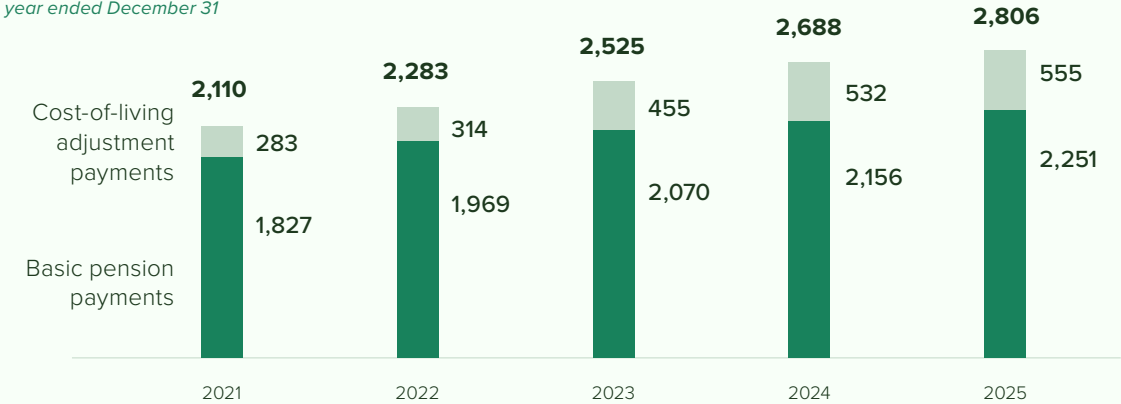
Benefits paid

Basic pensions plus cost-of-living adjustments

This chart shows how much the plan pays out in monthly pensions each year. It highlights both the basic pension payment and the cost-of-living adjustment payment, helping to see how pensions being paid have changed over the last five years.

BENEFITS PAID (\$ MILLIONS)

year ended December 31



New pension profile

This table shows who started receiving a pension during the year, including their age, years of service, and typical pension amounts. It helps explain who new retirees are and the value of the pensions they are receiving.

As at December 31, 2025

All new pensions						Average salary	Average annual pension	Median annual pension	Average present value of pension	Total present value of all new pensions (\$ millions)
Service range	Age range (years)				Total					
	< 55	55 < 60	60 < 65	≥ 65						
< 10 years	49	449	760	1,017	2,275	\$ 70,600	\$ 6,900	\$ 5,400	\$ 96,000	\$ 218.4
10 < 15	14	206	378	536	1,134	72,000	15,700	13,300	231,000	262.0
15 < 20	6	223	374	552	1,155	75,300	22,600	20,300	339,000	391.5
20 < 25	11	189	317	349	866	86,900	34,200	30,100	524,000	453.8
25 < 30	53	174	248	244	719	98,200	48,300	41,400	762,000	547.9
30 < 35	5	158	204	151	518	92,900	53,700	48,700	839,000	434.6
≥ 35 years		26	74	102	202	88,200	50,300	42,200	783,000	158.2
Total	138	1,425	2,355	2,951	6,869					
Average/median						\$ 78,900	\$ 23,600	\$ 16,200	\$ 363,000	\$ 2,466.4
Average service NRA 60 ¹	12	22	25	24	24					
Average service NRA 65 ¹	8	16	16	15	16					
Average service all	17	17	16	15	16					
Average age NRA 60 ¹					56					
Average age NRA 65 ¹					63					
Average age all					63					

¹ NRA = normal retirement age

For members who retired in 2025, the average age of retirement was 63, with 16 years of service.

Retired pension profile

The retired pension profile¹ provides an overview of all current retirees, including their age at retirement, years of service, and typical pension amounts. It helps build an understanding of who is receiving pensions today and the range of benefits being paid. It does not include pensions paid to member beneficiaries and **limited members** post-retirement.

Member years of service	Number of retired members						Average annual pension ^{3,4}	Median annual pension ^{3,5}	Average lifetime annual pension ^{3,6}	Median lifetime annual pension ^{6,7}
	Age at retirement									
	< 50 ¹	50 < 55 ²	55 < 60	60 < 65	≥ 65	Total				
Under 10	333	345	10,495	12,591	10,467	34,231	\$ 5,600	\$ 4,400	\$ 4,900	\$ 4,000
10 < 15	149	184	7,993	9,260	6,711	24,297	12,100	9,600	10,800	8,800
15 < 20	115	199	6,792	8,636	5,332	21,074	18,100	14,700	16,500	13,300
20 < 25	97	299	5,934	7,571	3,964	17,865	25,700	21,500	23,600	19,000
25 < 30	88	1,627	5,897	6,197	2,666	16,475	38,300	32,200	35,000	29,200
30 < 35	33	826	6,737	3,395	1,600	12,591	47,200	41,000	43,200	37,100
≥ 35	15	30	1,624	1,347	942	3,958	48,000	40,900	45,800	38,600
Total average	830	3,510	45,472	48,997	31,682	130,491	\$ 21,100	\$ 14,200	\$ 19,200	\$ 12,900
Average years of service ⁷										
Male	12	27	23	19	16	20				
Female	15	20	17	16	15	16				
Average	14	25	19	17	15	17				
Average age at retirement	61									

For all
the av

1 Relates to limited member, disability and survivor pensions.

2 Relates to limited member, survivor, group 2 and group 5 pensions.

3 Includes bridge benefits and temporary annuities.

4 Total pensions divided by total pension recipients.

5 Half of the pensions are less than this amount and half of the pensions are greater than this amount.

6 The lifetime pension does not include bridge benefits or temporary annuities that end at age 65.

7 Gender X has been redacted to prevent member reidentification.

For all retired members, the average age at retirement was 61, with 17 years of service.

1 Does not include pensions issued to continuing beneficiaries or post-retirement limited members.

“

The pension has allowed me to reduce how much I work, so I no longer feel the income pressure. I have continued working as an independent mental health counsellor because I truly enjoy it. Working less has given me more time to spend with my two lovely granddaughters, who I now see several times a week.”

Chris Spencer

Retired member
Parksville, BC



A diverse network of employers, province-wide

Our more than 1,000 employers play a vital role in the plan, supporting a workforce as diverse as the province itself. Income security in retirement is a powerful incentive for job seekers, guiding them toward a stable and promising future. Employers that offer pensions, like those participating in the plan, enjoy higher retention rates, ensuring a committed and loyal workforce.

Employers at a glance

The plan provides stable costs for employers, comprehensive administrative support and resources, and professional investment services by BCI. Member contribution rates are closely aligned with employer contribution rates, reflecting the plan’s shared-risk model, and ensuring that employers and members work together toward the common goal of a secure retirement.

More information on the benefits for employers can be found at mpp-employer.pensionsbc.ca/join-the-plan.

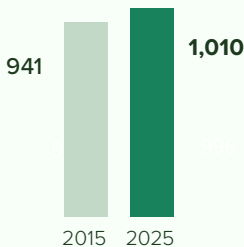
EMPLOYER CONTRIBUTION RATES BY GROUP

effective January 1, 2022



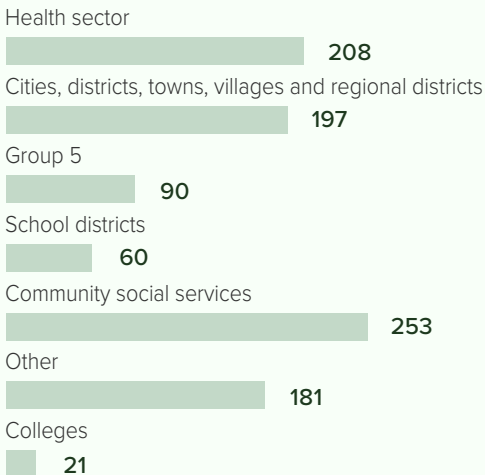
EMPLOYER GROWTH

as at December 31



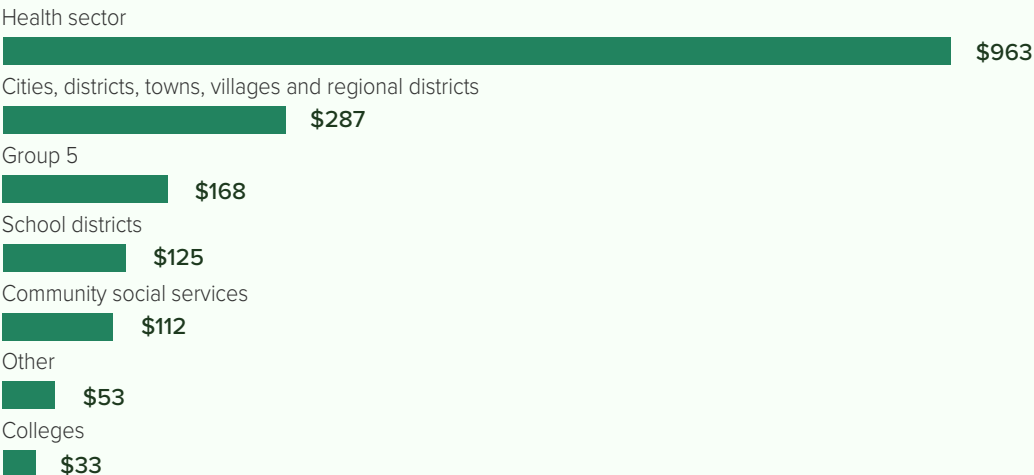
NUMBER OF EMPLOYERS BY SECTOR

year ended December 31, 2025



REGULAR CONTRIBUTIONS BY SECTOR (\$ MILLIONS)

year ended December 31, 2025



Learn more about costs, valuations and plan rule changes

Understand how ongoing cost management, periodic fund valuations and thoughtful plan rule updates work together to protect the plan's long-term strength.



Costs

Board costs

Board costs are tracked and managed in accordance with an approved budget, ensuring fiscal responsibility. To further promote efficiency, the board adheres to an established expense policy designed to encourage economy in the expenditure of plan funds. The board oversees the costs associated with its agents' investment activities and administration of the plan.

Administrative costs

Benefit administration is made up of costs paid to the board's administrative agent, BC Pension Corporation, for day-to-day administration of the plan. Examples of services include calculating pensions and paying benefits, supporting member enquiries, presenting webinars and workshops, collecting contributions from employers, supporting employers with administration, and distributing statements and communications to members. Services also include policy, financial, research and communications support to the board and board office.

CEM Benchmarking Inc., a global data and insight firm with over 300 participants, compares Pension Corporation with its peers on cost, service and complexity. Pension Corporation has consistently been the lowest-cost service provider among its peers.

Investment costs

BCI operates on a cost-recovery basis, meaning the plan pays fees only to cover the cost of managing its investments. There is no profit margin built into the fees. BCI's fees continue to be competitive with those of its peers. CEM Benchmarking compares BCI with its Canadian pension peers. For the five-year period ended December 31, 2024 (the CEM Benchmarking investment benchmarking survey is produced on a one-year lag), BCI delivered higher returns at a lower cost than the median peer benchmark.

Investment management fees are affected by the types of assets, the plan's asset mix, and BCI's investment strategy. Some asset classes are more complex and expensive to manage, which affects fees.

BCI's transition to active, in-house fund management has helped reduce fees by moving away from more expensive external investment managers. Additionally, BCI has access to significant economies of scale when investing on behalf of the plan. The goal is to earn enough investment income to fulfil the plan's pension commitments at a reasonable cost.

Actuarial valuation

Valuations are completed every three years and are a vital part of our journey, helping us assess our position and adjust course if needed.

The valuation is an important tool for the board to ensure it is on track to meet its goal to secure a pension for all members. It provides the board with a full picture of the plan’s funded status and the factors that positively or negatively affect the plan’s finances. With this information, the board is better able to make decisions and take actions to keep the plan sustainable.

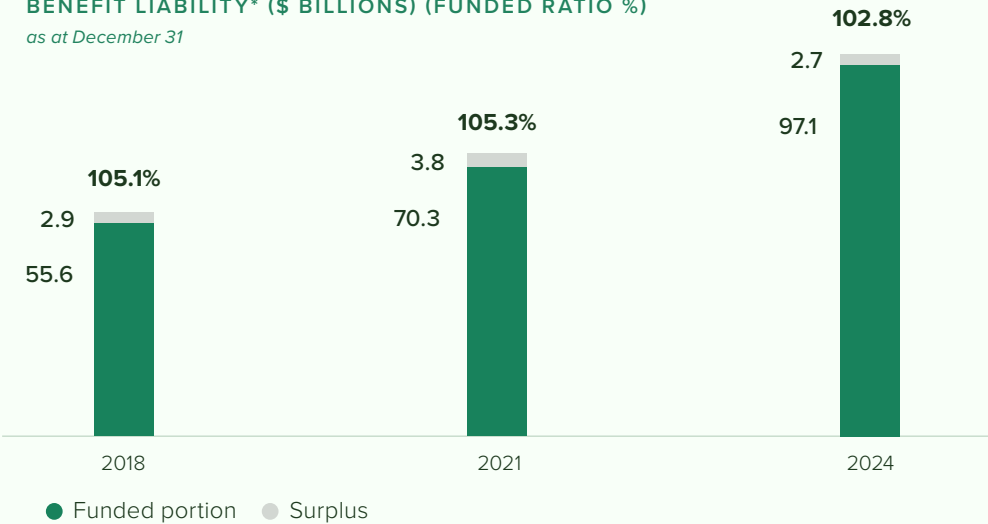
The board appoints an independent actuary to perform a valuation of the plan’s funded position every three years. The actuary compares current assets, future contributions and investment returns against the money to be paid out in the future for pension benefits.

The 2024 valuation determined the plan is fully funded, with a funded ratio of 102.8 per cent.

A cost-of-living adjustment cap was reintroduced in 2025 for a three-year period, following recommendations from the actuary’s review and in accordance with the funding policy.

The [valuation report](#) is available on the plan website.

FUNDING OF TOTAL BASIC
BENEFIT LIABILITY* (\$ BILLIONS) (FUNDED RATIO %)
as at December 31



* Assuming contribution rates in effect at the valuation date.

Plan rule and policy changes

Plan rule and policy updates keep the plan strong, adaptable and ready to meet members' evolving needs.

Pension division changed to align with BC's *Family Law Act*

Effective January 1, 2025, the *Family Law Act* was updated to clarify provisions for pension division upon divorce or separation.

Updates include:

- Restricting a limited member's ability to take their share of their former spouse's benefit out of the plan based on their former spouse's age and benefit options.
- Requiring the administrative fee to process a limited member's entitlement to be deducted from their payment of benefits unless one or both spouses pay the fee.

Rules for purchasing service adjusted to align with federal *Income Tax Act* amendments

If you have worked for your employer for at least three months, you can now buy service for periods of reduced pay that started in 2022 or later. In addition, beginning December 3, 2017, a period of parenting is the 18 months after the birth or adoption of a child, increased from 12 months.

New serious illness or injury leave added to *Employment Standards Act*

All eligible employees in BC can now take job-protected leave of up to 27 weeks in a 52-week period to undergo medical treatment(s) and recover from serious personal illnesses or injuries.

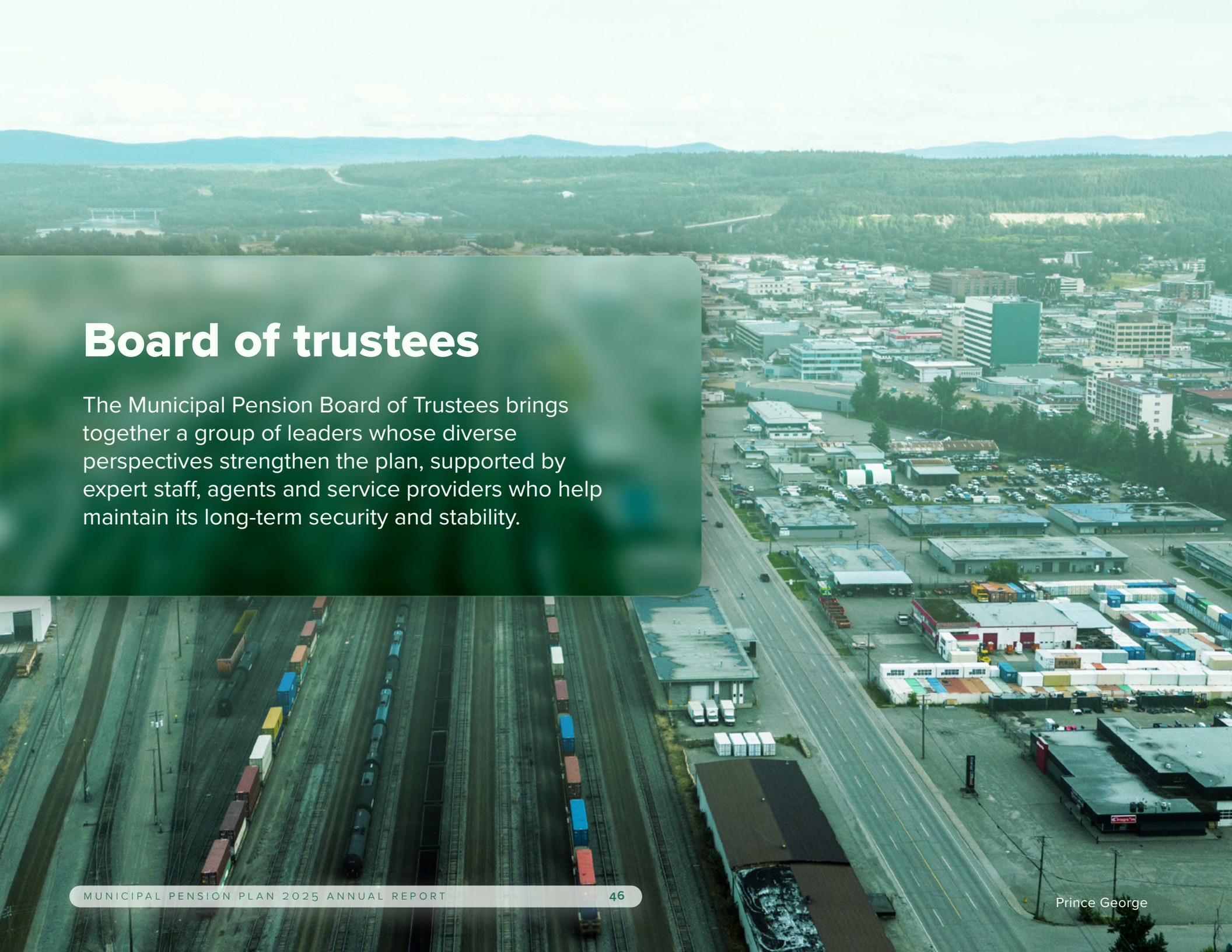


“

There's a brighter
future with the MPP.”

Suzanne Morris

Retired member
Langley, BC



Board of trustees

The Municipal Pension Board of Trustees brings together a group of leaders whose diverse perspectives strengthen the plan, supported by expert staff, agents and service providers who help maintain its long-term security and stability.

Trustees

The board administers the plan for the benefit of plan members and other beneficiaries. Legislation requires that trustees act in the best interests of current and future retired members. The board sets the vision and long-term goals for the plan and provides direction to the plan's investment agent, BCI, and administrative agent, Pension Corporation.

There are 32 trustees—16 primary and 16 alternate—on the plan board. All trustees share a fiduciary responsibility and alternate trustees can vote on behalf of their primary trustee at a board meeting if their primary trustee cannot attend.

Our vision

Secure and sustainable pensions for current and future beneficiaries of the plan.

Our mission

To provide prudent management of the plan in a framework where plan members and employers share the responsibility of plan governance and share the risks and rewards of plan sponsorship.



2025 trustees and alternates

The following are trustees who served on the board in 2025, along with their roles. Committee appointments listed are those active as at December 31, 2025. A current list of trustees is available on the plan website.



Gary Yee | 2025 Chair | Alternate

Appointed by Municipal Employees' Pension Committee
Committees Appeals panel (chair), governance, valuation, interplan executive forum, Pension Corporation board of directors
Board term January 1, 2014–present



Donna Lommer | 2025 Vice-chair | Primary

Appointed by Health Employers Association of British Columbia
Committees Appeals panel, governance, valuation, interplan executive forum, BCI board of directors
Board term March 8, 2017–present



Donisa Bernardo | Primary

Appointed by Municipal Employees' Pension Committee
Committees Benefits, communications and advocacy (chair), governance, interplan trustee education
Board term May 1, 2001–present



Glen Brown | Primary

Appointed by Plan employer partner (Province of British Columbia and Union of British Columbia Municipalities)—excluded member
Committees Governance, valuation (chair)
Board term January 1, 2020–present



Hilary Brown | Primary

Appointed by British Columbia Public School Employers' Association

Committees Governance, valuation, interplan trustee education

Board term January 1, 2012–present



Liz Cookson | Alternate

Appointed by Union of British Columbia Municipalities

Committees Investment, valuation

Board term January 1, 2025–present



Carol Delveris | Primary

Appointed by Hospital Employees' Union

Committees Interplan audit

Board term March 28, 2022–present



Meghan Friesen | Primary

Appointed by British Columbia Nurses' Union

Board term August 19, 2024–May 31, 2025



Lorne Burkart | Alternate

Appointed by British Columbia Nurses' Union

Committees Valuation

Board term April 28, 2018–January 25, 2019, and April 16, 2019–present



Talitha Dekker | Alternate

Appointed by Hospital Employees' Union

Committees Benefits, communications and advocacy

Board term December 20, 2018–present



Brian Frenkel | Primary

Appointed by Union of British Columbia Municipalities

Committees Benefits, communications and advocacy, governance

Board term January 1, 2020–December 31, 2025



Terri Griffin | Alternate

Appointed by Municipal Employees' Pension Committee

Committees Investment

Board term January 1, 2021–present



Lyn Kocher | Alternate

Appointed by Health Employers Association of British Columbia
Committees Benefits, communications and advocacy
Board term April 5, 2001–present



Andrew Ledger | Primary

Appointed by Canadian Union of Public Employees British Columbia
Committees Valuation
Board term March 19, 2025–present



Dean Levangie | Primary

Appointed by Health Employers Association of British Columbia
Committees Appeals panel
Board term January 1, 2019–present



Michael Lord | Alternate

Appointed by Health Employers Association of British Columbia
Committees Interplan audit
Board term November 29, 2022–present



Gary MacIsaac | Alternate

Appointed by Union of British Columbia Municipalities
Committees Investment
Board term January 1, 2014–present



Sara Manchester | Alternate

Appointed by Canadian Union of Public Employees British Columbia
Committees Investment
Board term July 13, 2022–present



Amy Miller | Alternate

Appointed by Province of British Columbia
Committees Benefits, communications and advocacy, governance
Board term October 6, 2023–present



Adam Molineux | Primary

Appointed by Province of British Columbia
Committees Appeals panel
Board term April 6, 2023–present



Janice Morrison | Alternate

Appointed by Health Sciences Association of British Columbia
Committees Investment, valuation
Board term January 1, 2022–present



Samuel Myers | Alternate

Appointed by Province of British Columbia
Committees Investment, valuation
Board term February 25, 2022–present



Chris Rathbone | Primary

Appointed by Province of British Columbia
Committees Investment, Pension Corporation board of directors
Board term January 1, 2019–present



Josef Rieder | Primary

Appointed by Health Sciences Association of British Columbia
Committees Appeals panel, governance, investment
Board term October 4, 2016–present



Laurey-Anne Roodenburg | Primary

Appointed by Union of British Columbia Municipalities
Committees Benefits, communications and advocacy
Board term January 1, 2023–present



Harpinder Sandhu | Primary

Appointed by Canadian Union of Public Employees BC
 Council of Joint Organizations and Unions
Committees Investment (chair), governance
Board term July 19, 2019–March 19, 2025 (CUPE) and
 May 16, 2025–present (COJOU)



Rod Santiago | Alternate

Appointed by Plan employer partner (Province of British Columbia
 and Union of British Columbia Municipalities)
 —excluded member
Committees Benefits, communications and advocacy
Board term March 4, 2025–present



Haemant Sawh | Alternate

Appointed by Council of Joint Organizations and Unions
Committees Appeals panel
Board term May 16, 2025–present



Todd Schierling | Alternate

Appointed by British Columbia Police Association and British Columbia Professional Fire Fighters' Association

Committees Valuation

Board term October 26, 2023–present



Michelle Sordal | Primary

Appointed by British Columbia Nurses' Union

Committees Benefits, communications and advocacy

Board term September 10, 2020–August 19, 2024 and June 1, 2025–present



Tom Stamatakis | Primary

Appointed by British Columbia Police Association and British Columbia Professional Fire Fighters' Association

Committees Benefits, communications and advocacy, governance (chair)

Board term March 27, 2018–present



Kelvin Stretch | Alternate

Appointed by British Columbia Public School Employers' Association

Committees Investment

Board term January 1, 2023–present



Don Sutton | Primary

Appointed by Municipal Employees' Pension Committee

Committees Benefits, communications and advocacy

Board term January 1, 2018–present



Thom Yachnin | Primary

Appointed by Council of Joint Organizations and Unions

Board term May 26, 2021–May 16, 2025

Trustee remuneration

The plan compensates trustees or their employers for the time trustees spend on board duties. Trustees receive remuneration directly if they are not paid by any other organization. Guidelines and rates are set out in the board's remuneration claim policy, available on the plan's website. Under the policy, remuneration may be adjusted annually by an amount equal to the COLA made to pension payments.

Year ended December 31, 2025

Trustee name	# Meetings attended/scheduled ¹	Additional meetings attended	Total remuneration paid ²	Remuneration by payee	Remuneration payee
Yee, Gary (Chair) ³	12/12	6	41,225.22	41,225.22	CUPE BC
Lommer, Donna (Vice-chair) ³	12/12	5	35,157.14	35,157.14	Board Member
Bernardo, Donisa	11/11	1	24,966.00	24,966.00	Board Member
Brown, Glen	9/9	1	9,478.32	9,478.32	Union of BC Municipalities
Brown, Hilary	10/11	1	19,372.74	19,372.74	Board Member
Burkart, Lorne	7/7	1	14,896.42	424.86	Board Member
				14,471.56	BC Nurses' Union
Cookson, Liz	8/8	—	10,840.50	10,840.50	Union of BC Municipalities

¹ Comparison of the number of meetings attended vs. the number of meetings scheduled. The number of meetings scheduled varies by trustee due to committee membership.

² Total Remuneration Paid includes attendance at board & committee meetings, educational events, conferences, and preparation and travel time for these meetings/events.

³ Includes Board Chair annual stipend of \$8,760 and Vice Chair annual stipend of \$6,570.

Trustee name	# Meetings attended/scheduled ¹	Additional meetings attended	Total remuneration paid ²	Remuneration by payee	Remuneration payee
Dekker, Talitha	6/7	1	8,103.00	3,066.00	Board Member
				5,037.00	Hospital Employees' Union
Delveris, Carol	6/8	–	7,621.20	7,621.20	Hospital Employees' Union
Frenkel, Brian	7/9	–	12,808.00	12,808.00	Board Member
Friesen, Meghan	1/1	–	4,331.00	4,331.00	BC Nurses' Union
Griffin, Terri	7/8	–	11,804.10	11,804.10	Board Member
Kocher, Lyn	6/9	–	5,823.68	5,823.68	Board Member
Ledger, Andrew	4/4	1	7,822.68	7,822.68	CUPE BC
Levangie, Dean	7/7	1	5,694.00	5,694.00	Health Employers' Association of BC
Lord, Michael	4/8	–	1,095.00	1,095.00	Provincial Health Services Authority
MacIsaac, Gary	6/8	1	3,942.00	3,942.00	Union of BC Municipalities
Manchester, Sara	7/8	–	19,870.07	19,870.07	Board Member
Miller, Amy	5/7	–	5,341.00	5,341.00	Ministry of Infrastructure
Moglove, Claire			1,461.09	1,461.09	Board Member
Molineux, Adam	8/8	1	4,380.00	4,380.00	Minister of Finance
Morrison, Janice	8/9	–	14,297.24	14,297.24	Board Member
Myers, Samuel	10/11	–	6,219.60	6,219.60	Minister of Finance
Rathbone, Chris	8/8	–	7,202.50	3,260.50	Ministry of Jobs, Economic Recovery & Innovation
				3,942.00	Ministry of Post-Secondary Education & Future Skills
Rieder, Josef	12/13	–	21,225.50	21,225.50	Health Sciences Association of BC
Roodenburg, Laurey-Anne	6/7	–	8,869.50	8,869.50	Board Member

1 Comparison of the number of meetings attended vs. the number of meetings scheduled. The number of meetings scheduled varies by trustee due to committee membership.

2 Total Remuneration Paid includes attendance at board & committee meetings, educational events, conferences, and preparation and travel time for these meetings/events.

Trustee name	# Meetings attended/scheduled ¹	Additional meetings attended	Total remuneration paid ²	Remuneration by payee	Remuneration payee
Sandhu, Harpinder	8/9	2	12,448.00	431.00	Board Member
				11,155.00	BC General Employees' Union
				862.00	CUPE BC
Santiago, Rod	5/5	1	9,855.00	9,855.00	Archway Community Services Society
Sawh, Haemant	4/4	–	2,628.00	2,628.00	Board Member
Schierling, Todd	6/7	1	8,072.34	5,913.00	Board Member
				2,159.34	BC Professional Fire Fighters' Association
Sordal, Michelle	3/4	–	2,518.50	1,423.50	Board Member
				1,095.00	BC Nurses' Union
Stamatakis, Tom	9/9	–	7,665.00	7,665.00	Canadian Police Association
Stretch, Kelvin	8/8	–	17,642.64	17,642.64	Board Member
Sutton, Don	7/7	1	8,567.28	8,567.28	Board Member
Yachnin, Thom	2/2	–	3,052.00	3,052.00	Board Member
Total				\$386,296.26	

1 Comparison of the number of meetings attended vs. the number of meetings scheduled. The number of meetings scheduled varies by trustee due to committee membership.

2 Total Remuneration Paid includes attendance at board & committee meetings, educational events, conferences, and preparation and travel time for these meetings/events.

“

I particularly value that the Municipal Pension Plan offers the option to buy back service, as well as the peace of mind of feeling like I’m setting myself up for retirement. The pension provides me comfort and security because I know I don’t have to worry about making my own investments or feeling unprepared in the future.”

Lisanne Begin

Member
Smithers, BC





Agents and service providers

Williams Lake

BCI

BCI is a leading provider of investment management services to British Columbia's public sector and one of the largest asset managers in Canada, with more than \$313 billion of gross assets under management as of March 31, 2026. With its global outlook, BCI seeks investment opportunities that convert savings into capital that will meet clients' risk and return requirements over time. BCI offers investment options across a range of asset classes, including fixed income, real estate debt (or mortgages), public and private equity, real estate, and infrastructure and renewable resources.

Pension Corporation

Pension Corporation is one of the largest professional pension services providers in Canada. It serves over 810,000 active and retired public sector plan members and more than 1,000 employers. Each month, Pension Corporation pays out more than \$570 million in benefits (over \$6.8 billion per year) to over 250,000 retired members. As the administrative agent working on behalf of the board, Pension Corporation provides pension administration services to the plan. These services include providing plan information to members and employers; managing contributions and member records; paying pension benefits; and providing policy, financial and communication services.

Eckler Ltd.

Eckler Ltd. is a Canada-based actuarial and consulting firm specializing in financial services, pensions, benefits and global consulting solutions. As the plan's independent actuary, Eckler conducts an actuarial valuation of the plan's funding every three years and supports the board in its decision making, as appropriate.

Hatch & Galinski LLP

Hatch & Galinski LLP is a Vancouver-based law firm that specializes in pensions and benefits advice. It serves as legal counsel for the plan.

KPMG LLP

KPMG LLP provides external audit services for the plan.

Appendix



Annual climate-related disclosures

The board's approach to climate-related disclosure

Managing climate-related risk and opportunities is a priority for the board. Working in close partnership with BCI, the board champions climate-related disclosure, because it believes better access to climate data sharpens how risks are assessed, priced and managed across the portfolio.

The board's Statement of Investment Policies and Procedures (SIPP) sets out our investment beliefs, goals and strategic asset allocation, together with our broader approach to responsible investment and to climate change and its related risks. The Investment Belief section of the SIPP includes a tenet (5.4.4) that states "Climate change is a long-term material systemic risk to the Plan and an investment opportunity. Implementing actions to mitigate climate change and transition towards a low-carbon world will safeguard the global

economy, protect the financial system, and ensure better market outcomes, all of which are in our beneficiaries' best financial interest. Aligning our actions with the goal of achieving net zero greenhouse gas emissions by 2050 through stewardship, the selection and management of assets, and advocating for appropriate public policies will benefit the Plan."

This disclosure is one of the ways the board reports on climate-related risks and opportunities. To learn more about the plan's responsible investing approach, investment oversight and advocacy activities, visit mpp.pensionsbc.ca/responsible-investing. For more on BCI's approach, visit bci.ca/approach/esg.

Annual climate disclosure update for 2025

Governance

The plan's governance around climate-related risks and opportunities

Board structure

Under the authority of the Joint Trust Agreement, the plan is governed by a board of trustees that includes member and employer appointees.

The board has a duty to manage the plan fund in the best financial interests of its members and beneficiaries. It is responsible for administering the pension plan and managing the pension fund, including the investment of assets.

The board delegates investment management and stewardship to BCI, which then invests in a manner consistent with the board's policies.

Several committees make recommendations to the board on issues that affect the plan.

The Investment Committee monitors through the regular reporting and dialogue with BCI the plan's investments and BCI's investment management and stewardship activities on behalf of the plan. This includes oversight of climate-related risks and opportunities.

Climate-related investment beliefs

A set of investment beliefs defines how the board seeks to create investment value and helps the board make practical decisions about diversification, asset allocation, performance objectives and investment activities. ESG matters are part of the board's investment beliefs and are articulated within the SIPP. This includes the board's belief that climate change is a long-term material systemic risk to the plan as well as an investment opportunity.

Board strategic plan

Our 2023-2026 strategic plan articulated an objective to be a leading responsible investor and guided the board's climate-related work throughout the strategic planning cycle.

Through the Investment Committee, the board monitored implementation of these initiatives and, in 2025, completed the activities supporting this

objective—including climate-related education, engagement with responsible investing experts, consideration of climate-related risks and opportunities, and oversight of stewardship and net-zero implementation activities. Building on this work, and informed by the plan's early achievement of its interim carbon intensity target, the board has begun preparing its next strategic plan, with a focus on strategies to address the plan's material ESG priorities.

Agent oversight and BCI's Climate Action Plan

The board continued to engage with BCI and an external third party ESG advisor on progress toward the plan's net-zero goal. In 2025, the Investment Committee received updates on climate-related initiatives and stewardship activities, including the plan's progress update to measure progress toward the 2030 interim target and net-zero goal. The committee also considered the implications of evolving economic, geopolitical and public policy conditions on climate-related outcomes.

Collaborative initiatives

The board actively seeks out peer interaction to learn from—and collaborate on—climate change governance and strategy. This includes participating in activities and education organized by the International Centre for Pension Management (ICPM). Through these interactions, we help shape best practices that benefit the broader investment community.

Trustee education

As part of its ongoing oversight responsibilities, the board continued to strengthen its understanding of ESG issues through education on climate-related risks, opportunities, and emerging trends relevant to the pension plan's investments.

The 2025 climate-related education highlights include:

Materiality assessment workshop:

The Investment Committee members participated in an interactive ESG materiality assessment workshop that identified and prioritized climate-related risks and opportunities, among other environmental, social and governance topics, relevant to the plan's portfolio. The results informed future climate-related priorities and strategic planning discussions.

Biodiversity and just transition education:

The Investment Committee members received specialized education on biodiversity and just transition considerations—both closely linked to the physical and transition risks of climate change—supporting understanding of emerging climate-related themes and their relevance to long-term investment outcomes.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the plan's operations, strategy and financial planning

Climate change is a systemic risk affecting the markets in which MPP's assets are invested. The macro environment for the energy transition has grown more complex, with heightened geopolitical tensions reshaping global energy markets, capital flows, and policy ambition—yet the transition to low-carbon infrastructure has demonstrated notable resilience. BCI, as MPP's investment manager, addresses this environment through a focus on portfolio resilience, active risk management, and the flexibility to adjust as transition and physical risks materialize unevenly across regions, sectors, and time horizons. Across the short, medium and long-term time horizons relevant to MPP, the physical and transition climate risks and opportunities are described in the table below.

CLIMATE-RELATED SYSTEMIC RISKS AND OPPORTUNITIES

	TRANSITION RISKS AND OPPORTUNITIES	PHYSICAL RISKS
SHORT TERM 5 years	Regulatory and economic uncertainty, combined with a shifting geopolitical environment, are creating headwinds for the global goal of net-zero emissions by 2050. Several major governments have increased support for fossil fuels, but low-carbon energy has remained cost-competitive: global energy transition investment reached a record US\$2.3 trillion in 2025, up 8 per cent year over year, and clean energy investment outpaced fossil fuel investment for the second year running, with the gap widening. Still, current investment levels remain below what's needed for a net-zero pathway — which itself signals a sustained, multi-decade opportunity for long-term institutional investors. BCI continues to advocate for the regulatory ambition and certainty needed to accelerate progress, and is actively evaluating where different forms of capital can help.	Physical risks are expected to show up as isolated incidents across the portfolio. These near-term effects of long-term warming are factored into investment decisions, with due diligence conducted wherever material physical risks are identified. The data available to analyze these risks continues to improve. Mitigation measures are applied where appropriate, including adequate insurance coverage, climate adaptation plans, and divesting of assets where risks can't be managed.
MEDIUM TERM 10–15 years	Transition opportunities are expected to become more significant for asset pricing across all markets — with some regional variation — and to solidify across multiple sectors. Capital-intensive industries will need the most policy support to scale clean technologies, while companies enabling low-carbon electricity grids, alternative energy sources, and industrial decarbonization are well positioned to offer meaningful opportunities for investors.	Physical risks from climate change are expected to increase in likelihood and severity under all climate scenarios, and in the medium term could affect real assets and supply chains. To manage this risk, BCI uses specialized physical risk tools and data to assess potential damage across asset classes and time frames.
LONG TERM 15+ years	Over the long term, an orderly transition to a low-carbon economy aligned with a net-zero (1.5°C) scenario would reduce systemic risk. Current global commitments aren't yet enough to meet that goal, but capital flows, falling technology costs, and continued corporate engagement on transition planning continue to expand the opportunities available to long-term investors. BCI's engagement and advocacy will continue to focus on policies and regulations that support an orderly, predictable transition and help companies stay resilient under any scenario. BCI will also keep using its scale and influence to support these outcomes, which matter to meeting its clients' return objectives.	Long-term physical impacts are expected to intensify with extreme weather events becoming more frequent and severe as warming increases. A high-warming scenario would likely hurt portfolio performance over the long term, underscoring the need for investment in adaptation and for portfolio adjustments aligned with evolving physical risk.

Risk management

Process for identifying, assessing and managing climate-related risks

Oversight of climate-related risk

Climate risks are assessed by BCI during due diligence and throughout the investment lifecycle, so that climate change remains an ongoing consideration in investment decisions, asset management and stewardship activities. Dedicated teams across BCI provide analysis and insight to help ensure climate-related risks are managed where material, and BCI briefs the board on climate risk exposures—including total portfolio climate change stress test results calculated using [BCI's ESG Risk and Opportunity Framework](#).

In public markets, climate-related information is integrated into BCI's internally managed fundamental active equity mandates as part of broader ESG risk analysis. In private markets, BCI conducts or commissions reports covering legal, environmental, regulatory and other climate-related matters as part of due diligence on direct private asset investments. For each asset class, BCI identifies, analyzes, prioritizes and monitors

material climate-related risks and opportunities for new and existing investments, with material risks factored into investment memos presented to BCI's Investment Committee.

BCI climate-related risk management

Engagement activity

Climate change has been a top engagement priority for BCI for more than a decade. BCI engages with company management, boards, regulators and standard-setting bodies through four main activities:

- **Proxy voting:** BCI applies climate-related expectations for disclosure, target-setting and performance, calibrated to each company's climate exposure, and supports shareholder proposals on climate change where they align with its objectives. Where companies are not meeting expectations, BCI may hold relevant directors accountable.
- **Direct engagement:** BCI prioritizes its most carbon-intensive holdings, encouraging

companies to develop credible transition plans, and uses governance rights such as board representation to help ensure climate risks are reflected in business strategy.

- **Collaborative engagement:** BCI works with global peers, including through Climate Action 100+, to improve climate disclosure and press companies to reduce emissions.
- **Policy advocacy:** BCI advocates for policies and regulatory frameworks that support an orderly transition, including stronger sustainability disclosure standards and methane regulations.

Scenario analysis and risk measurement

Climate change poses significant financial risks and opportunities for financial institutions, making scenario analysis a critical tool for risk management and strategic planning.

The board receives and reviews climate change scenario analyses provided by BCI. These models show the potential impacts on the portfolio under multiple climate change scenarios and allow for stress testing to help the board understand the plan's resilience to climate risks over time. The insights from this process are integrated into the board's asset-liability modelling and strategic asset allocation decisions.

Board actions to mitigate climate-related risks

The board continued to address climate-related risks and opportunities as part of its broader responsible investing and investment oversight responsibilities.

Activities included:

- Review of BCI's active ownership and engagement activities, climate-related stewardship initiatives and ESG integration practices.
- Monitoring progress toward the plan's net-zero goal through BCI's annual ESG reporting and updates on decarbonization activities.
- Review of BCI's processes for identifying, assessing and managing ESG-related risks within the portfolio.
- Consideration of biodiversity, decent work, just transition, conflict-related risks, and human and labour rights issues within broader responsible investing discussions.
- Commitment to continue tracking and reporting the plan's total portfolio carbon footprint annually, maintaining transparency beyond achievement of our initial target.

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Net-zero goal and interim target

In 2022, the plan set a goal to achieve a net-zero portfolio by 2050. A net-zero portfolio means that the greenhouse gas emissions attributable to our investments (known as financed emissions) are reduced to net zero by 2050 or sooner, in line with the goals of the Paris Agreement.

To track progress toward this goal, the plan set an interim target to reduce the carbon intensity of its portfolio by 55 per cent relative to 2020 levels.

A net-zero portfolio is predicated on, and requires, all participants including governments, consumers, and investors to take the necessary actions to drive an economic transition toward net zero by 2050.

Portfolio carbon footprint

Measured at the end of calendar 2025, the plan's portfolio carbon footprint has decreased by 58 per cent compared to fiscal 2020, surpassing the plan's stated interim reduction target of 55 per cent by 2030 ahead of schedule.

This progress reflects three primary drivers: emissions reductions at several of the largest-emitting companies in the portfolio, the continued decoupling of emissions growth from valuation growth across global equity markets, and portfolio composition changes that have reduced exposure to higher-emitting investments. While annual movements will vary, the board continues to work alongside BCI to monitor progress and ensure this reduction reflects sustained, portfolio-level change consistent with the plan's net-zero goal.

The plan's carbon footprint is provided in the chart below and calculated using BCI's internally developed methodology¹ that follows industry best practices. This methodology is informed by a standard created by the Partnership for Carbon Accounting Financials (PCAF), an industry-led partnership that provides detailed methodological guidance to measure and disclose greenhouse gas emissions for the financial industry.

The portfolio carbon footprint includes Scope 1 and Scope 2 greenhouse gas emissions for our public equities, corporate fixed income, real estate and private market portfolios¹.

Scope 1: Direct emissions from the activities of an organization or under its control

Scope 2: Indirect emissions from energy purchased and used by an organization

¹ The methodology currently excludes money market, derivatives, cross holdings, alternative products, international real estate and real estate debt.

PORTFOLIO CARBON FOOTPRINT METRICS

For the year ended December 31

Financed emissions (tCO₂e)¹

Asset class	2025
Public equities	372,973
Corporate fixed income	48,269
Real estate	64,712
Private markets	1,203,976
MPP total portfolio	1,689,930

- 1 The absolute greenhouse gas emissions associated with the measured portfolio, expressed in Metric tonnes CO₂ equivalent (tCO₂e).

Portfolio carbon footprint (tonnes CO₂e/\$ million)¹⁻⁴

Asset class	2020	2021	2022	2023	2024	2025
Public equities	64	57	59	60	42	31
Benchmark ²	68	63	79	71	50	41
Corporate fixed income ³	43	24	30	35	22	22
Benchmark ²	156	95	60	54	50	47
Real estate	9	8	7	6	9	11
Private markets ⁴	155	109	91	82	52	44
MPP total portfolio	85	67	66	66	43	36

- 1 The total carbon emissions for a portfolio normalized by the market value of covered in-scope investments in the portfolio, expressed in Metric tonnes CO₂e/\$M invested.
 2 The benchmark is a weighted combination of multiple indices selected to measure performance that is appropriate for the portfolio.
 3 For a detailed methodology, please see BCI's climate-related disclosures in its most recent corporate annual report.
 4 Infrastructure and private equity are shown together as private markets.

SOVEREIGN BOND CARBON FOOTPRINT^{1,2}

For the year ended December 31

Carbon Footprint (tonnes CO₂e/\$ million)

Asset class	F2020	F2021	F2022	F2023	F2024	F2025
Sovereign bonds	359	352	319	304	261	233

- 1 The sovereign bond carbon footprint is reported separately from the overall portfolio carbon footprint, as recommended by PCAF, and provides a directional understanding of the emissions trends in the regions issuing the debt.
 2 Sovereign bond carbon footprint is calculated using a methodology informed by the PCAF sovereign debt approach.

Climate-related investment opportunities

BCI calculates the plan's climate-related opportunity exposure using:

- Data gathered by the SDI Asset Owner Platform¹
- Green building classifications such as LEED and BOMA
- The Green Bond taxonomy and investments in climate-themed opportunities pertaining to SDGs

As of December 31, 2025, the plan's exposure was \$4.4 billion.

¹ In July 2020, BCI partnered with APG (Netherlands), Aussie Super (Australia) and PGGM (Netherlands) to establish the SDI AOP to set a global standard for the classification of sustainable development investments that enables investors to assess companies on their contributions to the SDGs. Further information can be found at sdi-aop.org.

Glossary

Active member

A member who is currently making contributions to the pension plan, on a leave of absence, receiving benefits from an approved long-term disability plan or still working but no longer contributing because they've accrued 35 years of service.

Actuarial valuation

A review of the plan's funded position, done at least every three years by the actuary. The valuation determines the financial position of the plan and the future contribution rates needed to ensure its long-term funding. The actuary determines how much money the plan needs to pay pensions by making assumptions about future investment returns, future inflation rates, future increases in salaries, retirement ages, life expectancy and other factors.

Annualized return

The compound average yearly return over a specific period, calculated to show performance over time. This helps compare investment results across different time periods.

Asset class

A category of investments with similar characteristics and market behaviour, such as fixed income, public equity, private equity, real estate and infrastructure.

Benchmark

A standard used to evaluate BCI's investment performance, typically market indices and other measures. Benchmarks are set by the board and represent what the investments would have earned if they followed market indices passively for some investment types, or long-term performance expectations for others.

Benefit

Any entitlement granted to a member or beneficiary under the plan rules, regardless of whether it is a lifetime entitlement. Benefits include a commuted value, pension, refund, bridge benefit, temporary annuity, monthly benefit, etc.

Defined benefit

A pension plan that provides a lifetime pension based on a specific formula. The entitlement to a lifetime pension is independent of contributions and determined by a formula that includes factors such as highest average salary, how much service earned and a set accrual rate.

Diversified portfolio

An investment strategy that spreads assets across different investment types to manage risk.

Funding ratio

A measure of the pension plan's financial health, comparing assets to liabilities.

Investment return

The gain or loss generated from the plan's investments over a given period.

Group 1

Are general plan members (not police officers or firefighters).

Group 2

Are police officers and firefighters. Members in group 2 have an earlier normal retirement age because they work in public safety.

Group 5

Are also police officers and firefighters. Members in this group have the same earlier normal retirement age as members in group 2; however, they contribute more and have a higher benefit accrual rate, which provides an enhanced pension.

Leverage

The process of borrowing capital to increase investment in certain assets, with the expectation that it will improve the overall long-term risk-adjusted investment returns and enhance short-term liquidity. (For example, BCI borrows capital for investment across the portfolio's asset mix. The borrowed capital and associated costs are reported as leverage.)

Limited member

A former spouse who applied to the plan to become a "limited member" following a member's separation or divorce. They are entitled to a portion of the spouse's pension.

Liquidity

The ability to purchase or sell an asset quickly and easily without significantly affecting the fair market value. Strong liquidity allows the plan to seize new investment opportunities quickly as they arise.

Net asset growth

The increase in the value of the plan's assets over time.

Participating employer

An organization that offers the Municipal Pension Plan to its employees.

Portfolio

The complete collection of investments held by the plan. A diversified portfolio spreads investments across different asset classes, sectors and regions to manage risk.

Retired member

A person receiving a pension from the plan; this includes a person who receives a pension following the death of a member.

Return objective

The expected rate of return assumed by the plan actuary in determining the plan's liabilities and overall financial health. Meeting or exceeding this objective over the long term means the plan can cover its pension commitments.

Trustee

A board member with a fiduciary duty to act in the best interests of plan members and beneficiaries.

Financial statements



June 18, 2026

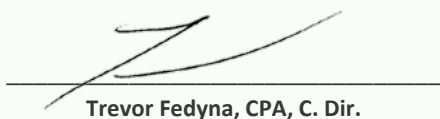
Re: Municipal Pension Plan

Administrative agent's responsibility for financial reporting

The financial statements of the Municipal Pension Plan (MPP) were prepared by British Columbia Pension Corporation, the administrative agent for the Municipal Pension Board of Trustees (Board), in accordance with Canadian accounting standards for pension plans. The Board is responsible for approving MPP's financial statements. The Board is assisted by the Interplan Audit Committee (Committee), which is made up of representatives from the College, Municipal, Public Service and Teachers' pension boards of trustees. As part of its responsibility, the Committee reviews the financial statements, and performs any necessary steps and procedures prior to recommending the financial statements to the Board for approval.

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

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



Trevor Fedyna, CPA, C. Dir.

Vice-president, Strategy, Insights
and Chief Financial Officer
British Columbia Pension Corporation



Allan Chen, CPA

Controller
British Columbia Pension Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Municipal Pension Plan

Opinion

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

- the statement of financial position as at December 31, 2025
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in accrued pension obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2025, and its changes in net assets available for benefits and its changes in accrued pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

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

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

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vancouver, Canada

June 18, 2026

MUNICIPAL PENSION PLAN

Statement of financial position

(\$ millions)



As at December 31	Note	2025	2024
Assets			
Investments	3a	\$ 93,767	\$ 86,926
Directly held derivatives	3b	338	623
Contributions receivable		123	122
Interest and dividends receivable		5	5
Prepaid		4	-
Tax rebate receivable		1	2
Total assets		94,238	87,678
Liabilities			
Directly held derivatives	3b	319	689
Accounts payable and accrued expenses		44	39
Taxes payable		24	24
Total liabilities		387	752
Net assets available for benefits		\$ 93,851	\$ 86,926
Accrued pension obligations			
Accrued basic pension obligations	4a	\$ 65,150	\$ 58,941
Non-guaranteed pension obligations	4b	14,671	13,667
Retirement annuity account	4c	329	343
Accrued pension obligations		80,150	72,951
Surplus			
Accessible actuarial excess	5a	-	2,515
Measurement differences between funding and accounting positions	5a	13,701	11,460
Surplus		13,701	13,975
Accrued pension obligations and surplus		\$ 93,851	\$ 86,926

The accompanying notes are an integral part of the financial statements, including:

Commitments (note 14)

Approved by the Municipal Pension Board of Trustees:

Carol Delveris, CPA, Trustee
Municipal Pension Board of Trustees

Michael Lord, CPA, Trustee
Municipal Pension Board of Trustees

MUNICIPAL PENSION PLAN

Statement of changes in net assets available for benefits

(\$ millions)



For the year ended December 31	Note	Basic	Inflation	Retirement	Supplemental	Totals	
		Account	Adjustment Account	Annuity Account	Benefits Account	2025	2024
Increase in assets							
Investment income	8	\$ 5,704	\$ 1,031	\$ 27	\$ -	\$ 6,762	\$ 9,824
Contributions							
Members	9	1,444	257	2	8	1,711	1,589
Employers	9	1,472	264	2	131	1,869	1,748
		2,916	521	4	139	3,580	3,337
Transfers from other plans		19	4	-	-	23	35
Total increase in assets		8,639	1,556	31	139	10,365	13,196
Decrease in assets							
Benefits paid	10	2,901	72	19	22	3,014	2,866
Transfers to other plans		22	5	-	-	27	29
Retired member group benefits	11	-	-	-	116	116	118
Investment and administration costs	12	249	33	-	1	283	274
Total decrease in assets		3,172	110	19	139	3,440	3,287
Increase in net assets							
before transfers		5,467	1,446	12	-	6,925	9,909
Account transfers	13	468	(442)	(26)	-	-	-
Increase (decrease) in net assets		5,935	1,004	(14)	-	6,925	9,909
Net assets available for benefits							
at beginning of year		72,916	13,667	343	-	86,926	77,017
Net assets available for benefits							
at end of year		\$ 78,851	\$ 14,671	\$ 329	\$ -	\$ 93,851	\$ 86,926

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

MUNICIPAL PENSION PLAN

Statement of changes in accrued pension obligations

(\$ millions)



For the year ended December 31	Note	2025	2024
Increase in accrued pension obligations			
Interest on accrued pension obligations		\$ 3,684	\$ 3,330
Benefits accrued		3,124	3,079
Experience losses	4a	1,754	-
Change in actuarial assumptions	4a	188	-
Account transfers		468	996
Total increase in accrued pension obligations		9,218	7,405
Decrease in accrued pension obligations			
Benefits paid		3,009	2,882
Total decrease in accrued pension obligations		3,009	2,882
Net increase in accrued pension obligations		6,209	4,523
Accrued basic pension obligations at beginning of year		58,941	54,418
Accrued basic pension obligations at end of year	4a	65,150	58,941
Non-guaranteed pension obligations			
Increase in non-guaranteed pension obligations	4b	1,004	927
Non-guaranteed pension obligations at beginning of year		13,667	12,740
Non-guaranteed pension obligations at end of year	4b	14,671	13,667
Retirement annuity account			
Decrease in retirement annuity account	4c	(14)	(14)
Retirement annuity account at beginning of year		343	357
Retirement annuity account at end of year	4c	329	343
Total accrued pension obligations		\$ 80,150	\$ 72,951

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN

The following description of the Municipal Pension Plan (MPP) is a summary provided for general information only. For more information, please refer to the Joint Trust Agreement (Agreement) and the MPP rules (plan rules).

a) General

MPP is a jointly trustee pension plan continued under a joint trust agreement authorized by the *Public Sector Pension Plans Act*, SBC 1999, c. 44 (Act). The Act enabled the establishment of the Agreement. Joint trusteeship was established on April 2, 2001. The partners to the Agreement are the Municipal Employees' Pension Committee, as the member partner, and the Provincial Government of British Columbia and the Union of British Columbia Municipalities, as the employer partners (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Municipal Pension Board of Trustees (Board) and provides the authority for the Board to make the plan rules.

MPP is registered with the Superintendent of Pensions at the BC Financial Services Authority, which has responsibility for enforcing the *Pension Benefits Standards Act* (PBSA). The PBSA governs employment pension plans registered in British Columbia that have active, inactive and retired members.

Membership in MPP is open to all eligible employees of a municipality, school district, college, health service organization; police and firefighters; and employees of many other eligible employers as designated by the Board.

b) Roles and responsibilities

Partners

The Partners and appointing authorities representing MPP members and employers are responsible for appointing 16 trustees and 16 alternate trustees. The Partners have responsibility for resolving trustee disputes and, if certain conditions are met, may direct amendments to the plan rules.

Board

The Board is responsible for management of MPP, including the investment of assets and administration of MPP. The Chair and Vice-Chair are appointed by the trustees. The Board may amend the plan rules as long as changes can be funded by MPP's surpluses or are cost neutral to MPP (subject to funding provisions in note 5a). Unless required to ensure compliance with regulatory enactments applicable to the Plan, only the Partners can initiate plan rule changes that result in contribution rate increases.

British Columbia Pension Corporation (Pension Corporation)

Pension Corporation provides benefit administration services as an agent of the Board. The Board appoints two members to the eight-member board of directors of Pension Corporation.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

b) Roles and responsibilities (continued)

British Columbia Investment Management Corporation (BCI)

BCI provides investment management services, including the valuation of investments, as an agent of the Board. The Board appoints one member to the seven-member board of directors of BCI.

Municipal Retiree Benefit Trust (MRBT)

MRBT manages group benefit services for retired members.

c) Funding

Contributions and investment earnings fund MPP benefits. Contributions are made by active members and employers of MPP. The determination of the value of the benefits and required contributions is based on triennial actuarial valuations for funding purposes.

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

d) Contributions

Membership in MPP is divided into three groups, each with different contribution rates:

- Group 1—General membership, 97% of all members, comprises all members who are not police or firefighters
- Group 2—Police and firefighters. Effective January 1, 2025, Group 2 is closed to employers that were not participating in this group prior to this date.
- Group 5—Police and firefighters who pay higher contributions than those in group 2 and receive a higher pension benefit

Basic Account

Members contribute a percentage of their salaries as follows: Group 1—7.34%, Group 2—7.14%, and Group 5—9.08%. Employers contribute a percentage of the salaries of their employees who are plan members as follows: Group 1—7.34%, Group 2—10.84%, and Group 5—12.79%.

Inflation Adjustment Account and Supplemental Benefits Account

Members contribute a percentage of their salaries as follows: Group 1—1.27%, Group 2—1.78%, and Group 5—2.04%. Employers contribute a percentage of the salaries of their employees who are plan members as follows: Group 1—1.37%, Group 2—0.98%, and Group 5—1.28%.

Employers also contribute 0.60% of the salaries of their employees who are plan members, for all groups, to MRBT.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

d) Contributions (continued)

Retirement Annuity Account

Some employers have special agreements with members by which additional contributions are made to increase members' pension benefits. These contributions are credited to the Retirement Annuity Account (RAA). Depending on benefit eligibility, the accumulated monies at retirement are used to fund the purchase of additional pension benefits (pre-2007 special agreements only) or are paid out to a locked-in retirement vehicle.

e) Pension benefits

All members are eligible for a pension benefit. In this section, "pensionable earnings" means the member's highest five-year average annual salary (HAS), except for members in group 2 or group 5 that terminate employment on or after January 1, 2022, in which case it means the member's highest four-year average annual salary.

For service in group 1 on or after January 1, 2022, members are eligible for unreduced pension benefits

- at age 65; or
- at age 60, with at least two years contributory service.

For service in groups 2 and 5 members are eligible for unreduced pension benefits

- at age 60;
- at age 55, with at least two years contributory service; or
- at age 50 or older, with age plus years of contributory service totalling 80 or more.

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

Also for service on or after January 1, 2022, MPP provides a defined basic plan benefit:

- for group 1, 1.90% of pensionable earnings for each year of pensionable service,
- for group 2, 1.3% of pensionable earnings up to the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) and 2.0% of pensionable earnings over the YMPE, for each year of pensionable service, and
- for group 5, 2.12% of pensionable earnings for each year of pensionable service.

For service in group 1 up to December 31, 2021, members are eligible for unreduced pension benefits

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

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

e) Pension benefits (continued)

Also for service up to December 31, 2021, the defined basic plan benefit is integrated with the Canada Pension Plan. MPP provides an unreduced benefit for groups 1 and 2 of 1.3% of pensionable earnings up to the YMPE and 2.0% of pensionable earnings over the YMPE, for each year of pensionable service. For group 5, MPP provides an unreduced benefit of 1.63% of pensionable earnings up to the YMPE and 2.33% of pensionable earnings over the YMPE, for each year of pensionable service.

MPP also provides a bridge benefit for service up to December 31, 2021, payable to age 65 (or the date of death, if earlier). The bridge benefit for all groups is 0.7% of the lesser of the YMPE or the HAS for each year of pensionable service.

For group 2 and 5 members, MPP also provides a bridge benefit for service on or after January 1, 2022, to age 65 (or the date of death, if earlier). The bridge benefit is 0.21% for group 5 and 0.70% for group 2, of the lesser of the YMPE or the HAS for each year of pensionable service.

Members, including members who have pensionable service in more than one group, cannot accrue more than 35 years of pensionable service in MPP.

Future cost-of-living adjustments are not guaranteed. These adjustments are granted at the discretion of the Board and cannot exceed the annual increase in the Canada consumer price index as at the previous September 30, subject to the availability of funds in the Inflation Adjustment Account (IAA). Any cost-of-living adjustment the Board grants is applied in January. The Board annually considers relevant factors to determine if an adjustment will be granted.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

1. DESCRIPTION OF THE MUNICIPAL PENSION PLAN (CONTINUED)

f) Termination and portability benefits

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

- to leave their benefit on deposit – either for a deferred pension or in anticipation of future re-employment with an MPP employer, or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in retirement vehicle or similar tax-sheltered plan.

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

g) Other benefits

Disability and survivor benefits are also available under MPP. A disability benefit is available to a member under age 60 (age 55 for certain groups) who has terminated employment, becomes totally and permanently disabled as defined by MPP, has at least two years of contributory service, is not eligible to receive benefits from an approved long-term group disability plan and meets other eligibility requirements.

The disability benefit is calculated using a member's years of pensionable service to the date of termination of employment, HAS and other factors. Disability benefits continue for the member's lifetime unless the member is no longer totally and permanently disabled before age 60 (age 55 for certain groups) or returns to work.

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

Supplemental benefits are funded from the SBA.

h) Tax registration

MPP is a Registered Pension Plan (RPP) as defined in the *Income Tax Act* (Canada) (registration number 0359158), except for any supplemental benefits, which are funded in addition to the RPP. MPP is not subject to income tax but is subject to indirect taxes, including British Columbia provincial sales tax (PST) and Canadian federal goods and services tax (GST). MPP receives a 33% rebate of GST paid.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

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

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

b) Investments

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

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

c) Accrued pension obligations

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

d) Investment income

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

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Foreign currency translation

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

f) Use of estimates

The preparation of financial statements, in conformance with Canadian accounting standards for pension plans, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of increases and decreases in assets and liabilities during the period. Significant areas requiring the use of management estimates relate to the valuation of investments based on unobservable inputs, as further described in note 7, and the calculation of the accrued pension obligations of the Basic Account for accounting and funding purposes, as further described in notes 4 and 5. Actual results could differ materially from these estimates.

3. INVESTMENTS

a) Investments

Fair value of investment holdings	2025	2024
Short-term	\$ 1,884	\$ 1,674
Bonds	30,283	24,500
Repurchase agreements	(10,112)	(9,504)
Unsecured debt	(4,094)	(1,734)
	16,077	13,262
Canadian equities	2,178	2,026
Global equities	18,157	16,457
Emerging markets equities	4,137	4,972
Mortgages	2,994	3,045
Real estate	13,846	13,755
Private debt	7,668	6,724
Private equity	13,673	13,016
Infrastructure and renewable resources	13,153	11,995
	\$ 93,767	\$ 86,926

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

a) Investments (continued)

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

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

Bonds consist of government bonds, investment grade and non-investment grade corporate bonds, and debentures. Bonds are valued based on current market yields and, in some cases, quoted market prices. Repurchase agreements and unsecured debt are used to borrow money to create leverage to purchase other bonds and enhance yields through a leverage bond fund strategy. Unsecured debt may also be used to finance other investment categories.

Canadian, global and emerging markets equities consist primarily of publicly traded shares and are valued based on quoted market prices on the primary exchanges on which they are traded.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. The mortgages are secured by real estate and valued using current market yields.

Real estate investments consist mainly of diversified Canadian and international income-producing properties. Real estate investment values are updated quarterly by BCI and valued at least once per year by an external valuator.

Private debt consists of private debt instruments and private debt investee funds and are valued using discounted cash flows on current market yields and comparable securities, as applicable.

Private equity consists mainly of equity investments made outside the structure of public markets. Private equity investment values are updated quarterly by BCI based on data provided by external managers and are formally valued on an annual basis. For the majority of investments, the annual valuations are derived from audited financial statements provided by external managers. The small number of remaining investments have independent external valuations completed or are valued by BCI.

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives

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

Fair value of derivative contracts	2025		2024	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Directly held				
Foreign currency forwards	\$ 338	\$ (319)	\$ 623	\$ (689)
Indirectly held in pooled investment portfolios				
Foreign currency forwards	\$ 202	\$ (98)	\$ 16	\$ (624)
Total return swaps	349	(163)	226	(229)
Interest rate swaps	86	(45)	97	(57)
Cross-currency swaps	-	(3)	-	(4)
Options	-	-	8	(11)
	\$ 975	\$ (628)	\$ 970	\$ (1,614)
Derivatives by investment asset classification				
Short-term	\$ -	\$ (4)	\$ 8	\$ -
Bonds	151	(25)	97	(224)
Canadian equities	1	-	-	-
Global equities	389	(199)	214	(416)
Emerging markets equities	17	(9)	22	(31)
Mortgages	33	(20)	60	(89)
Real estate	139	(132)	273	(308)
Private debt	79	(72)	6	(249)
Infrastructure and renewable resources	166	(167)	290	(297)
	\$ 975	\$ (628)	\$ 970	\$ (1,614)

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

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

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

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

Cross-currency swaps are agreements that involve the exchange of principal and interest payments in one currency for equivalent amounts in another currency. Cross-currency swaps are used to hedge against fluctuations in exchange rates in relation to future amounts that are receivable in foreign currencies. Cross-currency swaps are held to manage exposure to foreign currency risk.

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

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

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

b) Derivatives (continued)

Absolute notional value of the Canadian denominated portion of derivatives is disclosed in the table below.

Notional value of derivatives				2025	2024
Terms to maturity	Within 1 year	1 to 5 years	Over 5 years	Total	Total
Derivatives by type of contract					
Directly held					
Foreign currency forwards	\$ 36,059	\$ -	\$ -	\$ 36,059	\$ 31,452
Options	52	-	-	52	-
Cross-currency swaps	-	14	-	14	51
Interest rate swaps	-	12	-	12	-
	36,111	26	-	36,137	31,503
Indirectly held in pooled investment portfolios					
Foreign currency forwards	\$ 20,465	\$ 538	\$ 132	\$ 21,135	\$ 15,682
Total return swaps	25,457	2,310	-	27,767	22,890
Interest rate swaps	2,155	2,870	2,561	7,586	6,014
Cross-currency swaps	93	-	-	93	73
Options	126	-	-	126	2,928
Futures	287	-	-	287	-
	\$ 84,694	\$ 5,744	\$ 2,693	\$ 93,131	\$ 79,090
Derivatives by investment asset classification					
Short-term	\$ 444	\$ -	\$ -	\$ 444	\$ 227
Bonds	8,056	1,463	2,561	12,080	7,176
Canadian equities	-	3	-	3	14
Global equities	30,368	3,578	-	33,946	31,094
Emerging markets equities	1,584	276	-	1,860	2,312
Mortgages	3,497	-	-	3,497	3,275
Real estate	15,955	-	-	15,955	14,117
Private debt	7,997	-	-	7,997	6,362
Private equity	13	-	-	13	14
Infrastructure and renewable resources	16,780	424	132	17,336	14,499
	\$ 84,694	\$ 5,744	\$ 2,693	\$ 93,131	\$ 79,090

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

3. INVESTMENTS (CONTINUED)

c) Repurchase agreements

MPP has indirect exposure to repurchase agreements through its investment in the pooled investment portfolio underwritten on bond securities. Repurchase agreements are short-term agreements to sell securities in order to buy them back at a slightly higher price. The party selling the repurchase agreement is effectively borrowing, and the other party is lending, since the lender is credited the implicit interest in the difference in prices. Securities sold under repurchase agreements are accounted for as collateralized borrowing because they represent the sale of securities with a simultaneous agreement to buy them back at a specified future date. The securities sold under these agreements continue to be recognized on the Statement of Financial Position with any changes in fair value recorded as net gain (loss) on investments and included in investment income. Interest incurred on repurchase agreements is included in borrowing costs within investment-related expenses.

Repurchase agreements are carried at the amount at which the securities were initially acquired or sold, which, together with accrued interest income or expense, approximates fair value due to the short-term nature of these agreements.

4. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES

a) Basic Account

In accordance with the Agreement and PBSA, an actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of MPP as described in note 5a. As part of the valuation, MPP's actuary also calculates values of the Basic Account assets and liabilities for accounting purposes. For accounting purposes, pension liabilities are based on those accrued to the financial statement date, and assets include the full impact of investment fair value changes as at the financial statement date. The liability for accrued basic pension obligations at the valuation date is determined using the projected benefit method pro-rated on service.

The latest full actuarial valuation for accounting purposes was prepared as at December 31, 2024, by Eckler Ltd. This valuation calculated the liability for accrued basic pension obligations for financial statement purposes to be \$60,883 million (2021 valuation: \$46,503 million).

Between valuations, an estimate of the actuarial position is required. This estimate, an extrapolation, has been made to December 31, 2025, using the following long-term actuarial assumptions:

- Annual investment return 6.00% (2021 valuation: 6.00%)
- Annual salary escalation rate 3.25% (2021 valuation: 3.25%)

The extrapolation calculated the liability for accrued basic pension obligations to be \$65,150 million (2024: \$58,941 million).

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

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

a) Basic Account (continued)

In 2025, the extrapolation reflected assumption changes made during the 2024 valuation that resulted in an increase in the 2024 accrued basic pension obligations of \$188 million. The most significant change was the adoption of an updated mortality improvement scale. Further, the 2024 valuation accrued basic pension obligations were \$1,754 million higher than anticipated by the 2024 extrapolation, representing the net result of experience losses (mainly due to higher than expected salary increases).

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

The next full actuarial valuation will be carried out as at December 31, 2027, with the results included in the December 31, 2028, financial statements.

Actuarial liabilities are also affected by changes in the assumed investment return. Based on the actuarial valuation completed as at December 31, 2024, a reduction in the investment return assumption from 6.00% to 5.75% would have increased the December 31, 2025, liability for accrued basic obligations of \$65,150 million by \$2,233 million or 3.4% and the impact of a 1% change would be approximately four times the amount. Changes to assumptions included in the actuarial valuation are interrelated, and the cumulative impact of changed assumptions may be offsetting.

b) Inflation Adjustment Account, non-guaranteed pension obligations

No unfunded liability exists for the IAA since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. There is no minimum level of inflation adjustment required to be paid under the plan rules, nor is there any provision to fund the IAA to any minimum level of future potential inflation adjustments (note 5b). The non-guaranteed pension obligations are therefore equal to the net assets available for benefits in the IAA of \$14,671 million (2024: \$13,667 million). The net increase of \$1,004 million (2024: \$927 million increase) in the IAA balance consists of employee and employer contributions, investment income and net transfers reduced by payments out of the account (see note 13 for details on amounts transferred).

c) Retirement Annuity Account

The RAA is comprised of additional contributions by employers and members under special agreements. If a member is entitled to, and chooses to, purchase additional pension benefits at retirement, monies are transferred from the RAA to the Basic Account and the IAA to fund the additional benefits. No unfunded liability exists as the obligation to purchase a pension is limited to the amount of the available assets in the account. The pension benefit for the RAA is therefore equal to the net assets available in the RAA, \$329 million (2024: \$343 million).

The net assets available in the RAA decreased \$14 million (2024: \$14 million decrease) as employee and employer contributions and earnings on investments were reduced by payments out of the account.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

5. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

The Basic Account is the account from which the defined basic benefits of MPP are paid. In accordance with the Agreement and PBSA, an actuarial valuation of MPP's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, MPP's actuary values both accrued assets and accrued pension obligations to the financial statement date, and contributions and benefits for future service. The contribution requirements are calculated by the actuary using the entry-age normal cost method (entry-age method).

This method produces the long-term rate of member and employer contributions sufficient to provide benefits for the average future new entrants to MPP.

Funding provisions

The Agreement specifies that actuarial deficits will be amortized over 15 years, and actuarial gains must be used to achieve the following objectives, in order of priority:

1. Eliminating any unfunded liability.
2. Ensuring MPP is funded at the entry-age normal cost (EANC) if possible.
 If the current contribution rate is less than the EANC, then use actuarial excess to support the lowest possible contribution rate below the EANC that is not less than the current contribution rate.
 If the required contribution rate is higher than the current contribution rate, then draw down funds from the Rate Stabilization Account (RSA) as needed to support the lowest possible contribution rate that is not less than the current contribution rate.
3. Transferring any remaining surplus on an equal (50/50) basis to the IAA and RSA until such time as the Board considers the IAA to be sufficient to provide full sustainable indexing and the RSA to have reached a target funding level. If either account is at its target funding level, the surplus will be transferred to the other account until that account is also at its target funding level. The RSA will be drawn down if required to keep the Basic Account contribution rate unchanged.

The Agreement describes that if, at any time, an actuarial valuation indicates that increased Basic Account contribution rates are required to fully fund MPP on a going-concern basis, the increase must be shared equally by members and employers.

Contribution rate determinations exclude consideration of the assets in both the RSA and the Group Contribution Rate Rebalancing Account (GCRRA), which are held notionally within the Basic Account.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

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

a) Basic Account (continued)

At each valuation, the actuary calculates adjustments required to contribution rates to ensure that each group is paying a contribution rate that correctly reflects the cost of the benefits for each group. The GCRRA will be used to mitigate the impact of contribution rate increases to group 2 and group 5 arising from the need to rebalance contributions rates between the groups in MPP. Following the December 31, 2021, valuation, the GCRRA is being drawn down to mitigate contribution increases that would have otherwise applied to group 2 and group 5.

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

Actuarial valuation

The latest full actuarial valuation for funding purposes was prepared as at December 31, 2024, by the independent actuary based on the entry-age method; the valuation indicated an actuarial surplus of \$2,675 million. As permitted by the Agreement and required by the funding policy, \$1,063 million was transferred from the RSA to the Basic account, to keep the contribution rates unchanged, resulting in an actuarial surplus of \$3,738 million.

An estimate of the actuarial position of MPP for funding purposes has been made to December 31, 2025, using the following long-term actuarial assumptions:

- Annual investment return 6.00% (2021 valuation: 6.00%)
- Annual salary escalation rate 3.25% (2021 valuation: 3.25%)

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Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

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

a) Basic Account (continued)

This estimate, an extrapolation, produced an estimated accessible actuarial excess of nil million as at December 31, 2025, and an estimated funding surplus of \$3,364 million (2024: \$5,589 million), as follows:

Funding extrapolation	2025	2024
Net assets available for basic pension benefits	\$ 78,851	\$ 72,916
Actuarial asset value adjustment	(2,185)	(1,035)
Smoothed assets for basic pension benefits	76,666	71,881
RSA	(3,748)	(4,598)
GCRRA	(47)	(45)
Smoothed assets excluding rate stabilization account	72,871	67,238
Present value of future contributions at entry-age method	32,886	29,164
Present value of future amortization for group 2 and 5	75	77
Present value of temporary rate reduction below entry-age rate	(543)	(237)
Net actuarial assets for basic pension benefits	105,289	96,242
Actuarial liability for accrued and future basic pension benefits	(101,925)	(90,653)
Entry-age method actuarial surplus	\$ 3,364	\$ 5,589
PBSA 5% of net liabilities	(3,452)	(3,074)
Accessible actuarial excess	\$ -	\$ 2,515
Changes in the extrapolated entry-age method funded status	2025	2024
Extrapolated entry-age method actuarial surplus, beginning of year	\$ 5,589	\$ 5,326
Adjustment for the 2024 valuation	(2,914)	-
Transfer from RSA to Basic Account	1,063	-
Extrapolated change in actuarial assets for basic pension benefits	4,422	7,917
Extrapolated change in actuarial liability for accrued and future basic pension benefits	(4,796)	(7,654)
Entry-age method actuarial surplus, end of year	3,364	5,589
PBSA 5% of net liabilities	(3,452)	(3,074)
Accessible actuarial excess	\$ -	\$ 2,515

The extrapolation reflects 5% of net liabilities (total liabilities less the present value of future contributions at entry-age rate) that needs to be held in the Basic Account as the current contribution rate is below the entry-age normal cost.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

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

a) Basic Account (continued)

Although the extrapolation indicates that there is no accessible actuarial excess and the entry-age actuarial surplus is less than the PBSA 5% of net liabilities, contributions are expected to remain below the entry-age normal cost. Contribution rates are set based on the most recent actuarial valuation and are not revised until the next valuation is completed. If a valuation were to be conducted earlier, actions required by the JTA and funding policy would be carried out, including a transfer from the RSA to the Basic Account to maintain the current contribution rates, where possible.

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

While the accrued pension obligations liability for financial statement purposes uses the projected benefit method pro-rated on service, the pension liability for funding purposes uses an entry-age funding method, where the present value of future normal cost contributions, basic pension benefits for future service and future amortization amounts are included in the determination of the funded status of MPP.

The primary components of the measurement differences between the extrapolated entry-age method funding surplus and the financial statement accounting surplus are as follows:

Measurement difference between funding and accounting positions	2025	2024
Accessible actuarial excess	\$ -	\$ 2,515
Actuarial asset value adjustment	2,185	1,035
RSA adjustment	3,748	4,598
GCRRA	47	45
Lesser of entry-age actuarial surplus and PBSA 5% of net liabilities	3,364	3,074
Difference in actuarial methods – present value of future contributions	(32,886)	(29,164)
Difference in actuarial methods – present value of future amortization for group 2	(75)	(77)
Present value of temporary rate reduction below entry-age	543	237
Difference in actuarial methods – present value of future liabilities	36,775	31,712
Measurement differences between funding and accounting positions	13,701	11,460
Surplus for financial statement purposes	\$ 13,701	\$ 13,975

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

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

a) Basic Account (continued)

Actuarial asset value adjustment

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

The funding policy requires that the value of the assets be smoothed within a certain corridor. The corridor requires that the smoothed value be no more than 108% and no less than 92% of the market value of the assets. The smoothed value of the assets at December 31, 2025, was 97.2% of the market value of the assets (2024: 98.6%).

The following schedule indicates the year the components of the actuarial asset value adjustment will be recognized in the entry-age method actuarial surplus. The amounts are based on that proportion of the total fund related to the Basic Account assets.

Actuarial asset value adjustment	2025	2024
2025	\$ -	\$ (262)
2026	(410)	(631)
2027	1,224	1,001
2028	1,150	927
2029	221	-
Total adjustment	\$ 2,185	\$ 1,035

Rate Stabilization Account

The RSA is held notionally within the Basic Account. In fiscal 2025, \$1,063 million was transferred from the RSA to the Basic Account. The transfer amount was determined based on the actuarial valuation as at December 31, 2024, to maintain the current contribution rate below entry-age normal rate. Interest of \$213 million (2024: \$251 million) was transferred from the Basic Account to the RSA based on the opening balance and a smoothed rate of return of 6.03% (2024: 5.77%).

Rate stabilization account	2025	2024
Opening balance	\$ 4,598	\$ 4,347
Transfer to Basic Account	(1,063)	-
Interest	213	251
Ending balance	\$ 3,748	\$ 4,598

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

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

a) Basic Account (continued)

Group Contribution Rate Rebalancing Account

The GCRRA is held notionally within the Basic Account. Interest on the GCRRA is determined by applying the same smoothed rate of return as used for interest on the RSA. The rebalancing adjustments for group 2 (0.00% of salaries) and group 5 (0.06% of salaries) are paid annually from the GCRRA, so that each group is paying a contribution rate that correctly reflects the cost of the benefits for each group. This adjustment was \$1 million for 2025 (2024: \$3 million).

Contribution rate rebalancing account	2025	2024
Opening balance	\$ 45	\$ 45
Contribution to the basic account	(1)	(3)
Interest	3	3
Ending balance	\$ 47	\$ 45

b) Inflation Adjustment Account

No unfunded liability exists for the IAA since the obligation for future cost-of-living adjustments is limited to the amount of the available assets in the account. There is no minimum level of cost-of-living adjustment required to be paid under the plan rules, nor is there any provision to fund the IAA to any minimum level of future potential cost-of-living adjustments.

The Board annually considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions in pay and the amount of the cost-of-living adjustment, if any.

The current cap for cost-of-living adjustments for retired members was established by the Board. As a result of the 2024 actuarial valuation, the new cap effective January 1, 2026 to December 31, 2028, has been set at 2.1%. The cap for sustainable cost-of-living adjustments will be reviewed following each triennial actuarial valuation.

c) Retirement Annuity Account

No unfunded liability exists for the RAA, since the obligation to purchase a pension is limited to the amount of the available assets in the account. The pension benefit for the RAA is therefore equal to the net assets available in the RAA.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT

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

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

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

a) Liquidity risk

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

MPP's primary sources of liquidity are income generated from MPP's investments, and employer and employee contributions. Investments are primarily held in pooled funds. Many securities are held in pools, are traded in active markets and can readily be sold; the pooled fund units can thereby be redeemed to fund cash requirements. Accounts payable of \$44 million (2024: \$39 million) are generally due within one month. Derivatives payable of \$319 million (2024: \$689 million) are due within the next fiscal year.

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

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

Market risk

Market risk is the risk that the fair 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. Market risk consists of currency, interest rate, and other price risks.

The financial markets are a source of uncertainty, notably due to geopolitical tensions, ongoing tariff negotiations and the volatility of stock markets and interest rates that are continuing to disrupt global economic activity.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Currency risk

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

Foreign denominated investments held by MPP, in Canadian dollars, are \$1,118 million United States (U.S.), 1.2% of total investments (2024: \$675 million U.S., 0.8% of total investments).

As at December 31, 2025, if the Canadian dollar strengthened or weakened by 10% in relation to all foreign currencies, with all other factors remaining constant, net assets available for benefits would have decreased or increased by approximately \$112 million (2024: \$68 million).

Interest rate risk

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

Other price risk

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

As at December 31, 2025, if the pooled investment fund unit prices increased or decreased by 10%, with all other factors remaining constant, net assets available for benefits would have increased or decreased by approximately \$9,376 million (2024: \$8,692 million).

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Credit risk

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

Credit exposure exists for contributions receivable directly held by MPP totalling \$123 million (2024: \$122 million), for interest and dividends receivable \$5 million (2024: \$5 million), and for the directly held derivatives \$338 million (2024: \$623 million).

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

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

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

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Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Currency risk

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

MPP's total currency exposure, the impact of economic hedging activities and its net notional exposure as at December 31 are as follows:

Foreign denominated investment holdings (Canadian dollar equivalent)	Total exposure	Economic hedging	Net exposure	% of total
2025				
United States	\$ 47,170	\$ 16,965	\$ 30,205	58%
United Kingdom	6,554	481	6,073	12%
Asia-Pacific, excluding Japan	5,833	157	5,676	11%
Euro countries	7,823	2,510	5,313	10%
Other	2,935	-	2,935	5%
Other Europe	1,469	304	1,165	2%
Japan	1,076	189	887	2%
	\$ 72,860	\$ 20,606	\$ 52,254	100%
2024				
United States	\$ 46,323	\$ 14,216	\$ 32,107	59%
Asia-Pacific, excluding Japan	6,163	269	5,894	11%
United Kingdom	5,753	311	5,442	10%
Euro countries	6,495	1,584	4,911	9%
Other	3,966	1	3,965	7%
Other Europe	1,630	288	1,342	2%
Japan	1,092	240	852	2%
	\$ 71,422	\$ 16,909	\$ 54,513	100%

The net foreign currency exposure of MPP's underlying investments represents 56% (2024: 63%) of its total investments.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Interest rate risk

MPP's pooled investment funds hold interest-bearing financial instruments in short-term investments, bonds, mortgages and private debt. The risk of adverse changes in interest rates is reduced within the underlying investment pools through management of duration in exposure to fixed income securities, the use of floating rate notes and interest rate swaps, and general diversification by security type and geographic region. MPP participates in a leveraged bond strategy using repurchase agreements and unsecured debt to borrow funds which are included in the terms to maturity table below.

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

Terms to maturity of interest-bearing financial instruments

	Within 1 year	1 to 5 years	6 to 10 years	Over 10 years	Total	Effective yield to maturity
2025						
Short-term	\$ 1,884	\$ -	\$ -	\$ -	\$ 1,884	3.27%
Bonds	1,691	10,872	9,243	8,477	30,283	3.84%
Repurchase agreements	(10,112)	-	-	-	(10,112)	-2.59%
Unsecured debt	-	(1,479)	(2,615)	-	(4,094)	-3.55%
Mortgages	872	2,100	22	-	2,994	6.96%
Debt*	-	7	1	-	8	5.45%
Private debt**	322	1,633	1,192	10	3,157	10.20%
	\$ (5,343)	\$ 13,133	\$ 7,843	\$ 8,487	\$ 24,120	
2024						
Short-term	\$ 1,619	\$ -	\$ 55	\$ -	\$ 1,674	3.74%
Bonds	264	8,574	8,629	7,033	24,500	4.12%
Repurchase agreements	(9,504)	-	-	-	(9,504)	-3.37%
Unsecured debt	-	-	(1,734)	-	(1,734)	-3.57%
Mortgages	513	2,510	22	-	3,045	7.07%
Debt*	-	6	1	-	7	4.80%
Private debt**	349	1,498	1,043	42	2,932	9.90%
	\$ (6,759)	\$ 12,588	\$ 8,016	\$ 7,075	\$ 20,920	

* Grouped with real estate investment category.

** An additional \$4,511 million (2024: \$3,792 million) of private debt are held in unlisted private debt investee funds which are generally illiquid.

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Notes to the financial statements for the year ended December 31, 2025

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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Interest rate risk (continued))

As at December 31, 2025, if the prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve with all other variables remaining constant, the fair value of interest-bearing financial instruments and net assets available for benefits would have decreased or increased by approximately \$2,113 million (2024: \$1,907 million).

Other price risk

As at December 31, 2025, if the underlying investment unit prices increased or decreased by 10%, with all other factors remaining constant, net assets available for benefits would have increased or decreased by approximately \$2,447million (2024: \$2,346 million).

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Credit risk

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

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

Credit rating of financial instruments

	AAA/AA	A	BBB	Non-investment grade	Unrated	Total
2025						
Short-term	\$ 878	\$ 702	\$ 70	\$ -	\$ 234	\$ 1,884
Bonds	21,316	4,273	1,410	1,441	1,843	30,283
Mortgages	-	-	-	-	2,994	2,994
Debt*	-	-	-	-	8	8
Private debt	100	9	-	179	7,380	7,668
	\$ 22,294	\$ 4,984	\$ 1,480	\$ 1,620	\$ 12,459	\$ 42,837
	52%	12%	3%	4%	29%	100%
2024						
Short-term	\$ 907	\$ 709	\$ 43	\$ -	\$ 15	\$ 1,674
Bonds	20,004	1,120	1,298	2,021	57	24,500
Mortgages	-	-	-	-	3,045	3,045
Debt*	-	-	-	-	8	8
Private debt	61	10	-	268	6,385	6,724
	\$ 20,972	\$ 1,839	\$ 1,341	\$ 2,289	\$ 9,510	\$ 35,951
	58%	5%	4%	6%	27%	100%

* Grouped with real estate investment category.

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Inputs that are not based on observable market data

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

Fair value hierarchy	Level 1	Level 2	Level 3	Total
2025				
Pooled investments	\$ 1,884	\$ 42,132	\$ 41,551	\$ 85,567
Other investment entities	-		8,192	8,192
Direct debt*	-		8	8
Investments	\$ 1,884	\$ 42,132	\$ 49,751	\$ 93,767
Derivatives	\$ -	\$ 19	\$ -	\$ 19
2024				
Pooled investments	\$ 1,673	\$ 39,684	\$ 37,346	\$ 78,703
Other investment entities	-		8,215	8,215
Direct debt*	-		8	8
Investments	\$ 1,673	\$ 39,684	\$ 45,569	\$ 86,926
Derivatives	\$ -	\$ (66)	\$ -	\$ (66)

* Grouped with real estate investment category.

During 2025 and 2024, there were no significant transfers of investments between levels.

Other investment entities are comprised of corporations, limited partnerships and trusts.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value hierarchy (continued)

The following table reconciles MPP's level 3 fair value measurements:

Level 3 fair value hierarchy	Pooled investments	Other investment entities	Direct debt	Total
2025				
Balance, beginning of year	\$ 37,346	\$ 8,215	\$ 8	\$ 45,569
Net gain (loss) included in investment income	1,656	(252)	-	1,404
Purchases	16,430	1,271	-	17,701
Sales	(13,881)	(1,042)	-	(14,923)
Balance, end of year	\$ 41,551	\$ 8,192	\$ 8	\$ 49,751
Total unrealized gain (loss) included in investment income	\$ (3,394)	\$ (287)	\$ -	\$ (3,681)
2024				
Balance, beginning of year	\$ 32,539	\$ 6,633	\$ 8	\$ 39,180
Net gain included in investment income	4,063	235	-	4,298
Purchases	5,342	2,670	-	8,012
Sales	(4,598)	(1,323)	-	(5,921)
Balance, end of year	\$ 37,346	\$ 8,215	\$ 8	\$ 45,569
Total unrealized gain included in investment income	\$ 1,630	\$ 551	\$ -	\$ 2,181

b) Valuation models

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

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

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

b) Valuation models (continued)

For more complex financial instruments, BCI, either directly or through external independent valuers, uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates, or estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of judgment and estimation in the determination of fair value. BCI and their external independent valuers are usually required to select the appropriate valuation model to be used, determine expected future cash flows of the financial instrument being valued, determine the probability of counterparty default and prepayments, and select appropriate discount rates.

BCI reviews the fair value estimates of external independent valuers and ultimately decides on the fair value estimate to be used. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that BCI and the external valuator believe that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to account for the credit risk of MPP and the counterparties where appropriate.

c) Valuation framework

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

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

- Verification of observable pricing inputs
- Appraisal of domestic real estate properties is performed by accredited independent appraisers within 10 to 18 months of acquisition and on an annual basis thereafter
- International real estate investments are held through externally managed funds and receive a fair value audit annually
- Analysis and investigation of significant valuation movements
- Review of unobservable inputs and valuation adjustments

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

- Verifying that the broker or pricing service is approved by BCI for use in pricing the relevant type of financial instrument
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

c) Valuation framework (continued)

- Understanding how the fair value has been determined when a number of quotes for similar financial instruments have been obtained
- Understanding how prices for similar financial instruments used to measure fair value have been adjusted to reflect the characteristics of the financial instrument subject to measurement

d) Significant unobservable inputs used in measuring fair value

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

Significant unobservable inputs used in measuring fair value

Description	Fair value	Valuation technique	Unobservable input	Amount/ range	Sensitivity to change in significant unobservable input
2025					
Pooled investments	\$ 41,551	Net asset value	Net asset value	\$ 41,551	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Other investment entities	\$ 8,192	Net asset value	Net asset value	\$ 8,192	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Direct debt	\$ 8	Discounted cash flow	Discount rate	5.5%	The estimated fair value would increase (decrease) if the discount rate was lower (higher)
2024					
Pooled investments	\$ 37,346	Net asset value	Net asset value	\$ 37,346	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Other investment entities	\$ 8,215	Net asset value	Net asset value	\$ 8,215	The estimated fair value would increase (decrease) if the net assets value was higher (lower)
Direct debt	\$ 8	Discounted cash flow	Discount rate	4.8%	The estimated fair value would increase (decrease) if the discount rate was lower (higher)

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Net asset value

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

Discount rate

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

e) Effects of unobservable input on fair value measurement

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

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

Effects of unobservable input on level 3 fair value measurement

	2025		2024	
	Favourable	Unfavourable	Favourable	Unfavourable
Pooled investments	\$ 4,155	\$ (4,155)	\$ 3,735	\$ (3,735)
Other investment entities	819	(819)	821	(821)
Direct debt	1	(1)	1	(1)
	\$ 4,975	\$ (4,975)	\$ 4,557	\$ (4,557)

f) Financial instruments not measured at fair value

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

8. INVESTMENT INCOME

	2025			2024		
	Income allocation	Change in fair value	Total	Income allocation	Change in fair value	Total
Short-term	\$ 63	\$ (29)	\$ 34	\$ 79	\$ 105	\$ 184
Bonds	598	(177)	421	568	(759)	(191)
Canadian equities	49	418	467	64	290	354
Global equities	475	2,367	2,842	462	3,428	3,890
Emerging markets equities	115	994	1,109	203	756	959
Mortgages	135	(25)	110	137	188	325
Real estate	416	(1,185)	(769)	348	(66)	282
Private debt	471	44	515	418	778	1,196
Private equity	2,180	(1,130)	1,050	687	945	1,632
IRR*	1,164	(210)	954	810	515	1,325
	5,666	1,067	6,733	3,776	6,180	9,956
Directly held derivatives	-	29	29	-	(132)	(132)
	\$ 5,666	\$ 1,096	\$ 6,762	\$ 3,776	\$ 6,048	\$ 9,824

* Infrastructure and renewable resources

Investment income represents realized and unrealized pooled investment portfolio income attributable to MPP, as a unit holder, and income from directly held investments. Income allocation is composed of interest, dividends and other investment payments. Change in fair value is composed of realized gains and losses on the disposal of investments and derivatives, as well as unrealized gains and losses on investments and derivatives held at year-end. All income earned within a pooled investment portfolio is reinvested within the portfolio. The RAA was allocated a share of Basic Account investment income based on the five-year annualized rate of return of the Basic Account under the plan rules.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

9. CONTRIBUTIONS

	Basic account	Inflation adjustment account	Retirement annuity account	Supplemental benefits account	Total
2025					
Members' contributions					
Regular	\$ 1,428	\$ 254	\$ -	\$ 8	\$ 1,690
Special agreements	-	-	2	-	2
Past service purchases	16	3	-	-	19
	1,444	257	2	8	1,711
Employers' contributions					
Regular	1,464	262	-	15	1,741
Special agreements	-	-	2	-	2
Past service purchases	8	2	-	-	10
Retired member group benefits	-	-	-	116	116
	1,472	264	2	131	1,869
	\$ 2,916	\$ 521	\$ 4	\$ 139	\$ 3,580
2024					
Members' contributions					
Regular	\$ 1,333	\$ 236	\$ -	\$ 7	\$ 1,576
Special agreements	-	-	2	-	2
Past service purchases	9	2	-	-	11
	1,342	238	2	7	1,589
Employers' contributions					
Regular	1,367	235	-	15	1,617
Special agreements	-	-	2	-	2
Past service purchases	9	2	-	-	11
Retired member group benefits	-	-	-	118	118
	1,376	237	2	133	1,748
	\$ 2,718	\$ 475	\$ 4	\$ 140	\$ 3,337

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

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

10. BENEFITS PAID

	Basic account	Inflation adjustment account	Retirement annuity account	Supplemental benefits account	Total
2025					
Regular pension benefits	\$ 2,233	\$ -	\$ -	\$ 18	\$ 2,251
Indexing-regular pension benefits	551	-	-	4	555
Termination and refund benefits	83	55	19	-	157
Death benefit payments	33	17	-	-	50
Disability benefit	1	-	-	-	1
	\$ 2,901	\$ 72	\$ 19	\$ 22	\$ 3,014
2024					
Regular pension benefits	\$ 2,139	\$ -	\$ -	\$ 17	\$ 2,156
Indexing-regular pension benefits	528	-	-	4	532
Termination and refund benefits	73	42	16	-	131
Death benefit payments	31	14	1	-	46
Disability benefit	1	-	-	-	1
	\$ 2,772	\$ 56	\$ 17	\$ 21	\$ 2,866

11. SUPPLEMENTAL BENEFITS ACCOUNT (SBA)

The SBA funds certain supplemental benefits. For example, pension benefits that exceed *Income Tax Act* limits for registered pension plans and contributions to MRBT are paid through this account.

Retirement health coverage is provided through MRBT. MRBT is an independent benefits trust managed by a board of eight trustees appointed by the Partners. It is funded from contributions that would otherwise be employer inflation contributions and is equal to 0.6% of pensionable salaries (2025: \$116 million) (2024: \$108 million based on 0.6% plus \$10 million equals \$118 million). The availability, type and level of retired member group benefit coverage are contingent on the availability of funding for such benefits.

In fiscal 2024, as per the Agreement, \$10 million of employer contributions that would otherwise have been IAA contributions was transferred to MRBT for future health benefit payments and is included in retirement benefit costs.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

12. INVESTMENT AND ADMINISTRATION COSTS

	2025	2024
Investment management	\$ 217.5	\$ 208.6
Benefit administration	60.3	61.7
Other professional services	1.9	1.8
Board office costs	2.2	1.4
Board remuneration and expenses	0.7	0.6
Actuarial	0.5	0.1
Audit	0.1	0.1
	<u>\$ 283.2</u>	<u>\$ 274.3</u>

BCI and Pension Corporation are related parties to MPP. The Board appoints members to each of the respective corporate boards. Investment management and benefit administration costs are approved by the Board.

Investment management costs represent amounts charged to recover internal and external management costs incurred by BCI, except those external management fees related to investments managed by an underlying external manager, where management fees are embedded in the net assets of the respective investment. Underlying external investment management fees of \$159.8 million (2024: \$119.3 million) were netted against investment income.

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by Pension Corporation. These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board office costs represent amounts directly incurred by the Board for costs associated with supporting the Board.

Other professional services costs include insurance and legal fees incurred directly by MPP.

Board remuneration and expenses represent amounts for trustee compensation and direct expenses.

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

13. ACCOUNT TRANSFERS

	2025			2024		
	Basic	Inflation	Retirement	Basic	Inflation	Retirement
	account	adjustment	annuity	account	adjustment	annuity
	account	account	account	account	account	account
Cost-of-living adjustment	\$ 427	\$ (427)	\$ -	\$ 955	\$ (955)	\$ -
Indexing of deferred pensions	23	(23)	-	22	(22)	-
Pensions purchased from						
retirement annuity account	18	8	(26)	19	8	(27)
	\$ 468	\$ (442)	\$ (26)	\$ 996	\$ (969)	\$ (27)

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

Cost-of-living adjusted pension payments are made from the Basic Account. Each year, if members' pension payments are adjusted for the current cost-of-living adjustment, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current cost-of-living adjustment. The Board annually considers all relevant factors and its IAA funding policy to determine if a cost-of-living adjustment will be granted on pensions in pay and the amount of the cost-of-living adjustment, if any. As at January 2025, retired members received a cost-of-living adjustment of 1.6% (2024: 3.8%), and indexing supplements were transferred.

When a deferred pension commences, the present value of the cost-of-living adjustments during the deferral period is transferred from the IAA to the Basic Account. Approximately \$321 million (2024: \$372 million) of the current IAA balance is for cost-of-living adjustments already granted for deferred pensions but not yet transferred to the Basic Account.

A separate RAA is maintained to record additional contributions by employers and members under special agreements. If a member is entitled to, and chooses to, purchase additional pension benefits at retirement, monies are transferred from the RAA to the Basic Account and the IAA to fund the additional benefits.

14. COMMITMENTS

MPP participates in private equity, international real estate, infrastructure and renewable resource, and mortgage pools. As at December 31, 2025, MPP's share of commitments for future investment contracts in these pools over the next several years is approximately \$17,352 million (2024: \$16,090 million).

MUNICIPAL PENSION PLAN

Notes to the financial statements for the year ended December 31, 2025

(\$ millions except as otherwise noted)

15. CAPITAL DISCLOSURES

Capital is defined as the funded status (surplus or deficit) of MPP as determined by the actuary. MPP's objective for managing capital is to ensure that the assets of MPP are invested prudently and effectively, and with contributions adequate to meet the obligations of MPP. Management of MPP's funded status is achieved by adjusting member and employer contribution rates; through implementation of the SIPP, which affects the earnings of MPP; and, in the case of the IAA, by changing the benefits paid. The Board has a funding policy that outlines the principles that provide guidance in managing this process. The investment performance of MPP's assets is reviewed by the Board on a regular basis and compared to relevant industry benchmarks. Benefit entitlement is based on the provisions of the Agreement and the plan rules. Funding deficits must be funded over a period not to exceed 15 years.

An actuarial valuation must be prepared at least once every three years. The latest actuarial valuation for funding purposes was prepared as at December 31, 2024. The funding valuation primarily considers the Basic Account non-indexed benefits. This is supplemented by an additional valuation which also considers the non-guaranteed benefits paid from the IAA. The next full actuarial valuation will be carried out as at December 31, 2027, with the results included in the December 31, 2028, financial statements.

The Act and the Board's funding policy require that contribution rates comply with the going concern requirements of PBSA.

16. PRIOR YEAR COMPARATIVES

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

Important notice for readers

This Annual Report, and the disclosures contained herein, are published by the Municipal Pension Board of Trustees (MPBT) solely for informational purposes. Readers are cautioned not to use or rely on the information contained herein without first contacting the MPBT (contact details below) to verify the currency, accuracy, reliability or completeness of the information contained herein.

Forward-looking statements

In addition to reporting on this past year this report also contains forward-looking information and statements. Forward-looking information and statements include all information and statements regarding MPBT intentions, plans, expectations, beliefs, objectives, future performance, and strategy, including performance-related principles, beliefs, objectives and strategy (“Performance Objectives”), as well as any other information or statements that reflect MPBT current expectations regarding future results or events.

By their nature, forward-looking information and statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including available investment income, intended acquisitions, regulatory and other approvals, general investment conditions and technological, political, economic, regulatory, environmental and climatic factors.

Although MPBT believes that the assumptions inherent in the forward-looking information and statements are reasonable, such statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein.

MPBT also cautions readers regarding the statements and other disclosures in this report related to the Performance Objectives (collectively, “Performance Disclosures”). In making Performance Disclosures and in establishing and implementing its Performance Objectives, MPBT relies on advice and data obtained from, or methodologies established by, third parties including the MPBT service providers described in this Annual Report.

Although MPBT believes these sources are reliable, MPBT has not verified all third party data, or assessed the assumptions underlying such data, and cannot guarantee their accuracy. The data or methodologies underlying Performance Disclosures may be limited in quality, or may be unavailable or inconsistent across sectors or assets. These factors could have a material effect on the Performance Objectives or MPBT’s ability to effectuate them.

For example, Performance Disclosures relating to the plan’s goal of a net-zero portfolio by 2050 rely upon advice and analysis received from the plan’s investment manager, BCI, and in this regard MPBT seeks assurances that:

- there is a clear understanding of what needs to be done to achieve the goal;
- there is a concrete, realistic and verifiable plan to accomplish the goal with interim targets;
- meaningful steps are underway to meet the goal; and
- progress is monitored and reported based on adequate and proper substantiation.

BCI methodologies and metrics are subject to certain limitations which can be reviewed in the BCI Corporate Annual Report and Climate Action Plan available at [bci.ca](https://www.bci.ca).

MPBT

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Kamloops



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