2021 Annual Report

Musicians’ Pension Fund
of Canada

Ce rapport est disponible en français. Veuillez communiquer avec l'administration de la Caisse pour nous faire savoir si vous souhaitez recevoir ce document et d'autres documents du régime de retraite en français.

INTRODUCTION

Welcome to our 2021 Annual Report for the Musicians' Pension Fund of Canada. It provides an overview of the Plan's operations as of December 31, 2021. Information about Plan membership, benefits paid, and Plan governance is included.

MISSION STATEMENT

The Fund's mission is to administer the Plan in a prudent manner to ensure its long-term viability, to provide the best possible retirement benefits to the Fund's members and beneficiaries.

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2021 PLAN INFORMATION AT A GLANCE

The Plan had approximately **16,000 members** on December 31, 2021.

16,000

Over $47 million in pension payments were made in 2021. The Fund also paid **$2.5 million** in termination benefits and death benefits for the year.

$47 million

The Fund's **overall rate of investment return was 13.5%** for 2021.

13.5%

Total employer **contributions to the Fund were approximately $7.3 million** for 2021, compared to $7.1 million in 2020.

$7.3 million

security

MESSAGE FROM THE CHAIR

We're pleased to present to you the Musicians' Pension Fund of Canada's 2021 Annual Report.

Ellen M. Versteeg-Lytwyn
Board Chair

We're now emerging from the COVID-19 pandemic and sharing live music with audiences again. It's been a tough two years, but the Fund has weathered the storm despite contributions dropping dramatically during the pandemic.

Now, we face a new challenge. Inflation is eating into our standard of living. Goods we routinely purchase – milk, coffee, gasoline, and almost everything else – cost more. And, although Canadian industrial wages increased by 5.4% since 2021, wage growth hasn't fully covered the shortfall.

The Trustees continue to monitor Fund operations and investments closely to ensure that any impact of inflation on the Fund is minimal. We'll inform you of any major changes to the Fund's investments, your pension plan benefits, or how your contributions work.

As always, our top priority is to protect your financial security in retirement, and to be transparent and timely in our communications with you.

The Fund office continues to be available for any questions or concerns you may have throughout the year.

It is my hope that the music industry will recover in 2022 and we can all enjoy live, in-person music once again.

Take care of yourselves and your families.

ELLEN M. VERSTEEG-LYTWYN
Board Chair

MESSAGE FROM THE EXECUTIVE DIRECTOR

A Return to Live, In-Person Music.

We are very much looking forward to a continuing return to live, in-person music in 2022 and are hopeful that it will be a successful and robust year for our Members.

Although late 2021 did commence with some easing of pandemic restrictions, it was still another difficult year for musicians and the music industry. We hope that you will find some comfort in knowing that the Fund's financial successes continued in 2021 to provide the Fund with a strong financial foundation. The Trustees continue to monitor the Fund's investments and cash flows.

In 2021 the Financial Services Regulatory Authority of Ontario (FSRA) introduced Eight Leading Practices for Defined Benefit Multi-Employer Pension Plans. The Trustees, the Fund office, and the Fund's professional advisors have undertaken a review of the MPF Canada polices and have added a detailed risk analysis to their governance toolkit to ensure the Fund is compliant with the FSRA Guidelines. Review and analysis will continue through 2022.

Data thieves get more creative every year. That's why the Fund takes the security of your personal information very seriously. The Trustees and Fund office have implemented numerous safeguards to keep your personal information safe and sound and continue to enhance security measures. We've included some information in this year's Annual Report about how the Fund takes steps to safeguard your data.

The Fund Office staff remains devoted to serving our members. We will continue to be available for any questions or concerns you may have throughout the year.

Please stay safe and healthy in 2022.

JILL GIUSTINO
Executive Director

Jill Giustino
Executive Director

PLAN GOVERNANCE

Plan governance describes how those involved in operating a pension plan carry out their responsibilities and obligations to the plan. It also promotes the timely and cost-effective delivery of benefits.

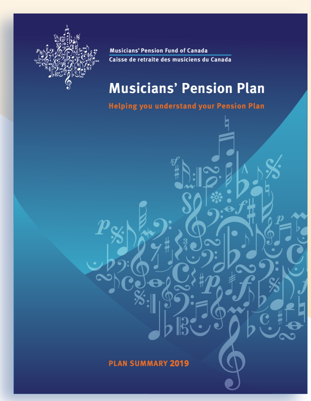
BOARD OF TRUSTEES

Board members are independent—they are not paid for their service to the Fund.

Among their duties, members of the Board of Trustees are responsible for:

- Hiring and monitoring an Executive Director. The Executive Director and his/her staff manage the daily operations of the Fund and the Plan.
- Hiring professionals, including legal counsel, the Plan actuary, investment counsel, and auditors, to assist where needed.
- Monitoring the Fund's overall operations and performance.

The Board meets regularly to ensure proper Plan and Fund governance. Their work guides the overall direction, effectiveness, supervision, and accountability of all aspects of Plan and Fund operations. The Trustees have added a detailed Risk analysis to their Governance tool-kit and are working on making sure they are fully compliant with the Financial Services Regulatory Authority of Ontario (FSRA)'s 8 leading practices.



Visit the Summary Plan page of the Fund's **website** and click **Download PDF** to learn more about the Plan.

THE PLAN'S FINANCIAL PERFORMANCE

Pension legislation requires the Trustees to conduct an actuarial valuation of the Plan by an independent third-party actuary at least once every three years.

The valuation determines the Plan's financial status and helps ensure that the Plan is funded appropriately. Results are filed with the Financial Services Regulatory Authority of Ontario (FSRA).

Financial performance is a comparison of Plan assets to Plan liabilities, which are the cost of benefits. This is different from the information provided by the Plan's financial statements, which only show year-over-year asset changes.

The actuarial valuation also determines whether annual contributions are enough to pay for the benefits accumulating each year. However, as life expectancy increases for members, retirees, and beneficiaries, pensions get more expensive because pension payments will be made for a longer time. The cost of pension payments is expected to continue rising because life expectancy is forecast to continue increasing. The Actuarial Valuation takes into account improvement in mortality.

Actuarial valuations are based on many assumptions about the future, including expected investment return, mortality rates, retirement age, the number of members who retire and have a spouse at retirement, etc. The main reason that legislation requires a valuation at least once every three years is that actual experience will differ from the assumptions made. Based on the difference between the projected and actual experience, the Trustees identify what changes, if any, to make to ensure the continued financial health of the Fund. The Trustees pay close attention to the results of each actuarial valuation.

ACTUARIAL ASSETS VERSUS ACTUARIAL LIABILITIES

As of January 1, 2021*

* This was the most-recently-filed actuarial valuation.

Fund assets are the monies in the Fund used to pay benefits. Fund rates of return are the percentages of increase or decrease in the Fund's assets based on investment results. While these are important financial measures, they are not the Trustees' sole focus. The Trustees must also focus on comparing Fund assets to Fund liabilities. Fund liabilities are the costs of benefits.

HOW THE FUND PROTECTS YOUR DATA

MPF Canada takes the privacy of your personal information very seriously. The Fund has implemented numerous safeguards to keep your data safe and sound.

HERE ARE JUST A FEW OF THE SECURITY MEASURES WE HAVE TAKEN:

Security Enhancements: MPF Canada continues to make security enhancements each year. All data on the pension administration system has been encrypted and the office network has multiple layers of protection including intrusion detection and threat detection with firewalls and anti-virus protection.

Disaster Recovery System: In case the Fund Office's computer systems become compromised, inoperable, or unavailable, the Disaster Recovery System serves as a backup. The Disaster Recovery System is located at a remote facility operated by the Fund's IT Consultants. This remote site has a fully functional replica of the Fund's office system. Fund office data and the pension administrations systems are backed up daily to the Disaster Recovery site through a high-speed secure network. In the event of a "disaster" Fund office staff could be back online and serving our members within a day and no data would be lost.

Passwords: MPF Canada has implemented internal password validations for the office staff. Passwords must contain at least eight characters, one lower case letter, one upper case number, one number, and one special character. Employee accounts are automatically locked after five invalid password attempts and employee systems auto lock after a period of inactivity.

Secure file Transfer System: The Fund has developed a Secure File Transfer System for use with the Canadian Federation of Musicians (CFM) and the CFM Locals when sending and receiving files, documents, or contracts that contain personal data. This ensures that data is moved securely.

Secure Trustee Website: Trustee meeting documents and other sensitive material are placed on a secure website for Trustee access that requires a password.

MPF Canada Employee Cyber Security Education: The employees at MPF Canada have participated in cyber security educational webinars and have been provided with cyber security guidelines.

How you can help: Create a strong password for your member portal account and change it occasionally. The member portal does use password validations similar to those required for the internal Fund office staff.

OUR PENSION PLAN IS A TARGET DEFINED BENEFIT PLAN

The Fund's assets are invested in a diversified portfolio, as shown in the chart at right.

With this type of plan, your retirement benefit is calculated using a formula that's based on contributions received from employers on your behalf. Your benefit also depends on other factors, such as your age at retirement and the type of survivor benefit you choose.

Contributions are negotiated with employers by the American Federation of Musicians/Canadian Federation of Musicians (AFM/CFM) and its Locals, and written into collective bargaining agreements. Since contributions are collectively bargained, if Plan assets aren't enough to pay current or future pension benefits, it's not possible for employers to make additional contributions to the Fund outside of collective bargaining. Instead, based on pension legislation and Plan rules, Trustees must change the Plan's promised pension benefits based on affordability, when necessary.

Plan assets are held in trust by an independent custodian, in compliance with pension legislation, and are invested in a diversified portfolio of assets managed by professional investment managers.

The Plan complies with the Income Tax Act (Canada) and the various provincial pension benefits acts across the country.

ASSET MIX
As of December 31, 2021

%	
15.8	Canadian Equities
23.4	Global Equities*
14.3	Private Equities
12.3	Public Fixed Income
11.7	Private Debt
6.3	Mortgages
7.2	Real Estate
6.4	Infrastructure
2.6	Cash**

* US and International
** Includes short term

Plan Details
Visit the Summary Plan page of the Fund's **website** and click **Download PDF** to learn more about the Plan.

strategic

FUND FINANCIAL STATEMENTS

Legislation requires Trustees to have audited Financial Statements of the Fund every year. The following is a summary of preliminary results and may be subject to change.

FINANCIAL STATEMENT SUMMARY

In thousands of dollars	December 31, 2021
Net assets available for benefits, beginning of year	**911,157**
Increase in net assets:	
Total investment income	57,513
Realized gains on sale of investments	32,358
Unrealized gains	38,513
Employer Contributions	7,299
Total increase in net assets	**135,682**
Decrease in net assets:	
Monthly pension benefits	47,189
Death benefits	581
Termination payments and transfers	2,318
Plan expenses	4,375
Total decrease in net assets	**54,463**
Net assets available for benefits, end of year	**992,376**

accountable

FUND PERFORMANCE

The Fund's total investment return for the year ending December 31, 2021, was 13.5%; the Fund benchmark return was 12.4%.

When evaluating the performance of any investment, it is important to compare the performance against an appropriate benchmark.

By law, the Board of Trustees must establish a Statement of Investment Policies and Procedures (SIP&P). The benchmarks used in the chart below are the ones established in the Fund's SIP&P. A copy of the SIP&P is available by written request to the Fund Office.

The bar chart shows the Fund's total return compared with the one-year benchmark as of December 31, 2021, and the five-year benchmark as of the same date.

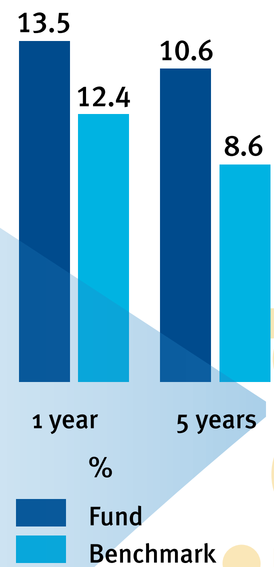
DEFINITION OF BENCHMARKS:

A benchmark is a standard against which the performance of an asset class is measured.

ASSET CLASS	BENCHMARK
Total Fixed Income	FTSE Canada Universe Bond
Cash & Equivalents	FTSE Canada 91 Day T Bill
Canadian Equity	S&P/TSX Composite
Global Equity	MSCI World (CAD)
Private Equity	10% absolute return
Real Estate	CPI + 4%
Infrastructure	CPI + 5%
Hedge Funds	Credit Suisse Hedge Fund (CAD)
Total Fund	**Composite of above**

INVESTMENT RETURNS

As of December 31, 2021



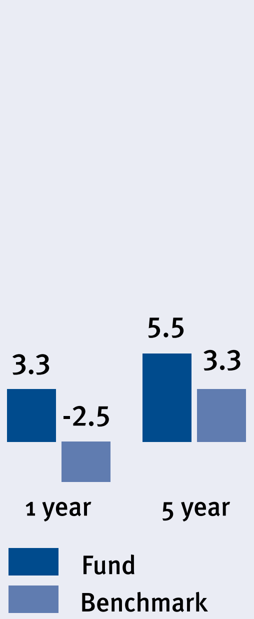
MAJOR ASSET CLASSES

One-year and five-year rates of return on December 31, 2021.

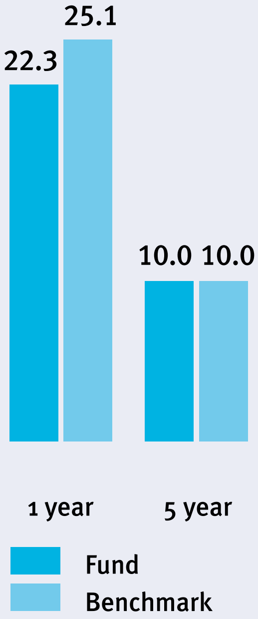
Note: “NA” appears for investment classes that have existed within the Fund for less than five years.

*Bonds, Private Debt and Mortgages

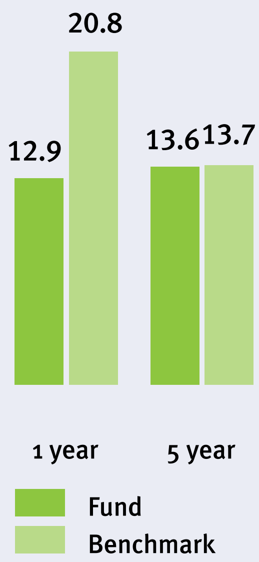
FIXED INCOME*



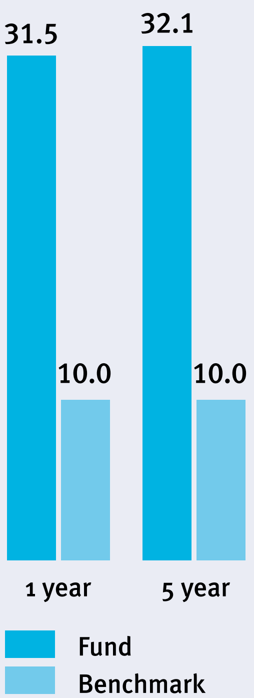
CANADIAN EQUITY



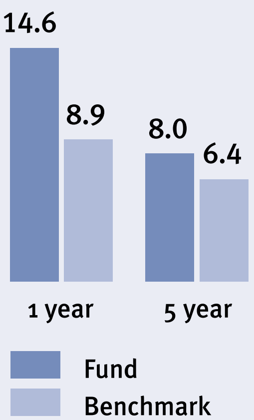
GLOBAL EQUITY



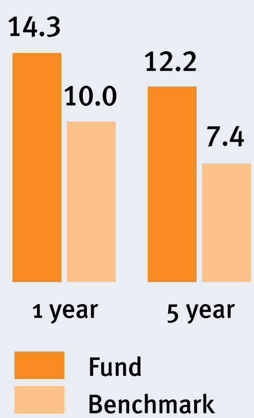
PRIVATE EQUITY



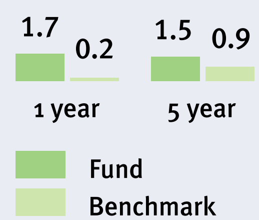
REAL ESTATE



INFRASTRUCTURE EQUIVALENTS



CASH & EQUIVALENTS



MEMBERSHIP DATA AND BENEFIT PAYMENTS

PLAN MEMBERSHIP SUMMARY

As of December 31, 2021	2021	2020	2019
Actives	4,771	3,874	4,359
Pensioners and beneficiaries	3,848	3,750	3,622
Vested inactives	7,449	6,685	6,170
Total	**16,068**	**14,309**	**14,151**

Participant counts are based on preliminary data and are subject to change.

BENEFIT PAYMENTS

Over the past three years, the following benefit payments have been made:

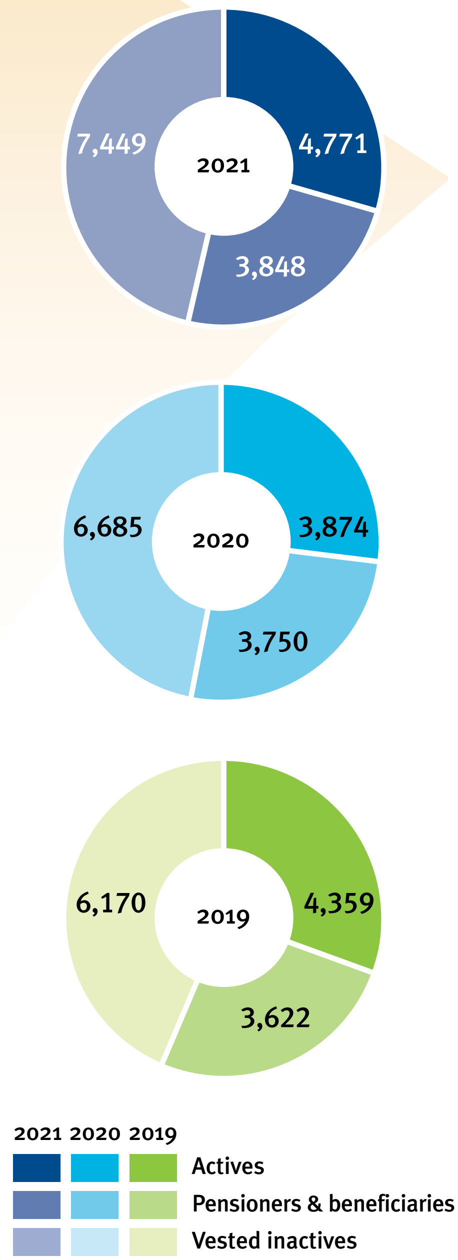
In thousands of dollars*	2021	2020	2019
Pension payments	47,189	45,656	43,914
Termination and death lump sum payments	2,506	3,598	1,360

* The 2021 totals are approximate and only can be confirmed after the completion of the 2021 audit.

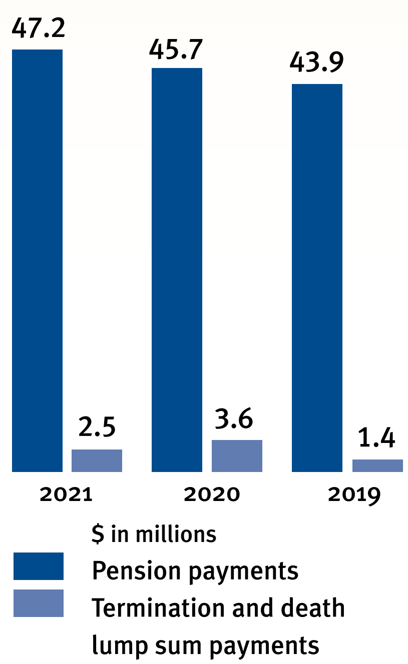
The Fund paid approximately $49,694,000.00 in benefits in 2021.

COMPARATIVE PLAN MEMBERSHIP SUMMARY

As of December 31, of the year noted below.



BENEFIT PAYMENTS



INFORMATION

FEEDBACK/MORE INFORMATION

Please send the Fund Office your questions, comments, and feedback on this Annual Report or anything else related to the Plan:

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200 Yorkland Blvd.
Suite 605
Toronto, Ontario M2J 5C1

Telephone: 416.497.4702
Toll Free: 888.462.6666
Email: info@mpfcanada.ca

Please visit our website for additional information about the Fund and the Plan, and for answers to questions you may have: **www.mpfcanada.ca**.

DISCLAIMER

The Trustees expect to maintain the Fund indefinitely. However, they have the right, in accordance with applicable laws, to change or cancel any or all benefits under the Fund for active or retired members and their survivors and dependents.

The publication was prepared on behalf of the Trustees of the Musicians' Pension Fund of Canada. It provides summary information about the Fund in plain language. This publication is not intended to provide advice. If there is a discrepancy between this document and the legal documents that govern the Fund, the legal documents will apply.

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Musicians' Pension Fund of Canada

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June 2022