

**CHARLOTTETOWN WATER AND SEWER
CORPORATION SUPERANNUATION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

These financial statements are prepared by management of the Charlottetown Water and Sewer Corporation Superannuation Plan in accordance with Canadian accounting standards for pension plans and on a basis consistent with that of the preceding year.

Responsibility for the integrity and objectivity of these financial statements rests with the Commission and management. These financial statements are prepared on a full accrual basis of accounting. The information included in these financial statements is based on management's best estimates and judgement, with due consideration given to materiality.

To fulfill its accounting and reporting responsibilities, Management maintains systems of financial management and internal control which give due consideration to costs, benefits and risks. These systems are designed to provide reasonable assurance that transactions are properly authorized, are executed in accordance with prescribed bylaws, regulations and/or legislation and are properly recorded so as to maintain accountability and safeguard the assets of the Plan. The systems are also designed and monitored to ensure reliable information is available on a timely basis.

These financial statements have been presented to an independent public accounting firm appointed by Council. The independent auditor completes an audit of these financial statements and issues an Independent Auditor's Report. The accompanying Independent Auditor's Report outlines the Auditor's responsibilities, the scope of the examination, and their opinion on the financial statements of the Plan.



Chief Administrative Officer

November 14, 2022

INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN

Opinion

We have audited the financial statements of the Charlottetown Water and Sewer Corporation Superannuation Plan, which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits and 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 Charlottetown Water and Sewer Corporation Superannuation Plan as at December 31, 2021, and the changes in net assets available for benefits and 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 Charlottetown Water and Sewer Corporation Superannuation 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these 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 relating 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.

MRSB Chartered Professional Accountants Inc

CHARLOTTETOWN, P.E.I.

NOVEMBER 14, 2022


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**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

	2021	2020
Assets		
Cash	\$ 43,746	\$ 51,915
Contributions receivable:		
Employer	3,232	6,600
Employee	552	724
Other receivables	100	3,798
Long term investments (Note 4)	<u>11,009,924</u>	<u>10,212,110</u>
	<u>11,057,554</u>	<u>10,275,147</u>
 Liabilities		
Accounts payable and accrued liabilities	11,285	5,712
Due to related parties (Note 5)	<u>118,062</u>	<u>125,806</u>
	<u>129,347</u>	<u>131,518</u>
 Net Assets Available for Benefits - Statement 2	 <u>10,928,207</u>	 <u>10,143,629</u>
 Accrued Pension Obligations - Statement 3	 <u>10,069,047</u>	 <u>10,070,181</u>
 Net Surplus	 <u>\$ 859,160</u>	 <u>\$ 73,448</u>

ON BEHALF OF CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN:

_____ Mayor

 _____ Chair

Notes 1-11 are an integral part of these financial statements

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**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2021**

	2021	2020
Increase in Assets		
Change in fair value of long term investments (Note 7)	\$ 1,122,068	\$ 114,971
Investment income (Note 6)	392,400	375,455
Contributions:		
Employer - Current	59,950	87,545
Employee - Current	7,505	10,183
	<u>1,581,923</u>	<u>588,154</u>
Decrease in Assets		
Administrative expenses		
Actuarial fees	57,692	16,056
Audit fees	4,345	4,646
Investment management fees	32,560	31,161
Other investment expenses	11,592	9,616
Benefit payments	675,571	651,723
Pension refunds	15,585	-
	<u>797,345</u>	<u>713,202</u>
Change in Net Assets Available for Benefits	784,578	(125,048)
Net Assets Available for Benefits - Beginning of Year	10,143,629	10,268,677
Net Assets Available for Benefits - End of Year	\$ 10,928,207	\$ 10,143,629

Notes 1-11 are an integral part of these financial statements

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**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
STATEMENT OF CHANGES IN PENSION OBLIGATIONS
YEAR ENDED DECEMBER 31, 2021**

	2021	2020
Accrued Pension Obligations - Beginning of Year	\$ 10,070,181	\$ 10,121,595
Increase in Pension Obligations		
Interest on accrued pension obligations	537,436	549,496
Benefits accrued	51,186	67,044
Actuarial loss	101,400	-
	690,022	616,540
Decrease in Pension Obligations		
Benefits paid	691,156	651,723
Actuarial gain	-	16,231
	691,156	667,954
Change in Accrued Pension Obligations	(1,134)	(51,414)
Accrued Pension Obligations - End of Year	\$ 10,069,047	\$ 10,070,181

Notes 1-11 are an integral part of these financial statements

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**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

1. Description of Plan

The following description of the Charlottetown Water and Sewer Corporation Superannuation Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Agreement Text.

a) General

The Plan is a defined benefit pension plan covering all permanent full-time employees of the Charlottetown Water and Sewer Corporation (the "Corporation") who entered the plan prior to its closing in 2000. Under the Plan, contributions are made by the Plan members and the Charlottetown Water and Sewer Corporation. The effective date of the Plan was December 29, 1945. The plan is now closed to new entrants.

b) Vesting Provision

Vesting occurs immediately upon becoming employed by the Corporation on a permanent, full-time basis. Staff on long term disability continue to accrue pensionable service time.

c) Retirement Age

The normal retirement age is 65. Employees may retire on their full accrued pension at any time after age 55 if their age plus service total is at least 85 years. If 85 years is not met and they are within 10 years of normal retirement, they may retire on an actuarially reduced pension.

d) Pension Benefits

The pension benefit is based on the lesser of 2% of average salary, excluding overtime, for the three most highly paid years multiplied by years of pensionable service or \$1,722.22. The maximum number of years of service credited is 35. Pensions in the course of payment may be increased through the application of the excess interest method of indexing not to exceed the Consumer Price Index increase since the retirement date.

e) Early Retirement

The amount of the pension payable to a member who retires early shall be the amount of the pension as determined using the normal pension calculation subject to an actuarial reduction in accordance with the actuarial assumptions being used at the most recent actuarial valuation. The actuarial reduction shall be calculated based on the length of time that is the lesser of normal retirement date minus actual retirement date or 85 minus age plus years of service as at actual retirement date.

f) Disability Benefits

Any member of the pension plan that becomes disabled and is eligible to receive benefits under the long term disability insurance plan arranged by the Corporation shall continue to accrue pensionable service at the rate of earnings in effect before becoming disabled. Should the long term disability benefit cease, and the member is not re-employed, the member shall be entitled to receive benefits in accordance with regular termination of employment.

**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

1. Description of Plan (continued)

g) Death Benefits

Sixty percent of the pension to which any member, with 10 or more years of pensionable service, dying before actual retirement date was entitled to receive as at the time of death shall be paid to their spouse until the later of the death of the spouse or the date at which the youngest child attains the age of 18. Dependents shall include only the spouse of the member or the member's children while under the age of 18. If a member dies prior to actual retirement date with less than 10 years of pensionable service and is survived by dependents, the member's required contributions accumulated with interest shall be payable to the member's dependents. Should any pensioner die with dependents but less than 10 years pensionable service, their dependents shall receive a payment equal to the excess, if any, of his contributions with interest over the pension payments received by the pensioner.

h) Termination of Employment

In the event that a member ceases employment other than by death or retirement, they shall be entitled to a paid-up deferred annuity which will entitle the member at their normal retirement date to receive a pension subject to the following conditions: the amount of the pension shall be determined using the pension formula, taking into account the individual's salary as an active member, and shall be payable in the normal form; no further contributions shall be made to the plan on the individual's behalf; and the individual's entitlement shall be subject to the same conditions as apply to payments made under the plan and shall not be commutable or assignable. The individual may elect to receive a return of their contributions with interest.

2. Significant Accounting Policies

a) Basis of Presentation

The financial statements are presented in accordance with Canadian Accounting Standards for Pension Plans in Part IV of the Chartered Professional Accountants (CPA) Handbook, Section 4600 - Pension Plans. Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the Plan must consistently comply with either International Financial Reporting Standards ("IFRS") in Part I of the CPA Handbook or Accounting Standards for Private Enterprises ("ASPE") in Part II of the CPA Handbook. The Plan has elected to comply with, on a consistent basis, IFRS. To the extent that IFRS is inconsistent with Section 4600, Section 4600 takes precedence.

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and Plan members.

**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

2. Significant Accounting Policies (continued)

b) Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In determining fair value, the Plan uses the guidance in IFRS 13, Fair Value Measurements ("IFRS 13"). As allowed under IFRS 13, if an asset or a liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Plan establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and other pricing models.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

All investment transactions are recorded at the point when the risks and rewards of ownership are transferred. Purchases and sales of publicly traded investments are recorded as of the trade date.

All changes in fair value are recognized in the statement of changes in net assets available for benefits as part of the investment income.

Fair value hierarchy

Investment assets and investment-related liabilities are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

2. Significant Accounting Policies (continued)

c) Contributions

Basic contributions from the employer and members due to the Plan as at the end of the year are recorded on an accrual basis. Service purchases and transfers from other pension plans are recorded and service is created when the purchase amount is received. Employees are required to contribute 3.9% of earnings exclusive of overtime. For fiscal periods ending December 31, 2021 and 2020, the employer contribution is 33.59% of employees' salaries.

d) Revenue Recognition and Income Distribution

Income from investments is recorded on an accrual basis and includes interest and dividends as well as realized and unrealized gains and losses on investments. Net investment income, including net realized capital gains, is distributed in additional units at the end of each quarter. The additional units are reinvested automatically. Immediately following the distribution and reinvestment of units, units are consolidated so that the number of units outstanding and the net asset value is unchanged.

e) Benefits

Benefit payments to retired members, refunds to former members and transfers to other pension plans are recorded in the period they are paid. Accrued benefits are recorded as part of the accrued pension obligation.

f) Administrative Expenses

Administrative expenses, incurred for plan administration and direct investment expenses, are recorded on an accrual basis. Plan administration expenses represent expenses incurred to provide services to the Plan members and employers. Management fees are paid directly through redemption of units or cash. Accordingly, there is no accrual for these fees in the valuation process of units. Transaction costs represent the Plan's pro-rated share of the total operating expenses of the pension fund in which the Plan owns units.

g) Use of Estimates and Judgments

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Significant estimates and judgments included in the financial statements include Level 2 and 3 investments in the fair value hierarchy and the accrued pension obligations. Actual results could differ from those estimates.

h) Income taxes

The Plan is a registered plan as defined by the Canadian *Income Tax Act* and, accordingly, is not subject to Canadian income taxes.

CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

3. Funding Policy

For fiscal years ending December 31, 2021 and 2020, the employer contribution is 33.59% of employees' salaries. The plan is to be 100% funded and rates are adjusted accordingly. Employees are required to contribute 3.9% of earnings, exclusive of overtime.

4. Long Term Investments

The long term investments of the Plan consist of units held in the following pension fund:

	Units	Adjusted Cost Base	Market Value 2021	Market Value 2020
Burgundy Balanced Pension Fund	233,135	\$ 9,552,605	\$ 11,009,924	\$ 10,212,110

As at December 31, 2021 the Plan's pro-rated share of units in the Burgundy Balanced Pension Fund was 1.50% (2020 - 1.07%). Investments in the Burgundy Balanced Pension Fund consist of the following listed assets based on the Plan's pro-rated share:

	2021		2020	
Canadian short term investments	\$ 102,154	0.93%	\$ 291,865	2.86 %
Other funds fixed income	3,443,629	31.29%	3,169,591	31.02 %
Canadian equities	4,066,634	36.92%	3,286,843	32.19 %
Other funds equities	1,622,722	14.74%	1,732,573	16.97 %
US equities	1,733,401	15.74%	888,200	8.70 %
Other foreign equities	41,384	0.38%	843,038	8.26 %
Total long term investments	<u>\$ 11,009,924</u>	<u>100.00%</u>	<u>\$ 10,212,110</u>	<u>100.00 %</u>

Fund investment assets recorded at fair value have been categorized based upon a fair value hierarchy of significant inputs used in measuring fair value. The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Short term investments	\$ -	\$ 102,154	\$ -	\$ 102,154
Fixed income - other funds	-	3,443,629	-	3,443,629
Equities	5,841,419	-	-	5,841,419
Equities - other funds	-	1,622,722	-	1,622,722
Total long term investments	<u>\$ 5,841,419</u>	<u>\$ 5,168,505</u>	<u>\$ -</u>	<u>\$ 11,009,924</u>

4. Long Term Investments (continued)

The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis at December 31, 2020:

CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

	Level 1	Level 2	Level 3	Total
Short term investments	\$ -	\$ 291,865	\$ -	\$ 291,865
Fixed income - other funds	-	3,169,591	-	3,169,591
Equities	5,018,081	-	-	5,018,081
Equities - other funds	-	1,732,573	-	1,732,573
Total long term investments	\$ 5,018,081	\$ 5,194,029	\$ -	\$ 10,212,110

During the years ended December 31, 2021 and December 31, 2020, there were no significant transfers between levels.

5. Related Party Transactions

The amounts due to (from) related parties are non-interest bearing and have no specific terms of repayment. The following are the amounts due to (from) related parties:

	2021	2020
City of Charlottetown Superannuation Plan	\$ 131,710	\$ 131,710
Charlottetown Water and Sewer Corporation	(13,648)	(5,904)
Total due to related parties	\$ 118,062	\$ 125,806

During the year, \$7,744 (2020 - \$2,903) in Harmonized Sales Tax rebates incurred by the Plan was allocated to the Charlottetown Water and Sewer Corporation.

During the year, the City of Charlottetown provided various administrative services for the Plan with no recovery of the associated costs.

6. Investment Income

Investment income from the Burgundy Balanced Pension Fund consists of the following based on the Plan's pro-rated share:

	2021	2020
Dividends	\$ 240,961	\$ 188,311
Interest	133,172	99,932
Capital gains distributions from other funds	24,575	90,033
Realized loss on foreign exchange	(6,308)	(2,821)
Total investment income	\$ 392,400	\$ 375,455

**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

7. Change in Fair Value of Long Term Investments

The change in fair value of long term investments consists of the following:

	2021	2020
Unrealized gain on investments	\$ 1,060,688	\$ 147,338
Realized gain (loss) on disposal of investments	<u>61,380</u>	<u>(32,367)</u>
Increase in fair value of long term investments	<u>\$ 1,122,068</u>	<u>\$ 114,971</u>

8. Actuarial Valuation

Actuarial valuations of the Plan are completed every three years with the most recent valuation prepared as of the effective date of December 31, 2019 by Eckler Partners Ltd., a firm of consulting actuaries. The valuation results are extrapolated on an annual basis by the actuaries. Ecklers Partners Ltd. provided the extrapolation for the effective date of December 31, 2021 as well as the extrapolation for the effective date of December 31, 2020. Both extrapolations used the same assumptions noted below. The next valuation is scheduled to be completed for the effective date of December 31, 2022.

In determining liabilities and current service costs, the actuaries have used the projected unit credit method, prorated on service. Actuarial gains and losses are amortized over the expected average remaining service life of active employees, which is 5 years.

**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

8. Actuarial Valuation (continued)

The actuaries reported the following on the 2021 and 2020 extrapolations:

	2021	2020
Actuarial value of pension fund assets	\$ 10,928,207	\$ 10,143,629
Accrued pension obligations	10,069,047	10,070,181
Plan surplus	<u>\$ 859,160</u>	<u>\$ 73,448</u>

The actuarial valuation was prepared using the following assumptions:

Assumption	December 31, 2021	December 31, 2020
Pre-retirement discount rate	5.55% per annum	5.55% per annum
Post-retirement discount rate	5.50% per annum	5.50% per annum
Expected return on plan assets	5.55% per annum	5.55% per annum
Expected inflation	2.00% per annum	2.00% per annum
Retirement age	70% at the age at which "Rule of 85" is attained 30% at age 65	70% at the age at which "Rule of 85" is attained 30% at age 65
Rate of compensation increase	3.50% per annum	3.50% per annum
Withdrawals	None	None
Maximum pension	lessor of 2% or \$1,722.22 per year of service	lessor of 2% or \$1,722.22 per year of service
Percentage married	100%	100%
Spouse's age	Males assumed to be 3 years older	Males assumed to be 3 years older
Pre-retirement mortality	None	None
Post-retirement mortality	CPM2014 Combined Mortality table projected with Scale CPM-B	CPM2014 Combined Mortality table projected with Scale CPM-B
Termination	None	None

9. Capital Management

Charlottetown Water and Sewer Corporation Superannuation Plan considers its capital to be its net assets available for benefits. The entity's objective when managing its capital is to safeguard its ability to continue as a going concern in order to provide services to carry out its mandate. Capital is under the direction of Council with the objective of minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements.

The Burgundy Balanced Pension Fund manages its capital in accordance with its investment objectives while maintaining sufficient liquid assets to manage liquidity risk. The Burgundy Balanced Pension Fund is not subject to externally imposed capital requirements.

**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

10. Financial Instrument Risk

a) Risk Management

The Burgundy Balanced Pension Fund (the "Fund") is exposed to a number of risks arising from financial instruments. The Fund manager seeks to manage these risks through its investment approach, which involves evaluating the economics of individual companies and their management through independent research and analysis. The Fund manager focuses on strong business fundamentals and prefers to invest in companies that have a history of profitability, dividend payments and high levels of cash flows. Generally, an investment in a company is made if its securities can be purchased at a price that is a certain percentage below the Fund manager's estimate of their intrinsic value and a sale is made when the price of a company's securities meets or exceeds the Fund manager's estimate of their intrinsic value.

The Fund also invests in certain Burgundy Funds ("Underlying Funds") that meet its investment objective in accordance with target weightings. These target weightings may be achieved by holding both Underlying Funds and individual securities, and may be subject to change. As at December 31, 2021 and 2020 the target weightings for the Fund were 35% in fixed income investments, 35% in Canadian equity investments, 14.7% in U.S. equity investments, 11% in European equity investments, and 4.3% in Asian equity investments. While the Fund manager will generally not manage the asset mix of the Underlying Funds actively, the Fund manager may review and change the target weightings, at its sole discretion, as it deems necessary in order to meet the objective of the Fund.

The various risks that the Fund may be exposed to as a result of its direct investment holdings are described below. The Fund may also be exposed to these risks indirectly if it holds an underlying fund that is subject to these risks.

b) Other Price Risk/Market Risk

Changes in market prices (other than those arising from currency and interest rate risks) can cause the fair value of a financial instrument to fluctuate. These changes can be caused by factors specific to the individual security such as potential or actual profitability of the underlying company, number and caliber of competitors and the effect of potential or actual regulation on business operations. Changes can also be caused by factors affecting all similar securities traded in the market such as macroeconomic or political conditions.

c) Currency Risk

Currency risk is the risk that the fair value of a financial instrument denominated in a foreign currency will fluctuate due to changes in the rate of exchange between the Canadian and foreign currencies. Exchange rates may change independently of the securities market in a particular country and, as a result, gains and losses may be affected by changes in exchange rates.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value of interest bearing financial instruments will fluctuate due to changes in market interest rates. In general, with all other factors held constant, as interest rates fall, the value of fixed income securities rises and when interest rates rise, the value of fixed income securities falls.

**CHARLOTTETOWN WATER AND SEWER CORPORATION SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021**

10. Financial Instrument Risk (continued)

e) Credit Risk

Credit risk is the risk that financial loss will occur as a result of failure to discharge an obligation by a party to a financial instrument. These financial instruments may include lower rated corporate debt securities or emerging market government debt securities that are at a greater risk of default. The fair value of the securities incorporates the credit worthiness of the debt issuer. As at December 31, 2021 and 2020, the Fund was not exposed to significant credit risk as the interest bearing securities held were short term in nature with a minimum DBRS credit rating of R1.

All security transactions are settled through approved brokers and the risk of default is considered minimal. Payment for purchases is made only when the securities have been received by the broker. Delivery of securities sold is made only when the payment is received by the broker.

f) Liquidity Risk

Liquidity risk refers to the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The fund is exposed to liquidity risk as a result of potential weekly redemptions of redeemable units.

The Fund seeks to reduce this risk by maintaining sufficient cash and investments in liquid securities that are traded in an active market and can be readily disposed of in exchange for cash and used to meet cash obligations such as redemptions and expenses. Other financial assets and other financial liabilities are short term in nature.

11. Subsequent Event

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. While it is not possible at this time to estimate the impact that COVID-19 could have on the Plan's results, the continued spread of COVID-19 and the measures taken by federal, provincial and municipal governments to contain its impact could adversely impact the Plan's results of operations. The extent to which the COVID-19 outbreak impacts the Plan's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.