CANADA MORTGAGE AND
HOUSING CORPORATION

PENSION PLAN

Annual Report 2023

To request an alternate format, please contact us at:

1-800-668-2642
contactcentre@cmhc.ca

700 Montreal Road,
Ottawa, ON K1A 0P7

CMHC.ca

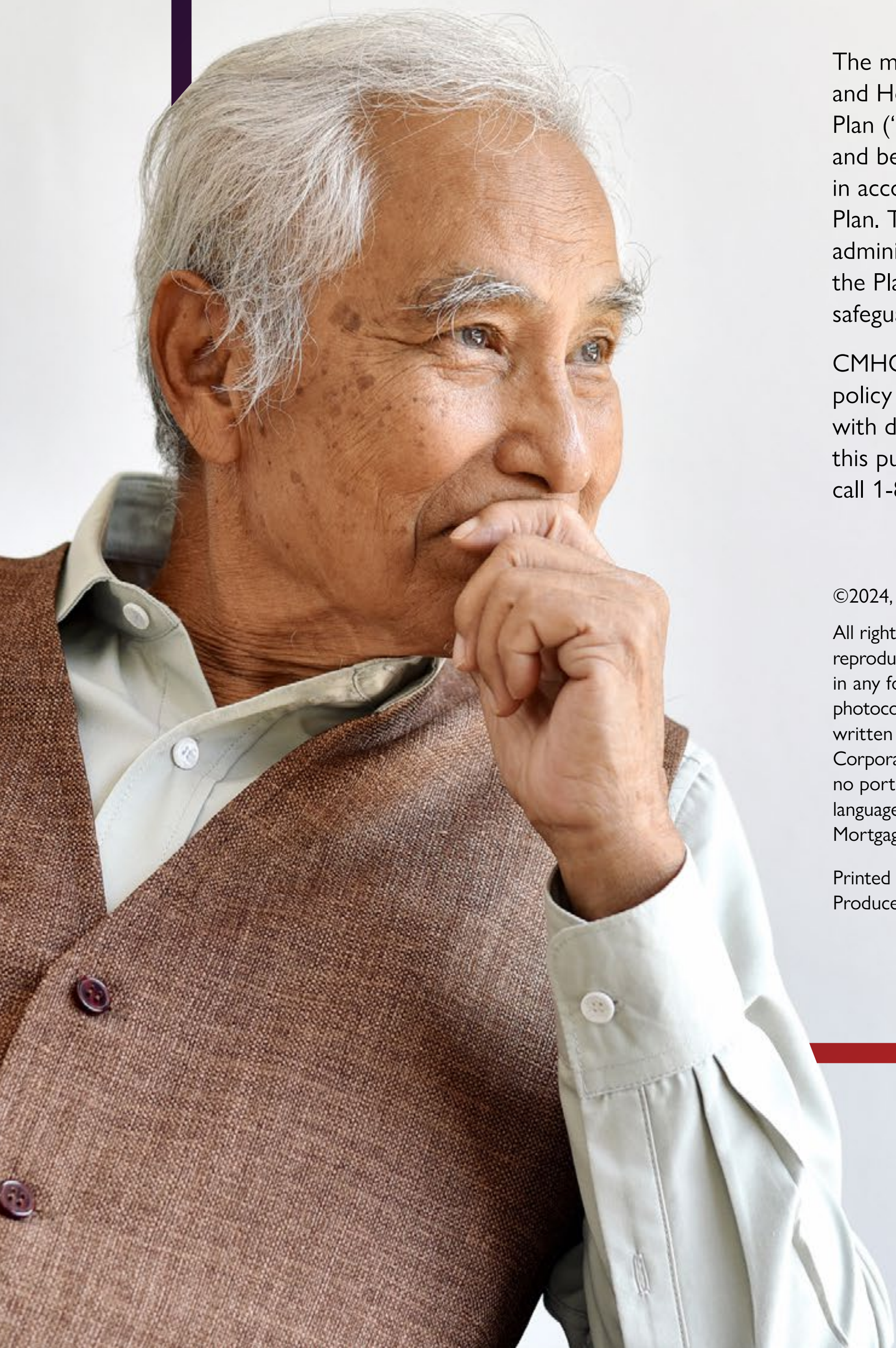
Canada

CMHC SCHL

Our mission

The mission of the Canada Mortgage and Housing Corporation (CMHC) Pension Plan (“the Plan”) is to provide its members and beneficiaries with pension benefits in accordance with the provisions of the Plan. This is accomplished through efficient administration and prudent investment of the Plan’s assets to maximize returns while safeguarding assets.

CMHC supports the Government of Canada policy on access to information for people with disabilities. If you would like to obtain this publication in an alternative format, call 1-800-668-2642.



Printed in Canada
Produced by CMHC

Table of Contents

Message from the Chair

As Chair of the CMHC Pension Fund Trustees, it is both my duty and my pleasure to present to you the Pension Plan Annual Report for 2023.

It is a duty I take seriously. Providing a prudent, well-run pension plan is a responsibility we have to our active and retired staff, and it is crucial to attracting and retaining our next generation of world-class employees.

It is a pleasure because this is a stable and successful plan whose results should inspire confidence in its members, and pride among those of us who manage it. The Plan was fully funded in 2023 on a going concern basis at 139% and 111% on the solvency basis as reported in the latest actuarial valuation. CMHC's Board of Directors decided that, as at January 1, 2025, these benefits would be fully indexed at 100% of the increase in the Consumer Price Index.

In 2022, the pension plan was hit by rising yields, sluggish equity performance and overall economic fragility. However, I said in my message to you last year that the Plan was well-positioned to thrive in 2023, and that proved to be the case. We witnessed a significant turnaround, with significant gains in our equity and fixed income portfolios thanks to expansion in the global market and declining yields. Total investment return was 11.7% including leverage (10.9% excluding leverage), outperforming its benchmark of 8.6%.

Expenses related to investment management fees increased in 2023 due to the transition from passively managed investment to actively managed investment portfolios. In doing so, we have better aligned ourselves to the asset allocation policy and allowed for diversified manager styles in the portfolio.

Communicating with members like yourself — often and openly — is part of good management. This report is just a part of that process. On top of our regular suite of communications, in 2023 we offered new learning sessions on managing finances in these challenging times, and a series of new webinars on retirement planning. Good communication is a conversation, not a broadcast, so I encourage you to bring us questions and feedback. You will find contact information at the end of this report.

I would like to thank my fellow Trustees and the members of the Pension Plan Investment Committee for all their hard work in 2023. And I'd like to thank CMHC's Board of Directors, Executive Committee and staff for their support.

My time as Chair of the Trustees, and of CMHC's Board of Directors, will come to an end this year. It has been a privilege to serve in both capacities. I am pleased to be leaving my successor with a strong and healthy pension fund, and I trust they will bring just as much care and diligence to the role as I did.

Derek Ballantyne
Chair, Pension Fund Trustees

2023 Financial Highlights

$2,427 Million
Net assets available for benefits (2022 – $2,272 million)

139.3%
Fully funded on a going concern basis (2022 – 142.5%)

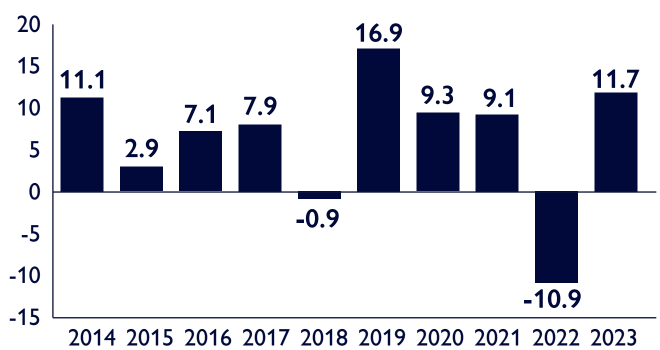
111.2%
Solvency ratio increased (2022 – 102.4%)

4.81% Four-year annualized rate of return (gross, nominal)
6.43% Ten-year annualized rate of return (gross, nominal)

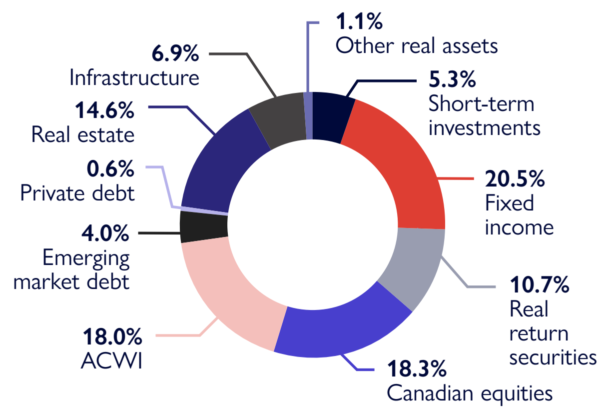
The total investment return was 11.7% including leverage and 10.9% excluding leverage, compared to the benchmark return of 8.6%.

RATE OF RETURN

for the year ended December 31(%)

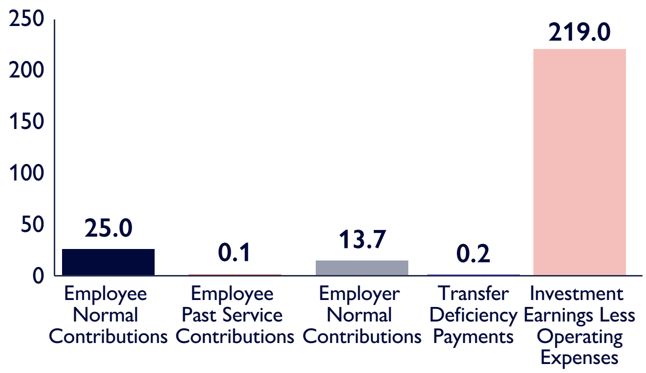


ASSET MIX



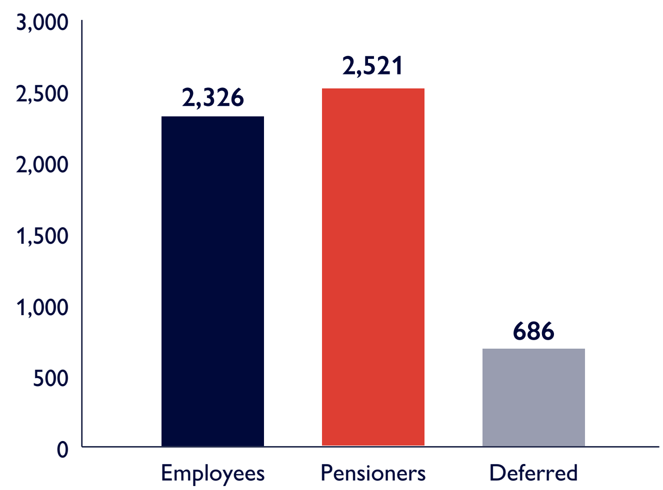
CONTRIBUTIONS AND INVESTMENT PERFORMANCE

($ Millions)



PLAN MEMBERSHIP

(number of persons)



Your Plan

The CMHC Pension Plan (“the Plan”) is a defined benefit pension plan. This means that retirement income from the Plan is calculated using a specific formula that considers earnings history, pension benefit options, age, credited service and benefit service. The Plan includes provisions, among others, on early retirement, unreduced pension, survivor benefits and indexation.

The Plan provides members the opportunity to choose between two options. The option chosen affects how much members contribute to the Plan and how much they will receive from the Plan when they leave or retire from CMHC. Each year, members have an opportunity to change their pension benefit option.

Contributions

In 2023, the employee contribution rates were:

		2023
Option A	Up to the YMPE*	8.75% of salary
	Over the YMPE	11.50% of salary
Option B	Up to the YMPE	6.00% of salary
	Over the YMPE	8.75% of salary

* The year’s maximum pensionable earnings (YMPE) under the Canada/Québec Pension Plan was $66,600 in 2023.

In total, employees contributed $25.2 million to the Plan. This included normal contributions of $25.1 million as well as past service contributions of $0.1 million.

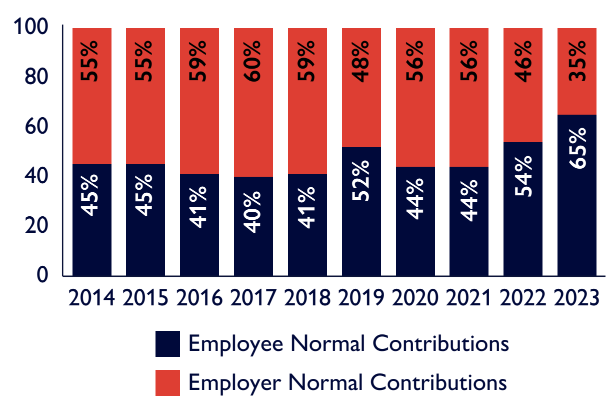
CMHC’s total contributions to the Plan in 2023 were $13.9 million. This included full normal contributions of $13.7 million and $0.2 million of transfer deficiency to cover the amount by which the commuted value of pension benefits exceeds the product of that commuted value and the solvency ratio of the Plan.

Employee and Employer Contributions ($ millions)

	2019	2020	2021	2022	2023
Employee Normal Contributions	17.2	17.8	21.6	24.5	25.1
Employee Past Service Contributions	8.7	2.0	2.4	0.1	0.1
Employer Normal Contributions	15.8	22.7	27.5	21.2	13.7
Employer Special Payments/ Transfer Deficiency	13.7	0.6	37.1	0.9	0.2

On an annual basis, CMHC reviews and updates periodically the level of employer and employee contributions to the Plan with regards to the financial status of the Plan. The goal is to maintain a 50:50 cost-sharing ratio in the long term between employer and employee as outlined by the Government of Canada directive (P.C. 2014-1380) pursuant to Section 89 of the *Financial Administration Act*, to align Crown corporation pension plans with those available to federal employees.

Employee and Employer Contribution Cost Sharing



Although we target a 50:50 cost-sharing ratio in the long term, cost sharing of normal contributions between employee and employer fluctuates due to the timing of when employee contribution rates are set and when the valuation of required contributions for the year is completed. The ten-year average employee and employer normal contribution cost sharing is 48%/52%.

In August 2023, the Board approved a decrease in employee contribution rates effective January 1, 2024, as follows:

		2024
Option A	Up to the YMPE*	8.00% of salary
	Over the YMPE	10.50% of salary
Option B	Up to the YMPE	5.50% of salary
	Over the YMPE	8.00% of salary

* The year's maximum pensionable earnings (YMPE) under the Canada/Québec Pension Plan was $68,500 in 2024.

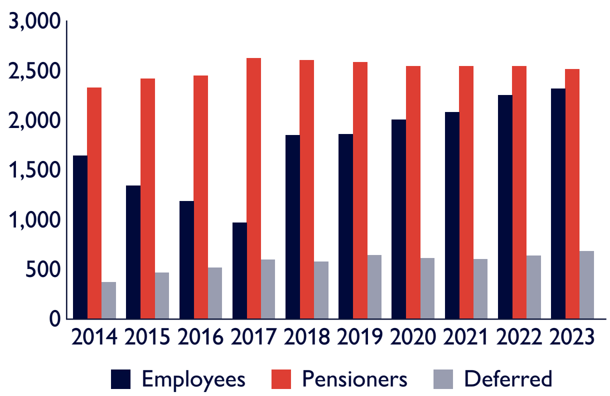
In March 2024, the Board approved the results of the actuarial valuation as at December 31, 2023. The actuarial valuation reported that the Plan was fully funded on both a going concern and solvency basis.

However, as the valuation reported that the Plan has a going concern funding ratio above 125% and a solvency ratio above 105%, the *Income Tax Act* limits have been reached, requiring future CMHC employer normal contributions to be funded through Plan surplus once the valuation report has been filed with the Canada Revenue Agency.

Membership

At year-end, the Plan had 5,533 members including 2,326 active employees, 2,521 pensioners and beneficiaries, and 686 members with deferred vested benefits.

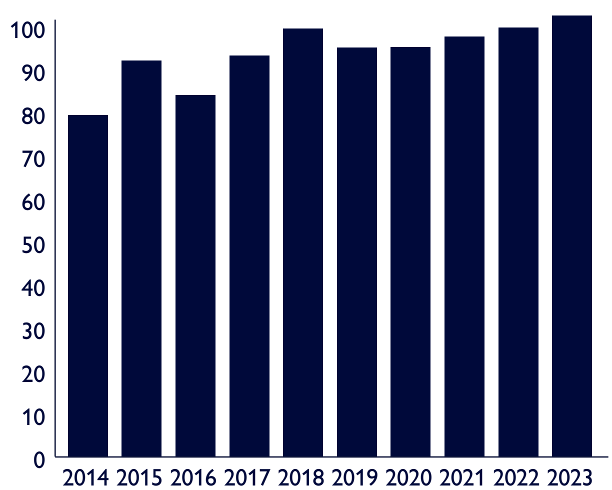
Plan Membership (number of persons)



Total Benefits Paid in 2023

A total of $103.6 million in pension benefits were paid to Plan members in 2023.

Benefits Paid and Net Contributions Transferred or Refunded ($ millions)



On January 1, 2024, pension benefits were increased in accordance with the indexation formula in the CMHC Pension Plan Rules. For pensions earned for pre-2018 service and for post-2017 service, there was an increase of 4.8% (100% of 2023 inflation).

General Information

Regulatory Authorities

As a federally registered pension plan, the CMHC Pension Plan is subject to the *Pension Benefits Standard Act* (PBSA) and its regulations, and to the *Income Tax Act* (ITA). The Plan is registered with the Office of the Superintendent of Financial Institutions (OSFI) and the Canada Revenue Agency (CRA). The Plan rules, as well as the Plan's funding and operations, must comply with the standards prescribed by the PBSA and ITA.

Communications

One of CMHC's key objectives is to promote increased awareness and understanding of the Plan and the benefits it provides, while facilitating opportunities for member feedback.

CMHC's partnership with Eckler, our financial wellness education provider, continued into 2023, and this year Eckler provided a more focused learning experience. Since inflation and rising interest rates dominated the financial headlines last year, Eckler delivered a session on how employees can stay resilient in this challenging environment. Then, in the fall, Eckler provided a deep dive into the world of retirement planning with a three-part series of webinars.

CMHC's other ongoing Plan member communication activities include the Annual Statement of Pension Benefits and the annual CMHC Pension Council Meetings Highlights. In addition, in 2023, CMHC sent special communications on contribution rate change and indexation.

Plan Documents

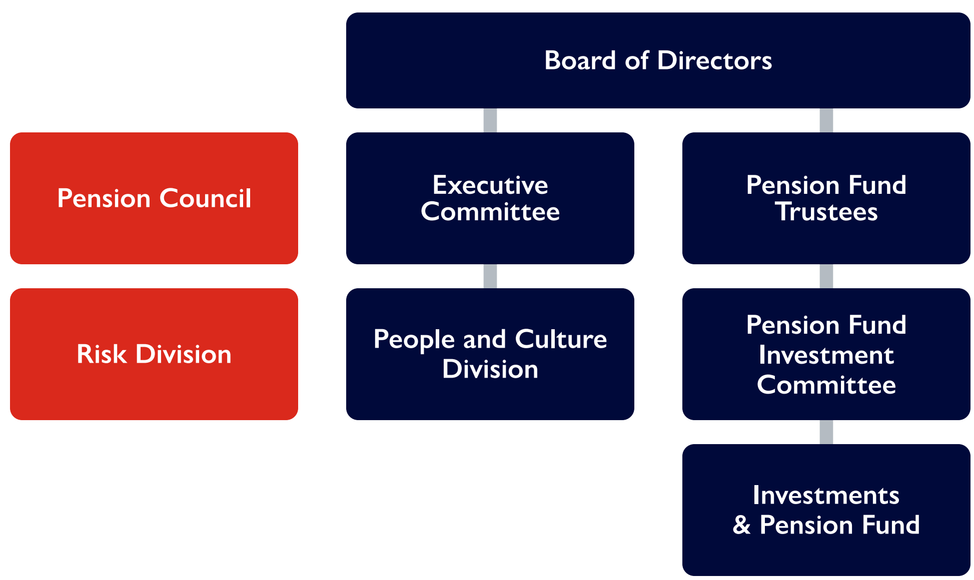
Information related to the Plan is available on CMHC's website, including a description of the governance of the Plan and key roles and responsibilities under its governance structure. Additional information concerning the Plan can be obtained by calling the CMHC Pay and Benefits Centre at 1-800-465-9932 and following the instructions to contact Aon.

Plan Governance

The concept of Plan governance is commonly defined by pension authorities as the structures and processes for overseeing, managing and administering a pension plan to ensure all obligations of the Plan are met.

Good corporate governance is at the heart of all of CMHC's activities and successes and is included in the governance framework for the Plan. A sound framework ensures that the ongoing obligations of the Plan to its stakeholders can be met, with effective decision-making processes, prudent and efficient management of resources and regular communication. The governance structure of the Plan is outlined below. More information regarding the roles and responsibilities of the key governance components of the Plan can be found in the Pension Governance section on CMHC's website.

The following represents CMHC's Plan governance structure:



The Board of Directors established the Pension Fund ("the Fund") to manage the assets of the Plan and appointed the Pension Fund Trustees to oversee the management and administration of the Fund. Our Risk Division provides independent oversight over the Plan's risk and reports quarterly to the Trustees and Investment Committee.

The Pension Council comprises elected employees and retired members of the Plan. Its functions are to promote awareness and understanding of the Plan among members, and receive information on the financial, actuarial and administrative aspects of the Plan.

Trustees of the CMHC Pension Plan

(As at December 2023)

Derek Ballantyne

Chair, Pension Fund Trustees and Member of the Board of Director

Michel Tremblay

Acting President and Chief Executive Officer

André Charbonneau

Deputy Chief Financial Officer

James Symianick

Employee Trustee

Guy-Anne Duval

Employee Trustee
(Tenure ended December 29, 2023)

Mark McInnis

Pensioner Trustee

Neil Levecque

Vice-President
Housing Programs

Pam Hine

Vice-President
Housing Solutions — Multi-Unit

Pension Council

Chair

Dominic Olivier

Employee Representatives

Mustaqeem Bhaloo
James Symianick
Guy-Anne Duval
Steve Ressler
Wendy Pollard
Yann Venne

Pensioner Representatives

Marie Murphy
Ken Taylor
Mark McInnis

Pension Fund Investment Committee

Chair

Mark Chamie

Members

Dirushan Naidu
Mukhbir Singh
Beatriz Peraza Lopez
Monika Skiba (external advisor)
Michael Borden (external advisor)

Advisors

Senior Advisor, Legal Services
Manager, Audit (observer)
Transactional Audit Analyst (observer)

Investments and Asset Performance

Overview

The Fund is resilient and funding ratios improved significantly during the year due to the decrease in yields from the long end of the yield curve and the surge in global equity prices.

Economic Environment

In 2023, global gross domestic product (GDP) is estimated to have grown by 3.1%, a decline from 3.5% in 2022, according to the International Monetary Fund's January 2024 World Economic Outlook. Despite central banks around the world tightening monetary policy significantly, consumers have shown resilience against rise in borrowing cost. Along with continued corporate spending and government spending supported by fiscal deficit, the economy was much stronger than most had anticipated in the beginning of the year. On inflation, easing supply chains had continued to contribute to the disinflation. Labour markets remained strong in most countries, though there are early signs of returning to pre-pandemic levels in countries like Canada. Tight monetary policy should continue to suppress inflation and bring the labour market back into balance. It is expected that central banks will start cutting rates later in 2024 as they gain more confidence that inflation is on a trend back to 2% and labour market starts to show signs of stress.

Investment Framework

The long-term investment objective of the Fund is to achieve a total rate of return that will provide for pension benefit obligations with acceptable contribution volatility. In pursuing this long-term objective, the Fund strives to maximize returns on investments within approved policies, which specify the limits and parameters within which risk may be taken.

The Statement of Investment Policies and Procedures (SIP&P) defines the investment framework of the Fund. The SIP&P established by the Trustees for the Fund sets out the policies necessary for the management and administration of the Fund. It includes further definition of permitted investments as well as requirements for diversifying investments and managing risks. The SIP&P also includes policies for measuring, monitoring and reporting on the performance of the Fund.

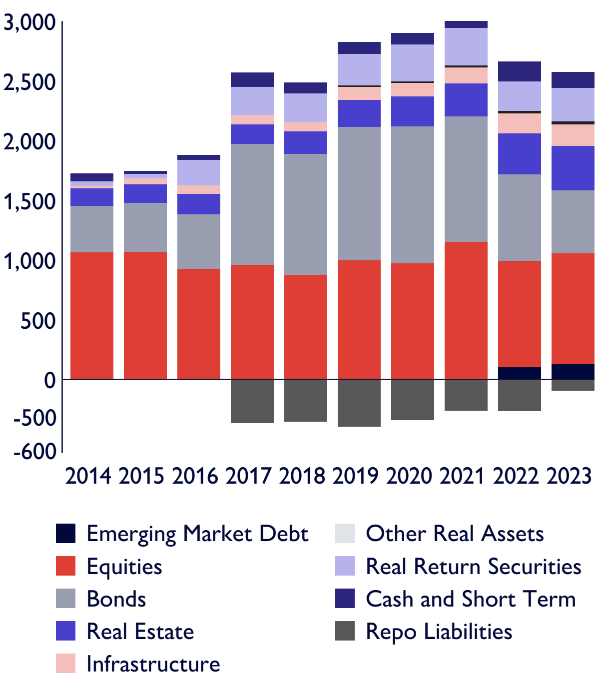
The Fund's strategic asset allocation (SAA), recommended by Trustees and approved by the Board, is a key driver of Fund returns and contribution requirements. The asset allocation is based on the principle of diversification of the investments among various asset classes to help manage the asset-liability risk of the Plan and is reviewed at least every five years.

In 2021, the Board of Directors reviewed and approved a new strategic asset allocation policy, which we expect to fully adhere to by 2026.

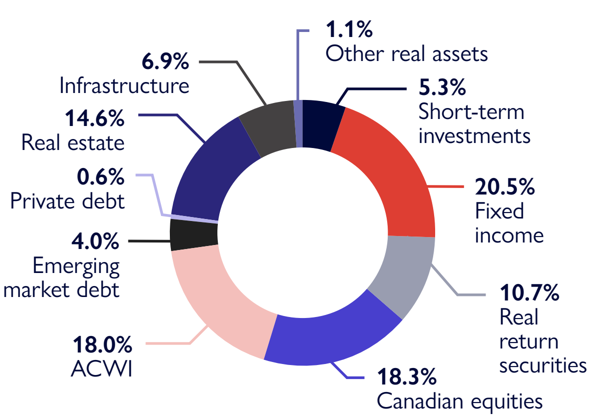
The asset allocation policy has been established at 37% public equity investments, 29% fixed-income securities, 21% real assets, 5% private equity, 3% private debt and 5% emerging market debt, on a net asset basis. The asset allocation policy includes a permissible range around these percentage weights.

In 2023, in accordance with the asset allocation policy, the transition to global equity was fully completed.

Net Assets of the Fund ($ millions)



Asset Mix



Risk Management

The risk parameters under which the Fund is managed are established by the Fund's Risk Appetite statement and asset allocation policy.

The Board of Directors' specific requirements for managing these risks are addressed by a range of established policies and practices.

More information relating to financial risks is provided in the notes to the financial statements.

Processes are in place to monitor and evaluate the investment performance of the Fund (including performance measures for the overall Fund and for individual asset classes net of liabilities). An extensive set of risk and return indicators are used to measure the Fund's ongoing performance. The Investment Committee and Trustees review indicators of the Fund's performance as well as its compliance against investment and risk management policies.

Climate Change

Mitigating the risks of climate change is an important priority as climate change poses systemic risks to the global economy and the Fund, impacting economic growth, inflation and investment returns. Refer to page 46, where the Plan has published its second Task Force on Climate-related Financial Disclosures Report.

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015. In 2017, the TCFD published a climate-related risk management and disclosure framework including four main themes: Governance, Strategy, Risk Management, and Metrics and Targets. We voluntarily refer to the framework to help guide the structure and content of our climate-related disclosures.

Performance of the Fund

Internal investment managers actively manage the majority of the Fund's investments. The remainder of the Fund's investments are managed by external investment managers with a range of active and passive investment mandates. Portfolio managers are responsible for individual security selection within their mandates.

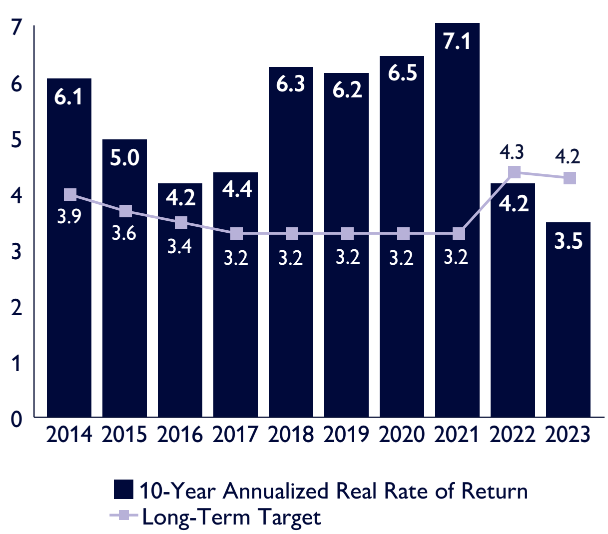
The Fund's net assets available for benefits at December 31, 2023, were $2,427 million, compared to $2,272 million at the end of 2022. The increase in net assets was mainly attributable to a decrease in yields and large gains in the equity and fixed-income portfolios.

The Fund's performance is measured against a passive benchmark portfolio that is based on the SAA. The total investment return was 11.7% including leverage and 10.9% excluding leverage, compared to its benchmark return of 8.6%.

Over the past 10 years, the Fund's performance excluding leverage has exceeded its benchmark by about 0.2% on an annualized basis.

The real rate of return is the nominal rate of return less inflation. The Fund's 10-year annualized real rate of return was 3.5%, which is lower than the long-term real rate of return objective and actuarial assumption of 4.2%. The drop in 10-year annualized real rate of return in 2023 compared to 2022 is mainly due to the replacement of higher return in 2013 by a relatively lower return in 2023. High inflation had a significant impact on the 10-year real rate of return in 2022 and 2023.

Long-Term Real Rate of Return (%)



Performance by Asset Class

The Fund is well-diversified with exposure to a broad range of asset classes. Each asset class is assigned a benchmark to measure the effectiveness of individual investment strategies, to carefully monitor investment activities and to evaluate whether those objectives are being met.

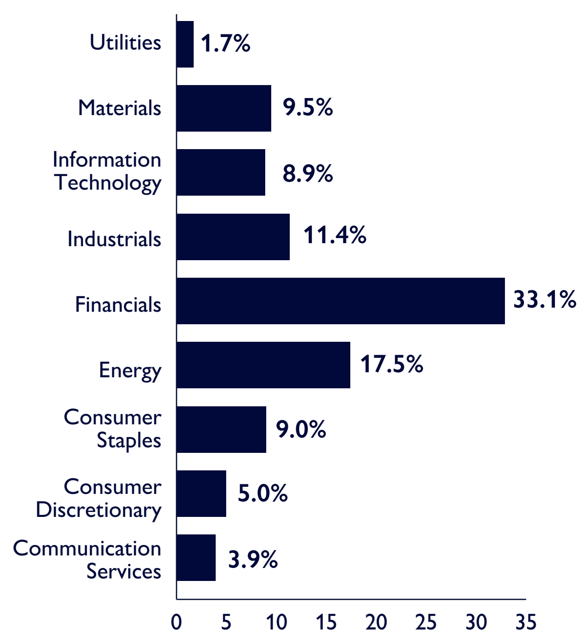
Canadian Equities

The investment managers invest in equities based on fundamental factors, striving to select companies with long-term growth potential and reasonable valuations. The portfolio is intended to be well balanced across sectors and provide predictable dividend distributions.

The portfolio generated a return of 11.9% in 2023 compared to the benchmark return of 11.8%. The returns across sectors in the portfolio were mixed, with Energy and Consumer Staples being the best performing sectors, posting double-digit returns. Information Technology and Consumer Discretionary sectors were negatively impacted by inflation and rising interest rates, generating negative returns. Overall, the portfolio benefited from diversification in a volatile year.

The portfolio remains weighted toward companies with attractive and sustainable growth prospects. This allocation has benefited the portfolio's performance relative to the index over a long-term horizon.

Canadian Equities

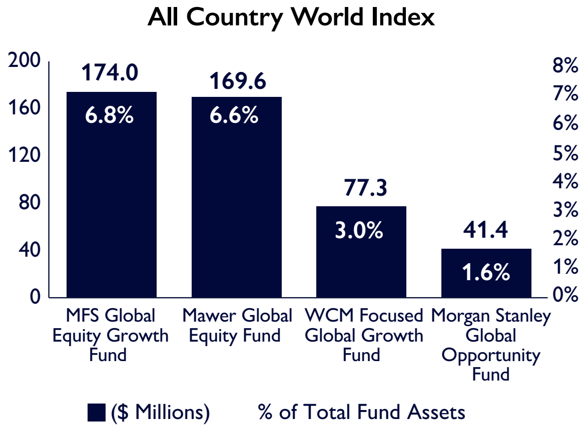


All Country World Index (ACWI)

In 2023, the foreign equities portfolio was transitioned from a regionally allocated portfolio to a 100% actively managed global equity portfolio benchmarked against Morgan Stanley Capital International (MSCI) ACWI, in accordance with the approved SAA for the Fund.

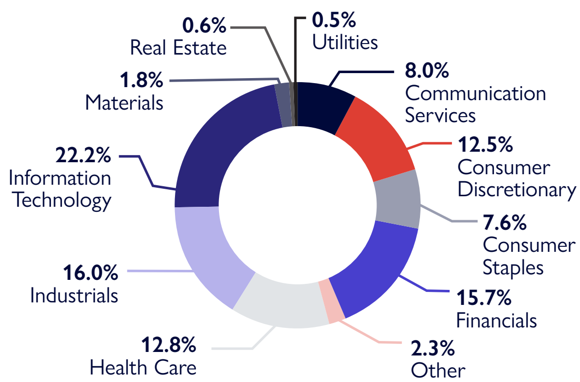
In January 2023, the funds in the passively managed ACWI index fund were used to invest into three actively managed global equity funds — MFS Investment Management Canada Limited, WCM, and Mawer Investment Management Ltd. This step finalized the transition process to an entirely global equity ACWI portfolio. Adding the three new managers to the existing manager, Morgan Stanley (MS), allowed for manager style diversification to the Fund's global equity ACWI portfolio.

Foreign equities broaden exposures beyond what is available in the Canadian market. As of December 31, 2023, the foreign equity portfolio was comprised entirely of four actively managed global equity ACWI pooled fund investments:



Equity markets, in general, were quite volatile in 2023, including international markets. In 2023, the overall ACWI equity portfolio returned 22.3% compared to the benchmark of 18.9%.

All Country World Index — by Sector

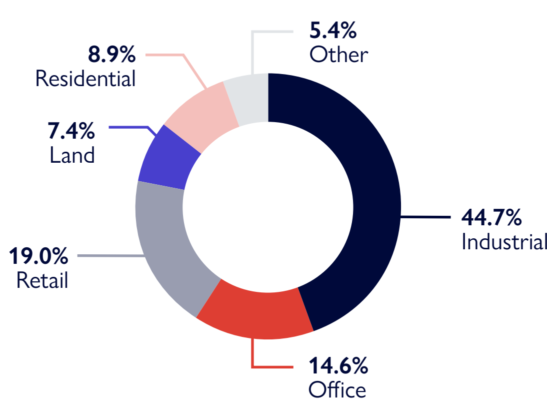


Real Assets

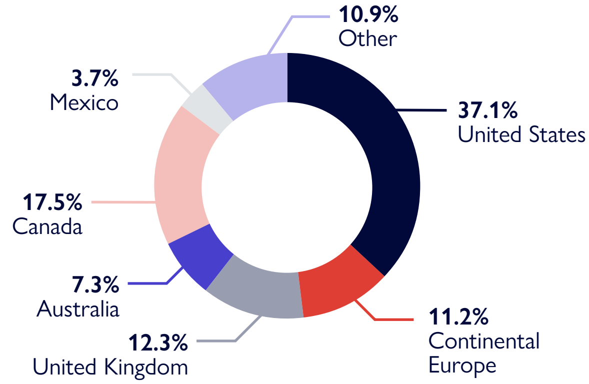
Real assets are diversified across real estate, infrastructure and other real assets. The process of selecting real asset investment opportunities involves evaluating a range of factors. Real estate and infrastructure holdings are well diversified across sectors and markets with significant exposure to Canada, the United States, Europe and the United Kingdom.

The real assets portfolio returned 9.6% in 2023 compared to the benchmark return of 0.9%. Real assets performance is lagged by one quarter (September to September return comparison). The real estate portfolio returns were mainly driven by continued rental growth and low vacancy within the industrial sector holdings. The infrastructure portfolio benefitted from strong performance within the regulated energy and digital infrastructure sectors, as well as some recovery within the transportation sector.

Real Estate Investment by Sector



Infrastructure Geographic Location

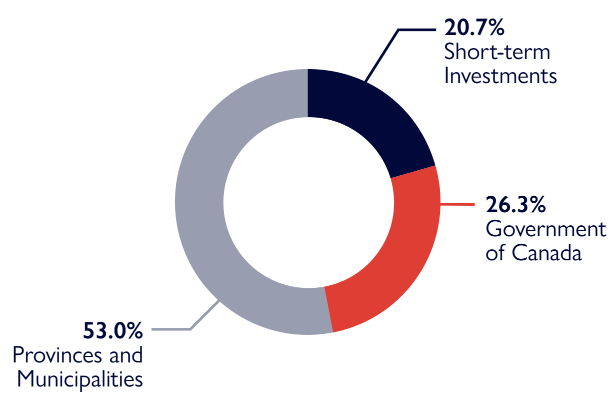


Fixed Income

The fixed-income portfolio comprises nominal and real return bonds. Whereas a nominal bond pays a fixed coupon over time, real return bonds pay a coupon that is periodically adjusted for inflation and therefore provides better protection against the risk of inflation. The Fund's allocation to fixed-income reduces overall portfolio volatility, provides investment income and limits the interest rate risk inherent in the Plan's liabilities. The Fund invests in securities issued by the Government of Canada and provincial governments.

The strip bonds and real return portions of the Fund's fixed-income portfolio returned 12.9% and —1.9% respectively, while the long government bonds returned 8.4%, outperforming the benchmark by 0.3%.

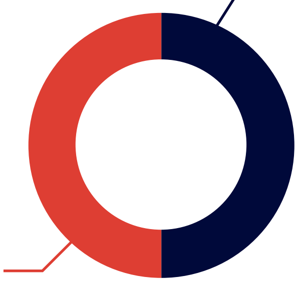
Fixed-Income Nominal Bonds



Fixed Income - Emerging Market Debt

As of December 31, 2023, the Emerging Markets Debt (EMD) portfolio was comprised entirely of two actively managed pooled fund investments and returned 7.7% compared to its benchmark of 7.6%.

Emerging Market Debt



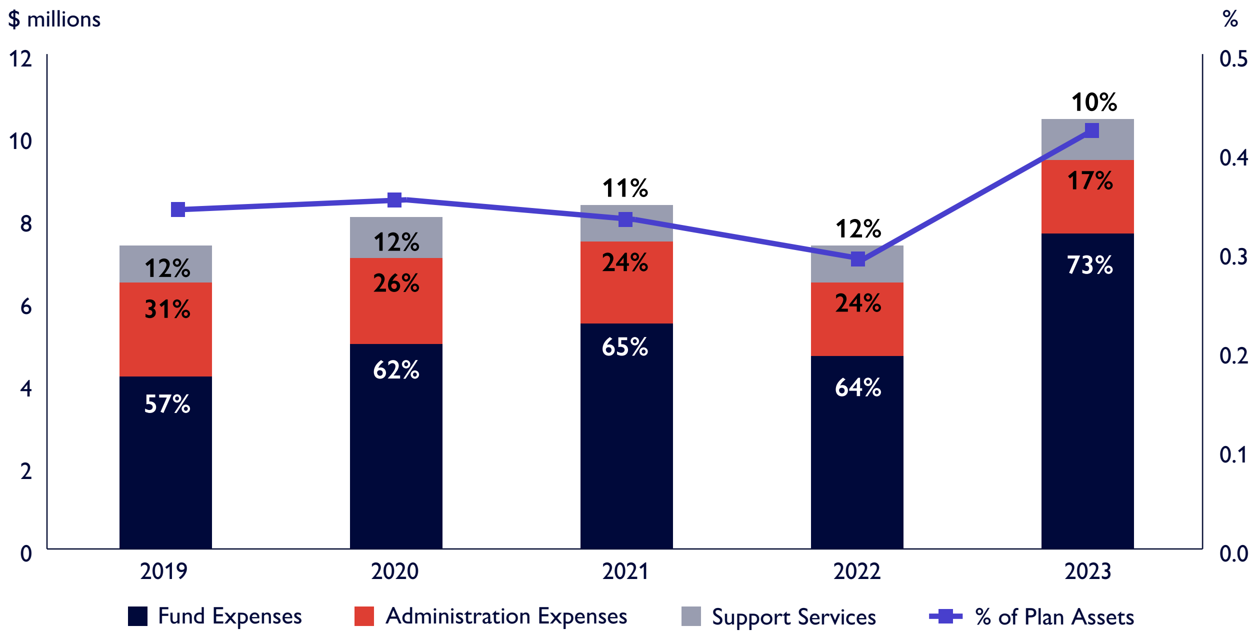
Private Debt

Beginning in Q1 2023, we began investing in a new category of private growth assets, which is referred to here as private debt. This category consists of a single actively managed fund. As of December 31, 2023, the Fund's value reached approximately $15.8 million, comprising 0.6% of the total Fund assets. The portfolio achieved a return of 5.1%, outperforming its benchmark of 0.6%. Performance reporting for these private growth assets is one quarter delayed (March to September return).

Operations Management

Expenses as a percentage of total Plan assets is higher than prior years. This is mainly due to the transition to more actively managed assets in the ACWI and Emerging Market Debt portfolios that led to higher investment management fees in 2023.

Operating Expenses



Fund expenses include costs to manage the Funds' assets, which include internal salaries and investment management fees. Administration expenses include pension plan administrative costs such as third-party service providers and internal salaries. Support services include legal, finance and operating services.

Employee and employer contributions play an important role in the funding of the Plan and add to the growth of the Plan's assets. In 2023, the total contributions to the Plan totalled $39.1 million (2022 - $46.7 million). The decrease is primarily due to higher discount rates that led to lower total current service costs in 2023. The employee contribution rates are determined on the basis of our actuarial valuation results, with the goal of maintaining a 50:50 cost-sharing ratio over the long term.

A total of $103.6 million (2022 - $101.0 million) in pension benefits was paid to Plan members in 2023.

Actuarial Valuation

All federally registered pension plans are required to undertake an actuarial valuation annually for regulatory purposes, unless the solvency ratio is greater than 120%. The principal purposes of an actuarial valuation include determining the financial position of a plan and providing the basis for contributions from the employer.

An independent external actuary completes an actuarial valuation that must meet stringent legislative standards. It addresses long-term demographic trends, retirement experience and a wide variety of other factors that are analyzed in depth to determine whether changes in the Plan's basic assumptions are needed. Management reviews the valuation report, which is then approved by the Board of Directors and filed with OSFI and CRA.

Any differences between actuarial assumptions and future experience will emerge as gains and losses in future valuations, and they will affect the financial position of the Plan and the contributions required to fund it at that time.

The actuarial valuation focuses on two fundamental aspects of the funded status of CMHC's registered defined benefit plan: going concern and solvency. These measure the sufficiency of the Fund's assets to meet the Plan's liabilities from two different perspectives.

The going concern valuation assumes that the Plan continues indefinitely. This valuation uses the expected long-term investment return associated with the Fund's diversified mix of assets at the valuation date to value the Plan.

The solvency valuation assumes a hypothetical immediate termination of the Plan and that no further contributions are made. This valuation uses the interest rates prevailing at the valuation date to value the Plan based on an assumption that all assets are invested only in high-quality, fixed-income-related investments.

The December 31, 2023, valuation reported that the Plan had a surplus on a going concern basis of $721 million and a going concern funded ratio of 139.3%. As of December 31, 2023, the value of the smoothed net assets was $2,554 million and the value of liabilities was $1,833 million.

As permitted by the PBSA, the actuarial value of assets used for the determination of the going concern funded position is determined through a method that smooths fluctuations in actual investment returns relative to expected investment returns over five years. The going concern funded ratio decreased from last year's valuation as a result of a lower going concern discount rate.

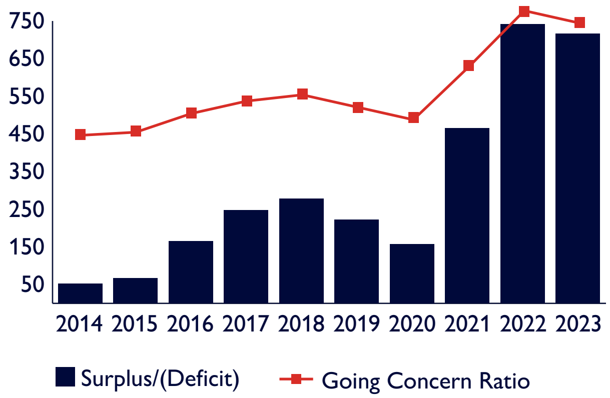
The December 31, 2023, valuation also reported that the Plan had a surplus on a solvency basis of $245 million and a solvency funded ratio of 111.2%. The solvency funded ratio improved from 2022 because of a higher solvency discount rate. The value of net assets in this valuation is based on the Fund's market value of net assets at December 31, 2023, and it was $2,423 million (net of termination costs of $4 million). The value of liabilities on a solvency basis was $2,178 million.

The funded positions of the Plan on a going concern and solvency basis, as determined by the actuarial valuations filed with regulators, are shown in the charts below.

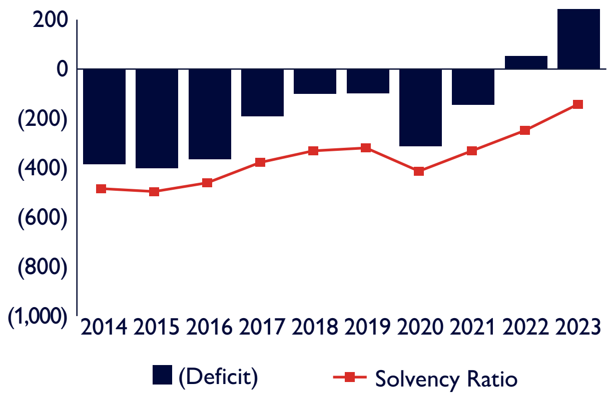
OSFI Instruction Guide — Preparation of Actuarial Reports for Defined Benefit Pension Plans ("Revised Guide")

OSFI released its Revised Guide that will be applicable for actuarial valuations on and after December 31, 2023. The Revised Guide reflects revisions made to Part 3000 of the Canadian Institute of Actuaries Standards of Practice, updated requirements regarding the maximum going concern discount rate and other updates. We have determined that the changes prescribed by OSFI do not have a material impact on the solvency liability of CMHC's Plan.

Net Actuarial Position on a Going Concern Basis



Net Actuarial Position on a Solvency Basis



Actuarial Opinion

Mercer (Canada) Limited was retained by Canada Mortgage and Housing Corporation to perform an actuarial valuation of the CMHC Pension Plan for purposes of determining the pension obligations of the Plan, and changes therein, for the year ended 31 December 2023, for inclusion in the Plan's financial statements prepared in accordance with Section 4600 of the *Chartered Professional Accountant Handbook*. The objective of the Plan's financial statements is to fairly present the financial position of the Plan as at 31 December 2023 on a going concern basis. The results of our valuation might not be appropriate for and should not be relied upon or used for any other purposes.

We have reviewed the net assets available for benefits as of 31 December 2023 for internal consistency, and we have no reason to doubt its substantial accuracy. We have also tested the membership data received from CMHC for the year ended 31 December 2023 and found the results of these tests to be satisfactory.

To our knowledge, the actuarial valuation as at 31 December 2023 reflects the Plan's provisions at that date. The actuarial method prescribed by the *Chartered Professional Accountant Handbook* was used. The actuarial assumptions were selected by CMHC as their best long-term estimates of future events, in consultation with Mercer. Nonetheless, the future experience of the Plan will inevitably differ, perhaps significantly, from the assumptions and will result in gains or losses that will be revealed in future valuations.

In our opinion, the data on which the valuation is based is sufficient and reliable for the purposes of the valuation, and the actuarial assumptions are in accordance with accepted actuarial practice in Canada.

Our valuation and related report were prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

Mercer

Actuaries of the CMHC Pension Plan
Ottawa, Ontario
February 22, 2024

Pascal Berger, FCIA, FSA
Principal

Valérie Bérubé, FCIA, FSA
Principal

Additional Information

Plan and Fund Administration

Human Resources

Caroline Bilodeau
Vice-President, People and Culture and Human Resources Operations

Investments and Pension

Mark Chamie
Vice-President, Investments and Treasury

Legal Advisor

Mark Young
General Counsel

Pension Consultant and Actuary

Mercer (Canada) Limited
Ottawa, Ontario

Auditors

Ernst & Young LLP
Chartered Professional Accountants

Licensed Public Accountants
Ottawa, Ontario

Pension Benefits Administrator

Aon

For Answers to Your Pension Questions

For information regarding your pension, please contact the CMHC Pay and Benefits Centre at 1-800-465-9932 or visit the CMHC Pay and Benefits Centre Web Portal by typing the following address into your browser's address bar: www.cmhc.ca/employee

To Provide Feedback on this Report

The CMHC Pension Plan Annual Report provides all members with financial and operational information on the Plan and Fund. Your feedback on this Report would be welcomed. Please address your comments or suggestions to:

Senior Manager, Financial Reporting
Canada Mortgage and Housing Corporation
700 Montreal Road
Ottawa, ON K1A 0P7

Management's Responsibility for Financial Reporting

Year ended 31 December 2023

Management is responsible for the integrity and objectivity of the financial statements and related financial information presented in this Annual Report. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans and, consequently, include amounts that are based on the best estimates and judgment of Management. The financial information contained elsewhere in this Annual Report is consistent with the financial statements.

In carrying out its responsibilities, Management maintains appropriate financial systems and related internal controls to provide reasonable assurance that financial information is reliable; assets are safeguarded; transactions are properly authorized and are in accordance with the relevant legislation and Government directives; resources are managed efficiently and economically; and operations are carried out effectively.

Pursuant to a Trust Agreement, the Board of Directors of Canada Mortgage and Housing Corporation (CMHC) has delegated the management and administration of the Pension Fund to the Trustees of CMHC's Pension Fund (the Trustees). The Trustees have approved these audited financial statements and the CMHC Board of Directors has approved this Annual Report. In addition, Mercer (Canada) Limited performed an actuarial valuation of the Pension Plan's assets and going-concern obligation in accordance with regulatory requirements.

Ernst & Young LLP has audited the financial statements in accordance with Canadian generally accepted auditing standards. The auditors have full access to the Trustees to discuss their audit and related matters.

Derek Ballantyne
Chair, Pension Fund Trustees

Nadine Leblanc, CPA
Interim Chief Financial Officer
and Senior Vice President, Policy

Independent Auditor's Report

To the Trustees of Canada Mortgage and Housing Corporation Pension Fund

Opinion

We have audited the financial statements of the **Canada Mortgage and Housing Corporation Pension Plan** [the "Plan"], which comprise the statement of financial position as at December 31, 2023, the statement of changes in net assets available for benefits and statement of changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of 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.

Other information

The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the 2023 Annual Report. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the 2023 Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 these financial statements.

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

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

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

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Canada
March 8, 2024

Financial Statements

Statement of Financial Position

As at 31 December (in thousands of Canadian dollars)	2023	2022
Assets		
Investments *(note 3,6)*	**2,566,765**	2,656,732
Accrued interest and dividends receivable	**3,878**	7,095
Cash	**1,057**	57
	2,571,700	2,663,884
Liabilities		
Securities sold under repurchase agreements	**138,921**	382,435
Mortgages payable *(note 6)*	**4,667**	8,216
Accounts payable and accrued liabilities	**1,382**	1,065
	144,970	391,716
Commitments *(note 13)*		
Net assets available for benefits	**2,426,730**	2,272,168
Pension obligations *(note 7)*	**1,832,614**	1,753,808
Surplus	**594,116**	518,360

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

On behalf of the Trustees:

Derek Ballantyne
Chair, Pension Fund Trustees

Michel Tremblay CPA
Trustee of the Pension Fund
Acting President and Chief Executive Officer of CMHC

Statement of Changes in Net Assets Available for Benefits

Year ended 31 December (in thousands of Canadian dollars)	2023	2022
Net assets available for benefits		
Beginning of year	**2,272,168**	2,618,727
Increase (decrease) in net assets		
Investment earnings *(note 4)*		
Change in fair value of investments	**178,524**	(347,732)
Investment income	**51,099**	62,843
	229,623	(284,889)
Contributions *(note 8)*		
Employer	**13,878**	22,139
Employees	**25,188**	24,607
	39,066	46,746
	268,689	(238,143)
Decrease in net assets		
Retirement benefit payments *(note 9)*	**94,317**	89,673
Termination benefit payments	**9,266**	11,326
Operating expenses *(note 10)*	**10,544**	7,417
	114,127	108,416
Increase (decrease) in net assets available for benefits	**154,562**	(346,559)
Net assets available for benefits		
End of year	**2,426,730**	2,272,168

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

Statement of Changes in Pension Obligations

Year ended 31 December (in thousands of Canadian dollars)	2023	2022
Pension obligations, beginning of year	**1,753,808**	1,902,747
Increase (decrease) in pension obligations		
Interest accrued on benefits	**107,232**	96,318
Changes in actuarial assumptions loss (gain)	**25,451**	(224,505)
Benefits accrued	**41,106**	48,427
Retirement benefit payments *(note 9)*	**(94,317)**	(89,673)
Termination benefit payments	**(9,266)**	(11,326)
Experience loss	**8,600**	31,820
Net increase (decrease) in pension obligations	**78,806**	(148,939)
Total pension obligations, end of year *(note 7)*	**1,832,614**	1,753,808

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

Notes to Financial Statements

Year ended 31 December 2023

1. Description of plan

a) General

The CMHC Pension Plan (the Plan or the Fund) is a compulsory contributory pension plan for all employees who satisfy certain eligibility conditions. Under the Plan, contributions are made by Plan members and the Plan Sponsor, CMHC. The Plan's registration number with the Office of the Superintendent of Financial Institutions (OSFI) is 55086 and it is subject to the *Pension Benefits Standards Act*, 1985 (PBSA). The Plan is a registered pension plan as defined in the *Income Tax Act* and as such it is exempt from paying income taxes in Canada. The Plan may be liable for taxes on income earned in other jurisdictions.

b) Benefits

The following is a summary of the Plan as at 31 December 2023. For more complete information, reference should be made to the CMHC Pension Plan Rules (the Pension Plan Rules).

Under the Pension Plan Rules, pension benefits are determined by a formula based on a percentage of the average salary of the member's best five consecutive years multiplied by the number of years of benefit service. The pension is payable at the normal retirement date of a member or at an earlier date allowing for certain early retirement provisions in accordance with the Pension Plan Rules. The Plan provides survivor benefits for a member's eligible spouse or common-law partner. For service accrued before 1 January 2018, benefits are indexed to the Consumer Price Index (CPI) in accordance with the Pension Plan Rules. For service accrued on or after 1 January 2018, indexation of the benefits to the CPI is conditional in accordance with the Pension Plan Rules and approval from the Board of Directors. Benefits are integrated with the Québec/Canada Pension Plan.

c) Funding policy

The PBSA and its regulations require an actuarial valuation to be performed annually, unless the solvency ratio is greater than 120%, to estimate the Plan's surplus or deficit on a going-concern and solvency basis. These valuations are prepared in accordance with the *Standards of Practice — Pension Plans* as prescribed by the Canadian Institute of Actuaries. The PBSA requires that the Plan be funded in accordance with the actuarial valuation prepared by the designated actuary. The PBSA also requires CMHC to pay into the Plan all amounts required to meet the prescribed tests and standards for solvency.

Plan benefits are funded through a combination of contributions and investment returns. Contributions are required from both CMHC and the employee. The Plan's funding policy is reviewed every three years and aims to ensure the long-term financial health of the Plan and sustain funding at a level that is adequate to provide for member benefits. Contribution rates are established through actuarial funding valuations to determine the funded position of the Plan. Employees, who are members of the Plan, are required to contribute a percentage of their pensionable earnings to the Plan at rates set by the Board of Directors. Employee contribution rates for each of the Plan's options are periodically updated to maintain a 50:50 cost sharing of the Plan's current service cost between employees and CMHC.

Employee contribution rates to the Plan are as follows:

	July 2022 – December 2023		January 2022 – June 2022	
Contribution rates by members	Salary up to YMPE[1]	Salary above YMPE[1]	Salary up to YMPE[1]	Salary above YMPE[1]
Option A	8.75%	11.50%	9.90%	13.40%
Option B	6.00%	8.75%	6.70%	10.00%

[1] Yearly maximum pensionable earnings (YMPE) were $66,600 in 2023 and $64,900 in 2022.

2. Significant accounting policies

a) Basis of presentation

These financial statements have been prepared on a going concern basis in accordance with the Canadian accounting standards for pension plans as set out in Section 4600, Pension Plans (Section 4600), in Part IV of the *CPA Canada Handbook — Accounting*, which prescribes accounting policies specific to pension plans, including investments and pension obligations. These financial statements present the information of the Plan as a separate reporting entity independent of the Plan Sponsor and Plan members.

For accounting policies that do not relate to investments or pension obligations, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) are applied. To the extent that IFRS is inconsistent with Section 4600, Section 4600 takes precedence.

In accordance with Section 4600, investments, including those in which the Plan has a controlling interest, are presented on a non-consolidated basis.

The objective of these financial statements is to assist Plan members and other users in reviewing the activities of the Plan. The financial statements do not purport to reflect the financial status of the Plan if terminated on the date of the financial statements, the funding requirements of the Plan or the pension expense that should be included in the financial statements of the Plan Sponsor. As the financial statements pertain to the Plan as a whole, they provide no information about the portion of assets attributable to any individual member or group of members.

b) Accounting estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, the reported amounts of changes in net assets available for benefits during the year and the reported amount of the actuarial present value of accrued pension benefits and net assets available for benefits at the date of the financial statements. These estimates are based on management's best knowledge of current events and actions that the Plan may undertake in the future.

While inflation has decreased in 2023 compared to the elevated levels of the previous year, we continue to assess the long-term inflation assumption for our pension obligation. Significant judgment, estimates and assumptions used in the valuation of the real assets and in the calculation of the pension obligations are described in further details in Note 3 and Note 7, respectively.

c) Investments

Investments consist of short-term investments, bonds and debentures, real return securities, emerging market debt, private debt, equities, real estate, infrastructure, and other real assets.

Valuation of investments

Purchases and sales of investments are recorded on the settlement date. Investments are measured at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The following describes how the fair value of investments is determined:

i) Short-term investments consist of bankers' acceptances and Government of Canada Treasury bills and are valued based on quoted market yields.

ii) Bonds, debentures, and real return securities are valued based on a third-party pricing provider, which uses market data from a variety of sources. Actively traded instruments are valued based on market data such as indicative quotes or trade prices for identical securities. Instruments that are not actively traded are valued based on techniques using other observable inputs, such as spread differentials of similar actively traded securities.

iii) Emerging market debt are fixed-income investments in sovereign and corporate bonds of issuers located in developing countries. The Net Asset Value (NAV) is prepared by the investment fund managers based on the last traded price quotes from an active market for instruments that are actively traded. Instruments that are not sufficiently actively traded are valued based on other techniques using observable inputs, such as quoted prices from similar actively traded instruments.

iv) Private debt is comprised of investments in pooled funds which are valued at NAVs prepared by the investment fund managers using appropriate valuation techniques. In general, the fund managers prepare the valuation using either an income approach or market approach as the main valuation techniques. The fund managers consider relevant information to the valuation, such as borrower financials, trend analysis, key performance indicators and the current state of the business.

v) Canadian equities' fair value is based on last traded price quotes from active markets. United States (U.S.) and other foreign equities are held through the investment funds. The fair value of these funds are priced based on NAVs as reported by the investment fund managers. The net asset value is calculated based on the quoted market prices of the fund's assets less the fund's liabilities, divided by the total number of outstanding units.

vi) Real estate comprises direct investments by the Fund in real estate (properties held to earn rental income or for capital appreciation, or both), investments in a wholly owned real estate corporation established under Section 149 of the *Income Tax Act*, and investments in real estate pooled funds. Direct investments in real estate by the fund or wholly owned real estate corporation are valued at estimated fair values based on independent appraisals completed at least once every three years plus net working capital. Investments in pooled funds are valued at NAVs, as provided by the investment fund managers.

vii) Infrastructure and other real assets comprise investments in infrastructure and other real asset funds, respectively. The fair value is the NAV reported by the investment fund managers. The NAV is based on independent appraisals of the underlying infrastructure, infrastructure-related assets and other real assets held by these funds.

Investment earnings

Investment earnings consist of changes in the fair value of investments and investment income. The change in the fair value of investments comprises unrealized gains and losses from changes in fair value in the period, as well as realized gains and losses on the sale of investments.

Investment income is recorded on an accrual basis. Interest income is recognized using the effective interest method. Infrastructure fund income represents cash distribution entitlements of the Fund, and real estate income represents net rental revenue after expenses. Dividend income is recognized on the ex-dividend date when the right to the dividend is established.

Investment transaction costs

Transaction costs, which are incremental costs incurred on the purchase and sale of investments, are expensed as incurred in operating expenses.

d) Assets and liabilities with cost approximating fair value

Due to their short-term nature, cash, accrued interest and dividends receivable, and accounts payable and accrued liabilities are measured at cost, which approximates fair value.

e) Securities sold under repurchase agreements

Repurchase agreements consist of the sale of securities with the commitment to repurchase the securities from the original buyer at a specified price and future date in the near term. The securities sold are pledged as collateral and presented as investments on the Statement of Financial Position. The proceeds received are accounted for as a financial liability, measured at fair value. Proceeds received from these agreements are generally invested in investments.

f) Mortgages payable

Mortgages are measured at amortized cost, which approximates fair value. Mortgages associated with real estate are made at commercial mortgage rates.

g) Pension obligations

Pension obligations for the Plan are determined based on an actuarial valuation for funding purposes prepared by an independent actuarial firm. The valuation is prepared in accordance with regulatory requirements and uses management's best estimate assumptions.

h) Contributions

Contributions for current service are recorded in the year in which the related services are performed. Contributions for past service and special payments are recorded in the year they are made. Transfer deficiency payments are recorded in the year to which they relate.

i) Benefits paid

Benefits are recorded in the period in which they are paid. Benefit payments that are due as at year-end are recorded in accounts payable and accrued liabilities.

j) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the rate of exchange prevailing at the dates of the transactions. The fair values of the investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end. The realized and unrealized gains and losses arising from these translations are included in the change in fair value of investments.

k) Current and future changes in accounting policies

There were no new or amended standards issued by the International Accounting Standards Board (IASB) and Accounting Standards Board (AcSB) that we adopted during the year ended 31 December 2023 that had a material impact on our consolidated financial statements.

There are no anticipated impacts on our consolidated financial statements from any future changes in accounting standards issued but not yet effective.

3. Investments

a) General

The following table shows the cost and fair value of the Fund's investments.

(in thousands)	2023 Cost[1]	2023 Fair value	2022 Cost[1]	2022 Fair value
Liability hedging assets				
Fixed-income				
Short-term investments	**137,203**	**137,165**	137,487	137,450
Bonds and debentures[4]				
Government of Canada	**202,291**	**174,006**	208,646	160,020
Provinces/municipalities	**365,314**	**351,424**	670,794	560,679
Total bonds and debentures	**567,605**	**525,430**	879,440	720,699
Real return securities				
Government of Canada	**276,535**	**272,132**	246,819	246,792
Provinces/municipalities	**2,589**	**3,553**	2,560	3,514
Total real return securities	**279,124**	**275,685**	249,379	250,306
	983,932	**938,280**	1,266,306	1,108,455
Growth assets				
Equity				
Canadian	**212,632**	**468,737**	217,907	450,086
All Country World Index (ACWI)[2]	**429,561**	**462,330**	455,531	441,041
Total equity	**642,193**	**931,067**	673,438	891,127
Debt				
Emerging market debt	**86,000**	**103,329**	86,000	95,954
Private debt	**15,522**	**15,781**	-	-
Total debt	**101,522**	**119,110**	86,000	95,954
Real assets				
Real estate[3]	**226,992**	**373,556**	225,045	374,677
Infrastructure	**145,281**	**176,522**	136,699	165,063
Other	**18,919**	**28,230**	18,503	21,456
Total real assets	**391,192**	**578,308**	380,247	561,196
	1,134,907	**1,628,485**	1,139,685	1,548,277
Total	**2,118,839**	**2,566,765**	2,405,991	2,656,732

[1] Represents amortized cost for fixed-income.

[2] The 2022 ACWI amount combines the U.S. and Other Foreign public equity investment balances reported separately in the prior year.

[3] Real estate includes $302.5 million held by the Fund's subsidiaries (2022 — $301.3 million), which is reported net of the subsidiaries' mortgage liabilities of $81.5 million (2022 — $84.6 million) and net working capital of $0.1 million (2022 — $0.1 million).

[4] Includes $140.0 million (2022 — $359.4 million) of investments that are pledged as collateral as part of securities sold under repurchase agreements. The Fund continues to earn investment income and recognize changes in fair value on these investments in the statement of changes in net assets available for benefits.

b) Fair value hierarchy

Investments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Assets and liabilities that are measured based on unadjusted quoted prices in active markets for identical assets or liabilities.
- **Level 2:** Assets and liabilities that are measured based on observable inputs other than Level 1 prices. Level 2 inputs include prices obtained from markets that are not considered sufficiently active, and fair values obtained by discounting expected future cash flows, making maximum use of directly or indirectly observable market data.
- **Level 3:** Assets and liabilities not quoted in active markets that are measured using valuation techniques. Where observable inputs are not available, unobservable inputs are used. For Level 3 assets and liabilities, unobservable inputs are significant to the overall measurement of fair value.

The following table presents the fair value hierarchy for the Fund's investments.

	2023				2022			
(in thousands)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liability hedging assets								
Fixed-income								
Short-term investments	-	137,165	-	137,165	114,919	22,531	-	137,450
Bonds and debentures								
Government of Canada	120,186	53,820	-	174,006	111,216	48,804	-	160,020
Provinces/municipalities	243,387	108,037	-	351,424	390,806	169,873	-	560,679
Total bonds and debentures	363,573	161,857	-	525,430	502,022	218,677	-	720,699
Real return securities								
Government of Canada	41,811	230,321	-	272,132	39,043	207,749	-	246,792
Provinces/municipalities	-	3,553	-	3,553	-	3,514	-	3,514
Total real return securities	41,811	233,874	-	275,685	39,043	211,263	-	250,306
	405,384	532,896	-	938,280	655,984	452,471	-	1,108,455
Growth assets								
Equity								
Canadian	468,737	-	-	468,737	450,086	-	-	450,086
ACWI[1]	462,330	-	-	462,330	440,605	-	436	441,041
Total equity	931,067	-	-	931,067	890,691	-	436	891,127
Debt								
Emerging market debt	59,298	44,031	-	103,329	48,585	47,369	-	95,954
Private debt	-	-	15,781	15,781	-	-	-	-
Total debt	59,298	44,031	15,781	119,110	48,585	47,369	-	95,954
Real assets								
Real estate	-	-	373,556	373,556	-	-	374,677	374,677
Infrastructure	-	-	176,522	176,522	-	-	165,063	165,063
Other	-	-	28,230	28,230	-	-	21,456	21,456
Total real assets	-	-	578,308	578,308	-	-	561,196	561,196
	990,365	44,031	594,089	1,628,485	939,276	47,369	561,632	1,548,277
Total	1,395,749	576,927	594,089	2,566,765	1,595,260	499,840	561,632	2,656,732

[1] The 2022 ACWI amount combines the U.S. and Other Foreign public equity investment balances reported separately in the prior year.

Transfers between fair value hierarchy levels

For assets and liabilities measured at fair value in the financial statements, the Fund determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period. Transfers are dependent on internal classification criteria that are based on variables such as observability of prices and market trading volumes considered as at each balance sheet date. Transfers between levels are deemed to occur at the beginning of the year in which the transfer occurs. During the year, the Fund reclassified $19.2 million of securities from Level 2 to Level 1 (2022 – $1.5 million) and $20.9 million securities from Level 1 to Level 2 (2022 – $63.9 million).

The following table presents the change in the fair value of Level 3 investments:

(in thousands)	Real estate	Infrastructure	Other real assets	ACWI	Private debt	Total
2023						
Fair value as at 1 January 2023	**374,677**	**165,063**	**21,456**	**436**	**-**	**561,632**
Additions	**15,633**	**13,517**	**837**	**-**	**15,522**	**45,509**
Disposals	**(11,013)**	**(5,477)**	**-**	**(436)**	**-**	**(16,926)**
Unrealized gains (losses)[1]	**(6,413)**	**2,731**	**5,937**	**-**	**617**	**2,872**
Realized gains (losses)[1]	**672**	**688**	**-**	**-**	**(358)**	**1,002**
Fair value as at 31 December 2023	**373,556**	**176,522**	**28,230**	**-**	**15,781**	**594,089**
2022						
Fair value as at 1 January 2022	305,849	132,767	18,355	-	-	456,971
Additions	31,650	16,036	2,376	761	-	50,823
Disposals	(8,848)	(241)	-	(325)	-	(9,414)
Unrealized gains (losses)[1]	39,601	26,600	2,900	-	-	69,101
Realized gains (losses)[1]	6,425	(10,099)	(2,175)	-	-	(5,849)
Fair value as at 31 December 2022	374,677	165,063	21,456	436	-	561,632

[1] Included in change in fair value of investments on the statement of changes in net assets available for benefits.

Level 3 unobservable inputs and sensitivity analysis

Real estate, infrastructure, other real assets

For these investments, trading activity is infrequent and fair values are based on independent appraisals which consider comparable transactions and/or discounted cash flow. The valuations include significant inputs such as occupancy rates, capitalization rates and discount rates that are unobservable and may significantly affect the measurement of fair value. The valuations were based on the independent appraisers' assessments of the prevailing conditions as at 31 December 2023, which may change materially in subsequent periods.

The fair value of investments in real estate, infrastructure and other real assets through investment funds is based on the NAVs reported by the investment fund managers. At 31 December 2023, these investments had a fair value of $412.5 million (2022 — $402.5 million). In determining NAVs, fund managers obtain independent appraisals of the individual real assets. All real asset investments other than investments in real properties that are held directly or through a wholly owned real estate corporation, are held through investment funds.

Investments in real properties that are held directly or through a wholly owned real estate corporation are valued with the use of capitalization rates. At 31 December 2023, these investments had a fair value, gross of mortgage liabilities, of $247.3 million (2022 — $243.4 million) and their capitalization rates ranged from 5.4% to 7.9% (2022 — 4.4% to 9.1%). Other reasonable possible alternative assumptions such as occupancy rates are not readily available or possible to estimate accurately. As a result, the Plan is not able to determine a change in the fair values derived from a reasonable possible alternative assumption.

Significant increases (decreases) in inputs such as capitalization rates could result in significantly lower (higher) fair values.

Private debt

Private debt investments are held through investment fund managers and the fair value is determined based on the NAVs reported by the fund managers. The valuation approach for the private debt holdings is determined based on whether the loans are performing or distressed. Performing loans are valued based on an income approach using yield analysis. Distressed loans are valued based on a net recovery approach, which relies on the enterprise value of the asset which can be determined using either a market approach or income approach. These valuation methodologies include significant inputs such as discount rates and cash flow projections.

Significant increases (decreases) in discount rates and significant decreases (increases) in cash flow projections could result in significantly lower (higher) fair values.

4. Investment earnings (losses)

The following is a summary of investment earnings (losses) for the Fund by asset class:

	2023			2022		
(in thousands)	Change in fair value[1]	Investment income	Total	Change in fair value[1]	Investment income	Total
Liability hedging assets						
Fixed-income						
Short-term investments	**(11)**	**5,437**	**5,426**	(80)	1,511	1,431
Bonds and debentures	**43,398**	**23,389**	**66,787**	(250,182)	23,516	(226,666)
Real return securities	**(4,366)**	**2,194**	**(2,172)**	(62,371)	1,827	(60,544)
	39,021	**31,020**	**70,041**	(312,633)	26,854	(285,779)
Interest expense on repurchase agreements	**-**	**(13,240)**	**(13,240)**	-	(6,515)	(6,515)
	39,021	**17,780**	**56,801**	(312,633)	20,339	(292,294)
Growth assets						
Equity						
Canadian	**34,899**	**15,659**	**50,558**	255	16,564	16,819
ACWI[2]	**93,022**	**2,511**	**95,533**	(100,631)	7,909	(92,722)
Total equity	**127,921**	**18,170**	**146,091**	(100,376)	24,473	(75,903)
Debt						
Emerging market debt	**7,708**	**-**	**7,708**	9,955	-	9,955
Private debt	**259**	**188**	**447**	-	-	-
Total debt	**7,967**	**188**	**8,155**	9,955	-	9,955
Real assets						
Real estate	**(5,741)**	**9,335**	**3,594**	46,027	11,299	57,326
Infrastructure	**3,419**	**4,279**	**7,698**	8,570	5,690	14,260
Other	**5,937**	**1,347**	**7,284**	725	1,042	1,767
Total real assets	**3,615**	**14,961**	**18,576**	55,322	18,031	73,353
	139,503	**33,319**	**172,822**	(35,099)	42,504	7,405
Total	**178,524**	**51,099**	**229,623**	(347,732)	62,843	(284,889)

[1] Change in fair value includes a realized net loss of \$14.8 million (2022 — net loss of \$18.3 million) and an unrealized net gain of \$193.3 million (2022 — net loss of \$329.4 million).

[2] The 2022 ACWI amount combines the U.S. and Other Foreign public equity investment balances reported separately in the prior year.

5. Risk exposure and management

The key financial risks related to the Fund's assets are market risk, credit risk and liquidity risk. These are mitigated by policies that define the Fund's overall objective and circumscribe investments in terms of what is permitted, how investments may be made, and minimum standards for diversification, quality, and liquidity. Policies also describe the management structure and monitoring procedures adopted for the ongoing operation of the Fund.

a) Market risk

Market risk is the risk of adverse financial impact arising from changes in underlying market factors, including interest rates, foreign exchange rates and equity prices. The Fund is able to partially mitigate this risk by incorporating diversification requirements in its investment policies and guidelines. Diversification reduces the risk of market value decreases and helps protect the Fund from potential negative impacts within one asset class or sector.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Pension obligations are also subject to interest rate risk. The Fund's interest rate exposure arises from mismatches in the timing and amount of cash flows of its assets and liabilities.

The Fund's interest rate risk is managed through its asset allocation policy, which considers the liability profile of the Fund and diversifies its assets, and other policies that limit the price sensitivity of fixed-income assets to interest rate changes relative to established benchmark indices.

The impact of a 100 bps increase or decrease in interest rates on the fair value of fixed-income securities including emerging market debt, real return securities and securities sold under repurchase agreements would be:

	2023 Interest rate shift		2022 Interest rate shift	
(in thousands)	+100 bps	-100 bps	+100 bps	-100 bps
Short-term investments	**(96)**	**96**	(110)	110
Bonds and debentures[1]	**(90,150)**	**113,905**	(117,718)	151,916
Real return securities	**(47,835)**	**60,071**	(45,038)	57,073
Securities sold under repurchase agreements	**33**	**(33)**	249	(250)
	(138,048)	**174,039**	(162,617)	208,849

[1] Includes emerging market debt.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an investment will fluctuate as a result of changes in foreign exchange rates and is associated with the Fund's foreign investments. At 31 December 2023, the Plan's exposure to foreign currencies expressed in Canadian dollars was $577.3 million to U.S. dollars and $206.1 million to European, Asian and other currencies (31 December 2022 — $544.1 million to U.S. dollars and $218.7 million to European, Asian and other currencies).

Fluctuation in foreign exchange rates will have a negative or positive impact on the value of investments in foreign denominations. The following table demonstrates the impact of a 100-bps increase or decrease in the foreign currency exchange rates on the fair value of the Fund's foreign currency denominated investments:

	2023 Foreign currency shift		2022 Foreign currency shift	
(in thousands)	+100 bps	-100 bps	+100 bps	-100 bps
U.S.	**5,773**	**(5,773)**	3,755	(3,755)
Other foreign	**2,061**	**(2,061)**	1,615	(1,615)
Total	**7,834**	**(7,834)**	5,370	(5,370)

Equity price risk

Equity price risk is the risk that the fair value of an investment will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer, or factors affecting all securities traded in the market. The Fund's exposure to equity price risk arises primarily from investments in equities. Policies set minimum standards for diversification of assets at the total Fund level and within individual portfolios.

A concentration of equity price risk exists when a significant portion of an equity portfolio is invested in entities that operate in the same industry or engage in similar activities and are affected similarly by changes in economic or other conditions. The following table outlines the sectors in which the equity portfolios are invested:

	2023		2022	
(in thousands, unless otherwise indicated)	$	%	$	%
Financials	**227,109**	**24.4**	212,806	23.9
Information technology	**144,601**	**15.5**	119,389	13.4
Industrials	**127,017**	**13.6**	102,635	11.5
Energy	**82,065**	**8.9**	103,263	11.6
Consumer discretionary	**81,342**	**8.7**	73,553	8.3
Consumer staples	**77,426**	**8.3**	67,140	7.5
Health care	**58,987**	**6.3**	56,160	6.3
Telecommunication services	**55,153**	**6.0**	54,179	6.1
Materials	**53,250**	**5.7**	54,218	6.1
Other	**10,627**	**1.2**	16,039	1.8
Utilities	**10,562**	**1.1**	20,746	2.3
Real estate	**2,928**	**0.3**	10,999	1.2
Total	**931,067**	**100.0**	891,127	100.0

As at 31 December 2023, 38.3% (2022 — 39.6%) of the Fund's investments, net of securities sold under repurchase agreements and mortgages payable, were in equities. The impact of an increase or decrease of 10% in equity prices, with all other factors held constant, would be an increase or decrease, respectively, in net assets available for benefits of $93.1 million (2022 — $89.1 million).

b) Credit risk

Credit risk is the risk of loss arising from a counterparty's inability to fulfil its contractual obligations. Credit risk includes the risk of default and encompasses both the probability of loss and the probable size of the loss, net of recoveries and collateral, over time.

The Fund's credit risk associated with investments is managed through policies that include minimum credit rating requirements and limits by sector, counterparty, and credit rating. If a credit change renders an approved investment holding ineligible, the Fund will take the necessary actions to restructure holdings while minimizing losses. The credit quality of issuers of debt securities is assessed by reference to published credit ratings and investment management analysis.

Credit risk exposure on fixed-income, emerging market debt and real return securities is divided into short-term (less than one year) and long-term (greater than one year). All short-term exposure must be rated R-1 high or equivalent unless issued or fully guaranteed by the Government of Canada or a Canadian province. The maximum exposure to credit risk for fixed-income, emerging market debt and real return securities is the carrying amount of these investments.

A concentration of credit risk exists when a significant portion of a credit portfolio is invested in entities that operate in the same industry or engage in similar activities and are affected similarly by changes in economic or other conditions.

The following table indicates the credit risk exposure and credit rating of fixed-income, emerging market debt and real return securities:

	2023		2022	
(in thousands, unless otherwise indicated)	$	%	$	%
Securities issued or guaranteed by:				
Government of Canada	**567,128**	**54.4**	521,731	43.4
Provinces/municipalities	**354,977**	**34.1**	564,193	46.8
Corporate/other	**119,504**	**11.5**	118,485	9.8
	1,041,609	**100.0**	1,204,409	100.0
Credit rating:				
AAA	**567,988**	**54.5**	524,771	43.5
A- to AA+	**382,343**	**36.8**	592,703	49.2
BBB- to BBB+	**55,277**	**5.3**	27,590	2.3
B- to BB+	**25,240**	**2.4**	46,500	3.9
C to CCC+	**6,660**	**0.6**	6,504	0.5
D	**3,176**	**0.3**	2,045	0.2
Not rated	**925**	**0.1**	4,296	0.4
	1,041,609	**100.0**	1,204,409	100.0

c) Liquidity risk

Liquidity risk is the risk that the Plan would not be able to meet its financial obligations as they come due. The Plan is exposed to liquidity risk through its pension obligations (Note 7), investment commitments (Note 13) and financial liabilities.

The Plan's financial liabilities consist of securities sold under repurchase agreements, mortgages payable, and accounts payable and accrued liabilities. The maturity analysis for mortgages payable is provided in Note 6. All securities sold under repurchase agreements have remaining terms that do not exceed 60 days. The term to maturity of accounts payable and accrued liabilities is within one year and the net amount payable is $1.4 million (2022 — $1.1 million).

Liquidity risk is managed through holdings of highly liquid short-term investments, forecasting of cash flow requirements, and daily monitoring. Cash sources include investment income, proceeds from the sale of investments, and employee and employer contributions.

6. Mortgages payable

At 31 December 2023, the mortgage payable bears interest at a fixed rate of 3.81% and has a renewal date of February 2026. The expectation is that this mortgage will be renewed at the renewal date, and mortgage payments will continue until the maturity date of April 2040. The estimated payments of principal and interest, up to the mortgage renewal date, are as follows:

	2023	
(in thousands)	Principal	Interest
2024	231	157
2025	207	164
2026	4,229	26
Total[1]	**4,667**	**347**

[1] During 2023, interest paid on these mortgages amounted to $0.3 million (2022 — $0.3 million).

The real estate investment balance is reported net of mortgages of $81.5 million (2022 — $84.6 million), held by the Fund's subsidiaries. The mortgages payable bear interest at fixed rates between 2.17% and 5.18%, with the exception of one non-amortizing mortgage that has a floating interest rate and with the exception of one revolving demand loan facility with interest of Bank's prime rate for Canadian dollar loans or bankers' acceptance rate plus 1.50% for Canadian dollar banker's acceptance. These mortgages have renewal dates between April 2024 and June 2030. The expectation is that these mortgages will be renewed at the renewal date, and mortgage payments will continue until the maturity dates which are between April 2024 and June 2048. The estimated payments of principal and interest on the mortgages held by the Fund's subsidiaries, up to the renewal dates, are as follows:

	2023	
(in thousands)	Principal	Interest
2024	45,031	1,910
2025	11,264	1,512
2026	649	1,186
2027	680	1,154
2028	713	1,121
2029 and thereafter	23,139	1,066
Total	**81,476**	**7,949**

7. Pension obligation

The actuarial present value of the pension obligation is an estimate of the value of accrued pension benefits of the Plan to date for all active and inactive members. The Plan's pension obligation is calculated using the same actuarial assumptions and methodology as the Plan's going-concern funding valuation as required by OSFI and the PBSA. As at 31 December 2023, an actuarial valuation of the Plan was conducted by Mercer (Canada) Limited and a copy of this valuation will be filed with OSFI and the Canada Revenue Agency (CRA).

The valuation was prepared using the projected unit credit method and reflects management's best estimate of future economic events, involving both demographic and economic assumptions. The demographic assumptions include considerations such as mortality, withdrawals, and retirement rates. The primary economic assumptions include the discount rate, inflation rate and the rate of compensation increase. The discount rate is determined by the long-term expected fund return based on the Plan's target asset mix and market expectations, less a margin for adverse deviations. The inflation rate is based on the use of the 31 December 2023 Consensus Economics survey of future year-end inflation, and the rate of compensation increase is based on the inflation rate and the long-term expectation of growth in wages.

The significant economic actuarial assumptions used in the valuation are as follows:

	2023	2022
Real discount rate	**4.2%**	4.3%
Inflation rate	**3.9%**[1]	6.80%
Rate of compensation increase	**3.25% + age-based promotional scale**	3.25% + age-based promotional scale
Mortality table (issued by the Canadian Institute of Actuaries)	**CPM2014 (CPM-B scale)**	CPM2014 (CPM-B scale)

[1] The inflation assumption will be revised to a short-term overlay of 3.9% in 2023 (6.8% in 2022), 2.6% in 2024 and 2.0% thereafter.

Variances between estimates and actual experience, which may be material, will emerge as gains and losses in future valuations and will be reflected in future valuations. The changes in the demographic and economic assumptions resulted in a net increase in the actuarial present value of pension benefits on a going concern basis of $78.8 million (2022 — net decrease of $148.9 million). Based on the 31 December 2023 valuation, the actuarial present value of accrued pension benefits on a going concern basis is $1.8 billion (2022 — $1.8 billion).

As is standard for actuarial valuations, it is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. It is not possible to determine the magnitude of any such changes. CMHC bears the risk of experience loss against the long-term assumptions and credit risk associated with the Plan asset portfolio and is responsible for the liability associated with the ongoing operations of the Plan.

The next required actuarial valuation will be completed as at 31 December 2024.

8. Contributions

Contributions comprise the following:

(in thousands)	2023	2022
Defined benefit		
Employer		
Current service	**13,660**	21,286
Transfer deficiency	**218**	853
Total employer	**13,878**	22,139
Employees		
Current service	**25,044**	24,555
Past service	**144**	52
Total employees	**25,188**	24,607
Total contributions	**39,066**	46,746

As permitted under section 9.16 of the PBSA and its regulation, CMHC received approval from the relevant ministers to reduce its required solvency special payments to nil. There were payments of $0.2 million (2022 — $0.9 million) to fund transfer deficiencies for members electing to transfer out of the Plan in 2023. A transfer deficiency is the amount by which the commuted value of pension benefits exceeds the product of that commuted value and the solvency ratio of the plan.

9. Benefits paid

(in thousands)	2023	2022
Retirement	**85,084**	80,596
Survivor	**8,522**	8,312
Disability	**430**	405
Transfer restriction annuity	**281**	360
Total	**94,317**	89,673

10. Operating expenses

Operating expenses include the administrative costs related to the management of the Plan. The following table outlines the operating expenses for the year:

(in thousands)	2023	2022
Investment personnel and support services	**3,539**	2,912
Pension benefits administration	**1,731**	1,751
Investment management fees	**3,744**	1,298
Other administration costs	**677**	568
Software and information technology costs	**552**	576
Audit and actuarial fees	**301**	312
Total	**10,544**	7,417

11. Related party transactions

The Fund's related parties include key management personnel and CMHC and its related parties. CMHC, the Plan Sponsor, is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations.

The following table summarizes the amount invested in instruments which were issued by the Government of Canada:

(in thousands)	2023	2022
Short-term investments	**120,991**	114,918
Bonds and debentures	**174,006**	160,020
Real return securities	**272,132**	246,792
Total	**567,129**	521,730

Transactions with the Plan Sponsor were conducted in the normal course of operations and measured at the amount of consideration established and agreed to by both parties. Included in operating expenses is $4.9 million (2022 — $4.2 million) for administrative services provided by the Plan Sponsor. Included in accounts payable and accrued liabilities is $1.3 million (2022 — $1.1 million) due to the Plan Sponsor for administrative services provided.

The Plan defines its key management personnel as the Trustees of CMHC's Pension Fund, CMHC's Board of Directors and those senior executives responsible for planning, directing and controlling the Plan's activities, and the Plan is not charged for the compensation of these individuals.

12. Capital management

The Plan defines its capital as the Plan's funded status [surplus/deficit]. An independent actuary periodically determines the funding surpluses or deficits of the Plan. The Plan's primary objective with respect to capital management is to ensure that plan assets are adequate to provide for the pension benefits in accordance with the provisions of the CMHC Pension Plan Rules.

The Plan Rules, as well as the Plan's funding and operations, are subject to the PBSA and its regulations and the *Income Tax Act*. Management has adopted a Statement of Investment Policies and Procedures (SIP&P) for the Plan, which sets investment objectives, guidelines and benchmarks used in investing the Plan's assets, permitted categories of investments, asset mix diversification and rate of return expectations. The Plan's SIP&P was last updated and approved in September 2023. The Plan's Trustees provide oversight for ensuring that the Plan assets are managed in accordance with the SIP&P.

The Pension Fund's strategic asset allocation (SAA) policy is based on the principle of diversification of investments among various asset classes relative to the liabilities of the defined benefit Pension Plan. In 2021, the Board of Directors approved a new asset allocation policy, which we expect to fully adhere to by 2026.

The Fund's long-term asset allocation policy is as follows:

Asset class	SAA	As at December 31 2023	As at December 31 2022
Liability hedging assets			
Cash	3%	6%	6%
Fixed-income	14%	16%	15%
Real return securities	12%	11%	11%
Public growth assets			
Equity	37%	38%	39%
Emerging market debt	5%	4%	4%
Private growth assets			
Private equity	5%	-	-
Private debt	3%	1%	-
Real assets	21%	24%	25%

Through the use of leveraged long government bonds, the SIP&P allows for a modest level of leverage of 25% of NAV to purchase fixed-income assets to reduce the interest rate risk of the portfolio.

CMHC has managed the Plan's capital in accordance with the legal and regulatory requirements. There have been no changes in what is considered to be capital or the objectives of managing capital during the year.

13. Commitments

The Plan enters into commitments related to the funding of investments, including those in infrastructure, real estate, private debt, private equity and other real assets. The future commitments can generally become payable on demand in the future based on the capital needs of the investment. The funding is ordinarily expected to occur over several years in accordance with the agreed-upon terms and conditions. As at 31 December 2023, the commitments amounted to $349 million (2022 — $212.4 million). The Plan has sufficient liquidity to meet these commitments as they come due.

14. Comparative figures

Comparative figures have been reclassified, where necessary, to conform to the 2023 presentation.

Task Force on Climate-related Financial Disclosures

About the Task Force on Climate-related Financial Disclosures

In 2015, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD) to promote more informed investment, credit and insurance underwriting decisions and improve understanding of climate change as a systemic risk to the global financial system. In 2017, the TCFD published its final recommendations, providing a framework for consistent, comparable, decision-useful and forward-looking disclosure by companies and investors on climate-related financial risks and opportunities:

- Physical risks, including catastrophic weather events, changing climate patterns and rising sea levels.
- Transition risks associated with moving to a lower-carbon economy, including policy and legal, technology, market and reputational impacts.
- Opportunities associated with the need to respond to climate change, including resource efficiency, low-emissions energy, new products and services, new markets and adaptation to improve resilience in the face of climate impacts.

The TCFD reporting framework is designed around four pillars, for which recommended disclosures are identified: Governance, Strategy, Risk Management, and Metrics and Targets.

Climate change presents significant risks and opportunities for the value of investments. Therefore, reporting in line with the TCFD recommendations is considered best practice for pension plans.

About this Report

The Plan is committed to reporting annually on its approach to climate change. The TCFD Report describes the Plan's approach to managing climate-related risks and opportunities. The information presented in this Report is organized around the four pillars of the TCFD framework. We voluntarily refer to this framework to help guide the structure and content of our climate-related disclosures. The Plan continually monitors climate-related risks and opportunities and expects to develop further climate-related tools and metrics in the future, particularly as more reliable GHG emissions data become available. As such, the Plan will take a phased approach to implementation of the TCFD recommendations.

The portfolio carbon metrics are based on the Plan's share of the Scope 1 and Scope 2 GHG emissions created by the operations of the companies and other investments within the portfolio. At present, portfolio carbon metrics are only provided for Canadian Equity, Global Equity and Canadian Government debt due to the lack of sufficiently reliable data for other asset classes. The scope of GHG emissions and asset classes covered by portfolio carbon metrics will be enhanced over time, as the quality and availability of GHG emissions data improves.

More general information about the Plan, such as asset mix, net assets, total return and funded status can be found in the Financial Highlights section and on our website. Information on CMHC's organization-wide approach to managing climate-related risks and opportunities can be found in the CMHC Annual Report 2023.

The Report includes information on the GHG emissions associated with the Plan's investments ("portfolio carbon"). Three portfolio carbon metrics are used:

- **Carbon Footprint:** A measure of portfolio emissions expressed as metric tons of carbon dioxide equivalent per million dollars invested (tCO_2e/$M invested).
- **Weighted Average Carbon Intensity (WACI):** A measure of portfolio exposure to carbon-intensive companies, expressed in metric tons of carbon dioxide equivalent per million dollars of revenue (tCO_2e/$M revenue).
- **Total Carbon Emissions:** A measure of the absolute greenhouse gas emissions associated with a portfolio, expressed in million tons CO_2e.

Our Approach to Climate Change

Overview

The Plan's approach to climate change focuses on mitigating risks and seizing opportunities for the portfolio, enhancing value for beneficiaries and contributing to decarbonization for the long-term stability and sustainability of the global economy in which it is invested. We are committed to:

- considering climate change in strategic asset allocation;
- integrating climate-related risks and opportunities in investment decision making;
- stewardship to encourage investees to address climate-related risks and opportunities; and
- measuring GHG emissions associated with the investment portfolio.

Governance

The Pension Fund Trustees, appointed by the Board of Directors, oversee the management and administration of the Fund via the Investment Committee, who assist the Trustees with the investment management of the Fund. While the Board of Directors has ultimate responsibility for oversight of climate risk related to the Plan, primary oversight of climate-related risks is provided by the Trustees and Investment Committee.

To enhance the oversight capabilities of the Trustees and the Investment Committee, education sessions on TCFD and Environmental, Social and Governance (ESG) integration were provided in 2022 and 2023, respectively.

Investment Team

The Investment Team is responsible for the day-to-day integration of climate-related considerations into investment decision making. *The Investment Team assesses and manages climate-related risks through the integration of these risks into the investment process and asset allocation.*

For assets that are managed by external investment managers, our approach focuses on incorporating climate considerations into the manager selection and monitoring process. Factors we consider include, but are not limited to, an external manager's capabilities and processes relating to climate integration, climate stewardship and climate reporting. Monitoring is executed through quarterly meetings with external managers, as well as annual due diligence, which includes questions about external managers' approach to incorporation of climate-related risks and opportunities. We may revisit the relationship with any external manager who fails to meet climate-related expectations over time. External managers are expected to follow industry best practices in integrating climate change into their investment decision making.

Risk Teams

The risk oversight teams provide additional independent oversight of risks to the Pension Plan and report quarterly to the Trustees and Investment Committee.

Strategy

The Plan considers climate risks and opportunities as part of investment decision making and strategic asset allocation.

We believe that strategic asset allocation is the key factor in determining the long-term investment returns and risk of the Plan's investment portfolio. Alongside liquidity, diversification and broader risk management, we also consider climate-related risks and opportunities in strategic asset allocation.

Climate-related risks and opportunities are integrated into portfolio construction and investment decision making for internally managed assets. Additionally, external investment managers are expected to integrate consideration of climate-related risks and opportunities into investment decision making.

We believe decarbonization of the economy can be achieved most effectively through climate-related integration and stewardship across the portfolio. As a result, we do not utilize climate-related exclusions targeting specific sectors.

A scenario-based climate risk assessment was last conducted in 2020. Three scenarios were analyzed:

1. **Orderly Paris Accord Transition:** A smooth and orderly transition toward a low-carbon, climate-resilient economy in line with the goals of the Paris Climate Accord, resulting in global average temperature increase limited to 1.5°C, and avoiding the worst predicted physical impacts of climate change.
2. **Disorderly Paris Accord Transition:** More severe financial impacts as a result of abrupt and disorderly pricing-in of climate risks to achieve the goals of the Paris Climate Accord.
3. **Failed Transition:** Failing to achieve the Paris Climate Accord goals, resulting in global average temperature increase well over 2°C, and severe physical climate impacts.

The most recent climate risk assessment did not identify any material risks in the short term (1–3 year). In the medium term (3–10 year), transition risk was identified. In the long term (10 year+), physical risks became more significant. The key conclusion of the study was that the Pension Fund is more susceptible to risks associated with the transition to a lower-carbon economy than to the physical risks associated with climate change, particularly in the event of a Disorderly Paris Accord Transition. In the disorderly transition pathway, the associated transition risks are expected to have the most impact on asset returns in the medium term. In contrast, in the event of a failed transition pathway, the associated physical risks are expected to have the most impact on asset returns in the longer term. The estimated impact on annual returns is summarized in **table 1** below.

Table 1: Impact on Annual Returns Relative to Baseline

Scenario	2021–2030	2021–2060
Orderly Paris Accord Transition	(0.2%)	(0.3%)
Disorderly Paris Accord Transition	(0.7%)	(0.3%)
Failed Transition	(0.3%)	(0.7%)

The study concluded that the impact of a disorderly transition, and the resulting market repricing of assets, could meaningfully impact the value of the portfolio. While this estimation is based on several key assumptions in terms of the timing and progression of climate policy changes and the market impacts of those changes, the risk is deemed to be significant.

To mitigate the risk, climate-related factors were considered in developing the current SAA and are expected to be integrated into portfolio construction. ESG integration processes are also evaluated in investment manager selection. In addition, the Plan will closely monitor exposure to sectors that will be more adversely impacted by climate risk, and an update of the stress testing exercise will be conducted in 2024.

Risk Management

The Investment Team works with the risk oversight teams to ensure identification, assessment and management of climate-related risks. The Investment Team will continue to evolve and advance our risk management framework and processes to better identify, monitor and manage climate-related risks by:

- increasing climate risk literacy and awareness;
- reporting and conducting stress testing;
- continuing to integrate a climate risk lens into strategic asset allocation and investment decision making;
- developing and enhancing policies guidelines; and
- continuously improving climate data and analytics capabilities.

There is a continuous effort to increase the awareness of climate risks and to consider those risks in managing the Fund. This includes training for the various governance bodies, including the Investment Committee and Trustees. In addition, as stress testing is considered an integral part of our climate risk assessment process, stress testing exercises are conducted periodically, with the last one being done in 2020 and the subsequent one planned for 2024. Further insights are gained by considering climate risk in strategic asset allocation exercises.

Metrics and Targets

The Investment Team and risk oversight teams use a range of climate-related metrics to measure and monitor climate-related risks and opportunities. GHG emissions associated with portfolio investments are measured using three metrics, Carbon Footprint, WACI and Total Carbon Emissions, which are compared with the same metrics for the relevant investment benchmark. Portfolio exposure to emissions by sector and the top 3 investee contributors to overall GHG emissions are also tracked by the Investment Team. At present, these metrics only account for the operational Scope 1 and Scope 2 emissions of the underlying investments, due to the low availability and reliability of data on Scope 3 emissions relating to the upstream and downstream value chain of investees. The Plan will explore measurement and disclosure of investee Scope 3 emissions as data become more accurate and widely available. It is also important to note that the metrics in this report are limited to portfolio GHG emissions and do not include CMHC's own operational GHG emissions. Portfolio emissions data for equity holdings are currently sourced from Bloomberg while the information for the Canadian government debt holdings is sourced from the United Nations Climate Change data.

At present, the Fund's portfolio carbon metrics are limited to Canadian Equity, Global Equity and Canadian Government Debt. This represents 54% of net assets. The remaining 46% of net assets is made up of mainly Provincial/Municipality Debt, Emerging Market Debt, Private Debt and Real Assets. As data for these asset classes become more widely available and reliable, the Investment Team will look to expand the coverage of portfolio emissions data and metrics.

Portfolio carbon metrics for relevant strategies' year-over-year comparison are set out in **table 2**. Total Carbon Emissions for Canadian Equity increased due to change in the sector mix resulting from change in equity holdings. Emissions for Global Equity decreased significantly due to sector shift, from benchmark to technology. Emissions for Government debt edged lower due to a decrease in Carbon Footprint.

Table 2: Portfolio carbon metrics year-over-year comparison as of December 31, 2023

	Total Carbon Emissions (tCO_2e)		Portfolio Carbon Footprint (tCO_2e/$M invested)		Portfolio WACI (tCO_2e/$M revenue)	
Asset Class	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Canadian Equity	38,406	33,227	83.2	76.0	181.6	180.6
Global Equity	5,526	38,724	12.0	85.3	34.0	122.9
Canadian Government Debt	98,721	99,929	293.0	330.0	N/A	N/A

Compared to the benchmarks, both Canadian Equity and Global Equity's Carbon Footprint are lower due to sector mix accordingly to **table 3**.

Table 3: Portfolio carbon metrics compared to benchmarks as of December 31, 2023

Asset Class	Portfolio Carbon Footprint (tCO_2e/$M invested)	Benchmark Carbon Footprint (tCO_2e/$M invested)	Portfolio WACI (tCO_2e/$M revenue)	Benchmark WACI (tCO_2e/$M revenue)
Canadian Equity	83.2	94.5	181.6	181.3
Global Equity	12.0	82.4	34.0	119.6

The metric shown includes only equity holdings.

Glossary

Transition Risk: Risks associated with the shift to a low-carbon economy including policy and legal, technology, market, and reputational impacts.

Physical Risk: Risks associated with the physical impacts of climate change including catastrophic weather events, changing climate patterns, and rising sea levels.

Total Carbon Emissions: Absolute GHG emissions associated with a portfolio. Expressed as metric tons of carbon dioxide equivalent (tCO_2e).

Carbon Footprint: Total carbon emissions normalized by market value of the portfolio. Expressed as metric tons of carbon dioxide equivalent per million dollars invested (tCO_2e/$M invested).

Carbon Intensity: Volume of carbon emissions per million dollars of revenue (that is, the carbon efficiency of the portfolio). Expressed as metric tons of carbon dioxide equivalent per million dollars of revenue (tCO_2e/$M revenue) multiplied by percentage ownership of each investment to calculate the portfolio figure.

Weighted Average Carbon Intensity: A measurement of portfolio exposure to carbon-intensive investments. Expressed as metric tons of carbon dioxide equivalent per million dollars of revenue (tCO_2e/$M revenue) multiplied by the portfolio weight of each investment to calculate the portfolio figure.

Scope 1 GHG Emissions: Direct emissions that occur from sources that are controlled or owned by a company in the portfolio of investments.

Scope 2 GHG Emissions: Indirect emissions associated with a company's purchase of electricity, steam, heating, or cooling.

Scope 3 GHG Emissions: Indirect emissions that are owned and controlled by another emitter but are associated with the value chain of a company held in the portfolio (for example, emissions associated with the investee's manufacturing supply chain, or with use of the investee's product).

Paris Climate Accord: A legally binding international treaty on climate change adopted at the 21st Conference of the Parties to the United Nations Climate Convention (COP21), held in Paris in 2015.

70348 20240116-002A.2

CMHC.ca

Canada

CMHC SCHL