Rating Report
British Columbia Investment Management Corporation

DBRS Morningstar
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Contents

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Credit Rating

Issuer	Debt	Credit Rating	Rating Action	Trend
British Columbia Investment Management Corporation	Issuer Rating	AAA	New Rating	Stable

Credit Rating Update

DBRS Limited (DBRS Morningstar) assigned an Issuer Rating to British Columbia Investment Management Corporation (BCI or the Corporation) of AAA with a Stable trend. The credit rating is supported by a substantial and stable asset base, independent governance framework, low leverage and expected low-recourse debt burden, ample liquidity and prudent risk management framework, strong operating performance, and the financial strength of the Government of British Columbia as plan employer partner for the four largest pension funds managed by BCI, which provides considerable stability and certainty of cash flows.

BCI was created in 1999 under the Public Sector Pension Plans Act (the Act), as an agent of the Province of British Columbia (the Province), but remains at arm's length from government decision making and has a governance structure that limits political interference. BCI was incorporated as a trust company authorized to carry on trust business and investment management services for the College Pension Plan, the Municipal Pension Plan, the Public Service Pension Plan, the Teachers' Pension Plan, and other public sector entities and programs. As of March 31, 2023, BCI was managing $215.0 billion in net assets (assets under management (AUM)) for 32 clients that included public-sector pension, insurance plans and some government entities. The majority of the AUM were held in pooled investment portfolios that were established pursuant to the Pooled Investment Portfolio Regulation (B.C. reg. 447/99; PIPR), issued pursuant to the Act, which requires, among other things, that BCI holds all the assets in trust and ownership in any asset must not be attributed to any participating client.

BCI plans to launch a medium-term note (MTN) program that will result in further diversification of its funding sources and enhanced liquidity. Debt issuance (recourse debt) under the MTN program will be direct, unsecured, and unsubordinated obligations of BCI and debtholders will have recourse to all the pooled investment portfolios, excluding pooled real estate and real estate debt investments managed by BCI's wholly owned real estate arm, QuadReal Property Group Limited Partnership and QuadReal Finance LP (together, QuadReal; the Combined Funds or Recourse AUM). In addition to pooled real estate and real estate debt investments, AUM held outside of the pooled investment portfolios are also excluded from the Recourse AUM. All Combined Funds will be backing the recourse debt even if the proceeds of such debt are not used by all the Combined Funds. BCI maintains access and control over the assets in all of its pooled investment portfolios, including to facilitate meeting funding obligations. Recourse could only be available if BCI defaulted on its obligations in respect of such debt and such default was not cured within any applicable grace period. Limitations, with respect to total recourse leverage, will provide a limit to the amount of recourse debt that can be outstanding relative to BCI's Combined Funds.

BCI has a proven track record of delivering strong investment returns. In the fiscal year ended March 31, 2023, the combined pension plan portfolio representing BCI's six largest pension plan clients had an aggregated 10-year return of 8.5% net of all fees, outperforming its benchmark (BM) of 7.2%. The average 10-year return has exceeded the nominal discount rates used in the most recent actuarial valuations for these plans[1] which have ranged from 5.60% to 6.00%, contributing to their fully funded status on a going concern basis and stability of their contribution rates.

Financial Information

	As of December 31				
(CAD billions)	**2023**	**2022**	**2021**	**2020**	**2019**
Combined Funds	145.5	158.5	139.7	125.0	108.4
Recourse debt[1]	n/a	n/a	n/a	n/a	n/a
As a share of adjusted Combined Funds (%)[2]	n/a	n/a	n/a	n/a	n/a

1. Fair value.
2. For the purposes of the ratio calculation, Combined Funds are adjusted by adding back recourse debt.

	For the year ended March 31				
	2023	**2022**	**2021**	**2020**	**2019**
Portfolio return (%)[3,4]	3.5	7.4	16.5	2.9	6.1
BM return (%)[3,4]	0.3	4.6	17.1	3.3	4.5

3. Reflects the investments of BCI's six largest pension clients, namely: BC Hydro Pension Plan, College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, Teachers' Pension Plan and WorkSafeBC Pension Plan.
4. Includes the impact of centralized currency management program, where set.

Credit Rating Considerations

Strengths

1. Sizable and diversified asset base of Combined Funds

As of December 31, 2022, BCI had net AUM in the Combined Funds of $145.5 billion, which will provide a considerable cushion against any potential claims arising from the recourse debt to be issued. The assets under the Combined Funds are legally owned by BCI and are highly diversified globally across a range of strategies and asset classes—public and private equity, infrastructure and renewable resources, fixed income, and private debt.

2. Strong liquidity and financial flexibility

BCI maintains a large pool of high quality liquid securities that can be readily converted to meet its financial obligations. It has prudent policies and procedures in place that require sufficient liquidity to ensure all of its liquidity commitments to the capital markets and its clients are met, can rebalance its portfolios when needed, as well as deploy capital opportunistically during a period of market stress.

1 Refers only to the Municipal Pension Plan, the Public Service Pension Plan, the Teachers' Pension Plan, the College Pension Plan and the WorkSafeBC Pension Plan, as public information on the actuarial valuation of the BC Hydro Plan is limited.

BCI's MTN program will further diversify its funding sources and will add to the toolkit available to generate liquidity if necessary.

3. No direct responsibility for clients' liabilities

BCI has no direct financial responsibility to fund the pension obligations of its pension clients, or to fund the financial obligations of its nonpension clients. BCI is only accountable to its clients for the investment returns they rely on to meet their financial objectives and liability obligations. The clients retain responsibility for their underlying pension and other obligations. While those obligations will influence asset allocation and the timing and scope of withdrawals, BCI is not ultimately responsible for those obligations, which translates into a much more stable asset position.

4. Joint sponsorship of the pension plans and strong creditworthiness of the Province

The Province, rated AA (high) by DBRS Morningstar, employer associations and employees are the joint sponsors of the four largest pension plans whose funds are managed by BCI, which provides considerable stability and certainty of cash flows. Joint sponsorship of the pension plans is also credit positive as it leads to greater engagement on the part of the sponsors, particularly employees, with respect to plan design and performance.

5. Proven track record in operational performance: returns, internal asset management, active management

Given the long-term obligations of clients, long-term return performance is a better measure for an asset manager like BCI. BCI generated an annualized 10-year average return of 8.5% outperforming its respective BM of 7.2%. This outperformance represents $16.3 billion of cumulative value-added activity. Also, over the last eight years, BCI has evolved into an active, in-house asset manager with assets internally managed increasing to 82.3% in 2023 from 57.0% in 2015 resulting in lower costs of administration and stronger corporate governance controls.

Challenges

1. There is no exclusive legislative mandate to manage the assets

There is no explicit legislative requirement for BCI's clients to have their assets managed by BCI. However, the existing joint trust agreements for the four largest plans specify that the pension funds shall be managed by BCI, though the agreements allow the pension trustees to use alternative asset management services if it is in the best interest of their plan members, which could significantly reduce net assets under the Combined Funds and debt coverage. Given the historical investment success and high level of service that BCI provides clients, DBRS Morningstar considers any wholesale change in BCI's role as the provincial public-sector asset manager as a remote possibility. Furthermore, while BCI's clients are entitled to request a withdrawal of some or all of their investments in the Combined Funds, the right of withdrawal is subject to certain limitations under the terms of the fund management agreements with each client and BCI's internal investment policies and product descriptions. BCI has the power and authority to manage liquidity and withhold funds as required to ensure its ability to satisfy its obligations under the MTNs.

2. Volatility inherent in investment activities

Asset valuations fluctuate over time. The current outlook of high interest rates, persistent inflation, slowing economic growth, intensifying competition for private assets, the transition to a low carbon economy and heightened geopolitical risk stemming from the conflict in Ukraine and commercial tensions between China and the U.S. are leading to an uncertain and challenging investment environment, with increased volatility in financial markets. A significant decline in asset valuations could result in a material decline in BCI's Combined Funds size. However, this challenge is mitigated by the Combined Funds diversification along with BCI's disciplined investment approach, prudent and proactive approach to risk management, history of strong investment returns, and expected low recourse debt burden that will provide considerable room for asset-based movements.

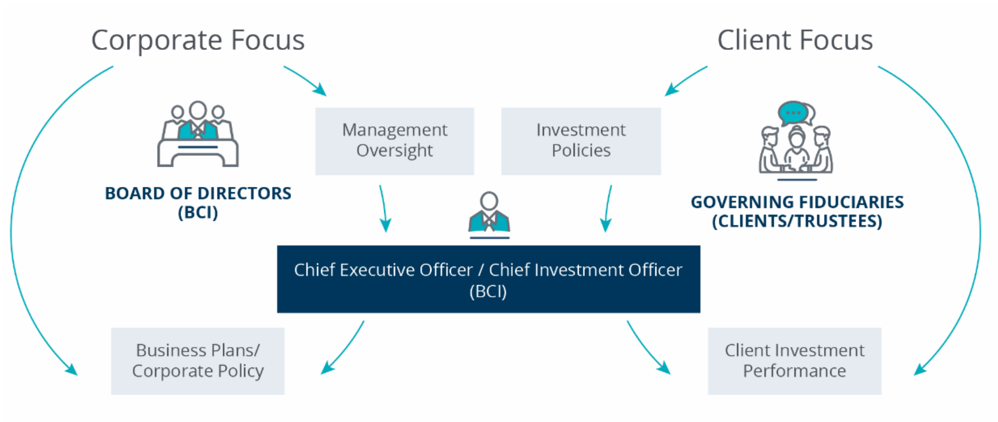
About BCI

BCI was created in 1999 under the Act, as an agent of the Province. On its creation, BCI assumed ownership and management of the investment assets held in pooled investment portfolios which formerly were held and managed by the Province's minister of finance. While BCI is established by provincial legislation to manage the assets of public sector pension plans and other public sector entities, BCI operates at arm's length from the government as the Act precludes the Province from being involved in BCI’s investment decisions and business operation. This provides BCI with a high degree of independence and control over assets.

BCI is one of Canada’s largest institutional investment managers, managing $215.0 billion in net assets as of March 31, 2023, on behalf of 32 public-sector entities in British Columbia, which include pension plans, insurance plans, and other special purpose funds that focus on financing government programs such as: arts and culture, sports, skills training, economic development, among others. The majority of the AUM are held in pooled investment portfolios established pursuant to the PIPR. BCI invests in-line with their clients' investment frameworks and policies, as well as applicable legislation and regulations and is accountable to their clients for investment performance net of operating costs. The Corporation is based in Victoria with offices in Vancouver, New York City and London.

Governance

BCI operates under a dual accountability model, as set out in the Act. BCI is accountable to their clients and to the BCI board. The chief investment officer (CIO)/chief executive officer (CEO) is accountable to each client for their investment returns and the management of their funds.



Source: https://www.bci.ca/who-we-are/governance/framework.

BCI has a strong corporate governance structure that includes a code of conduct with conflict of interest guidelines, an organizational structure that provides for appropriate segregation of duties and accountability for performance, an enterprise-wide risk management framework, and board-approved fund policies and client-approved investment mandates.

BCI is governed by a seven-member board that includes four directors appointed by each of the College Pension Board, the Municipal Pension Board, the Public Service Pension Board, and the Teachers' Pension Board, two directors who are representative of other clients and appointed by the minister of finance and one director, who is designated to be the chair and appointed also by the minister of finance. Each director is appointed for a term not exceeding three years, which can be renewed and the appointments are staggered so no more than three directors can have their terms expiring within the same year. All directors and the board chair are nonexecutive directors and independent of management. The board is composed of professionals with a diversity of experience and knowledge with specific competencies, skills, and backgrounds. The nominating bodies are aware of the criteria related to knowledge, experience, and skill set requested for the directors.

The board acts independently of the Province and makes decisions in the best interests of BCI and its clients. While the Act assigns responsibility to the CIO for the day-to-day duties relating to the management of the investments, the board is responsible for providing general oversight to BCI's operations and ensuring there is proper reporting and accountability to the Corporation' clients and the minister of finance.

The board retains responsibility for appointing the CIO and the external auditor, setting compensation, approving key policies with respect to the proper discharge of the Corporation's mandate, as well as reviewing and approving the business plan and budget, conflict of interest guidelines and policies for the pooled funds. The board operates through two subcommittees: the Audit Committee and the Human Resources and Governance Committee, and occasionally ad hoc committees. The board is legislatively prohibited from being involved in investment decisions, but can provide policy advice to the CIO.

Under the supervision of the CIO who also serves as the CEO, the investment teams make the investment decisions in accordance with legal contracts established with their clients, investment policies, and management frameworks for their specific funds, as well as applicable legislation and regulations. The CIO/CEO is accountable for all investment decisions to the clients.

BCI's clients governing fiduciaries/trustees monitor BCI's work to address the investment opportunities and long-term material risks and to ensure alignment with their policies. The clients governing fiduciaries/trustees receive regular reporting from BCI to support its oversight of investment risk.

Management

The CIO/CEO is responsible for the operations, management, and investment performance of BCI, and is accountable to the board for the operations of the Corporation and to the clients for the investment performance of the funds entrusted to the Corporation. BCI has a strong and well-established management team. The team has put in place a stable and coherent investment strategy with a robust track record of delivering consistent strong results. Risk management functions are robust and well integrated into the investment decision-making process.

As of March 31, 2023, BCI had 711 direct employees. The Corporation has been expanding and seeking to hire top talent in the sectors and regions in which it operates.

Investment Performance

In F2023, BCI delivered an annual combined pension plan return of 3.5%, net of all fees, against a combined BM of 0.3%, representing $4.6 billion of value-added activity, despite heightened market volatility, inflationary pressures, and record-high interest rates. BCI attributes much of this success to its efforts to enhance the investment selection process, its globalization strategy, diversification of investments through illiquid asset class opportunities, and its focus on quality assets.

On a 10-year average, BCI has achieved an average annual return of 8.5%, exceeding the BM average return of 7.2%, resulting in $16.3 billion of cumulative value-added activity. The longer term returns have exceeded the nominal actuarial discount rates used in the most recent funding valuations for all major pension plan clients, thereby, enabling them to maintain fully funded ratios in the range of 103% to 133%.

Investment Returns

	Five-Year Return	Ten-Year Return	For the year ended March 31				
			2023	**2022**	**2021**	**2020**	**2019**
Total Portfolio (%)[1,2]	7.2	8.5	3.5	7.4	16.5	2.9	6.1
BM (%)	5.8	7.2	0.3	4.6	17.1	3.3	4.5
Combined Funds							

1. Reflect the investments of BCI's six largest pension clients: BC Hydro Pension Plan, College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, Teachers' Pension Plan, and WorkSafeBC Pension Plan.
2. Includes the impact of client currency hedging policies, where set.

All asset classes contributed positively to the return, with significant returns contribution provided by Illiquid asset classes, namely, private equities and infrastructure & renewable resources.

Investment Returns[1]

	For the year ended March 31						
Percentage	**2023 Return**	**2023 BM**	**2023 Variance**	**2022 Return**	**2021 Return**	**2020 Return**	**2019 Return**
Fixed Income							
Short Term	5.8	5.9	(0.1)	(0.3)	(4.7)	5.1	2.2
Nominal Bonds	(2.1)	(2.9)	0.8	(3.9)	3.0	4.9	5.6
Private Debt	4.6	2.1	-2.5	7.3	10.9	(2.3)	2.7
Other Strategies[2]	3.0	-	-	0.3	0.3	9.1	6.1
Real Estate Debt	4.6	3.3	1.3	4.0	4.1	-	-
Real Assets							
Real Estate Equity[3]	7.2	6.9	0.3	14.9	0.2	8.5	-
Domestic Real Estate	-	-	-	-	-	-	7.6
Global Real Estate	-	-	-	-	-	-	12.2
Infrastructure[4]	9.2	6.4	2.8	12.1	7.9	8.6	9.9
Renewable Resources	-	-	-	-	-	(2.6)	13.2
Equities							
Public equity							
Canadian Public Equity	(3.1)	(5.2)	2.1	19.0	44.5	(13.9)	6.9
Global Public Equity	2.3	0.9	1.4	5.7	39.1	(4.0)	7.8
Emerging Markets Public Equity	0.3	(3.2)	3.5	(10.6)	42.4	(11.2)	(5.3)
Private equity[3]	4.7	(10.4)	15.1	29.7	24.3	16.2	16.5
Portfolio[1,4]	**3.5**	**0.3**	**3.2**	**7.4**	**16.5**	**2.9**	**6.1**

1. Reflect the investments of BCI's six largest pension clients: BC Hydro Pension Plan, College Pension Plan, Municipal Pension Plan, Public Service Pension Plan, Teachers' Pension Plan and WorkSafeBC Pension Plan.
2. Other Strategies include leverage liabilities.
3. An internal rate of return methodology is used to calculate returns for infrastructure & renewable resources, private equity, and real estate equity. The assets and BMs are as at December 31, 2022. BMs are presented on a time-weighted rates of return (TWRR) basis.
4. All returns are net of all costs and fees.

In F2023, the fixed income program returned (2.3)% outperforming its BM of (3.3)%. Within this asset class, the Corporate bond fund, which holds investment-grade and high-yield corporate bonds issued in the United States and Canada, outperformed with a return of (2.1) %, against a BM return of (4.7)%. Outperformance was because of defensive positioning, which included a quality bias in its credit holdings, and an allocation to cash and U.S. Treasuries. On a one-year period, the private debt portfolio outperformed its BM by 2.5% by generating a return of 4.6%. Higher credit spreads on newly added senior secured loans to private equity sponsors and syndicated loans contributed to the outperformance. Public equities had a tough year on account of volatile markets but nonetheless outperformed the BM of (0.8)% by generating a return of 1.3% because of focused investing in high quality companies with better long-term return prospects. Within private assets, private equity, real estate debt, real estate equity, and infrastructure outperformed their respective BMs by 15.1%, 1.3%, 0.3%, and 2.8%, respectively. Private equity's return of 4.7% outperformed its BM of (10.4)% despite challenges like scarcity of bank funding for buyout deals and slowdown in market activity because of a drop in valuations. Infrastructure continued to outperform with a return of 9.2% against its BM of 6.4%. The key contributors were strong distributions, mostly from utility assets, and strong capital appreciation generated through operational outperformance, as well as market transactions and positive currency movements. Under the real estate portfolio, real estate equity returned 7.2%, outperforming its BM of 6.9% driven by an overweight sector allocation to industrial, residential, and alternative assets, with geographic diversification that protected the portfolio from market volatility. On the real estate debt front, outperformance was contributed by favourable environment for non-bank lenders like QuadReal, which can fill out the space left out by banks, because of capital constraints and property valuations, through capital structures like subordinated debt.

In F2023, total costs, consisting of internal, external direct, and external indirect costs, for BCI came down to $1.1 billion from $2.2 billion in the previous fiscal year. Internal costs were $387 million in F2023 compared with $283 million in F2022. The 36.4% year-over-year increase was primarily because of the addition of personnel, realignment of compensation levels and an increase in professional services. External direct costs were $440 million compared with $654 million in F2022. The 32.6% year-over-year decline was driven by lower performance fees paid to fewer external managers used, with a shift to internal active portfolios. External indirect costs were $316 million compared with $1,283 million in F2022. The 75.3% year-over-year decline was driven largely by a decrease in private equity performance fees paid to external managers. BCI manages the majority of its assets internally, which is cost effective. Investment management expenses can vary based on the amount of internally managed assets and private market assets as well as geographic distribution of the assets.

Investment and Risk Management

Investment Allocations and Strategy

BCI invests its clients' funds in accordance with legal contracts established with them, investment policies and management frameworks for their specific funds, as well as applicable legislation and regulations, which determines asset allocations and eligible investments, based upon the clients' objectives, return requirements, liability profiles, liquidity needs, risk tolerances, taxable status, and investment horizons.

Clients allocate funds across various pooled investment portfolios which are managed in accordance with specific investment policies that define, among other things, the investment objectives, universe, restrictions and risk management. Diversification is a key part of risk management as it limits the impact of lower returns in an asset type in any given period. Each plan's investments are adjusted based on anticipated risk and market outlook, to protect capital and to take advantage of opportunities that add value.

One of BCI's strategies is to manage more assets in-house as it enables it to be both responsive and defensive during periods of market uncertainty. Given its ample liquidity, BCI is well positioned to seize opportunities that add value in the long term, while it is under no pressure to sell if markets are challenging.

In recent years, BCI's aggregated asset mix has shifted toward investments in private equity, regulated utilities, renewable resources, and real estate assets. These types of private market assets have characteristics that align with their largest clients' long-term view on investing, as these assets typically increase in value over time, protect against inflation, as well as help buffer against short-term volatility. Many of these investments also present opportunities for direct asset management, which enables BCI to influence the strategic direction of these companies and create long-term value for their clients.

On an aggregated level, BCI has been also diversifying investment exposures by geography, reducing investments in Canada and allocating more capital into the U.S. and Europe. From 2018 to 2022, the share of the portfolio invested directly in Canada has fallen to 29.4% from 49.0%, while the share of investments into the U.S. market has increased to 41.0% from 24.4% and the share of investments in the European market has increased to 13.8% from 8.9%.

The approach to investment management appears to be prudent. The investment pools are broadly diversified. Investment performance has been generally strong and consistently have surpassed the BMs. BCI's returns over a 10-year period are greater than the typical discount rates assumed for actuarial valuations and funding studies carried out by the largest pension plans.

Combined Funds Composition

Actual Combined Funds Composition[1]

	As of December 31				
Percentage	**2022**	**2021**	**2020**	**2019**	**2018**
Fixed Income					
Fixed income investments	45.8	45.6	44.0	46.0	39.4
Private debt investments	7.2	4.2	3.6	2.8	1.5
Total	**53.1**	**49.9**	**47.7**	**48.9**	**40.9**
Real Assets					
Infrastructure and renewable resources	9.4	7.6	8.0	8.3	9.2
Total	**9.4**	**7.6**	**8.0**	**8.3**	**9.2**
Equities					
Public equity	18.1	27.9	31.5	32.4	40.1
Private equity	14.6	12.2	11.8	10.3	9.8
Total	**32.6**	**40.1**	**43.4**	**42.7**	**49.9**
Other Investments					
Other investments[2]	4.9	2.4	1.0	0.1	-
Total	**4.9**	**2.4**	**1.0**	**0.1**	**-**
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

1. Based on gross amounts before deducting investment related liabilities.
2. Other Investments include absolute return strategies, internal loans and prepaid investment.

Risk Management

BCI has embedded risk management into the culture and operations of the corporation, including strategic planning, investment decision making and monitoring as well as other key operational and investment controls and activities. This risk conscious culture influences appropriate risk taking behaviour and consideration of risk-relevant information in the decision-making process. BCI has adopted a board-approved integrated risk governance framework that sets out the roles and responsibilities for governance and oversight of risk. BCI has two risk committees: the Enterprise Risk Management Committee (ERMC) and the Investment Risk Committee that form part of the integrated risk governance framework. These committees are responsible for supporting the CEO/CIO in the oversight and management of all risks, supporting the board in the oversight of risk management, recommending risk policies for board approval and approving risk directives. To ensure integration between the two risk committees, the chief operating officer and the executive vice president, investment strategy & risk or their delegates are members of both risk committees as needed.

The enterprise risk management (ERM) framework enables the identification, assessment and management of risks related to BCI's noninvestment activities. The ERMC is responsible for setting acceptable risk tolerances, examining emerging risks, reviewing assessment results and monitoring the completion of mitigation activities. Business units and teams manage pertinent risks based on the tolerances set by the ERCM. BCI's board provides oversight through the ERM policy and reviews enterprise risks quarterly.

The CEO/CIO is responsible for ensuring the level of investment risk assumed by BCI is prudent and in accordance with any instructions provided by clients. The investment risk management framework covers credit risk; market risk; liquidity risk; concentration risk; counterparty risk; leverage; Environmental, Social, and Governance (ESG) risk; and funding and contribution risk.

Similarly to other DBRS Morningstar's rated pension fund and exclusive asset managers, ESG investing is embedded into BCI's investment-decision making process. It is BCI's investment belief that taking ESG matters into account enables investors to better understand, manage, and mitigate risks and take advantage of opportunities associate with long-term investments. BCI has been actively engaged in addressing climate change for several years and has set a goal to ensure that by 2030 at least 80% of BCI's most carbon-intensive investments have set mature net-zero aligned commitments, which have already contributed to a 34% reduction in BCI's total portfolio carbon footprint relative to 2020. Management and clients receive regular climate risk reporting and analysis to support their investment decisions.

Risk management is governed by BCI's clients' investment policy statements and BCI's corporate policies, directives and procedures, ensuring that risk-taking decisions align with BCI's and its clients' related governance documentation. BCI's approach to management of major investment and operational risks appears to be prudent, which allows the Corporation to achieve more steady returns without undue risk of loss.

Liquidity Management

BCI ensures sufficient high quality liquid assets are available to meet potential financial obligations under normal and stressed market conditions, including opportunistic deployment of capital, over multiple time horizons. The governance framework for management and measuring liquidity risk includes the methodologies used, such as the liquidity coverage ratio, assumptions, risk thresholds, and monitoring requirements for the prudent management of risk. BCI monitors liquidity risk on a regular basis and includes the tracking of early warning indicators of deterioration in its liquidity position. It has also developed a contingency plan that formalizes the processes to be considered in the lead up to or an actual crisis event.

BCI is looking to diversify its funding sources by setting up a MTN program that will allow the Corporation to issue unsecured, unsubordinated debt with recourse to the Combined Funds. A more diversified funding source will add resilience to their liquidity position during liquidity stress events.

Leverage and Debt

BCI considers various classifications of leverage such as financial and synthetic. Synthetic leverage includes various forward currency, equity and fixed income contracts entered into on behalf of clients or pooled investment portfolios. Financial leverage, achieved through government bond repurchase agreements (Repos), enables clients to increase potential return by broadening their investment footprint, diversifying their exposure and increasing access to liquidity. This category of leverage is managed by BCI’s funding program which had an outstanding of $18 billion as on March 31, 2023. Multiple leverage metrics are in place along with existing frameworks for measuring and monitoring market, counterparty, and liquidity risks emanating out of the leverage undertaken.

Given that maturity profile of Repos is limited, BCI has planned to launch a MTN program with an objective of incorporating leverage with extended maturity aligning better with client's long term horizon. Also, the program will not only enable BCI to diversify its creditor base from existing Repos but also enhance the liquidity profile. Debt issuance (recourse debt) under the MTN program will be direct, unsecured and unsubordinated obligations of BCI and debtholders will have recourse to the Combined Funds. Limitations with respect to total recourse leverage will provide a limit to the amount of recourse debt that can be outstanding relative to BCI's Combined Funds.

Valuation of Private Market Assets

BCI measures all of its investments at fair value in accordance with accounting standards. Valuation of all assets is directed by BCI's Valuation Policy, which is approved by the board and is further supported by valuation directives that establish the valuation principles, the methodology for each type of investment, frequency of valuations and reporting. Fair values for investments held within pooled investment portfolios are determined on any opening date when units are issued or redeemed on a nonproportionate basis and for year-end financial reporting.

Large direct and co-investments in private equity are valued externally at least annually. Otherwise, they may be valued internally by BCI staff with appropriate knowledge and expertise using industry accepted valuation techniques. When relying on a third party manager for the determination of the fair value, BCI reviews the appropriateness of such valuations using audited financial statements of the underlying investments and other information available.

Clients and Total Net Assets

As at March 2023, BCI managed $215.0 billion in net assets for 11 public sector pension plans, three insurance funds, and 18 special purpose funds. The public sector pension plans represent 78.0% of BCI's total net assets, insurance funds represent 19.8% and the special-purpose funds represent 2.2%. Overall, the strong long-term outperformance of BCI against its BM has generally satisfied or exceeded the clients' needs. The largest pension clients have been fully funded for several years, indicating their long-term viability, the adequacy of the current contributions rates, and the growth prospects of the assets available to eventually repay outstanding debt.

- **Municipal Pension Plan ($71.6 billion as of December 2022):** BC's Municipal Pension Plan serves more than 421,000 active, inactive, and retired members and their employers. Members and employers come from a variety of sectors across British Columbia, including health, municipalities, and school district. The latest actuarial valuation filed with the regulators as of December 2021, showed the plan was fully funded at 105.3%. The filing included a $3.2 billion balance in the rate stabilization account, which smooths out annual contribution rates and provides the ability to stabilize future pension cost increases. The rate stabilization account was not included in the funding status calculation.

- **Public Service Pension Plan ($41.4 billion as of March 2022):** BC's Public Service Pension Plan serves more than 144,000 active, inactive, and retired members and their employers. The latest actuarial valuation filed with the regulators as of March 2020, showed the plan was fully funded at 109.6%. The filing included a $117 million balance in the rate stabilization account, which smooths out annual contribution rates and provides the ability to stabilize future pension cost increases. The rate stabilization account was not included in the funding status calculation

- **Teachers' Pension Plan ($35.9 billion as of December 2022):** BC's Teachers' Pension Plan serves more than 104,000 active, inactive, and retired members and their employers. The latest actuarial valuation filed with the regulators as of December 2020, showed the plan was fully funded at 105.3%. The filing included a $892 million balance in the rate stabilization account, which smooths out annual contribution rates and provides the ability to stabilize future pension cost increases. The rate stabilization account was not included in the funding status calculation.

- **College Pension Plan ($6.6 billion as of August 2022):** BC's College Pension Plan serves more than 34,000 active, inactive, and retired members and their employers. The latest actuarial valuation filed with the regulators as of August 2021, showed the plan was fully funded at 103.2%. The filing included a $146 million balance in the rate stabilization account, which smooths out annual contribution rates and provides the ability to stabilize future pension cost increases. The rate stabilization account was not included in the funding status calculation

- **The WorkSafeBC Pension Plan ($2.7 billion as of March 2022):** The WorkSafeBC Pension Plan serves more than 6,000 active, inactive, and retired members and their employers. The latest actuarial valuation filed with the regulators as of December 2021, showed the plan was fully funded at 132.8%.

The strength of the credit rating relies heavily on the stability of the asset base. While clients could place some or all of their funds with other investment managers for fund management services, which could weaken the stability of the asset base, DBRS Morningstar views this risk as very remote, given the success of the BCI investment manager model, the degree of sophistication and scale of the Corporation that provides clients with access to investment opportunities that would otherwise may not be accessible to them, generally strong investment results and BCI's established relationships with both the provincial government and its clients. Furthermore, while BCI's clients are entitled to request a withdrawal of some or all of their investments in the Combined Funds, the right of withdrawal is subject to certain limitations under the terms of the fund management agreements with each client and BCI's internal investment policies and product descriptions. BCI has the power and authority to manage liquidity and withhold funds as required to ensure its ability to satisfy its obligations under the MTNs.

Based on the latest actuarial valuations, the largest pension funds are fully funded, leading to more conservative risk taking in the asset mix and investment strategy, including the amount of leverage added to their investment portfolios.

Clients' Net Assets

	For the year ended March 31				
(CAD billions)	**2023**	**2022**	**2021**	**2020**	**2019**
Pension Plans	167.8	164.0	153.8	133.2	130.4
Insurance Plans	42.4	43.0	42.0	34.6	19.8
Other	4.8	4.1	3.8	3.5	3.2
Net Assets	**215.0**	**211.1**	**199.6**	**171.3**	**153.4**

Ranking

BCI's clients retain responsibility for their underlying pension and other obligations. While those obligations will influence the clients' asset allocations and the timing and scope of withdrawals, BCI is not ultimately responsible for those obligations.

In addition, certain provisions contained in the funds management agreement with each client, restricts the ability of a client to withdraw its funds until such client's existing investment commitments and obligations in respect of the funds, are satisfied. In other words, should a client request to withdraw funds, the funds management agreement authorizes BCI to withhold amounts necessary to satisfy such clients' investment commitments and obligations, including the MTNs.

The MTNs will be direct senior unsecured obligations of BCI in its capacity as Issuer (in respect of the assets of the Combined Funds which it holds in trust) and will rank equally and rateably with all other present and future unsecured and unsubordinated indebtedness of the Issuer, rank junior to any present and future secured indebtedness of the Issuer to the extent of the value of the assets securing such obligations, rank senior to all future subordinated unsecured indebtedness of the Issuer and be structurally subordinated to any existing and future obligations and other liabilities of any subsidiaries of any of the Combined Funds.

Credit Rating History

	Current	2022	2021	2020	2019
British Columbia Investment Management Corporation					
Issuer Rating	AAA	n/a	n/a	n/a	n/a

Related Research

- *Rating Canadian Public Pension Funds & Related Exclusive Asset Managers*, April 27, 2023.

Notes:
All figures are in Canadian dollars unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

Appendix 1: ESG Considerations

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions,Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	**N**	**N**
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	**N**	**N**
	Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	**N**	**N**
	Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?	**N**	**N**
	Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	**N**	**N**
Social		**Overall:**	**N**	**N**
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	**N**	**N**
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	**N**	**N**
		Do violations of rights create a potential liability that can negatively affect the issue's financial wellbeing or reputation?	**N**	**N**
		Human Capital and Human Rights	**N**	**N**
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	**N**	**N**
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	**N**	**N**
	Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	**N**	**N**
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	**N**	**N**
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	**N**	**N**
Governance		**Overall:**	**N**	**N**
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	**N**	**N**
		Are there any political risks that could impact the issuer's financial position or its reputation?	**N**	**N**
		Bribery, Corruption, and Political Risks	**N**	**N**
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	**N**	**N**
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	**N**	**N**
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	**N**	**N**
		Corporate / Transaction Governance	**N**	**N**
	Institutional Strength, Governance, and Transparency (Governments Only)s	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	**N**	**N**
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	**N**	**N**
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	**N**	**N**
		Institutional Strength, Governance, and Transparency (Governments Only)s	**N**	**N**
		Consolidated ESG Criteria Output:	**N**	**N**

* A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations

Environmental

There were no Environmental factors that had a relevant or significant effect on the credit analysis. For more details about which Environmental factors could have an effect on the credit analysis, please refer to the checklist above.

Social

There were no Social factors that had a relevant or significant effect on the credit analysis. For more details about which Social factors could have an effect on the credit analysis, please refer to the checklist above.

Governance

There were no Governance factors that had a relevant or significant effect on the credit analysis. For more details about which Governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to credit risk factors that could affect the issuer's credit profile and, therefore, the credit ratings on the issuer. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/416784.

Notes:
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We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

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