



Financial Statements

Pension Plan for the Employees of the University
of Prince Edward Island

December 31, 2025

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Independent Auditor's Report

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To the Trustees of the Pension Plan for the Employees of the University of Prince Edward Island

Opinion

We have audited the financial statements of the Pension Plan for the Employees of the University of Prince Edward Island (the "Plan"), which comprise the statement of financial position as at December 31, 2025, and the statements of changes in net assets available for benefits and changes in pension obligations for the 8 month period 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 Pension Plan for the Employees of the University of Prince Edward Island as at December 31, 2025, and its changes in net assets available for benefits and its changes in pension obligations for the 8 month period 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 Pension Plan for the Employees of the University of Prince Edward Island in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of 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 Pension Plan for the Employees of the University of Prince Edward Island'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 Pension Plan for the Employees of the University of Prince Edward Island or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Pension Plan for the Employees of the University of Prince Edward Island'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 Pension Plan for the Employees of the University of Prince Edward Island'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 Pension Plan for the Employees of the University of Prince Edward Island'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 Pension Plan for the Employees of the University of Prince Edward Island 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.

Charlottetown, Canada



May 19, 2026

Chartered Professional Accountants

Pension Plan for the Employees of the University of Prince Edward Island

Statement of Changes in Net Assets Available for Benefits

	8 month period ended December 31, 2025	Year ended April 30, 2025
Investment income (Note 7)		
Interest and dividend income	\$ 5,920,316	\$ 6,353,632
Realized gain on sale of investments	<u>28,342,164</u>	<u>12,221,283</u>
	34,262,480	18,574,915
 Change in unrealized gain on investments	 <u>2,729,418</u>	 <u>15,448,750</u>
	<u>36,991,898</u>	<u>34,023,665</u>
 Expenses		
Actuarial	199,255	261,622
Administration	204,156	280,670
Custodial	88,167	121,208
Insurance	19,000	28,500
Investment consulting	79,632	100,519
Investment management	1,156,016	1,643,262
Professional fees	53,650	45,474
Training and other	<u>35,956</u>	<u>20,006</u>
	<u>1,835,832</u>	<u>2,501,261</u>
 Excess of revenues over expenses	 <u>35,156,066</u>	 <u>31,522,404</u>
 Contributions		
Employees' past service contributions	148,330	410,715
Employees' regular contributions	5,359,555	7,604,950
Employer regular contributions	<u>6,007,352</u>	<u>7,831,413</u>
	<u>11,515,237</u>	<u>15,847,078</u>
 Increase in net assets before benefit payments and refunds and transfers	 46,671,303	 47,369,482
 Benefit payments	 (12,535,784)	 (17,264,326)
 Refunds and transfers	 <u>(354,575)</u>	 <u>(1,163,764)</u>
 Increase in net assets	 <u>\$ 33,780,944</u>	 <u>\$ 28,941,392</u>
 Net assets available for benefits, beginning of period	 \$ 411,183,685	 \$ 382,242,293
 Increase in net assets	 <u>33,780,944</u>	 <u>28,941,392</u>
 Net assets available for benefits, end of period	 <u>\$ 444,964,629</u>	 <u>\$ 411,183,685</u>

See accompanying notes to the financial statements.

**Pension Plan for the Employees of the
University of Prince Edward Island
Statement of Changes in Pension Obligations**

	8 month period ended December 31, 2025	Year ended April 30, 2025
Pension obligations, beginning of period	<u>\$ 390,901,000</u>	<u>\$ 360,483,264</u>
Change in pension obligations		
Employees' past service contributions	148,330	410,715
Interest accrued on benefits	14,290,580	19,711,349
Experience losses	1,782,507	14,896,581
Benefits accrued	10,426,233	13,827,181
Benefits paid and transfers out	<u>(12,890,359)</u>	<u>(18,428,090)</u>
	<u>13,757,291</u>	<u>30,417,736</u>
Pension obligations, end of period	<u>\$ 404,658,291</u>	<u>\$ 390,901,000</u>

See accompanying notes to the financial statements.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

1. Description of the plan

The following description of the Pension Plan for the Employees of the University of Prince Edward Island (the "Plan") is a summary only. For more complete information, reference should be made to the Pension Plan text.

General

The Plan is a defined benefit pension plan covering full-time and permanent part-time employees working a minimum of 13.5 hours per week. All eligible employees of the University are required to join the Plan effective the first day of employment.

Objective of the plan

The Plan is designed to provide a monthly life income for members who retire under the Plan after completing certain age and service requirements.

Normal retirement

A service pension is available upon reaching the normal retirement age of sixty-five years.

The annual pension payable is calculated based on the following:

- The member's Best Average Salary, which is the average of the best three years of earnings with the University;
- Pensionable service prior to January 1, 1999:
 - The number of years and fractional years of Pensionable Service accumulated by the member prior to January 1, 1999 times 2% of Best Average Salary; and
- Pensionable Service between January 1, 1999 and July 1, 2010:
 - The number of years and fractional years of Pensionable Service accumulated by the member between January 1, 1999 and July 1, 2010 times 2% of Best Average Salary times the Integration Ratio; and
- Pensionable service on or after July 1, 2010:
 - The number of years and fractional years of Pensionable Service attributed to the Member from July 1, 2010 to the date of retirement times 2% of the Best Average Salary up to the average YBE for the same 3 years that were included in the determination of the Best Average Salary; plus 1.5% of the same Best Average Salary in excess of the same average YBE and up to the average YMPE for the same 3 years that were included in the determination of the Best Average Salary; plus 2% of the same Best Average Salary in excess of the same average YMPE.

Pension benefits are guaranteed for 10 years after a member retires even if the member dies within this time. Benefits are payable to a designated beneficiary or to the member's estate. Other optional forms of pension (including forms with survivorship pensions) are available from the Plan and are determined on an actuarial equivalent basis.

Early retirement

Early retirement is available to the member within ten years prior to the normal retirement date. Members retiring before age 60 or the Rule of 85 (i.e., age plus years of service equal 85) are subject to an actuarial adjustment that reflects the longer period over which the pension benefits are to be paid. This adjustment is waived should the member meet age 60 or the Rule of 85.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

1. Description of the Plan (cont'd)

Disability retirement

In the event a member becomes disabled as defined under the Plan and has 10 years of accumulated pensionable service, pensionable service will continue to accumulate until the member ceases to be disabled, becomes eligible for a normal retirement pension or dies. During the time the member is disabled, the University will make the member's required contributions to the Plan based on the earnings level in effect at the time the member became disabled.

Death refund

If a member dies prior to retirement, leaving neither a spouse nor dependent children under 18 years of age, a lump sum is payable to the member's beneficiary or estate. The lump sum is equal to the member's required contributions to the Plan, plus any additional voluntary contributions or lump sum transfers from a previous plan, all accumulated with interest to the date of payment.

If the member leaves either a spouse or dependent children under age 18, a survivor's pension is payable from the Plan. The maximum pension payable to all survivors is 75% of the pension earned up to the date of death calculated in the same manner as a normal retirement pension. In the case that the pension is payable to only one survivor, it may be limited to 66 2/3% of the pension earned.

Withdrawal

Withdrawals are not permitted to continuing members of the Plan. If a member's employment with the University terminates for any reason other than retirement or death, a benefit is payable from the Plan.

Non-Vested Member:

If the employee has been a member of the Plan for less than two years, the member shall be entitled to receive an amount equal to the sum of his or her Member Required Contributions, Transferred Contributions, if any, and Additional Voluntary Contributions, accumulated with Interest in each case, and the payment of such an amount shall constitute full and final settlement of all benefits payable under the Plan.

Vested Member:

If the service of the employee has been for a period of two years and they are not within ten years of their Normal Retirement Date they will be given the following choices:

- Option 1: Leave their contributions in the Plan and receive a pension starting at the normal retirement date.
- Option 2: Transfer a lump sum amount directly from the Plan to either the pension plan of a subsequent employer or a registered retirement savings plan. The lump sum is equal Commuted Value of the pension benefit to which the Member is entitled under option 1 above, plus any Additional Voluntary Contributions accumulated with interest.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

1. Description of the Plan (cont'd)

Where the Member Required Contributions accumulated with Interest exceeds one-half the Commuted Value of the Member's pension in respect of Pensionable Service accrued while the Member was employed by the Employer, the Member is entitled to a refund of any such excess.

In the event that a Member ceases employment with the Employer and is within ten (10) years of Normal Retirement Date, the Member must elect a retirement benefit.

Income taxes

The Plan is a Registered Pension Trust as defined in the *Income Tax Act* and is not subject to income taxes.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans.

Accounting standards for pension plans require entities to select accounting policies for accounts that do not relate to its investment portfolio or pension obligation in accordance with either Part I (International Financial Reporting Standards ("IFRS")) or Part II (Canadian accounting standards for private enterprises ("ASPE")) of the CPA Handbook. The Plan selected to apply Part II for such accounts on a consistent basis and to the extent that these standards do not conflict with the requirements of the accounting standards for pension plans.

Basis of presentation

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, the University and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but do not portray the funding requirements of the Plan or the benefit security of individual plan members.

Revenue recognition

Contributions, interest and dividend income are accounted for on the accrual method. Gains or losses realized on the sale of investments are recorded when investments are sold. Change in unrealized gain (loss) on investments is the change in the difference between book value and market value of the investments from the prior period to the current period.

Financial instruments

Financial assets and financial liabilities are recognized when the Plan becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risk and rewards are transferred.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

2. Summary of significant accounting policies (cont'd)

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured at fair value.

Financial assets and financial liabilities are subsequently measured as described below:

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost
Contributions receivable	Amortized cost
Investments	Fair value
Financial liabilities	Amortized cost

Cash and cash equivalents

Cash and cash equivalents include cash balances with the Plan's investment managers.

Investments

Investments are stated at market values. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair values of investments are determined as follows:

Government and corporate bonds are valued on the basis of quoted closing mid-market prices. If quoted closing mid-market prices are not available, estimated values are calculated using discounted cash flows based on current market yields and comparable securities, as appropriate.

Public equities and mortgages are valued at quoted market closing prices. When the market for a public equity is not active or when there are restrictions on the sale of all or part of a public equity imposed on the Plan by external parties, management estimates the fair value by using appropriate techniques including valuation models.

Real estate is valued based on estimated fair values determined by using appropriate valuation techniques and best estimates by management, appraisers or both. Where external appraisers are engaged to perform the valuation, management ensures the appraisers are independent and compares the assumptions used by the appraisers with management's expectations based on current market conditions and industry practice to ensure the valuation captures the business and economic conditions specific to the investment.

Infrastructure pooled funds are considered financial instruments and are valued at their most recent net asset value prior to period-end, adjusted for any capital contributions or withdrawals between the net asset value date and period-end, as determined by the fund manager or administrator. The net asset value represents the Plan's proportionate share of the underlying net assets at fair values estimated using one or more methodologies, including discounted cash flows, multiples of earnings measures, and recent comparable transactions.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

2. Summary of significant accounting policies (cont'd)

Foreign currency exchange rates are determined using observable market, spot forward, and future rates which are available for all major currencies.

Transaction costs are not included in the fair value of the investment assets and the investment liabilities either on initial recognition or subsequent re-measurement. Transaction costs are included in the statement of changes in net assets for benefits as part of expenses incurred in the period.

Pension obligation

The Plan is a defined plan established for members. The pension obligations recognized in the statement of financial position are the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services.

Refunds

Termination and death benefits are recorded when the Plan's administrator approves an application for refund.

Use of estimates and measurement uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurements of real estate and infrastructure assets, pension obligations, revenues and expenses are discussed below.

Measurement uncertainty exists when there is a variance between the recognized amount and another reasonable amount. Some accounting measurements require management's best estimate, based on assumptions as at the financial statement date that reflect the most probable set of economic conditions and planned course of action.

Management estimates the accrued pension liability obligation annually with the assistance of an independent actuary; however, the actual outcome may vary due to estimation uncertainties. The estimate of its accrued obligation of \$404,658,291 (April 30, 2025 - \$390,901,000) is based on industry standard rates provided by Eckler Ltd.

Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in investment income.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

3. Investments

The asset percentages of the Plan are broken down as follows:

	December 31, 2025	April 30, 2025
Cash and equivalents	1%	2%
Government and corporate bonds	12%	12%
Mortgages	4%	4%
Real estate	13%	14%
Infrastructure	15%	16%
Equities	55%	52%

Original cost of investments as of December 31, 2025 is \$337,215,729 (April 30, 2025 - \$307,016,279).

4. Financial risk and capital management

In the normal course of business, the Plan is exposed to a variety of financial risks: credit risk, interest rate risk, currency risk and other price risk. The value of investments within the Plan's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities within the Plan. The level of risk depends on the Plan's investment objectives and the type of securities it invests in.

For all of the risks noted below, there has been no change in how the Plan manages those risks from the previous year.

Market risk

The Plan invests in publicly traded equities listed on domestic and foreign exchanges, and bonds traded over the counter through broker dealers. These securities are affected by fluctuations in market prices. Such market changes are subject to economic factors and other fluctuations in domestic and global capital markets, as well as risks to issuers, which may affect the market value of the individual securities. Policy guidelines have been established to ensure that the Plan's investments are diversified by issuer, industry and geographic location.

The table below indicates the total exposure in each of the following asset classes within the Plan's portfolio:

	December 31, 2025	April 30, 2025
Canadian equities	\$ 88,155,278	\$ 76,212,208
Global equities	158,321,961	140,591,513
Real estate	56,665,409	56,902,427
Infrastructure	67,517,430	63,818,372
	<u>\$ 370,660,078</u>	<u>\$ 337,524,520</u>

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

4. Financial risk and capital management (cont'd)

The table below presents the effect of a change in values held based on management estimates for each of the following asset classes in the Plan's portfolio.

<u>December 31, 2025</u>				
Equities				
Change in market value	15%	5%	-5%	-15%
Impact on net assets available for benefits				
Canadian equities	\$ 13,223,292	\$ 4,407,764	\$ (4,407,764)	\$ (13,223,292)
Global equities	23,748,294	7,916,098	(7,916,098)	(23,748,294)
Real estate	8,499,811	2,833,270	(2,833,270)	(8,499,811)
Infrastructure	10,127,615	3,375,872	(3,375,872)	(10,127,615)

<u>April 30, 2025</u>				
Equities				
Change in market value	15%	5%	-5%	-15%
Impact on net assets available for benefits				
Canadian equities	\$ 11,431,832	\$ 3,180,611	\$ (3,180,611)	\$ (11,431,832)
Global equities	21,088,727	7,029,576	(7,029,576)	(21,088,727)
Real estate	8,535,364	2,845,122	(2,845,122)	(8,535,364)
Infrastructure	9,572,756	3,190,919	(3,190,919)	(9,572,756)

Foreign currency risk

The Plan has certain investments denominated in foreign currencies. Currency risk is the risk that the value of these investments will fluctuate due to changes in foreign exchange rates.

The Plan has significant exposure in the US Dollar, the Japanese Yen, the British Pound, the Euro, the Swiss Franc, the Hong Kong Dollar and the Taiwan Dollar. Exposure to changes in these 7 currencies represents 89% (April 30, 2025 – 86%) of the Plan's total exposure to foreign currency risk. The Plan has holdings of \$102,373,675 (April 30, 2025 – \$97,533,362) or 23% (April 30, 2025 – 25%) of the portfolio in US Dollars, \$5,063,530 (April 30, 2025 – \$5,353,762) or 1% (April 30, 2025 – 1%) in the Japanese Yen, \$5,020,553 (April 30, 2025 – \$4,986,300) or 1% (April 30, 2025 – 1%) in the British Pound, \$4,180,538 (April 30, 2025 – \$3,720,995) or 1% (April 30, 2025 – 1%) in the Swiss Franc, \$15,762,963 (April 30, 2025 – \$10,025,286) or 4% (April 30, 2025 – 3%) in the Euro, \$12,098,294 (April 30, 2025 – \$8,183,962) or 3% (April 30, 2025 – 2%) in the Hong Kong Dollar, and \$5,672,374 (April 30, 2025 - \$3,834,271) or 1% (April 30, 2025 – 1%) in the Taiwan Dollar.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

4. Financial risk and capital management (cont'd)

The table below represents the effects of a 15% and 5% appreciation and depreciation of the Canadian dollar as compared to the US dollar, Japanese Yen, British Pound, the Swiss Franc, the Hong Kong Dollar, the Taiwan Dollar, and the Euro on the net assets available for benefits.

<u>December 31, 2025</u>				
Change in the currency value	<u>15%</u>	<u>5%</u>	<u>-5%</u>	<u>-15%</u>
Impact on net assets available for benefits				
CAD/USD	\$15,356,051	\$ 5,118,684	\$ (5,118,684)	\$(15,356,051)
CAD/YEN	759,530	253,177	(253,177)	(759,530)
CAD/POUND	753,083	251,028	(251,028)	(753,083)
CAD/CHF	627,081	209,027	(209,027)	(627,081)
CAD/EURO	2,364,444	788,148	(788,148)	(2,364,444)
CAD/HKD	1,814,744	604,915	(604,915)	(1,814,744)
CAD/TWD	850,856	283,619	(283,619)	(850,856)

<u>April 30, 2025</u>				
Change in the currency value	<u>15%</u>	<u>5%</u>	<u>-5%</u>	<u>-15%</u>
Impact on net assets available for benefits				
CAD/USD	\$ 14,630,004	\$ 4,876,668	\$ (4,876,668)	\$(14,630,004)
CAD/YEN	803,064	267,688	(267,688)	(803,064)
CAD/POUND	747,945	249,315	(249,315)	(747,945)
CAD/CHF	558,149	186,050	(186,050)	(558,149)
CAD/EURO	1,503,793	501,264	(501,264)	(1,503,793)
CAD/HKD	1,227,594	409,198	(409,198)	(1,227,594)
CAD/TWD	575,141	191,714	(191,714)	(575,141)

Currency risk is controlled by limiting investments in foreign stocks through the asset allocation guidelines set forth in the Policy Statement and by limiting to 25% or less the percentage of the Fund held in fixed income investments denominated in foreign currencies that are not 100% hedged into Canadian dollars.

Credit risk management

Credit risk on fixed term or money market investments arises from the possibility that the counterparty to an instrument fails to meet its obligation to the Plan. Policy guidelines have been established to ensure the Plan holds corporate fixed term investments with a credit rating of A-1 (low) or higher, and Canadian federal or provincial government fixed term investments with a credit rating of B++ or higher. As of December 31, 2025, the credit quality breakdown of this fixed income portfolio was as follows: AAA – 15.7%, AA – 13.3%, A – 10.9%, BBB and below – 28.6%, not rated – 30.6% and cash – 0.9%.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

4. Financial risk and capital management (cont'd)

Interest risk management

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Plan's investment portfolio is exposed to interest rate risk from its holdings of fixed income securities. Fluctuations in interest rates are managed by varying the duration of the fixed income portfolio.

The table below presents the remaining term to maturity of the Plan's outstanding fixed term investments, which includes government and corporate bonds, mortgages and cash balances.

	<u>Remaining term to maturity</u>			Total December 31, 2025	Total April 30, 2025
	Within 1 year	From 1 year to 5 years	Over 5 years		
Fixed term investments (market value)	<u>\$ 5,149,943</u>	<u>\$ 25,078,416</u>	<u>\$ 37,319,644</u>	\$ 67,548,003	<u>\$ 66,372,339</u>

Average Yield: 4.34 %

Average Term: 8.11 Years

Average Duration: 5.84 Years

As of December 31, 2025, the duration of the fixed income portfolio was 5.84 years and had the prevailing interest rate changed by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the value of the fixed term portfolio would change by 5.84%.

Fair value hierarchy

In compliance with CPA Handbook Section IFRS 7, "Financial Instruments – Disclosures", the Plan has categorized its assets and liabilities that are carried at fair value into a three level fair value hierarchy. The hierarchy is based on the priority of the inputs to the valuation techniques used to measure fair value.

Financial assets and liabilities measured at fair value are categorized as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs or inputs that are derived principally for or corroborated with observable market data through correlation or other means.

Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs or the use of broker quotes. These unobservable inputs reflect the Plan's assumptions about what market participants would use in pricing the assets and liabilities.

Pension Plan for the Employees of the University of Prince Edward Island

Notes to the Financial Statements

December 31, 2025

4. Financial risk and capital management (cont'd)

December 31, 2025

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 5,685,481	\$ -	\$ -	\$ 5,685,481
Investments				
Bonds	50,783,052	-	-	50,783,052
Mortgages	17,407,242	-	-	17,407,242
Equities	246,477,239	-	-	246,477,239
Real estate	-	-	56,665,409	56,665,409
Infrastructure	-	-	<u>67,517,431</u>	<u>67,517,431</u>
	<u>\$ 320,353,014</u>	<u>\$ -</u>	<u>\$ 124,182,840</u>	<u>\$ 444,535,854</u>

April 30, 2025

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 7,408,459	\$ -	\$ -	\$ 7,408,459
Investments				
Bonds	49,664,929	-	-	49,664,929
Mortgages	17,009,079	-	-	17,009,079
Equities	216,803,721	-	-	216,803,721
Real estate	-	-	56,902,427	56,902,427
Infrastructure	-	-	<u>63,818,372</u>	<u>63,818,372</u>
	<u>\$ 290,886,188</u>	<u>\$ -</u>	<u>\$ 120,720,799</u>	<u>\$ 411,606,987</u>

The following table presents additional information about assets measured at fair value for which the Plan utilized level 3 inputs to determine fair value.

	<u>December 31, 2025</u>	April 30, 2025
Balance, beginning of period	\$ 120,720,799	\$ 116,352,323
Realized gain recognized in investment income	-	222,610
Unrealized gain recognized in investment income	5,103,320	6,593,744
Redemption of level 3 investments	<u>(1,641,279)</u>	<u>(2,447,878)</u>
Balance, end of period	<u>\$ 124,182,840</u>	<u>\$ 120,720,799</u>

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Notes to the Financial Statements

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4. Financial risk and capital management (cont'd)

Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet all cash outflow obligations as they come due. The Plan mitigates this risk by monitoring cash activities and expected outflows. The Plan's current liabilities arise as expenses and benefit payments are made. The Plan does not have material liabilities that can be called unexpectedly at the demand of a lender or claimant. The Plan has no material commitments for capital expenditure and there is no need for such expenditures in the normal course of operations. Benefit payments are funded by current operating cash flow including contributions made by members and the University, as well as investment income.

Capital management

The Plan employs investment policies and procedures that are reviewed by the Pension Plan trustees on a regular basis. These policies and procedures dictate the Plan's approach to growth, credit quality and profitability objectives.

The Plan's objectives when managing capital are to preserve and enhance the value of the Plan's investments through adequate diversification in high quality investments and achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk.

The investment policies and procedures outline that the Plan's assets shall be invested in fixed income and equity securities in an asset mix determined by the Sponsor Board. The Plan's investment in equities, bonds and short term securities shall be diversified by industry group and currency. Diversification within each asset class is provided by limiting the investment in a single security to 10% or less of the market value of Plan assets. The Plan's investment income unit trusts and similar investment instruments are limited to those securities that are listed on a recognizable stock exchange and are resident in jurisdictions that provide limited liability to unit holders. The fund managers have complete freedom to manage capital within their own mandate, no individual fund manager makes asset mix calls at the total fund level, subject to the Plan's policy asset mix of 20-25% of fixed income, 20-30% in Canadian equities, 20-30% in global equities, 15-25% in real estate/infrastructure and 0-10% in mortgages.

The investment strategy for the Pension Plan was revised effective November 28, 2014 and updated accordingly. The Pension Plan Trustees adopted the investment strategy of the previous Pension Investment Review Committee.

Pension Plan for the Employees of the University of Prince Edward Island

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5. Pension obligations

The latest filed funding valuation for this defined benefit plan is as of April 30, 2025, prepared by Eckler Ltd. For more complete information, reference should be made to the actuarial valuation. The following is a summary only of the significant actuarial assumptions used in the valuation:

- 5.50% (April 30, 2025 – 5.50%) future rate of investment return, net of investment expenses per annum
- assumed 50% at Rule of 85 (minimum age of 55) or age 60 (if earlier), 60% of remaining at age 65, 25% at each age between 66 and 70, with everyone remaining retiring at age 71.
- 4.50% (April 30, 2025 – 4.50%) for the first year, 3.50% per annum thereafter salary escalation rate
- 3.50% (April 30, 2025 – 3.50%) pensionable earnings increase
- 5.50% (April 30, 2025 – 5.50%) discount rate on plan liabilities

The next actuarial valuation is expected to be valued as of December 31, 2027.

6. Funding policy

Effective October 1, 2016, the employer, being the University of Prince Edward Island as represented by its Board of Governors, entered into an agreement with the employees of the University to adopt a shared risk model relating to the pension plan obligation. At September 30, 2016, the deficit in the pension plan was actuarially determined to be \$10,039,000 which would be funded by both the employer and the employees. The employer's portion of this deficit at September 30, 2016 was determined to be \$6,475,000 and would be funded over 15 years with annual payments of 1% of pensionable earnings per year. The employees' portion of this deficit totalled \$3,564,000 and would be funded over 8.75 years with annual payments of 0.88% of pensionable earnings per year, which concluded on June 30, 2025.

The Sponsor Board will determine the funding of pension plan deficits or the use of fund surpluses. The Sponsor Board is made up of representatives from the employer and the employees. The employer and the employees will have one vote each with no provision for a tie breaker, with all decisions required to be unanimous.

If in the future, the pension plan reports a surplus, the Sponsor Board can decide to reinstate benefits, reduce special deficit contributions, increase benefits or reduce plan risk. In the situation of future deficits, the Sponsor Board can reduce benefits or fund the deficit on a 50/50 basis between employees and the employer.

The most recent actuarial valuation for funding purposes was prepared by Eckler Ltd., as of April 30, 2025.

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Notes to the Financial Statements

December 31, 2025

	8 month period ended <u>2025</u>	Year ended April 30, <u>2025</u>
7. Investment income		
Government and corporate bonds	\$ 1,293,253	\$ 3,917,654
Mortgages	398,162	1,401,303
Equities	30,197,166	21,888,355
Real estate	774,776	860,652
Infrastructure	<u>4,328,541</u>	<u>5,955,701</u>
	<u>\$ 36,991,898</u>	<u>\$34,023,665</u>

8. Comparative figures

Comparative figures have been adjusted to conform to changes in the current period presentation
