SASKATCHEWAN TEACHERS' FEDERATION TEACHERS' LONG-TERM DISABILITY 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' Federation Long-term Disability Plan (the "Plan"), which comprise the statement of financial position as at June 30, 2023, and the statements of changes in equity, net income and (loss) and total comprehensive income and (loss), and cash flows 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 results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 audit 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 IFRS, 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
TEACHERS' LONG-TERM DISABILITY PLAN
STATEMENT OF FINANCIAL POSITION
as at June 30, 2023

		2023		2022
ASSETS				
Current assets				
Cash	**$**	**556,069**	$	901,451
Accounts receivable (Notes 4 & 22)		**1,178,544**		1,116,619
Accrued interest and dividends (Note 5)		**381,798**		550,951
Investments (Note 7)		**33,884,566**		24,069,313
Prepaid expenses		**6,243**		5,643
		36,007,220		26,643,977
Non-current assets				
Property and equipment (Note 8)		**42,831**		41,766
Right-of-use assets (Note 9)		**450,229**		-
Intangible assets (Note 10)		**503,644**		671,525
Investments (Note 7)		**207,593,651**		204,669,815
		208,590,355		205,383,106
	$	**244,597,575**	$	232,027,083
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued expenses (Notes 11 & 22)	**$**	**336,217**	$	334,904
Current portion of lease liability (Note 12)		**105,992**		-
		442,209		334,904
Non-current liabilities				
Lease liability (Note 12)		**356,661**		-
Provision for retirement gratuities (Note 13)		**15,000**		10,000
Disability benefit obligations (Note 17)		**118,607,000**		113,742,000
Due to related party (Note 22)		**627,359**		1,044,650
		119,606,020		114,796,650
EQUITY		**124,549,346**		116,895,529
	$	**244,597,575**	$	232,027,083

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
TEACHERS' LONG-TERM DISABILITY PLAN
STATEMENT OF CHANGES IN EQUITY
year ended June 30, 2023

		Total Equity
Balance at July 1, 2021	$	120,386,078
Comprehensive loss for the year		(3,490,549)
Balance at June 30, 2022		**116,895,529**
Comprehensive income for the year		7,653,817
Balance at June 30, 2023	**$**	**124,549,346**

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

SASKATCHEWAN TEACHERS' FEDERATION
TEACHERS' LONG-TERM DISABILITY PLAN
STATEMENT OF NET INCOME AND (LOSS) AND TOTAL COMPREHENSIVE INCOME AND (LOSS)
year ended June 30, 2023

		2023		2022
REVENUES				
Premiums	**$**	**11,515,631**	$	11,378,577
Finance income (Note 6)		**15,238,061**		(13,466,142)
Direct cost service revenue (Note 22)		**214,700**		196,100
Other income		**-**		200
		26,968,392		(1,891,265)
EXPENSES				
Benefits		**11,747,722**		11,349,034
Disability benefit obligations (Note 17)		**4,865,000**		(15,489,400)
Governance (Note 14)		**28,772**		18,280
Administration (Notes 15 & 22)		**2,277,963**		3,969,231
Rehabilitation (Note 16)		**302,854**		484,620
		19,222,311		331,765
NET INCOME (LOSS)		**7,746,081**		(2,223,030)
OTHER COMPREHENSIVE LOSS				
Employee future benefits re-measurements and other items (Note 19)		**(92,264)**		(1,267,519)
TOTAL COMPREHENSIVE INCOME (LOSS)	**$**	**7,653,817**	$	(3,490,549)

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

SASKATCHEWAN TEACHERS' FEDERATION
TEACHERS' LONG-TERM DISABILITY PLAN
STATEMENT OF CASH FLOWS
year ended June 30, 2023

		2023		2022
OPERATING ACTIVITIES:				
Net income (loss)	$	**7,746,081**	$	(2,223,030)
Adjustments for:				
Disability benefit obligations		**4,865,000**		(15,489,400)
Depreciation of property and equipment		**10,762**		11,293
Amortization of right-of-use assets		**112,557**		85,539
Amortization of intangible assets		**167,881**		167,881
Loss on disposal of property and equipment		**-**		30
Loss on disposal of fixed income investments		**11,354,480**		1,327,680
Gain on disposal of real estate		**(2,487,425)**		-
Gain on disposal of equity investments		**(9,731,586)**		(1,776,223)
Non cash management fees		**46,756**		42,663
Unrealized (gain) loss on investments		**(7,348,742)**		21,091,732
Gain on derivatives		**-**		(2,857)
		4,735,764		3,235,308
Changes in non-cash working capital		**(565,767)**		726,792
		4,169,997		3,962,100
INVESTING ACTIVITIES:				
Purchase of property and equipment		**(11,827)**		(33,577)
Purchase of intangible assets		**-**		(142,135)
Proceeds from the sale of property and equipment		**-**		43
Purchase of investments		**(375,707,829)**		(131,687,017)
Proceeds from the sale of investments		**371,135,257**		127,623,705
Dividends accrued		**(2,687,676)**		(5,378,126)
Dividends received		**2,680,362**		5,367,386
Interest accrued		**(5,139,128)**		(2,658,665)
Interest received		**5,315,595**		2,861,415
		(4,415,246)		(4,046,971)
FINANCING ACTIVITIES:				
Repayment of lease liabilities		**(100,133)**		(118,993)
		(100,133)		(118,993)
NET DECREASE IN CASH		**(345,382)**		(203,864)
CASH POSITION, BEGINNING OF YEAR		**901,451**		1,105,315
CASH POSITION, END OF YEAR	$	**556,069**	$	901,451

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

1. DESCRIPTION OF PLAN

The Saskatchewan Teachers' Federation Teachers' Long-Term Disability Plan (the "Plan") is a long-term disability plan domiciled in Saskatchewan. The Plan is a self-insured, self-administered disability plan licensed in accordance with *The Saskatchewan Insurance Act* and complies with the reporting requirements of the Office of the Superintendent of Insurance. The Plan's address is 2317 Arlington Avenue, Saskatoon, Saskatchewan, Canada, S7J 2H8.

The following brief description of the Plan is a summary only. Plan participants should refer to the Plan text for more complete information.

General

The Plan came into existence on October 1, 1978, replacing both the Short-Term Salary Continuance Plan and the Long-Term Salary Continuance Plan. The Plan provides a basic continuing income to Plan participants who are unable to work, for an extended period of time, due to sickness or accidental injury.

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 Plan participants relating to disability benefits and rehabilitative services.

Funding

Plan benefits are funded by premiums from Plan participants and associated investment earnings. The determination of the value of benefits is made on the basis of an annual actuarial valuation. The determination of the required premiums is made on the basis of a triennial actuarial valuation, and other reports and information deemed necessary.

Membership

Membership is compulsory for STF members employed on a full-time, part-time or temporary basis under a contract of employment pursuant to *The Education Act, 1995*, Federation employees, and members of the League of Educational Administrators, Directors and Superintendents. Superannuated teachers and substitute teachers are not eligible for membership.

1. DESCRIPTION OF PLAN (continued)

Benefits

A Plan participant, who is disabled, is eligible for benefits once all accumulated sick leave has been exhausted and their claim has been approved. The monthly benefit is 50% of the first $4,650 of monthly earnings, plus 40% of the next $9,110 of monthly earnings up to $13,760, plus 30% of monthly earnings over $13,760 and is reduced by all or a portion of amounts received from the Saskatchewan Teachers' Superannuation and Disability Benefits Plan, Canada Pension Plan, and other replacement income.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in Part I of the CPA Handbook.

The financial statements were authorized for issue by the STF Executive on September 21, 2023.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for investments, which are recorded at fair value through profit or loss in the Statement of Net Income and (Loss) and Total Comprehensive Income and (Loss). Historical cost is generally based on the consideration given in exchange for the assets acquired.

Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency. Transactions in foreign currencies are translated into Canadian dollars, the Plan's functional currency, at the spot exchange rate at the dates of the transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of Presentation

These financial statements present the financial position of the Plan as at June 30, 2023. The Plan is a separate financial entity from the STF.

Disability Benefits

<u>Recognition and Measurement</u>

The Plan issues disability insurance benefits to Plan participants. The Plan provides a basic continuing income to Plan participants who are unable to work, for an extended period of time, due to sickness or accidental injury. These benefits protect the Plan participants against the risk of loss of wage.

For this coverage, premiums are recognized as revenue in the period to which they relate for services that have been performed, once collection is reasonably assured. Any premiums relating to the current year and not yet collected at the end of the year are accrued as revenue for the current year.

Benefit expenses are charged to income as incurred. Disability benefit obligations expenses (recoveries) are charged to income as incurred based on the estimated liability for compensation owed to Plan participants.

Benefit expenses arise from events that have occurred up to the end of the year even if they have not been reported to the Plan. Liabilities for unpaid claims are estimated using the input of assessment for individual cases reported to the Plan and statistical analyses for the claims incurred but not reported.

<u>Disability Benefit Obligations</u>

The disability benefit obligations are based on a number of assumptions about future events, including interest, mortality and recovery rates. The amount accrued for these obligations has been actuarially determined. The change in the obligations from year to year is recognized in the Statement of Net Income and (Loss) and Total Comprehensive Income and (Loss).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group in respect of services provided by employees up to the reporting date.

Property and Equipment

Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized within other income on the Statement of Net Income and (Loss) and Total Comprehensive Income and (Loss).

Depreciation

Depreciation is recognized in income or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Furniture and fixtures are depreciated over 15 years, leasehold improvements over 6 years, equipment over 10 years, audio, visual and printing equipment over 5 years and computer hardware over 4 years.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Right of Use Assets

Recognition and Measurement

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently amortized using the straight-line method from commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment, which are intended to reduce the carrying value to the estimated residual value, if any. In addition, the right of use assets are subject to impairment assessment and adjusted for certain remeasurements of the associated lease liabilities.

Leases

All contracts are assessed to determine if the contract is a lease or contains a lease. A right of use asset and corresponding lease liability are recognized at inception of the contract except for short-term leases, lease term of 12 months or less, and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate of interest implicit in the lease. If this rate cannot be readily determined, the incremental borrowing rate is used.

Each lease payment is allocated between the liability and interest. The interest component is included in administration expenses on the Statement of Net Income and (Loss) and Total Comprehensive Income and (Loss).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in estimate in relation to exercising an option for extension, termination or purchase.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right of Use Assets (continued)

<u>Depreciation</u>

Depreciation is recognized in income or loss on a straight-line basis over the term of the right of use asset contract. This most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is calculated using the straight-line method over 5 years for the current lease.

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

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

Interest on bonds, debentures, short-term investments and deposits is recognized as revenue as it is earned, based on the terms of the financial assets. Dividend income is recognized when the right to receive payment is established. Interest income and dividend income are included in finance income on the Statement of Net Income and (Loss) and Total Comprehensive Income and (Loss). Gains and losses that arise from the sale of the financial assets or that arise from changes in market values are recognized in finance income on the Statement of Net Income and (Loss) and Total Comprehensive Income and (Loss) in the period that the gains and losses occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Non-Financial Assets

The carrying amounts of the Plan's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is conducted for the cash-generating unit ("CGU") to which it belongs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the applicable CGU, which is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

Provisions

A provision is recognized if, as a result of a past event, the Plan has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability (where the effect of the time value of money is material). The unwinding of the discount is recognized as finance costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

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

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Plan's designation of such instruments. Trade date accounting is used.

The Plan is required to classify all financial assets either as fair value through profit or loss, available-for-sale, held-to-maturity, or loans and receivables; and financial liabilities are classified as either fair value through profit or loss, or other liabilities. The standards require that all financial assets and financial liabilities, including all derivatives, be subsequently measured at fair value with the exception of loans and receivables, debt securities classified as held-to-maturity, available-for-sale financial assets that do not have quoted market prices in an active market and whose fair value cannot be reliably estimated, and other liabilities.

a) Classification

Financial Asset / Liability	Classification
Cash	Loans and receivables
Accounts receivable	Loans and receivables
Accrued interest and dividends	Loans and receivables
Investments	Fair value through profit or loss
Accounts payable and accrued expenses	Other financial liabilities
Provision for retirement gratuities	Other financial liabilities
Note payable	Loans and payables

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

b) *Fair value through profit or loss ("FVTPL")*

Financial assets and financial liabilities are classified as at FVTPL when the financial asset or financial liability is either held for trading or it is designated as at FVTPL.

A financial asset or financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Plan manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset and financial liability other than a financial asset or financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset/liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis in accordance with the Plan's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39, *Financial Instruments – Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets and financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned/paid on the financial asset/liability and is included in finance income in the Statement of Net (Loss) and Income and Total Comprehensive (Loss) and Income.

The Plan's investments are managed and their performance is evaluated on a fair value basis, in accordance with the documented *Investment Objectives and Policy Statement*, and information about the investments is reviewed by management and provided internally to the Investment Committee, Provincial Executive and the Board of Directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Plan does not intend to sell immediately or in the near term. Loans and receivables are measured at amortized cost using the effective interest method, net of impairment losses.

d) Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset classified as loans and receivables or financial liability classified as other financial liabilities, and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the asset/liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

e) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

f) Impairment of financial assets

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

The impairment loss on financial assets is based on a review of all outstanding amounts at period end.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

f) *Impairment of financial assets* (continued)

For financial assets, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

g) *Other financial liabilities*

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

h) *De-recognition of financial liabilities*

The Plan de-recognizes financial liabilities when, and only when, the Plan's obligations are discharged, cancelled or they expire.

i) *Transaction costs*

Transaction costs related to financial assets and liabilities at FVTPL are expensed as incurred. Transaction costs include the costs as determined by the markets (countries) the securities are traded in, plus any expenses related to the trades such as commissions, fees and taxes. Transaction costs related to loans and receivables and other liabilities are netted against the carrying value of the asset or liability and are amortized over the expected life of the instrument using the effective interest method. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative costs.

Finance Income and Costs

Finance income is comprised of interest and dividend income on funds invested. Also included in finance income are gains and losses on disposal of investments and unrealized gains/losses on investments.

Investment management expenses and custodial fees are finance costs, and they are netted against finance income.

Finance cost is comprised of computed interest on the lease liability and is shown in administration expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments include the following:

Disability Benefit Obligations

The disability benefit obligations are determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, inflation rates, mortality rates, claim recovery rates, retirement age, benefit offsets and claim reserves. Due to the long-term nature of the Plan, such estimates are subject to significant uncertainty. These assumptions are determined by management and are reviewed annually by the Plan's actuaries. See Note 17 for the significant assumptions used.

Valuation of Investments

Investments are stated at their fair values. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. 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 estimated 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 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.

Future Accounting Changes

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended June 30, 2023 and have not been applied in preparing these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Accounting Changes (continued)

IFRS 9, *Financial Instruments*. The final standard largely retains the classification and measurement requirements and new hedge accounting model included in earlier versions, while introducing a single forward-looking expected credit loss impairment model. IFRS 9 is effective for annual period beginning on or after January 1, 2018. However, on July 1, 2018 the Plan qualified for and elected to take the deferral approach as the Plan's activities are predominantly connected with insurance contracts in accordance with IFRS standards. Consequently, the Plan will continue to apply IAS 39, *Financial Instruments: Recognition and Measurement*, the current financial instrument standard until the implementation of IFRS 17 which is discussed below. To enable a comparison to entities applying IFRS 9, entities that apply the deferral approach are required to disclose fair value separately for those financial assets that pass the Solely Payment of Principal and Interest ("SPPI") test, excluding any financial asset that is managed and whose performance is evaluated on a fair value basis; and all other financial assets. Financial assets which pass the SPPI test are assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets that pass the SPPI test are cash, accounts receivable, accrued interest and dividends and note receivable. See Note 20 for disclosure of the carrying value and fair value of these financial assets at June 30, 2023. All other financial assets are managed and their performance is evaluated on a fair value basis.

IFRS 17, *Insurance Contracts.* The standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4. IFRS 17 requires measurement of insurance contract liabilities at the current fulfillment values using one of three measurement models, depending on the nature of the contract. The Plan has completed analysis and will be adopting the Premium Allocation Approach for measurement. IFRS 17 is effective for annual periods beginning on or after January 1, 2023 which is the period beginning July 1, 2023 for the Plan. IFRS 17 is to be applied retrospectively to each group of insurance contracts unless impracticable. For the Plan, the retrospective application will require the restatement of the comparative year ended June 30, 2023.

The largest impact in regards to measurement will be on the Disability Benefit Obligations and the discount rate applied to the projected cash flows. The impact will be a decrease to the Defined Benefit Obligation which will increase the equity in the Plan. The dollar amount of these adjustments has not yet been determined.

4. ACCOUNTS RECEIVABLE

		2023		2022
Premiums	$	**1,142,258**	$	1,091,470
Due from Saskatchewan Teachers' Federation		**15,832**		-
Other		**20,454**		25,149
	$	**1,178,544**	$	1,116,619

The majority of the other accounts receivable are non-interest bearing and have terms that range up to 180 days. For certain interest-bearing receivables, the effect of discounting is immaterial to the financial statements.

There are no receivables that are past due greater than 30 days and impaired.

5. ACCRUED INTEREST AND DIVIDENDS

		2023		2022
Interest				
Short term	$	**256,613**	$	41,386
Fixed income		**-**		391,695
Dividends				
Global equities		**125,185**		117,870
	$	**381,798**	$	550,951

6. FINANCE INCOME

Revenue relating to investments, all of which are recorded at FVTPL, is listed below:

		2023		2022
Interest	$	**5,139,128**	$	2,658,665
Dividends		**2,687,676**		5,378,126
Gain on derivatives		**-**		2,857
Loss on disposal of fixed income investments		**(13,602,474)**		(1,327,680)
Gain on disposal of equity investments		**9,731,586**		1,776,223
Gain on disposal of alternative and private credit investments		**2,247,994**		-
Gain on disposal of real estate investments		**2,487,425**		-
Unrealized gain (loss) on investments		**7,348,742**		(21,091,732)
Investment management expenses and custodial fees		**(802,016)**		(862,601)
	$	**15,238,061**	$	(13,466,142)

7. INVESTMENTS

The following tables provide information on the investments held by the Plan, all of which are recorded at FVTPL.

	2023 Market Value	2022 Market Value
Short term	**$ 33,884,566**	$ 24,069,313
Fixed income	**151,598,764**	84,400,969
Public equities	**25,186,699**	53,443,558
Alternative and private credit	**7,377,291**	36,098,058
Real estate	**23,430,897**	30,727,230
	207,593,651	204,669,815
	$ 241,478,217	$ **228,739,128**

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

Short Term Investments and Deposits

Short term investments and deposits represent treasury bills and bankers' acceptances. Fair value is based on the closing bid price for long positions at June 30. Due to the short-term nature of the items, gains and losses are insignificant.

7. INVESTMENTS (continued)

Fixed Income and Alternative and Private Credit

Fixed income represents pooled investment funds in PH&N Core Plus Bond Fund (2022 - fixed and floating rate debt instruments and pooled investment funds) and alternative and private credit represent TD Greystone mortgage fund (2022 – TD Greystone mortgage fund and Robeco high yield bonds). Debt instruments were issued by the federal, provincial and municipal governments of Canada and corporations.

Fair value (excluding pooled funds) was 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. Although some of the instruments in the prior year had terms that were less than 12 months it is within the Plan's policies to have these reinvested upon maturity and as such were classified as non-current.

Equities

Equities (excluding pooled investment funds) represent securities issued by entities that are traded on a recognized stock exchange. Pooled investment funds represent funds totaling $151,598,764 as at June 30, 2023 (2022 – $40,065,755). As at June 30, 2023, $nil (2022 – $616,097) related to securities traded on recognized Canadian stock exchanges, $nil (2022 – $7,425,568) related to securities traded on recognized U.S. stock exchanges and $nil (2022 – $5,336,138) related to securities traded on recognized non-North American stock exchanges. Fair value (excluding pooled investment funds) was based on the closing prices as at June 30 in the prior year. For the year ending June 30, 2023, fair value of pooled investments 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 Estate

Real estate represents an investment in the TD Greystone real estate fund. These assets are included at the unit value of the fund based on the unit value of the fund at the estimated fair value as at June 30, based on appraisals performed on an annual basis by professionally qualified independent real estate appraisers.

8. PROPERTY AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Computer hardware	Total
Cost				
Balance at June 30, 2021	$ 278,076	$ 52,090	$ 27,347	$ 357,513
Additions	18,623	14,074	18,929	51,626
Disposals	-	(11,723)	(6,702)	(18,425)
Balance at June 30, 2022	296,699	54,441	39,574	390,714
Additions	-	11,362	465	11,827
Disposals	-	-	(185)	(185)
Balance at June 30, 2023	**$ 296,699**	**$ 65,803**	**$ 39,854**	**$ 402,356**

	Leasehold improvements	Furniture and fixtures	Computer hardware	Total
Accumulated depreciation				
Balance at June 30, 2021	$ 275,304	$ 39,030	$ 23,624	$ 337,958
Depreciation expense	3,935	11,047	10,228	25,210
Disposals	-	(7,768)	(6,452)	(14,220)
Balance at June 30, 2022	279,239	42,309	27,400	348,948
Depreciation expense	3,492	1,887	5,383	10,762
Disposals	-	-	(185)	(185)
Balance at June 30, 2023	**$ 282,731**	**$ 44,196**	**$ 32,598**	**$ 359,525**

	Leasehold improvements	Furniture and fixtures	Computer hardware	Total
Net book value				
Balance at June 30, 2021	$ 2,772	$ 13,060	$ 3,723	$ 19,555
Balance at June 30, 2022	$ 17,460	$ 12,132	$ 12,174	$ 41,766
Balance at June 30, 2023	**$ 13,968**	**$ 21,607**	**$ 7,256**	**$ 42,831**

9. RIGHT OF USE ASSETS

	Right of use assets
Cost	
Balance at June 30, 2021	423,861
Additions	-
Disposals	(55,748)
Balance at June 30, 2022	368,113
Additions	562,786
Disposals	(368,113)
Balance at June 30, 2023	**562,786**

	Right of use assets
Accumulated depreciation	
Balance at June 30, 2021	282,574
Depreciation	85,539
Disposals	-
Balance at June 30, 2022	368,113
Depreciation	112,557
Disposals	(368,113)
Balance at June 30, 2023	**112,557**

	Right of use assets
Net book value	
Balance at June 30, 2021	141,287
Balance at June 30, 2022	-
Balance at June 30, 2023	**450,229**

10. INTANGIBLE ASSETS

		Computer software
Cost		
Balance at June 30, 2021	$	966,099
Additions		142,135
Disposals		(267,414)
Balance at June 30, 2022		840,820
Additions		-
Disposals		-
Balance at June 30, 2023	**$**	**840,820**

		Computer software
Accumulated depreciation		
Balance at June 30, 2021	$	268,828
Depreciation		167,881
Disposals		(267,414)
Balance at June 30, 2022		169,295
Depreciation		167,881
Disposals		-
Balance at June 30, 2023	**$**	**337,176**

		Computer software
Net book value		
Balance at June 30, 2021	$	697,271
Balance at June 30, 2022	$	671,525
Balance at June 30, 2023	**$**	**503,644**

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2023	2022
Accumulated vacation days	**$ 17,234**	$ 17,912
Trade payables and other accrued charges	**303,825**	271,523
Saskatchewan Teachers' Federation	**-**	36,044
Saskatchewan Teachers' Federation – Other Plans	**15,158**	9,425
	$ 336,217	$ 334,904

12. LEASE LIABILITIES

	2023	2022
Total future minimum lease payments	**$ 518,491**	$ -
Less: future finance charges on leases	**(55,838)**	-
Present value of lease liabilities	**462,653**	-
Less: current portion of lease liabilities	**(105,992)**	-
	$ 356,661	$ -

The lease has now been renewed for a third term to June 2027. The aggregate minimum lease payments under these arrangements for the next 5 years is $129,623 per annum with an implicit rate applied of 5.70%.

13. PROVISION FOR RETIREMENT GRATUITIES

	2023	2022
Balance, beginning of year	**$ 10,000**	$ 10,000
Provisions incurred	**5,000**	5,000
Gratuities paid	**-**	(5,000)
Balance, end of year	**$ 15,000**	$ 10,000

Any employee leaving the employ of the Plan by way of retirement shall receive a service payment in accordance with the agreement between the STF and the applicable employee group. It is uncertain when the provision for service payments will be paid to the employees.

14. GOVERNANCE EXPENSES

The schedule below summarizes the governance expenses of the Plan.

		2023		2022
Governance	$	**21,586**	$	11,802
Insurance		**7,186**		6,478
	$	**28,772**	$	18,280

15. ADMINISTRATION EXPENSES

The schedule below summarizes the administration expenses of the Plan.

		2023		2022
Actuarial	$	**30,586**	$	35,485
Administration fee (Note 22)		**1,461,455**		1,615,762
Audit		**38,600**		31,177
Claims adjudication		**35,680**		16,804
Depreciation and amortization		**300,938**		268,079
External legal and consulting		**91,834**		263,987
IT systems and support		**92,984**		94,038
Office operating expenses		**42,867**		18,622
Staff salaries		**513,657**		499,352
Benefits		**(330,638)**		1,124,547
HR administration		**-**		1,378
	$	**2,277,963**	$	3,969,231

16. REHABILITATION EXPENSES

The schedule below summarizes the rehabilitation expenses of the Plan.

		2023		2022
Staff salaries	$	**296,347**	$	286,668
Benefits		**6,507**		197,952
	$	**302,854**	$	484,620

17. DISABILITY BENEFIT OBLIGATIONS

Accumulated Plan benefits are comprised of accrued disability benefits which are determined by an independent firm of actuaries, Eckler, using the Canadian Institute of Actuaries guidelines for self-insured benefit plans. The actuarial calculations completed in accordance with accepted actuarial principles provide an estimate of the present value of the disability benefits currently being paid to Plan participants. These actuarial estimates are based on a number of assumptions about future events, including interest, inflation, mortality and recovery rates. The Plan's management and actuaries review these assumptions each year and update them for any required changes. Emerging experience differing from the assumptions will result in gains or losses, which will be revealed in future valuations.

The actuarial present value of disability benefits and the principle components are as follows:

	2023	2022
Claims in process	**$** 98,441,000	$ 95,778,000
Reserve adjustment for Canadian Asset and Liability Method approximation	(11,518,000)	(13,409,000)
Claims incurred but not reported	4,957,000	5,699,000
Provision for future administrative expenses	24,808,000	23,778,000
Unearned contribution reserve	1,919,000	1,896,000
	$ 118,607,000	$ 113,742,000

Claims in process represent the actuarial present value of amounts not yet due on claims in process as at June 30 of each year.

Claims incurred but not reported has been established to represent the liability for claims with a disability date before June 30 but which have not yet been reported to the Plan.

The provision for future administrative expenses includes the charges incurred by the STF for the purposes of administering the Plan and providing rehabilitative services to Plan participants.

Unearned contribution reserve represents premiums collected in advance that pertain to the months of July and August of the next fiscal year.

The change to the disability benefit obligation is the net result of increases to the incurred but not reported claims liability and unearned contribution reserve and decreases to the current claim liability, provision for future expenses and the reserve adjustment for Canadian Asset and Liability Method approximation. The Plan's financial position has declined primarily due to the net result of losses from investment earnings and the cost of

17. DISABILITY BENEFIT OBLIGATIONS (continued)

new claims compared to actual premiums, offset by gains experienced from changes in benefit amounts and the reserve adjustment for Canadian Asset and Liability Method approximation.

Significant long-term actuarial assumptions used in the valuation were:

	2023	2022
Discount rate	**1.30%**	1.30%
Claims recovery rate	**1988 - 1997 Canadian Institute of Actuaries LTD termination study adjusted to reflect Plan experience**	1988 - 1997 Canadian Institute of Actuaries LTD termination study adjusted to reflect Plan experience
Inflation rate	**5.00%**	2.00%
Reserve for future administrative expenses	**27.0% of the annual benefits paid under the Plan**	27.0% of the annual benefits paid under the Plan

There is uncertainty inherent in the estimation process. The actual amount of ultimate benefits can only be ascertained once all benefits are closed. The following table provides a sensitivity analysis on the financial position of the Plan if certain key assumptions were to change by the amounts noted below:

	Effect on Funding Excess as of June 30, 2023	Effect on Funding Excess as of June 30, 2022
Discount rate + 1.00%	**$ 7,589,000**	$ 7,247,000
Discount rate - 1.00%	**(8,681,000)**	(8,290,000)
Claims recovery rate + 10.00%	**4,176,000**	3,923,000
Claims recovery rate - 10.00%	**(4,585,000)**	(4,301,000)
Reserve for future administrative expenses + 10.00%	**(2,347,000)**	(2,224,000)
Reserve for future administrative expenses - 10.00%	**2,347,000**	2,224,000

18. CAPITAL MANAGEMENT

The Plan's objectives when managing capital are to maintain sufficient equity to achieve the purpose of the Plan and to ensure compliance with external and internal restrictions placed on that equity. The Plan is not subject to any externally imposed capital requirements.

In the management of capital, the Plan includes equity in the definition of capital. As of June 30, 2023, the Plan has $124,549,346 (2022 – $116,895,529) in capital.

Capital management objectives, policies and procedures are unchanged since the preceding year.

19. EMPLOYEE FUTURE BENEFITS

IAS 19, *Employee Benefits* ("IAS 19") requires separate identification of re-measurements and other items from the other pension costs thereby allowing visibility to the impact resulting from the periodic re-measurements.

In the current year and prior year, the following financial statement items were affected by the following amounts:

	2023	2022
Employee future benefits re-measurements and other items	**$ 92,264**	$ 1,267,519
Net loss	**(92,264)**	(1,267,519)

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value

The amounts set out below represent the fair values of the Plan's financial instruments using the valuation methods and assumptions described below. The fair values disclosed do not reflect the value of assets that are not considered financial instruments such as prepaid expenses, property and equipment, and intangible assets.

The estimated fair value amounts are designed to approximate amounts at which instruments could be exchanged in a current transaction between willing parties who are under no compulsion to act. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value (continued)

concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Because of the estimation process and the need to use judgment, the aggregate fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

	2023			2022		
	Fair value	**Book value**	**Fair value over book value**	Fair value	Book value	Fair value over book value
Assets						
Cash	**$ 556,069**	**$ 556,069**	**$ -**	$ 901,451	$ 901,451	$ -
Accounts receivable	**1,178,544**	**1,178,544**	**-**	1,116,619	1,116,619	-
Accrued interest and dividends	**381,798**	**381,798**	**-**	550,951	550,951	-
Investments	**241,478,217**	**231,352,276**	**10,125,941**	228,739,128	225,915,173	2,823,955
Liabilities						
Accounts payable and accrued expenses	**$ 336,217**	**$ 336,217**	**$ -**	$ 334,904	$ 334,904	$ -
Provision for service gratuities	**15,000**	**15,000**	**-**	10,000	10,000	-
Due to related party	**627,359**	**627,359**	**-**	1,044,650	1,044,650	-

Investments are recorded at fair value on the Statement of Financial Position.

The following methods and assumptions were used to estimate the fair value of financial instruments:

(i) The fair value of cash, accounts receivable, accrued interest and dividends, accounts payable and accrued expenses, due to related party and provision for retirement gratuities are assumed to approximate their carrying value, due to their short-term nature.

(ii) The fair value of investments is discussed in Note 3.

Fair Value Hierarchy

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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

				2023
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Short term	**$ -**	**$ 33,884,566**	**$ -**	**$ 33,884,566**
Fixed income	**-**	**-**	**151,598,764**	**151,598,764**
Public equities	**-**	**25,186,699**	**-**	**25,186,699**
Alternative and private credit	**-**	**-**	**7,377,291**	**7,377,291**
Real estate	**-**	**-**	**23,430,897**	**23,430,897**
Total	**$ -**	**$ 59,071,265**	**$ 182,406,952**	**$ 241,478,217**

				2022
	Level 1	Level 2	Level 3	Total
Investments				
Short term	$ -	$ 24,069,313	$ -	$ 24,069,313
Fixed income	-	84,400,969	-	84,400,969
Public equities	13,377,803	40,065,755	-	53,443,558
Alternative and private credit	-	11,536,208	24,561,850	36,098,058
Real estate		-	30,727,230	30,727,230
Total	$ 13,377,803	$ 160,072,245	$ 55,289,080	$ 228,739,128

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

Investments classified as Level 3 include investments in a mortgage pooled fund, a core plus bond pooled fund and Canadian real estate pooled fund. The period end fair values of the Level 3 investments are provided by the investment manager.

Canadian real estate pooled funds are based on the appraised values of the underlying properties held by the fund, combined with any adjustments for working capital. The significant unobservable inputs to the valuation of these instruments include the discount rates, capitalization rates, occupancy rates and impact on prevailing market conditions which could result in the fair values experiencing fluctuation from period to period.

An increase (decrease) in these unobservable inputs would result in a lower (higher) fair value. Due to the unobservable nature of these, the Plan does not assess whether applying reasonably possible alternative assumptions would have an impact on the fair value of the Canadian real estate pooled fund. The majority of the investments in Canadian real estate pooled fund are FVTPL assets supporting insurance contract liabilities. Changes in the fair value of these assets supporting insurance contract liabilities are largely offset by changes in the corresponding insurance contract liabilities. As a result, though using reasonably possible alternative assumptions may have an impact on the fair value of the Canadian real estate pooled fund, it would not have a significant impact on the Financial Statements.

The mortgage pooled fund consists mostly of first and subsequent priority mortgages in Canadian real estate. The core plus bond fund primarily invests in Canadian government and investment grade corporate bonds with flexibility to tactically invest in other assets, including mortgages, high yield bonds, emerging market debt, private placement debt and equities. The tactical allocation outside the core assets is subject to a pre-set limit. At the aggregated fund level, core plus bond is classified as Level 3 due to the unobservable inputs of certain assets within the fund.

The fair values of both the mortgage pooled fund and the core plus bond fund are based on the appraised values of the underlying assets as well as the prevailing market prices of the public securities held by the fund. The significant unobservable inputs to the valuation of these funds include the discount rates, capitalization rates, and impacts on prevailing market conditions which could result in the fair values experiencing fluctuation from period to period.

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

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Hierarchy (continued)

	2023	2022
Fair value, beginning of year	$ **55,289,080**	$ 48,574,224
Purchases	**151,541,830**	3,779,305
Sales	**(22,926,676)**	-
Unrealized gains included in net investment income	**(1,497,282)**	2,935,551
Fair value, end of year	**182,406,952**	55,289,080

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).

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS

Risk Management

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's assets under the jurisdiction of the STF, for the appropriate investment of the assets of the fund, for the formulation of investment objectives, and a standard for evaluating the 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

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

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 estate 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.

The nature of insurance operations result in insurance risk, as well as financial risks, as the Plan's Statement of Financial Position consists primarily of financial instruments. The Plan is exposed to the following risks: insurance risk, regulatory risk, market risk, credit risk, liquidity risk and real estate risk. The following is a description of these risks and how the Plan manages its exposure to these risks.

Insurance Risk

Insurance risk arises with respect to the adequacy of the Plan's premium rates and disability benefit obligations. The Plan manages its insurance risk through its funding policies. The determination of the value of benefits is made on the basis of an annual actuarial valuation. The determination of the required premiums is made on the basis of a triennial actuarial valuation, and other reports and information deemed necessary. This exposure is concentrated to the Saskatchewan area, as the majority of Plan participants live in Saskatchewan.

Regulatory Risk

Regulation covers a number of areas including solvency and capital movement limitations. The Plan works closely with regulators and monitors regulatory developments to assess their potential impact on its ability to meet solvency and other requirements.

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Market Risk

Market risk is the risk of loss that may arise from change in market factors such as interest rates, foreign currency rates, equity prices and real estate 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 manager reports 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.

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 comprehensive income. 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 an approach whereby investments are strategically distributed, on a long-term basis, among several classes of assets to reduce exposure to investment volatility.

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 income and equity 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 \$9,746,629 or decreased by \$8,554,879).

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Market Risk (continued)

b) Foreign currency risk

Foreign currency risk is the risk that the fair value of financial instruments denominated in foreign currency will be adversely impacted due to the change in foreign exchange rates. At June 30, 2023, the Plan only had pooled equities held in Canadian dollars where the exposure to foreign currencies is not significant.

In the prior year, if foreign exchange rates at that date had been 1% higher (or 1% lower), with all other variables held constant, the income and equity of the Plan would have increased by $126,353 (or decreased by $126,353).

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

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 $25,186,699 at June 30, 2023 (2022 – $53,443,558).

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 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 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 no longer has any segregated equities. In the prior year, the Plan's maximum exposure to a single equity investment was $563,206.

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Market Risk (continued)

c) *Equity price risk* (continued)

At June 30, 2023, if equity prices at that date had been 20% higher (or 20% 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 income and equity of the Plan for the year ended June 30, 2023 would have increased by $5,037,340 (or decreased by $5,037,340) (2022 – increased by $10,688,711 or decreased by $10,688,711).

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 indirectly to foreign currency risk.

d) *Real estate risk*

Risk in the real estate pooled fund is 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 and direct investments.

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 customer or 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 for private credit is managed by limiting the allocations and through diversification.

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.

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Credit Risk (continued)

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 short-term investments, fixed income funds, private credit, accounts receivable, accrued interest and dividends and cash.

As at June 30, 2023, the Plan's maximum exposure to credit risk was $194,977,032 (2022 – $147,137,360) 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, 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.

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

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

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Credit Risk (continued)

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

Fixed income	96.2%	$ 185,483,330
Private credit	3.8%	7,377,291
	100.0%	$ 192,860,621

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 $457,209 (2022 – $344,904) relating to accounts payable and accrued expenses, current portion of lease liability and provision for retirement gratuities. In addition, it has an ongoing obligation to pay benefits to participants of the Plan in respect of disability benefits, which totaled $118,607,000 for the year ended June 30, 2023 (2022 – $113,742,000).

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.

21. NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE ACTIVITIES AND FINANCIAL INSTRUMENTS (continued)

Risk Management (continued)

Liquidity Risk (continued)

The following are the contractual maturities of the Plan's non-derivative financial liabilities:

	< 1 year	**1-2 years**	**2-3 years**	**3 + years**	**2023 Total**
Non-derivative financial liabilities					
Accounts payable and accrued expenses	**$ 336,217**	**$ -**	**$ -**	**$ -**	$ **336,217**
Current portion of lease liability	**105,992**	**-**	**-**	**-**	**105,992**
Provision for service gratuities	**-**	**-**	**-**	**15,000**	**15,000**
	$ 442,209	**$ -**	**$ -**	**$ 15,000**	**$ 457,209**

	< 1 year	1-2 years	2-3 years	3 + years	2022 Total
Non-derivative financial liabilities					
Accounts payable and accrued expenses	$ 334,904	$ -	$ -	$ -	$ 334,904
Current portion of lease liability	-	-	-	-	-
Provision for service gratuities	-	-	-	10,000	10,000
	$ 334,904	$ -	$ -	$ 10,000	$ 344,904

22. RELATED PARTY TRANSACTIONS

Revenues

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

	2023	2022
Saskatchewan Teachers' Federation – Portaplan	**$ 94,800**	$ 106,000
Saskatchewan Teachers' Federation – Members' Health Plan	**119,900**	90,100
	$ 214,700	$ 196,100

22. RELATED PARTY TRANSACTIONS (continued)

Administration

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

Saskatchewan Teachers' Retirement Plan, Saskatchewan Teachers' Federation – Portaplan, and Saskatchewan Teachers' Federation – Members' Health Plan are plans administered by the STF.

During the year, the Plan incurred $1,461,455 (2022 – $1,615,762) in administration fees from the STF.

During the year, the Plan paid $12,069 (2022 – $11,380) in facilities expenses to the STF and $117,553 (2022 – $104,884) in facilities expenses to the Saskatchewan Teachers' Retirement Plan.

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 $627,359 (2022 – $1,044,650). This number represents the Plan's share of the pension expense, employee future benefits re-measurements, going concern surplus and other items since July 1, 2016. There are no repayment terms.

At the end of the year, the amount due to the STF is $nil (2022 – $36,044) and the amount due to the Saskatchewan Teachers' Federation – Other Plans is $15,158 (2022 - $9,425) and is recorded in accounts payable and accrued expenses in the Statement of Financial Position. The amount due from the STF is $15,832 (2022 – $nil) and is recorded in accounts receivable in the Statement of Financial Position. These amounts are repayable within 12 months.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation. Investment categories were reclassified in the current year to better reflect the underlying nature of the investments. Alternative credit investments totaling $24,561,850 were reclassified to private credit.