SASKATCHEWAN TEACHERS' RETIREMENT PLAN

FINANCIAL STATEMENTS

June 30, 2023

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Independent Auditor's Report

To the Saskatchewan Teachers' Federation Executive

Opinion

We have audited the financial statements of Saskatchewan Teachers' Retirement 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 and changes in pension obligations 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 and changes in its pension obligations 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' RETIREMENT PLAN
STATEMENT OF FINANCIAL POSITION
as at June 30, 2023

($Thousands)		**2023**		2022
ASSETS				
Investments (Note 3 and Note 9)	**$**	**7,153,399**	$	6,541,772
Cash		**37,199**		55,917
Member contributions receivable		**11,937**		11,483
Province of Saskatchewan contributions receivable		**18,936**		18,327
Other contributions receivable		**1,162**		1,102
Accrued interest and dividends (Note 3)		**10,089**		17,089
Due from Saskatchewan Teachers' Federation (Note 11)		**222**		218
Due from Saskatchewan Teachers' Federation – Other Plans (Note 11)		**32**		24
Prepaid expenses		**103**		86
Property and equipment (Note 5)		**3,939**		4,077
Intangible assets (Note 6)		**151**		180
		7,237,169		6,650,275
LIABILITIES				
Accounts payable and accrued expenses		**12,013**		9,338
Accrued liabilities to members		**11,849**		13,977
		23,862		23,315
DUE TO SASKATCHEWAN TEACHERS' FEDERATION – GENERAL FUND (Note 11)		**58**		309
		23,920		23,624
COMMITMENTS (Note 12)				
NET ASSETS AVAILABLE FOR BENEFITS		**7,213,249**		6,626,651
PENSION OBLIGATIONS (Note 7)		**7,485,456**		7,039,865
DEFICIT	**$**	**(272,207)**	$	(413,214)

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' RETIREMENT PLAN
STATEMENT OF CHANGES IN PENSION OBLIGATIONS
year ended June 30, 2023

($Thousands)	**2023**	2022
PENSION OBLIGATIONS, BEGINNING OF YEAR	**$ 7,039,865**	$ 6,477,000
Increases:		
Benefits transferred into the Plan	**3,260**	1,597
Benefits accrued	**186,983**	202,543
Net interest accrued on benefits	**357,928**	325,646
Provision for adverse deviation	**321,500**	57,691
Plan experience	**23,147**	-
Changes in actuarial assumptions (Note 7)	**-**	190,095
Decreases:		
Plan experience	**-**	(16,483)
Benefits paid and transfers from the plan	**(214,753)**	(198,224)
Changes in actuarial assumptions (Note 7)	**(232,474)**	-
PENSION OBLIGATIONS, END OF YEAR	**$ 7,485,456**	$ 7,039,865

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

SASKATCHEWAN TEACHERS' RETIREMENT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
year ended June 30, 2023

($Thousands)	2023	2022
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	$ **6,626,651**	$ 7,166,835
INCREASES		
Contributions		
Member – required	**119,337**	117,948
Member – past service	**1,274**	1,512
Member – special	**46**	135
Member – voluntary	**626**	631
Province of Saskatchewan – current service	**91,802**	90,801
Province of Saskatchewan – past service	**953**	1,103
Other sponsors – current service	**322**	298
Transfers from other plans	**3,260**	1,597
	217,620	214,025
Other		
Rental revenue (Note 8)	**310**	310
Direct cost service revenue (Note 11)	**62**	66
	372	376
Net investment income (Note 4)		
Interest	**47,913**	45,157
Dividends	**121,816**	224,286
Change in fair value of investments	**465,730**	(779,954)
Investment management expenses and custodial fees	**(42,387)**	(35,473)
	593,072	(545,984)
	811,064	(331,583)
DECREASES		
Benefit payments		
Retirement benefits	**(188,614)**	(169,337)
Survivor benefits	**(2,742)**	(3,798)
Locked-in transfers	**(8,289)**	(5,490)
Refund of contributions	**(11,777)**	(8,564)
Transfers to other plans	**(3,331)**	(11,035)
	(214,753)	(198,224)
Administration (Schedule 1)	**(9,713)**	(10,377)
	(224,466)	(208,601)
INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS	**586,598**	(540,184)
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ **7,213,249**	$ 6,626,651

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

1. DESCRIPTION OF PLAN

The following brief description of Saskatchewan Teachers' Retirement Plan (the "Plan") is a summary only. Members should refer to the *Plan Text* for more complete information.

General

The Plan was established by provincial legislation to provide retirement benefits to all teachers new to teaching in the Saskatchewan provincial PreK-12 system since July 1, 1980. Benefits are determined by a pre-defined formula based on service and salary. The Plan is registered with the Pensions Division, Financial and Consumer Affairs Authority of Saskatchewan and Canada Revenue Agency as number 0689075.

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 a board of directors to assist the STF Executive in fulfilling its fiduciary and oversight responsibilities.

Funding

Plan benefits are funded by contributions from members, negotiated contributions from the province of Saskatchewan and associated investment earnings. The determination of the value of benefits and required contributions is made on the basis of an actuarial valuation, which is filed at least triennially.

For the year, active members were required to contribute 9.50% of earnings below the maximum salary set by the year's maximum pensionable earnings ("YMPE") and 11.70% of earnings greater than this maximum. The province of Saskatchewan was required to contribute 7.25% of member's earnings subject to YMPE and 9.25% of the remainder of the member's earnings.

Retirement Benefits

Once eligible, the pension benefit available is based on the member's years of contributory service, the average of the highest five years of salary to June 30, 2015 and the career average salary thereafter. The Plan also provides a bridge benefit prior to age 65 for service up to June 30, 2015.

1. DESCRIPTION OF PLAN (continued)

Retirement Benefits (continued)

A member is eligible for a reduced retirement benefit from age 55 with at least one year of eligibility service. An unreduced pension is available provided the member has:

- Attained age 65 with 1 year of eligibility service.
- Attained age 60 with 20 years of eligibility service.
- Attained age 55 and the total of the member's age and eligibility service equals at least 85.
- Completed 30 years of eligibility service.

Surviving Spousal Benefits

Surviving spousal benefits are available on the death of a member and may take the form of a spousal pension or a lump sum payment.

Withdrawals from the Plan

Upon application, and subject to the lock-in provisions, termination refunds and transfers are available when a member ceases teaching in Saskatchewan and is not eligible for retirement.

On November 20, 2020, *The Pension Benefits Regulations, 1993 (Saskatchewan)* were amended to exempt the Plan from having to apply a transfer deficiency holdback on future commuted value transfers. Prior to this amendment, the Plan was legislatively required to holdback 29.1% (based on solvency deficiency rate of 70.9%) of a member's pension benefit payout from the Plan. This holdback did not apply to the following payments:

- refund of member contributions, with interest;
- payout of the 50% excess contributions;
- lump sum death benefits;
- if the payment meets the small benefit rule; and
- reciprocal transfer out payments made under the interprovincial teachers' reciprocal transfer agreement.

The remaining deficiencies will be paid out at the earlier of five years from the date of the initial holdback, or when the Plan becomes fully funded on a solvency basis as per the most recently filed actuarial valuation for the Plan.

1. DESCRIPTION OF PLAN (continued)

Purchases and Transfer of Service

Members may purchase several types of board approved leaves or reinstate service that has been refunded prior to initiating a retirement benefit. All purchases must meet the provisions of the *Plan Text*. Members may also transfer service where an agreement of reciprocity exists with another registered pension plan in Canada.

Indexing of Pension Benefits

<u>Post-Retirement</u>
Retired members and survivors may receive an annual cost of living adjustment ("COLA") to their monthly pension benefits each January. The portion of their benefits earned to June 30, 2015 receives a guaranteed COLA of the lesser of three percent or 80 percent of inflation. Pension benefits earned after June 30, 2015 receive conditional COLA ranging from zero to 100 percent of inflation to a maximum of five percent per year.

<u>Pre-Retirement</u>
Eligible active members may receive a conditional upgrade or an increase to all or a portion of their lifetime pension benefit before retirement on June 30 of any year. The conditional upgrade may range from zero to 100 percent of inflation, to a maximum of five percent per year.

Income Taxes

The Plan is a registered pension trust, as defined in the *Income Tax Act*, and is not subject to income taxes.

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 accounting standards for pension plans.

Basis of Presentation

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 value of the pension obligations.

Employee Future Benefits

All of the Plan's employees are participants in the Saskatchewan Teachers' Federation Employees' Pension Plan, which has contributory defined benefit and defined contribution components. The Federation is the sponsor of Saskatchewan Teachers' Federation Employees' Pension Plan.

The STF follows Part II Handbook Section 3462, *Employee Future Benefits* and Part III Handbook Section 3463, *Employee Future Benefits by Not-for-Profit Organizations* ("Section 3463"), for the measurement of the pension obligation and employee future benefit expense. The Plan's portion of the pension obligation re-measurements have been recorded in the salaries and benefits expenses of the Schedule of Administration Expenses with an accompanying amount owing to (from) the Saskatchewan Teachers' Federation.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

The Plan uses foreign currency forward contracts to manage its exposure to foreign currency risk. Derivatives are initially recognized at fair value at the date that the derivative contract is entered into and subsequently measured at fair value with changes in fair value recognized immediately in the Statement of Changes in Net Assets Available for Benefits.

A valuation technique incorporates all 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 and infrastructure funds are stated at estimated fair value based on independent appraisals. Private equities and alternative credit are stated at estimated fair value based on the discounted cash flow or the market approach methods.

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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost. Furniture equipment and computer hardware are depreciated on a straight-line basis. The Plan's portion of the building is depreciated on a declining balance basis which results in a higher allocation in the initial years after purchase of the building.

Intangible Assets

Intangible assets are recorded at cost and amortized on a straight-line basis over its estimated useful life.

Revenue Recognition

Member, Province of Saskatchewan and other sponsors contributions are recognized as revenue in the period to which they relate for services that have been performed, once collection is reasonably assured. Transfers to the Plan are recorded in the period when the transfer is finalized. Purchases of prior service are recorded in the period when the purchase is approved by the Canada Revenue Agency.

Any contributions relating to the current year and not yet collected at the end of the year are accrued as revenue for the current year.

Interest on bonds and short-term investments and deposits is recognized as revenue as it is earned, based on the terms of the investments and deposits. Dividend income from pooled fixed income investments, pooled equities, real estate and infrastructure is recognized as revenue when received or when determined to be reasonably certain to be received and dividend income from segregated securities 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 of investments are recognized as income in the period that the gains and losses occurred.

Rent revenue is recognized as it is earned, based on the terms of the lease agreement, once collection is reasonably assured.

Benefits

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are payable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension Obligations

The value of accrued pension benefits payable in the future to members and changes during the year are based on an actuarial valuation prepared by an independent firm of actuaries. This valuation for funding purposes is made at least once every three years, and then extrapolated to year-end. It uses the projected benefit method pro-rated on service and best estimate assumptions, as at the valuation date, of various economic and demographic future events.

3. INVESTMENTS

($Thousands)	**2023**		2022	
	Market Value	**Accrued Interest and Dividends**	Market Value	Accrued Interest and Dividends
Money market	**$ -**	**$ -**	$ 260	$ -
Fixed income	**1,617,480**	**5,745**	1,667,424	5,076
Public equities	**2,474,328**	**3,779**	2,405,704	3,083
Private equities	**313,430**	**-**	181,254	-
Alternative and Private credit	**915,735**	**565**	737,508	758
Real assets	**1,772,018**	**-**	1,569,036	8,172
Derivatives	**60,408**	**-**	(19,414)	-
	$ 7,153,399	**$ 10,089**	$ 6,541,772	$ 17,089

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. The STF manages small direct investments in money market, short-term, real estate and fixed income investments on behalf of the STRP.

Fixed Income and Alternative and Private Credit

Fixed income and alternative and private credit includes fixed and floating rate debt instruments and pooled investment funds. Debt instruments are issued by the federal and provincial governments of Canada and corporations with terms of 9 to 41 years (2022 – 9 to 42 years) and bearing interest rates ranging from 1.75% to 5.75% (2022 – 1.50% to 5.90%).

3. INVESTMENTS (continued)

Fixed Income and Alternative and Private Credit (continued)

Fair value (excluding pooled funds) is based on the closing prices at June 30. 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.

Also included in fixed income are treasury bills, bankers' acceptances and money market funds having a term of less than or equal to one year which are carried at cost.

Equities

Equities (excluding pooled investment funds and private placement investment funds) represent securities issued by entities that are traded on a recognized stock exchange. As at June 30, 2023, $22,569,000 related to securities traded on recognized Canadian stock exchanges and $663,124,000 related to securities traded on recognized U.S. stock exchanges and $343,641,000 related to securities traded on recognized non-North American stock exchanges (2022 – $18,388,000; $478,557,000; and $250,927,000, respectively). The remainder of the equities are made up of pooled investment funds and private placement investment funds.

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

Real Assets

Real assets include real estate and infrastructure. Real estate represents investment in pooled funds and a commercial building in Saskatoon. These assets are included at the unit value of the fund based on the estimated fair value as at June 30, based on appraisals performed on a quarterly and annual basis by professionally qualified independent real estate appraisers.

The infrastructure represents investments in pooled funds. These assets are included at estimated fair value as at June 30, based on quarterly and annual appraisals from independent valuation companies.

3. INVESTMENTS (continued)

Derivatives

The Plan uses foreign currency forward contracts to manage some of its exposure to foreign currency risk. Derivatives are initially recognized at fair value at the date that the derivative contract is entered into and subsequently measured at fair value with changes in fair value recognized immediately in the Statement of Changes in Net Assets Available for Benefits.

4. NET INVESTMENT INCOME

($Thousands)	**2023**	2022
Interest		
Canadian government and corporate bonds	**$ 38,857**	$ 43,952
Short-term investments and deposits	**7,408**	868
Other	**1,648**	337
	47,913	45,157
Dividends		
Canadian equities	**327**	200
US equities	**4,536**	5,409
Global equities	**50,879**	152,037
Private equities	**11,824**	16,468
Alternative and Private credit	**25,805**	17,821
Real assets	**28,445**	32,351
	121,816	224,286
Change in fair value of investments	**465,730**	(779,954)
	635,459	(510,511)
Investment management expenses and custodial fees		
Investment management expenses	**(41,696)**	(34,743)
Custodial fees	**(429)**	(487)
Transaction costs	**(262)**	(243)
	(42,387)	(35,473)
	$ 593,072	$ (545,984)

5. PROPERTY AND EQUIPMENT

($Thousands)

	Rates	Cost	Accumulated Amortization	Net Book Value
Building	4%	$ 6,485	$ 2,646	$ 3,839
Furniture and equipment	5,10 & 15 yrs.	203	115	88
Computer hardware	4 yrs.	81	69	12
2023 Totals		**$ 6,769**	**$ 2,830**	**$ 3,939**
2022 Totals		$ 6,727	$ 2,650	$ 4,077

6. INTANGIBLE ASSETS

($Thousands)

	Rate	Cost	Accumulated Amortization	Net Book Value
Computer software	5 years	$ 5,317	$ 5,166	$ 151
2023 Totals		**$ 5,317**	**$ 5,166**	**$ 151**
2022		$ 5,288	$ 5,108	$ 180

7. PENSION OBLIGATIONS

The last actuarial funding valuation of the Plan was prepared by Eckler, a firm of actuaries, effective as at July 1, 2022 and was filed with the regulators in April 2023. The valuation established both the present value of the pension benefits earned in respect of all service rendered by members prior to the valuation date and the minimum funding requirements for the Plan at July 1, 2022. The next actuarial funding valuation of the Plan will be completed no later than July 1, 2025.

The pension obligations are based on current Plan provisions and not discretionary benefits that are not provisions of the current Plan.

For the purposes of these financial statements, the projected benefit method pro-rated on services and management's best estimate assumptions were used. The results for the reporting period July 1, 2022 to June 30, 2023 were based on an extrapolation of the valuation results from the most recently filed valuation report prepared for the Plan by Eckler.

7. PENSION OBLIGATIONS (continued)

The actuarial value of the net assets available for benefits has been determined using a methodology that reflects long-term market trends. This methodology reduces the impact of short-term market volatility and produces more stable asset values. The methodology smooths market fluctuations by spreading the full recognition of investment gains (actual versus the expected investment return on assets, net of expenses) arising during a given year over a four-year period.

The assumptions used in determining the present value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long-term actuarial assumptions used in the valuation were:

	July 1, 2022	July 1, 2021
Discount rate	**6.3%, net of investment and administration related expenses that are paid from the assets of the Plan**	5.85%
Salary escalation rate	**2.50% plus service-related component**	Same
Inflation rate	**5.00% for the first year, 3.00% for the second year and 2.00% thereafter**	2.00%
Mortality	**90% of the rates of the 2014 Public Sector Canadian Pensioners Mortality Table (CPM2014Publ)**	Same
Termination rate	**Age related table**	Same
Retirement Rate	**Table based on age and service for active and inactive teachers, including current disabled teachers. Current deferred pensioners retire at age 65. Future deferred pensioners retire at age 55. Future disabled teachers retire at the earlier age of 65 or 35 years of service.**	Same

7. PENSION OBLIGATIONS (continued)

Actuarial gains and losses represent the change in pension obligations due to the difference between actual economic and demographic experience and expected experience, as well as the impact resulting from any changes in the actuarial assumptions. The actuarial gains and losses are legislatively required to be measured every three years, the last being as of July 1, 2022 with the gains and losses recorded in the 2023 fiscal year.

As a result of the July 1, 2022 valuation, there were experience gains of $34,364,000 ($204,163,000 in previous valuation) recorded in 2023 resulting from favourable YMPE and ITA maximum, retirement, disability, contribution and miscellaneous plan experience. There were experience losses of $111,187,000 ($53,590,000 in previous valuation) recorded in 2023 resulting from investment experience, cost of living adjustments, mortality, termination and pre-retirement death experience.

There were actuarial gains of $647,921,000 ($nil in previous valuation) recorded in 2023 resulting from change in discount rates.

There were actuarial losses of $266,354,000 ($190,095,000 in previous valuation), recorded in 2023, which resulted from changes in assumptions regarding change in married and spousal age and inflation assumptions and increasing anticipated conditional COLA reserve from 94% to 100% of CPI.

There were negative actuarial adjustments of $327,740,000 (positive of $26,795,000 in previous valuation) relating to a change in open group valuation and change in explicit provision for adverse deviation.

The next actuarial gains and losses are expected to be recorded in 2026.

8. RENTAL REVENUE

The Saskatchewan Teachers' Retirement Plan entered into an agreement to lease building space to the STF, a related party, at 2317 Arlington Avenue 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 been renewed for an additional five-year term to June 30, 2027 with annual rental revenue, including GST, of $120,632 (2022 – $120,632).

The Saskatchewan Teachers' Retirement Plan also entered into an agreement to lease building space to the STF, a related party, at 2311 Arlington Avenue for a period of 10 years, commencing July 1, 2018 and ending June 30, 2028. The current annual rental payments, including GST are $205,375 (2022 – $205,375).

9. 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:

($Thousands)				**2023**
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income	**$ -**	**$ 1,617,480**	**$ -**	**$ 1,617,480**
Alternative credit	**-**	**486,374**	**1,374**	**487,748**
Public equities	**1,029,334**	**1,444,994**	**-**	**2,474,328**
Private equities	**-**	**-**	**313,430**	**313,430**
Private credit	**-**	**-**	**427,987**	**427,987**
Real assets	**-**	**-**	**1,772,018**	**1,772,018**
Derivatives	**-**	**60,408**	**-**	**60,408**
Total	**$ 1,029,334**	**$ 3,609,256**	**$ 2,514,809**	**$ 7,153,399**

($Thousands)				2022
	Level 1	Level 2	Level 3	Total
Investments				
Money market	$ -	$ 260	$ -	$ 260
Fixed income	-	1,667,424	-	1,667,424
Alternative credit	-	306,252	9,790	316,042
Public equities	747,872	1,657,832	-	2,405,704
Private equities	-	-	181,254	181,254
Private credit	-	-	421,466	421,466
Real assets	-	-	1,569,036	1,569,036
Derivatives	-	(19,414)	-	(19,414)
Total	$ 747,872	$ 3,612,354	$ 2,181,546	$ 6,541,772

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

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

($ Thousands)	2023	2022
Fair value, beginning of year	**$ 2,181,546**	$ 1,523,351
Purchases	**535,110**	643,446
Disposals	**(187,855)**	(131,208)
Unrealized gains included in net investment income	**(13,992)**	145,957
Fair value, end of year	**$ 2,514,809**	$ 2,181,546

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).

10. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk Management

The Plan is a provincially regulated pension plan whereby legislation requires compliance with the Investment Policy Guideline of the Office of the Superintendent of Pensions. 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 pension assets under the jurisdiction of the STF, for the appropriate investment of the assets of the pension fund, 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.

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

Risk Management (continued)

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.

Types of Risks

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.

<u>Market Risk</u>

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 making recommendations to the STF Executive to ensure corrective measures are implemented.

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

Risk Management (continued)

Market Risk (continued)

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 investments 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 a strategy which focuses on longer dated bonds, designed to more closely match the interest rate risk in the Plan liabilities.

At June 30, 2023, if interest rates at that date 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 $194,276,000 (or decreased by $194,276,000) (2022 – increased by $185,599,000 or decreased by $151,739,000).

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. Total foreign currencies make up 40.92% or $2,900,534,000 (2022 – 57.94% or $3,787,417,000) of the total portfolio.

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

Types of Risks (continued)

Market Risk (continued)

b) Foreign currency risk (continued)

At June 30, 2023, if foreign exchange rates at that date had been 1% lower (or 1% higher), with all other variables held constant, the net assets of the Plan would have increased by $14,608,000 (or decreased by $14,608,000) (2022 – increased by $26,504,000 or decreased by $26,504,000).

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

The Plan manages foreign currency risk by entering into certain foreign exchange contracts through J.P. Morgan. These contracts have maturities of less than one year and are intended to manage some of the risk associated with holding investments denominated in foreign currencies. Fair value of these contracts are determined by calculating the settlement amount using the exchange rate at year end compared to the contract amount.

As at June 30, 2023, the Plan had derivative contracts in place with notional amounts as follows:

($ Thousands)	**2023**	2022
Open contracts to purchase foreign currency	**$ 1,603,441**	$ 1,323,861
Open contracts to sell foreign currency	**3,236,345**	2,631,001

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.

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

Types of Risks (continued)

Market Risk (continued)

c) *Equity price risk (continued)*

The investment portfolio is directly exposed to equity price risk in respect of its equities which total $2,787,758,000 at June 30, 2023 (2022 – $2,586,958,000).

The IMGS limits the total direct investment in a single equity investment in each of the Plan's Canadian and Global equity portfolios to 10% of the total market value of each 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 each portfolio, either directly or through index replication instruments. No more than 15% of either equity portfolio shall be invested in stocks that fall outside the composite index. As at June 30, 2023, the Plan's maximum exposure to a single equity investment was $32,457,000 (2022 – $25,538,000).

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 $278,776,000 (or decreased by $278,776,000) (2022 – increased by $258,696,000 or decreased by $258,696,000).

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

The Plan's investments 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.

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

Types of Risks (continued)

Market Risk (continued)

d) Real asset risk

Risk in real estate and infrastructure is managed through diversification across types, investment managers, 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.

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 holding a significant exposure to investment grade credit.

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.

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

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

As at June 30, 2023, the Plan's maximum exposure to credit risk was $2,612,793,000 (2022 – $2,509,352,000) 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 deposits with major Canadian chartered banks, pooled funds with various investment managers,

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

Types of Risks (continued)

Credit risk (continued)

bonds issued by the federal, provincial and municipal governments of Canada and corporations. 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.

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

	Percentage	Market Value ($ Thousands)
Fixed income		
Short term	13.2%	$ 335,828
Canadian government and corporate bonds	39.7%	1,004,855
Global corporate bonds	10.9%	276,797
Alternative credit		
High-yield bonds	12.4%	314,252
Emerging market corporate bonds	6.8%	172,122
Opportunistic credit	0.1%	1,374
Private credit		
Private credit	12.8%	324,209
Mortgages	4.1%	103,778
	100.0%	$ 2,533,215

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 liabilities of $23,862,000 (2022 – $23,315,000) relating to accounts payable and accrued expenses and accrued liabilities to members

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

Types of Risks (continued)

Liquidity risk (continued)

within the next 12 months. In addition, the Plan has an ongoing obligation to pay benefits to members of the Plan in respect of pensions payable, which the actuarial present value totaled $7,485,456,000 for the year ended June 30, 2023 (2022 – $7,039,865,000).

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.

11. RELATED PARTY TRANSACTIONS

Administration

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

During the year, the Plan incurred $6,524,000 (2022 – $6,423,000) in administration costs from the STF.

At June 30, 2023, the actuarial extrapolation of the Saskatchewan Teachers' Federation Employees' Pension Plan resulted in a defined benefit liability payable to the STF in the amount of $58,000 (2022– $309,000 defined benefit asset receivable from the STF). This amount represents the Plan's share of the pension expense and employee future benefits re-measurements and other items net of the going concern surplus amounts owing to the STF since July 1, 2016.

The plan received $62,000 net of GST (2022 – $66,000) from Saskatchewan Teachers' Federation Employees' Pension Plan in direct service cost revenue during the year.

The Plan reimburses the STF for the operating costs relating to its percentage ownership of the building. In 2023, the amount paid to the STF was $488,000 (2022 – $429,000). The Plan then recovers these costs for the leased areas from the STF, the Saskatchewan Teachers' Federation – Members' Health Plan, the Saskatchewan Teachers' Federation – Portaplan and the Saskatchewan Teachers' Federation – Teachers' Long-Term Disability Plan. The net amount is recorded as operating costs for the year.

11. RELATED PARTY TRANSACTIONS (continued)

During the year, the Plan recovered the following operating costs:

($Thousands)	2023	2022
Saskatchewan Teachers' Federation	$ 196	$ 174
Saskatchewan Teachers' Federation - Members' Health Plan	30	25
Saskatchewan Teachers' Federation - Portaplan	23	23
Saskatchewan Teachers' Federation - Teachers' Long-Term Disability Plan	93	76
	342	298

The STF carries out property management services on behalf of the Saskatchewan Teachers' Retirement Plan.

During the year, the Plan incurred the following costs:

($Thousands)	Operating Costs	Rent	Parking Fees	2023 Total	2022 Total
Saskatchewan Teachers' Federation	$ 146	$ 16	$ 4	$ 166	$ 151

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

At the end of the year, the amounts owing from related parties are as follows:

($Thousands)	2023	2022
Saskatchewan Teachers' Federation	$ 222	$ 218
Saskatchewan Teachers' Federation – Other Plans	32	24

At June 30, 2023, the amount due to the Saskatchewan Teachers' Federation – General Fund, and not expected to be settled within the next 12 months is $58,000 (2022 – $309,000).

12. COMMITMENTS

Capital Commitments

At June 30, 2023, the plan has outstanding commitments for software purchases of $286,000 (2022 – $3,000 for furniture purchases).

Financial Commitments

The Plan has the following unfunded financial commitments:

($ Thousands)		**2023**	2022
Investments			
Alternative credit	USD	**50,000**	121,272
Private equities	USD	**229,982**	289,849
Private credit	USD	**90,631**	-
Real estate	USD	**69,927**	94,450
Infrastructure	USD	**208,023**	226,064
Total (USD)		**$ 648,563**	$ 731,635
Real estate	CAD	**11,451**	23,498
Infrastructure	CAD	**-**	150,000
Total (CAD)		**$ 11,451**	$ 173,498

The Plan also has an outstanding redemption request for $136,305,000 CAD for real estate at June 30, 2023 (2022 - $nil).

Schedule 1

SASKATCHEWAN TEACHERS' RETIREMENT PLAN
SCHEDULE OF ADMINISTRATION EXPENSES
year ended June 30, 2023

($Thousands)	**2023**	2022
Actuarial	**$ 132**	$ 150
Administration fee (Note 11)	**6,524**	6,423
Audit	**55**	43
Member communications	**28**	12
Depreciation and amortization	**238**	317
External legal and consulting	**619**	281
Governance	**193**	166
IT systems and support	**249**	194
Office operating expenses	**114**	123
Rent and operating cost expense (Note 11)	**166**	151
Staff salaries	**1,308**	1,145
Benefits (Note 11)	**82**	1,371
HR Administration	**5**	1
	$ 9,713	$ 10,377