2023 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 2023 Annual Report for the Musicians' Pension Fund of Canada. It provides an overview of the Plan's operations as of December 31, 2023. 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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2023 Plan Information at a Glance

The Plan had approximately **16,315 members** on December 31, 2023.

$50 million in pension payments were made in 2023. The Fund also paid **$1.2 million** in termination benefits and death benefits for the year.

The Fund's **overall rate of investment return was 6.2%** for 2023.

Total employer **contributions to the Fund were approximately $10.5 million** for 2023, compared to $9.2 million in 2022.

16,315

$50 million

6.2%

$10.5 million

compliance

Message from the Chair

We're pleased to present to you the Musicians' Pension Fund of Canada's 2023 Annual Report.

Ellen M. Versteeg-Lytwyn
Board Chair

Music, especially in its live form, is an experience that resonates with the soul, bringing joy and richness to our lives. It is the soundtrack of our memories, the rhythm to our moments, and the harmony that connects us all. Now, as we continue to reconnect through live performances, we're reminded of the shared rhythm that makes it all worthwhile.

Our goal at the Musicians' Pension Fund of Canada is clear: to reward the tireless efforts of our musicians and enhance their lives. We are committed to administering the Fund prudently to ensure its long-term viability, providing the best possible retirement benefits to you, our members, and your beneficiaries.

To help us further our mission, it is with great excitement that we announce the addition of newly appointed AFM Vice-President from Canada, Allistair Elliott, to our Board of Trustees. Allistair, a renowned figure in the Canadian music scene, brings with him a wealth of experience and a deep passion for the welfare of musicians. His advocacy and leadership will be invaluable assets as we strive to uphold the interests of our members.

Together, let us continue to celebrate the magic of live music and we will continue in our mission to support you, the artists who make it possible. Here's to creating more harmonious tomorrows!

Sincerely,

ELLEN M. VERSTEEG-LYTWYN
Board Chair

Message from the Executive Director

Thinking like a hacker to secure your data.

Members,

One of the main goals of the Fund is to provide retirement security to you, our members. This entails protecting your income for retirement, as well as your personal data. By adhering to compliance standards and conducting regular testing, we are doing our best to ensure our data security protocols remain sound.

As stewards of the Fund, we're pleased to report that the security enhancements and testing we did in 2023 have increased our ability to protect all information stored by the Musician's Pension Fund of Canada.

The testing required us to think like hackers and attack our own servers to find, and fix, gaps that someone could exploit. While that sounds like our actions could be a subplot in the next Mission Impossible movie, staying ahead of these threats is no joke.

We're pleased to report that this testing allowed us to proactively identify vulnerabilities, enabling us to address them. Knowing that systems have been thoroughly tested gives us all confidence, but we must, and will, remain vigilant. We will strive to keep up with the latest security measures in order to maintain the privacy of your data.

As always, 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.

All the best for a wonderful 2024!

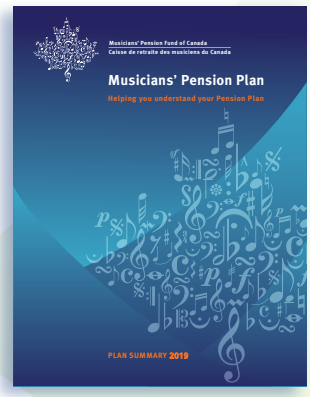
JILL GIUSTINO
Executive Director

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.

Plan Governance starts with the Fund's mission statement: To administer the Plan in a prudent manner to ensure its long-term viability in order to provide the best possible retirement benefits to the Fund's members and beneficiaries.



Visit the Plan Summary page of the Fund's website at **mpfcanada.ca/summary-plan,** and click **Download PDF** to learn more about the Plan.

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.

Board of Trustees

Ellen M. Versteeg-Lytwyn, Chair
E. Eddy Bayens, Vice-chair
Bernard LeBlanc
Harold Redekopp
William J. Stafford
Allistair Elliott

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).

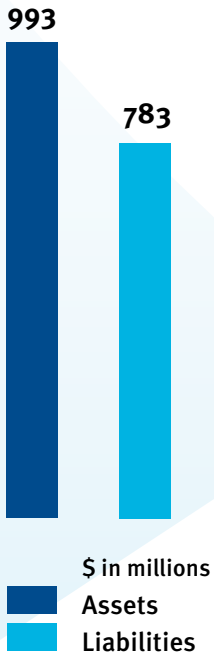
Financial performance is a comparison of Plan assets to Plan liabilities, which are the cost of benefits. This is different from the information provided by the Plan's financial statements, which only show year-over-year asset changes.

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.

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, 2023*



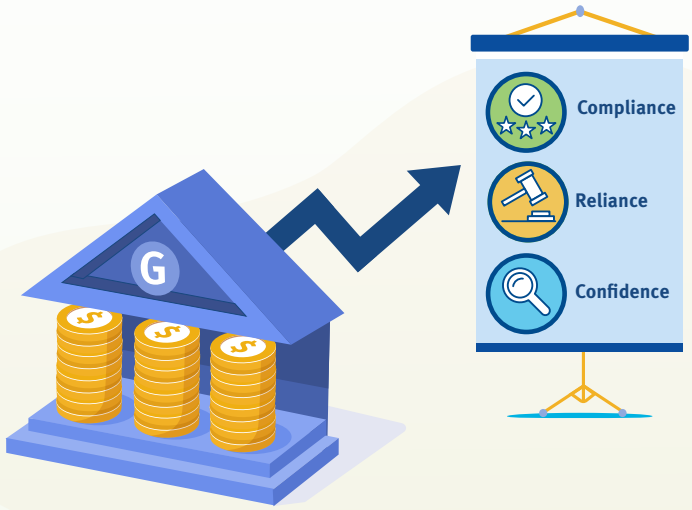
* This was the most-recently-filed actuarial valuation.

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.

continuance

About Your Board of Trustees

As a member of the Musicians' Pension Fund of Canada, you may be wondering who makes the decisions about how the funding for your pension is invested and managed. You may also want to know how your pension benefits are determined or who is responsible for the overall operation of our Pension Plan. The answer to these questions is your Board of Trustees!



By learning more about your Board of Trustees, you will gain a better understanding of how your Pension Fund works and how you benefit from it.

WHAT IS A BOARD OF TRUSTEES?

A Board of Trustees is a group of appointed or elected representatives who oversee the affairs of a public or private organization. In the case of the Musicians' Pension Fund of Canada, the Board of Trustees is composed of an equal number of employer and employee representatives, who are appointed to the Board. The Fund's Trustees are not paid for their work on the Board.

It's important for Trustees to be trustworthy and have a good understanding of finance and pension legislation, as they have extensive powers and responsibilities. They must also be prudent in their decision-making, ensuring the long-term sustainability and security of the Fund.

Our Board of Trustees is committed to upholding our Fund's Mission Statement: *To administer the Plan in a prudent manner to ensure its long-term viability in order to provide the best possible retirement benefits to the Fund's Members and beneficiaries.*

WHAT DOES THE BOARD OF TRUSTEES DO?

Our Board of Trustees is responsible for ensuring that the Fund is well-governed, financially sound, and compliant with the law. Most importantly, the Board ensures that the Fund operates in the best interests of all Plan members—both current and future. The Board also sets the strategic direction and policies of the Fund and monitors its performance and risks.

The Trustees' duties include:

- Controlling, administering, and distributing the trust assets for the benefit of the beneficiaries in accordance with the terms of the trust and applicable law.
- Acting in the best interests of the beneficiaries, which include current, future, and retired members, or any other individuals entitled to benefits under the Pension Plan.

The Trustees meet quarterly to discuss and decide on important matters related to the Fund. When they meet, they may find it necessary to consider changes to the Plan or the way the Fund operates. If that happens, the Trustees make every effort to fully understand and anticipate the impact of any decision. They gather information and listen to the recommendations provided by the Fund's professional consultants (including actuaries, investment advisors, and lawyers) in order to fully discuss the issue and related solutions.

WHEN BENEFIT CHANGES HAPPEN

The Trustees' responsibilities include all aspects of running the Fund. This means they will be required to make decisions on a wide range of issues, including potentially changing Plan provisions and benefits. That can include making improvements to the benefits that members receive or reducing decisions are made with care and consideration for all Fund members and beneficiaries.

Making Benefit Improvements

When the Plan actuary gives the Trustees a funding report that shows the Plan has more money than it needs to meet its current obligations, the Trustees must decide what, if anything they want to do with that extra money.

The most important thing for the Trustees is to make sure that the Plan can continue to pay benefits. That means that it is not automatic that a surplus will be used for benefit improvements. In reality, the Trustees will want a reserve, and only when the money is enough to cover current benefits and that reserve, any remaining money could be considered for benefit improvements.

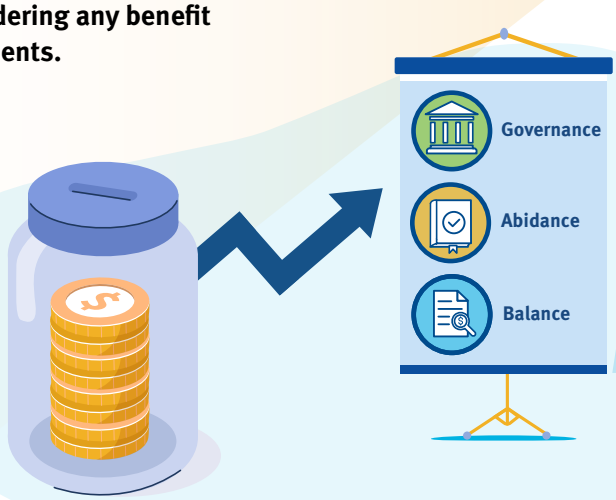
But even then, it is not guaranteed. The Trustees may, for example, choose to use that remaining money to adopt a lower-risk investment strategy. They will make that choice with the help of the Plan's actuary and in a way that best manages risk and return for all Plan members.

At this time, the Trustees are not considering any benefit improvements.

BENEFIT REDUCTIONS

On the other hand, if the Plan actuary's funding report indicates that the Plan cannot sustain its current level of benefits, the Trustees are required under Ontario law to take action to fix that situation. Such action could include reducing benefits that are already accrued, currently being paid, or to be earned in the future. If that becomes necessary, the Trustees will try to be as fair as possible in how benefit reductions are applied.

To be clear, the Trustees are not considering benefit reductions at this time. If the Trustees change the Plan provisions, the Fund Office will inform you in writing about the changes.



PRESERVING THE FUND FOR YOUR BENEFIT

Your pension is an important part of your retirement security, and we are working hard to ensure its long-term sustainability. Thank you for being a valued member. Together, we can face the challenges and opportunities ahead.

We encourage you to visit the Plan website at mpfcanada.ca for regular updates, newsletters, and other resources. You can also contact the Fund Office if you have any questions or concerns about your Pension Fund benefits.

Our Pension Plan is a Target Defined Benefit Plan

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

ASSET MIX
As of December 31, 2023

%	
17.0	Canadian Equities
22.1	Global Equities
11.3	Private Equities
12.2	Public Fixed Income
14.5	Private Debt
1.4	Mortgages
8.6	Real Estate
10.6	Infrastructure
2.3	Cash
0.0	Hedge Funds

Plan Details
Visit the Plan Summary page of the Fund's website at **mpfcanada.ca/summary-plan,** and click **Download PDF** to learn more about the Plan.

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.

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

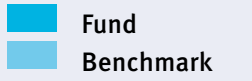
In thousands of dollars	December 31, 2023
Net assets available for benefits, beginning of year	**961,764**
Increase in net assets:	
Total investment income	14,874
Realized gains on sale of investments	21,305
Unrealized gains	18,405
Employer Contributions	10,495
Total increase in net assets	**65,079**
Decrease in net assets:	
Monthly pension benefits	50,039
Death benefits	590
Termination payments and transfers	1,555
Plan expenses	4,785
Total decrease in net assets	**56,969**
Net assets available for benefits, end of year	**969,874**

Major Asset Classes

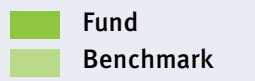
One-year and five-year rates of return on December 31, 2023.

FIXED INCOME*

CANADIAN EQUITY



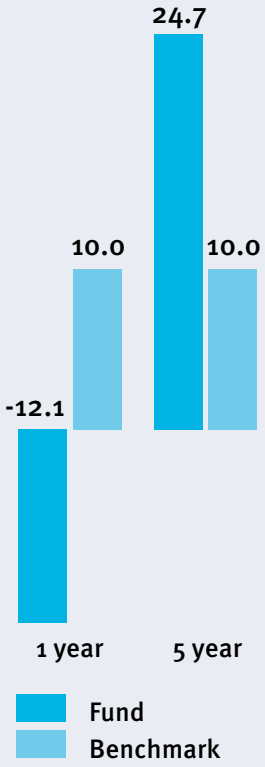
GLOBAL EQUITY



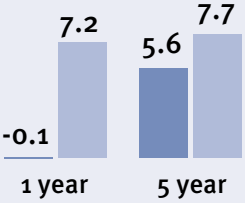
Note: "NA" appears for investment classes that have existed within the Fund for less than five years.

* Bonds, Private Debt and Mortgages

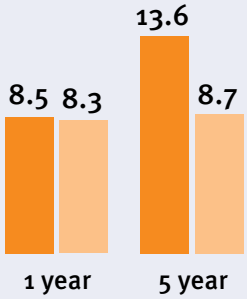
PRIVATE EQUITY



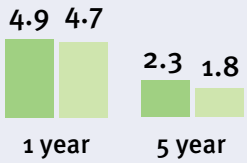
REAL ESTATE



INFRASTRUCTURE EQUIVALENTS



CASH & EQUIVALENTS



Membership Data and Benefit Payments

PLAN MEMBERSHIP SUMMARY

As of December 31, 2023	2023	2022	2021
Actives	4,791	4,793	4,771
Pensioners and beneficiaries	4,066	3,964	3,848
Vested inactives	7,458	7,545	7,449
Total	16,315	16,302	16,068

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:

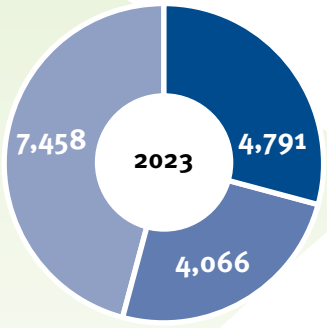
In thousands of dollars*	2023	2022	2021
Pension payments	50,000	48,400	47,189
Termination and death lump sum payments	1,200	3,300	2,506

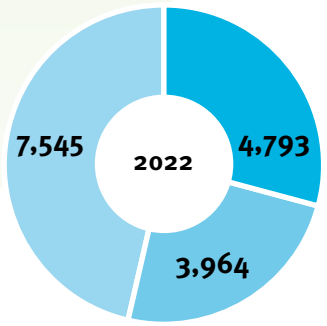
* The 2023 totals are approximate and only can be confirmed after the completion of the 2023 audit.

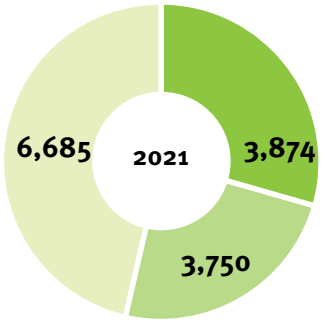
The Fund paid approximately $51.2 million in benefits in 2023.

COMPARATIVE PLAN MEMBERSHIP SUMMARY

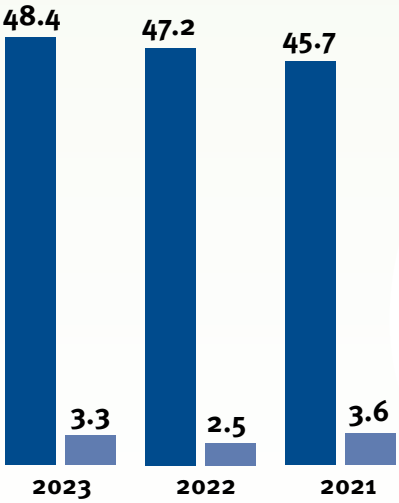
As of December 31, of the year noted below.







BENEFIT PAYMENTS



$ in millions
Pension payments
Termination and death lump sum payments

2023 2022 2021
Actives
Pensioners & beneficiaries
Vested inactives

Fund Performance

The Fund's total investment return for the year ending December 31, 2023, was 6.2%; the Fund benchmark return was 11.3%.

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, 2023, and the five-year benchmark as of the same date.

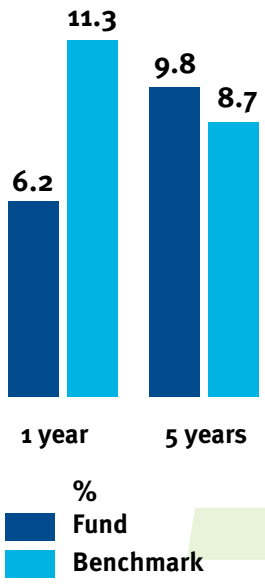
DEFINITION OF BENCHMARKS:

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, 2023



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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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 2024