

**SASKATCHEWAN TEACHERS'
FEDERATION MEMBERS'
HEALTH PLAN**

FINANCIAL STATEMENTS

June 30, 2023

Independent Auditor's Report

To the Saskatchewan Teachers' Federation Executive

Opinion

We have audited the financial statements of Saskatchewan Teachers' Federation Members' Health Plan (the "Plan"), which comprise the statement of financial position as at June 30, 2023, and the statements of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at June 30, 2023, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 ASPP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Original signed by Deloitte LLP

Chartered Professional Accountants
Saskatoon, Saskatchewan
September 21, 2023

**SASKATCHEWAN TEACHERS' FEDERATION
MEMBERS' HEALTH PLAN
STATEMENT OF FINANCIAL POSITION
as at June 30, 2023**

	2023	2022
ASSETS		
Investments (Note 3)	\$ 77,281,834	\$ 77,090,246
Cash	857,710	1,079,556
Miscellaneous receivable	-	20,500
Premiums receivable	1,857,891	1,833,110
Accrued investment income (Note 3)	62,755	30,016
Due from Saskatchewan Teachers' Federation (Note 12)	363	-
Prepaid expenses	6,829	9,146
Tangible assets (Note 5)	13,848	13,188
Intangible assets (Note 6)	504,692	17,065
	<u>80,585,922</u>	<u>80,092,827</u>
LIABILITIES		
Accounts payable and accruals	758,603	330,490
Due to Saskatchewan Teachers' Federation (Note 12)	-	39,068
Due to Saskatchewan Teachers' Federation – Other Plans (Note 12)	8,584	7,013
Incurred but not reported obligation (Note 8)	2,382,091	2,208,311
	<u>3,149,278</u>	<u>2,584,882</u>
DUE TO SASKATCHEWAN TEACHERS' FEDERATION – GENERAL FUND (Note 12)	<u>32,069</u>	<u>85,509</u>
	<u>3,181,347</u>	<u>2,670,391</u>
NET ASSETS AVAILABLE FOR BENEFITS (Note 7)	<u>\$ 77,404,575</u>	<u>\$ 77,422,436</u>

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

**APPROVED ON BEHALF OF THE STF EXECUTIVE
AND BOARD OF DIRECTORS**

Original signed by Samantha Becotte.....**STF Executive President**

Original signed by Shayne Meggs.....**Chairperson of Board**

**SASKATCHEWAN TEACHERS' FEDERATION
MEMBERS' HEALTH PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
year ended June 30, 2023**

	2023	2022
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	\$ <u>77,422,436</u>	\$ <u>89,537,798</u>
INCREASES		
Contributions - Government of Saskatchewan	21,795,663	21,535,567
Direct cost service revenue (Note 12)	33,500	44,700
Net investment income (loss) (Note 4)		
Interest	2,102,777	1,540,575
Dividends	322,116	929,921
Change in fair value of investments	2,505,988	(10,529,015)
Investment manager expenses and custodial fees	(195,608)	(243,586)
	<u>4,735,273</u>	<u>(8,302,105)</u>
DECREASES		
Benefit payments		
Extended health – claims adjudication and administration	(226,750)	(371,058)
Extended health – benefits	(9,583,296)	(8,181,139)
Pooling charges	(392,376)	(408,531)
Prescription drugs – claims adjudication and administration	(363,382)	(431,907)
Prescription drugs – benefits	(10,844,392)	(10,560,457)
Travel assistance premiums	(132,486)	(72,548)
Travel administration costs	(1,441)	-
Vision – claims adjudication and administration	(116,631)	(148,697)
Vision – benefits	(3,393,216)	(3,341,513)
	<u>(25,053,970)</u>	<u>(23,515,850)</u>
Administration (Schedule 1)	<u>(1,354,547)</u>	<u>(1,815,772)</u>
INCREASE (DECREASE) IN NET ASSETS, BEFORE CHANGE IN OBLIGATION	155,919	(12,053,460)
Change in incurred but not reported obligation	(173,780)	(61,902)
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR (Note 7)	\$ <u><u>77,404,575</u></u>	\$ <u><u>77,422,436</u></u>

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

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

1. DESCRIPTION OF PLAN

The Saskatchewan Teachers' Federation Members' Health Plan (the "Plan") was established on April 1, 2001 in accordance with the Provincial Collective Bargaining Agreement between the boards of education, the Government of Saskatchewan and the teachers of Saskatchewan.

Administration

Pursuant to Section 7(5) of *The Teachers' Federation Act, 2006*, the Saskatchewan Teachers' Federation ("STF") is the trustee for the assets of the Plan. The STF Executive appoints an administrative board to assist the STF Executive in fulfilling its fiduciary and oversight responsibilities. Staff employed by the STF provides services to members relating to eligibility for benefits and levels of coverage.

Funding

Funding for the Plan is set at a fixed percentage of teachers' payroll and comes from the Government of Saskatchewan. Pursuant to the terms of the Provincial Collective Bargaining Agreement, the STF is responsible for the design and administration of the Plan.

Change of Benefits Provider

Effective January 1, 2023, Green Shield Canada (GSC) became the administrator of the Plan. The previous administrator of the Plan was Canada Life.

Extended Health

The STF entered into an administrative services only ("ASO") agreement with GSC to perform claim administration services described in the agreement. As outlined in the agreement, the Plan assumes full risk for this benefit.

Extended Health Claim Pooling

The STF has an agreement with GSC to accept liability for extended health benefits in excess of the individual large claim pooling level specified in the agreement. This agreement is made in consideration of the Federation's payment of required premiums.

Prescription Drugs

The STF entered into an ASO agreement with GSC to perform claim administration services described in the agreement. As outlined in the agreement, the Plan assumes full risk for this benefit.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

1. DESCRIPTION OF PLAN (continued)

Prescription Drugs Claim Pooling

The STF has an agreement with GSC to accept liability for prescription drug benefits in excess of the individual large claim pooling level specified in the agreement. This agreement is made in consideration of the Federation's payment of required premiums.

Travel Assistance

The STF has an agreement with GSC to provide global medical assistance to Plan members. The Plan's risk is limited to the payment of any required premiums for travel assistance. For the prior agreement with Canada Life, the travel assistance benefit (Global Medical Assistance) was underwritten on a non-refund basis under which no surpluses or deficits would be declared.

Vision Services and Supplies

The STF entered into an ASO agreement with GSC to perform claim administration services described in the agreement. As outlined in the agreement the Plan assumes full risk for this benefit.

Vision Services and Supplies Claim Pooling

The STF has an agreement with GSC to accept liability for vision services and supplies in excess of the individual large claim pooling level specified in the agreement. This agreement is made in consideration of the Federation's payment of required premiums.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans in Part IV of the CPA Handbook. The Plan follows Accounting Standards for Private Enterprises ("ASPE") for accounts that do not relate to its investment portfolio or pension obligations to the extent that these standards do not conflict with the requirements of the Canadian accounting standards for pension plans.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent from the STF and Plan members. The financial statements are prepared to assist Plan members and others in reviewing the activities of the Plan but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

Use of Estimates and Accounting Judgments

The preparation of the financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which affect the reported values of assets and liabilities and related revenues and expenses. Such estimates and assumptions affect primarily the fair value of investment assets and the rate to estimate the incurred but not reported obligation.

Employee Future Benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, leaves and vacation time in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Plan.

Investments

Investments are stated at their fair values in the Statement of Financial Position. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used.

A valuation technique incorporates factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs and relies as little as possible on entity-specific inputs. Real estate funds were stated at estimated fair value based on the net asset value reported by the fund manager, which is based on valuations performed by independent appraisers.

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of net investment income in the Statement of Changes in Net Assets Available for Benefits.

Investments are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

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

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

Purchases and sales of financial instruments are recorded on their trade dates.

Transaction Costs

All transaction costs in respect of purchases and sales of investments are recorded as part of investment management expenses in the Statement of Changes in Net Assets Available for Benefits.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Change in Fair Value of Investments

The change in fair value of investments represents both the unrealized increases and decreases in the investment portfolio from the beginning to the end of the year and the realized gains or losses on the sale of investments during the year.

Tangible Assets

Tangible assets are recorded at cost. Furniture and computer hardware are amortized on a straight-line basis over their estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Intangible Assets

Intangible assets are comprised solely of computer software, a finite-life asset, which is amortized on a straight-line basis over 5 years.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Revenue Recognition

Contributions are recognized as revenue in the period to which they relate.

Any contributions relating to the current year and not yet received at the end of the year are accrued as revenue for the current year. Any contributions relating to subsequent years and received by the end of the year are recorded as deferred revenue.

Interest on pooled short-term investments and deposits is recognized as revenue as it is earned. Dividend income from pooled fixed income and alternative credit investment and equities is recognized as revenue when received and dividend income from segregated equities is recognized as revenue as of the date of record. Gains and losses that arise from the sale of investments or that arise from changes in market values are recognized in income in the period that the gains and losses occurred. The realized gains and losses are determined using the average cost basis.

Direct cost service revenue recovered from Saskatchewan Teachers' Federation – Portaplan and Saskatchewan Teachers' Federation – Teachers' Long-Term Disability Plan represent a reimbursement for the cost of salary and benefits.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Benefits

Payment of benefits are recorded in the period in which they are payable or incurred.

Financial Instruments

Initial and subsequent measurement

The Plan initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Plan subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

3. INVESTMENTS

	2023		2022	
	Market Value	Accrued Investment Income	Market Value	Accrued Investment Income
Fixed income	\$ 69,143,430	\$ 30,439	\$ 52,708,071	\$ -
Alternative credit	-	-	4,426,484	-
Public equities	8,138,404	32,316	15,241,597	30,016
Real estate	-	-	4,714,094	-
	\$ 77,281,834	\$ 62,755	\$ 77,090,246	\$ 30,016

The Northern Trust Company acts as custodian of the Plan's investments. There are multiple investment managers appointed by the STF Executive to manage the assets of the Plan.

Fixed Income and Alternative Credit

Fixed income represents treasury bills, bankers' acceptance and pooled investment funds in PH&N Core Plus Bond Fund (2022 – money market and TD Greystone funds) and alternative credit represents Robeco high yield bonds, which were redeemed during the current year. The pooled investments do not have a quoted price in an active market. Fair value is based on the closing bid price for long positions.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

3. INVESTMENTS (continued)

Equities

Equities represent pooled equity funds (2022 – pooled equity funds and segregated securities issued by entities that are traded on a recognized stock exchange) totaling \$8,138,404 as at June 30, 2023 (2022 – \$11,626,329). As at June 30, 2023, \$nil related to securities traded on recognized Canadian stock exchanges, \$nil related to securities traded on recognized U.S. stock exchanges and \$nil related to securities traded on recognized non-North American stock exchanges (2022 - \$169,578, \$1,994,004, \$1,451,686 respectively).

Fair value (excluding pooled investment funds) was based on quoted market values, specifically the closing price. The pooled investment funds do not have a quoted price in an active market. Fair value is based on net asset values, obtained from the investment managers of the funds, which are determined with reference to the fair value of the underlying listed investments of each fund.

Real Assets

The real estate pooled fund represented an investment in the TD Greystone Real Estate LP Fund. These assets were sold off in the current year, but were included at the unit value of the fund based on the estimated fair value as at June 30 in prior year, based on appraisals performed on an annual basis by professionally qualified independent real estate appraisers.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

4. NET INVESTMENT INCOME (LOSS)

	2023	2022
Interest		
Fixed income	1,861,235	1,516,820
Short-term investments and deposits	\$ 241,542	\$ 23,755
	2,102,777	1,540,575
Dividends		
Public equities	322,116	929,921
Change in fair value of investments	2,505,988	(10,529,015)
	4,930,881	(8,058,519)
Investment management expenses and custodial fees		
Investment management expenses	(178,577)	(226,220)
Custodial fees	(15,058)	(16,329)
Transaction costs	(1,973)	(1,037)
	(195,608)	(243,586)
	\$ 4,735,273	\$ (8,302,105)

5. TANGIBLE ASSETS

	Rates	Cost	Accumulated Amortization	Net Book Value
Office furniture	15 yrs.	\$ 14,088	\$ 7,416	\$ 6,672
Computer hardware	4 yrs.	14,757	11,617	3,140
Leasehold improvements	10 yrs.	89,566	85,530	4,036
2023 Totals		\$ 118,411	\$ 104,563	\$ 13,848
2022 Totals		\$ 114,624	\$ 101,436	\$ 13,188

6. INTANGIBLE ASSETS

	Rates	Cost	Accumulated Amortization	Net Book Value
Computer software	5 yrs.	965,604	460,912	504,692
2023 Totals		\$ 965,604	\$ 460,912	\$ 504,692
2022 Totals		\$ 451,739	\$ 434,674	\$ 17,065

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

7. NET ASSETS AVAILABLE FOR BENEFITS

As at June 30, 2023, the Plan's net assets available for benefits is \$77,404,575 (2022 - \$77,422,436). This value exceeds the amount for the Target Funding Level Reserve - \$33,731,000 (2022 - \$31,668,000).

Target Funding Level Reserve

The target funding level reserve was established in the 2022 fiscal year to reflect the update to the Members' Health Plan Benefits and Funding Policy. The Plan determines the reserve by estimating the expected claims, expenses, transfers to Saskatchewan Teachers' Federation – Member and Family Assistance Plan, government contributions and investment returns over the next five years plus an estimate of one year of incurred but not reported claims. To provide against adverse plan experience the target funding level range will be equal to plus or minus 25 percent of the target funding level.

8. INCURRED BUT NOT REPORTED OBLIGATION

The obligation for incurred but not reported claims was established to provide for claims that have occurred by the end of the policy year but have not yet been submitted for payment and to include expected future development on claims already reported or to pay for run-off claims after the Plan has been terminated. The Plan estimates this obligation as 10% of annual paid claims.

9. LEASE COMMITMENT

The Saskatchewan Teachers' Federation, on behalf of the Plan, entered into a lease agreement with the Saskatchewan Teachers' Retirement Plan, a related party, to lease office space for a term of 10 years from August 1, 2002 to July 31, 2012. The provision of the lease agreement allowed for an escalation clause to take effect at the conclusion of the lease. The lease has now been renewed for a third term to June 2027.

The aggregate minimum annual rental payments under this arrangement for the next four years is \$8,788 per annum.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

The following tables present the financial instruments recorded at fair value in the Statement of Financial Position, classified using the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2023</u> <u>Total</u>
Investments				
Fixed income	\$ -	\$ 5,459,199	\$ 63,684,231	\$ 69,143,430
Public equities	-	8,138,404	-	8,138,404
Total	<u>\$ -</u>	<u>\$ 13,597,603</u>	<u>\$ 63,684,231</u>	<u>\$ 77,281,834</u>
				<u>2022</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Fixed income	\$ -	\$ 52,708,071	\$ -	\$ 52,708,071
Alternative credit	-	4,426,484	-	4,426,484
Public equities	3,615,268	11,626,329	-	15,241,597
Real estate	-	-	4,714,094	4,714,094
Total	<u>\$ 3,615,268</u>	<u>\$ 68,760,884</u>	<u>\$ 4,714,094</u>	<u>\$ 77,090,246</u>

The following table reconciles the fair value of financial instruments classified in Level 3 from the beginning balance to the ending balance:

	<u>2023</u>	<u>2022</u>
Fair value, beginning of year	\$ 4,714,094	\$ 3,931,658
Purchases	63,624,750	-
Sales	(2,615,975)	-
Unrealized gains included in net investment income	(2,038,638)	782,436
Fair value, end of year	<u>\$ 63,684,231</u>	<u>\$ 4,714,094</u>

There were no transfers of investments between Level 1 and Level 2 during 2023 (2022 – \$nil). There were no transfers into or out of Level 3 during the year (2022 – \$nil).

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

11. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk Management

The Plan is exposed to various risks through its financial instruments. The following analysis provides a measure of the Plan's risk exposure and concentrations at June 30, 2023.

The Plan has a written *Investment Objectives and Policy Statement ("IOPS")* and an *Investment Management Guidelines Statement ("IMGS")*.

The purpose of the IOPS is to provide an organized approach to the management of the Plan assets under the jurisdiction of the STF, for the appropriate investment of the assets of the Plan, for the formulation of investment objectives and a standard for evaluating investment results. The underlying principles of the IOPS are to ensure that the investment portfolio of the Plan is a diversified portfolio of investments in order to optimize concentration of liquidity, credit and market risks. The STF Executive approves the IOPS based on a recommendation from the Investment Committee and delegates governance responsibilities for management of the assets of the Plan funds through the approval of the terms of reference. The IOPS is formally reviewed at least annually, and changes are made to it, if and when appropriate. The STF Executive approves amendments to the IOPS as recommended by the Investment Committee.

The Investment Committee establishes the IMGS to address the unique investment objectives and constraints for the Plan, as well as outlining relevant legislation and governance. The IMGS is reviewed at least annually, and changes are made to it, if and when appropriate. The IMGS is shared with the STF Executive for information.

The Investment Services Unit is responsible for investing the Plan's assets in accordance with the IMGS; meeting with governing bodies and committees to provide information regarding performance and investment strategy; and providing quarterly compliance reports.

The IOPS and IMGS establishes the investment policy of the Plan, including setting limits on the Plan's exposure to liquidity, credit risk and market risks (such as interest rate risk, foreign currency risk, equity price risk and real asset risk). The degree of risk and risk tolerance set out in the IOPS and IMGS takes into account the obligation structure of the Plan, the anticipated demand for funds, and the maturity profiles required from the investment portfolio in light of these demands.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

11. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Types of Risk

The Plan is exposed to the following risks as a result of holding financial instruments: market risk, credit risk and liquidity risk. The following is a description of these risks and how the Plan manages its exposure to these risks.

Market Risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates, foreign exchange rates, equity prices and real asset prices. The Plan is exposed to this market risk in its investing activities.

The investment managers manage market risk in accordance with the Plan's IOPS and IMGS. The investment managers report quarterly, to the Investment Services Unit, on their performance which includes compliance with the policy and regulatory requirements. All exceptions noted are to be reported to the Investment Committee.

The Investment Committee is responsible for monitoring significant variances and make recommendations to the STF Executive to ensure corrective measures are implemented.

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, value of investments and net assets available for benefits. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The investment portfolio of the Plan is directly exposed to interest rate risk in respect of its fixed income and alternative credit pooled funds and short-term investments and deposits.

Fixed rate instruments subject the Plan to a fair value risk while the floating rate instruments subject the Plan to a cash flow risk.

To manage the interest rate risk, the Investment Committee has adopted an approach whereby investments are strategically distributed, on a long-term basis, among several classes of assets to reduce exposure to investment volatility.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

11. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Types of Risk (continued)

Market Risk (continued)

a) Interest rate risk (continued)

At June 30, 2023, if interest rates had been 1% lower (or 1% higher), with all other variables held constant, as a result of an increase (or decrease) in the fair value of these fixed rate instruments, the net assets of the Plan for the year ended June 30, 2023 would have increased by \$11,487,871 (or decreased by \$11,487,871) (2022 – increased by \$4,479,349 or decreased by \$4,479,349).

b) Foreign currency risk

Foreign currency exposure arises from the Plan's holdings of non-Canadian investments, which as at June 30, 2023, consist of investments denominated in U.S. dollars and a variety of other international currencies, which comprise 10.5% or \$8,138,404 (2022 – 19.6% or \$15,072,018) of the total portfolio.

At June 30, 2023, if foreign exchange rates had been 1% higher (or 1% lower), with all other variables held constant, the net assets of the Plan would have increased by \$333 (or decreased by \$333) (2022 – increased by \$46,965 or decreased by \$46,965).

Foreign currency exposure within the fixed income portfolio is limited to 10% of the market value of the fixed income and alternative credit portfolios.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

11. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Types of Risks (continued)

Market Risk (continued)

c) Equity price risk

Equity price risk is the risk that the fair value or future cash flows of an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument or factors affecting similar equity instruments traded in the market.

The investment portfolio is directly exposed to equity price risk in respect of its equities which total \$8,138,404 at June 30, 2023 (2022 – \$15,241,596).

The IMGS limits the total direct investment in a single equity investment in the Plan's equity portfolio to 10% of the total market value of the equity portfolio. Investments in individual equities shall not exceed 10% of the outstanding shares of the issuing corporation and at least 20 different equity holdings shall exist in the portfolio, either directly or through index replication instruments. No more than 15% of the equity portfolio shall be invested in stocks that fall outside the composite index. As at June 30, 2023, the Plan maximum exposure to a single equity investment was undeterminable as all equity funds are invested in pooled funds (2022 – \$152,728).

At June 30, 2023, if equity prices at that date had been 10% higher (or 10% lower), with all other variables held constant, as a result of an increase (or decrease) in the fair value of the Plan's equities, the net assets of the Plan for the year ended June 30, 2023 would have increased by \$813,840 (or decreased by \$813,840) (2022 – increased by \$1,524,160 or decreased by \$1,524,160).

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

11. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Types of Risks (continued)

Market Risk (continued)

c) Equity price risk (continued)

This risk is managed by strategically diversifying investments across countries, sectors and stocks in alignment with the global equity mandate.

The Plan's investment in securities traded on a recognized stock exchange have been considered to represent equity price risk. Since the fair value of the investments in securities traded on global stock exchanges is priced in currencies other than Canadian dollars, these investments are subject to foreign currency risk.

d) Real asset risk

Risk in real estate was managed through diversification across types, and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location, sector and industries, and investment size through pooled funds. Real estate investments were disposed of in the current year.

Credit Risk

The business of the Plan necessitates the management of credit risk. Credit risk is the potential financial loss resulting from the failure of a counterparty to settle its financial and contractual obligations of the Plan, as and when they fall due.

The Plan limits credit risk by dealing with investees that are considered to be of high quality.

Credit risk concentration exists where a significant portion of the portfolio is invested in securities that have similar characteristics or obey similar variations relating to economic or political conditions.

None of the assets in the investment portfolio are past due or impaired as at June 30, 2023 (June 30, 2022 – none).

This risk is managed by strategically diversifying investments, on a long-term basis, among several classes of assets.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

11. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Types of Risks (continued)

Credit Risk (continued)

The Plan is directly exposed to credit risk in respect of its pooled fixed income and alternative credit funds, pooled short-term investments and deposits, accrued investment income, miscellaneous receivables and cash.

As at June 30, 2023, the Plan's maximum exposure to credit risk was \$71,922,149 (2022 – \$60,097,737) being the total of the carrying values of these assets.

The IMGS requires that all short-term investments have a minimum rate of R1 or equivalent rating as rated by a recognized bond rating agency at time of purchase.

Consistent with the Plan's IMGS, the investments of the Plan currently include pooled funds with PH&N (TD and Robeco in prior year). The IMGS limits the Plan to holding not more than 5% of the market value of fixed income securities in any one non-government entity. Private placement bonds shall not exceed 5% of the fixed income portfolio market value.

The risk is managed by strategically diversifying investments, on a long-term basis, among several classes of assets. The portfolio includes the following concentrations:

	Percentage	Market Value
Fixed income	92.1%	\$ 63,684,231
Short term	7.9%	5,459,199
	100.0%	\$ 69,143,430

Liquidity Risk

The business of the Plan necessitates the management of liquidity risk. Liquidity risk is the risk of being unable to meet financial commitments, under all circumstances, without having to raise funds at unreasonable prices or sell assets on a forced basis.

The IMGS sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

As at June 30, 2023, the Plan has current financial liabilities of \$767,187 (2022 – \$376,571) relating to accounts payable and accrued expenses, amounts due to Saskatchewan Teachers' Federation and amounts due to Saskatchewan Teachers' Federation – Other Plans, within the next 12 months.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

11. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

Types of Risks (continued)

Liquidity Risk (continued)

At June 30, 2023, the Plan held cash and short-term investments and deposits, as well as fixed income instruments and equities, which are readily available to settle such obligations.

12. RELATED PARTY TRANSACTIONS

Revenues

Direct cost service revenue represents a reimbursement of the cost of salary and benefits for services rendered by the Plan. During the year, the Plan received the following direct cost service revenues:

	2023	2022
Saskatchewan Teachers' Federation – Portaplan	\$ <u>33,500</u>	\$ <u>44,700</u>

Administration

The STF is responsible for all matters relating to the administration of the Plan.

During the year, the Plan incurred the following administration costs from the STF:

	2023	2022
Administration fees	\$ <u>799,949</u>	\$ <u>977,149</u>

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

12. RELATED PARTY TRANSACTIONS (continued)

Administration (continued)

During the year, the Plan incurred the following direct service costs:

	2023	2022
Saskatchewan Teachers' Federation – Portaplan	\$ 46,700	\$ 35,330
Saskatchewan Teachers' Federation – Teachers' Long-Term Disability Plan	<u>119,900</u>	<u>90,100</u>
	<u>\$ 166,600</u>	<u>\$ 125,430</u>

During the year, the Plan incurred the following facilities costs:

	Operating Costs	Base Rent Common	Parking Fees	2023 Total	2022 Total
Saskatchewan Teachers' Federation	\$ -	\$ 3,299	\$ 480	\$ 3,779	\$ 3,602
Saskatchewan Teachers' Retirement Plan	<u>31,535</u>	<u>9,825</u>	<u>-</u>	<u>41,360</u>	<u>35,722</u>
	<u>\$ 31,535</u>	<u>\$ 13,124</u>	<u>\$ 480</u>	<u>\$ 45,139</u>	<u>\$ 39,324</u>

These transactions are in the normal course of operations and are measured at the exchange amount, the amount of consideration established and agreed to by the related parties.

At the end of the year, the amount due from (to) Saskatchewan Teachers' Federation is \$363 (2022 – (\$39,068)) and the amount due to the Saskatchewan Teachers' Federation – Other Plans is \$8,584 (2023 – \$7,013). These amounts are expected to be settled within the next 12 months.

SASKATCHEWAN TEACHERS' FEDERATION MEMBERS' HEALTH PLAN
NOTES TO THE FINANCIAL STATEMENTS
year ended June 30, 2023

12. RELATED PARTY TRANSACTIONS (continued)

Administration (continued)

At the end of the year, the amount due to the Saskatchewan Teachers' Federation – General Fund, and not expected to be settled within the next 12 months, is \$32,069 (2022 – \$85,509).

During the year, cash of \$276,000 (2022 – \$319,290) was transferred from the Saskatchewan Teachers' Federation – Members' Health Plan into the Saskatchewan Teachers' Federation – Member and Family Assistance Plan. The funds are from the Government of Saskatchewan as part of the funding agreement and have no impact on the financial statements.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

**SASKATCHEWAN TEACHERS' FEDERATION
MEMBERS' HEALTH PLAN
SCHEDULE OF ADMINISTRATION EXPENSES
year ended June 30, 2023**

	2023	2022
Administration fee (Note 12)	\$ 966,549	\$ 1,102,579
Audit	24,942	15,143
Depreciation and amortization	29,366	4,116
External legal and consulting	42,933	150,503
Governance	28,863	18,189
IT systems and support	65,212	10,170
Office operating expenses	4,845	10,613
Rent and operating cost expense (Note 12)	45,139	39,324
Staff salaries	159,728	132,645
Benefits	(13,030)	332,149
HR administration	-	341
	<u>\$ 1,354,547</u>	<u>\$ 1,815,772</u>