

ANNUAL REPORT 2025



Lapp

Who We Are

The Local Authorities Pension Plan (LAPP) is a jointly sponsored defined benefit pension plan.

Originally established in 1962 for the employees of local authorities in Alberta, the employers now include organizations from the healthcare sector, cities, towns, villages, municipal districts, colleges, school boards, charities, not-for-profits, and more.

Plan Background and History

LAPP Corporation is the legal trustee and administrator of the Plan and is overseen by a 12-member Board of Directors, nominated by employees and employers. LAPP is registered under the *Alberta Employment Pension Plans Act* and is now governed by provincial legislation passed late in 2018. *The Joint Governance of Public Sector Pension Plans Act* (Joint Governance Act) transitioned LAPP to joint governance effective March 1, 2019.

Legislative Framework

Amendments to the Joint Governance Act in 2019 stipulate that LAPP Corporation is required to use two Crown Corporations of the Province of Alberta to provide investment and pension benefits administration as follows:

- Alberta Investment Management Corporation (AIMCo) is responsible for investment management services under the direction of an investment policy set by the LAPP Corporation Board of Directors.
- Alberta Pensions Services Corporation (APS) is responsible for pension benefits administration services to LAPP as outlined in a Pension Services Agreement signed between LAPP Corporation and APS.

Contributions are collected from employers and employees and the money is invested in equities, bonds, and other investment vehicles. The investment income, interest, and contributions are used to pay pension benefits to LAPP retirees, now and in the future.



Darlene,
Alberta Health Services



Contents

- 1. 2025 Highlights 4
- 2. Message from the Corporate Board Chair 7
- 3. LAPP Corporation Board of Directors..... 8
- 4. Message from the Sponsor Board Chair 9
- 5. LAPP Sponsor Board Members10
- 6. Management Discussion and Analysis11
- 7. Investment Summary –
Plan Performance Overview21
- 8. Financial Statements34

Across Alberta, LAPP serves nearly 327,000 members and over 460 employers.

Front page photo:
Stephen, City of Calgary
Abigail, City of Edmonton
Carrie, Alberta Health Services

Photo credits: Curtis Comeau, Jake Bradley,
the City of Edmonton, and the City of Calgary.

We thank LAPP members for allowing their photos
in our publications.



2025 Highlights

\$76.1 BILLION

Net Assets

amount available to pay member benefits

\$53.5 BILLION

Pension Obligations

amount owed to members for benefits earned

\$22.6 BILLION

Surplus

up from \$19.6 billion in 2024

142%*

Funded (Funding Status)

up from 138% funded in 2024

*Number based on an accounting basis

326,965

Total Membership

up from 316,938 in 2024

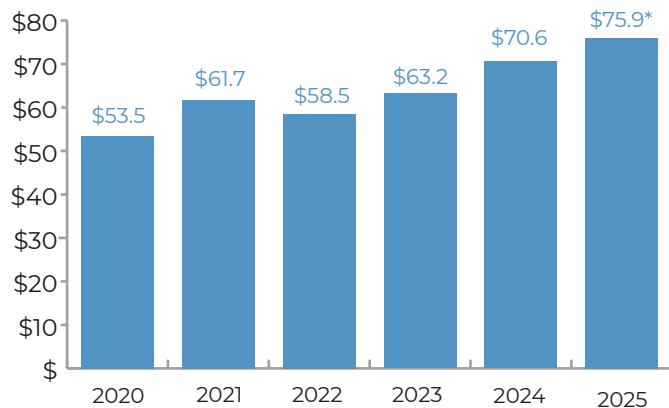
462

Total participating

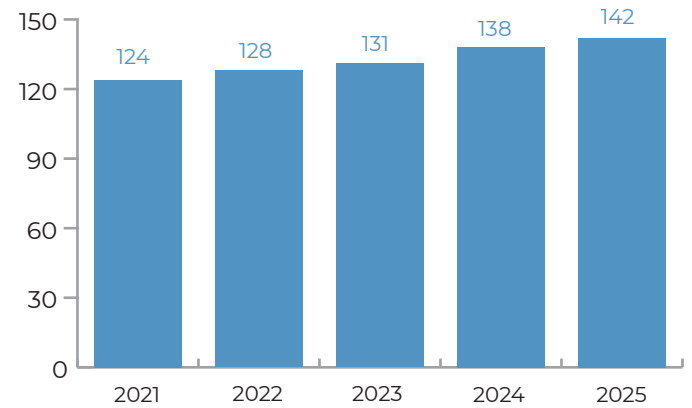
number of employers

up from 453 in 2024

Market value – investments (in billions)



Accounting funded ratio (% funded by year)



Summary of Accounting Financial Position:

(As at Dec 31 of each year)

(\$ millions)	2025	2024	2023
Net assets	\$76,076	\$70,699	\$63,338
Pension obligation	\$53,515	\$51,142	\$48,281
Surplus	\$22,561	\$19,557	\$15,057

* The market value of assets are the assets invested at AIMCo and the net assets are the market value of assets net of receivables and payable

Membership

(as at Dec 31, 2025)

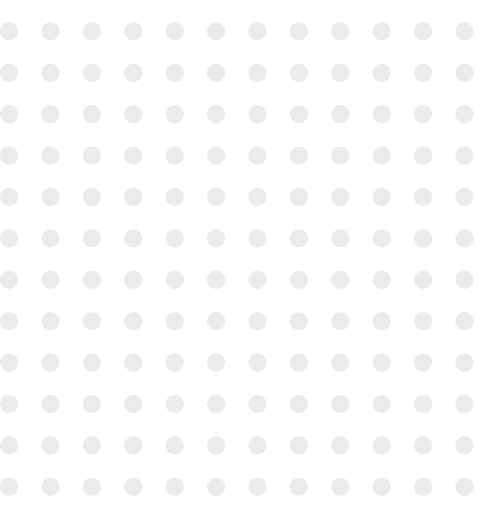


Member Satisfaction Survey*

88% 2025

Employer Satisfaction Survey**

88% 2025



*Based on interactions with the Member Service Centre.

**Based on interactions with the Employer Services Team.

Participating Employers

In 2025, the LAPP Sponsor Board approved a revised New Employer Participation Rule. The new arrangements provide greater flexibility for employers who transition to LAPP. LAPP welcomes the following employers who joined LAPP in 2025:

- Acute Care Alberta
- Alberta Teachers' Association
- City of Beaumont Library Board
- Civic Service Union 52
- Grant MacEwan University Faculty Association
- Mount Royal Faculty Association
- Primary Care Alberta
- Recovery Alberta: Mental Health and Addiction Services
- Town of High Level
- Village of Hughenden
- Willow Creek Regional Waste Management Services Commission

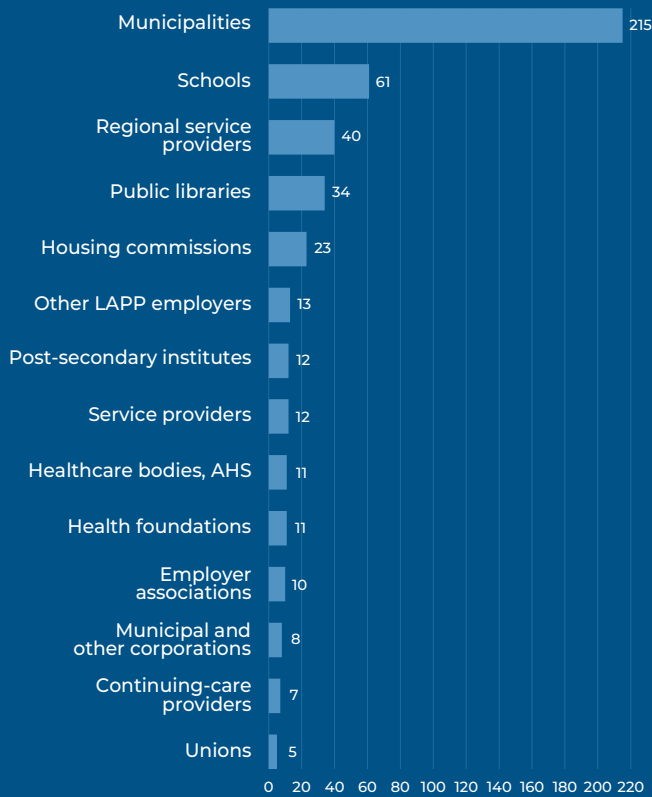
The Alberta Teachers' Association (ATA) office staff joined LAPP in 2025. As part of the agreement between LAPP Corporation and the ATA, assets and liabilities from the ATA Office Staff Pension Plan sponsored by the ATA are expected to be transferred to LAPP in 2026.

“ Member Perspective

Being a member of LAPP and having a reliable pension for when I retire is an important part of my financial planning.

Janet | LAPP Member **”**

Employer by Sector



Administration and Governance costs:

\$220 per member in 2025
up from **\$176 per member in 2024**

- APS benefits administrative costs: **\$48 million**
- LAPP Corporation and Boards costs: **\$21 million**
- Goods and Services Tax (GST): **\$3 million**

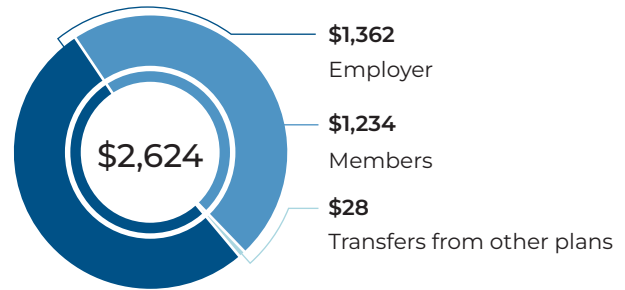
Investment Management costs:

\$1,389 per member in 2025
down from **\$1,564 per member in 2024**

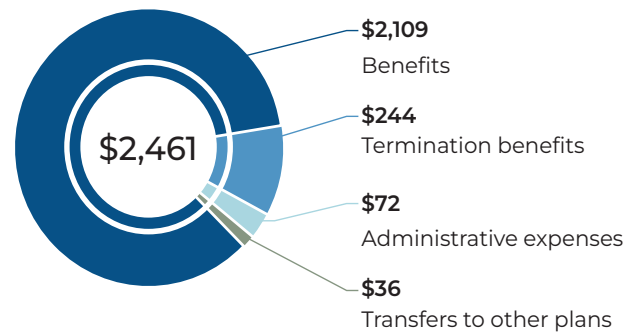
- AIMCo management costs: **\$321 million**
- AIMCo performance-based fees: **\$120 million**
- Goods and Services Tax (GST): **\$13 million**

Pension Contributions and Transfers

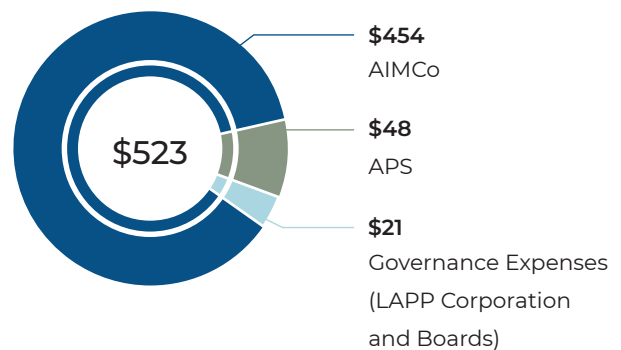
(\$ millions)



Pension Payments (\$ millions)



Pension Expenses (\$ millions)



Member Perspective

My LAPP pension is a major job perk for me. I feel secure knowing it is managed so transparently.



Nisha | LAPP Member

Message from the Corporate Board Chair

Across Alberta and around the world, members and employers are experiencing heightened geopolitical and economic uncertainty. While these conditions can be unsettling, LAPP enters this environment from a position of considerable strength.

Investment earnings are the single most important contributor to paying pensions over time. In 2025, the Fund continued to demonstrate resilience and financial strength, delivering a one-year rate of return of 7.24% and an annualized return of 6.93% over the past ten years. Plan assets reached \$76.1 billion at year-end, an increase of \$5.4 billion from 2024. As of December 31, 2024, the Plan's funded ratio stood at 115%, meaning LAPP held \$1.15 in assets for every dollar of pension benefits owed, an outcome that reflects prudent governance and supports the Plan's long-term sustainability.

Recognizing the critical role investments play in funding secure pensions, the Board established a dedicated Investment Committee in 2025 to provide enhanced focus on and oversight of the Plan's assets. Two core responsibilities of the Board, with respect to the Plan's investments, are establishing LAPP's Statement of Investment Policy and Procedures, including the strategic asset mix, and overseeing the performance of AIMCo, LAPP's mandated investment manager. In its first year, the Investment Committee advanced this work by overseeing a comprehensive asset-liability study and by recommending a new strategic asset mix effective January 1, 2026. The updated asset mix more closely aligns the long-term returns needed to fund the Plan with stable contribution rates and benefit security.

The Committee also led the development of a strengthened investment oversight framework, approved by the Board in 2025. This framework deepens the Board's ability to monitor performance, risk, and alignment with investment policy, and reinforces accountability for long-term results.

On behalf of the Board, I want to address the outcome of our efforts to recover the losses caused by AIMCo's VOLTS strategy in 2020. LAPP Corporation takes its fiduciary duty seriously, and the decision to pursue arbitration seeking recovery of LAPP member funds reflected that commitment. An arbitration hearing was conducted during the fall of 2025, and while we were expecting the arbitrator's decision in 2026, the government introduced and passed Bill 12, retroactively extinguishing our claim. This outcome is deeply disappointing. I want to assure members that LAPP remains in a strong funding position, and the pensions members have earned remain secure.

Alongside its investment and governance responsibilities, the Board remains focused on ensuring the Plan delivers lasting value to members and employers. Progress continued in 2025 to strengthen service, accessibility, and understanding of the value of a LAPP pension. These efforts support confidence in the Plan today and reinforce its role as a cornerstone of retirement security for Alberta's public-sector workforce.

I am proud of the diligence, professionalism, and long-term focus demonstrated by the Board, management team, and service partners throughout 2025. As we look ahead, LAPP remains well funded, well governed, and resiliently positioned to withstand market volatility while continuing to provide secure pensions for members and a stable, sustainable plan for employers.



Darren Sander

Chair, Board of Directors
LAPP Corporation



LAPP Corporation Board of Directors



Darren Sander, AR, HRC, IC
Chair

Nominated by
Alberta Health Services



Terry Agoto, BG, HRC, IC
Vice-Chair

Nominated by
Alberta Union of
Provincial Employees



Robert Bhatia, BG, IC

Nominated by
Alberta Health Services



Steve Bradshaw, AR, IC

Nominated by
Alberta Federation
of Labour



Moira Game, BG, IC

Nominated by
The City of Calgary



Todd Gilchrist, HRC, IC

Nominated by
Alberta Post-Secondary
Network



Peter Marsden, AR, BG, IC

Nominated by
Canadian Union of
Public Employees



Christine deMontigny, IC

Nominated by
Health Sciences
Association of Alberta



Ana Nunes, AR, IC

Nominated by
LAPP Corporation



Carolyn Olson, AR, HRC, IC

Nominated by
United Nurses of Alberta



Jason Schneider, AR, IC

Nominated by
Rural Municipalities
of Alberta



Ronda White, AR, IC

Nominated by
Alberta Health Services

LAPP Corporation bids farewell to and thanks the following Directors for their dedicated service:

Victor Banfield
Nominated by
Health Sciences
Association of Alberta

Noelle Devlin
Nominated by
City of Edmonton

Robert Nicolay
Nominated by
Alberta Municipalities

Antonia Stiuca
Nominated by
Alberta School Boards
Association

Joanne Weninger
Nominated by
LAPP Corporation

Committee Legend

- AR: Audit and Risk Committee
- BG: Board Governance Committee
- IC : Investment Committee
- HRC: Human Resources and Compensation Committee

Message from the Sponsor Board Chair

04

I am pleased to reflect on a year in which the Sponsor Board continued to fulfill its core responsibility: ensuring the Plan remains sustainable over the long term, with benefits that are clearly valued by members and employers and supported by stable, predictable contribution rates.

LAPP's strong funding position, built over many years of disciplined decision-making, enabled the Sponsor Board to take carefully considered actions in 2025 that delivered tangible value across the membership. These included temporary contribution rate relief for active members and employers for 2026, a one-time 2026 enhancement to the January 1, 2026 cost-of-living adjustment for retirees and deferred members, and a one-year improvement to the 2027 benefit accrual rate for active members. In approving these measures, the Sponsor Board took a deliberate and measured approach, ensuring that each decision was affordable, time-limited, and fully aligned with the Plan's long-term sustainability.

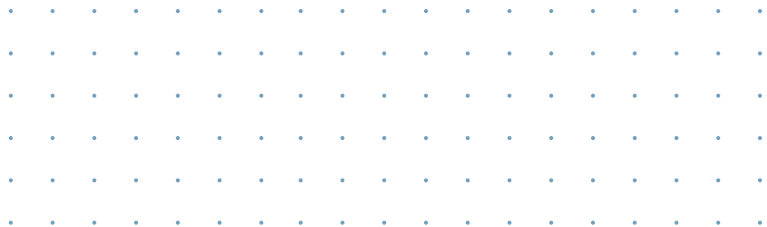
Maintaining contribution stability remains the Sponsor Board's foremost priority. Every decision is assessed through a long-term lens, informed by funding projections, risk considerations, and the shared objective of preserving a secure, cost-effective defined benefit pension for current and future generations. The actions taken in 2025 reflect a commitment to stewardship and intergenerational fairness.

During the year, the Sponsor Board also

commenced a multi-year sponsor consultation initiative to deepen its understanding of the needs, expectations, and perspectives of LAPP's diverse sponsor community. With 462 participating employers and 39 unions/associations, this initiative is an important step toward strengthening engagement and ensuring that governance remains responsive and well-informed. The consultation work will conclude in 2026, after which the Board will consider opportunities to further enhance its engagement with sponsors.

Collaboration is foundational to the Sponsor Board's approach. Throughout the year, the Board worked closely with the Corporate Board and management to ensure alignment across governance and funding decision-making. This collaborative model supports thoughtful, integrated decisions that serve the shared interests of members and employers.

I am proud of the disciplined, constructive, and forward-looking approach taken by the Sponsor Board in 2025. Our focus remains firmly on long-term sustainability, ensuring LAPP continues to provide secure pensions for members while maintaining stable and predictable costs today and over time.



Gil McGowan
Chair,
LAPP Sponsor Board

LAPP Sponsor Board Members 05



Gil McGowan
Chair

Appointed by Alberta Federation of Labour



Susan McGillivray
Vice-Chair

Appointed by Alberta Health Services



Dr. Vivian Abboud

Appointed by Alberta School Boards Association



David Andrews

Appointed by LAPP Corporation



Michelle Dorval

Appointed by City of Edmonton



Dennis Egert

Appointed by Alberta Municipalities



Raj Uppal

Appointed by Canadian Union of Public Employees



Darren Graham

Appointed by Alberta Union of Provincial Employees



Leland McEwen

Appointed by Alberta Health Services



Aaron Neumeyer

Appointed by Alberta Health Services



Mike Parker

Appointed by Health Sciences Association of Alberta



Heather Smith

Appointed by United Nurses of Alberta

The LAPP Sponsor Board bids farewell to and thanks the following Sponsor Board Members for their dedicated service:

Moira Game
Appointed by City of Calgary

Rory Gill
Appointed by Canadian Union of Public Employees

Kent Hummelle
Appointed by Alberta Post-Secondary Network

Jason Schneider
Appointed by Rural Municipalities of Alberta

Building Stronger Governance through Education

Effective governance is foundational to LAPP's long-term strength.

LAPP and the Public Service Pension Plan collaborated to create an e-learning education program designed to build knowledge and enhance awareness of oversight, stewardship and decision-making matters at the Board table. Developed over the past two years, with all eight modules launched in 2025, the program assists board members with a practical emphasis to support their responsibilities in an increasingly complex pension environment.

The curriculum combines core pension fundamentals covering topics such as Alberta's pension framework, administration, investments, risk oversight and board operations. Delivered through structured, self-directed learning and interactive scenarios, the program fosters a shared understanding across both the Sponsor and Corporate Boards. This investment in governance education enables members of the Boards to fulfill their respective duties towards the Plan and its members.

Management Discussion and Analysis

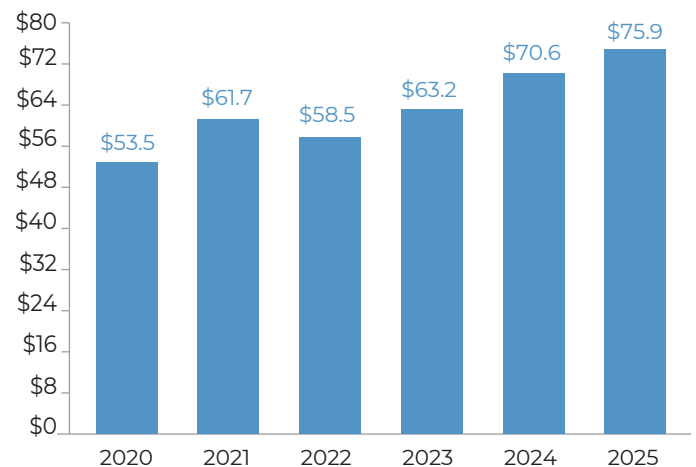
Overview

In 2025, global financial markets were shaped by heightened volatility, evolving monetary policy expectations, and persistent geopolitical uncertainty.

Investors navigated pronounced market swings as inflation continued to moderate in major economies, central banks began easing policies, and market leadership remained concentrated in select sectors, particularly those linked to artificial intelligence and technology-driven growth. These conditions reinforced the importance of diversification, disciplined portfolio construction, and strong risk management.

Market Value - Investments

(in billions)



LAPP remained focused on its long-term objective of delivering sustainable, risk-adjusted investment returns that support the pension promise to members while promoting stable contribution rates. As at December 31, 2025, LAPP investments were valued at \$75.9 billion, indicating continued

Wynne,
Alberta Health Services

LAPP growth in Plan assets. Public Equities and Fixed Income were the largest contributors to the absolute returns. For the year, the Fund generated a net investment return of +7.24%, compared with a policy benchmark return of +9.84%, resulting in a relative shortfall of +2.60%. In 2025, relative underperformance was primarily due to an unusually strong benchmark environment rather than portfolio specific issues. Equity benchmarks were elevated by exceptional returns in U.S. mega cap and AI-related stocks, as well as strong gains in Canadian gold-related equities. Inflation linked benchmarks for Infrastructure and Renewable Resources were also elevated. This environment challenged most active managers and does not indicate fundamental portfolio weaknesses or a permanent loss of capital. Despite this, long-term results remained resilient, with a 10 year annualized return of +6.93%, modestly ahead of the long-term benchmark (+6.76%).



LAPP by the Numbers

4,860 new pensions started in 2025 with **44%** applying using our online application.

Based on the latest actuarial valuation for funding purposes, the Plan was 115% funded on a going-concern basis as at December 31, 2024, meaning we have \$1.15 in assets for every dollar of obligations. Additionally, the number of LAPP employers increased to 462 (up from 453 in 2024), and the total

membership, including active, deferred, and retiree members, rose to 326,965 by the end of 2025 (up from 316,938 in 2024).

Based on the Plan's strong funded position as at December 31, 2024, the LAPP Sponsor Board approved three temporary enhancements designed to deliver value while protecting the long-term sustainability of the Plan.

- **First**, contribution rates will be reduced for the 2026 plan year, providing temporary savings to both members and employers.
- **Second**, retired and deferred members will receive a one-time enhancement to the cost-of-living adjustment (COLA) effective January 1, 2026, helping to improve the purchasing power of their pensions. This marks the second COLA enhancement approved by the LAPP Sponsor Board in the past three years.
- **Third**, active members will receive a temporary enhancement to the LAPP pension formula for pensionable service earned in 2027 only, at no additional cost to members or employers.

LAPP continues to take a long-term view, recognizing that short-term market outcomes can vary meaningfully from year to year. The Plan's diversified portfolio, disciplined governance framework, and ongoing investment oversight are designed to help navigate periods of market uncertainty while supporting the long-term sustainability of the Plan.

Investment Program Developments in 2025

In 2025, LAPP continued to strengthen the foundations of its investment policy and oversight program, with a clear focus on aligning the Plan's asset mix more closely with the Plan's evolving liability profile, enhancing investment oversight, and reinforcing its sustainable investing approach. These initiatives were undertaken to support the long-term security of member benefits while maintaining a disciplined, risk aware investment framework.

Enhanced Asset Liability Alignment through the 2025 Asset Mix

A key milestone in 2025 was the adoption of an updated long-term asset mix following a comprehensive asset liability management (ALM) review.

This work assessed the Plan's demographic risk profile, cash flow characteristics, funding position, and risk tolerance, and evaluated how different asset mix options would perform across a range of economic and market scenarios.

As a result of the ALM review, the asset mix was modestly rebalanced away from liquid fixed income and public equities toward illiquid and inflation-sensitive assets. Fixed Income declined slightly as cash and private mortgages were reduced, while duration was extended through higher allocations to short-mid and long bonds, and allocation to Public Equities was reduced with a rotation from Global Developed to Emerging Markets. The freed-up capital supported higher allocations to Infrastructure, the dedicated Energy Opportunities Pool sleeve, and a modest increase in Private Equity.

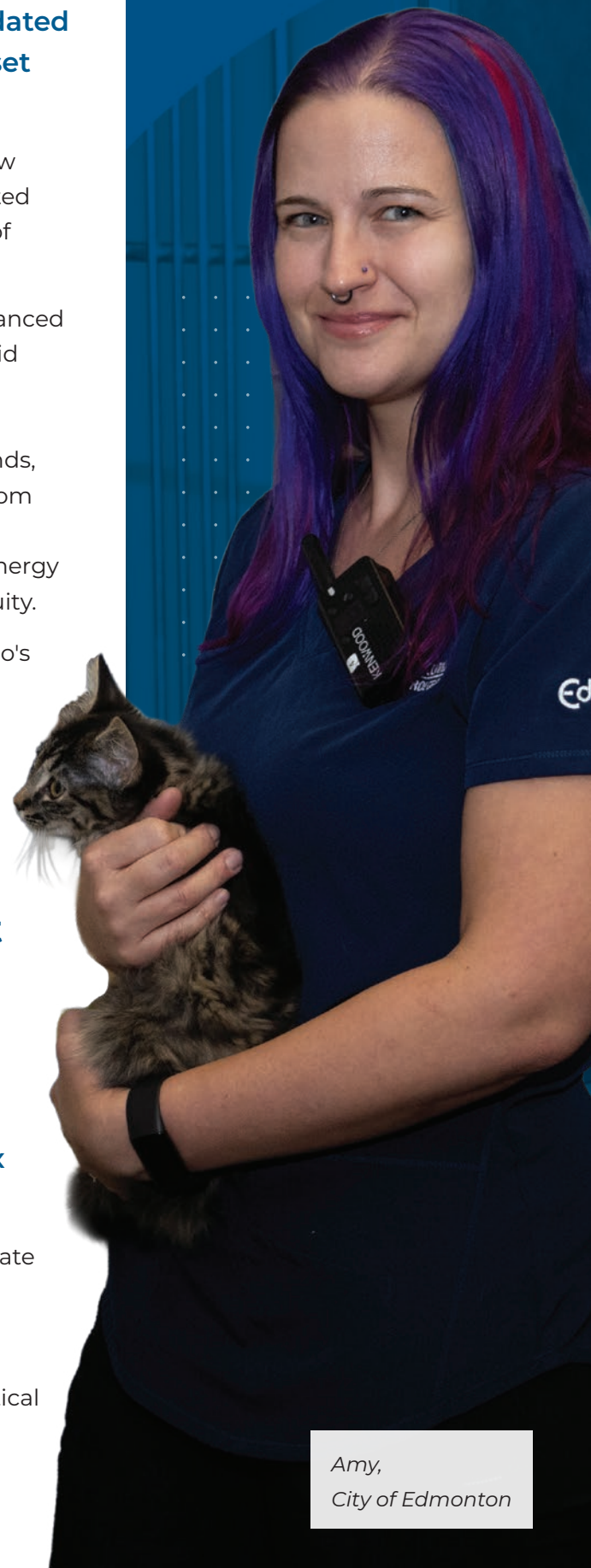
Collectively, these changes are designed to improve the portfolio's efficiency by better balancing expected returns with the Plan's liability characteristics. This evolution supports LAPP's objective of delivering stable, long-term outcomes for members while managing funding risk prudently.

Strengthened Investment Oversight

LAPP's Investment Oversight Framework sets out how the LAPP Corporation oversees the management of the Plan's assets by AIMCo, with the objective of providing effective, risk-focused, and proportionate oversight of a large and complex investment portfolio.

The framework delineates LAPP's oversight scope, the appropriate level of engagement, and tools employed, with an emphasis on identifying and monitoring the most material investment risks, facilitating informed governance dialogue, and reinforcing accountability while remaining mindful of resourcing and practical constraints.

Continued on next page.

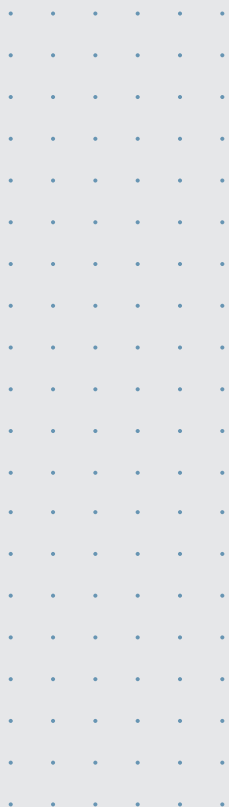


Amy,
City of Edmonton

Strengthened Investment Oversight

Continued

Enhancements included a more structured articulation of oversight priorities, clearer differentiation between areas of direct oversight and reliance on AIMCo's controls, and refinements to reporting and product review processes to better align oversight effort with areas of highest risk and impact. The updated framework also places greater emphasis on the use of data, analytics, and emerging technologies to support oversight activities over time. Collectively, these enhancements reinforce LAPP's ability to exercise effective fiduciary oversight today, while establishing a foundation that can evolve over time.



Governance at a Glance

In 2025, the Plan made significant strides in enhancing its governance practices. These improvements focused on Board effectiveness, Board member education, and committee oversight.

The Plan revised its Corporate Board Skills Matrix and introduced a complementary Leadership and Capability Framework. Together, these tools support Corporate Board members by guiding their professional development, identifying relevant educational topics, and facilitating comprehensive planning for Corporate Board and Committee leadership.

The Plan demonstrated its commitment to continuous learning by further developing e-learning modules and broadening educational opportunities for Board members. These initiatives enabled Board members to deepen their industry knowledge and remain informed about relevant developments.

The year witnessed substantial renewal at the Board level, with the onboarding of five new Corporate Board members and four new Sponsor Board members. Each new member participated in an orientation program designed to facilitate their effective integration. This program included self-directed learning components, in-person sessions, and regularly scheduled meetings throughout the year, ensuring that new members were well-prepared to contribute to Board discussions.

A key milestone was achieved with the establishment of a dedicated Investment Committee. This new committee enhances Board oversight and enables more focused deliberation on matters such as asset allocation, risk management, and long-term performance.



Member Perspective

I like that I have been able to use the Pension Estimator over the years to project my pension under different scenarios. This has enabled me to plan my retirement with confidence.

Kerri
LAPP Member



VOLTS Investment Losses

In early 2020, AIMCo's Volatility Trading Strategy (VOLTS), resulted in losses exceeding \$2.1 billion across its client base when the COVID-19 pandemic triggered significant market volatility.

LAPP's share of these losses exceeded \$900 million. Notably, LAPP had developed a downside protection strategy for its public equities portfolio in 2019 that was implemented in early 2020. This prudent step underscored the value of LAPP Corporation's independent governance and partially mitigated the losses from VOLTS.

AIMCo's Board of Directors commissioned reviews of VOLTS following the losses, which highlighted that AIMCo's risk governance controls and risk culture were unsatisfactory and that the losses to client assets as a result of AIMCo's VOLTS strategy were "wholly unacceptable".

LAPP and certain other impacted pension plans commenced arbitration proceedings against AIMCo and the Government of Alberta, seeking recovery of approximately \$1.3 billion in aggregate losses under the provisions of the Investment Management Agreements between the parties.

The Government of Alberta initially contested the arbitrator's jurisdiction over the Province. In a ruling in 2023, Justice Lema of the Court of King's Bench held that AIMCo is, under its enabling statute, an agent of the Crown for all purposes and can never act on its own behalf. Accordingly, the Government of Alberta was bound by the arbitration agreement and was a necessary and proper party to the proceedings.

The arbitration hearing proceeded over several weeks beginning in October 2025, and the parties were expecting to receive the arbitrator's decision in 2026.

On November 25, 2025, the Government of Alberta introduced Bill 12, the *Financial Statutes Amendment Act, 2025 (No. 2)*, which amended the AIMCo Act to grant AIMCo and the Crown retroactive immunity from all claims related to investment management services delivered prior to November 2024. Bill 12 received Royal Assent on December 11, 2025, extinguishing LAPP's arbitration claim and eliminating any prospect of recovery through that process.

This legislative intervention overrode LAPP's contractual rights after five years of diligent pursuit of a lawful remedy on behalf of LAPP members.

Enterprise Risk Management (ERM)

LAPP Corporation maintains a comprehensive ERM program designed to support the long term sustainability and benefit security of the Plan by proactively identifying, assessing, and managing emerging and principal risks that could affect the achievement of strategic and operational objectives.

The program is guided by Board-approved ERM principles and aligned with leading practices such as the Committee of Sponsoring Organizations of the Treadway Commission's *Integrating with Strategy and Performance* framework and Canadian Association of Pension Supervisory Authorities' *Guideline No. 10 for Risk Management for Plan Administrators*. The program supports risk-informed decisions that protect and enhance member value.

Oversight of risk management is provided by the Corporate Board and its Audit & Risk Committee, with management responsible for implementing and continuously strengthening risk practices across the organization and its key service providers. LAPP's ERM program emphasizes clear risk accountability, regular monitoring of principal risks, and transparent risk reporting to the Board to support effective governance. Ongoing enhancements, including clearer articulation of risk appetite and the use of decision-focused risk analysis, continue to strengthen resilience, support accountability, and position the Plan to navigate an evolving risk environment while remaining focused on its long-term commitments to members and stakeholders.



Member Perspective

With the uncertainty of the world around us, I feel secure knowing there is certainty in being with LAPP. ”

Kendall | LAPP Member



Josh,
City of Edmonton



Sue,
Covenant Health

Plan Funding

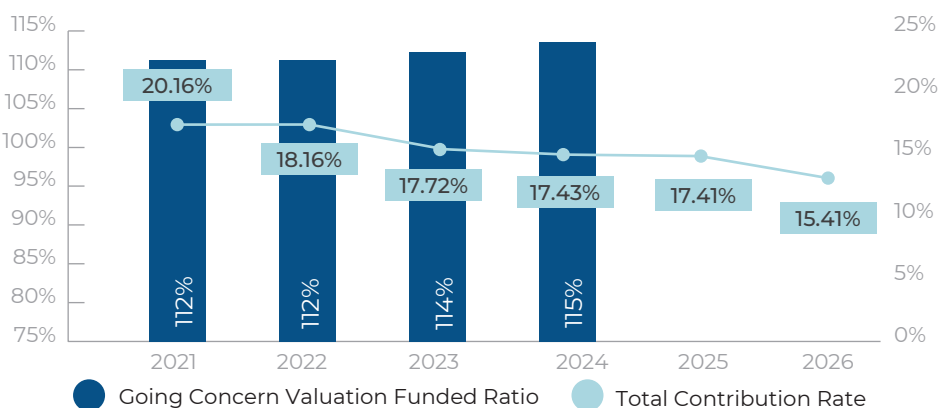
As part of LAPP’s governance practices, an actuarial funding valuation is conducted yearly to monitor the Plan’s ongoing funded ratio and contribution requirements. The actuarial funding valuation must be filed with the pension regulatory authorities at least every three years.

As LAPP’s funded ratio continued to grow stronger, a decision was made to file the December 31, 2024 actuarial funding valuation in 2025, where the Sponsor Board approved the following temporary enhancements to put more money in members’ pockets, help retirees keep up with rising costs, and provide employers relief without compromising the Plan’s long-term sustainability:

- ➔ A temporary reduction to 2026 contribution rates of approximately 1% for members and employers each.
- ➔ A one-time cost-of-living adjustment (COLA) of 90% of the increase in the Alberta Consumer Price Index for retirees, beneficiaries, and deferred members at January 1, 2026, up from the usual 60%.
- ➔ For 2027 pensionable service only, the pension benefit accrual rate based on pensionable earnings up to the Year’s Maximum Pensionable Earnings (YMPE) will be calculated at 1.8% (up from 1.4%), while the 2.0% rate on pensionable earnings above the YMPE will remain unchanged.

Contribution rates for 2027 and 2028 are scheduled to return to 2025 contribution rate levels. However, 2027 and 2028 contribution rates may differ if an actuarial valuation is filed before December 31, 2027.

As a jointly sponsored pension plan, subject to the *Employment Pension Plans Act (Alberta)*, contribution requirements are determined under a going concern valuation basis. Through prudent management of the Plan, the funded ratio remains healthy at 115% in the funding valuation as at December 31, 2024 (114% as at December 31, 2023).



Asset-Liability Modelling

LAPP performs internal asset liability modelling to understand how its investments, funding decisions, and pension obligations interact over the long term.

This forward-looking analysis helps LAPP test how the Plan would perform under different economic and demographic scenarios and supports prudent decision-making to manage funding and benefit security risks. By regularly assessing these dynamics, LAPP strengthens its ability to deliver secure and sustainable pensions for current and future members.

In 2025, LAPP Corporation enhanced its internal asset-liability modelling capabilities by implementing a new module that provides improved insight into how changes in membership affect the Plan's long-term obligations and funding requirements. This enhancement strengthens LAPP's ability to manage demographic, assumption, and modelling risks, and supports better alignment between investment strategy, funding decisions, and plan design. These enhancements are consistent with leading asset-liability management practices used by large defined benefit pension plans in Canada and globally, supporting the Plan's resilience and its ability to deliver secure pensions over the long term.

Plan Text Amendments

The LAPP Plan Text was amended in 2025 for certain housekeeping changes and to:

- shorten the prior employment requirement for eligible periods of reduced pay, reflecting updates to the Income Tax Regulations, and
- extend the maximum length of parental leave to match the length of extended parenting benefits now available from Employment Insurance.



*Monique,
City of Edmonton*

Plan Rule Amendment Process

At the year's first meeting, the Sponsor Board considers proposed amendments requested by LAPP members, employers, and sponsor organizations as of December 1 of the previous year.

The Sponsor Board then decides which requested amendment will undergo further review and be considered at the third-quarter Sponsor Board meeting or a later date if significant additional analysis is required. This is an opportunity to contribute ideas to LAPP.

As of December 1, 2025, LAPP had not received any Plan Rule Amendment requests during the year. To find out more about the process, how to request a Plan Rule Amendment, and what proposals are under consideration, visit lapp.ca/page/plan-rule-amendment-process.

LAPP by the Numbers
100,469 phone calls were received, and **37,805** secure messages were sent to our Member Services Centre.

Services to Members

Providing timely and accurate information is essential to the confidence members place in LAPP as they make important retirement and life decisions.

LAPP is committed to delivering a pension experience that members value and trust, supported by reliable, high quality pension services.

LAPP has established clear service standards to ensure consistent performance. In 2025, all established service levels were met for the second consecutive year, reflecting strong execution and service reliability.

LAPP participates in an independent pension administration benchmarking service (CEM Benchmarking) that compares costs and services with peers across the country. CEM Benchmarking results show that LAPP's service score is high relative to our peers (with a total service score of 86, compared to our Canadian peer median of 79), while our cost per member and retiree is \$60 below the peer average.

LAPP members interact with the Plan hundreds of thousands of times each year through attending education sessions, receiving one-on-one counselling support, starting their pensions, calling or messaging our Member Services Centre, and more.

Member Services	Target	2025 Results
Average Speed of Answer	180 seconds or less	100 seconds
Call Abandon Rate	5% or less	3.3%

Member Transaction	Target	2025 Result	2025 Average Turnaround Days
Retirement Finalizations	95% within 30 days	95.3%	26.9
Termination Finalizations	95% within 30 days	99.9%	4.4
Buyback Elections	95% within 30 days	99.7%	1.1



Enhancing Member and Employer Experience

LAPP is focused on strengthening the member and employer experience. In 2025, LAPP made pension planning easier by introducing new online tools and streamlining key interactions. We also laid the groundwork to expand in-person support, and we advanced member and employer research. Here are a few highlights:

→ **LAPP Advantage Estimator**

This new online tool showcases the powerful long-term value of joining LAPP for eligible employees and prospective employers across Alberta. With an instant, personalized snapshot of projected monthly pension income, it clearly demonstrates how lifetime benefits compare to total contributions, often highlighting returns that are multiple times greater than amounts contributed.

→ **Co-browsing**

This was introduced to help members resolve issues faster and complete tasks with confidence. With the caller's permission, our team can securely view the members' plan LAPP website session, highlight key areas, and provide step-by-step guidance.

→ **Planning for Calgary office opening**

To better serve members in southern Alberta, in 2025 LAPP began preparations for a downtown Calgary office. The location is now operational and offers one-on-one, personalized support to ensure members are well-informed when making decisions about their LAPP pension. LAPP plans to expand Calgary office services by offering member education sessions in the near future.

→ **Member and Employer Research**

In 2025, LAPP began innovative research with participating employers to better understand their needs and where we can improve. Alongside the member research completed in 2024, these insights will help strengthen our tools, services, and communications, making it easier for members and employers to get the support they need.

→ **Enhancing Sponsor Relationships**

LAPP added dedicated staff to gather input from sponsors and serve as a liaison. This enables effective communication with sponsor organizations, ensuring they are well-served.



LAPP by the Numbers

8,984, number of buybacks of leave and prior service purchased, with **65%** of those completed online.

Building Stronger Connections with LAPP Sponsors

In 2025, LAPP expanded our direct outreach efforts with participating employers and unions, meeting with nearly 100 organizations across Alberta. We designed these meetings to help us better understand their priorities, operational pressures, and workforce changes so we could more directly ground LAPP's policies, services, and communications in the practical experience of administering the Plan.

These discussions surfaced issues earlier, allowing LAPP to address them more effectively and provide better-informed, better-tailored support to our sponsors. LAPP's continued efforts in this area will support better-informed decision-making, improved plan administration, and a pension plan that remains aligned with the long-term needs of employers, unions, members, and other stakeholders.

Investment Summary – Plan Performance Overview

Investment Policy and Strategic Asset Allocation

As administrator of the Plan, LAPP Corporation is responsible for establishing and maintaining the investment policy set out in the Statement of Investment Policies and Procedures (SIPP), which is reviewed and approved annually by the LAPP Corporation Board of Directors.

The SIPP articulates the investment principles, policy parameters, and governance framework that guides the management of the Plan's assets, including the long-term strategic asset mix.

A central responsibility of LAPP Corporation is determining the strategic asset allocation, which is the primary driver of the Plan's long-term risk and return profile. The strategic asset allocation is grounded in ALM studies and is designed to integrate the Plan's Investment and Funding Policies. This alignment is essential to managing the Plan's overall risk in a disciplined and coordinated way. The table on the following page is a summary of LAPP's asset mix as at December 31, 2025.



Terrie,
Alberta Health Services



Member Perspective

I just found out this Christmas that I am going to be a grandma. Having a pension in the future enables me to have the financial stability to be able to bless my future generations with the extras in life, not only now, but in the future.

Chandael | LAPP Member



LAPP Asset Mix

December 31, 2025 (in per cent)	Policy Weight	Policy Min	Policy Max	Actual 2025	Actual 2024
Fixed Income	32.0	20.0	40.0	32.0	31.0
Short-Term and Cash		0.0	10.0	1.1	2.0
Long-Term					
Long-Term Bonds		5.0	20.0	11.6	12.0
Universe Bonds		0.0	15.0	9.4	9.0
Mortgages		0.0	6.0	4.4	4.0
Private Debt & Loan		0.0	7.0	4.9	5.0
Short & Mid-Term Government Bonds		0.0	10.0	0.5	0.0
Overlay Pool Fixed Income				0.02	0.03
Public Equities	31.5	25.0	55.0	33.8	32.0
Total Canadian Equity		2.0	15.0	6.8	6.0
Total Global Developed Equity		10.0	40.0	18.7	18.0
Total Emerging Markets Equity		0.0	10.0	5.2	5.0
Small Cap Equity		2.0	10.0	3.1	3.0
Private Equity	6.0	3.0	9.0	5.9	7.0
Inflation Sensitive & Alternatives	30.5	20.0	50.0	28.2	31.0
Absolute Return Strategies		0.0	6.0	1.5	1.0
Real Estate		10.0	20.0	10.8	12.0
Canadian Real Estate		0.0	13.0	6.3	7.0
Foreign Real Estate		0.0	10.0	4.5	5.0
Infrastructure		10.0	20.0	13.2	15.0
Renewable Resources		0.0	6.0	2.7	3.0
Strategic Opportunities, Tactical Allocations and Currency Hedges	-	-	-	0.1	0.0
Total	100.0			100.0	100.0



Member Perspective

This decision of mine to stay within the pension plan has been one of, if not the most important decision of my entire life.

Casey | LAPP Member



Investment Management Structure

Under the Joint Governance Act, AIMCo is designated as investment manager and is responsible for the day-to-day management of LAPP's investment assets.

AIMCo is an Alberta Crown corporation and agent of the Crown that provides investment management services to the Plan.

LAPP Corporation fulfills its fiduciary responsibilities through a structured, ongoing oversight framework that ensures AIMCo's investment decisions remain aligned with the Plan's SIPP. This framework goes beyond performance monitoring to include oversight of portfolio risk, policy compliance, investment costs, and key investment governance processes. Through this integrated approach, LAPP seeks to ensure that AIMCo's investment program remains effective and aligned with the long-term interests of Plan members.

💡 LAPP by the Numbers:

Employer and Union Sessions and Events 2025:

- **9 new employers** joined LAPP
- **20 employer education sessions** attended by **287 employer participants**
- **11 employer and union events** attended by LAPP pension experts
- **1,769 member interactions** at employer and union events

In 2025, LAPP pension experts attended the following:

- | | |
|--|--|
| 1. Alberta Blue Cross Wellness Day | 7. Municipal District of Lesser Slave River Wellness Day |
| 2. Alberta Federation of Labour Convention | 8. Nurse Practitioner Association of Alberta Convention |
| 3. Alberta Union of Provincial Employees Convention | 9. Rural Municipalities of Alberta Fall Convention and Tradeshow |
| 4. Bethany Group Benefit Fair | 10. SAIT Wellness Day |
| 5. Health Sciences Association of Alberta Convention | 11. United Nurses of Alberta Annual General Meeting |
| 6. MacEwan University Wellness Day | |



Meshkin,
City of Edmonton

2025 Market Commentary

At the start of 2025, investors were focused on three interrelated risks:

1. whether inflation would fully normalize or prove “sticky,”
2. whether high equity valuations, particularly in large technology and AI-linked companies, could be sustained, and
3. whether policy and geopolitical shocks could reignite volatility.

Those concerns surfaced meaningfully during the year, especially around trade policy uncertainty and shifting interest-rate expectations, but markets ultimately delivered strong results, supported by resilient growth and continued enthusiasm around artificial intelligence.

In 2025, US equities again benefitted from the market’s AI narrative, strong earnings, and upward revisions from AI-exposed companies, which helped keep leadership concentrated in large-cap growth and technology sectors. While the year featured a material drawdown in the spring, equities rebounded sharply into year-end as tariff fears eased, and investors regained confidence in earnings momentum. The S&P 500 delivered a +17.88% total return in calendar 2025 (including dividends, in USD).

A key feature of 2025 was how quickly markets repriced “policy risk.” US trade actions, described by several market commentators as “reciprocal” tariffs, led to a pronounced equity selloff in early April, followed by a significant recovery as tariff rates were subsequently lowered through negotiations and temporary truces. This sequence contributed to a choppy year where sentiment swung between inflation concerns, growth fears, and renewed optimism tied to AI investment and corporate profitability.

In Canada, monetary policy moved decisively into easing mode earlier in the year, as inflation was near target, but growth was increasingly threatened

by trade frictions. The Bank of Canada cut the overnight rate to 2.75% in March 2025. By year-end, the Bank held the policy rate at 2.25% (December 2025) after a series of cuts through 2025, signalling a desire to support the economy while keeping inflation expectations anchored. Falling policy rates helped interest-sensitive areas of the market at times, but the path was not linear as investors continuously reassessed the growth-inflation mix and the impact of trade policy on prices and activity.

In the United States, the Federal Reserve began 2025 holding the federal funds rate steady in the first half of the year, with policymakers emphasizing uncertainty around inflation and growth. The Federal Reserve then eased later in the year, cutting rates in the final quarter and ending 2025 with the target range at 3.50%–3.75%. Bond markets remained volatile despite the shift toward easing: the US 10-year Treasury yield finished 2025 around 4.16%, reflecting ongoing debates about inflation persistence and the neutral rate.

“ Member Perspective

I like that, even though I took maternity leave, I can buy back that time! It is important to me to invest in my retirement, and knowing that LAPP is in a very strong financial position is very comforting.

Tracy | LAPP Member

Currency markets also mattered for Canadian investors. The USD/CAD peaked at ~1.4543 on January 31, 2025, and dipped to a low of ~1.3573 on June 16, 2025, illustrating significant intra-year swings. Over time, movements in the Canadian dollar relative to the US dollar can amplify or dampen CAD-reported returns from US-dollar assets, making currency a meaningful contributor to realized outcomes in globally diversified portfolios.



Jason,
Alberta Health Services

By year-end, equity returns across major markets were strong. The MSCI World Index (CAD, gross returns) delivered +15.90% in 2025, reflecting solid developed-market performance (with the US a dominant weight). Canada's equity market also performed well; the S&P/TSX Composite posted a strong calendar-year gain (31.68% shown in 2025 annual performance data), supported by cyclical and financial exposures.

Fixed-income returns were mixed in 2025. Canada's broad investment-grade bond market delivered a low-single-digit positive return, with the FTSE Canada Universe Bond Index gaining 2.64%, reflecting easing policy rates offset by intra-year yield volatility. In contrast, longer-duration bonds significantly underperformed, with the FTSE Canada Long-Term Bond Index declining 1.72%, underscoring the sensitivity of long-dated bonds to shifts in interest-rate expectations.

Overall, the experience of 2025 reinforced a familiar message: diversification mattered. Equity markets rewarded investors who stayed invested through mid-year volatility, while core fixed income continued to provide income and diversification benefits, even as rates and inflation expectations fluctuated. Furthermore, 2025 also reinforced the value of maintaining a long-term perspective through short-term policy shocks and market drawdowns. The section below describes more specific aspects of LAPP's investment portfolio's performance.

LAPP by the Numbers: *Member Education 2025*

- 1,478 One-On-One Information Sessions with 61% of those online and 39% of those in person
- 183 Webinars and in-person presentations, reaching 6,484 members

LAPP Fund Performance Highlights

As at December 31, 2025, the LAPP Fund was valued at **\$76.1 billion**, an increase from the prior year (\$70.7 billion as at December 31, 2024). For the year ended December 31, 2025, the total LAPP Fund generated a positive return of +7.24%, net of fees, lagging the Plan's policy benchmark return of +9.84% by 2.60%.

INVESTMENT RETURNS (%)

Year ending December 31, 2025	Annual Returns (%)						Annualized Returns (%)		
	2025	2024	2023	2022	2021	2020	4 Years	10 Years	20 Years
Market return (Policy benchmark)	9.84	11.70	8.98	-6.71	7.58	9.46	5.68	6.78	6.92
Value added (lost) by investment manager	-2.60	-0.23	-1.35	1.76	7.37	-4.93	-0.52	0.15	-0.03
Total Fund Return	7.24	11.47	7.63	-4.95	14.96	4.53	5.16	6.93	6.89

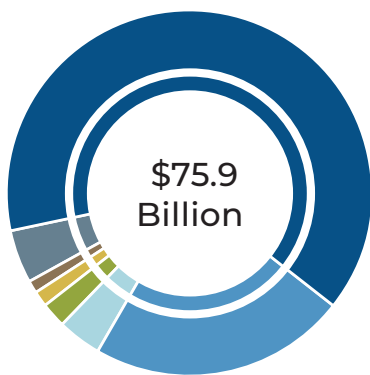
Public Equities were the largest contributor to total Fund returns over the year. Fixed Income also contributed positively, supported by Private Debt and Loan and Private Mortgages. Infrastructure added modestly to returns, while Real Estate detracted from overall performance.

According to the LAPP SIPP, active portfolio management is expected to generate an excess return of +0.50% net of fees relative to its policy benchmark on an annualized, four-year basis. Over this period, the Plan’s investment portfolio returned +5.16%, underperforming the Plan’s policy benchmark return of +5.68% by -0.52%.

For funding purposes, over the last ten years, the Plan’s expected long term investment return was, on average, 6.40% per annum. Over the past decade, LAPP’s actual investment performance (+6.93%) has exceeded its long term return assumptions, contributing to the Plan’s strong financial position and supporting contribution rate stability.

LAPP Investments by Currency

(as at December 31, 2025)



- 64.0% Canadian Dollar (CAD)
- 22.7% United States Dollar (USD)
- 3.9% Euro (EUR)
- 2.2% British Pound (GBP)
- 1.5% Japanese Yen (JPY)
- 1.0% Hong Kong Dollar (HKD)
- 4.7% Other currencies

Actual Returns by Year (%)



Member Perspective

Being a LAPP member has allowed me so much peace of mind for the last 20 years as I continue to work part-time while raising my five children.

Rachel | LAPP Member



Fund Performance, by Asset Class

LAPP's portfolio is diversified across four main asset categories: Fixed Income, Inflation Sensitive and Alternatives, Public Equities, and Private Equities. The combined performance of these categories determines the overall return of the Plan's fund. A table below summarizes returns by asset class, with additional commentary provided.

Table of Investment Returns

(December 31, 2025)								
Asset/Sub-asset Category	Fair Value	Asset Mix	2025	2024	2023	2022	2021	Compound Annualized Return
Benchmark	(in Millions)	(%)	(%)	(%)	(%)	(%)	(%)	4-year
Fund	75,877.2	100.0	7.2	11.5	7.6	(5.0)	15.0	5.2
Policy			9.8	11.7	9.0	(6.7)	7.6	5.7
CPI			3.1	3.1	3.1	6.8	4.7	3.1
Fixed Income¹	24,247.6	32.0	2.3	3.9	8.5	(12.3)	(2.4)	0.3
Fixed Income Index			1.6	3.7	8.5	(13.0)	(3.6)	(0.2)
Short Term and Cash ⁸	846.9	1.1	3.0	4.9	4.9	1.8	0.1	3.7
FTSE Canada 30-day T-Bill Index			2.7	4.7	4.8	1.8	0.2	3.5
Universe Bonds	7,167.0	9.4	2.9	4.6	7.7	(11.8)	(2.4)	0.6
FTSE Canada Universe Bond Index			2.6	4.2	6.7	(11.7)	(2.5)	0.2
Private Mortgages	3,351.1	4.4	5.8	6.4	4.5	(5.0)	1.1	2.8
Private Mortgages benchmark ⁽²⁾			4.5	5.8	6.0	(1.7)	(1.1)	2.4
Private Debt and Loan	3,727.4	4.9	7.9	8.7	9.6	6.2	8.5	8.1
Private Debt & Loan benchmark ⁽³⁾			4.3	8.0	11.9	(0.2)	(0.9)	5.9
Long Bonds	8,788.4	11.6	(1.7)	0.1	9.7	(23.0)	(4.8)	(4.5)
FTSE Canada Long Term Gov't Bond Index			(1.7)	0.2	8.8	(22.6)	(5.1)	(4.6)
Short & Mid-Term Bonds (10)	366.8	0.6	3.5	-	-	-	-	0.0
FTSE Canada Short Mid Government Bond Total Return Index			3.5	-	-	-	-	-
Inflation Sensitive and Alternatives	21,383.9	28.2	0.9	5.4	(1.0)	11.2	16.6	4.0
Inflation sensitive and Alternative Index			5.9	6.9	2.4	4.3	7.5	4.8
Real Estate	8,169.4	10.8	(1.6)	(1.7)	(7.4)	4.3	14.5	(1.7)
Combined Real Estate benchmark ⁽⁴⁾			2.7	5.4	(4.1)	1.4	8.0	1.2
Infrastructure	9,984.1	13.2	2.6	12.2	3.9	18.5	20.5	9.1
CPI + 4.5% (5 year rolling average) ⁽⁵⁾			8.2	8.0	8.0	7.7	6.8	8.0
Renewable Resources	2,082.6	2.7	0.0	1.3	2.7	21.5	11.3	6.0
CPI + 4.5% (5 year rolling average) ⁽⁶⁾			8.2	8.0	8.0	7.7	6.8	8.0
Absolute Return Master Pool (ABSRP)	1,147.8	1.5	7.0	8.6	-	-	-	-
Absolute Return Index			5.3	7.4	-	-	-	-
Public Equities¹	25,649.7	33.8	19.1	25.0	15.8	(9.6)	22.6	11.7
Public Equities Index			20.4	24.7	15.6	(11.1)	17.7	11.5
Canadian Equity	5,139.8	6.8	24.7	19.9	12.2	(4.5)	29.4	12.5
S&P/TSX Capped Composite Index			31.7	21.7	11.8	(5.8)	25.1	13.9

(December 31, 2025)								Compound Annualized Return
Asset/Sub-asset Category	Fair Value	Asset Mix	2025	2024	2023	2022	2021	
Benchmark	(in Millions)	(%)	(%)	(%)	(%)	(%)	(%)	4-year
Global Equity	14,210.9	18.7	16.2	30.8	20.7	(10.6)	25.2	13.2
<i>MSCI World Index (\$C)</i>			15.4	29.4	20.5	(12.2)	20.8	12.1
Emerging Markets Equity	3,968.9	5.2	26.7	15.9	7.7	(13.8)	1.3	8.1
<i>MSCI Emerging Markets Index</i>			27.3	17.3	7.6	(14.3)	(3.4)	8.1
Small Cap Equity	2,330.1	3.1	12.4	19.2	12.9	(7.8)	22.7	8.7
<i>MSCI World Small Cap Index</i>			14.3	18.0	12.7	(12.9)	14.8	7.3
Private Equity	4,514.1	5.9	3.3	12.8	9.7	(6.0)	72.5	4.7
<i>CPI + 6.5% (5 year rolling average)⁽⁷⁾</i>			17.4	10.0	10.0	9.7	8.8	11.7
Strategic Opportunities, Tactical Allocations and Currency Hedges	81.9	0.1	(10.9)	1.8	(9.9)	1.8	(8.4)	(4.5)
<i>MSCI World Index (\$C)</i>			15.4	29.4	20.5	(12.2)	20.8	12.1
Strategic Opportunities	47.7	0.1	(1.0)	1.6	15.1	(21.5)	(2.7)	(2.4)
Tactical Asset Allocations	7.7	0.0	(52.8)	(99.3)	(70.3)	60.4	(29.7)	(80.3)
Energy Opportunities Pool (EOPPX) ⁽⁹⁾	26.5	0.0	(4.0)	0.5	-	-	-	-
Currency Hedges	0.0	0.0	n/a	n/a	n/a	n/a	n/a	n/a

1. Notional adjustments for Fixed Income and Public Equities are not included in the asset class Fair Value.
2. Combined benchmark is 60% FTSE Canada Short-Term Overall Bond Index & 40% FTSE Canada Mid-Term Overall Bond Index +50 bps as of January 1, 2021. Until December 31, 2020, the index was the FTSE Canada Universe Bonds Index.
3. Combined benchmark is 40% U.S. Leveraged Loan Index + 40% European Leveraged Loan Index + 90 bps (Hedged to CAD) since January 1st 2022. Prior to January 1st 2021, asset class benchmark was FTSE Canada Short Term Overall Index.
4. Combined benchmark is 2/3 IPD Large Institutional All Property Index and 1/3 MSCI Global Region IPD Quarterly Property Index. Prior to January 9, 2018, benchmark was IPD Large Institutional All Property Index.
5. Prior to August 1, 2015, benchmark was S&P Global Infrastructure hedged + 1%.
6. Prior to August 1, 2015, benchmark was 50% MSCI World, 50% Real Return Bond index.
7. Prior to January 1, 2016, benchmark was MSCI World hedged + 3%.
8. Slight difference from Money Market due to bank account holdings.
9. Inception December 18, 2024
10. Inception January 07, 2025



Member Perspective

I'm 62 and looking forward to my upcoming retirement, knowing my pension will keep pace with inflation.

Virginia | LAPP Member

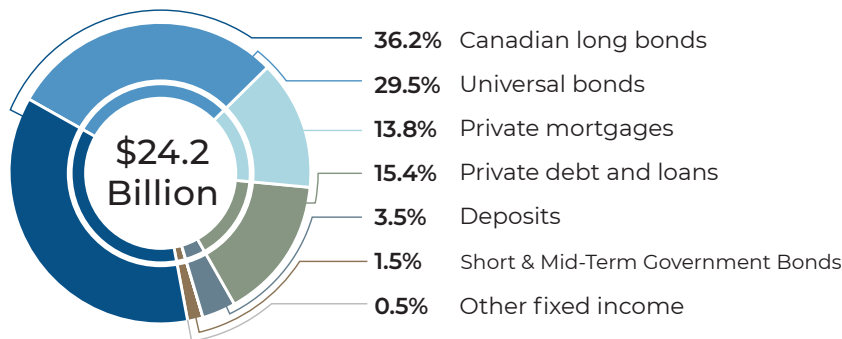


Cynthia (left) and Kyle (right),
City of Calgary

Fixed Income

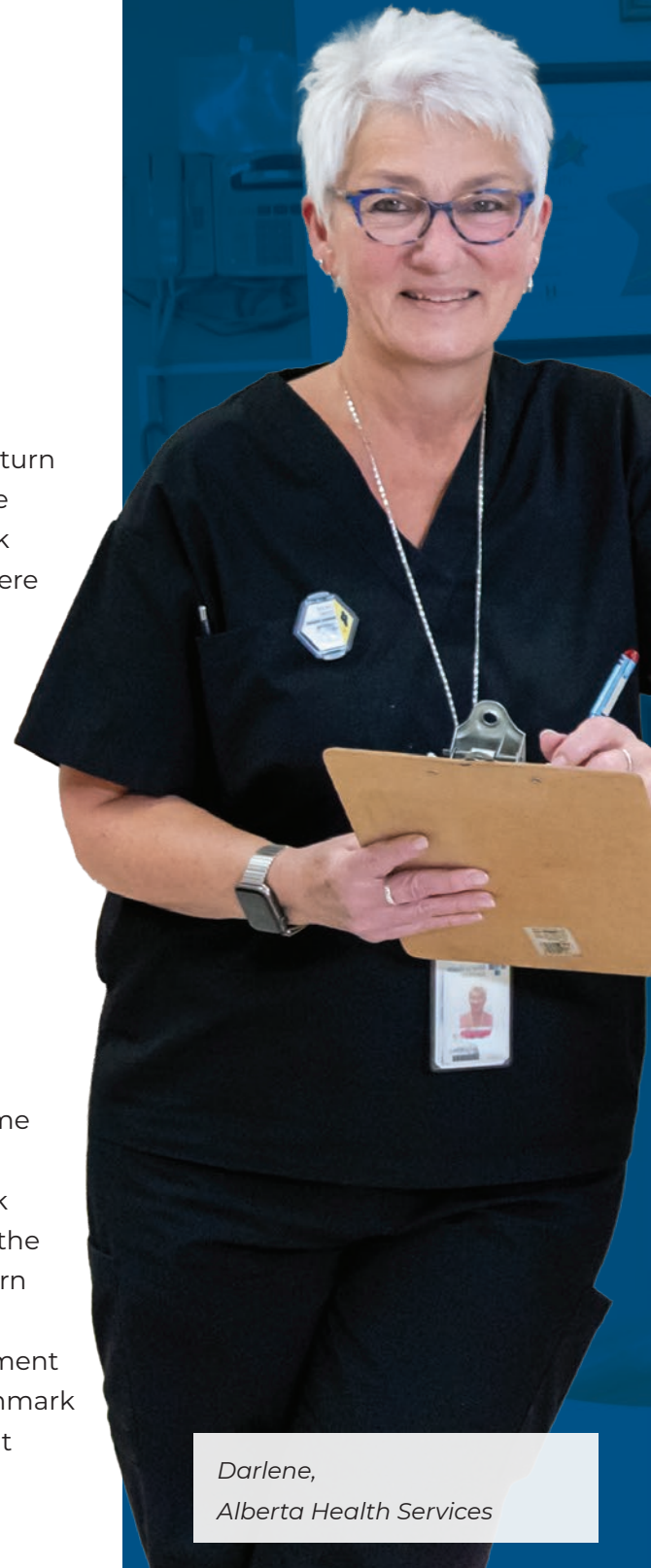
As at December 31, 2025, the Plan's exposure to Fixed Income was \$24.2 billion, representing 32.0% of the total fund. This compares to the Fixed Income exposure of \$21.6 billion (30.6% of the total fund) as at December 31, 2024.

Summary of Fixed Income Holdings



In 2025, the Plan's Fixed Income investments returned +2.28%, outperforming the combined Fixed Income policy benchmark return of +1.57% by +0.71%. On a four-year annualized basis, Fixed Income returned +0.28%, outperforming the combined policy benchmark return of -0.16% by +0.44%. Market conditions for Fixed Income were defined by a sharp bear-steepening in the Canadian yield curve late in the year, as longer-maturity yields rose while front-end rates reflected expectations for monetary policy easing. Credit markets remained technically strong, with spreads tightening to historically low levels, although interest rate moves were a headwind for longer-duration government exposures.

Within the underlying Fixed Income portfolios, returns were supported by income and credit positioning. Private Debt & Loan delivered a strong year, returning +7.87% and outperforming its benchmark +4.34% by +3.53%, supported by stable private credit conditions and portfolio carry. The Private Mortgages portfolio returned +5.81%, outperforming its benchmark +4.45% by +1.36%, with year-to-date value add driven primarily by strong cash income (minus financing costs) and yield-curve movements, and partly by tightening mortgage credit spreads relative to the benchmark income and mortgage spread dynamics. In public fixed income, the Universe Fixed Income Pool finished the year with a positive return +2.91% and positive excess return +0.27% versus the FTSE Canada Universe Bond Index +2.64%, while Canadian Long-Term Government Bonds ended 2025 in negative territory -1.73% alongside its benchmark -1.72% driven by a sharp rise in longer-term Canadian government yields relative to short-term rates in December.



Darlene,
Alberta Health Services

Inflation Sensitive and Alternatives

Inflation Sensitive and Alternatives include the Plan’s investments in Real Estate, Private Infrastructure, Renewable Resources, and Absolute Return Strategies.

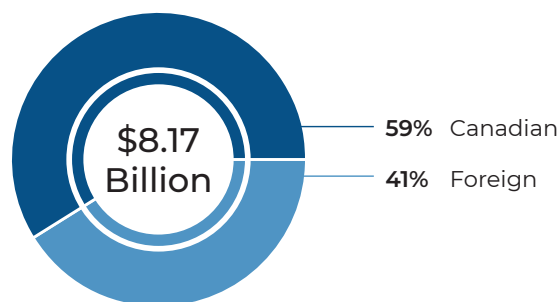
As at December 31, 2025, the Plan’s exposure to Inflation Sensitive and Alternatives was \$21.4 billion or 28.2% of the total fund. This compares to exposure of \$21.5 billion (30.5% of the total fund) as at December 31, 2024. In 2025, Inflation Sensitive and Alternatives returned +0.92%, underperforming the combined policy benchmark return of +5.06% by -4.14%. On a four-year annualized basis, the asset class returned +4.03%, underperforming the combined policy benchmark return of +4.83% by -0.80.

Real Estate was a key driver of underperformance in this category. For the year, Real Estate returned -1.64% versus a benchmark return of +2.68%, reflecting continued pressure from financing costs, sector-specific fundamentals, and valuation adjustments. Year-end valuation updates in Canadian Real Estate reflected declines in appraised values within residential properties, driven by softer fundamentals, rent pressure, cap-rate expansion, and higher concessions in certain markets. Foreign Real Estate performance was negatively impacted by continued weakness in the Office and Residential sectors. On a four-year annualized basis, Real Estate returned -1.71%, underperforming the combined policy benchmark return of +1.19 % by -2.90%.

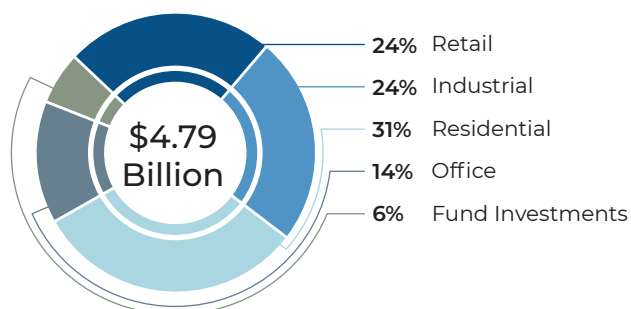
Private Infrastructure delivered a positive absolute return in 2025 (+2.64%) but underperformed its CPI-linked benchmark (+8.23%), as year-end results were impacted by valuation dynamics across several holdings despite a strong Q4 and positive valuation contributors in key assets. AIMCo’s year-end valuation cycle highlighted a consolidated valuation increase that offset a few significant markdowns earlier in the summer. On an annualized basis over four years, Private Infrastructure returned +9.12%, outperforming the policy benchmark return of +8.00% by +1.13%.

Continued on next page.

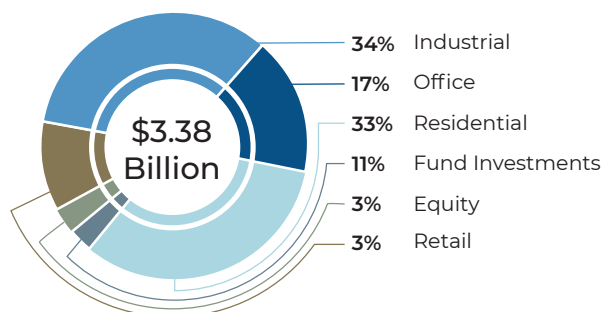
Real Estate Allocations



Canadian Real Estate by Sector



Foreign Real Estate by Sector



Member Perspective

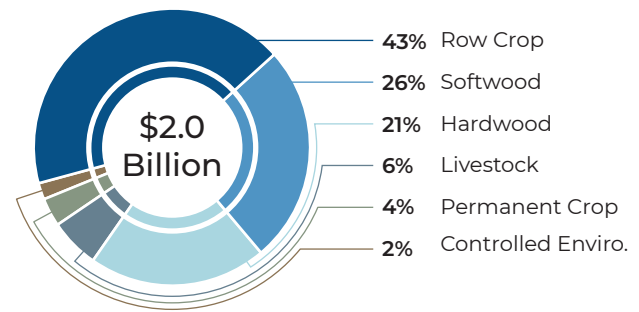
My previous employer had a good pension, but when I had the chance to apply for a job where LAPP was an option, I leapt at the opportunity.

Kevin | LAPP Member



LAPP’s Renewable Resources investments are focused on long-term leases of private timberland and farmland, harvesting rights, and investment opportunities related to forestry and rural lands on a global basis. Renewable Resources posted a modestly negative year (-0.01%) and underperformed its CPI-linked benchmark (+8.23%), reflecting a broadly lower commodity price environment for timber and agriculture, as well as continued macro uncertainty, despite positive valuation updates in selected holdings and acquisitions completed during the year. On a four-year annualized basis, Renewable Resources returned +6.03%, underperforming the policy benchmark return of +8.00% by -1.97%.

Renewable Resources — Crop Types

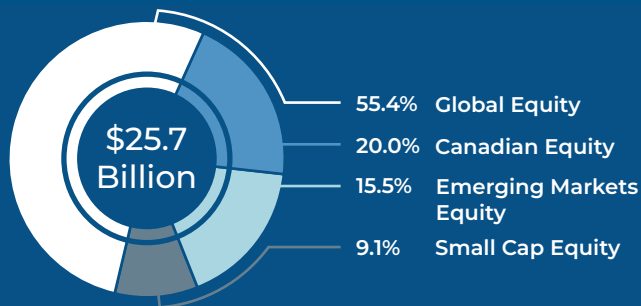


Absolute Return Strategies continued to contribute positively to diversification and returns, with the Absolute Return Master Pool returning +7.03% and outperforming its benchmark (+5.34%) by +1.69% for the year.

Public Equities

As at December 31, 2025, the Plan’s exposure to Public Equities was \$25.6 billion, representing 33.8% of the total fund. This compares to Public Equities’ exposure of \$22.6 billion (32.1% of the total fund) as at December 31, 2024.

Public Equities Portfolio



The benchmark-relative underperformance in 2025 was largely driven by unusually high benchmarks rather than by issues within the portfolio. Public equity markets delivered exceptionally strong returns, particularly in U.S. mega-cap and AI-related stocks, and outsized gains in gold-related equities within the Canadian market, which materially raised equity benchmarks. In this environment, most active managers struggled to keep pace with benchmarks.

In 2025, LAPP’s Public Equities investments returned +19.11%, underperforming the combined Public Equities policy benchmark return of +20.38% by -1.27%. On a four-year annualized basis, Public Equities returned +11.73%, outperforming the combined policy benchmark return of +11.46% by +0.27%.

Market returns in 2025 were strong and increasingly broad-based, with notable strength outside the U.S. and continued influence from major global themes such as artificial intelligence and sector rotations. Within LAPP’s Public Equities program, performance differed across regions and strategies. Global Equity outperformed its benchmark over the year, returning +16.21% versus +15.42% for the MSCI World Index (CAD). Emerging Markets Equity delivered a strong absolute performance (+26.74%), slightly below its benchmark (+27.30%). Canadian Equity produced strong absolute returns (+24.65%) but underperformed a very strong S&P/TSX benchmark (+31.68%), primarily due to the benchmark’s concentration in Materials, where external portfolio managers had limited exposure to the sector.

Private Equities

As at December 31, 2025, the Plan's exposure to Private Equities was \$4.5 billion, representing 5.9% of the total fund. This compares to Private Equities' exposure of \$4.7 billion (6.7% of the total fund) as at December 31, 2024.

Private equity market conditions remained challenging for yet another year. Transaction activity was relatively flat compared with 2024 and remained below peak years, with performance moderating as managers became more reluctant to markup assets without comparable transactions, even as underlying portfolio company growth continued. Private Equity lagged its high benchmark (MSCI World Index (C\$) + 200 bps), despite delivering positive absolute returns at the asset-class level, reflecting the challenge of competing with strong public equity benchmark performance during a period of limited exit (sale) opportunities for mature private equity investments.

In 2025, the Plan's Private Equity investments returned +3.26%, compared with a benchmark return of +17.42%, resulting in a negative value added of 14.16%. On a four-year annualized basis, Private Equity returned +4.67% versus a benchmark return of +11.74%.

Proxy Voting

Proxy voting is a key component of our approach to sustainable investing and responsible ownership.

Through the exercise of voting rights, the Plan seeks to promote sound corporate governance and encourage positive practices among the companies in which it invests. This approach reflects LAPP's commitment to long-term value creation, sustainability, and ethical conduct. Responsibility for proxy voting has been delegated to AIMCo, whose expertise and resources support informed decision-making aligned with the objectives set out in the SIPP. This arrangement allows LAPP to benefit from AIMCo's specialized capabilities while maintaining a strategic focus on oversight and governance. AIMCo publicly reports on proxy voting activity each year through disclosures available on its website.



Member Perspective

At this stage of my career, contributing to the plan is especially beneficial, as my employer's contributions exceed my own.

Rupinder | LAPP Member



Kristy,
City of Edmonton

Updated Responsible Investing (RI) Policy

In parallel with enhancements to the asset mix and investment oversight, LAPP updated its Responsible Investing approach through targeted revisions to the Responsible Investment sections of the SIPP to reflect evolving best practices, regulatory developments, and the growing importance of environmental, social, and governance (ESG) considerations in long-term investing. The updated policy reinforces LAPP's view that financially material ESG factors can meaningfully affect investment risk and return and should be systematically integrated into investment decision-making and oversight. The updated RI policy strengthens the focus on prudent risk management and long-term value creation, expanded expectations for forward-looking analysis (including scenario analysis and stress testing that incorporate climate scenarios), and clearer articulation of AIMCo's responsibilities for ESG integration, stewardship, and resourcing across asset classes. The revisions also streamline oversight and transparency by enabling Plan-level reporting on climate metrics in line with updated pension industry and sustainable investing community standards, carbon exposure and stewardship outcomes, while reaffirming LAPP's preference for ESG integration and active ownership over prescriptive exclusions.



Member Perspective

The staff are wonderful. Always pleasant, knowledgeable and kind. The one-on-one meetings were very informative.



Yvonne | LAPP Member

Financial Statement Disclosures

The financial statement disclosures reported in this annual report are determined and reported using Canadian accounting standards for pension plans. The financial statement measurements differ from the funding valuation in two material aspects:

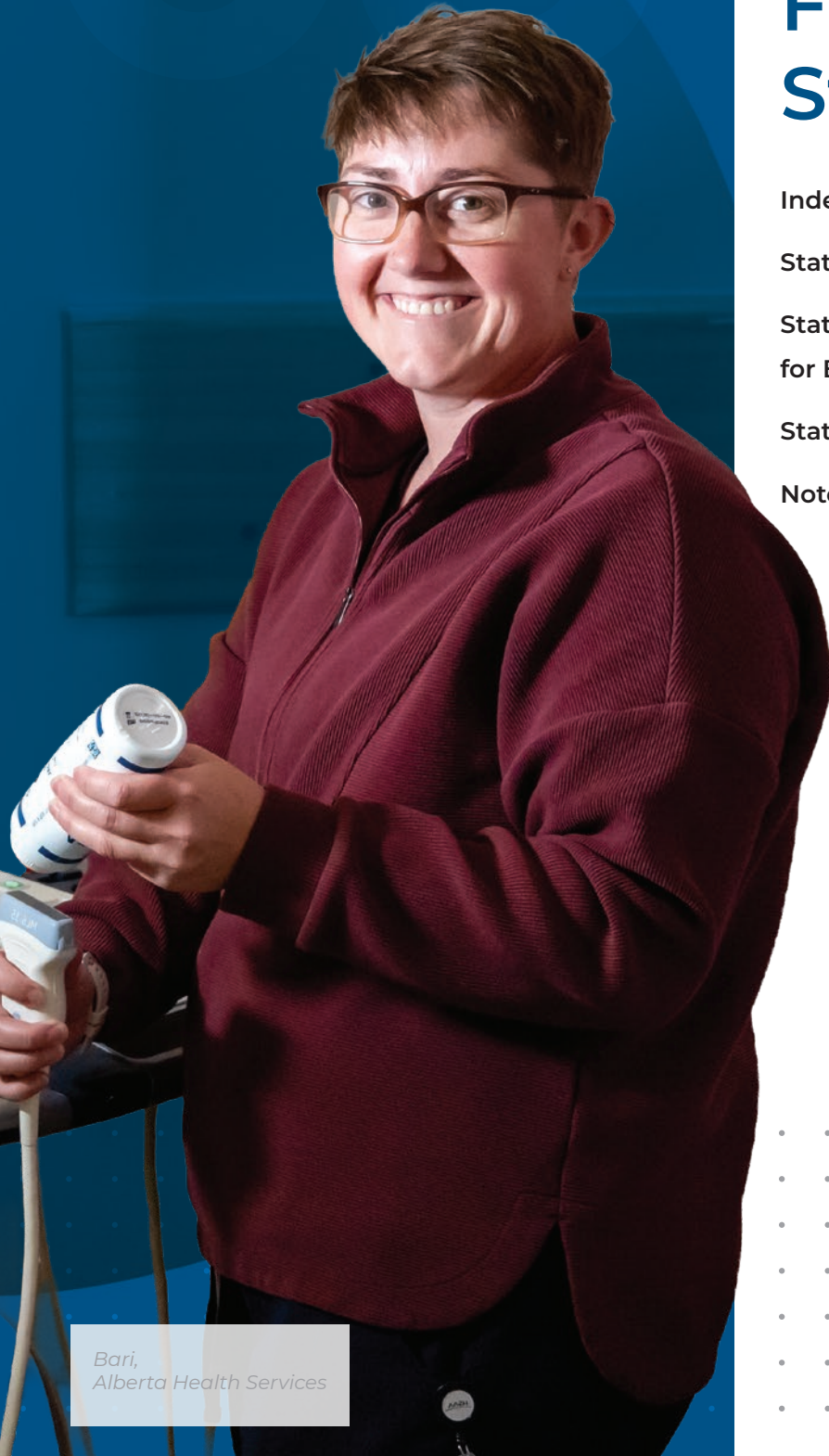
1. The conservatism or margin in the discount rate for funding purposes is removed so that accounting liabilities are measured using a best-estimate discount rate; and
2. The smoothed value of assets to manage contribution rate volatility for funding purposes is removed, with accounting assets being measured on a market-value basis.

These differences lead to greater volatility of the funded status of the Plan on an accounting versus a funding basis.

Due to the timing of the annual financial statement disclosures, accounting liabilities are measured using prior-year membership data, with liability results adjusted to reflect the passage of time.

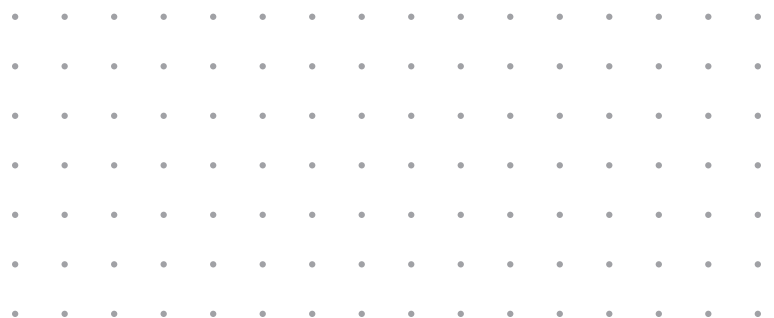
The ratio of the market value of assets to accounting liabilities improved to 142% at year-end from 138% at the previous year-end. The improvement in the Plan's financial position from the end of 2024 to 2025 is primarily due to better than expected investment experience as well as a decrease in accounting liabilities due to a 10-basis-point increase in the accounting discount rate.





Financial Statements

Independent Auditor's Report	35
Statement of Financial Position	38
Statement of Changes in Net Assets Available for Benefits.....	39
Statement of Changes in Pension Obligation .	40
Notes to the Financial Statements.....	41



*Bari,
Alberta Health Services*

Independent Auditor's Report



To the LAPP Corporation Board of Directors

Report on the Financial Statements

Opinion

I have audited the financial statements of the Local Authorities Pension 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 obligation for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Local Authorities Pension Plan as at December 31, 2025, and the changes in net assets available for benefits, and changes in its pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Local Authorities Pension Plan in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

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

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

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of the 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 Local Authorities Pension Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Local Authorities Pension Plan's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Local Authorities Pension 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 Local Authorities Pension Plan's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Local Authorities Pension 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.

I 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 I identify during my audit.

[Original signed by Phillip D. Peters FCPA, FCA, KC]
Auditor General of Alberta

April 30, 2026
Edmonton, Alberta

Statement of Financial Position

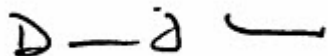
As at December 31, 2025

(in millions)

	2025	2024
Net assets available for benefits		
Assets		
Cash (Note 2b)	\$ 7	\$ 50
Investments (Note 3)	75,877	70,569
Contributions receivable		
Employers	52	38
Employees	46	33
Accounts receivable	18	24
GST and accrued interest receivable (Note 11)	90	-
Total assets	76,090	70,714
Liabilities		
Accounts payable	14	15
Total liabilities	14	15
Net assets available for benefits	\$ 76,076	\$ 70,699
Pension obligation and surplus		
Pension obligation (Note 5)	\$ 53,515	\$ 51,142
Surplus (Note 6)	22,561	19,557
Pension obligation and surplus	\$ 76,076	\$ 70,669

The accompanying notes are part of these financial statements.

Approved by:



Darren Sander
Chair, LAPP Corporation
Board of Directors

Approved by:



Troy Mann
President and CEO
LAPP Corporation

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2025

(in millions)

	2025	2024
Increase in assets		
Contributions (Note 7)		
Employers	\$ 1,362	\$ 1,247
Employees	1,234	1,129
Investment income (Note 8)		
Income	4,296	5,847
Change in fair value	1,276	1,910
Interest Income (Note 2b)	6	8
Accrued interest on GST recovery (Note 11)	20	-
Transfers from other plans	28	47
	8,222	10,188
Decrease in assets		
Benefit payments (Note 10)	2,353	2,225
Transfers to other plans	36	50
Investment expenses (Note 11)	384	496
Administrative expenses (Note 12)	72	56
	2,845	2,827
Increase in net assets	5,377	7,361
Net assets available for benefits at beginning of year	70,699	63,338
Net assets available for benefits at end of year	\$ 76,076	\$ 70,699

The accompanying notes are part of these financial statements.

Statement of Changes in Pension Obligation

Year ended December 31, 2025

(in millions)

	2025	2024
Increase in pension obligation		
Interest accrued on opening pension obligation	\$ 3,074	\$ 2,949
Benefits earned	1,924	1,731
Net experience losses (Note 5b)	590	-
Net loss due to actuarial assumption changes (Note 5a)	-	727
	5,588	5,407
Decrease in pension obligation		
Benefit payments and interest on payments	2,422	2,291
Net transfers out	8	3
Net experience gains (Note 5b)	-	252
Net gains due to actuarial assumption changes (Note 5a)	785	-
	3,215	2,546
Net increase in pension obligation	2,373	2,861
Pension obligation at beginning of year	51,142	48,281
Pension obligation at end of year (Note 5)	\$ 53,515	\$ 51,142

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2025

(All dollar amounts are in millions, unless otherwise indicated)

Note 1. SUMMARY DESCRIPTION OF THE PLAN

The following description of the Local Authorities Pension Plan (the Plan) is a brief summary of key plan provisions as of December 31, 2025. For a complete description of the Plan's benefits and obligations, reference should be made to the Plan Text document. Unless otherwise stated, all terms not defined below have the meaning ascribed to them in the Plan.

a. GENERAL

The Plan is a defined benefit pension plan for eligible employees of the Plan's participating employers. These include cities, towns, villages, municipal districts, hospitals, school divisions, school districts, colleges, technical institutes and certain commissions, foundations, agencies, libraries, corporations, associations and societies. The Plan is a registered pension plan (registration number 0216556) defined under the *Income Tax Act*. As a registered pension plan, investment income earned by the Plan is not subject to income taxes. All monthly pension payments paid by the Plan represent taxable income for the recipients.

The Plan is also registered as a jointly sponsored pension plan under the *Employment Pension Plans Act* (Chapter E-8.1 SA 2012) (EPPA). Other provincial legislation having application to the Plan includes the *Joint Governance of Public Sector Pension Plans Act* (Chapter J-0.5 SA 2018) (Joint Governance Act), the *Exemption (Public Sector Pension) Regulation AR 3/2019*, and the *Employment Pensions Plans Regulation AR 154/2014* (EPPR).

The specific pension benefit administration services required by the Plan are provided exclusively by Alberta Pensions Services Corporation (the "benefits administrator"), a provincial Crown corporation, pursuant to a Pension Services Agreement with the LAPP Corporation. These services include collecting and recording contributions, calculating and paying benefits, and communicating to Plan members and employers regarding benefit administration matters.

The Alberta Investment Management Corporation ("AIMCo"), also referred to as the "investment manager" throughout this document, is a Crown corporation of Alberta and the exclusive investment manager to the Plan. AIMCo provides investment management services to the Plan under the authority of the *Alberta Investment Management Corporation Act*, (Chapter A-26.5 SA 2007), and pursuant to an Investment Management Agreement with LAPP Corporation. Effective January 1st, 2021, the Investment Management Agreement was replaced by Ministerial Order.

The Plan is governed collectively by the LAPP Sponsor Board and by LAPP Corporation. In addition, the LAPP Sponsor Board has certain statutory functions concerning the Plan under the Joint Governance Act, including defining the Plan's benefit and eligibility provisions as documented within the Plan Text, setting contribution rates, and establishing a funding policy. LAPP Corporation, also referred to as management throughout this document, is the administrator of the Plan for all purposes of the EPPA and the trustee of the pension fund of the Plan.

b. PLAN FUNDING

The Plan is subject to the jointly sponsored plan funding rules of the EPPA and is exempted from the EPPA's solvency funding requirements. Employers and members fund current service costs and any actuarial deficiencies by contribution rates, which, together with investment earnings, are expected to provide for the payment of all benefits payable under the Plan.

For members, the contribution rates for the year ending December 31st, 2025, were 7.45% (2024: 7.45%) of pensionable earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 10.65% (2024: 10.65%) of pensionable earnings over the YMPE. For employers, the contribution rates for the year ending December 31st, 2025, were 8.45% (2024: 8.45%) of pensionable earnings up to the YMPE and 11.65% (2024: 11.65%) of pensionable earnings over the YMPE. Pensionable earnings are subject to an upper limit (the pensionable earnings cap) to ensure the pension accrual is not greater than the maximum pension limit allowed under the Income Tax Act.

Note 1. SUMMARY DESCRIPTION OF THE PLAN (Cont'd)

In 2025, the YMPE was \$71,300 (2024: \$68,500) and the pensionable earnings cap was \$209,223.50 (2024: \$201,050). Contributions cease when a member accumulates 35 years of pensionable service.

The LAPP Sponsor Board reviews contribution rates at least once every three years based on the Plan's actuary recommendations. The contribution rates were reviewed in 2025 and, as a result, the Sponsor Board approved a temporary reduction to contribution rates for 2026 only. For members, the contribution rates effective January 1, 2026 will be 6.52% of pensionable earnings up to the YMPE and 9.32% of pensionable earnings over the YMPE. For employers, the contribution rates effective January 1, 2026 will be 7.52% of pensionable earnings up to the YMPE and 10.32% of pensionable earnings over the YMPE.

c. RETIREMENT BENEFITS

Active members are immediately vested upon commencement of LAPP participation. Historical vesting provisions apply to members who ceased participating in the Plan prior to 2022.

The Plan provides for a pension based on a formula that considers a vested member's highest average capped pensionable earnings and years of pensionable service. The member's highest average capped pensionable earnings is calculated by taking the average of the five consecutive years where the member's capped pensionable earnings was the highest. The years of pensionable service used include the total years of pensionable service a member has accumulated in the Plan up to a maximum of 35 years. The member's highest average capped pensionable earnings up to the average YMPE over the same period (matching average YMPE) is multiplied by 1.4% for each year of pensionable service. If any, the member's highest average capped pensionable earnings above the matching average YMPE is multiplied by 2.0% for each year of pensionable service. The two amounts are added together to calculate the member's annual unreduced pension. Unreduced pensions are payable to vested members at retirement who either have attained age 65 or have attained at least age 55 with the sum of their age and years of pensionable service equaling at least 85. Vested members may retire and collect a pension as early as age 55, with their pensions being reduced if the sum of their age and years of pensionable service is less than 85.

In 2025, the Sponsor Board approved a temporary enhancement to the benefit accrual rate on highest average capped pensionable earnings up to the average YMPE for 2027 pensionable service only. The enhancement changes the benefit accrual from 1.4% to 1.8%.

d. DISABILITY PENSIONS

Unreduced pensions may be payable to vested members who are totally disabled and retire early. Reduced pensions may also be payable to vested members who are partially disabled and retire early.

e. DEATH BENEFITS

Death benefits may be payable on the death of a member.

If a vested member dies prior to commencing to receive a pension and has an eligible surviving pension partner entitled to a death benefit, the surviving pension partner may choose to receive either a survivor pension or a lump sum payment. A lump-sum payment will be made for a beneficiary other than a pension partner or where a member is not vested.

If a member is vested and dies after commencing to receive a pension, the death benefit will depend on the pension option selected at retirement. For example, it can include a lifetime pension payable to a surviving pension partner or a monthly pension or lump-sum benefit payable to the specified beneficiary(ies) or estate based on any remaining guaranteed period.

f. TERMINATION BENEFITS AND REFUNDS TO MEMBERS

Vested members who cease active participation in the Plan before their 55th birthday may choose to withdraw their funds from the Plan and receive a lump sum payment equal to the commuted value of their pension, with the commuted value being subject to the EPPA's "locking-in" provisions. Excess employee contribution refunds are provided to members for the amount that their cost-shared contributions with interest exceed 100% of the commuted value of their cost-shared benefit plus the amount that their wholly member-funded contributions exceed 100% of the commuted value of their wholly member-funded benefit. In lieu of a commuted value transfer, vested members may elect to

Note 1. SUMMARY DESCRIPTION OF THE PLAN (Cont'd)

receive a deferred pension payable on or after age 55. Members who are not vested at termination of membership in the Plan receive a refund of the employee-paid portion of their contributions with interest. These payments are included as benefit payments on the statement of changes in net assets available for benefits.

g. PURCHASED SERVICE AND TRANSFERS

The Plan allows for the purchase of certain eligible periods of service and the transfer of entitlements into the Plan under various transfer agreements with other pension plans. The cost to recognize service transferred into the Plan under a transfer agreement is the actuarial present value of the benefits that will be credited as a result of the transfer. Where no transfer agreement exists, the Plan permits direct transfer of funds from the other registered pension plan, subject to the locking-in provisions under the EPPA, to fund the purchase of eligible periods of service.

h. COST-OF-LIVING ADJUSTMENTS

Pensions payables are increased each year on January 1st by an amount equal to 60% of the average increase in the Alberta Consumer Price Index (ACPI). The increase is calculated by taking the ratio of the average of the ACPI during the most recent 12-month period ending October 31st to the previous year's 12-month average. The increase is prorated for pensions that became payable within the previous year.

In 2025, the Sponsor Board approved a one-time COLA enhancement to January 1, 2026, pensions in payment and deferred pension amounts. The enhancement increased the 60% to 90% of the average increase in ACPI.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

a. BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian Accounting Standards for pension plans. The Plan has elected to apply International Financial Reporting Standards (IFRS) for accounting policies that do not relate to its investment portfolio or pension obligation. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

b. CASH

Cash includes deposits in the plan's administration bank account. The funds in this account are used for operational and pension benefits disbursements.

The Money Market Pool (MMP) is disclosed under 'Investments' and the stand-alone plan administration bank account is disclosed as 'Cash' on the financial statements. Interest earned on cash is recorded on an accrual basis as Interest income. MMP serves as a vital component of cash management strategy, designed to provide exposure to the short-term highly liquid credit markets while meeting day-to-day cash management requirements and earning income on excess liquidity. The Money Market Pool primarily consists of debt securities and related instruments issued for terms of less than one year.

c. VALUATION OF INVESTMENTS

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Investments are recorded at fair value. As disclosed in Note 3, the Plan's investments consist primarily of direct ownership in units of pooled investment funds ("the pools"). The pools are established by Ministerial Order 16/2014, being the Establishment and Maintenance of Pooled Funds, pursuant to the *Financial Administration Act* (Alberta), and the *Alberta Investment Management Corporation Act* (Alberta). Participants in pools include government and non-government funds and pension plans.

Participants in the pools are not a party to the contracts and have no control over the management of the pool and the selection of securities in the pool. The Plan's investment manager controls the creation of the pools and the management and administration of the pools, including security selection. Accordingly, the Plan does not report the financial instruments of the pools on its statement of financial position.

The Plan becomes exposed to the financial risks and rewards associated with the underlying financial instruments in a pool when the investment manager purchases units issued and loses exposure to those financial risks and rewards when it sells its units. The Plan reports its share of the investment risks in Note 4.

The fair value of units held by the Plan is derived from the fair value of the underlying financial instruments held by the pools as determined by the investment manager (see Note 3b). Investments in units are recorded in the Plan's accounts. The underlying financial instruments are recorded in the accounts of the pools on a trade date basis. The pools have a market-based unit value that is used to distribute income to the pool participants and to value purchases and sales of the pool units. The pools include various financial instruments such as bonds, equities, real estate, derivatives, investment receivables and payables and cash.

All purchases and sales of the pool units are in Canadian dollars.

d. INVESTMENT INCOME

Investment income is recorded on an accrual basis.

Investment income is reported in the statement of changes in net assets available for benefits and in Note 8 and includes the following items recorded in the Plan's accounts:

- i. Income distributions from the pools, based on the Plan's pro-rata share of total units issued by the pools; and

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

- ii. Changes in fair value of units, including realized gains and losses on disposal of units and unrealized gains and losses on units determined on an average cost basis.

e. INVESTMENT EXPENSES

Investment expenses include all amounts incurred by the Plan to earn investment income (see Note 11). Investment expenses are recorded on an accrual basis. Transaction costs are expensed as they are incurred.

f. VALUATION OF PENSION OBLIGATION

The value of the pension obligation and changes therein during the year are based on an actuarial valuation prepared by an independent firm of actuaries. The valuation is completed at the beginning of the year, the results of which are then extrapolated to year-end. The valuation uses the projected benefit method pro-rated on service and LAPP Corporation's best estimate, as at the measurement date, of various economic and non-economic assumptions.

g. MEASUREMENT UNCERTAINTY

Estimates and assumptions are used in circumstances where the actual values are unknown in preparing these financial statements. Uncertainty in determining the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty exists in the valuation of the Plan's pension obligation, private investments, hedge funds, real estate and renewable investments. Uncertainty arises because:

- i. the Plan's actual experience may differ, perhaps significantly, from assumptions used in the extrapolation of the Plan's pension obligation, and
- ii. the estimated fair values of the Plan's private investments, hedge funds, real estate and renewable investments may differ significantly from the values that would have been used had a ready market existed for these investments.

While best estimates have been used in the valuation of the Plan's pension obligation, private investments, hedge funds, real estate and renewable investments, it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts.

Differences between actual results and expectations in the Plan's pension obligation are disclosed as an assumption or other changes and net experience gains or losses in the statement of changes in pension obligation in the year when actual results are known.

Differences between the estimated fair values and the amount ultimately realized for investments are included in net investment income in the year when the ultimate realizable values are known.

Note 3. INVESTMENTS

The Plan's investments are managed at the asset class level for the purpose of evaluating the Plan's risk exposure and investment performance against approved benchmarks based on fair value. The investment manager invests the Plan's assets in accordance with the Statement of Investment Policies and Procedures (SIPP) approved by the Board of LAPP Corporation.

(in millions)

Asset class	Fair Value Hierarchy (a)							
	2025				2024			
	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
Fixed income								
Deposits and short-term securities	\$ -	\$ 847	\$ -	\$ 847	\$ -	\$ 1,045	\$ -	\$ 1,045
Bonds, mortgages, and private debt	-	16,322	7,078	23,400	-	14,530	6,029	20,559
	-	17,169	7,078	24,247	-	15,575	6,029	21,604
Inflation sensitive and alternatives								
Absolute Return	-	-	1,148	1,148	-	-	906	906
Real estate	-	-	8,169	8,169	-	-	8,178	8,178
Infrastructure	-	9	9,975	9,984	-	9	10,413	10,422
Renewables	-	-	2,083	2,083	-	-	2,013	2,013
	-	9	21,375	21,384	-	9	21,510	21,519
Public equities								
Canadian equities	-	5,140	-	5,140	-	4,307	-	4,307
Global developed equities	-	14,069	156	14,225	-	12,428	197	12,625
Emerging market equities	-	3,955	-	3,955	-	3,561	-	3,561
Small-cap equities	-	2,330	-	2,330	-	2,115	-	2,115
	-	25,494	156	25,650	-	22,411	197	22,608
Private equities	-	3	4,511	4,514	-	12	4,730	4,742
Strategic, tactical and currency investments *	-	8	74	82	-	26	70	96
Total investments	\$ -	\$ 42,683	\$ 33,194	\$ 75,877	\$ -	\$ 38,033	\$ 32,536	\$ 70,569

*This asset class is not listed separately in the SIPP as it reflects strategic investments and currency overlays made on an opportunistic and discretionary basis (see Note 4).

Note 3. INVESTMENTS (Cont'd)

a. FAIR VALUE HIERARCHY

The quality and reliability of information used to estimate the fair value of investments are classified according to the following fair value hierarchy, with level 1 being the highest quality and reliability.

- **Level 1** - fair value is based on quoted prices in an active market. Although the pools may ultimately hold publicly traded listed equity investments, the pool units themselves are not listed in an active market and, therefore, cannot be classified as Level 1 for fair value hierarchy purposes. Pool units classified by the Plan as Level 2 may contain investments that might otherwise be classified as Level 1.
- **Level 2** - fair value is estimated using valuation techniques that make use of market-observable inputs other than quoted market prices. This level includes pool units that hold public equities, debt securities and derivative contracts totaling \$42,683 (2024: \$38,033).
- **Level 3** - fair value is estimated using inputs based on non-observable market data. This level includes pool units that hold private mortgages, hedge funds, private equities and inflation-sensitive investments totaling \$33,194 (2024: \$32,536).

Reconciliation of Level 3 Fair Value Measurement

(in millions)

	2025	2024
Balance at beginning of year	\$ 32,536	\$ 31,119
Investment income *	819	2,171
Purchases of Level 3 pooled fund units	2,120	3,453
Sale of Level 3 pooled fund units	(2,281)	(4,207)
Balance at end of year	\$ 33,194	\$ 32,536

* Investment income includes unrealized gain of \$82 (2024: 521).

b. VALUATION OF FINANCIAL INSTRUMENTS RECORDED BY THE INVESTMENT MANAGER IN THE POOLS

The methods used to determine the fair value of investments recorded in the pools are explained in the following paragraphs:

- **Fixed income:** Public interest-bearing securities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. Private mortgages are valued based on the net present value of future cash flows. Cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market. Private debt and loans are valued similarly to private mortgages.
- **Inflation sensitive and alternatives:** The estimated fair value of private real estate investments is reported at the most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised at least annually by qualified external real estate appraisers. Appraisers use a combination of methods to determine a fair value, including replacement cost, direct comparison, direct capitalization of earnings and discounted cash flows. Independent third-party evaluators appraise the fair value of renewable investments at least annually. Infrastructure investments are valued similarly to private equity investments. Absolute Return strategies include investments in hedge funds, and underlying securities in the funds can include equities, fixed income securities, derivatives, and alternative investments. The fair value of these funds is based on the net asset value reported by the external fund manager or the administrator.

Note 3. INVESTMENTS (Cont'd)

- **Public equities:** Are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company. External managers estimate the fair value of hedge fund investments.
- **Private equities:** Managers or general partners estimate the fair value of private equity funds, pools and limited partnerships. Valuation techniques include a combination of the market approach using prices or earnings multiples of comparable investments or companies, the income approach considering discounted or capitalized future cash flows, and the cost approach.
- **Tactical and currency investments:** For tactical asset allocations, investments in derivative contracts provide overweight or underweight exposure to global equity and bond markets, including emerging markets. Currency investments consist of directly held currency forward and spot contracts.
- **Foreign currency:** Foreign currency transactions in pools are translated into Canadian dollars using average exchange rates. At year-end, the fair value of investments in other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rates.
- **Derivative contracts:** The carrying value of derivative contracts in a favourable and unfavourable position is recorded at fair value and is included in the fair value of pooled investment funds (see Note 4g). The estimated fair value of equity and bond index swaps is based on changes in the appropriate market-based index net of accrued floating rate interest. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities. Forward foreign exchange contracts are valued based on the difference between contractual foreign exchange rates and foreign exchange forward rates. Future contracts are valued based on quoted market prices. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters, which measure changes in the underlying swap. Warrants and rights are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.
- **Repurchase agreements:** The Plan has exposure to repurchase agreements through its investments in fixed income pools. A repurchase agreement can be thought of as a collateralized loan. Repurchase agreements are commonly used to provide short-term liquidity. The lender provides cash to the borrower (the Plan) in exchange for security, which acts as collateral. At a future date, the borrower repurchases the same security plus accrued interest. The Plan's exposure to repurchase agreements as of December 31, 2025, was \$4,412 (2024: \$3,085)

Note 4. INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with the underlying securities held in the pools created and managed by the investment manager. These financial risks include credit risk, market risk and liquidity risk. Credit risk is a probable risk of loss resulting from the borrower failing to repay a loan or meet contractual obligations. Market risk comprises currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due. Another type of liquidity risk affecting the Plan's fund is the risk that, for a certain period of time, a given financial asset cannot be traded quickly enough without impacting its market price.

The investment policies and procedures of the Plan are clearly outlined in the SIPP. The purpose of the SIPP is to ensure the Plan is invested and managed prudently in accordance with current, accepted governance practices incorporating an appropriate level of risk. The SIPP manages the Plan's return-risk trade-off through asset class diversification, target ranges on each asset class, diversification within each asset class, and restrictions on amounts exposed to countries designated as emerging markets. Forward foreign exchange contracts may manage currency exposure in connection with securities purchased in a foreign currency (see Note 4b).

The Plan's actuarial liabilities are primarily affected by the long-term real rate of return expected to be earned on investments. To earn the best possible return at an acceptable level of risk, the SIPP has established the following asset mix policy ranges:

Asset Class	Target Asset Policy Mix Range	Actual Asset Mix (in millions)			
		2025		2024	
Fixed income	20 - 40%	\$ 24,247	32.0%	\$ 21,604	30.6%
Inflation sensitive and alternatives	20 - 50%	21,384	28.2%	21,519	30.5%
Public equities	25 - 55%	25,650	33.8%	22,608	32.1%
Private equities	3 - 9%	4,514	5.9%	4,742	6.7%
Tactical and currency investments	(a)	82	0.1%	96	0.1%
		\$ 75,877	100%	\$ 70,569	100.0%

(a) In accordance with the SIPP, the investment manager may invest up to 0.5% of the fair value of the Plan's investments in strategic opportunities that are outside of the asset classes listed above. The investment manager may, at its discretion, invest the funds in currency overlays.

a. Credit risk

a) Debt securities

The Plan is indirectly exposed to credit risk associated with the underlying debt securities held in the pools managed by the investment manager. Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations. The credit quality of financial assets is generally assessed by reference to external credit ratings. The credit rating of a debt security may be impacted by the overall credit rating of the counterparty, the seniority of the debt issue, bond covenants, maturity distribution and other factors.

Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies, usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The fair value of all investments reported in Note 3 is directly or indirectly impacted by credit risk to some degree. The majority of investments in debt securities have credit ratings considered to be investment grade. Unrated debt securities consist primarily of mortgages and private debt placements.

Note 4. INVESTMENT RISK MANAGEMENT (Cont'd)

The table below summarizes the Plan's investments in debt securities by credit rating at December 31st:

Credit Rating	2025	2024
Investment Grade (AAA to BBB-)	69.6%	74.9%
Speculative Grade (BB+ or lower)	3.1%	2.6%
Unrated	27.3%	22.5%
	100.0%	100.0%

ii) Counterparty default risk - derivative contracts

The Plan is exposed to counterparty credit risk associated with the derivative contracts held in the pools. The maximum credit risk in respect of derivative financial instruments is the fair value of all contracts with counterparties in a favourable position (see Note 4g). The investment manager is responsible for selecting and monitoring derivative counterparties on behalf of the Plan. The investment manager monitors counterparty risk exposures and actively seeks to mitigate counterparty risk by requiring that counterparties collateralize mark-to-market gains for the Plan.

Provisions are in place to allow for termination of the contract should there be a material downgrade in a counterparty's credit rating. The exposure to credit risk on derivatives is reduced by entering into master netting agreements and collateral agreements with counterparties. To the extent that any unfavourable contracts with the counterparty are not settled, they reduce the Plan's net exposure in respect of favourable contracts with the same counterparty.

iii) Security lending risk

The pools participate in a securities-lending program to generate additional investment returns under this program; the custodian may lend investments held in the pools to eligible third parties for short periods. At December 31st, 2025, the Plan's share of securities loaned under this program is \$1,764 (2024: \$1,986) and collateral held totaled \$1,887 (2024: \$2,125). Securities borrowers are required to provide the collateral to assure the performance of redelivery obligations. Collateral may take the form of cash and other investments. All collateralization by the borrower, must be in excess of 100% of investments loaned.

b. Foreign currency risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in the pools that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 35.96% (2024: 36.19%) of the Plan's investments, or \$27,283 (2024: \$25,537), are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the US dollar, 22.73% (2024: 22.15%) and the Euro, 3.92% (2024: 4.66%).

If the value of the Canadian dollar increased by 10% against all other currencies, and all other variables are held constant, the potential loss to the Plan would be approximately 3.60% of total investments (2024: 3.62%).

Note 4. INVESTMENT RISK MANAGEMENT (Cont'd)

The following table summarizes the Plan's exposure to foreign currency investments held in the pools at December 31st, 2025:

(in millions)

Currency *	2025		2024	
	Fair Value	Sensitivity	Fair Value	Sensitivity
U.S. dollar	\$ 17,250	\$ (1,725)	\$ 15,630	\$ (1,563)
Euro	2,973	(297)	3,286	(329)
British pound	1,702	(170)	1,882	(188)
Japanese yen	1,116	(112)	881	(88)
Hong Kong dollar	766	(77)	764	(76)
Other foreign currency	3,476	(348)	3,094	(309)
Total foreign currency investments	\$ 27,283	\$ (2,729)	\$ 25,537	\$ (2,553)

* Information on specific currencies is disclosed when the current year's fair value is greater than 1% of the Plan's net assets.

c. Interest rate risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing securities held in the pools managed by the investment manager. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in interest rates, with longer-term interest-bearing securities being more sensitive to interest rate changes than shorter-term bonds. If interest rates increase by 1% and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 2.35% of total investments (2024: 2.40%).

d. Price risk

Price risk relates to the possibility that pool units will change in fair value due to future fluctuations in market prices of equities held in the pools caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market.

The Plan is exposed to price risk associated with the underlying equity investments held in pools managed by the investment manager. If benchmark equity market indices and their sectors declined by 10%, and all other variables are held constant, the potential loss in fair value to the Plan would be approximately 5.40% of total investments (2024: 5.32%).

e. Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in pools that hold publicly traded liquid assets traded in an active market that are easily sold and converted to cash. The Plan's future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties (Note 4g).

f. Total portfolio risk

Investment risk is managed on a total portfolio basis and monitored daily by AIMCo. To ensure that the Plan is being managed consistently with the Corporation's risk appetite, AIMCo implements the portfolio in accordance with the LAPP Statement of Investment Policies and Procedures (SIPP) and reports value at risk (VaR) and portfolio active value at risk (aVaR) at 95% confidence level calculated over a one-year time horizon using the risk system employed by AIMCo. The VaR is a measure for the

Note 4. INVESTMENT RISK MANAGEMENT (Cont'd)

downside risk of the total portfolio while the aVaR is a measure adopted to monitor risk taken to achieve the value-added above the policy benchmark. A number of thresholds have been created to monitor these two risk measures over time and provide triggers to initiate reporting by AIMCo and review by the Corporation.

g. Use of derivative financial instruments in pooled investment funds

The Plan has indirect exposure to derivative financial instruments through its investment in units of the pools. The investment manager uses derivative financial instruments to cost-effectively gain access to equity markets in the pools, manage asset exposure within the pools, enhance pool returns and manage interest rate risk, foreign currency risk and credit risk in the pools.

By counterparty	Number of counterparties	Plan's Indirect Share (in millions)	
		2025	2024
Contracts in a net favourable position (current credit exposure)	149 \$	168 \$	65
Contracts in a net unfavourable position	13	(67)	(568)
Net fair value of derivative contracts	162 \$	101 \$	(503)

- i. Current credit exposure: The current credit exposure is limited to the amount of loss that would occur if all counterparties to contracts in a net favourable position totaling \$168 (2024: \$65) were to default at once.
- ii. Cash settlements: Receivables or payables with counterparties are usually settled in cash every three months.
- iii. Contract notional amounts: The fair value of receivables (receive leg) and payables (pay leg) and the exchange of cash flows with counterparties in pooled funds are based on a rate or price applied to a notional amount specified in the derivative contract. The notional amount itself is not invested, received or exchanged with the counterparty and is not indicative of the credit risk associated with the contract. Notional amounts are not assets or liabilities and do not change the asset mix reported in Note 3. Accordingly, there is no accounting policy for their recognition in the statement of financial position.

Types of derivatives used in pools	Plan's Indirect Share (in millions)	
	2025	2024
Equity-based derivatives (i)	\$ 113	\$ (69)
Foreign currency derivatives (ii)	47	(397)
Interest rate derivatives (iii)	(60)	(37)
Credit risk derivatives (iv)	1	-
Net fair value of derivative contracts	\$ 101	\$ (503)

- i. Equity derivatives are structured to receive income from counterparties based on the performance of a specified market-based equity index, security or basket of equity securities applied to a notional amount in exchange for floating rate interest paid to the counterparty. Floating rate notes are held in equity pools to provide floating rate interest to support the pay leg of the equity derivatives. Rights, warrants, futures and options are also included as structured equity replication derivatives.
- ii. Foreign currency derivatives include contractual agreements to exchange specified currencies at an agreed settlement date in the future.

Note 4. INVESTMENT RISK MANAGEMENT (Cont'd)

- iii. Interest rate derivatives exchange interest rate cash flows (fixed to floating or floating to fixed) based on a notional amount. Interest rate derivatives primarily include interest rate swaps and cross-currency interest rate swaps, futures contracts and options.
- iv. Credit risk derivatives include credit default swaps allowing the pools to buy and sell protection on credit risk inherent in a bond. A premium is paid or received, based on a notional amount in exchange for contingent payment should a defined credit event occur with respect to the underlying security.
- v. At December 31st, 2025, deposits in futures contracts margin accounts totaled \$107 (2024: \$88). Cash and non-cash collateral for derivative contracts pledged and received, respectively, totaled \$(401) (2024: \$(820)) and \$nil (2024: \$nil).

Note 5. PENSION OBLIGATION

a. ACTUARIAL VALUATION AND EXTRAPOLATION ASSUMPTIONS

Effective January 1, 2026, Eckler was appointed as the Plan actuary. All amounts reported for the fiscal year ending December 31, 2024 were prepared by the prior Plan actuary, Aon. The most recent actuarial valuation of the Plan was also carried out by Aon as at December 31, 2024. As part of the transition of actuarial services, Eckler replicated the results of the December 31, 2024 actuarial valuation within a reasonable tolerance of accuracy, and these replicated results form the basis of the extrapolation to December 31, 2025.

The actuarial assumptions used in determining the value of the pension obligation of \$53,515 (2024: \$51,142) reflect management's best estimates, as at the measurement date, of future events and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as mortality as well as withdrawal and retirement rates. The primary economic assumptions include the discount rate, inflation rate and salary escalation rate. The discount rate is determined by taking the Plan-specific asset allocation and applying expected long-term asset returns determined by independently developed investment models, less expected Plan investment expenses, and an additive for diversification and rebalancing. It does not assume a return for active management beyond the passive benchmark.

The major economic assumptions used for accounting purposes were:

	2025	2024
Discount rate	6.0%	5.9%
Inflation rate*	3.0%	3.5%
Salary escalation rate**	3.0%	3.0%
Mortality rate	2014 Canadian Pensioner Mortality Table (Public Sector) with Plan specific multipliers	

* 2.5% for 2026, and 2.0% per annum thereafter.

** In addition to age-specific merit and promotion increase assumptions.

Net gain due to actuarial assumption changes of \$785 (2024: net loss of \$727) primarily results from an increase in the discount rate.

LAPP Corporation's policy is to have an actuarial valuation of the Plan carried out each year. As a result, an actuarial valuation of the Plan as at December 31st, 2025, will be carried out subsequent to the completion of these financial statements. Any differences between the actuarial valuation results and extrapolation results, as reported in these financial statements, will affect the financial position of the Plan and will be accounted for as experience gains or losses in 2026.

b. NET EXPERIENCE GAINS AND LOSSES

Net experience loss of \$590 (2024: net experience gains of \$252) arose from actual experience deviating from expected.

Note 5. PENSION OBLIGATION (Cont'd)

c. SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

The Plan's future experience will differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's obligations and current service cost to changes in assumptions used in the actuarial extrapolation at December 31st, 2025:

	<i>(in millions)</i>		
	Changes in Assumptions %	Increase in Plan Obligations \$	Increase in Current Service Cost as a % of Pensionable Earnings ⁽¹⁾
Inflation rate increase holding discount rate and salary escalation assumptions constant	+1	3,654	1.09
Salary escalation rate increase holding inflation rate and discount rate assumptions constant	+1	2,168	1.49
Discount rate decrease holding inflation rate and salary escalation assumptions constant	(1)	8,764	3.51

(1) The current service cost as a percentage of pensionable earnings as determined by the December 31st, 2025 extrapolation was 13.11%.

Note 6. SURPLUS

	<i>(in millions)</i>	
	2025	2024
Surplus at beginning of year	\$ 19,557	\$ 15,057
Increase in net assets available for benefits	5,377	7,361
Net increase in pension obligation	(2,373)	(2,861)
Surplus at end of year	\$ 22,561	\$ 19,557

Note 7. CONTRIBUTIONS

	<i>(in millions)</i>	
	2025	2024
Employers		
Current Service	\$ 1,346	\$ 1,231
Past Service	16	16
	1,362	1,247
Employees		
Current Service	1,200	1,097
Past Service	34	32
	1,234	1,129
	\$ 2,596	\$ 2,376

Note 8. INVESTMENT INCOME

	<i>(in millions)</i>					
	Income	Change in Fair Value	2025 Total	Income	Change in Fair Value	2024 Total
Fixed Income	\$ 933	\$ (265)	\$ 668	\$ 722	\$ 182	\$ 904
Inflation sensitive and alternatives						
Absolute Return	19	67	86	-	71	71
Real estate	(84)	30	(54)	33	(93)	(60)
Infrastructure	108	209	317	1,178	42	1,220
Renewables	(21)	31	10	(20)	57	37
	22	337	359	1,191	77	1,268
Public equities						
Canadian equities	649	417	1,066	357	395	752
Foreign equities	2,379	894	3,273	3,328	870	4,198
	3,028	1,311	4,339	3,685	1,265	4,950
Private equities	330	(115)	215	241	392	633
Tactical and currency investments	(17)	8	(9)	8	(6)	2
Total investment income	\$ 4,296	\$ 1,276	\$ 5,572	\$ 5,847	\$ 1,910	\$ 7,757

The change in fair value includes realized and unrealized (losses) and gains on pool units and derivatives. Realized and unrealized gains on pool units total \$568 and \$708 respectively (2024: \$953 and \$955 respectively).

Note 8. INVESTMENT INCOME (Cont'd)

Realized and unrealized gains and (losses) on currency hedges/derivatives total \$nil and \$nil respectively (2024: \$2 and \$nil respectively).

Income earned in pooled investment funds is distributed to the Plan daily based on the Plan's pro rata share of units issued by the pool. Income earned by the pools is determined on an accrual basis and includes interest, dividends, security lending income, realized gains and losses on sale of securities determined on an average cost basis, and income and expense on derivative contracts.

Note 9. INVESTMENT RETURNS, CHANGE IN NET ASSETS AND PENSION OBLIGATION

The following is a summary of investment returns (losses), and the annual change in net assets compared to the annual change in the pension obligation and the per cent of pension obligation supported by net assets:

	(in per cent)				
	2025	2024	2023	2022	2021
Increase in net assets attributed to:					
Investment income					
Policy benchmark returns on investments	9.8	11.7	9.0	(6.7)	7.6
Value (lost) added by the investment manager	(2.6)	(0.2)	(1.4)	1.7	6.7
Time weighted rate of return, at fair value ^(a)	7.2	11.5	7.6	(5.0)	14.3
Other sources ^(b)	0.4	0.1	0.2	0.2	0.8
Per cent change in net assets ^(c)	7.6	11.6	7.8	(4.8)	15.1
Per cent change in pension obligation ^(c)	4.6	5.9	4.8	(7.5)	2.4
Per cent of pension obligation supported by net assets	142	138	131	128	124

- (a) All investment returns are provided by the investment manager and are net of investment expenses.
- (b) Other sources include employee and employer contributions and transfers from other plans, net of benefit payments, transfers to other plans and administration expenses.
- (c) The percentage change in net assets and the pension obligation is based on the amounts reported on the statement of changes in net assets available for benefits and the statement of changes in pension obligation.

Note 10. BENEFIT PAYMENTS

	(in millions)	
	2025	2024
Retirement benefits	\$ 2,025	\$ 1,921
Disability pensions	11	10
Termination benefits	244	223
Death benefits	73	71
	\$ 2,353	\$ 2,225

Note 11. INVESTMENT EXPENSES

	(in millions)	
	2025	2024
Amounts charged by the investment manager for:		
Investment costs ^(a)	\$ 321	\$ 323
Performance-based fees ^(a)	120	157
Goods and services tax	13	16
Total annual investment expenses	\$ 454	\$ 496
GST recoverable from previous years ^(b)	(70)	-
Net investment expenses	\$ 384	\$ 496
(Decrease) Increase in annual expenses ^(a)	(8.4%)	5.2%
Increase in average investments under management	9.4%	9.9%
(Decrease) Increase in value of investments attributed to AIMCo	(2.6%)	0.2%
Annual Investment expenses as a percent of dollar invested	0.6%	0.7%
Investment expenses per member (in dollars)	\$ 1,389	\$ 1,564

(a) Investment expenses are charged by the investment manager on a cost-recovery basis. Please refer to the investment manager's financial statements for a more detailed breakdown of the types of expenses incurred by the investment manager. Amounts charged to the Plan by the investment manager for investment costs include those costs that are primarily non-performance related, including external management fees, external administration costs, employee salaries and incentive benefits and overhead costs. Amounts recovered by the investment manager for performance-based fees relate both to performance-based fees paid to the investment manager's employees as well as to external managers hired by the investment manager.

(b) During the period, the Tax Court of Canada ruled that the Canada Revenue Agency (CRA) is required to refund GST paid in error by the Local Authorities Pension Plan (LAPP) on investment management services for the periods of January 1, 2016 to February 28, 2019 and April 1, 2019 to December 31, 2022. On February 9, 2026, the CRA issued a Notice of Assessment confirming the amounts receivable as at December 31, 2025. LAPP recognized a GST recovery of \$90 million, comprising \$70 million related to GST expense recovery and \$20 million of interest. The receivable is presented as a current financial asset.

An additional GST recovery, including interest, pertaining to the period from January 1, 2023 to December 31, 2025 has been identified as a contingent asset. As the timing of receipt depends on the outcome of ongoing discussions with the CRA and remains uncertain, no asset has been recognized as of the reporting date.

Note 12. ADMINISTRATIVE EXPENSES

	<i>(in millions)</i>	
	2025	2024
Pension administration costs and process improvement costs		
Benefits administrator	\$ 48	\$ 44
LAPP Corporation	21	10
Goods and services tax and other	3	2
	\$ 72	\$ 56
Administrative expenses per member (in dollars)	\$ 220	\$ 176

Pension administration and process improvement costs were paid to the benefit administrator and LAPP Corporation on a cost-recovery basis.

The year-over-year increase in costs related to LAPP Corporation is primarily due to expenses associated with an arbitration proceeding concerning the recovery of plan assets due to volatility losses by the plan's mandated investment manager.

Goods and service tax reflects the amount not eligible for rebate under the *Excise Tax Act*.

Note 13. PLAN EXPENSES *(in millions, except per member data in dollars)*

Total Plan expenses comprising of investment expenses per Note 11 and member service expenses per Note 12 are \$526 (2024: \$552) or \$1,605 (2024: \$1,740) per member and 0.7% (2024: 0.8%) of net assets under administration.

Note 14. CAPITAL

The Plan defines its capital as the funded status. The actuarial surplus or deficit is determined by an actuarial funding valuation performed, at a minimum, every three years. The objective is to ensure that the Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments, the use of derivatives and leverage are based on asset mix and risk policies and procedures that are designed to enable the Plan to meet or exceed its long-term funding requirement within an acceptable level of risk, consistent with the Plan's SIPP approved by the Board.

The Plan's asset values are determined on a fair value basis for accounting purposes. However, for funding valuation purposes, asset values are adjusted for fluctuations in fair values to moderate the effect of market volatility on the Plan's funded status. Actuarial asset value for funding valuation purposes amounted to \$74,828 at December 31st, 2025 (2024: \$69,746).

Note 15. RESPONSIBILITY OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors of LAPP Corporation based on information provided by LAPP Corporation, the benefit administrator, investment manager and actuary.

Lapp